



October 26, 2018

To Whom It May Concern:

Company: DAIKYO INCORPORATED
Representative: Kazuo Kojima, President and Representative
Executive Officer
(Code No.: 8840; First Section of the Tokyo Stock
Exchange)
Contact: Yoichi Ouchi, Executive Officer Responsible for
Head of Finance, Accounting and Corporate Planning
Headquarters

**Announcement of Opinion in Support of the Tender Offer for Our Shares to be
Conducted by ORIX Corporation, a Controlling Shareholder, and Recommendation for
our Shareholders to Tender their Shares in the Tender Offer**

DAIKYO INCORPORATED (the “Company”) hereby announces that it resolved at its board of directors meeting held today to express its opinion in support of a tender offer for its common shares (the “Company Common Shares”) to be conducted by ORIX Corporation (the “Offeror”), which is a controlling shareholder and a parent company of the Company, (that tender offer, the “Tender Offer”) and recommend that the Company’s shareholders tender their shares in the Tender Offer as described in “3 Details and Grounds and Reasons for the Opinion on the Tender Offer” below.

The above resolution of the Company’s board of directors meeting was made on the premise that the Offeror intends to make the Company a wholly-owned subsidiary and that the Company’s shares will be delisted through the Tender Offer and procedures to be taken thereafter.

1. Outline of the Offeror

(1) Name	ORIX Corporation
(2) Address	4-1, Hamamatsu-cho 2-chome, Minato-ku, Tokyo
(3) Title and Name of Representative	Makoto Inoue, Representative Executive Officer
(4) Description of Business	Multifaceted financial services
(5) Stated Capital	221,111 million yen (as of September 30, 2018)

(6)	Date of Establishment	April 17, 1964
(7)	Major Shareholders and Shareholding Ratios (as of March 31, 2018)	Japan Trustee Services Bank, Ltd. (Trust Account) 8.93%
		The Master Trust Bank of Japan, Ltd. (Trust Account) 6.08%
		Japan Trustee Services Bank, Ltd. (Trust Account 9) 2.98%
		Citibank, N.A. –NY, as Depository Bank for Depository Share Holders (Standing proxy: Citibank, N.A., Tokyo Branch) 2.09%
		Japan Trustee Services Bank, Ltd. (Trust Account 5) 1.96%
		State Street Bank and Trust Company (Standing proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch) 1.90%
		State Street Bank West Client-Treaty 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department) 1.89%
		The Chase Manhattan Bank 385036 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department) 1.84%
		State Street Bank and Trust Company 505001 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department) 1.73%
		Japan Trustee Services Bank, Ltd. (Trust Account 7) 1.63%
(8)	Relationship between the Company and the Offeror	
	Capital Relationship	The Offeror directly owns, in addition to 53,749,006

	Company Common Shares, 1,000,000 class 1 preferred shares of the Company (“Preferred Shares”) (Ownership Ratio (see Note 1): 67.92% (see Note 2)). The Offeror also indirectly owns (see Note 3) 17,521 Company Common Shares (Ownership Ratio: 0.02%) through ORIX Management Information Center Corporation (“ORIX MIC”). Altogether, the Offeror owns 53,766,527 Company Common Shares and 1,000,000 Preferred Shares (Ownership Ratio: 67.95%).
Personnel Relationship	One executive officer of the Company has been dispatched from the Offeror and one employee of the Company has been seconded to the Offeror. In addition to the foregoing, five employees of the Company Group (Note 4) have been seconded to the Offeror Group (Note 5), and 25 employees of the Offeror Group have been seconded to the Company Group.
Business Relationship	The Company engages in transactions related to the management of buildings and construction contracts with the Offeror.
Status as Related Party	The Offeror is a parent company of the Company; therefore the Offeror and the Company constitute related parties with respect to each other.

(Note 1): “Ownership Ratio” means the ratio of the shares owned (rounded to two decimal places; the same applies hereinafter unless otherwise stipulated) to 80,805,852 shares, which is the sum of (a) the difference (79,668,196 shares) of the total number of issued Company Common Shares as of September 30, 2018 (84,354,273 shares) stated in the “Summary of Financial Results for the Second Quarter of Year Ending March 31, 2019 (Japanese GAAP) (Consolidated)” announced by the Company today less the number of treasury shares held by the Company as of October 22, 2018 (4,686,077 shares) and (b) 1,137,656 shares, which is obtained by converting all of the Preferred Shares to the Company Common Shares (see Note 6) in consideration of the put option relating to the Preferred Shares (the “Put Option”). The Preferred Shares do not have voting rights at general shareholders meetings, but they have a Put Option which allows holders of the Preferred Shares to demand the Company to deliver the Company Common Shares in exchange for their Preferred Shares.

The number of treasury shares held by the Company was 4,354,872 shares as of September 30, 2018, but the Company completed acquisitions of 331,200 Company Common Shares on October 22, 2018, as stated in the press release announced by the Company on October 23, 2018 titled “Announcement of Status and Completion of Acquisition of Treasury Shares (Based on Article 37 of the Company’s Articles of Incorporation Pursuant to Article 459, Paragraph 1, Item 1 of the Companies Act)”, and the Company also acquired 5 Company Common Shares as a result of a request to purchase shares less than one unit, so the number of treasury shares held by the Company as of October 22, 2018 increased to 4,686,077 shares.

- (Note 2): As of today, the Ownership Ratio of the Offeror is calculated by using as a numerator 54,886,662 shares, which is the sum of (a) the number of Company Common Shares directly owned by the Offeror (53,749,006 shares) and (b) 1,137,656 shares, which is obtained by converting all Preferred Shares to the Company Common Shares (See Note 6) in consideration of the Put Option relating to issued Preferred Shares directly owned by the Offeror (1,000,000 shares) (the same applies hereinafter unless otherwise stipulated).
- (Note 3): ORIX MIC, a wholly-owned subsidiary of the Offeror, holds 17,521 Company Common Shares (Ownership Ratio: 0.02%). The Offeror has made no agreement or arrangement with ORIX MIC with respect to tendering shares in the Tender Offer.
- (Note 4): The Company Group means the Company and its subsidiaries and affiliates. As of today, the Company group consists of the Company, its 14 subsidiaries (including 10 domestic and 4 overseas subsidiaries), and its 4 affiliates, (including 3 domestic and 1 overseas subsidiary).
- (Note 5): The Offeror Group means the Offeror and its subsidiaries and affiliates. As of March 31, 2018, the Offeror Group consists of the Offeror, its 831 consolidated subsidiaries (including, among others, variable interest entities and SPEs that have been established for a specific project), including the Company, and 190 affiliates accounted for under the equity method.
- (Note 6): The number of the Company Common Shares to be delivered in exchange for the Put Option is stipulated in the terms and conditions of the Preferred Shares to be calculated by dividing the total amount of issue price (See, Note 7) of the Preferred Shares submitted by the holder of the Preferred Shares for the Put Option by their acquisition price (if there is a fraction less than one in the number of Company Common Shares to be delivered, that fraction will be rounded down). The acquisition price is 3,516 yen as of today, and that acquisition price is used in this Press Release. The same applies for the number of the Company Common Shares to be delivered in exchange for the

Put Option hereinafter.

(Note 7): The total amount of the issue price of all issued Preferred Shares (1,000,000 shares) is 4 billion yen.

2. Price of Tender Offer

2,970 yen per common share (the “Tender Offer Price”)

Although the Company has issued the Preferred Shares in addition to the Company Common Shares, as all issued Preferred Shares are owned by the Offeror, the Preferred Shares are not subject to the Tender Offer.

3. Details and Grounds and Reasons for the Opinion on the Tender Offer

(1) Details of the Opinion

The Company resolved at its board of directors meeting held today, based on the grounds and reasons stated in “(2) Grounds and Reasons for the Opinion” below, to express its opinion in support of the Tender Offer and recommend that the Company’s shareholders tender their shares in the Tender Offer.

The above resolution of the Company’s board of directors meeting was made by the method described in “(E) Unanimous Approval of All Disinterested Directors of the Company” in “(6) Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” below.

(2) Grounds and Reasons for the Opinion

(A) Outline of the Tender Offer

The following is an outline of the Tender Offer as explained by the Offeror to the Company.

