

[Translation]

August 6, 2019

Company Name: Takamatsu Construction Group Co., Ltd.
Representative: Nobuhiko Yoshitake, Representative
Director and President
(Securities Code: 1762, First Section of the
Tokyo Stock Exchange)
Inquiries: Hiroyuki Izutsu, Full-Time Executive
Officer and Head of Group General Affairs
Division
Tel: 06-6303-8101

Announcement Regarding Commencement of the Tender Offer for the Shares of Asunaro Aoki Construction Co., Ltd. (Securities Code: 1865) by Takamatsu Construction Group Co., Ltd.

Takamatsu Construction Group Co., Ltd. (the “Tender Offeror”) hereby announces that it has decided today, as described below, to acquire the common stock of Asunaro Aoki Construction Co., Ltd. (Securities Code: 1865, First Section of the Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”); the company referred to, the “Target Company,” and its common stock, “Target Company Shares”) through a tender offer (the “Tender Offer”) under the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the “Act”).

1. Purpose of Purchase, etc.

(1) Overview of the Tender Offer

As of today, Tender Offeror holds 43,134,500 shares of the Target Company Shares (ownership percentage (Note): 79.08%) listed on the First Section of the Tokyo Stock Exchange, and the Target Company is a consolidated subsidiary of Tender Offeror.

(Note) The “ownership percentage” means the percentage (rounded to the second decimal place) Tender Offeror’s held shares represent of the number of shares (54,542,252 shares) obtained by deducting from the total number of issued shares of the Target Company as of June 30, 2019 (59,100,000 shares) set forth in the March 2020 Fiscal Year First Quarter Financial Results [Japanese GAAP] (Consolidated) released by the Target Company today (“Target Company’s March 2020 Fiscal Year First Quarter Financial Results”) the number of treasury shares held by the Target Company (4,557,748 shares) set forth in the Target Company’s March 2020 Fiscal Year First Quarter Financial Results; hereinafter the same.

Tender Offeror resolved at the meeting of its board of directors held today to implement the Tender Offer as part of a transaction (the “Transaction”) to acquire all of the Target Company Shares (excluding the Target Company Shares held by Tender Offeror and the treasury shares held by the Target Company; hereinafter the same) with the aim of making the Target Company a wholly-owned subsidiary of Tender Offeror.

Because Tender Offeror has set no minimum or maximum number of shares to be purchased through the Tender Offer, Tender Offeror shall purchase all Target Company Shares tendered through the Tender Offer (the “Tendered Share Certificates, etc.”). If Tender Offeror fails to acquire all of the Target Company Shares through the Tender Offer, Tender Offeror intends to carry out a series of procedures, as set forth in the section titled “(4) Policy for Organizational Restructuring, etc. After the Tender Offer (Matters Relating to So-called ‘Two-step Acquisition’)” below, in order for Tender Offeror to acquire all of the Target Company Shares and make the Target Company a wholly-owned subsidiary.

According to the “ANNOUNCEMENT REGARDING EXPRESSION OF OPINION IN FAVOR OF THE TENDER OFFER BY TAKAMATSU CONSTRUCTION GROUP CO., LTD., OUR CONTROLLING SHAREHOLDER, FOR THE SHARES IN ASUNARO AOKI CONSTRUCTION CO., LTD. AND RECOMMENDATION TO TENDER SHARES” (the “Target Company Press Release”) that was released by the Target Company today, at the meeting of its board of directors held today the Target Company approved a resolution to express its opinion in favor of the Tender Offer and to recommend that shareholders of the Target Company tender their shares. For details of the course of decision-making by the Target Company, please see “e. Unanimous Approval of All Non-interested Directors of the Target Company and Unanimous Expression of No Objection by All Non-interested Statutory Auditors,” under “(Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)” under “(B) Background of Calculation” of “(4) Basis for the Calculation of the Price for Purchase, etc.” of “2. Overview of Purchase, etc.” below.

(2) Background to, Purpose of and Decision-Making Process of the Tender Offer, and Management Policy After the Tender Offer

a. Background to and Purpose of the Tender Offer

After its founding as Takamatsu-Gumi in October 1917, Tender Offeror was incorporated to be Takamatsu-Gumi Co., Ltd. in June 1965, followed by changing its name to Takamatsu Construction Co., Ltd. in October 1990 (“Former Takamatsu Construction”), and then to Takamatsu Construction Group Co., Ltd. in October 2008. Since its founding, Tender Offeror has been guided by a management philosophy aimed at playing a complementary and supportive role in society through construction and has sought to have the individual group companies, through their respective businesses, to earn a strong reputation among not only customers, business partners, shareholders, and other stakeholders, but among local communities and all people in general, and with this aim has pursued the goal of ensuring increased corporate value for the group as a whole. Tender Offeror was listed on the Second Section of the Osaka Stock Exchange (“Osaka Stock Exchange”) in October 1997 and on the Second Section Tokyo Stock Exchange in January 2000, and in March 2005 switched designations to the First Sections of the Tokyo Stock Exchange and the Osaka Stock Exchange, and then listed on the First Section of the Tokyo Stock Exchange as of today along with the integration of the Tokyo Stock Exchange and the Osaka Stock Exchange.

The primary businesses of Tender Offeror Group (the general term of a total of 25 companies including Tender Offeror and its 24 consolidated subsidiaries) have been the construction business and peripheral businesses for leased apartment buildings built by the Takamatsu Construction Group (as of today, the group consists of Takamatsu Construction Co., Ltd. and its 11 subsidiaries), of which the core company is Takamatsu Construction Co., Ltd. (incorporated as Nippon Interior Co., Ltd. in November 1980 and its name was changed to Takamatsu Construction Co., Ltd. in October 2008; “Takamatsu Construction”) that is a wholly-owned subsidiary of Tender Offeror, seeking business growth centered on effective land utilization in the three largest urban areas of Tokyo, Nagoya, and Osaka; and the civil engineering business in which the Target Company group (the detailed structure of the group is described herein below) has particular expertise, with the core company being the Target Company, which aims for a steady increase in market share in public sector-related project. Tender Offeror is also engaged in real estate business and other businesses related to the foregoing.

Former Takamatsu Construction acquired 22,128,000 shares (ownership percentage of the time: 69.15%) of Komatsu Construction Co., Ltd. (the current Target Company) through

tender offer in October 2000, and in July 2002, Former Takamatsu Construction and the Target Company accepted a third-party allocation of newly issued shares of Aoki Construction Co., Ltd. which was in the course of civil rehabilitation proceedings and, 70% and 30% of the shares of Aoki Construction Co., Ltd. were owned by Former Takamatsu Construction and the Target Company, respectively. Then, the Target Company and Aoki Construction Co., Ltd. merged in April 2004, and as a consideration of this merger, Former Takamatsu Construction acquired the Target Company Shares and Class A shares without voting rights of the Target Company (the “Class A Shares”), and as a result of this, Former Takamatsu Construction held 38,635,000 Target Company Shares (ownership percentage: 77.89%) and 16,000,000 Class A Shares. After that, a part of shares were sold, Class A Shares were converted to common shares and treasury shares were purchased and cancelled by the Target Company, as of today, Former Takamatsu Construction held 43,134,500 shares (ownership percentage: 79.08%). In addition, in October 10 2008, Former Takamatsu Construction changed into a holding company through company split, and the construction business, the primary business of Former Takamatsu Construction were transferred to Nippon Interior Co., Ltd., the name of Former Takamatsu Construction was changed to Takamatsu Construction Group Co., Ltd., and the name of Nippon Interior Co., Ltd. was changed to Takamatsu Construction Co., Ltd., respectively which made a current structure where a tender offeror becomes a holding company.

In October 2017, to mark the 100th anniversary of its founding, the Tender Offeror Group formulated a medium-term management plan set to begin in March 2018 entitled “TRY! NEXT CENTURY 2020”; then, against the backdrop of favorable business results for the fiscal year ended March 2018, the first fiscal year of the plan, the Target Company Group aimed to reach its goals for the fiscal year ending March 2020, the final fiscal year of the medium-term management plan, one year early in the fiscal year ending March 2019, and with respect to the result of the fiscal year ending March 2019, although sales and profit targets were not met, the amount of orders received was 305.2 billion yen which exceeded the target of 268 billion yen. Further, in the second year since the new presidents of the Tender Offeror Group’s core company Takamatsu Construction and the Target Company assumed office in April 2018, in order to demonstrate a long-term vision under a new structure both internally and externally, in May 2019, a new medium-term management plan (“Tender Offeror Medium-Term Management Plan”) entitled “Create! 2022” was formulated with the fiscal year ending March 2020 as the first fiscal year, and attaining consolidated sales of 300 billion yen and consolidated operating profits of 18 billion is targeted in the fiscal year ending March 2022, the final year of the Tender Offeror Group Medium-Term Management Plan.

In terms of the future business environment, with respect to the construction business of leased apartment buildings etc. in conjunction with the business for effective land utilization in the three largest urban areas of Tokyo, Nagoya, and Osaka, which form the Takamatsu Construction Group’s primary market, it is expected that construction demand will be strong given that among the three largest urban areas, the influx of people into Tokyo is expected to steadily increase (the population of Tokyo is expected to increase by approximately 370,000 from 2015 to 2030) according to demographic statistics by the Health, Labor and Welfare Ministry and “Regional Population Projections for Japan estimated in 2018” by the National Institute of Population and Social Security Research, and also because the Tender Offeror believes that concentration of population in central Osaka will continue, at least during the Tender Offeror Medium-Term Management Plan.

Meanwhile, with respect to the business environment for the Target Company Group, according to “Mid-to Long-term Forecast of Construction Investment and Trend and Issue of the Construction Industry to be Addressed” that the Research Institute of Construction and Economy published in October 2016, domestic construction investment including public civil engineering works is expected to remain at current levels of around 55 trillion yen, but Tender

Offeror expects that the number of new construction works will slowly decrease in the long term under the situation where the economy after 2020 Tokyo Olympics is unclear.

In this environment, the Tender Offeror Group will, for the overall Tender Offeror Group, will make efforts to achieve the Tender Offeror Medium-Term Management Plan based on five categories of “creation”, namely: “creation of a high-growth and high-profit company”, “creation of new business areas for the group”, “creation of a corporate culture that respects diversity and compliance”, “creation of synergistic effects”, and “creation of value for the economy, society, and the environment”.

For “creation of a high-growth and high-profit company”, the Takamatsu Construction Group will achieve growth for the Group as a whole by expanding its business centered on effective land utilization in the Tokyo metropolitan area, where favorable conditions will be maintained, while the Target Company Group, which is a mid-level general contractor, will ensure sound growth and improve profitability, keeping an eye out for any slow downturn of the overall construction market in the future.

Specifically, the Takamatsu Construction Group, in addition to enhancing its competitiveness in the field of logistics facilities, medical facilities, office buildings, and other non-residential sectors, will strengthen the system of checks for prevention of design period overruns, which were a factor in the failure to meet sales targets in the fiscal year ended March 2019, and will ensure improvements in technology, know-how, and employee skills, and the Target Company Group will increase profitability resulting from the further improvement of productivity by striving for productivity improvements and construction profitability improvements through the proactive rollout and technical initiatives for promotion of response to ICT (Note 2), BIM/CIM (Note 3), and AI and other related technology while ensuring stable growth based on increased revenue along with the expansion of new business areas such as PFI (Note 1)

(Note 1) “PFI” means a public-sector-business method of leveraging private sector funds, operating abilities, and expertise (know-how) in engineering, construction, repairing, and renovation, and in maintenance, management and operation services, for public facilities etc.

