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JASDAQ

January 31, 2011

Corporate Name: Works Applications Co., Ltd.

Representative: Representative Director and CEO, Masayuki Makino

(JASDAQ • Code 4329)

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**Announcement regarding implementation of management buyout
and recommendation for acceptance**

Works Applications Co., Ltd., (the “Company”) hereby announces that at the board of directors meeting held on January 31, 2011, the Company resolved (i) to issue a supporting opinion regarding the takeover bid (“TOB”) for (a) the ordinary shares of the Company, and (b) “The First Share Options” adopted by resolution at the Sixth Ordinary Shareholders Meeting on September 27, 2002, “The Second Share Options” adopted by resolution at the Seventh Ordinary Shareholders Meeting on September 26, 2003, “The Third Share Options” adopted by resolution at the Eighth Ordinary Shareholders Meeting on September 28, 2004 and “The Fourth Share Options” adopted by resolution at the Ninth Ordinary Shareholders Meeting on September 28, 2005 (collectively, the “Share Options”) contemplated by WPK Holdings Inc. (the “Tender Offeror”) that will be conducted as a part of a management buyout (“MBO”) (Note), and (ii) to recommend that all the Company’s shareholders accept the TOB as described below.

The resolution at the board of directors meeting was adopted on the premise that (i) the Tender Offeror intends to acquire 100% ownership of the Company through the TOB and the other subsequent procedures, and (ii) the Company’s ordinary shares will be delisted as a result of such procedures.

(Note) In general, “management buyout” means acquisition of a target company’s shares, for which management of the target company invests capital for the acquisition together with financial investors, on the premise that the business of the target company will continue after the acquisition.

1. Summary of the Tender Offeror

(as of January 31, 2011)

(1)	T r a d e N a m e	WPK Holdings Inc.	
(2)	L o c a t i o n	2-4-1, Yaesu, Chuo-ku, Tokyo	
(3)	Title and Name of Representative	Representative Director, Shingo Ota	
(4)	Content of Business	The Tender Offeror conducts the acquisition and possession of the Company's share certificates, etc. as its business.	
(5)	Amount of Stated Capital	200,000 JPY	
(6)	Date of Establishment	January 11, 2011	
(7)	Major Shareholders and Their Shareholding Ratio	Polaris K&C Investment Partnership 100%	
(8)	Relationship between the Tender Offeror and the Company, etc.	C a p i t a l Relationship	Not Applicable
		P e r s o n a l Relationship	Not Applicable
		B u s i n e s s Relationship	Not Applicable
		S t a t u s a s a Related Party	Not Applicable

2. Details of, and grounds and reasons for our opinion regarding the TOB

(1) Details of our opinion regarding the TOB

At the board of directors meeting held on January 31, 2011, the board carefully discussed and assessed the appropriateness of the purchase price and the other terms and conditions for the TOB, considering the Company's financial condition and business environment, equal treatment of our shareholders, and other factors, and concluded that (i) delisting the Company's ordinary shares and becoming a wholly owned subsidiary of the Tender Offeror will improve the medium- to long-term corporate value of the Company, and (ii) the terms and conditions of the TOB are appropriate and take into sufficient account the benefits to the Company's shareholders that should be provided through a fair procedure, and resolved to issue a supporting opinion regarding the TOB. Therefore, we recommend that all the Company's shareholders accept the TOB if it is implemented.

Please note that Masayuki Makino, the representative director and the CEO of the Company ("Mr. Makino"), Takashi Abe, the representative director and the COO of the Company ("Mr. Abe") and

Yoshiro Ishikawa, the representative director and the CTO of the Company (“Mr. Ishikawa,” collectively with Mr. Makino and Mr. Abe, the “Current Management”) recused themselves from attending in the deliberation and voting in the resolution because of their special interest. At the board of directors meeting at which the resolution was adopted, all the directors of the Company, except for the Current Management, were present and passed the resolution unanimously. Furthermore, all the statutory auditors of the Company attended the board of directors meeting, and stated no objection to the decision of the board of directors of the Company to issue an opinion supporting the TOB and to recommend that all the Company’s shareholders accept the TOB.

(2) Grounds and reasons for our opinion regarding the TOB

(I) Summary of the TOB

Regarding the outline, etc. of the TOB, we were explained by the Tender Offeror as follows.

The Tender Offeror is a stock company (*kabushiki kaisha*) (i) whose outstanding shares are wholly owned by Polaris K&C Investment Partnership (“PK Partnership”) as of today, and (ii) that was established to acquire and possess the ordinary shares of the Company and the Share Options through the TOB. PK Partnership is a partnership (*kumiai*) organized under the Civil Code of Japan having the following members: (i) Polaris II Investment Limited Partnership (“PFII”) administered and managed by its general partner, Polaris Capital Group Co., Ltd. (“Polaris”), and (ii) Polaris Karita Kyodo Investment Limited Partnership (“Polaris Karita Kyodo LPS”) administered and managed by its general partners, Polaris and Kabushiki Kaisha Karita & Company (“K&C”). Both PFII and Polaris Karita Kyodo LPS are investment limited partnership (*toshi-jigyo yugensekinin kumiai*), organized under the Limited Partnership Act for Investment of Japan.

Polaris, established in September, 2004, is a management company for buyout funds which has 22 professionals, including representative director and president, Yuji Kimura, who have various career, such as investment banking, company operation, business consulting, investment funds, etc. It has many well-rated financial institutions in Japan, including Mizuho Securities Co., Ltd. (“Mizuho Securities”) and DIAM Co., Ltd., as its shareholders or fund investors, and is a management company for buyout funds which has staff with experience of working for The Industrial Bank of Japan, Limited, which was once regarded as a leader in the industrial finance market, as core members. It has conducted a wide variety of investment activities through investment limited partnerships which it administers and manages (e.g., PFII), such as (i) investment in private companies having fundamental potential for growth, (ii) spin-off of business sectors or subsidiaries in conjunction with readjustments of business strategy by large

companies, (iii) investment in shares of private companies in connection with reorganization or reconstruction of the capital structure of joint venture companies and (iv) taking private listed companies in need of a fundamental restructuring of management strategy from a mid-term viewpoint, and has invested total of 13 transaction, including 2 delisting transaction, in the last 6 years. Polaris employs a slogan “We will make the Japanese market more attractive to the rest of the world by assisting Japanese companies to compete in the global market using their unique technology and brand power, etc.” as its corporate goal, and has significant achievements and know-how regarding improvement in the corporate value of its investments, such as enhancement of corporate governance, use of corporate finance-related measures, and planning and support for the actual implementation of business plans.