As of today, the Offeror directly holds, in addition to 53,749,006 Company Common Shares listed on the First Section of Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”), 1,000,000 Preferred Shares (ownership ratio: 67.92%), and holds a total of 53,766,527 Company Common Shares and 1,000,000 Preferred Shares (ownership ratio: 67.95%), including those indirectly held by the Offeror through its wholly-owned subsidiary ORIX MIC (17,521 shares; ownership ratio: 0.02%), making the Company a consolidated subsidiary of the Offeror. According to the Offeror, the Offeror has recently decided to conduct the Tender Offer as part of the transaction intended to make the Company a wholly-owned subsidiary of the Offeror by acquiring all Company Common Shares (excluding those held by the Offeror and the treasury shares held by the Company; the same applies hereinafter) (the “Transaction”).

In the Tender Offer, the Offeror will purchase all share certificates, etc. offered for sale, etc. in response to the Tender Offer without setting any maximum or minimum number of shares to be purchased.

Because the Offeror's purpose is to make the Company a wholly-owned subsidiary of the Offeror, if the Offeror is unable to acquire all of the Company Common Shares through the Tender Offer, the Offeror intends to follow the procedures stated in "(5) Policy for Organizational Restructuring after the Tender Offer (Matters Relating to the "Two-Step Acquisition")" below to become the sole shareholder of the Company Common Shares.

(B) Background of the Tender Offer

According to the Offeror, the Offeror was founded in April 1964 and established its operating base as a pioneer in the leasing industry. The Offeror listed on the Second Section of the Osaka Stock Exchange in April 1970, on the Second Section of the Tokyo Stock Exchange in April 1971, and on the Second Section of the Nagoya Stock Exchange in March 1972. In February 1973, shares in the Offeror were designated as a First Section issue in both the Tokyo Stock Exchange and the Osaka Stock Exchange. Due to the subsequent integration of the Tokyo Stock Exchange and the Osaka Stock Exchange, the Offeror is listed on the First Section of the Tokyo Stock Exchange as of today.

The Offeror has continued to expand its business lines by entering into new business fields, "from an adjacent field to the next adjacent field," while responding to ever-diversifying customer needs and changes in the economic environment. The Offeror's current business consists of six segments (Note 1), namely, Corporate Financial Services, Maintenance Leasing, Real Estate, Investment and Operation, Retail, and Overseas Business segments. In particular, the Real Estate segment has, by using its entry into the bachelors' dormitory lease business in 1986 as a trigger, now expanded its business to include the real estate investment business, which involves office buildings, rental apartments, commercial facilities, logistics facilities, etc., and further to include facility operation, such as the operation of inns and hotels, aquariums, golf courses, homes for senior citizens, and so on. The Real Estate segment of the Offeror Group is divided into two sections: the Offeror's Real Estate Headquarters and ORIX Real Estate Corporation. The aforementioned real estate investment business is carried on by the Offeror's Real Estate Headquarters and the aforementioned facility operation by ORIX Real Estate Corporation. The Offeror Group's corporate philosophy is "constantly anticipating market needs and working to contribute to society by developing leading financial services on a global scale and striving to offer innovative products that create new value for customers."

In May 2015, the Offeror set a policy to focus on profit growth, capital efficiency, and financial health on a mid-term basis, followed by efforts to realize further growth as a global corporation, aiming to achieve a 300 billion yen net profit imputed to the Offeror's shareholders for the fiscal period ending March 2018 as a management indicator, to maintain ROE as an indicator of capital efficiency at or above the then-current level of 11%, and to maintain the credit rating of A in terms of financial health. The Group's united efforts to achieve these goals resulted in a 313.1 billion yen net profit imputed to the Offeror's shareholders for the fiscal period ended March 2018, marking nine consecutive terms of profit growth and a record high profit. ROE was 12.1% and the credit rating of A was maintained, achieving all of the original managerial goals.

For the three-year period from the fiscal period ending March 2019 to that ending March 2021, the Offeror continues to set a mid-term managerial goal of focusing on profit growth, capital efficiency, and financial health. Specifically, the Offeror aims to achieve an annual growth rate of 4% – 8% in net profit imputed to the Offeror's shareholders as an indicator for profit growth, to maintain an ROE of at least 11% as an indicator for capital efficiency, and to maintain the credit rating of A as an indicator of financial health. The Offeror intends to continue its investment activities to achieve these goals, while currently working on the improvement of its portfolio as a revenue base.

The Offeror manages its business portfolio by dividing it into the aforementioned six segments. Each segment is further divided into three, namely, "finance," "business," and "investment," in the ascending order of risk and burden on capital. Considering the current low-interest rate environment, the Offeror intends to continue to focus on "business" and "investment," developing new businesses that will serve as its next mainstay by actively exploring new fields, while stably increasing earnings.

Note 1: An outline of the business lineup in each segment is as follows:

Corporate Financial Services segment: Finance business, leasing business, and fee-based business.

Maintenance Leasing segment: Automobile leasing business, car rental business, car sharing business, and the business of renting and that of leasing electronic measuring instruments, IT-related instruments, etc.

Real Estate segment: Real estate development and leasing business, facility operation business, the business of managing portfolio of real estate investment corporations, and real estate investment advisory business.

Investment and Operation segment: Environment and energy business, principal investment business, debt collection business, and concession

business.

Retail segment: Life insurance business, banking business, and card loan business.

Overseas Business segment: Leasing business, finance business, bond investment business, asset management business, and aircraft- and ship-related business.

On the other hand, the Company was established in 1964 as Daikyo Kanko Incorporated (now DAIKYO INCORPORATED), followed by the launch of the first of its series of Lions Mansion condominiums in 1968. In 1978, the Company went to the top of the industry for the first time in terms of the number of units launched by business, and remained at the top for the 29 consecutive years that followed and led the industry. Over such time, the Company also grew by expanding its business domain into real estate management, real estate brokerage, etc. The Company listed on the Second Section of the Tokyo Stock Exchange in 1982, and achieved the designation of its shares as a First Section issue on the Tokyo Stock Exchange in 1984. After M&A projects, including the acquisition of Anabuki Construction Group in 2013, the Company Group's actual results have been top in the industry, with the entire group supplying approximately 460,000 units of condominiums in accumulated total (as of the end of December 2017) and undertaking the management of approximately 530,000 units of condominiums on a contract basis (as of the end of March 2018). Currently, the Company is not only engaged in the condominium development business, mainly the sale of condominiums under the Company's brand, namely, Lions Mansion and Surpass Mansion condominiums, but it is also developing a business called "Lifetime Relation System," for which the Company Group as a whole provides integrated services such as construction, sale, management, brokerage, lease, repair work, and renovation to support customers' life cycle under the group's integrated system.

The capital relationship between the Offeror and the Company started when the Offeror was appointed as the sponsor for the Company's business revitalization plan after the Company suffered significant unrealized losses in real estate and other assets owned by it due to the collapse of the bubble economy and it was decided, in September 2004, that the Company would receive support from Industrial Revitalization Corporation of Japan and financial assistance of 176.5 billion yen in total from the Company's main banks (consisting of debt forgiveness of 146.5 billion yen and debt equity swaps valued at 30 billion yen). In January 2005, the Company entered into a capital and business alliance agreement with the Offeror and, in March the same year, allocated new shares of common stock valued at approximately 23

billion yen to the Offeror. The Offeror subscribed to all of these common shares as well as acquiring preferred shares (Classes 1, 2, and 4 for a total face value of 20 billion yen) in the Company from its preferred shareholders at that time, thereby becoming the largest shareholder of the Company with approximately 43.98% of all voting rights. The Company thus became the Offeror's affiliate accounted for under the equity method.

The Company experienced poor financial performance for fiscal 2009 and recorded an operating loss of approximately 44 billion yen, due to a significant worsening of condominium market conditions triggered by the global financial crisis that occurred in 2008. Under these circumstances, the Company sought to streamline its consolidated subsidiaries by absorbing them as a measure for early realization of a "double-pillar stock and flow businesses style of management," which will allow the Company to flexibly respond to changes in the market environment. In addition, in March 2009 the Company issued preferred shares (Class 7 with a face value of 10 billion yen) to the Offeror to increase its equity capital. In March 2009, the Company entered into a share exchange agreement with ORIX Facilities Corporation, a wholly-owned subsidiary of the Offeror, the completion of which resulted in ORIX Facilities Corporation becoming a wholly-owned subsidiary of the Company. In consideration of this, the Company allocated and delivered Class 8 Preferred Shares (face value: approximately 9.4 billion yen) to the Offeror.