(Note 2) “ICT” is the abbreviation of Information and Communication Technology which means the general term of industry and service, etc. utilizing the internet and other communication technologies.

(Note 3) “BIM” is the abbreviation of Building Information Modeling which means creation of building information models with attribute information of buildings such as names and area of rooms, etc., specifications and performance of materials and members, finishing in addition to 3D shape information created on a computer. In addition, “CIM” is the abbreviation of Construction Information Modeling/Management which is the general term of systems with the purpose to improve efficiency of a series of construction settlement systems by introducing 3D models at survey and design stage and ensuring linkage with and development into 3D models at each stage of construction and maintenance and management.

For “creation of new business areas for the group”, most recently, in April 2019, Takamatsu Construction established Takamatsu House Co., Ltd. and acquired Tatsumi Planning Co., Ltd. in May of the same year to enter into the new field of wooden housing residential business; in this manner, the Takamatsu Construction Group will continue proactive M&A as a part of its efforts for entry into new business fields.

With respect to “creation of a corporate culture that respects diversity and compliance”, we will move forward by respecting the diversity of group companies and the diversity of

employees, informed by the belief that diversity is a source of growth potential, reform and renewal. Specifically, we will promote the effective utilization of female employees and older employees, and employee training, to advance working style reform. For such working style reform, while pursuing productivity we will set goals in the core business companies Takamatsu Construction and the Target Company for the number of days construction sites are closed, with the aim of contributing to the improvement of the working environment in the construction business overall.

Through four categories of “creation” described above, the Tender Offeror Group will strive to maintain high-growth and create value for the economy, society, and environment by increasing the percentage of sales that contributes to the realization of sustainable development goals.

Meanwhile, the Target Company was founded as Fuso Construction Co., Ltd. in September 1950, and in May 1960 merged with Komatsu Road Construction Co., Ltd. (which was established in June 1959 with full investment by Komatsu Ltd.) with changing its name to Komatsu Fuso Construction Co., Ltd., changing its name again in November 1962 to Komatsu Construction Co., Ltd. In May 1973, it was listed on the Second Section of the Tokyo Stock Exchange, and in April 1974 its designation was switched to the First Section of the Tokyo Stock Exchange. After that, in April 2004, its name was changed to the current Asunaro Aoki Construction Co., Ltd.

As of the date of this filing, the Target Company Group consists of the Target Company and its 8 subsidiaries. Its principal businesses are the construction and civil engineering businesses, and real estate business centered on apartment sales, with its management policy being to build a sustainable society by providing quality social capital that supports livelihoods and industries through building an architectural structure and civil engineering structure etc., and by autonomously and continuously promoting organizational environmental preservation activities. In the fiscal year ended March 2019, construction business accounted for 28.06% of the Target Company Group’s consolidated sales, and the civil engineering business and real estate business accounted for 70.49% and 1.44%, respectively.

In the fiscal year ended March 2018, the Target Company attained their highest levels ever consolidated sales of 153.4 billion yen, consolidated operating profits of 7.6 billion yen and consolidated ordinary profits of 7.6 billion yen. In addition, in the fiscal year ended March 2019, contracts were received with good balance for railways, roads and other base projects, mega solar and other projects in the renewable energy sector, large-scale logistics facilities, government offices and other projects in the non-residential property construction sector, and PFI projects; as a result, contract proceeds reached their highest level ever, although in comparison to the fiscal year ended March 2018, consolidated sales were declined to be 152.4 billion yen due mainly to inactive sales of contracts received of some of subsidiaries and also profits were declined to be 6.7 billion yen of consolidated operating profits and 6.6 billion yen of consolidated ordinary profits due mainly to sluggish apartment sales in real estate business.

While it is projected that the management environment faced by the Target Company Group going forward will remain sound in the medium term due to increased public investment for strengthening and addressing the obsolescence of social capital, including through redevelopment work and infrastructure development projects centered on the Tokyo metropolitan area, an increasingly uncertain business environment is expected because earthquake and disaster-related business which accounted for approx. one third of non-consolidated sales of the Target Company at its peak period is headed for a virtual standstill and domestic construction investment overall including public civil engineering works etc., and it is expected that the number of new construction projects will decline gradually over the long term in the environment of economic uncertainty following the 2020 Tokyo Olympics, and that against this backdrop it will become further difficult to win

contracts with the same level of profitability as before in the future. Moreover, the construction industry as a whole is being forced to take initiatives for working style reform, as a part of such initiatives, it is necessary for the Target Company Group to secure and maintain sufficient manpower to thoroughly prevent long working hours, however, since the Target Company Group has issues such as increasing labor costs and, by extension, increased construction costs partially due to the shortage of construction workers and skilled technicians and the problem of aging. It is expected that uncertain and severe management environment will continue.

The Target Company believes that in order for the Target Company Group to adapt to the environment and ensure sustainable growth while preparing for risks and issues expected in these future construction market, it will be essential to create new businesses without being bound by the conventional frameworks for construction contractors, and to create proprietary technologies with the aim of reshaping working styles and improving productivity; motivated by this understanding, in May 2019, the Target Company Group formulated a medium-term management plan starting with the fiscal year ending March 2020 up to the fiscal year ending March 2022 (the “Target Company Medium-Term Management Plan”) for the purpose of adapting to the environment and achieving sustainable growth into the future.

The basic policies of the Target Company Medium-Term Management Plan are “adapt to the environment and strive for sustainable growth” and “flexible thinking and strong foundation”, and the basic strategy of said plan is to “further enhance initiatives in renewal-related projects”, “deepen and expand private non-residential projects and private civil engineering works”, “develop new business sectors”, and “venture into new business models (contracts) such as PFI and EPC (Note 4)”. The aim of the plan is to attain 160 billion yen in consolidated sales and 8 billion yen in consolidated operating profits in the fiscal year ending March 2022, the final year of the Target Company Medium-Term Management Plan.

(Note 4) “EPC” is an acronym for “engineering, procurement, and construction”, and in the project business, the business of contracting these three processes together is known as the “EPC business”.

Tender Offeror is proud that the Tender Offeror Group is one of the few construction company groups in Japan which has attained growth through M&A and believes that respecting the autonomy and independence of group companies and encouraging independent growth while leveraging the respective strengths of each company have largely contributed to the success of this growth. In the meantime, up until now, there has no joint effort for sales activities and design and construction works between the Takamatsu Construction Group and the Target Company Group except for joint venture described herein below, and there has been almost no personnel exchange between these two Groups, and also the establishment of unified personnel system as the foundation of personnel exchanges was difficult due to secured independency of the Target Company being a listed company. However, as described above, under the condition where risks and issues expected in the future construction market are prospected, in order for the Tender Offeror Group to pursue sustainable growth, it is important to have clear policy for shifting priorities of group management to maximized synergy effect as the whole Tender Offeror Group from the conventional respect of diversity of each group company. By attaining this it will be essential for the Tender Offeror Group to become more unified and create flexible ideas and a strong management foundation to adapt to the environment.

Under the present circumstances, although the group companies are working harmoniously as shown in joint venture for large-scale logistics warehouses that bring together Takamatsu Construction’s sales abilities and the Target Company’s technical abilities, because the Target Company has independent business operations as a listed company, there are issues such as inability of sharing internal information of the Target Company Group with the entire Tender

Offeror Group, and thus there are restrictions in terms of unified sales activities etc. of Tender Offeror Group, a certain limitation exists in the effort of promoting the collaboration between group companies. However, since the Target Company becomes a wholly-owned subsidiary of the Tender Offeror as a result of this deal, through sharing information with the entire Tender Offeror Group and promoting sales cooperation, business based on cooperation between companies which are similar to the aforementioned joint venture will be further promoted in the future. In addition, cost reductions through joint purchase of materials which is currently managed by each group company from the viewpoint to ensure independency of the Target Company and enhancing technical abilities through sharing of and joint research into construction expertise will be promoted. Moreover, it seems possible to further improve productivity and profitability by accelerating coordination between companies of the Target Company Group and companies of the Takamatsu Construction Group which are engaging in traditional cultural heritage businesses, renovations, interior-design related businesses, etc., and other business fields where there is overlap between these companies. In terms of strengthening the management foundation as well, activities such as the consolidation of back-office operations whose function is currently separated in each company and sharing of accounting/cost management systems and other information systems, etc. will streamline operations and thereby enable cost reductions and more rapid work processes. In addition to the fact that the consolidation of human resources systems which are at the discretion of each company is expected to promote personnel exchanges, Takamatsu Construction is currently hiring more than 200 persons every year while positioning the market of leased apartment buildings construction as a driving force of growth and, for example, in order to deal with the case of rapid shrink of the market of leased apartment buildings construction, or the future shortage of technicians of the Target Company many of whom are in their middle ages, optimization for the whole group through flexible allocation of human resources within the group is expected to be attained, which is also great utility. Moreover, implementation of optimal cash management within the group, will encourage the effective utilization of management resources throughout the entire Tender Offeror Group, including the Target Company Group, which will be extremely beneficial for improving corporate value.

However, in order for Tender Offeror and the Target Company to implement these policies, Tender Offeror and the Target Company need to unify their decision-making process and put in place flexible and strategic business operation systems, and for this reason Tender Offeror believes that the current conditions, in which the Target Company maintains its listing and has independent business operations and there are minority shareholders of the Target Company, are problematic in that it will not be easy to conduct timely business operations with greater unity in the entire Tender Offeror Group, or to distribute and consolidate management resources pursuant to a medium to long-term strategy for the Tender Offeror Group as a whole, while maintaining objectivity and fairness in transactions between Tender Offeror and the Target Company to ensure the interests of minority shareholders. In addition, in order to prepare for expected risks and challenges in the future construction market, Tender Offeror believes that it is the pressing need for Tender Offeror to resolve the current state in which both the parent company, Tender Offeror, and its subsidiary, the Target Company are listed and to build a framework that enables timely and flexible decision-making for the Tender Offeror Group as a whole.

Tender Offeror thus began considering taking the Target Company private in early October 2018, and as a result, in late March 2019, Tender Offeror reached the conclusion that making the Target Company a wholly-owned subsidiary of Tender Offeror will be the best means of resolving the above conflicts of interest between Tender Offeror and minority shareholders while also realizing optimal distribution of the Tender Offeror Group's management resources and unifying the business operations of the entire Tender Offeror Group going forward to further enhance the feasibility of the medium-term management plan of Tender Offeror.

On the basis of the considerations above, on April 9, 2019, Tender Offeror made to the Target Company a proposal relating to the Transaction. Further, in mid-May 2019, Tender Offeror appointed Daiwa Securities Co., Ltd. (“Daiwa Securities”) as a financial advisor and third-party valuation institution independent of both Tender Offeror and the Target Company, and Kitahama Partners as its legal advisor. Then, with the Target Company’s understanding, Tender Offeror implemented due diligence on the Target Company beginning in mid-May 2019, and that due diligence was completed in mid-June 2019.

After this, from early-June to late July 2019, Tender Offeror and the Target Company engaged in ongoing discussions and consultations regarding the conditions and methods of the Transaction. Since late June 2019 Tender Offeror has been engaged in consultations and negotiations with the Target Company on several occasions regarding the per-share price for purchase etc. of Target Company Shares in the Tender Offer (“Tender Offer Price”). As a result, Tender Offeror and the Target Company reached in early August 2019 an agreement to carry out the Tender Offer, setting the Tender Offer Price at 1,210 yen, and today decided to carry out the Transaction with the Tender Offer as one part thereof.