K&C, established in May, 2007, is a management company for buyout funds which has staff who has experiences of creating value as a business manager and many achievements of investment and exit as a buyout fund manager. Its corporate philosophy is to grasp the thinking of management and “space” of communications, to reasonably maximize the corporate value by sharing an appropriate strategy with the executives, and to thereby achieve “satisfaction as a result” for each stakeholder. It picks investment targets using “business succession,” “rejuvenation of brands” and “market reorganization” as its metrics and develops its activities creating corporate value by emphasizing “new business opportunities,” “solutions to business challenges” and “human resources and teams.” In addition, K&C has constructed a relationship thorough communication with the Company’s officers and employees, by having its representative director, Naobumi Karita serve as outside director of the Company from September 2009 to April 2010, before considering this Transaction (defined below).

The Tender Offeror will implement the TOB as a part of series of transactions in which it will (i) acquire all the outstanding ordinary shares of the Company (excluding treasury stock (the Company does not hold any treasury stock as of today)) and the Share Options, and (ii) delist the ordinary shares of the Company (the “Transaction”).

The TOB will be implemented, as a part of an MBO, to amicably acquire the ordinary shares of the Company and the Share Options with support from the Company’s board of directors.

The Tender Offeror and PK Partnership executed a take over bid application agreement (the “TOB Application Agreement”) on January 28, 2011 with each of Mr. Makino (number of holding shares: 26,559 shares, Shareholding Ratio (Note): 5.71%), Mr. Abe (number of holding shares: 25,018 shares, Shareholding Ratio: 5.38%) and Mr. Ishikawa (number of holding shares: 49,977 shares, Shareholding Ratio: 10.75%). The Current Management agreed to accept the TOB in respect of all the ordinary shares held by them (total shares: 101,554 shares, Shareholding Ratio: 21.84%) after terminating the pledge (“Pledge”) created over the 26,501 shares held by Mr. Makino, the 24,646 shares held by Mr. Abe and the 43,037 shares held by Mr.

Ishikawa, pursuant to the TOB Application Agreement.

In the event the TOB is successfully completed, the Tender Offeror contemplates executing a management entrustment agreement with each of the Current Management and PK Partnership with respect to assumption of office as directors of the Company and the Tender Offeror after the completion of the TOB. In addition, in the event the TOB is successfully completed, promptly after the settlement of the TOB, the Current Management will newly invest total of 3,800,000,000 JPY in the Tender Offeror directly or indirectly through a company in which the Current Management invest. Furthermore, as part of the Transaction, the Tender Offeror will request the employees shareholding association of the Company or its members to offer the Company's shares they hold for sale, and will issue shares of the Tender Offeror to the shareholding association for the Company's employees.

Please refer to the description in “(3) Agreement with respect to the TOB” below for an outline of the agreement relating to the TOB between the Current Management and the Tender Offeror.

The Tender Offeror will obtain a loan in an amount up to 17,100,000,000 JPY (the “Acquisition Loan”) from The Bank of Tokyo-Mitsubishi UFJ, Ltd. to fund the settlement of the TOB. Detailed loan conditions of the Acquisition Loan will be separately discussed and specifically stipulated in a loan agreement for the Acquisition Loan. Terms and conditions provided for in ordinary acquisition finance transactions, such as conditions precedent for drawdown and financial covenants, will be provided in the loan agreement for the Acquisition Loan, and the ordinary shares of the Company to be acquired by the Tender Offeror as a result of the TOB, shares to be issued by the Tender Offeror and be purchased by PK Partnership and the Current Management (or a company in which the Current Management invests), and certain assets, etc. of the Tender Offeror and PK Partnership will be provided to the lender(s) as collateral. In addition, after the Company has become a wholly owned subsidiary of the Tender Offeror, the Company and its consolidated wholly owned subsidiaries (except for Works Products Co., Ltd.) will act as joint guarantor on behalf of the Tender Offeror, and the Company and its consolidated wholly owned subsidiaries (except for Works Products Co., Ltd.) will provide certain assets, etc., as collateral for the Acquisition Loan.

For the TOB, 70% of the total number of outstanding shares (434,811 shares) as of September 30, 2010 (the Company does not hold any treasury stock as of today) as disclosed in the “First Quarterly report of the 15th Fiscal Year” submitted by the Company on November 11, 2010 (namely, 304,367 shares) (fraction rounded down) has been set as the lower limit for the planned purchase volume. If the total number of “share certificates, etc. offered for sale” does not exceed such lower limit, the Tender Offeror will not purchase any “share certificates, etc. offered for sale.” This lower limit (304,367 shares) exceeds the two third (289,874 shares) of the total

number of the Company's outstanding shares (434,811 shares). On the other hand, an upper limit for the planned purchase volume is not set by the Tender Offeror. Thus, if the number of "shares certificates, etc. offered for sale" exceeds the lower limit, the Tender Offeror will purchase all the "share certificates, etc. offered for sale." In the event the Tender Offeror cannot acquire all the outstanding ordinary shares of the Company through the TOB, as a part of the Transaction, the Tender Offeror will implement a procedure to acquire all the outstanding shares of the Company after the TOB (as to the details of such procedure, please see the descriptions in "(5) Plan after the TOB (matters relating to so called double step acquisition)" below).

(Note) "Shareholding Ratio" means the ratio of (i) relevant shareholding numbers, and (ii) the number of the shares, calculated by adding the maximum number of ordinary shares (30,264 shares) that could be issued by the Company in response to an exercise of the Share Options, as of September 30, 2010 disclosed in the "First Quarterly Report of the 15th Business Year" submitted by the Company on November 11, 2010, to the total number of outstanding shares (434,811 shares) as of September 30, 2010 disclosed in the same quarterly report (465,075 shares). Fractions are rounded off to two decimal places for such calculation.