In February 2014, the Company became a consolidated subsidiary of the Offeror because the amount of the voting rights held by the Offeror in the Company increased to approximately 64.1% of the total voting rights of the Company upon the Offeror's conversion to common shares of all the outstanding preferred shares except Class 1 (Classes 2, 4, 7, and 8) of the Company owned by the Offeror.

As explained above, the Company Group has worked on the improvement of its enterprise value not only by reinforcing the alliance with the Offeror Group in terms of capital but also by striving to establish an alliance with the Offeror Group in terms of business (such as business transactions in contract building management and contract construction) since the execution of the capital and business alliance agreement with the Company by promoting and expanding the Company Group's ability to receive orders for management of buildings and construction contracts through (a) referrals made by corporate customers in the Offeror Group's Leasing business or (b) utilization of resources in the environment and energy business, the concession business, and other businesses that are operated by the Offeror Group itself. As a result, the Company Group has been successful in: (i) converting its earnings structure from a business model consisting mainly of flow businesses, with the condominium business at the core, into a "double-pillar stock and flow businesses style of management," in which the existing flow businesses are

well-balanced with stock businesses, such as real estate management and real estate brokerage; and (ii) the reinforcement and reconstruction of its financial base, which was damaged by the global financial crisis, as seen in the achievement of an equity ratio of 65.2% and a D/E ratio of 0.15 as of the end of March 2018.

Further, based on the fact that the business environment surrounding the Company Group has been changing significantly, as can be seen from new social problems such as the aging of buildings and residents, the increase in vacancy rate, and the dilution of local communication, in addition to the changes in demographics, the diversification of values, and evolution of technology, and on the establishment of its “double-pillar stock and flow businesses style of management,” in October 2016 the Company established a mid-term business plan, “Make NEW VALUE 2021: Creation of New Values through Real Estate Solutions,” extending through the fiscal period ending March 2021, to step to the next stage. The Company Group aims to “create new values through real estate solutions and to accumulate social assets to be passed down to the next generation, towards the realization of a stock-oriented society,” and has worked on a growth strategy centering around the expansion of business domain, the utilization of assets, and the promotion of research and development.

However, according to the Offeror, although the Offeror has promoted collaboration between the Offeror Group and the Company Group as described above, in terms of the business alliance, it is the Offeror’s understanding that cooperation between the Offeror Group and the Company Group has been limited. In other words, while the Offeror’s Real Estate Headquarters and ORIX Real Estate Corporation share some information with each other and promptly share management resources, company-wide information sharing between the Real Estate segment of the Offeror Group and the Company Group has not been sufficient since the two groups each operate as independent listed enterprises and do not share the same decision-making process. The Offeror therefore understands that the Real Estate segment of the Offeror Group and the Company Group are currently unable to make the best use of their management resources, such as by effectively using business opportunities through sharing information on real estate purchases, making property referrals through brokerage, collaborating overseas and so on, or by expanding opportunities for growth through personnel exchanges.

The Offeror also believes that the changes in the business environment surrounding the Company Group will gain even more speed. The business environment surrounding their housing-related businesses has recently seen marked movements for the effective use of housing stock, providing a prospect for solid growth in the pre-owned condominium-related markets, such as the renovated condominium sales

business and the condominium repairs business. On the other hand, the primary market of condominium is expected to see a continued declining trend in the number of units sold and even fiercer competition than up to present on a mid- and long-term basis, due to such factors as the accumulation of housing stock and the expected decrease in the number of households (excluding single-person households), which constitute the main customers of the Company Group. Considering the possibility that the business environment surrounding the Company Group's real estate development business will become even harsher in the future, the Offeror believes that in order for the Company Group to expand its operating base and to realize further growth on a mid- and long-term basis, the Company Group will have to collaborate with the Offeror Group and implement various measures, such as strategic M&A transactions of a certain scale, in addition to the expansion of its stock businesses that have been pursued thus far by the Company Group. Specifically, the basic policy is to implement the following measures.

(a) Expansion and Growth of Businesses

i) Acceleration of the Development of Comprehensive Capabilities in the Real Estate Development Business

According to the Offeror, the Offeror Group has accumulated functions and knowhow for the development and operation of various properties, such as office buildings, rental condominiums, commercial and logistics facilities, and hotels. On the other hand, the Company Group has functions and knowhow for condominium development, construction, and repairs as well as for real estate management and brokerage, among others.

The implementation of the Transaction will add the Company Group's functions and knowhow to the Offeror Group, which will establish its status as a comprehensive real estate group that is able to deal with all types of real estate development as a whole. As a result of becoming partially responsible for large-scale, mixed-use development projects undertaken by the Offeror Group as a member of the Offeror Group in the Company Group's real estate development business, it is expected that the large-scale development projects undertaken by the Company in its housing development will also increase, and it is also believed that it can be expected the accumulation of experience and knowhow of large-scale, mixed-use development projects will quickly improve the comprehensive capabilities of the real estate development business.

In addition, the execution of the Transaction will promote a wide range of developments that are particularly suited for specific location by developing a system that allows for the close sharing of information on land and properties obtained by the Company Group and the Offeror Group, thereby realizing even closer

collaboration between the two groups than up to present.

The Offeror expects that this will, at the same time, contribute to the expansion of the Company Group's stock businesses in real estate management and real estate brokerage by increasing business opportunities through expanding the scope of the development business, which is at the starting point of the Company Group's value chain.

ii) Expansion of the Existing Businesses in Real Estate Brokerage and Real Estate Management

According to the Offeror, the Offeror believes that utilizing the Offeror Group's sales network and well-connected corporate customer network, etc. based on its 1,468 domestic centers will increase opportunities for the Company Group to purchase corporate-owned properties requiring whole-building renovation/conversion, such as company housing, rental condominiums, and office buildings. The Offeror also believes that the Company Group's sales brokerage business, in which residential space of condominiums has been the main subject of business thus far, is expected to be expanded through the Transaction into various types of real estate categories, which will contribute to the expansion of the Company Group's real estate brokerage business. Similarly, as for the Company Group's real estate management business, which consists of such services as building maintenance and repair work, the Transaction will allow for continuous receipt of new orders from a broad range of real estate categories other than condominiums, which will also contribute to the expansion of the Company Group's real estate management business.

iii) Acquisition of Overseas Business Opportunities

The Offeror Group has 716 centers in 38 countries/regions worldwide. The Offeror believes that utilization of this network as well as connections with the Offeror Group's key partners in many countries that have been developed by the group will help create new business opportunities for the Company Group's overseas businesses that are currently being conducted at three centers – in Australia, Hong Kong, and Taiwan.

(b) Further Acceleration of Growth

i) Increase in the Number of and Active Utilization of M&A Opportunities

According to the Offeror, the Offeror has functions and knowhow about M&A and has a broad information network in and outside Japan. The Offeror expects that the Company Group's utilization of these resources may secure new opportunities for M&As. The Offeror also expects that even projects whose size makes it difficult for the Company Group to conduct them on its own may become possible by using

the Offeror's funds or other resources such as operational support or joint investment. The Offeror believes that using these M&A transactions as a means is likely to further accelerate, and increase the extent of, the measures described in "(a) Expansion and Growth of Businesses" above.

ii) Provision of Growth Opportunities to Officers and Employees of the Company Group

The Offeror believes that the Transaction will allow for personnel allocation to various businesses and operations in the Offeror Group and for the provision of growth opportunities to its officers and employees. The Offeror expects that this will enable them to acquire a broad range of new skills, which is likely to contribute to the improvement of the satisfaction of these officers and employees as well as to the further growth of the Company Group.

According to the Offeror, the Offeror believes that the realization of information sharing, personnel exchanges, etc. that make use of the Group's comprehensive capabilities, such as the measures described above, will contribute to the improvement of the enterprise value of the Offeror Group as a whole, including the Company Group. However, the Offeror reached a conclusion that it is necessary to promote drastic changes in cooperation within the group by making the Company a wholly-owned subsidiary of the Offeror, since the current alliance between the Offeror Group's real estate segment and the Company Group is not sufficient to realize the measures described above due to the fact that company-wide information sharing has not been sufficient between the Offeror and the Company since they do not share the same decision-making process and each operates as an independent listed company as described above.