Meanwhile, according to the Target Company Press Release, in response to Tender Offeror’s proposal for the Transaction on April 9, 2019, the Target Company believed that it was an opportunity to review resolution of the risk of structural conflicts of interest that existed between Tender Offeror who was the Controlling Shareholder and the minority shareholders of the Target Company, by becoming a wholly-owned subsidiary of Tender Offeror, and on April 10, 2019, the Target Company appointed AGS Consulting, Inc. (“AGS Consulting”) as a third-party valuation institution independent of both Tender Offeror and the Target Company, appointed City-Yuwa Partners as a legal advisor, and created a special committee (“Special Committee”; the composition and specific activities of the Special Committee are set forth in “d. Establishment by the Target Company of an Independent Special Committee” of “(Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)” under “(B) Background of Calculation” of “(4) Basis for Calculation of the Price for Purchase, etc.” of “2. Overview of Purchase, etc.” below) on May 10, 2019 as an advisory organ of the Target Company for further review of the proposal in order to build a framework for consultations and negotiations relating to the Transaction.

On that basis, after conducting a careful review of detailed synergistic effects that could be enjoyed by the Target Company Group through the Transaction, the Target Company set up a policy to aim to reach agreement on the Tender Offer Price that could provide the shareholders of the Target Company with an opportunity to sell their shares at a reasonable premium, and under such policy the Target Company engaged in ongoing discussions and consultations with Tender Offeror, from early-June, 2019 to late July 2019, regarding the purpose of the Transaction, the management structure and policies for after the Transaction, and the conditions of the Transaction, among other things.

While receiving the results of the Target Company Share price valuation from third-party valuation institution AGS Consulting and legal advice from the Target Company’s legal advisor City-Yuwa Partners regarding the matters to note with respect to the decision-making relating to the Transaction, the Special Committee gathered information from Tender Offeror and the Target Company concerning the purpose of the Transaction, the management structure and policies after the Transaction, and the conditions of the Transaction, and submitted to the Target Company a written response dated August 5, 2019 (“Written Response”) (an overview of the Written Response are set forth in “d. Establishment by the Target Company of an Independent Special Committee” of “(Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)” under “(B) Background of Calculation” of “(4) Basis for Calculation of the Price for Purchase, etc.” of “2. Overview of Purchase, etc.” below).

In consideration of the legal advice received from City-Yuwa Partners regarding the course and methods of decision-making relating to the Transaction including the Tender Offer and regarding other matters to note with respect to the decision-making relating to the Transaction including the Tender Offer, as well as the content of the share price valuation report dated August 5, 2019 received from third-party valuation institution AGS Consulting (“Target Company’s Share Price Valuation Report”), and giving as much weight as possible to the Written Response obtained from the Special Committee, the Target Company’s board of directors conducted a careful review from the standpoint of whether the Transaction could ensure further improvement in the Target Company’s corporate value and whether the conditions of the Transaction, including the Tender Offer Price, are reasonable.

As a result, the Target Company reached the conclusion that by becoming a wholly-owned subsidiary of Tender Offeror and further strengthening the ties between the Target Company Group and the Takamatsu Construction Group through the Transaction, as stated in “e. Unanimous Approval of All Non-interested Directors of the Target Company and Unanimous Expression of No Objection by All Non-interested Statutory Auditors”, under “(Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)” under “(B) Background of Calculation” of “(4) Basis for Calculation of the Price for Purchase, etc.” of “2. Overview of Purchase, etc.” below, the Target Company reached the conclusion that by becoming a wholly-owned subsidiary of Tender Offeror, maximum utilization of management resources through realization of unified operations for Tender Offeror Group as a whole could be achieved, synergistic effects such as increasing flexibility of decision making and eliminating costs etc. could be expected and revenue base and business competitiveness would be enhanced as the Target Company Group to further enhance the feasibility of the medium-term management plan of the Target Company Group, also on a long-term basis, it would contribute to continued and sustainable securing and improvement of the corporate value of the Target Company Group, and the Tender Offer would provide the Target Company’s shareholders with an opportunity to sell their shares at a reasonable premium.

On the basis of the foregoing, at its board of directors meeting held today, the Target Company expressed its opinion in favor of the Tender Offer and passed a resolution recommending that the Target Company’s shareholders tender their shares in the Tender Offer.

In this Target Company’s board of directors meeting, all nine of the 14 Target Company directors other than Yasunobu Ueno, Takayuki Takamatsu, Kanji Ogawa, Nobuhiko Yoshitake and Masahiro Nishide participated in the deliberations and the resolution, and the resolution was passed with the unanimous approval of all participating directors. Of the Target Company directors, Takayuki Takamatsu concurrently serves as honorary chairman and director of the Tender Offeror, Kanji Ogawa concurrently serves as representative director and chairman of the Tender Offeror, Nobuhiko Yoshitake concurrently serves as representative director and president of the Tender Offeror, and Yasunobu Ueno and Masahiro Nishide concurrently serve as directors of the Tender Offeror; thus, with a view to increasing the fairness and objectivity of Target Company’s board of directors meeting decision-making processes concerning the Tender Offer, and with a view to avoiding suspicion of conflicts of interest, these five directors did not take part in deliberations or resolutions concerning any of the topics pertaining to the Tender Offer in said Target Company’s board of directors meeting, and were in no way involved on the Target Company side in discussions and negotiations with the Tender Offeror.

Further, all five (5) of the Target Company’s statutory auditors, including outside statutory auditors attended the above board of directors meeting and all of these statutory auditors stated that they had no objection to the Target Company’s board of directors passing the above resolution.

b. Management Policy After the Tender Offer

As of today, the Target Company has fourteen (14) directors and five (5) statutory auditors, of whom five (5) directors concurrently serve as officers of Tender Offeror, but Tender Offeror is not presently planning any specific changes to the Target Company's management structure after the Tender Offer. By consolidating the management resources of the Tender Offeror Group including the Target Company to a greater degree than in the past, the Tender Offeror Group will become more unified and strive to attain further improvements in corporate value.

(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest

Because the Target Company is a consolidated subsidiary of Tender Offeror as of today and therefore the Transaction including the Tender Offer falls under a material transaction etc. with a controlling shareholder, and that there may be structural conflicts of interest when the Target Company reviews the Transaction, Tender Offeror and the Target Company each implemented the following measures for ensuring the fairness of the Tender Offer Price and avoid conflicts of interest.

As stated in "(1) Overview of the Tender Offer" above, as of today, Tender Offeror holds 43,134,500 Target Company Shares (ownership percentage : 79.08%), so Tender Offeror considered that setting a minimum number of shares to be purchased of so-called "majority of minority" for the Tender Offer would make the completion of the Tender Offer unstable and it may not contribute to the interests of minority shareholders who wish to tender shares in the Tender Offer, therefore, Tender Offeror has not set a minimum number of shares to be purchased through the Tender Offer, but since Tender Offeror and the Target Company have taken the following measures, Tender Offeror believes that adequate consideration has been given to the interests of the Target Company's minority shareholders.

The descriptions of the following measures implemented by the Target Company are based on explanations received from the Target Company.

- (A) Procurement by Tender Offeror of a share price valuation report from an independent third-party valuation institution
- (B) Procurement by the Target Company of a share price valuation report from an independent third-party valuation institution
- (C) Advice to the Target Company from an independent legal advisor
- (D) Establishment by the Target Company of an independent special committee
- (E) Unanimous approval of all non-interested directors of the Target Company and unanimous expression of no-objection by all non-interested statutory auditors of the Target Company
- (F) Measures to secure opportunities for others to make any competing offers

For details of the measures above, please refer to "(Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)" under "(B) Background of Calculation" of "(4) Basis for the Calculation of the Price for Purchase, etc." of "2. Overview of Purchase, etc." below.

(4) Policy for Organizational Restructuring, etc. After the Tender Offer (Matters Relating to So-called "Two-step Acquisition")

As stated in “(1) Overview of the Tender Offer” above, Tender Offeror is contemplating turning the Target Company into a wholly-owned subsidiary of Tender Offeror, and if Tender Offeror is unable to acquire all of the Target Company Shares, then after the completion of the Tender Offer, Tender Offeror intends to acquire all of the Target Company Shares using the methods described below.

Specifically, if, upon completion of the Tender Offer, Tender Offeror owns 90% or more of the voting rights of the Target Company Shares of all shareholders of the Target Company and Tender Offeror becomes a special controlling shareholder as set forth in Article 179, Paragraph 1 of the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same; “Companies Act”), Tender Offeror plans to request all of the Target Company’s shareholders (excluding Tender Offeror and the Target Company) to sell all of the Target Company Shares they own pursuant to the provisions of Part II, Chapter II, Section 4-2 of the Companies Act (the “Demand for Shares Cash-Out”), promptly after the completion of the settlement of the Tender Offer.

In the Demand for Shares Cash-Out, Tender Offeror plans to set forth that the amount equivalent to the Tender Offer Price will be delivered to each of the Target Company’s shareholders (excluding Tender Offeror and the Target Company) as the consideration per share of the Target Company Shares. In such case, Tender Offeror will notify the Target Company to that effect and will require the Target Company to approve the Demand for Shares Cash-Out. If the Target Company approves the Demand for Shares Cash-Out by a resolution of its board of directors, in accordance with the procedures set forth in the relevant laws and ordinances, without individual approvals by the Target Company’s shareholders, Tender Offeror will acquire from the Target Company’s all shareholders (excluding Tender Offeror and the Target Company) all of the Target Company Shares that they hold as of the acquisition date set forth in the Demand for Shares Cash-Out,. Tender Offeror plans to deliver to each of such shareholders of Target Company the amount equivalent to the Tender Offer Price as the consideration per share for each Target Company Share that was owned by such shareholders. According to the Target Company Press Release, if the Demand for Shares Cash-Out is made by Tender Offeror, the Target Company’s board of directors plans to approve the Demand for Shares Cash-Out.

In order to protect the interests of minority shareholders relating to the Demand for Shares Cash-Out, the Companies Act stipulates that any Target Company shareholders that do not tender their shares in the Tender Offer may file a petition with a court to determine the sale price of the Target Company Shares that they own, pursuant to the provisions of Article 179-8 of the Companies Act and other relevant laws or ordinances. In cases where such a petition is filed, the court will make the final determination of the sale price.

On the other hand, if, after the completion of the Tender Offer, Tender Offeror owns fewer than 90% of the voting rights of the Target Company Shares of all shareholders, Tender Offeror plans to request the Target Company to convene an extraordinary general shareholders’ meeting (“Extraordinary General Shareholders’ Meeting”) in or around November 2019 to address: (a) a proposal regarding consolidation of the Target Company Shares (the “Share Consolidation”) and (b) a proposal regarding an amendment to the articles of incorporation subject to the Share Consolidation becoming effective for the purpose of abolishing the provision regarding the number of shares constituting one unit of stock. Tender Offeror plans to vote in favor of such proposals at the Extraordinary General Shareholders’ Meeting.

If the proposals for the Share Consolidation are approved at the General Shareholders’ Meeting, as of the effective date of the Share Consolidation, the number of Target Company Shares owned by the shareholders of the Target Company will be changed according to the ratio for the Share Consolidation approved at the Extraordinary General Shareholders’ Meeting. In the case where any fractional share of less than one share arises as a result of the Share Consolidation, the amount of cash to be obtained by selling etc. the Target Company Shares in the amount equivalent to the aggregate of such fractional shares (if there are any fraction less than one in the aggregate, such fraction will be discarded; hereinafter the same) to the Target Company or

Tender Offeror will be delivered to the shareholders of the Target Company pursuant to Article 235 of the Companies Act and other relevant laws or ordinances. With respect to the sale price of the Target Company Shares in the amount equivalent to the aggregate of such fractional shares, Tender Offeror plans to request the Target Company to calculate such price so that the amount of money to be delivered to each Target Company shareholder (excluding Tender Offeror and the Target Company) who did not tender shares in the Tender Offer, as a result of such sale will be equal to the amount obtained by multiplying (a) the Tender Offer Price by (b) the number of the Target Company Shares held by the relevant shareholder, and file a petition with a court for permission for such voluntary sale.