(II) Decision making process for the conclusion to support the TOB and management policy after the TOB

The Company was established in July 1996 by the Current Management under the corporate philosophy "We will improve efficiency of the IT investment by Japanese companies to the global level" and "We will provide the critical workers in Japan with the field of performance," and officially began selling the ERP (Enterprise Resource Planning) packaged software, "COMPANY®" (Human resource and Payroll) in September of that year. From that time, the Company has pursued a full line-up strategy for ERP packaged software targeting large companies (namely, the "COMPANY®" series), and has expanded development, sales, maintenance and services of software in various fields, such as accounting and supply chain management, in addition to human resource and payroll. The Company currently targets large Japanese companies with the goal of contributing to the enhancement of customer companies' competitiveness, by providing information systems (i) that fully cover operations and culture unique to Japanese companies, (ii) that do not require individual customization of software, and (iii) that can achieve high return on investment (ROI). Among other products, the ERP packaged software for human resources and payroll targeting large companies, "COMPANY®"

(Human Resource and Payroll) has been highly evaluated since the very beginning of its sales as a packaged product that realizes cost reduction in the field of HR related products, which is a noncompetitive field in which companies do not need to position themselves apart from the rest, and supplies 55.3 % of the domestic large companies market (from “Current status and foresight of ERP/CRM market from 2009 to 2010” published by Yano Research Institute Ltd.). In addition to the field of human resource and payroll, “COMPANY®” also serves 15.7 % of the domestic large companies market in the field of accounting (from the above publication).

Furthermore, focusing on employment of new graduates, the Company has tried to improve the quality and quantity of human resources as essential management resources for a growth strategy, such as development of a full line of products and improvement of product quality in recent years, and, for the two consecutive years, it increased the number of employees (non-consolidated) by over 30% compared to the previous fiscal year.

The Company is continuing active development related investments for functionality expansion, quality improvement and streamlined introduction of products, and the active employment of new graduates to procure human resources necessary for these efforts. It is also conducting unique mid-career recruiting, enhancing its sales system, doing business acquisitions in the field of support services business, and has continued prior investments necessary for growth.

However, due to the global financial crisis arising in the U.S. and the subsequent downturn in business performance, a general decline in investment desire is seen in across wide variety of industries. This also applies to IT related investments, such as packaged software, the Company’s leading product. In this environment, the Company has tried to improve profits over the past several years by (i) reducing recruitment, outsourcing and other related costs, (ii) cutting in the Company’s SI (System Integration) business, which had been unprofitable, and (iii) allocating personnel to support services business and development business, to the extent this would not impair opportunities for growth. However, after the Company has strategically increased investments in human resources, essential to achieve a strategy for growth, the Company’s business performance has been stagnant recently.

There has been some improvement since the immediate post-Lehman shock period in the attitude of large Japanese companies toward IT related investment, however, it is a slight improvement. Under these circumstances, if the Company boldly proceeds with a wide variety of investments that we think are necessary for implementation of a strategy for growth, we will not be able to rule out the possibility that business performance will continue to be stagnant, at least in the meantime. In addition, to respond to significant changes in the current business environment, more efficient allocation of management resources and a realization of management speed is absolutely necessary.

We believe that it is vitally important for the Company to maintain and strengthen active investments on the development activity and corporate resources (e.g., human resources, etc.) such as (i) enhancing the functionality and quality of all product lines, such as human resource & payroll, accounting and SCM (Supply Chain Management), (ii) conducting basic technical developments compatible with cloud computing, etc. and, (iii) enhancing and integrating the service business, and market development, including overseas business evolution in order to achieve further growth with speed in these severe business circumstances.

If the Company continuously conducts the investments necessary for medium- to long-term business development, a temporary decrease in profits due to the modest increase in sales amount is likely, and an adverse affect on share price can be expected. These fluctuations in short-term corporate performance may be viewed poorly in the capital markets and might not fulfill the expectations of all of the Company's shareholders.

Based on the judgment that for the purpose of adopting to the difficult business environment promptly and realizing continuing growth, it is necessary for the Company to (i) undertake a medium- to long-term and continuous active investments on the business resources such as product development, human resources, etc. and to (ii) make a prompt business judgment, such as considering a possibility of the business globalization including merger and corporate divestiture and overseas transfer of business including headquarter function and implement such business judgment promptly, the Current Management have cautiously discussed with Polaris and K&C many times since October, 2010.

the Company considered the proposal from Polaris and K&C since November, 2010, and concluded that the effective path to avoid the risk of negative effects on share price resulting from short-term business performance due to an external or temporary factor from shareholders and to quickly implement flexible business judgments is to delist the Company through an acquisition of all the shares of the Company by the Tender Offeror.

(3) Agreement with respect to the TOB

The Tender Offeror has described the agreement between the Current Management and the Tender Offeror or PK Partnership with respect to the TOB as follows.

The Tender Offeror and PK Partnership executed the TOB Application Agreement with each of the Current Management. Each of the Current Management agreed to accept the TOB with respect to all the ordinary shares held by him (total shares: 101,554 shares, Shareholding Ratio: 21.84%) after terminating the Pledge, pursuant to the TOB Application Agreement. In addition, the Current Management agreed to promptly release all the Share Options held by them (namely, the First Share Options: 117 and the Fourth Share Options: 20,828) without any compensation, if the TOB is

successfully completed.

Although the Current Management may immediately terminate the TOB Application Agreement with a written notice to all the other parties thereto if (i) the Tender Offeror or PK Partnership breaches a material obligation (e.g., confidentiality obligation and prohibition regarding transfer of status) under the TOB Application Agreement, or (ii) any of the Tender Offeror or PK Partnership's representations and warranties (Note 1) specified in the TOB Application Agreement is found to be incorrect or untrue in any material aspect, the Current Management is neither prohibited nor restricted, even in such cases, from accepting the TOB in their own judgments.