The Offeror also believes that conducting the Transaction will advance the interests of the Company's minority shareholders by providing them with a reasonable opportunity to sell their shares without imposing on them the risks involved in the market environment, etc. resulting from the future realization of those measures, because a temporary reduction in profits may occur due to upfront investments, including M&A transactions intended to realize the measures, and because uncertainties will arise from large-scale M&A transactions.

Based on the above considerations, the Offeror concluded that it would be desirable to make the Company a wholly-owned subsidiary of the Offeror, and appointed Nomura Securities Co., Ltd. ("Nomura Securities") as its financial advisor and third-party valuation institution independent from the Offeror and the Company, and Nishimura & Asahi as its legal advisor independent from the Offeror and the

Company. After its initial examination of, and discussion regarding, the Transaction, on August 22, 2018 the Offeror proposed the Company to start examination of, and discussions regarding, the Transaction and made a proposal for the Tender Offer Price to be set at 2,900 yen per share. Subsequently, the Offeror conducted due diligence to review the feasibility of the Tender Offer during the period from mid-September to late October 2018. At the same time, the Offeror conducted several discussions and negotiations with the Company on the purpose of the Transaction, the management structure and policies after the Transaction, and the terms and conditions of the Transaction. On September 26, 2018 the Offeror reconsidered the Tender Offer Price upon request from the Company and conducted several discussions and negotiations with the Company on the Tender Offer Price. Subsequently, the Offeror made a final proposal to the Company on October 22, 2018 for the Tender Offer Price to be set at 2,970 yen per share, and following that, the Company answered that it will accept the final proposal.

Consequently, the Offeror reached a conclusion that the Offeror making the Company its wholly-owned subsidiary would be extremely beneficial for the improvement of the enterprise value of the Offeror Group as a whole, including the Company Group, since this transaction is expected to accelerate the Offeror Group's development of comprehensive capabilities in the real estate development business and to help the expansion and growth of businesses through the expansion of the existing businesses and through the acquisition of overseas business opportunities, and since the above transaction will also further accelerate the group's growth through the utilization of M&As and through the provision of growth opportunities to officers and employees, as described above. The Offeror has thus decided to commence the Tender Offer.

(C) Process Leading to the Company's Decision at its Board of Directors Meeting

After receipt of the proposal from the Offeror in late August 2018 as stated in "(B) Background of the Tender Offer" above, in order to properly collect information, resolve potential conflicts of interest, and ensure fairness and transparency of the Transaction, the Company established a special committee (for details of the special committee, see "(C) Establishment of an Independent Special Committee at the Company and Obtainment of a Written Report from the Special Committee" in "(6) Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below) as its advisory body, appointed Daiwa Securities Co., Ltd. ("Daiwa Securities") as a financial advisor and third-party valuation institution independent from the Offeror and the Company in relation to the Transaction based on the designation by the special committee, and appointed Mori Hamada & Matsumoto as

a legal adviser, thereby establishing a framework to have discussions and negotiations regarding the Transaction. Under that framework, the Company discussed and negotiated with the Offeror on several occasions the purpose of the Transaction, the management structure and policies after the Transaction, and the terms and conditions of the Transaction.

Among the terms and conditions of the Transaction, the Company started negotiations regarding the Tender Offer Price with the Offeror in late September 2018, had discussions and negotiations with the Offeror on multiple occasions in consideration of the deliberations of the special committee and advice from Daiwa Securities, and finally received a final proposal from the Offeror for the Tender Offer price to be set at 2,970 yen per share.

Furthermore, the Company obtained a share price valuation report on the Company Common Shares from Daiwa Securities on October 25, 2018 (the “Company Valuation Report”), and received a written report submitted by the special committee on the same day (the “Written Report”). (For details of the Written Report, see “(C) Establishment of an Independent Special Committee at the Company and Obtainment of a Written Report from the Special Committee” in “(6) Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” below.

The board of directors of the Company then carefully discussed and examined the Transaction from viewpoints such as whether the Transaction would improve the enterprise value of the Company and whether the terms and conditions of the Transaction, including the Tender Offer Price, are reasonable, in consideration of the legal advice received from Mori Hamada & Matsumoto on the processes and methods of, and other points to be noted in, making decisions relating to the Transaction, including the Tender Offer, as well as the Company Valuation Report obtained from Daiwa Securities as the third-party valuation institution, while respecting the content of the Written Report obtained from the special committee to the maximum extent.

As stated in “(B) Background of the Tender Offer” above, the Company has worked on a new growth strategy based on significant changes in the business environment surrounding the Company Group and the establishment of “double-pillar stock and flow businesses style of management,” but in the process of discussions and deliberations, the Company came to believe that, in light of the fact that the domestic housing market is shrinking with intensified competition as a result of such shrinkage, it is necessary to further accelerate diversification of the real estate business in order to move away from a business model that depends on the Company’s main business area, which consists of development, management and brokerage of condominiums for individuals who need a residence and to realize its growth strategy, and the

Company reached the conclusion that the implementation of the Transaction would contribute to further improvement of the Company's enterprise value since the following effect is anticipated as a result of implementing the measures proposed by the Offeror as described in "(B) Background of the Tender Offer" above and utilizing the management resources of the Offeror even more after the Transaction.

(a) Acceleration of Development of Comprehensive Capabilities in the Real Estate Development Business

The Company believes its core competence exists mainly in (a) a "Lifetime Relation System," in which the Company Group provides consistent support for development, construction, sale, management, brokerage, leasing, repair work, and renovation of condominiums, (b) its function as a general contractor in which it provides services such as construction management and structural calculations, (c) a strong track record based on those functions, (d) its brands (such as Lions and Surpass), and (e) its existing individual customer network built on (a) through (d). On the other hand, the Offeror engages in the development and management of various large-scale, mixed-use developments such as office buildings, rental properties, commercial and logistics facilities, and hotels, and the Offeror's customers are mainly corporations. Also, the Offeror has various sales methods including REITs and private placement bonds as well as retail sales. There is therefore little overlap between the Company and the Offeror's businesses in terms of customers, category of properties, scale of development, and sales methods, and the Company believes that a mutually complementary relationship will be created as a result of the Transaction. The Company therefore believes that the implementation of the Transaction will enable the Company to engage in not only small and medium-sized housing development and management, which the Company has mainly undertaken until now, but also the housing development and management of large-scale, mixed-use development projects, the development and management of various properties other than homes in large-scale, mixed-use development projects, and that will therefore enable the Company not only to accumulate experience and knowhow obtained by such development and management but also to accelerate the development of comprehensive capabilities in the real estate development business by utilizing the Company's core competence.

The Company also anticipates that its real estate development business will be strengthened (i.e., the Company will be able to gather more information on real estate purchases) as a result of stronger ties with the Offeror. The real estate development business is the beginning of the Lifetime Relation System, so the

Company anticipates the revenue of its management and brokerage businesses, which are businesses following the real estate development business, will increase due to greater information on real estate purchases.

The Company also believes that, with closer cooperation as a group between the Real Estate segment of the Offeror and the Company, the Company will be able to secure a scale of business and competitiveness sufficient to compete with leading domestic real estate company groups in the shrinking domestic housing market.

(b) Expansion of Existing Business in the Real Estate Brokerage and Real Estate Management Businesses

As stated in (a) above, the enhancement of the real estate development business will lead to increased revenue in the management and brokerage businesses and greater opportunities to deal with many kinds of properties such as company housing and office buildings owned by the Offeror's corporate customers, bringing opportunities to deal with diversified properties in the brokerage business and expand the renovation business, which will strengthen the Company's real estate brokerage business. The Company also believes that, in the real estate management business, it will be able to increase opportunities to receive orders for building maintenance, repair work and other works with respect to the properties other than homes sold by the Company.

(c) Creating Overseas Business Opportunities

Assuming that the domestic real estate market is declining, one option is to advance into overseas markets, which have good growth potential. The Company believes that utilizing the Offeror Group's network and its connections with major partners will create new business opportunities for the overseas business of the Company Group.

(d) Greater M&A Opportunities and Active Utilization of those Opportunities

Although it is difficult to specifically estimate the feasibility or effect of M&As since the success of an M&A depends on an agreement with a counterparty or market circumstances, M&As in and outside Japan are an attractive option in terms of diversification of a competitive real estate business, expansion of existing business or realization of the early creation of business opportunities outside of Japan. The Company believes that the Transaction will integrate the Company and the Offeror and bring opportunities for growth through large-scale M&As, which the Company would be unable to realize alone.