The ratio for the Share Consolidation has yet to be determined as of today; however, Tender Offeror plans to request to the Target Company to make a determination to the effect that the number of Target Company Shares held by Target Company shareholders who did not tender their shares in the Tender Offer (excluding Tender Offeror and the Target Company) will be a fractional number less than one share so that Tender Offeror will be the sole holder of all of the Target Company Shares (excluding the treasury shares owned by the Target Company).

In order to protect the interests of minority shareholders relating to the Share Consolidation, the Companies Act stipulates that in the case where any fractional share less than one share arises from the Share Consolidation, if the prescribed conditions are satisfied, the Target Company shareholders excluding Tender Offeror and the Target Company may request the Target Company to purchase at a fair price all of their fractional Target Company Shares less than one share and file a petition with a court for determination of the price of the Target Company Shares pursuant to the provisions of Articles 182-4 and 182-5 of the Companies Act and other relevant laws or ordinances. As set forth above, it is planned that through the Share Consolidation the number of Target Company Shares held by Target Company shareholders who did not tender their shares in the Tender Offer (excluding Tender Offeror and the Target Company) will be fractional shares less than one share, and therefore Target Company shareholders who oppose the Share Consolidation will be entitled to file such petition. In cases where such a petition is filed, the court will make the final determination of the sale price.

The procedures described above may take longer than anticipated, or may be changed to different methods with substantially the same effect, due to an amendment of relevant laws and regulations, an interpretation by the authorities on the relevant laws and regulations, or the ownership percentage of share certificates etc. of Tender Offeror or ownership of the Target Company Shares by Target Company shareholders other than Tender Offeror after the Tender Offer, etc.

However, even in such cases, Tender Offeror intends to adopt measures to eventually pay cash to each of the Target Company shareholders who did not tender shares in the Tender Offer (excluding Tender Offeror and the Target Company) and cause the amount of cash to be paid to each of the shareholders to be equal to the amount obtained by multiplying the Tender Offer Price by the number of the Target Company Shares owned by such shareholder. Specific procedures and the schedule thereof in the case above will be promptly announced by the Target Company once determined.

The Tender Offer is not intended to solicit affirmative votes by the Target Company shareholders at the Extraordinary General Shareholders' Meeting. Further, shareholders of the Target Company should consult with tax advisors under their own responsibility regarding tax implications in relation to tendering their shares in the Tender Offer or any of the procedures above.

(5) Possibility of Delisting and Reasons Therefor

As of today, Target Company Shares are listed on the First Section of the Tokyo Stock Exchange, but since Tender Offeror has not set the maximum number to be purchased, etc. in the Tender Offer, depending on the result of the Tender Offer, Target Company Shares may be delisted pursuant to the procedures of the Tokyo Stock Exchange in accordance with the Tokyo Stock Exchange's criteria for delisting. In addition, even if the Target Company Shares do not satisfy such criteria after the success of the Tender Offer, Tender Offeror plans to carry out transactions to acquire all of the Target Company Shares in accordance with applicable laws and regulations, as set forth in “(4) Policy for Organizational Restructuring, etc. After the Tender Offer (Matters Relating to So-called ‘Two-step Acquisition’)”, and in such case, the Target Company Shares will be delisted in accordance with the Tokyo Stock Exchange's criteria for delisting. The Target Company Shares will no longer be traded on the First Section of the Tokyo Stock Exchange after such delisting.

- (6) Matters Concerning Material Agreements related to Acceptance of the Tender Offer between Tender Offeror and the Shareholders/Directors of the Target Company

N/A

2. Overview of Purchase, etc.

- (1) Overview of the Target Company

(A) Name	Asunaro Aoki Construction Co., Ltd.		
(B) Address	1 Kanda Mitoshirocho, Chiyoda-ku, Tokyo		
(C) Title and Name of Representative	Yasushi Tsujii, Representative Director and President		
(D) Description of Business	General construction business (domestic construction business, domestic engineering business and other related business) and real estate business		
(E) Capital	5,000,000,000 yen (as of March 31, 2019)		
(F) Date of Establishment	September 25, 1950		
(G) Major Shareholders and Shareholding Ratios (as of March 31, 2019)	Takamatsu Construction Group Co., Ltd.		79.08%
	The Master Trust Bank of Japan, Ltd. (Trust account)		2.33%
	State Street Bank and Trust Company 505001		1.54%
	DFA INTL SMALL CAP VALUE PORTFOLIO		1.04%
	GOVERNMENT OF NORWAY		1.00%
	Asunaro Aoki Construction Subcontractors' Shareholding Association		0.97%
	Japan Trustee Services Bank, Ltd. (Trust account)		0.70%
	Japan Trustee Services Bank, Ltd. (Trust account 9)		0.62%
	JP Morgan Chase Bank 385151		0.53%

	Japan Trustee Services Bank, Ltd. (Trust account 5)	0.44%
(H)	Relationship between Tender Offeror and the Target Company	
	Capital Relationship	Tender Offeror owns 43,134,500 common shares (ownership percentage: 79.08%) of the Target Company as of today.
	Personnel Relationship	As of today, two directors of the Target Company concurrently serve as representative directors of Tender Offeror, three directors of the Target Company concurrently serve as directors of Tender Offeror. One employee of the Target Company is seconded to Tender Offeror.
	Business Relationship	Tender Offeror leases offices etc. to the Target Company. The Target Company leases a part of its research facilities etc. to Tender Offeror and Takamatsu Construction Co., Ltd., a consolidated subsidiary of Tender Offeror.
	Status as Related Party	The Target Company is a consolidated subsidiary of Tender Offeror, and constitutes a related party of Tender Offeror.

(2) Schedule, etc.

(A) Schedule

Date on which the Implementation of the Tender Offer was Decided	August 6, 2019 (Tuesday)
Date of Public Notice of Commencement of The Tender Offer	August 7, 2019 (Wednesday) Public disclosure will be made electronically, and a notice of such disclosure will be published in the <i>Nihon Keizai Shimbun</i> . URL for electronic disclosure: (http://disclosure.edinet-fsa.go.jp/)
Filing date of Tender Offer Filing Statement	August 7, 2019 (Wednesday)

(B) Initially Filed Period for Purchase, etc.

From August 7, 2019 (Wednesday) to September 19, 2019 (Thursday) (30 business days)

(C) The Possibility of Extension of Tender Offer Period upon Request of the Target Company

N/A

(3) Price for Purchase, etc.

1,210 yen per share of common stock

(4) Basis for the Calculation of the Price for Purchase, etc.

(A) Basis of Calculation

When determining the Tender Offer Price, Tender Offeror requested Daiwa Securities, a financial advisor, to evaluate the share value of the Target Company Shares as a third-party valuation institution that is independent of Tender Offeror and the Target Company.

Daiwa Securities is not a related party to Tender Offeror or the Target Company, and has no material interest in the Transaction, including the Tender Offer.

After considering which of multiple calculation methods should be used in the calculation of the share price for Target Company Share, on the assumption that the Target Company is a going concern, on the basis of the belief that it is appropriate to comprehensively calculate the share price for the Target Company Shares, Daiwa Securities calculated the share price for the Target Company Shares using (i) the market price analysis to take into account trends in the market price of the Target Company Shares, (ii) the comparable company analysis because there are multiple listed companies comparable to the Target Company and analogical inference of the share value of the Target Company Shares is possible through this approach, and (iii) the discounted cash flow method (“DCF Analysis”) so as to take into account the Target Company’s business performance and projections etc. Tender Offeror obtained the share valuation report from Daiwa Securities on August 5, 2019 (“Tender Offeror’s Share Price Valuation Report”). Tender Offeror has not obtained a written opinion concerning the fairness of the Tender Offer Price (a fairness opinion) from Daiwa Securities.

According to the Tender Offeror’s Share Price Valuation Report, the analysis methods used and the ranges of the value per share of the Target Company Shares shown by each analysis method are as follows:

Market price analysis: 786 yen to 905 yen
Comparable company analysis: 744 yen to 1,084 yen
DCF Analysis: 1,082 yen to 1,452 yen

For the market price analysis, the reference date was set at August 5, 2019, and the price per share of the Target Company Shares was calculated to be in the range of 786 yen to 905 yen, on the basis of the following prices of the Target Company Shares on the First Section of the Tokyo Stock Exchange: the closing price on the reference date (786 yen); the simple average closing price (rounded to the nearest whole yen; hereinafter the same applies to any simple average closing price) for the past one (1) month (835 yen); the simple average closing price for the past three (3) months (834 yen); and the simple average closing price for the past six (6) months (905 yen).

For the comparable company analysis, the price per share of the Target Company Shares was calculated to be in the range of 744 yen to 1,084 yen, through comparisons with financial indicators that showed market share prices and profitability, among other things, of listed companies that operated relatively similar businesses to the Target Company.

For the DCF Analysis, the corporate value and the share value were calculated by first estimating the amount of free cash flow that the Target Company is expected to create in and after the second quarter of the fiscal year ending March 2020 on the basis of revenue forecasts and investment plan in the business plan prepared by the Target Company for the three (3) fiscal years from the fiscal year ending March 2020 through the fiscal year ending March 2022 and publicly available information etc., and then deriving the present value of that amount using a certain discount rate. This analysis showed that the value per share of the Target Company Shares was in the range of 1,082 yen to 1,452 yen. It should be noted that the above business

plan prepared by the Target Company do not include any fiscal year in which a large increase or decrease in earnings is expected. Furthermore, the expected synergies to be realized through the implementation of the Transaction are not taken into account because it is difficult to specifically estimate them at the current point in time.

In determining the Tender Offer Price, Tender Offeror took comprehensively into account several factors, including the valuation results in the Tender Offeror's Share Price Valuation Report received from Daiwa Securities, the likelihood of the Target Company's board of directors supporting the Tender Offer, the premiums added to the tender offer prices in some precedent tender offers for the share certificates etc. comparable to the Tender Offer conducted by parties other than the issuer (precedent tender offers based on a parent company turning a listed subsidiary into a wholly-owned subsidiary), the trend of the market price of the Target Company Shares, the results of due diligence performed by Tender Offeror from mid-May to mid-June 2019 in regard to the Target Company, and the outlook for subscriptions to the Tender Offer, and on the basis of the results of the discussion and negotiation with the Target Company, ultimately set the Tender Offer Price today at 1,210 yen per share.

The Tender Offer Price of 1,210 yen represents (a) a premium of 53.94% (rounded to the second decimal place; hereinafter, the same applies to premium values (expressed as a percentage) on the share price) on 786 yen, which is the closing price of the Target Company Shares on the First Section of the Tokyo Stock Exchange on August 5, 2019, the business day immediately preceding the date of the announcement of the implementation of the Tender Offer; (b) a premium of 44.91% on 835 yen, which is the simple average closing price for the immediately preceding one (1) month (July 8, 2019 to August 5, 2019); (c) a premium of 45.08% on 834 yen, which is the simple average closing price for the immediately preceding three (3) months (from May 7, 2019 to August 5, 2019); and (d) a premium of 33.70% on 905 yen, which is the simple average closing price for the immediately preceding six (6) months (from February 6, 2019 to August 5, 2019).