In addition, although the Tender Offeror and PK Partnership may immediately terminate the TOB Application Agreement with a written notice to all the other parties thereto if (i) the Tender Offeror or PK Partnership breaches a material obligation (e.g., the obligation to accept the TOB upon terminating the Pledge over the ordinary shares held by the Current Management, the obligation to operate the Company and its subsidiaries' business and manage their assets with due care so that they do not substantially deviate from the ordinary business conducted before the execution date of the TOB Application Agreement, the confidentiality obligation and the prohibition regarding transfer of status, etc.) under the TOB Application Agreement, or (ii) any of the Current Management's representations and warranties (Note 2) specified in the TOB Application Agreement is found to be incorrect or untrue in the material aspect, the Current Management is neither prohibited nor restricted, even in such cases, from accepting the TOB in their own judgments.

(Note 1) Matters, such as (i) continuing existence of the Tender Offeror and PK Partnership, (ii) authorization necessary to execute and perform the TOB Application Agreement, (iii) binding effect and enforceability of the TOB Application Agreement, (iv) no violation of laws and ordinances resulting from the execution and performance of the TOB Application Agreement and the implementation of the Transaction, and (v) possession and maintenance of the necessary approvals, etc. relating to the execution and performance of the TOB Application Agreement and the implementation of the Transaction, are stipulated as the Tender Offeror and PK Partnership's representations and warranties in the TOB Application Agreement.

(Note 2) (I) Matters relating to the Current Management, such as (i) right capacity, intent capacity and contractual capacity necessary to execute and perform the TOB Application Agreement, (ii) binding effect and enforceability of the TOB Application Agreement, (iii) no violation of laws and ordinances resulting from the execution and performance of the TOB Application Agreement and the implementation of the Transaction, (iv) possession and maintenance of the necessary approvals, etc. relating to the execution and performance of the TOB Application Agreement and the

implementation of the Transaction, (v) ownership regarding the ordinary shares of the Company and no charge/encumbrance, etc. thereon, and (vi) performance of duties (including duties of due care of a good manager) as a director of the Company, etc., and (II) matters relating to the Company, such as (a) due establishment and continuing existence of the Company, (b) no violation of laws and ordinances resulting from the implementation of the Transaction, (c) no pending insolvency procedure, etc., (d) correctness of the information disclosed to the Tender Offeror and PK Partnership, (e) valid issuance of the shares, etc. and non existence of other contingent shares, etc., (f) ownership of the subsidiary and affiliated companies' shares by the Company, (g) non existence of undisclosed subsidiary or affiliated company, (h) correctness of the financial statements, (i) non existence of subsequent events and contingent liabilities, etc., (j) duly and valid execution, etc. of material contracts, etc. and non existence of any event of default thereunder, (k) possession of or authority to use the assets necessary for its business and no charge or encumbrance, etc. thereon, (l) compliance of laws and ordinances, (m) possession and maintenance of approvals, etc., (n) non existence of litigation, etc., (o) filing and payment of taxes and public charges, (p) compliance of labor related laws and regulations, (q) non existence of shortage of reserve for retirement benefits, etc. and back wages, (r) terms and conditions of insurance and payment of premiums, and (s) non existence of relationship with antisocial forces, are stipulated as the Current Management's representations and warranties in the TOB Application Agreement.

Furthermore, the Current Management agreed in the TOB Application Agreement to execute the following agreements if the TOB is successfully completed:

- (a) Management entrustment agreement to be executed with the Tender Offeror and PK Partnership with respect to an assumption of office as directors of the Company and the Tender Offeror after the completion of the TOB
- (b) Share purchase agreement to be executed with the Tender Offeror with respect to a new investment of XX JPY in the Tender Offeror by the Current Management to be conducted in a direct or indirect (through a company in which the Current Management invests) manner promptly after the settlement of the TOB
- (c) Share pledge agreement to be executed with The Bank of Tokyo-Mitsubishi UFJ, Ltd. with respect to the creation of pledge over all the shares of the Tender Offeror that the Current Management holds directly or through their asset holding company for securing the obligations owed to The Bank of Tokyo-Mitsubishi UFJ, Ltd. by the Tender Offeror with respect to the Transaction

- (d) Shareholders agreement to be executed with PK Partnership, Polaris Karita Kyodo LPS, PFII and the asset holding company of the Current Management with respect to (i) approval and reporting matters, etc. regarding management composition and management, etc. of the Tender Offeror and the Company after the completion of the TOB, and (ii) transfer prohibition of the shares of the Tender Offeror to be purchased by the Current Management directly or through a company, in which the Current Management invests, and the shares of the Tender Offeror held by PK Partner
- (4) Measures to ensure fairness of the TOB, such as a measure to ensure the fairness of share purchase price and a measure to avoid conflicts of interest

The tender Offeror and the Company recognize that the TOB could raise issues relating to a structural conflict of interest since it is to be conducted as a part of the Transaction, which involves an MBO, and have implemented the following measures to ensure the fairness of the Transaction, including the TOB, in order to (i) ensure the fairness of the purchase price for the Company's ordinary shares in the TOB (the "TOB Purchase Price"), (ii) rule out any arbitrariness in the course of the decision making to determine the implementation of the TOB, and (iii) avoid conflicts of interests. Please note that for the measures described below as having been conducted by the Tender Offeror, the description is based on the explanation provided by the Tender Offeror.

- (I) Assessment, discussion and negotiation, etc. by the project team

Having received the proposal from the Current Management and indications from Polaris and K&C that they were considering implementing the Transaction, including the TOB, the Company held a board of directors meeting to determine how to respond to the Transaction including the TOB, as the TOB would be conducted as a part of a transaction involving an MBO and therefore, could raise issues relating to a structural conflict of interest between the Current Management and the Company. At that board of directors meeting, a project team was established for the Transaction (the "Project Team"), which was mainly headed by Mr. Atsushi Hosoya (an external director of the Company with no special interest in the Transaction involving the TOB), to (i) exclude arbitrariness in the decision making process relating to the Transaction, and (ii) discuss, assess and negotiate the Transaction involving the TOB from the viewpoint of the Company's corporate value and (eventually) benefits for all shareholders. The Project Team discussed and assessed the appropriateness of the Transaction including the TOB from this viewpoint, and discussed and negotiated with the Tender Offeror regarding the

Transaction including the TOB on several occasions. The Project Team does not include any of the Current Management, has been headed by Mr. Hosoya, and has evaluated the Transaction from a position independent of the Current Management.