(e) Providing Growth Opportunities to Employees

As stated in (a) above, the relation between the Company and the Offeror is mutually complementary since there are few overlapping areas in their businesses. The Company believes that the Transaction will promote exchanges of human resources, which are an important management resource, without concern of any potential conflicts of interest by eliminating the restrictions imposed respectively on the Company and the Offeror as independent listed companies.

However, if the Company invests its management resources in large-scale, mixed-use developments as a result of the implementation of the measures described above, large-scale prior investments will be required. At the same time, in large-scale, mixed-use developments, which is a business area in which the Company does not have sufficient experience or knowhow, the duration of projects will be longer than those of small and medium-sized housing development projects, which the Company has mainly undertaken until now, and the Company will bear an increased burden due to prior investments that entail uncertainty such as market fluctuation during the development period and uncertainty arising from the Company's lack of experience and knowhow. Furthermore, measures such as overseas expansion and large-scale M&As entail uncertainty and long lead times to see contributions to profits. So if the above measures are implemented, there will be concerns that there might be a short-term decrease in profits, and there is no guarantee that profits will be realized even on a mid- and long-term basis. The Company believes that, based on the business environment surrounding the Company Group, it must urgently implement the above measures, but taking into account the impact on the Company's minority shareholders of a short-term decrease in profits and the mid- to long-term uncertainty described above, the Company believes that it would not be appropriate for the Company to implement those measures as a listed company and expose the Company's minority shareholders to that risk.

In addition, the Offeror and the Company have promoted their collaboration as described above since the execution of the capital and business alliance agreement, but in the Company's opinion, a sufficient cooperative synergy has not been generated since the Offeror and the Company respectively operate their own businesses as independent listed companies and it has been necessary to consider possible conflicts of interest between the Offeror and the Company's minority shareholders. In light of those circumstances, the Company believes the early realization of the diversification of its real estate business and the early implementation of the measures described above would be difficult if the Company remains listed.

On the other hand, based on the mutually complementary relationship between the Company and the Offeror in terms of human resources and core competences, as well as the name recognition and creditworthiness of the Offeror, the Company believes the impact of delisting on employment, employee motivation, creditworthiness, brand and other matters and restrictions on financing methods, which are generally considered to be disadvantages of delisting, would be limited.

Comprehensively considering these factors, the Company reached the conclusion that becoming a wholly-owned subsidiary of the Offeror through the Transaction is the best option for the Company in terms of improving its enterprise value, and it decided to express its opinion in support of the Tender Offer.

The Company also determined that the Tender Offer Price and other terms and conditions of the Tender Offer are reasonable, and that the Tender Offer would provide the shareholders of the Company with an opportunity to sell their shares at a price inclusive of a reasonable premium and upon reasonable terms and conditions, based on:

- (i) the fact that the Tender Offer Price is a price agreed to with the Offeror based on sincere negotiations conducted on multiple occasions with the Offeror, and after taking measures to ensure fairness of the Tender Offer as described in “(6) Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” below, and after considering the deliberations of the special committee and the advice received from each advisor,
- (ii) the fact that the Tender Offer Price exceeds the upper end of the valuation range calculated using the market price analysis and the comparable company analysis, and that is close to the median of the valuation range calculated using the discounted cash flow analysis (the “DCF Analysis”) in the calculation result of the share price valuation of the Company Shares by Daiwa Securities, as described in “(3) Matters Relating to Calculation” below,
- (iii) the fact that the Tender Offer Price represents a premium of 28.74% on 2,307 yen, which was the closing price of regular trading for the Company’s shares quoted on the First Section of the Tokyo Stock Exchange on October 25, 2018 (which was the business day immediately preceding the announcement date of the Tender Offer); a premium of 34.51% on 2,208 yen (rounded to the nearest yen; the same applies to all closing price averages hereinafter), which is the simple average closing price of the regular trading for the Company’s shares over the preceding one-month period from September 26, 2018 to October 25,

2018; a premium of 32.71% on 2,238 yen, which is the simple average closing price of the regular trading for the Company's shares over the preceding three-month period from July 26, 2018 to October 25, 2018; and 25.79% on 2,361 yen, which is the simple average closing price of the regular trading for the Company's shares over the preceding six-month period from April 26, 2018 to October 25, 2018,

- (iv) the fact that the Written Report obtained from the independent special committee of the Company evaluated that the decision-making related to the Transaction (including the determination of the amount to be paid) has been performed through fair procedures and consideration has been given so as not to undermine the interests of the Company's minority shareholders as stated in "(C) Establishment of an Independent Special Committee at the Company and Obtainment of a Written Report from the Special Committee" in "(6) Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below, and
- (v) the business environment surrounding the Company Group and performance forecasts.

Based on above, the Company resolved at its board of directors meeting held today to express its opinion in support of the Tender Offer and recommend that the Company's shareholders tender their shares in the Tender Offer.

The above resolution of the Company's board of directors meeting was made by the method described in "(E) Unanimous Approval of All Disinterested Directors of the Company" in "(6) Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below.

(D) Management Policy After the Tender Offer

According to the Offeror, the management structure of the Company after the Tender Offer has not been determined as of today; however, the Offeror intends to consider a governing structure by the Offeror as a shareholder and a system to support medium-to long-term growth of the Company while respecting the Company's independence to the maximum extent possible. According to the Offeror, the Offeror's policy is to continue the current treatment of continuing to employ the Company Group's employees after the execution of the Transaction.

(3) Matters Relating to Calculation

(A) Procurement by the Offeror of the Share Price Valuation Report from the Independent Third-Party Valuation Institution

According to the Offeror, when determining the Tender Offer Price, the Offeror requested its financial advisor Nomura Securities, which is a third-party valuation institution independent from the Company and the Offeror, to calculate the value of the Company's shares.

For details regarding the results of the calculation of the Company's share value by Nomura Securities, please refer to the section titled "(A) Procurement by the Offeror of the Share Price Valuation Report from the Independent Third-Party Valuation Institution" in "(6) Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below.

(B) Procurement by the Company of the Share Price Valuation Report from the Independent Third-Party Valuation Institution

When announcing its opinion on the Tender Offer, the Company requested its financial advisor Daiwa Securities, which is a third-party valuation institution independent from the Company and the Offeror, to calculate the value of the Company Common Shares. Daiwa Securities is not a related party of the Company or the Offeror and does not have any material interest in relation to the Tender Offer.

After considering which methods should be applied to calculate the value of the Company Common Shares among various share value calculation methods available, and assuming that the Company is a going concern and keeping in mind that it is appropriate to evaluate the value of the Company Common Shares from various perspectives, Daiwa Securities calculated the value per share of the Company Common Shares using (i) the market price analysis in order to take trends of the Company's share price in the market into account, (ii) the comparable company analysis because there are several listed companies that are comparable with the Company and it is possible to make an analogical inference of the Company's share value by comparing similar companies, and (iii) the DCF Analysis in order to take the current and expected business results of the Company into account. The Company obtained the Company Valuation Report on October 25, 2018. The Company has not obtained from Daiwa Securities an opinion letter on the fairness of the Tender Offer Price (a fairness opinion).

The following are the ranges of values per share of the Company Common Shares that were calculated based on each calculation method mentioned above.

Market Price Analysis:	2,208 yen to 2,361 yen
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Comparable Company Analysis:	1,973 yen to 2,872 yen
DCF Analysis:	2,453 yen to 3,514 yen

The range of values per share of the Company Common Shares obtained from the market price analysis is from 2,208 yen to 2,361 yen, which is calculated based on the closing price for the Company Common Shares quoted on the First Section of the Tokyo Stock Exchange as of the calculation reference date of October 25, 2018 (2,307 yen), the average closing prices over the past one-month period (2,208 yen), three-month period (2,238 yen), and six-month period (2,361 yen), each ending on the reference date.

The range of values per share of the Company Common Shares obtained from the comparable company analysis was calculated by selecting Presence Corporation Co., Ltd., Takara Leben Co., Ltd., Hoosiers Holdings, Nihon Eslead Corporation, Cosmos Initia Co., Ltd., Anabuki Kosan Inc., Meiwa Estate Co., Ltd., Starts Corporation Inc., Sun Frontier Fudousan Co., Ltd., House Do Co., Ltd., INTELLEX Co., Ltd., Star Mica Co., Ltd., e'grand Co., Ltd., KATITAS Co., Ltd., Nihon Housing Co., Ltd., Nippon Kanzai Co., Ltd., Nippon Air Conditioning Services Co., Ltd., CRE, Inc., Biken Techno Corporation Ltd., and Taisei Co., Ltd. as comparable listed companies, which are considered similar to the Company, and using an enterprise-value-to-EBITDA multiple.