(B) Background of Calculation

(Background to the determination of the Tender Offer Price)

On April 9, 2019, Tender Offeror made an initial proposal to the Target Company to make it a wholly-owned subsidiary, and with the Target Company's understanding, conducted due diligence on the Target Company from mid-May to mid-June 2019. Then, from early-June to late-July 2019 Tender Offeror and Target Company engaged in discussions and consultations several times regarding the conditions for the Transaction including the Tender Offer Price and the methods of the Transaction, among other things. As a result, Tender Offeror decided today to implement the Tender Offer for the purpose of making the Target Company its wholly-owned subsidiary, and determined the Tender Offer Price on the basis of the following background. For details of the background leading up to Tender Offeror's decision to implement the Tender Offer, see "(2) Background to, Purpose of and Decision-Making Process of the Tender Offer, and Management Policy After the Tender Offer" of "1. Purpose of Purchase, etc." above.

i. Name of Third-party whose Opinion was Obtained for the Valuation

When determining the Tender Offer Price, Tender Offeror requested Daiwa Securities, a financial advisor, to evaluate the share value of the Target Company Shares as a third-party valuation institution that is independent of Tender Offeror and the Target Company, and obtained the Tender Offeror's Share Price Valuation Report from Daiwa Securities on August 5, 2019. Daiwa Securities is not a related party to Tender Offeror or the Target Company, and has no material interest in the Tender Offer.

ii. Outline of Opinion

According to the Tender Offeror's Share Price Valuation Report, the analysis methods used and the ranges of the value per share of the Target Company Shares shown by each analysis method are as follows:

Market price analysis:	786 yen to 905 yen
Comparable company analysis:	744 yen to 1,084 yen
DCF Analysis:	1,082 yen to 1,452 yen

iii. Background to Determination of the Purchase Price Based on the Opinion

In determining the Tender Offer Price, Tender Offeror took comprehensively into account several factors, including the valuation results in the Tender Offeror's Share Price Valuation Report received from Daiwa Securities, the likelihood of the Target Company's board of directors supporting the Tender Offer, the premiums added to the tender offer prices in some precedent tender offers for share certificates etc. comparable to the Tender Offer conducted by parties other than the issuer (precedent tender offers based on a parent company turning a listed subsidiary into a wholly-owned subsidiary), the trend of the market price of the Target Company Shares, the results of due diligence performed by Tender Offeror from mid-May to mid-June 2019 in regard to the Target Company, and the outlook for subscriptions to the Tender Offer, and on the basis of the results of the discussion and negotiation with the Target Company, ultimately set the Tender Offer Price today at 1,210 yen per share.

(Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)

In view of the facts that the Target Company is a consolidated subsidiary of Tender Offeror as of today and therefore the Transaction including the Tender Offer falls under a material transaction etc. with a controlling shareholder and that there may be structural conflicts of interest when the Target Company reviews the Transaction, Tender Offeror and the Target Company each implemented the following measures for ensuring the fairness of the Tender Offer Price and avoiding conflicts of interest.

Further, as set forth in "(1) Overview of the Tender Offer" under "1. Purpose of Purchase etc." above, as of today, Tender Offeror already holds 43,134,500 Target Company Shares (ownership percentage: 79.08%), and because Tender Offeror considered that setting a minimum number of shares to be purchased of so-called "majority of minority" for the Tender Offer would make the completion of the Tender Offer unstable and it may not contribute to the interests of minority shareholders who wish to tender shares in the Tender Offer, therefore, Tender Offeror has not set a minimum number of shares to be purchased through the Tender Offer, but since Tender Offeror and the Target Company have taken the following measures, Tender Offeror believes that adequate consideration has been paid to the interests of the Target Company's minority shareholders.

a. Procurement by Tender Offeror of a Share Price Valuation Report from an Independent Third-party Valuation Institution

Tender Offeror obtained the Tender Offeror's Share Price Valuation Report from Daiwa

Securities on August 5, 2019. For details, please see “(A) Basis of Calculation” above.

b. Procurement by the Target Company of a Share Price Valuation Report from an Independent Third-party Valuation Institution

According to the Target Company Press Release, in representing the Target Company’s opinion regarding the Tender Offer, to ensure fairness in the course of decision-making regarding the Tender Offer Price offered by Tender Offeror, the Target Company requested AGS Consulting to calculate the share value of the Target Company Shares as a third-party valuation institution that is independent of Tender Offeror and the Target Company, and obtained the Target Company’s Share Price Valuation Report on August 5, 2019.

AGS Consulting is not a related party of Tender Offeror or the Target Company, and does not have any material conflict of interest that should be disclosed in connection with the Tender Offer.

It should be noted that the Target Company has not obtained an opinion concerning the fairness of the Tender Offer Price (a fairness opinion) from AGS Consulting.

After considering which of multiple calculation methods should be used in the calculation of the share price for Target Company Share, on the assumption that the Target Company is a going concern, on the basis of the belief that it is appropriate to comprehensively calculate the share price for the Target Company Shares, AGS Consulting calculated the share price for the Target Company Shares using (i) the market price analysis to take into account trends in the market price of the Target Company Shares, (ii) the comparable company analysis because there are multiple listed companies comparable to the Target Company and analogical inference of the share value of the Target Company Shares is possible through this approach, and (iii) the DCF Analysis so as to take into account the Target Company’s business performance and projections etc.

According to AGS Consulting, the analysis methods used and the ranges of the value per share of the Target Company Shares shown by each analysis methods are as follows:

Market price analysis:	786 yen to 905 yen
Comparable company analysis:	929 yen to 1,037 yen
DCF Analysis:	732 yen to 1,452 yen

For the market price analysis, the reference date was set at August 5, 2019, and the price per share of the Target Company Shares was calculated to be in the range of 786 yen to 905 yen, on the basis of the following prices of the Target Company Shares on the First Section of the Tokyo Stock Exchange: the closing price on the reference date (786 yen); the simple average closing price for the past one (1) month (835 yen); the simple average closing price for the past three (3) months (834 yen); and the simple average closing price for the past six (6) months (905 yen).

In the comparable companies analysis, Daiho Corporation, Tobishima Corporation, The Zenitaka Corporation, Okumura Corporation and Yahagi Construction Co., Ltd. were selected as comparable listed companies determined to be comparable to the Target Company, and the price per share of the Target Company Shares was calculated using the multiple of EBITDA for business valuation to be in the range of 929 yen to 1,037 yen.

For the DCF Analysis, the corporate value and the share value were calculated by first estimating the amount of free cash flow that the Target Company is expected to create in and after the second quarter of the fiscal year ending March 2020 on the basis of revenue forecasts and investment plan in the business plan prepared by the Target Company for the three (3) fiscal years from the fiscal year ending March 2020 through the fiscal year ending March 2022 and publicly available information etc., and then deriving the present value of that amount using a certain discount rate. This analysis showed that the value per share of the Target Company Shares was in the range of 732 yen to 1,452 yen. As for the discount rate, a rate of 7.09 to 7.59% was adopted, and the going-concern value was calculated by adopting the perpetual growth method and the multiple method and applying a perpetual growth rate of 0% for the perpetual growth method and setting the EBITDA multiple at 3.69:1 for the multiple method. The following table shows the consolidated financial forecasts based on the Target Company's business plan, which AGS Consulting used as a premise for its DCF Analysis. It should be noted that the following financial forecasts do not include any fiscal year in which a large increase or decrease in earnings is expected. Furthermore, in the following financial forecasts, the expected synergies to be realized through the implementation of the Transaction are not taken into account because it is difficult to estimate them at the current point in time.

(Millions of yen)

	FY ending March 2020 (nine (9) months)	FY ending March 2021	FY ending March 2022
Net Sales	119,203	157,200	160,000
Operating Income	6,325	7,600	8,000
EBITDA	6,949	8,383	8,783
Free Cash Flow	△12,426	4,334	2,261

c. Advice to the Target Company from an Independent Legal Advisor

According to the Target Company Press Release, in order to ensure the fairness and appropriateness of the decision-making process of the Target Company's board of directors in connection with the Transaction including the Tender Offer, the Target Company selected City-Yuwa Partners as an external legal advisor independent of the Target Company and Tender Offeror and received legal advice regarding the course and methods of decision-making by the Target Company's board of directors relating to the Transaction including the Tender Offer and regarding other matters to note relating to the Transaction including the Tender Offer.

City-Yuwa Partners is not a related person of Tender Offeror or the Target Company and does not have any material conflicts of interest.

d. Establishment by the Target Company of an Independent Special Committee

According to the Target Company Press Release, the Target Company, as of May 10, 2019, taking into account that the Transaction including the Tender Offer falls under a material transaction etc. with a controlling shareholder, in order to perform its decision-making process carefully, avoid arbitrariness and conflict of interest in decision-making, and to ensure fairness in the Target Company's decision-making process, established the Special Committee consisting of the following three members: the Target Company's outside director and

independent officer Taisuke Seno, and external experts independent of Tender Offeror and the Target Company, Mr. Masaaki Suda (certified public accountant at SUGA & Associates) and Mr. Seiji Yamashita (attorney at Yamashita Law Office) (the Target Company initially appointed three persons as members of the Special Committee, and none of the members of the Special Committee have been changed. In addition, Taisuke Seno was appointed as a chairman of the Special Committee because of his position to be directly involved in management decisions as a member of the Target Company's board of directors as well as the fact that he has certain knowledge of the business of the Target Company). The Target Company tasked the Special Committee with providing advice as to (a) the appropriateness and reasonableness of the purpose of the Transaction (including improvement of the Target Company's corporate value through the Transaction); (b) the fairness and reasonableness of the conditions of the Transaction (including the price for purchase etc. in the Tender Offer); (c) the fairness of the course of negotiations and decision-making procedures relating to the Transaction; (d) whether the Transaction and expressing its opinion in favor of the Transaction are against the interests of minority shareholders of the Target Company in light of the foregoing ; and (e) the pros and cons of the Target Company's board of directors representing its opinion in favor of the Tender Offer and recommending to the Target Company's shareholders that they tender their shares in the Tender Offer (hereinafter these questions are collectively referred to as the "Questions") and submitting a written response to the Target Company regarding these matters.

From May 14, 2019 through August 5, 2019, the Special Committee held a total of six (6) meetings to carefully discuss and review the Questions. More specifically, during the first meeting of the Special Committee, the Special Committee approved the third-party valuation institution and legal advisor appointed by the Target Company because there were no issues of independence or expertise, confirmed that the Special Committee could also receive expert advice as necessary, and confirmed that the basic policy for its involvement in the course of negotiations with Tender Offeror would be that while direct negotiations were conducted by persons within the Target Company and its advisors, the Special Committee would receive status reports from persons in charge of negotiations as needed and would state its opinions, give instructions and make requests concerning material aspects, thus enabling itself to be substantively involved in the negotiation process relating to transaction conditions. Additionally, the Special Committee received explanations about the history, business and performance status, current management challenges, content of the business plan of the Target Company, impact etc. of the Transaction on the Target Company business by the Target Company, and Q&A sessions have been held with the Target Company. The Special Committee sent questions in advance and then received explanations from Tender Offeror regarding the rationale and background that led to the proposal for the Transaction, the purpose of the Transaction, the synergies and other effects that can be expected through the Transaction, and the expected policies etc. for the management structure of the Target Company Group after the Transaction; Q&A sessions were held on these topics as well. In addition, the Special Committee was involved in the negotiation process with Tender Offeror; for example, it received timely reports from the Target Company regarding the course and the details of discussions and negotiations for the Transaction between Tender Offeror and the Target Company and held Special Committee meetings on occasion for discussion, and with respect to the Tender Offer Price, on several occasions it stated its opinion to the Target Company that Tender Offeror should be asked to increase the Tender Offer Price, until a final proposal was received from Tender Offeror for 1,210 yen. Further, the Special Committee received explanations relating to the calculation of the share price for Target Company Shares from AGS Consulting, the Target Company's third-party valuation institution, and held Q&A sessions (in order to confirm the reasonableness of the Target Company's business plan, which AGS Consulting used as a basis of the calculation of the share price for Target Company Shares, AGS Consulting had several Q&A sessions with the Target Company. Also, on top of conducting Q&A sessions with the Target Company regarding its business plan, the Special Committee itself confirmed and reviewed the course of formulating business plan and important preconditions of this plan, among other things, to confirm the reasonableness of the business plan by means such as receiving explanations about business plan from AGS Consulting) and received advice from City-Yuwa Partners, the Target Company's legal advisor,

regarding the details of measures to ensure the fairness of the procedural aspects of the Transaction and measures for avoiding conflicts of interest, including the decision-making methods and processes of the Target Company's board of directors in regard to the Transaction.