- (II) Acquisition of the stock value price appraisal report from an independent third-party institution and investigation of the purchase price by the Tender Offeror

Before determining the TOB Purchase Price, the Tender Offeror requested Mizuho Securities, a third-party entity independent from the Tender Offeror, to evaluate the stock value of the Company and used the Stock Value Appraisal Report (*kabushiki kachi sanjyo-sho*) (“Appraisal Report (Mizuho Securities)”) received on January 31, 2011 as a reference, to ensure the fairness of the TOB Purchase Price.

To calculate the stock value of the Company, Mizuho Securities investigated the Company’s financial condition and trends in the market price of the Company’s ordinary shares, and evaluated the Company’s stock value using several methods, including the market price comparison method, the analogous companies comparison method and the discounted cash flow method (“DCF Method”) as it deemed it appropriate to evaluate the stock value from various aspects. According to the Appraisal Report (Mizuho Securities), the stock value of the Company is analyzed as being 38,355 JPY to 42,104 JPY per share (based on the market price comparison method), 49,958 JPY to 56,987 JPY per share (based on the analogous companies comparison method) and 48,012 JPY to 58,452 JPY per share (based on the DCF Method).

The market price comparison method set the base date at January 28, 2011, used the last price on the base date (41,000 JPY), weighted average price for trading volume of the closing price in the most recent one (1) month (42,104 JPY), weighted average price for trading volume of the closing price in the most recent three (3) months (38,355 JPY), weighted average price for trading volume of the closing price in the most recent six (6) months (38,436 JPY), and concluded that the stock value per share is 38,355 JPY to 42,104 JPY.

The analogous companies comparison method selected multiple corporations from listed companies, businesses of which are similar to those of the Company, analyzed the stock value of the Company through a comparison of a financial index indicating market value of its shares and profitability, and concluded that the stock value per share is 49,958 JPY to 56,987 JPY.

The DCF Method estimated the expected future cash flow that could be raised by the Company’s business activities based upon the financial projections of the Company, the information relating to the Company provided to Mizuho Securities and the future profit projections of the Company that considered several factors, such as business performance trends in the immediately preceding periods and publicly disclosed information (however, the

information does not include the consolidated results for the second quarter of the fiscal year ending June 2011 set out in the summary of financial results for the second quarter of the fiscal year ending June 2011 announced by the Company on January 31, 2011 and the announcements made by the Company regarding the forecasted consolidated results for the fiscal year ending June 2011), analyzed the corporate value and the stock value of the Company by discounting the estimate cash flow by a certain discount rate and calculating a present value, and concluded that the stock value per share is 48,012 JPY to 58,452 JPY.

The Tender Offeror calculated the TOB Purchase Price by using the calculation results shown in the Appraisal Report (Mizuho Securities) as a reference. Further, it comprehensively considered (i) the affect on the Company's opinion regarding the TOB, (ii) the trends in the market price of the Company's ordinary shares, (iii) standard premiums added to the market price of the relevant shares in past TOB transactions in which parties other than the issuer purchased the share certificates, etc. as part of a management buyout, and (iv) forecasted acceptance levels for the TOB. Believing that it would be appropriate to present a TOB purchase price that is comprised of the market price of the Company's shares and a sufficient premium to the existing shareholders of the Company, the Tender Offeror determined the TOB Purchase Price as 55,000 JPY per share on January 31, 2011 after discussions and negotiations with the Company. Please note that the Tender Offeror has not obtained a fairness opinion from Mizuho Securities regarding the TOB Purchase Price.

The TOB Purchase Price includes (i) a 34.15 % premium (fractions rounded off to two decimal places) over the closing price for the Company's ordinary shares (41,000 JPY) on the Osaka Securities Exchange JASDAQ (Standard) ("Osaka Securities Exchange JASDAQ") (Note) on January 28, 2011, the business date immediately preceding the TOB announcement date, (ii) a 30.63 % premium (fractions rounded off to two decimal places) over the weighted average price for trading volume of the closing price in the one (1) month prior to the same date (42,104 JPY; fractions rounded off.), (iii) a 43.40 % premium (fractions rounded off to two decimal places) over the weighted average price for trading volume of the closing price in the three (3) months prior to the same date (38,355 JPY; fractions rounded off.), and (iv) a 43.10 % premium (fractions rounded off to two decimal places) over the weighted average price for trading volume of the closing price in six (6) months prior to the same date (38,436 JPY; fractions rounded off).

(Note) The closing price on or after October 12, 2010 refers to the final price shown on the Osaka Securities Exchange JASDAQ on the relevant date and the closing price prior to October 12, 2010 is the final price shown at Osaka Securities Exchange Company, Limited (JASDAQ market) on the relevant date. In addition, since the Osaka

Securities Exchange Company, Limited absorbed the Jasdaq Securities Exchange, Inc. through a merger on April 1, 2010, any closing price on or before March 31, 2010 refers to the final price shown at the Jasdaq Securities Exchange, Inc. on the relevant date.

Although the Share Options are also subject to the TOB, the purchase price of the Share Options is determined to be 1 JPY per option, because the Tender Offeror cannot exercise the Share Options even if it purchases them through the TOB, since all the Share Options subject to the TOB were issued as stock options for directors, employees or statutory auditors of the Company or its related companies, and a holder of the Share Option (“Share Option Holder”) is required to (i) be a director, employee or statutory auditor of the Company or its related companies at the time of exercise of the First Share Options or the Second Share Options (excluding cases in which a relevant Share Option Holder has resigned from his/her office due to the expiration of a term or change of laws and ordinances, or has retired after reaching the mandatory retirement age) for the exercise of the First Share Options and the Second Share Options, (ii) have been a director, employee or statutory auditor of the Company or its related companies since the issuance date of the Third Share Options until the date when the Third Share Options are exercised (excluding cases in which a relevant Share Option Holder has resigned from his/her office due to the expiration of a term or change of laws and ordinances, or has retired after reaching the mandatory retirement age) for the exercise of the Third Share Options, and (iii) have been a director of the Company since the issuance date of the Fourth Share Options until the date when the Fourth Share Options are exercised (excluding cases in which a relevant Share Option Holder has resigned from his/her office due to an expiration of a term or change of laws and ordinances) for the exercise of the Fourth Share Options, and because the exercise price of the Share Options is higher than the TOB Purchase Price.