The range of values per share of the Company Common Shares obtained from the DCF Analysis is from 2,453 yen to 3,514 yen, which is based on the enterprise value and share value of the Company calculated by discounting to the current value at a certain discount rate the free cash flow that the Company is expected to generate from the second quarter of the fiscal year ending March 2019 based on the Company's estimated future earnings and investment plan in the business plan for a period of three fiscal years from the fiscal year ending March 2019 to the fiscal year ending March 2021 prepared by the Company, publicly disclosed information, and other information. The discount rate used for the calculation ranges from 7.1% to 7.8%. In calculating the going-concern value, the perpetual growth method and the multiple method were used and the perpetual growth rate was from -1.00% to 1.00% and an EBITDA multiple was from 6.5 to 8.8.

The business plan prepared by the Company using the DCF Analysis conducted by Daiwa Securities includes business years in which it is expected there will be a significant increase in revenue and profits compared to the previous fiscal year. Specifically, a significant increase in revenue and profits is expected in the fiscal year ending March 2021 because the completion and delivery of redevelopment

projects that have been carried out mainly in the real estate development business will increase from the fiscal year ending March 2021 and contributing to revenue for the rental property business and other businesses that have started to be incorporated since the announcement of the medium-term management plan will be accelerated in earnest. At the same time, in the fiscal year ending March 2021, in addition to the increase in operating profits mentioned above, there will be a significant increase in free cash flow due to a plan to mitigate an increase in the net working capital compared to the previous fiscal year caused mainly by an increase in real estate for sale and development projects in progress. In addition, synergies anticipated as a result of the Transaction are not considered in the financial forecasts below since it is difficult to make specific numerical estimations at this time.

The specific figures of the Company's financial forecasts used as the basis for calculation by the DCF Analysis are as follows.

(million yen)

	Fiscal Year ending March 2019 (six months)	Fiscal Year ending March 2020	Fiscal Year ending March 2021
Net sales	237,683	378,363	423,877
Operating profit	19,879	21,507	28,000
EBITDA	21,602	24,205	30,698
Free cash flow	29,202	794	8,745

(4) Possibility and Reasons for Delisting

The Company Common Shares are listed on the First Section of the Tokyo Stock Exchange as of today. However, since the Offeror has not set a maximum number of shares to be purchased in the Tender Offer, depending on the results of the Tender Offer, the Company Common Shares might be delisted through prescribed procedures in accordance with the delisting criteria set out by the Tokyo Stock Exchange. Also, even if the delisting criteria are not met upon completion of the Tender Offer, if the Offeror implements the procedures described in the section titled “(5) Policy for Organizational Restructuring after the Tender Offer (Matters Relating to the “Two-Step Acquisition”)” below after the completion of the Tender Offer, in which case the delisting criteria would be met, the Company Common Shares will be delisted through the prescribed procedures in accordance with the stock delisting criteria of the Tokyo Stock Exchange. After delisting, the Company Common Shares will no longer be traded on the Tokyo Stock

Exchange.

(5) Policy for Organizational Restructuring after the Tender Offer (Matters Relating to the “Two-Step Acquisition”)

As stated in the section above titled “(A) Outline of the Tender Offer” in “(2) Grounds and Reasons for the Opinion,” if the Offeror is unable to acquire all of the Company Common Shares through the Tender Offer, the Offeror intends, after the successful completion of the Tender Offer, to follow the following procedures to ensure that the Offeror will be the sole shareholder of the Company Common Shares.

According to the Offeror, if the Offeror has acquired at least 90% of the total number of voting rights of all shareholders of the Company after the successful completion of the Tender Offer, the Offeror intends to require all shareholders of the Company (excluding the Offeror and the Company; “Selling Shareholders”), promptly following the settlement of the Tender Offer, to sell all of their Company Common Shares to the Offeror (the “Demand for the Sale of Shares”) under Article 179 of the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same applies). In the event of a Demand for the Sale of Shares, each of the Company Common Shares held by Selling Shareholders will be exchanged for cash consideration equal to the Tender Offer Price. In such an event, the Offeror will notify the Company of the Demand for the Sale of Shares and will seek the Company’s approval thereof. If the Company approves the Demand for the Sale of Shares by a resolution of its board of directors, then, in accordance with the procedures provided for in applicable laws and regulations and without requiring the consent of the individual Selling Shareholders, the Offeror will, on the day stipulated by the Demand for the Sale of Shares, acquire from all of the Selling Shareholders all of the Company Common Shares held by them. In exchange for the Company Common Shares held by the Selling Shareholders, the Offeror will deliver an amount of cash consideration per share equal to the Tender Offer Price to the respective Selling Shareholders. The Company’s board of directors intends to approve any Demand for the Sale of Shares received by the Company from the Offeror. If a Demand for the Sale of Shares is made, any of the Selling Shareholders may file a petition with a court for determination of the purchase price of its Company Common Shares in accordance with the provisions of Article 179-8 of the Companies Act and other applicable laws and provisions.

Alternatively, according to the Offeror, if the Offeror has acquired less than 90% of the total number of voting rights of all shareholders of the Company after the successful completion of the Tender Offer, the Offeror intends to request the Company, promptly following the settlement of the Tender Offer, to hold an extraordinary shareholders’ meeting of the Company around February 2019 (the “Extraordinary Shareholders’ Meeting”) at which the following proposals will be proposed: (i) to conduct a consolidation of the Company Common Shares pursuant to Article 180 of the Companies

Act (the “Share Consolidation”) and (ii) to make a partial amendment to the Company’s Articles of Incorporation that would abolish the share unit number provisions on the condition that the Share Consolidation becomes effective. The Offeror intends to approve the proposals described above at the Extraordinary Shareholders’ Meeting. If the proposal for the Share Consolidation is approved at the Extraordinary Shareholders’ Meeting, the shareholders of the Company Common Shares will, on the effective date of the Share Consolidation, hold the number of Company Common Shares proportionate to the ratio of the Share Consolidation that is approved at the Extraordinary Shareholders’ Meeting. If the Share Consolidation results in fractions less than one share, each shareholder of Company Common Shares will receive an amount of cash which would be obtained by selling its Company Common Shares in the total number of its fractional shares (with the aggregate sum to be rounded down to the nearest whole number; the same applies hereinafter) to the Offeror or the Company in accordance with the procedures specified in Article 235 of the Companies Act and other applicable laws and regulations. The purchase price for the aggregate sum of such fractional Company Common Shares will be valued so that the amount of cash received by each shareholder that did not tender its shares in the Tender Offer (excluding the Offeror and the Company) as a result of the sale will be equal to the price obtained by multiplying the Tender Offer Price by the number of Company Common Shares held by each such shareholder. The Offeror intends to request the Company to file a petition with the court for permission to purchase such Company Common Shares on this basis. While the ratio of the Share Consolidation of the Company Common Shares has not been determined as of today, it will be determined such that each shareholder of Company Common Shares (excluding the Offeror and the Company) that did not tender its shares in the Tender Offer will have less than one share, in order for the Offeror to become the sole shareholder of all Company Common Shares.

The Companies Act provides that if the Share Consolidation occurs and results in fractions less than one share, each shareholder of Company Common Shares that did not tender its shares in the Tender Offer (excluding the Offeror and the Company) may, in accordance with Articles 182-4 and 182-5 of the Companies Act and other applicable laws and regulations: (i) demand that the Company purchase at a fair price all such fractions less than one share held by such shareholder and (ii) file a petition with the court for determination of the price of the Company Common Shares. Please note that the Tender Offer is not intended in any way to solicit the Company’s shareholders to support the aforementioned proposals at the Extraordinary Shareholders’ Meeting.

According to the Offeror, the Offeror intends to transfer, after the successful completion of the Tender Offer, 50,000 Preferred Shares held by the Offeror to ORIX Asia Limited (“OAL”), a subsidiary of the Offeror. OAL has already conducted transactions, such as property referrals, with Daikyo Honk Kong Limited, a Group company of the Company.