In light of the background described above, as a result of careful discussions and consideration of the Questions, the Special Committee submitted to the Target Company board of directors on August 5, 2019 the Written Response summarized below, with the unanimous approval of all committee members.

- (a) As a result of the Transaction, (i) the interest of the Takamatsu Construction Group and that of the Target Company Group will coincide, which will i) enable further promotion of joint businesses between the two groups, providing the Target Company Group with opportunities of scaling order volume through increased joint businesses, etc. backed up by the Takamatsu Construction Group's strength in sales, which can bring large-scale orders that allow increased efficiency and productivity, and which can also facilitate joint purchase of materials especially in the construction business that allows construction cost reduction, ii) advance sharing information systems that will encourage joint businesses between the two groups, as well as potential drastic reduction in costs from sharing system investment costs and back office within the group as a whole, and iii) possibly create synergistic effects such as optimizing human resources of the Tender Offeror Group as a whole, regarding research and development on advanced technology that the Target Company Group pushes forward, and furthermore (ii) privatization will completely resolve conflict of interest between the Tender Offeror and other minority shareholders, which enables the Target Company to have flexibility in decision-making from a perspective in a longer-term, and release the Target Company from the anticipated increase in burden of staying listed as a listed company, and moreover, (iii) comprehensively considering that impacts such as decrease in morale of existing employees and future recruitment of human resources by the Target Company Group that can be caused by the Transaction should be limited, together with the premise of the current management issues of the Target Company Group that the long-term forecast of business environment is severe, and labor costs will increase due to ageing workforces and shortage in construction engineers, etc., the purpose of the Transaction is acknowledged to have a certain reasonableness from the aspect of increasing the Target Company's corporate value.
- (b) The procedures for the Transaction can be evaluated that sufficient measures are taken to ensure the fairness in the terms and conditions of the transaction from the viewpoint of benefiting minority shareholders, comprehensively considering that (i) the Special Committee established to eliminate any influence by the Tender Offeror which is the controlling shareholder on the decision-making process of the Target Company, and constituted by members independent from the Tender Offeror and the result of the Transaction, is practically engaged in the negotiation process of the terms and conditions of the transaction, after taking operational measures to enhance the effectivity as a special committee such as appointing a member who is an outside director as a chairman of the committee, approving a third party valuation institution and a legal advisor appointed by the Target Company and confirming to receive professional advice as the Special Committee if necessary, and confirming to involve in the process of negotiation regarding terms and conditions of the transaction substantially with the receipt of the current situation from a person in charge in a timely manner, making of opinion, instruction and request in case of important situations, etc. as the policy to be engaged in negotiation process with the Tender Offeror, (ii) legal advice from an independent law firm, and a share value calculation statement from an independent third-party valuation institution were obtained, (iii) there is a certain consideration in order to ensure the fairness of the Tender Offer such as setting the Tender Offer Period at a relatively long thirty (30) business days and existing no agreements between the Tender Offeror and the Target Company which restricts communication between the Target Company and third parties offering buyout in competition, (vi) the information deemed sufficient for minority shareholders to determine

the fittingness of the terms and conditions of the transaction in the document to be disclosed in relation to the Transaction by the Tender Offeror and the Target Company is scheduled to be disclosed, (v) a certain consideration exists for the interest of shareholders who didn't tender shares in the Tender Offer because the right to demand purchase of shares or right to claim for price decision in the squeeze-out procedure after the Tender Offer were ensured to the shareholders who didn't tender shares in the Tender Offer and each shareholder is planned to be paid money equivalent to the Tender Offer Price, and (vi) there is a certain reasonableness that as the Tender Offeror holds 43,134,500 Company Shares (ownership percentage: 79.08%), the Tender Offeror does not set a minimum number of shares to be purchased of so-called "majority of minority" in order that it may contribute to the interests of minority shareholders who wish to tender shares in the Tender Offer and in order not to make the completion of the Tender Offer unstable.

- (c) The Tender Offer Price is deemed to be fair and appropriate as a condition for the Transaction, comprehensively considering that it (i) has a certain reasonableness in light of the calculation result of the share value of the Target Company Shares by AGS Consulting, a third party valuation institution appointed by the Target Company, (ii) may be evaluated that a suitable premium is offered to the market price of the Target Company Shares, (iii) is a price determined through multiple discussions/negotiations between the Target Company and the Tender Offeror that is equivalent to those in transactions between independent parties, after procedural measures were taken to ensure the fairness in the terms and conditions of the transaction as described in (b) above.
 - (d) Comprehensively considering (a) through (c) above, the Transaction and to express an opinion in favor of the Transaction are believed not to be disadvantageous to minority shareholders of the Target Company.
 - (e) In light of (a) through (d) above, the board of directors of the Target Company expressing its opinion in favor of the Tender Offer and recommending its shareholders to tender its shares are believed to be appropriate.
- e. Unanimous Approval of All Non-interested Directors of the Target Company and Unanimous Expression of No Objection by All Non-interested Statutory Auditors

According to the Target Company Press Release, in response to the initial proposal for the Transaction from Tender Offeror on April 9, 2019, in order to ensure the fairness of the Tender Offer Price and the fairness of the Transaction including the Tender Offer, the Target Company appointed AGS Consulting, Inc. as a third-party valuation institution independent from both Tender Offeror and the Target Company, and City-Yuwa Partners as legal advisor, created the Special Committee on May 10, 2019 as an advisory organ of the Target Company for further review of the proposal, and after conducting a careful review of detailed synergistic effects that could be enjoyed by the Target Company Group through the Transaction, the Target Company set up a policy to aim to reach agreement on the Tender Offer Price that could provide the shareholders of the Target Company with an opportunity to sell their shares at a reasonable premium, and under such policy, it engaged in ongoing discussions and consultations with Tender Offeror, from early-June to late July 2019, regarding the purpose of the Transaction, the management structure and policies for after the Transaction, and the conditions of the Transaction, among other things.

While receiving the results of the Target Company Share price valuation from third-party valuation institution AGS Consulting and legal advice from Target Company's legal advisor City-Yuwa Partners regarding the course and methods of decision-making related to the Transaction, and regarding other matters to note with respect to decision-making related to the Transaction including the Tender Offer, the Special Committee gathered information from Tender Offeror and the Target Company concerning the purpose of the Transaction, the management structure and policies after the Transaction, and the conditions of the Transaction, and submitted to the Target Company the Written Response dated August 5, 2019 (the

composition and specific activities of the Special Committee and an overview of the Written Response are set forth in “d. Establishment by the Target Company of an Independent Special Committee” above).

Then, in consideration of the legal advice received from City-Yuwa Partners regarding the course and methods of decision-making related to the Transaction including the Tender Offer and regarding other matters to note with respect to decision-making related to the Transaction including the Tender Offer, as well as the content of the Target Company’s Share Price Valuation Report dated August 5, 2019 received from third-party valuation institution AGS Consulting, and while giving as much weight as possible to the Written Response obtained from the Special Committee, the Target Company’s board of directors conducted a careful review from the standpoint of whether the Transaction could ensure further improvement in the Target Company’s corporate value and whether the conditions of the Transaction, including the Tender Offer Price, were reasonable.

As a result, the Target Company reached the conclusion that amid the management environment the Target Company Group is facing where competition is expected to become even more severe going forward, in order for the Target Group Company to adapt to the environment and grow sustainably, it is essential to increase the Group’s competitiveness by further improving its productivity and efficiency, and that by becoming a wholly-owned subsidiary of Tender Offeror and further strengthening the ties between the Target Company Group and the Takamatsu Construction Group through the Transaction, the following synergistic effects can be expected, and thus the Target Company Group’s revenue base and business competitiveness will be enhanced to further enhance the feasibility of the medium-term management plan of the Target Company Group, also on a long-term basis, it will contribute to continued and sustainable securing and improvement of the corporate value of the Target Company Group.

- (i) Maximum utilization of management resources through realization of unified operations for Tender Offeror Group as a whole

The Target Company is engaged in initiatives in the construction business, particularly for non-residential business, and one of its successes has been winning contracts by establishing a joint venture with Takamatsu Construction for the first time for large-scale logistics warehouses in July 2016; these contracts were won by combining the Target Company’s technical expertise and the Takamatsu Construction’s marketing expertise against a backdrop of the recent scale of business of the Target Company Group and the Takamatsu Construction Group, and both companies are aware that they could not have achieved these gains on their own. By making the Target Company a wholly-owned subsidiary of Tender Offeror through the Transaction, Tender Offeror is able to make the interests of Takamatsu Construction Group and the Target Company Group completely coincide and under the business strategy to aim for further improvements of the corporate value of the Tender Offeror Group as a whole, it will become easier for both groups to move forward with construction business as a whole through joint business like the above between the Target Company Group and the Takamatsu Construction Group, and the Target Company believes that, as an effect, not only an improvement of profit of the Target Company Group in accordance with an improvement of the profit of the entire Tender Offeror Group, but also for the Target Company Group alone, acquisition of opportunity to further increase of orders received through the increase of joint ventures against a backdrop of the Takamatsu Construction’s marketing expertise can be expected, and winning large-scale contracts will lead to improved productivity.

Currently, the Target Company has not been able to engage in joint purchasing of materials etc. with the Takamatsu Construction Group, however, because especially in the construction business, the materials used by each group are common and similar, by making the Target Company a wholly-owned subsidiary of Tender Offeror, the promotion of joint ventures between the groups above as well as the activation of such joint purchasing of materials etc. between the groups is expected, and these will enable the Target Company Group to strive for

reductions in construction costs.

Further, because the Target Company has independent business operations as a listed company, and from the viewpoint to maintain and secure confidentiality of financial information and trade secrets such as terms and conditions of transactions, currently, information systems including accounting and cost control systems of the Takamatsu Construction Group have not been shared with the Target Company, however, the Target Company believes that by becoming a wholly-owned subsidiary of Tender Offeror, it becomes possible to proceed with mutual sharing of information systems and seamless information sharing can be achieved between groups. In addition, because it becomes possible to share the investment cost of information systems by the entire group, compared with making investment by the Target Company alone, improvement of productivity can be achieved with smaller cost, and also in the course of sharing information systems, consolidation of back office operations will be promoted, which can lead to significant cost reduction.

In addition, with the aim of improving productivity by proactively introducing technological initiatives towards ICT, BIM/CIM, and AI, the Target Company has been engaged in research and development related to these cutting-edge technologies, and it believes that making itself a wholly-owned subsidiary of Tender Offeror will mean that efficient utilization of human resources for research and development within the Group as a whole can be expected, and that it will be possible to advance i-Construction initiatives to a greater extent than before.

(Note 1) “i-Construction” refers to initiatives being advanced by the Ministry of Land, Infrastructure, Transport and Tourism with the aim of improving the productivity of construction production systems overall by introducing ICT into all business processes from surveying to engineering, construction, inspection, and maintenance and management.