(III) Receipt by the Company of a stock value price appraisal report from a third-party institution

Before assessing the TOB Purchase Price, the Company requested Trustees Advisory K.K. (“Trustees”), a third-party appraisal institute independent from the Tender Offeror and the Company which does not fall within the category of related parties, to evaluate the stock value of the Company, and received a Stock Value Appraisal Report (*kabushiki kachi sanjyo-sho*) (“Appraisal Report (Trustees)”) on January 31, 2011, to ensure the fairness of the Company’s assessment. Please note that the Company has not obtained a fairness opinion from Trustees. The Company first requested an appraisal of the Company’s stock value from Trustees, and has never changed the appraisal institute. The results of the stock value appraisal for the ordinary shares of the Company conducted by Trustee are as follows.

Trustees calculated the stock value of the Company's ordinary shares based upon certain assumptions and conditions and with the financial information and the business plan of and provided by the Company.

Trustees evaluated the stock value of the Company by using the market price method, the analogous listed companies comparison method and the DCF Method based upon a going concern assumption, as it deems it appropriate to evaluate the stock value from various perspectives.

According to the Appraisal Report (Trustees), the stock value of the Company is 38,355 JPY to 42,104 JPY per share (based on the market price method), 29,684 JPY to 41,974 JPY per share (based on the analogous listed companies comparison method) and 49,073 JPY to 60,056 JPY per share (based on the DCF Method).

The market price method set the base date as January 28, 2011, and appraised the scope of the stock value per share based upon the closing price of the base date and each weighted average price for trading volume (closing price) for a one (1) month period, a three (3) month period and a six (6) month period (respectively, 41,000 JPY, 42,104 JPY, 38,355 JPY and 38,436 JPY).

The analogous listed companies comparison method selected multiple corporations from among listed companies, businesses of which are similar to those of the Company, analyzed the stock value of the Company through a financial index comparison indicating market value of its shares and profitability, and appraised the scope of the stock value per share.

The DCF Method estimated the expected future profits of the Company after the fiscal year ending June 2011 based upon the Company's financial information and business plan, etc., a management interview and information provided by the Company, analyzed the corporate value and the stock value of the Company by discounting the estimated cash flow that could be raised by the Company in the future by a certain discount rate and calculating a present value, and determined the scope of the stock value per share.

(Note) The business plan of the Company includes the medium-term business plan (consolidated-basis) described in the Annual Securities Report submitted on September 28, 2010 and materials relating thereto. In that medium-term business plan, the Company estimated that (i) in the fiscal year ending June 2011, sales volume will be 25,700 million JPY and income from ordinary operations (*keijyo rieki*) will be 1,900 million JPY, (ii) in the fiscal year ending June 2012, sales volume will be 30,100 million JPY and income from ordinary operations (*keijyo rieki*) will be 2,500 million JPY, and (iii) in the fiscal year ending June 2013, sales volume will be 35,500 million JPY and income from ordinary operations (*keijyo rieki*) will be 3,000 million JPY, and (iv) in the fiscal year ending June 2014, sales volume will be 41,500 million JPY and

income from ordinary operations (*keijyo rieki*) will be 3,500 million JPY.

(IV) Establishment of independent committee by the Company

In addition to the above, the board of directors of the Company resolved to establish an independent committee comprised of external intellectuals independent from the Tender Offeror and the Company on January 7, 2011. Three persons independent from the Tender Offeror and the Company, Hideya Taida (current external statutory auditor of the Company and the chair of the independent committee), Akira Nishida (attorney of Nishida Law Office) and Wataru Yoshizawa (certified public accountant of Yoshizawa Certified Public Accountant Office) were selected as the members of the independent committee. As mentioned above, except for the fact that Hideya Taida is an external statutory auditor of the Company, there has never been any business relationship between any member of the independent committee and the Tender Offeror or the Company. Furthermore, the Company selected these three people as members of the independent committee at the time the independent committee was formed, and has not changed any members of the independent committee. The independent committee was formed to rule out any arbitrariness in the course of the decision making regarding the TOB and establish a fair, transparent and objective decision making process. The board of directors of the Company further resolved to consult the independent committee as to (i) whether the corporate value of the Company will be improved by delisting including the TOB, (ii) whether the fairness of the TOB Purchase Price is ensured, and (iii) whether the TOB gives adequate consideration to the Company's shareholders through a due process, as a premise based upon which the Company considered an opinion to be issued by the Company in response to the TOB. The independent committee met five (5) times from January 7, 2011 to January 31, 2011, and carefully assessed these matters requested from the board of directors of the Company. For such assessment, the independent committee received explanation on the background of, progress on the discussions of and the Company's opinion regarding the TOB from Mr. Makino, Polaris and K&C, held an interview and a questions-and-answer session with Mr. Makino, Polaris and K&C, and reviewed the relevant documents. In addition, in considering the Appraisal Report (Trustees) submitted by Trustees to the Company, the independent committee received an explanation regarding the stock value appraisal of the Company by Trustees. Having gone through this process, the independent committee concluded on January 31, 2011 that (i) the delisting transaction including the TOB benefits medium- to long-term improvement of corporate value, (ii) the fairness of the TOB Purchase Price is ensured, and (iii) there is no particular reason to question the fairness of the transaction procedure for the delisting of the Company including the TOB and proper attention has been paid to benefits to the Company's minority shareholders, and submitted a

report to that effect to the board of directors of the Company. Please also note that in the report, the independent committee provided an opinion stating that the series of transactions (the Transaction) to delist ordinary shares of the Company (including the transaction described in Section (5) “Plan after the TOB (matters relating to so called double step acquisition)” below) is not detrimental to minority shareholders of the Company.