Through this transfer of Preferred Shares, the Offeror intends to further reinforce the overseas cooperation between the Company Group and the Offeror Group.

The procedures described above may take more time or may be changed in terms of the method used depending on amendments to or enforcement of, or the competent authorities' interpretation of, or other circumstances relating to, the relevant laws and regulations, as well as depending on the ratios at which the Offeror and other shareholders of Company Common Shares hold Company Common Shares after the Tender Offer, among other things. However, even in such a case, the Offeror intends to employ, subject to the successful completion of the Tender Offer, a method whereby each shareholder of Company Common Shares that did not tender its shares in the Tender Offer (excluding the Offeror and the Company) will ultimately receive cash consideration in the amount calculated by multiplying the number of its Company Common Shares by the Tender Offer Price. Nonetheless, in the event of a petition for determination of the purchase price relating to a Demand for the Sale of Shares or a petition for determination of the price relating to a demand for purchase of shares in a Share Consolidation, such purchase price of Company Common Shares or such price relating to a demand for purchase of shares, as the case may be, will be finally determined by the court.

The specific procedure to be followed in each of the above cases and the expected timing and other details of such procedures will be discussed between the Offeror and the Company and will be promptly announced by the Company once determined. All shareholders of the Company are solely responsible for seeking their own specialist tax advice with regard to the tax consequences of tendering their shares in the Tender Offer or of any of the procedures described above.

(6) Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest

(A) Procurement by the Offeror of the Share Price Valuation Report from the Independent Third-Party Valuation Institution

According to the Offeror, in deciding the Tender Offer Price, the Offeror requested its financial advisor Nomura Securities, which served as a third-party valuation institution independent from the Offeror and the Company, to evaluate the share value of the Company Common Shares in order to ensure the fairness of the Tender Offer Price. Nomura Securities is not a related party to the Offeror or the Company and does not have any material interest in the Tender Offer.

After considering the calculation methods to be used in the Tender Offer from among several share value calculation methods, Nomura Securities performed calculations using: (i) the average market price method, in light of the fact that the Company Common Shares are listed on the TSE; (ii) the comparable company analysis, in light of the fact that there are listed companies comparable to the Company and that the

share value of the Company Common Shares can be inferred from comparisons with comparable companies; and (iii) the DCF Analysis in order to reflect the future status of business activities in the calculation. The Offeror obtained a share value valuation report from Nomura Securities on October 25, 2018 (the “Offeror’s Valuation Report”). The Offeror has not obtained from Nomura Securities an opinion letter on the fairness of the Tender Offer Price (a fairness opinion). The ranges of values per Company Common Share evaluated by Nomura Securities are as follows:

Average Market Price Analysis:	From 2,208 yen to 2,361 yen
Comparable Company Analysis:	From 1,828 yen to 2,833 yen
DCF Analysis:	From 2,200 yen to 3,761 yen

In the average market price analysis, the share value range per Company Common Share of 2,208 yen to 2,361 yen was derived based on the following figures quoted on the First Section of the TSE as of the evaluation reference date of October 25, 2018: 2,307 yen, which was the closing price as of the reference date; 2,233 yen (rounded to the nearest whole yen; the same applies to each simple average closing price below), which was the simple average closing price over the preceding five-business day period; 2,208 yen, which was the simple average closing price over the preceding one-month period; 2,238 yen, which was the simple average closing price over the preceding three-month period; and 2,361 yen, which was the simple average closing price over the preceding six-month period.

In the comparable company analysis, the value range of 1,828 yen to 2,833 yen per Company Common Share was derived by making comparisons with other listed companies engaged in businesses relatively similar to that of the Company in terms of market share price and financial indicators for profitability and other aspects.

In the DCF Analysis, the value range of 2,200 yen to 3,761 yen per Company Common Share was derived by analyzing the Company’s enterprise value and share value, calculated by discounting to the present value at a certain discount rate the free cash flow that the Company is expected to generate in the future based on the Company’s estimated future earnings for the fiscal year ending March 2019 and onwards which take into account, among other things, the Company’s business plans for the period from March 2019 to March 2021, interviews with the Company’s management, the Company’s performance trends up to present, and publicly disclosed information. Synergies anticipated as a result of the Transaction are not reflected in this analysis, since they are difficult to be specifically estimated at present. The Company’s estimated earnings based on which Nomura Securities

performed its calculation do not include any fiscal period for which a considerable income increase or decrease is expected.

In determining the Tender Offer Price, the Offeror referred to the valuation results of each analysis method stated in the Offeror's Valuation Report received from Nomura Securities, and the Offeror considered the Tender Offer Price by comprehensively taking into account factors such as (a) trends in the market price of the Company Common Shares over the past five-business day, one-month, three-month, and six-month periods, and the latest movement, (b) examples of the premiums added when determining purchase prices in tender offers conducted in the past by parties other than an issuer, (c) the result of due diligence on the Company, (d) the possibility that the Company's board of directors will support the Tender Offer, and (e) the estimated number of shares to be tendered in the Tender Offer, and in light of the results of discussion and negotiation with the Company, the Offeror ultimately decided on a Tender Offer Price of 2,970 yen per share.

The Tender Offer Price represents (a) a premium of 28.74% (rounded to two decimal places; the same applies for calculations of premium rates hereinafter) on 2,307 yen, the closing price of the Company Common Shares on the First Section of the Tokyo Stock Exchange as of October 25, 2018, which is the business day immediately preceding the announcement date of the Tender Offer, (b) a premium of 34.51% on 2,208 yen, which is the simple average closing price for the one-month period ending on that day, (c) a premium of 32.71% on 2,238 yen, which is the simple average closing price for the three-month period ending on that day, and (iv) a premium of 25.79% on 2,361 yen, which is the simple average closing price for the six-month period ending on the that day.

(B) Procurement by the Company of the Share Price Valuation Report from the Independent Third-Party Valuation Institution

As stated in "(B) Procurement by the Company of the Share Price Valuation Report from the Independent Third-Party Valuation Institution" in "(3) Matters Relating to Calculation" above, in determining an opinion on the Tender Offer, the Company requested Daiwa Securities, a third-party valuation institution independent from the Company and the Offeror, to calculate the Company's share value. Daiwa Securities, having considered the method of calculation in the Tender Offer, calculated the value of the Company Common Shares by using each of the market price analysis, the comparable company analysis, and the DCF Analysis, and the Company obtained the Company Valuation Report. The Company has not obtained from Daiwa Securities an opinion letter on the fairness of the Tender Offer Price (a fairness opinion). Daiwa Securities is not a related party of the Company or the Offeror and does not have any material interest to be disclosed in relation to the

Tender Offer.

(C) Establishment of an Independent Special Committee at the Company and Obtainment of a Written Report from the Special Committee

The Company's board of directors established on August 30, 2018 a special committee independent from the Company and the Offeror, for the purpose of appropriately collecting information and resolving any potential conflict of interest related to the decision of the board of directors on the Transaction including the Tender Offer, and ensuring the fairness and transparency of the Transaction. The special committee consisted of the following four members: Mr. Takashi Goto (an attorney-at-law at STW & Partners), who is an external expert, and the Company's Outside Directors, namely, Mr. Toru Hambayashi (the Company's Outside Director and an Outside Director of FAST RETAILING CO., LTD.), Mr. Tomoharu Washio (the Company's Outside Director and a Fellow at Kwansei Gakuin University), and Mr. Yuji Yamamoto (the Company's Outside Director and a Certified Public Accountant) (note that the Company selected these four members as the original members of the special committee and has not replaced any member). The Company consulted with the special committee on, and requested the committee to submit a report to the Company on, the following matters (collectively, the "Consulted Matters"):

(a) Consider, and make recommendations to the Company's board of directors regarding, whether or not the Company's board of directors should support the Tender Offer and whether or not it should recommend that shareholders of the Company tender their shares in the Tender Offer, after considering (i) whether or not the Transaction is reasonable in terms of improving the enterprise value of the Company and (ii) whether or not due consideration is given to the interests of shareholders through fair procedures (i.e., the fairness of the Tender Offer Price and the process) (including negotiating with the Offeror as appropriate); and

(b) Consider, and give advice to the Company's board of directors on, whether the Transaction is not disadvantageous to the minority shareholders of the Company.