(ii) Increasing flexibility of decision making and eliminating costs etc. by making Target Company a wholly-owned subsidiary

The Target Company is publicly traded and, to ensure that no shareholder interests are harmed, must conduct its management in a way that to some extent emphasizes ensuring short-term results; however, according to the Target Company, it considers developing new businesses in the future such as real estate utilization business including hostel business (purchasing existing office buildings and after fully renovating them as hostel facilities, making profit by outsourcing operations of such facilities to external operators) but such business requires considerable amount of prior investment and collecting the amount of prior investment by making profit usually takes around five years, and therefore, deterioration of short-term earnings and cash flow is expected. However, the Target Company believes that by carrying out the Transaction, it will be possible to avoid risks to shareholders due to deterioration of short-term earnings and cash flow such as above and to make smooth decisions such as on investment strategy for new businesses, among other things, from more of a medium-to-long-term perspective. In addition, the Target Company believes that being able avoid conflicts of interest between the parent company and minority shareholders in conjunction with the listing of a parent company and its subsidiary enables the Target Company Group to more actively and flexibly evaluate the development of new businesses such as above and better focus its efforts.

In addition, in today’s environment, with managerial oversight taking an increasingly stern view of the listing of parent companies and subsidiaries, as shown in “Practical Guideline for Group Governance System” dated on June 28, 2019, formulated by Ministry of Economy, Trade and Industry, which requests as a principle listed subsidiaries to increase the percentage of outside directors in board of directors (such as more than one-third or half), we believe that keeping the Target Company listed with a view to maintaining independence for the Target Company Group would lead to extremely heavy burden for matters including securing outside directors whose number is expected to increase in the future, and delisting the Target Company through the

Transaction will release the Target Company from such burden and it will also eliminate the other managerial encumbrances involved in keeping it listed, such as management costs for maintaining administration department and other costs, make it possible to concentrate management resources on business expansion, and contribute to improving the corporate value of the Target Company Group.

The Tender Offer Price (a) exceeds the maximum amounts of the calculation results based on the market price analysis and the comparable company analysis, and exceeds the median of the range of the calculation results based on the DFC analysis as shown by the share price valuation results for the Target Company Shares from AGS Consulting; (b) represents (i) a premium of 53.94% on 786 yen, which is the closing price of the Target Company Shares on the Tokyo Stock Exchange on August 5, 2019, the business day immediately preceding the date of the announcement of the implementation of the Tender Offer; (ii) a premium of 44.91% on 835 yen, which is the simple average closing price for the immediately preceding one (1) month; (iii) a premium of 45.08% on 834 yen, which is the simple average closing price for the immediately preceding three (3) months; and (iv) a premium of 33.70% on 905 yen, which is the simple average closing price for the immediately preceding six (6) months, and therefore it can be concluded that a reasonable premium comparable to the premium levels in precedents of other tender offers intended to result in a parent company turning a listed subsidiary into a wholly-owned subsidiary; (c) measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest have been taken as set forth in “(Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)” and it is found that consideration has been paid to the interests of minority shareholders; (d) after said measures to ensure the fairness and to avoid conflicts of interest were taken, on several occasions Tender Offeror and the Target Company engaged in discussions and negotiations equivalent to discussions and negotiations in an arms-length transaction; and (e) although lower than 1,235.35 yen, net assets per share of the Target Company as of March 31, 2019, it is an amount equivalent to 97.95% (rounded to two decimal places) and deviation is considered to be small, and for the share price valuation of the Target Company Shares it should be assumed that the Target Company is a going concern company, and therefore, it is not appropriate to determine the Tender Offer Price based solely on net assets per share, and in light of the foregoing, the Target Company determined that the Tender Offer provides the Target Company shareholders to sell their Target Company Shares at a price that represents a reasonable premium.

On the basis of the foregoing, at a board of directors meeting of the Target Company convened today, the Target Company passed a resolution representing its opinion in favor of the Tender Offer and recommending that the Target Company’s shareholders tender their shares in the Tender Offer.

In this board of directors meeting, all nine of the 14 Target Company directors other than Yasunobu Ueno, Takayuki Takamatsu, Kanji Ogawa, Nobuhiko Yoshitake and Masahiro Nishide participated in the deliberations and the resolution, and the resolution was passed with the unanimous approval of all participating directors. Of the Target Company directors, Takayuki Takamatsu concurrently serves as honorary chairman and director of the Tender Offeror, Kanji Ogawa concurrently serves as representative director and chairman of the Tender Offeror, Nobuhiko Yoshitake concurrently serves as representative director and president of the Tender Offeror, and Yasunobu Ueno and Masahiro Nishide concurrently serve as directors of the Tender Offeror; thus, with a view to increasing the fairness and objectivity of Target Company board of directors meeting decision-making processes concerning the Tender Offer, and with a view to avoiding suspicion of conflicts of interest, these five directors did not take part in deliberations or resolutions concerning any of the topics pertaining to the Tender Offer in said Target Company board of directors meeting, and were in no way involved on the Target Company side in discussions and negotiations with the Tender Offeror.

Further, all five (5) of the Target Company’s statutory auditors, including outside statutory auditors attended the above board of directors meeting and all of these statutory auditors stated

that they had no objection to the Target Company's board of directors passing the above resolution.

f. Measures to Secure Opportunities for Others to Make Competing Offers

Given that the shortest period allowed by law is 20 business days, by setting the tender offer period for purchasing etc. in the Tender Offer ("Tender Offer Period") at a relatively long 30 business days (From August 7, 2019 to September 19, 2019), Tender Offeror plans to provide an appropriate opportunity for the Target Company shareholders to subscribe to the Tender Offer and secure opportunities for purchase by other buyers, thus ensuring the fairness of the Tender Offer Price.

Further, Tender Offeror has not entered into any agreement with the Target Company that will restrict the Target Company from contacting persons proposing competing offers, including any agreement providing a transaction protection clause that may forbid the Target Company from contacting persons proposing competing offers, thereby ensuring the fairness of the Tender Offer.

(C) Relationship with Valuation Institution

Tender Offeror's financial adviser (valuation institution) Daiwa Securities is not a related party to Tender Offeror, and has no material interest in the Transaction, including the Tender Offer.

(5) Number of Share Certificates, etc. to be Purchased

Number of Shares to be Purchased	Minimum Number of Shares to be Purchased	Maximum Number of Shares to be Purchased
11,407,752 (shares)	- (shares)	- (shares)

(Note 1) In the Tender Offer, neither a maximum nor a minimum number of shares to be purchased has been set, and Tender Offeror thus will purchase etc. all of the Tendered Share Certificates, etc. The "Number of Shares to be Purchased" indicates the maximum number of share certificates etc. of the Target Company that Tender Offeror will acquire through the Tender Offer. Such maximum number represents the number of shares calculated by deducting, from the total number of issued shares of the Target Company as of June 30, 2019 (59,100,000 shares) as indicated in the Target Company's March 2020 Fiscal Year First Quarter Financial Results, the sum of the number of treasury shares held by the Target Company as of June 30, 2019 (4,557,748 shares) as indicated in the Target Company's March 2020 Fiscal Year First Quarter Financial Results and the number of the shares held by Tender Offeror as of today (43,134,500 shares).

(Note 2) Shares constituting less than a unit will also be subject to purchase through the Tender Offer. The Target Company may purchase its own shares in accordance with procedures stipulated in the law during the period of the Tender Offer from any Target Company shareholder who exercises the right to require the Target Company to purchase shares constituting less than a unit under the Companies Act.

(Note 3) Tender Offeror does not intend to acquire, through the Tender Offer, any treasury shares held by the Target Company.

(6) Changes in Ownership Percentage of Share Certificates, etc. through Purchase, etc.

Number of voting rights represented by share certificates, etc. owned by Tender Offeror before Purchase, etc.	431,345	(Ownership percentage of share certificates, etc. before Purchase, etc.: 79.08%)
Number of voting rights represented by share certificates, etc. owned by special related parties before Purchase, etc.	0	(Ownership percentage of share certificates, etc. before Purchase, etc.: 0.00%)
Number of voting rights represented by share certificates, etc. owned by Tender Offeror after Purchase, etc.	545,422	(Ownership percentage of share certificates, etc. after Purchase, etc.: 100.00%)
Number of voting rights represented by share certificates, etc. owned by special related parties after Purchase, etc.	0	(Ownership percentage of share certificates, etc. after Purchase, etc.: 0.00%)
Total number of voting rights of all shareholders of the Target Company	545,269	

(Note 1) The “Number of voting rights represented by share certificates, etc. owned by Tender Offeror before Purchase, etc.” indicates the aggregate number of voting rights represented by share certificates, etc. owned by each of the Special Related Parties (excluding the parties that are excluded from the Special Related Parties pursuant to Article 3, Paragraph 2, Item 1 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc. by Person Other Than Issuer (Ministry of Finance Ordinance No. 38 of 1990, as amended; “TOB Ordinance”) in the calculation of the ownership percentage of share certificates etc. prescribed in each item of Article 27-2, Paragraph 1 of the Act).

(Note 2) The “Total number of voting rights of all shareholders of the Target Company” represents the total number of voting rights of all shareholders of the Target Company as of March 31, 2019, as described in the Target Company’s Securities Report for the 79th Fiscal Year filed as of June 19, 2019 (described on the basis that 1 unit is 100 shares). However, in the Tender Offer, as all common shares issued by the Target Company (excluding treasury shares held by the Target Company), including shares constituting less than a unit, are subject to the Tender Offer, in calculating the “Ownership percentage of share certificates, etc. before Purchase, etc.” and “Ownership percentage of share certificates, etc. after Purchase, etc.,” the denominator is the number of voting rights (545,422) corresponding to the number of shares (54,542,252 shares obtained by deducting (a) the number of treasury shares held by the Target Company as set forth in the Target Company’s March 2020 Fiscal Year First Quarter Financial Results (4,557,748 shares), from (b) the total number of issued shares of the Target Company as of June 30, 2019 (59,100,000 shares) described in the Target Company’s March 2020 Fiscal Year First Quarter Financial Results.

(Note 3) The “Ownership percentage of share certificates, etc. before Purchase, etc.” and the “Ownership percentage of share certificates, etc. after Purchase, etc.” have been rounded to two decimal places.

(7) Aggregate Tender Offer Price: 13,803,379,920 yen

(Note) The “Aggregate Tender Offer Price” is calculated by multiplying the number of shares intended to be purchased through the Tender Offer (11,407,752 shares) by the Tender Offer Price per share (1,210 yen).

(8) Method of Settlement

(A) Name and Address of the Head Office of the Securities Company / Banks in Charge of

Settlement for Purchase, etc.

Daiwa Securities Co. Ltd.
1-9-1, Marunouchi, Chiyoda-ku, Tokyo

(B) Settlement Commencement Date

September 27, 2019 (Friday)

(C) Method of Settlement

A notice of purchase etc. by way of the Tender Offer will be mailed to the address of each tendering shareholder, etc. (or the standing proxy in the case of foreign shareholders) without delay after the end of the period of the Tender Offer.

Payment of the purchase price will be made in cash. Without delay after the commencement date of settlement, in accordance with the instructions by the tendering shareholders, etc., the purchase price for the share certificates etc. purchased etc. through the Tender Offer will be remitted by the Tender Offer Agent to the place designated by each tendering shareholder, etc. (or the standing proxy in the case of foreign shareholders) (a remittance fee may be charged), or paid by the Tender Offer Agent into the account of each tendering shareholder, etc. who has filed a tender offer application with the Tender Offer Agent.