(V) Advice from an independent law firm

The Company received legal advice relating to the decision-making process, the decision making method and other relevant matters for issuing the Company’s opinion regarding the TOB from Nagashima Ohno & Tsunematsu, a legal advisor independent from the Tender Offeror and the Company. Please note that the Company retained Nagashima Ohno & Tunematsu as legal advisor from the start of this process and has not changed its legal advisor.

(VI) Approval by all the directors and statutory auditors having no special interest

Having considered the Appraisal Report (Trustees), the report from the independent committee, legal advice provided by Nagashima Ohno & Tsunematsu and other related materials, the board of directors of the Company carefully assessed the terms and conditions of the TOB, and after cautious discussion and assessment of the purchase price and the terms and conditions with respect to the TOB considering the financial condition and business environment of the Company and equal treatment of all shareholders of the Company, concluded at the board of directors meeting held on January 31, 2011 that (i) delisting the Company’s ordinary shares and becoming a wholly owned subsidiary of the Tender Offeror benefits the medium- to long-term corporate value of the Company, (ii) the terms and conditions of the TOB are fair, and (iii) sufficient consideration has been made so that benefits to be allocated to shareholders through a due process is not impaired. Based on these reasons, the board of directors of the Company resolved to issue an opinion that supports the TOB and recommends that shareholders accept the TOB. In addition, all the statutory auditor attended the board of directors meeting and stated no objection to the resolution that the board of directors of the Company issue an opinion supporting the TOB and recommend shareholders accept the TOB.

By contrast, with respect to the Share Options, the board of directors of the Company resolved to leave the question of whether or not holders of the Share Options should accept the TOB with respect to the Share Options to the holders of the Share Options, since (i) the shareholders meeting of the Company resolved to issue the Share Options as a stock option for directors, employees and statutory auditors of the Company and its affiliated companies, and (ii) the

purchase price proposed in the TOB for the Share Options is 1 JPY.

The Current Management did not participate in any deliberations or vote for any resolutions relating to the Transaction, including a resolution supporting the TOB as special interested parties, and did not participate in any discussions or negotiations with the Tender Offeror on behalf of the Company, because they had discussed and reviewed the TOB with the Tender Offeror and PK Partnership, contemplating the execution of the TOB Application Agreement with the Tender Offeror, and because they are planning to invest in the Tender Offeror after the settlement of the TOB (creating a structural conflict of interest with the Company).

Therefore, two external directors of the Company, Atsushi Hosoya and Noboru Hachimine, carefully discussed and reviewed the matter from a position independent from the Current Management, and adopted the resolution at the board of directors meeting. In addition, at the board of directors meeting, before the deliberation on the agenda relating to the TOB, sufficient explanation regarding the details of the Transaction, including the TOB and the report from the independent committee was provided to all the officers (except for the Current Management) of the Company who belong to neither the Project Team nor the independent committee. Thus, sufficient information relating to the Transaction has been provided to all the officers (except for the Current Management) of the Company who belong to neither the Project Team nor the independent committee.

(VII) Securing objective surroundings that ensure appropriateness of price

Although the shortest take over bid period permitted by law is twenty (20) business days, the Tender Offeror set the period of the TOB as thirty (30) business days (the “TOB Period”). Setting a relatively long thirty (30) business days take over bid period, the Tender Offeror intends to (i) give all shareholders of the Company sufficient opportunity to consider the TOB, and (ii) ensure the fairness of the purchase price by giving other third parties the opportunity to undertake a competing take over bid. Please note that the Company has not entered any agreement with the Tender Offeror which would prohibit the Company from contacting a potential counter bidder.

(VIII) Establishment of lower limit for expected purchase volume

The Tender Offeror has set 70% (304,367 shares (fractions rounded down)) of all the outstanding shares of the Company (the Company does not hold any treasury stocks as of today) (434,811 shares) as the lower limit for the planned purchase volume. If the total number of “share certificates, etc. offered for sale” does not exceed such lower limit, the Tender Offeror

will not purchase any “share certificates, etc. offered for sale.” This lower limit (304,367 shares) exceeds the two third (289,874 shares) of the total number of the Company’s outstanding shares (434,811 shares).

(5) Plan after the TOB (matters relating to so called “double step” acquisition)

According to the Tender Offeror, in the event it cannot acquire all of the Company’s shares (excluding treasury shares) through the TOB, it plans to implement a procedure by which it provides shareholders (except for the Tender Offeror) with opportunities to sell their shares, and acquires all outstanding shares (excluding treasury shares) of the Company (for details, please see below) (“Full Acquisition Procedure”), as a part of the Transaction after the completion of the TOB. As to the specifics of the Full Acquisition Procedure, the Company received the following explanation from the Tender Offeror.

First, after the completion of the TOB, the Tender Offeror will request the Company to hold an extraordinary shareholders meeting for the agenda specified in items (i) through (iii) below, and a class shareholders meeting for ordinary shareholders for the agenda specified in item (ii) below:

- (i) Amending part of the Company’s articles of incorporation so that the Company becomes a “Corporation with Class Shares” (*syurui kabushiki hakko kaisha*) under the Companies Act;
- (ii) Amending part of the Company’s articles of incorporation so that all ordinary shares issued by the Company are subject to Wholly Call Term (*zenbu syutoku jyoko*) (meaning the term regarding matters specified in Article 108 paragraph 1 item 7 of the Companies Act); and
- (iii) Acquiring all ordinary shares of the Company (excluding treasury shares) in exchange for other class shares of the Company (the Company will not apply for listing of these other class shares).

The Company will accept these requests and hold an extraordinary shareholders meeting and class shareholders meeting composed of ordinary shareholders if the TOB is successfully completed.