(D) Method of Returning Share Certificates, etc.

If all of the share certificates etc. are not purchased in accordance with the terms described in “(A) Conditions set forth in each Item of Article 27-13, Paragraph 4 of the Act and Details thereof” or “(B) Conditions of Withdrawal, etc. of Tender Offer, Details thereof and Method of Disclosure of Withdrawal” of “(9) Other Conditions and Methods of Purchase, etc.” below, the share certificates, etc. that are required to be returned will be returned to the tendering shareholders, etc. without delay after two (2) business days following the last day of the period of the Tender Offer (the day of the withdrawal, etc. if the Tender Offer is withdrawn, etc.) by restoring the tendering shareholder account to the state that existed at the time of the relevant tender.

(9) Other Conditions and Methods of Purchase, etc.

(A) Conditions set forth in each Item of Article 27-13, Paragraph 4 of the Act and Details thereof

The maximum and minimum numbers of shares etc. for purchase through the Tender Offer are not set, therefore, Tender Offeror will purchase all of the Tendered Share Certificates, etc.

(B) Conditions of Withdrawal, etc., of Tender Offer, Details thereof and Method of Disclosure of Withdrawal

The Tender Offer may be withdrawn upon the occurrence of any event listed in Article 14, Paragraph 1, Items 1.1 through 1.9 and Items 1.12 through 1.18, Items 3.1 through 3.8 and Item 3.10, as well as Article 14, Paragraph 2, Items 3 through 6 of the Financial Instruments and Exchange Act Enforcement Order (Cabinet Order No. 321 of 1965, as amended; the “Enforcement Order”). In the Tender Offer, the “matters equivalent to the matters listed in

Items 1.1 through 1.9” in Article 14, Paragraph 1, Item 3.10 of the Enforcement Order means (i) where it is found that there is a false statement regarding, or an omission of, a material matter to be stated, in the statutory disclosure documents which the Target Company submitted in the past, and where Tender Offeror was not aware of the false statement or the omission and, despite using due care, Tender Offeror was unable to be aware of the false statement or the omission or (ii) where a fact set forth in said Items 3.1 through 3.7 occurs with respect to a material subsidiary of the Target Company.

Should Tender Offeror intend to withdraw the Tender Offer, it will give public notice thereof through electronic disclosure as well as in the *Nihon Keizai Shimbun*; provided, that if it is difficult to give such public notice within the period of the Tender Offer, Tender Offeror will make an official announcement pursuant to Article 20 of the TOB Ordinance and give public notice immediately thereafter.

(C) Conditions of Reduction of Purchase Price, Details thereof and Method of Disclosure of Reduction

Pursuant to Article 27-6, Paragraph 1, Item 1 of the Act, if the Target Company takes any action set forth in Article 13, Paragraph 1 of the Enforcement Order during the period of the Tender Offer, Tender Offeror may reduce the tender offer price pursuant to standards set forth in Article 19, Paragraph 1, of the TOB Ordinance.

Should Tender Offeror intend to reduce the tender offer price, it will give public notice thereof through electronic disclosure as well as in the *Nihon Keizai Shimbun*; provided, that if it is difficult to give such notice by the last day of the period of the Tender Offer, Tender Offeror will make an official announcement pursuant to Article 20 of the TOB Ordinance and give public notice immediately thereafter. If the tender offer price is reduced, Tender Offeror will purchase the Tendered Share Certificates, etc. tendered on or prior to the public notice at the reduced tender offer price.

(D) Matters Concerning Tendering Shareholders, etc.’ Right of Cancellation of Contract

Tendering shareholders, etc. may cancel a contract related to the Tender Offer at any time during the period of the Tender Offer. In order to cancel the contract, a tendering shareholder, etc. must personally deliver or mail cancellation documents (a tender offer application receipt and a written notice of the cancellation of the contract related to the Tender Offer) to the head office or a branch office in Japan of the Tender Offer Agent that received the application from such tendering shareholder, etc., by 4:00 p.m. on the last day of the period of the Tender Offer. If cancellation is made by postal mail, the cancellation will not be effective unless the cancellation documents are delivered by 4:00 p.m. on the last day of the period of the Tender Offer.

No compensation for damages or penalty will be demanded of any tendering shareholder, etc. by Tender Offeror as a result of cancellation of a contract by the tendering shareholder, etc. The cost of returning the Tendered Share Certificates, etc. will be borne by Tender Offeror. If cancellation is requested, the Tendered Share Certificates, etc. will be returned in accordance with the method set forth in “(D) Method of Returning Share Certificates, etc.” of “(8). Method of Settlement” promptly after the completion of the procedures.

(E) Method of Disclosure if the Conditions or other Terms of the Tender Offer are Changed

Tender Offeror may change the conditions, etc. for the Tender Offer, except where it is prohibited pursuant to Article 27-6, Paragraph 1 of the Act and Article 13 of the Enforcement Order.

Should any terms or conditions of the Tender Offer be changed, Tender Offeror will give public

notice thereof through electronic disclosure as well as in the *Nihon Keizai Shimbun*; provided, that if it is difficult to make such notice within the period of the Tender Offer, Tender Offeror will make an official announcement pursuant to Article 20 of the TOB Ordinance and give public notice immediately thereafter. Should any terms or conditions of the Tender Offer be changed, the purchase of the Tendered Share Certificates, etc. tendered on or prior to the date of such public notice will also be made in accordance with the terms and conditions as changed.

(F) Method of Disclosure if Amended Statement is Filed

If Tender Offeror files an amendment to the tender offer filing statement to the Director-General of Kanto Local Finance Bureau (except in the case prescribed in the proviso of Article 27-8, Paragraph 11 of the Act), Tender Offeror will immediately make an official announcement of the details of such amended statement to the extent relevant to the contents of the public notice of the Tender Offer, pursuant to the method set forth in Article 20 of the TOB Ordinance. Tender Offeror will also immediately amend the explanatory statement and provide the amended explanatory statement to the tendering shareholders, etc. who have received the original explanatory statement. If the extent of the amendments is limited, however, Tender Offeror will convey the changes to the tendering shareholders, etc. by way of preparing and delivering to the tendering shareholders, etc. a document stating the reason for the amendments, the matters amended and the details thereof.

(G) Method of Disclosure of Results of the Tender Offer

Tender Offeror will announce the results of the Tender Offer in accordance with methods stipulated in Article 9-4 of the Enforcement Order and Article 30-2 of the TOB Ordinance on the day following the last day of the period of the Tender Offer.

(10) Date of Public Notice of Commencement of the Tender Offer

August 7, 2019 (Wednesday)

(11) Tender Offer Agent

Daiwa Securities Co. Ltd.
1-9-1, Marunouchi, Chiyoda-ku, Tokyo

3. Post-Tender Offer Policy and Future Outlook

Please refer to the section titled “(2) Background to, Purpose of and Decision-Making Process of the Tender Offer, and Management Policy After the Tender Offer,” “(4) Policy for Organizational Restructuring, etc. After the Tender Offer (Matters Relating to So-called “Two-step Acquisition”),” and “(5) Possibility of Delisting and Reasons Therefor” under “1. Purpose of Purchase, etc.” above.

4. Others

(1) Agreements between Tender Offeror and Target Company or its Officers, and Details Thereof

According to the Target Company Press Release, the Target Company resolved at its board of directors meeting held today to express an opinion in favor of the Tender Offer, and to recommend that shareholders of the Target Company tender their shares in the Tender Offer. For

details, please refer to the section titled “e. Unanimous Approval of All Non-interested Directors of the Target Company and Unanimous Expression of No Objection by All Non-interested Statutory Auditors,” under “(Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)” under “(B) Background of Calculation” of “(4) Basis for the Calculation of the Price for Purchase, etc.” of “2. Overview of Purchase, etc.” above.

(2) Other Information Considered Necessary for Investors to Decide whether to Tender into the Tender Offer

The Target Company resolved at a meeting of its board of directors held today, on condition that the Tender Offer be completed, to revise the dividend forecast for the fiscal year ending March 2020 announced on May 10, 2019 and not to make a year-end dividend for the fiscal year ending March 2020, and to abolish the shareholder benefit plan from the fiscal year ending March 2020. For details, please refer to the “Notice regarding Revision of Year-end Dividend Forecast (No Dividend) for the Fiscal Year ending March 2020 and Abolishment of Shareholder Benefit Plan” announced by the Target Company today.

(End of Document)

- This press release is to announce the Tender Offer to the public and has not been prepared for the purpose of soliciting an offer to sell shares. If shareholders wish to make an offer to sell their shares, they should first read the Tender Offer Explanatory Statement for the Tender Offer and make their own independent decision. This press release does not constitute, nor form part of, any offer to sell, solicitation of a sale of, or any solicitation of any offer to buy, any securities. In addition, neither this press release (nor any part of it) nor the fact of its distribution shall form the basis of or be relied on in connection with any agreement pertaining to the Tender Offer.
- The Tender Offer is to be conducted in accordance with the procedures and information disclosure standards prescribed in the Financial Instruments and Exchange Act of Japan. However, these procedures and information disclosure standards are not necessarily the same as the procedures and information disclosure standards in the U.S. In particular, Section 13(e) and Section 14(d) of the U.S. Securities Exchange Act of 1934 (as amended; hereinafter the same), and the rules prescribed thereunder do not apply to the Tender Offer, and the Tender Offer does not conform to those procedures and standards. All financial information contained herein is in compliance with generally accepted accounting principles in Japan, not with U.S. GAAP; and the particulars of such information may not necessarily be comparable to those of financial information in the U.S. Moreover, as Tender Offeror and the Target Company are a company incorporated outside of the U.S. and their officers are not U.S. residents, it may be difficult to enforce any rights or make claims arising under U.S. federal securities laws. In addition, shareholders may not be able to commence legal proceedings against a corporation outside the United States or its officers in a non-U.S. court on the ground of a violation of the U.S. securities laws. There is also no guarantee that a company outside the United States and its subsidiaries and affiliates could be compelled to subject themselves to the jurisdiction of U.S. courts.
- Unless otherwise provided, all procedures for the Tender Offer shall be conducted entirely in the Japanese language. All or some portion of the documents relating to the Tender Offer is prepared in the English language. However, should there be any inconsistency between the document in English and that in Japanese, the Japanese document shall prevail.
- This press release and documents referred to herein contain “forward-looking statements” as defined in Section 27A of the U.S. Securities Act of 1933 (as amended) and Section 21E of the U.S. Securities Exchange Act of 1934. Due to any known or unknown risks, uncertainties, or any other factors, it is possible that actual results may substantially differ from the projections, etc. as expressly or implicitly indicated in any “forward-looking statements.” Neither Tender Offeror nor any of its affiliated companies gives any assurance that such projections, etc. expressly or implicitly indicated in any “forward-looking statements” will result in being correct. The “forward-looking statements” in this press release and documents referred to herein have been prepared based on the information held by Tender Offeror as of the date hereof, and unless otherwise required by applicable laws and regulations or the rules of financial instruments exchanges, neither Tender Offeror nor any of its affiliated companies is obliged to update or modify such statements in order to reflect any events or circumstances in the future.
- The financial advisors to Tender Offeror or Target Company as their respective affiliates may, within their ordinary course of business and to the extent permitted under the related Japanese financial instruments and exchange laws, purchase or take actions to purchase common shares of the Target Company for their own account or for their customers’ accounts outside the Tender Offer prior to the commencement of the Tender Offer or during the period of the Tender Offer in accordance with the requirements of Rule 14e-5(b) under the U.S. Securities Exchange Act of 1934. If any information concerning such purchase is disclosed in Japan, such information will be disclosed in a similar manner in the U.S.