If the TOB is successfully completed, the Tender Offeror will hold more than two thirds of the Company’s ordinary shares (excluding treasury shares) and will vote in favor of each agenda item listed above at the extraordinary shareholders meeting and the class shareholders meeting. If each is executed, (i) all ordinary shares of the Company will be subject to a Wholly Call Term, (ii) all of them will be acquired by the Company, and (iii) other class shares of the Company will be given to the Company’s shareholders in consideration for the acquisition. However, to shareholders who will receive less than one (1) other class share, proceeds of the sale of the number of other class shares equivalent to the total number of such fractional shares (if such total number has a fraction, it will be rounded down) will be provided pursuant to the procedure specified in Article 234 of the Companies Act and other relevant laws. The amount given to each shareholder as a result of the

sale of the number of the Company's other class shares equivalent to total number of such fractional shares will be set as equal to the price calculated by multiplying the TOB Purchase Price by the number of shares held by the relevant shareholder. In addition, although the number and class of the Company's shares to be given as a consideration for acquisition of ordinary shares subject to Wholly Call Term has not been determined as of today, the number of shares to be given to the Company's shareholders other than the Tender Offeror who have not accepted the TOB will be determined to be a fraction less than one share so that the Tender Offeror will own all outstanding shares of the Company.

The Companies Act stipulates that, in order to protect minority shareholders in this type of transaction, (a) when companies amend their articles of incorporation to attach wholly call term to their ordinary shares as contemplated in item (ii) above, shareholders may request such companies to purchase their shares pursuant to Articles 116 and 117 of the Companies Act, and other related laws and ordinances, and (b) if a company resolves at its shareholder meeting that all ordinary shares (excluding treasury stock) subject to wholly call term will be acquired as contemplated in item (iii) above, shareholders may file a petition for a determination of the price of the shares pursuant to Articles 172 of the Companies Act, and other related laws and ordinances. Please note that the purchase price and the acquisition price per share used for the procedure in (a) or (b) above is eventually determined by a court.

Subject to an interpretation of the relevant laws and ordinances by the competent agency, the shareholding ratio of the Tender Offeror after the completion of the TOB and share possession situation of the Company's shareholders other than the Tender Offeror, the Company might become a wholly owned subsidiary of the Tender Offeror through a measure other than a Full Acquisition Procedure, but which has the same effect as a Full Acquisition Procedure. However, even in such case, a measure that will eventually compensate the Company's shareholders other than the Tender Offeror will be adopted. In this case, the amount of compensation to be given to the Company's shareholders other than the Tender Offeror will be determined to be equal to the price calculated by multiplying the TOB Purchase Price by the number of ordinary shares held by the relevant shareholder. Specific procedures to be taken in such case will be promptly disclosed once they are determined.

Although the Tender Offeror will request the Company to hold the extraordinary shareholders meeting and class shareholders meeting discussed above in May or June 2011, specific procedures and timing will be promptly announced by the Company once they are determined. Further, after the TOB and the Full Acquisition Procedure are completed, the Tender Offeror will implement an absorption type merger (*kyusyu gappei*) with the Company (the timing and which company, either the Tender Offeror or the Company will be the surviving company after the merger have not been determined as of today).

Furthermore, according to the Tender Offeror, as regards the Share Options, should the TOB be successfully completed without all the Share Options being acquired by the Tender Offeror, the Tender Offeror will request the Company to implement procedures that are reasonably necessary for the consummation of the Transaction, such as recommending the Share Option Holders to abandon the Share Options. Please note that the TOB will not solicit shareholders of the Company to give an approval vote at the extraordinary shareholders meeting and class shareholders meeting. In addition, as to the tax treatment in respect of accepting the TOB, compensation through a Full Acquisition Procedure and acquisition of shares through a share acquisition petition in the course of a Full Acquisition Procedure, please consult a professional tax advisor.

(6) Prospect of delisting the Company's shares and reason thereof

Although the ordinary shares of the Company are listed on the Osaka Securities Exchange JASDAQ as of today, since the Tender Offeror has not set a upper limit for the number of shares to be purchased through the TOB, there is a possibility that ordinary shares of the Company will be delisted, should the delisting standards of Osaka Securities Exchange JASDAQ be satisfied as a result of the TOB. Furthermore, even if the delisting standards are not satisfied by the TOB, as described in Section (5) "Plan after the TOB (matters relating to so called double step acquisition)," since the Tender Offeror plans to acquire all ordinary shares (excluding treasury shares) of the Company pursuant to applicable laws and ordinances after the completion of the TOB, ordinary shares of the Company will be delisted through such procedure. After the delisting, trading of ordinary shares of the Company on the Osaka Securities Exchange JASDAQ will cease.

(7) Other

It was resolved at the board of directors meeting held on January 31, 2011 that if the TOB is successfully completed, dividends will not be distributed to shareholders and registered pledgees of shares stated or recorded in the shareholder registry at the end of June 30, 2011.

3. Matters relating to material agreement between the Tender Offeror and the Company's shareholder with respect to accepting the TOB

The Tender Offeror has stated that the Tender Offeror and PK Partnership executed the TOB Application Agreement on January 28, 2011 with each of Mr. Makino (number of holding shares: 26,559 shares, Shareholding Ratio: 5.71%), Mr. Abe (number of holding shares: 25,018 shares, Shareholding Ratio: 5.38%) and Mr. Ishikawa (number of holding shares: 49,977 shares,

Shareholding Ratio: 10.75%). In addition, we understand that the Current Management agreed to accept the TOB after terminating the pledge (the Pledge) created over the 22,501 shares held by Mr. Makino, the 22,952 shares held by Mr. Abe and the 42,911 shares held by Mr. Ishikawa, pursuant to the TOB Application Agreement.

4. Details of giving benefits by the Tender Offeror or its special related party

Not applicable

5. Policies regarding basic principles with respect to company's control

Not applicable

6. Questions to the Tender Offeror

Not applicable

7. Petition for an extension of the TOB Period

Not applicable

8. Future prospects

Please see Subsection (II) "Decision making process for the conclusion to support the TOB and management policy after the TOB" of Section (2) "Grounds and reasons for our opinion regarding the TOB" Section (5) "Plan after the TOB (matters relating to so called double step acquisition)" and Section (6) "Prospect of delisting regarding our company's shares and reason thereof" of 2. "Details, and grounds and reasons for our opinion regarding the TOB"

[End]

Attachment : Press release of the Tender Offeror dated January 31, 2011 "Notice of Commencement of Tender Offer for Share Certificates, Etc. of Works Applications Co., Ltd."