During the period from September 7, 2018 to October 25, 2018, the special committee held a total of 11 meetings where the members discussed and examined the Consulted Matters. Specifically, the special committee conducted deliberations on the Consulted Matters through careful discussions and deliberate examinations, not only by examining the materials submitted by the Offeror and Daiwa Securities and asking questions to the Company, Daiwa Securities, and Mori Hamada & Matsumoto, but also by conducting interviews with the Company's and the Offeror's officers by the committee members.

After these procedures, the special committee submitted today to the Company's

board of directors a written report on the Consulted Matters (the “Written Report”) with the unanimous approval of the members. A summary of the Written Report is as follows:

- (a) (i) It is believed that no obviously unreasonable points were found in the process or contents of the judgment that the Transaction will contribute to enhancement of the Company’s enterprise value, and therefore that the Transaction will be reasonable from the perspective of enhancing the Company’s enterprise value, considering that: (i) it is believed that the Company’s important management issues under the present conditions are not only to enhance its existing business, which includes the Japanese housing business, but also to realize the diversification of its real estate business at an early date while securing competitiveness because the majority of the Company’s profit relies on the Japanese housing business and it is projected that the Japanese housing market will decline in the medium to long term and competition will intensify; (ii) the measures to be taken after the Transaction can be viewed as contributing to the Company overcoming its management issues by further utilizing the Offeror’s management resources; (iii) the disadvantages are not expected to outweigh the advantages in the Transaction; and (iv) no circumstances can be seen where it would be judged that another transaction method, including maintenance of current capital relationship or an alliance with a third party, would be an effective alternative that is superior to the Transaction.
- (b) It is believed that all decisions with respect to the Transaction, including the determination of the consideration amount, were made using fair procedures while giving due consideration to ensure that the Transaction will not undermine the interests of the Company’s minority shareholders, considering that: (i) in the process of determining the consideration amount, the Tender Offer Price and the consideration amount were agreed to after the people in charge at the Company who have no interest in the Offeror actually negotiated in good faith multiple times on the basis of non-arbitrary valuations by independent experts with sufficient experience and with the advice of the financial advisor and the recommendations of the special committee; (ii) the specific value of the consideration amount is within the range of valuations set out in the Company Valuation Report and is appropriate in light of the levels of premiums offered in similar cases, while giving consideration to ensuring that minority shareholders will not incur any loss after taking into account factors such as their expected acquisition price; and (iii) other fair procedures have been performed giving due consideration to the interests of the Company’s shareholders, including the establishment of the special committee.

- (c) In light of the above, it is believed that it is reasonable for the board of directors of the Company to approve the Tender Offer and to recommend that the Company's shareholders tender their shares in the Tender Offer.
- (d) In addition, for the reasons in (a) and (b) above, it is believed that the Transaction will not cause any disadvantage to the Company's minority shareholders.

(D) Advice from a Law Firm Independent from the Company

The Company selected Mori Hamada & Matsumoto as its legal advisor, which is independent from the Company and the Offeror, in order to ensure the fairness and appropriateness of decision-making by the Company's board of directors, and received legal advice on the methods and processes of, and other points to note in, decision-making by the Company's board of directors on the Tender Offer and the subsequent series of procedures.

(E) Unanimous Approval of All Disinterested Directors of the Company

The Company prudently discussed and examined the details of the terms and conditions of the Tender Offer by the Offeror based on the legal advice received from Mori Hamada & Matsumoto, the content of the Company's Valuation Report, the Written Report obtained from the special committee, the content of the continuous discussions with the Offeror, and other related materials. As a result, as stated in "(C) Process Leading to the Company's Decision at its Board of Directors Meeting" in "(2) Grounds and Reasons for the Opinion" above, the Company resolved at its board of directors meeting held today to express its opinion in support of the Tender Offer and recommend that the Company's shareholders tender their Company Common Shares in the Tender Offer.

The aforementioned resolution of the Company's board of directors was deliberated by three (three of whom are outside directors serving on the Audit Committee) of the five directors of the Company, excluding Mr. Kazuo Kojima and Mr. Tsukasa Kimura, and was passed unanimously by the directors who participated in the deliberation.

Among the directors of the Company, Mr. Kazuo Kojima and Mr. Tsukasa Kimura did not participate in the deliberations or resolutions on the Transaction at the Company's board of directors meetings, including the aforementioned board of directors meeting, in order to prevent conflicts of interest since Mr. Kazuo Kojima was a Director, Representative Executive Officer and Deputy President of the Offeror and Mr. Tsukasa Kimura was an Executive Officer of the Offeror. They also did not participate in the discussions or negotiations on the Transaction in their capacity as representatives of the Company.

(F) Measures to Secure an Opportunity for Other Offerors to Carry Out a Tender Offer

The Offeror has not made any agreement with the Company that contains deal protection provisions that would prohibit the Company from contacting a counter offeror, or any other agreement that would restrict a counter offeror from contacting the Company.

In addition, the Offeror has set the period of Tender Offer (the “Tender Offer Period”) to 30 business days, a period longer than the shortest statutory period of a tender offer, which is 20 business days. According to the Offeror, by setting the Tender Offer Period to a relatively long period, the Offeror intends to ensure that shareholders of Company Common Shares are given an opportunity to make an appropriate decision on whether or not to tender their shares in the Tender Offer and that parties other than the Offeror are given an opportunity to carry out a counter tender offer, etc., thereby ensuring the appropriateness of the Tender Offer Price.

The Offeror has not set a minimum number of shares to be purchased in the Tender Offer because, as described in “(A) Outline of the Tender Offer” in “(2) Grounds and Reasons for the Opinion” above, the Offeror already owns 53,749,006 Company Common Shares and 1,000,000 Preferred Shares (ownership ratio: 67.92%) as of today, due to which the setting of a minimum number of shares to be purchased by the so-called “majority of the minority” in the Tender Offer may make the successful completion of the Tender Offer unstable, which, in turn, may be disadvantageous for minority shareholders that wish to tender their shares in the Tender Offer. The Offeror still believes that sufficient consideration has been given to the interests of the minority shareholders of the Company, since the measures described in (A) through (F) above have been taken to ensure the fairness of the Tender Offer.

4. Matters Relating to Material Agreements regarding Tendering Shares between the Offeror and the Company’s Shareholders

Not applicable.

5. Details of Benefits Received from the Offeror or Parties Having Special Relationships with the Offeror

Not applicable.

6. Response Policy with respect to Basic Policies Relating to the Control of the Company

Not applicable.

7. Questions to the Offeror

Not applicable.

8. Requests for Extension of Tender Offer Period

Not applicable.

9. Future Prospects

For future prospects, please see “(B) Background of the Tender Offer,” in “(C) Process Leading to the Company’s Decision at its Board of Directors Meeting” and “(D) Management Policy After the Tender Offer” in “(2) Grounds and Reasons for the Opinion” and “(4) Possibility and Reasons for Delisting” and “(5) Policy for Organizational Restructuring after the Tender Offer (Matters Relating to the “Two-Step Acquisition”)” in “3. Details and Grounds and Reasons for the Opinion on the Tender Offer” above.

10. Details of Transactions, etc. with Controlling Shareholder

(1) Transactions, etc. with Controlling Shareholder and Status of Conformity with Policy regarding Measures to Protect Minority Shareholders

The Offeror is a controlling shareholder of the Company (parent company), so the Transaction (including the Tender Offer) constitutes, in relation to the Company, a transaction etc. with a controlling shareholder. In “I-4. Policy regarding Measures to Protect Minority Shareholders Upon Transactions, etc. with Controlling Shareholders” included in the Corporate Governance Report released by the Company on June 28, 2018, it is stated that “the Company has laid down a provision that the Company shall select its clients in a fair and transparent manner pursuant to its internal regulations and the Company shall accordingly consider profitability, importance, and transparency of every transaction with major shareholders and the like on a case-by-case basis; and in order to do so, the Company shall obtain approval and other consents based on its internal regulations in the same way as it obtains for other transactions to carry out fair transactions.” The following is the status of whether the Transaction (including the Tender Offer) complies with that policy.

The Company has taken measures to ensure the fairness of the Tender Offer and avoid conflicts of interests as set out in “(6) Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” in “3. Details and Grounds and Reasons for the Opinion on the Tender Offer” above. The Company believes these measures are consistent with the contents described in the Corporate Governance Report.

(2) Details of Measures to Ensure Fairness and Measures to Avoid Conflicts of Interest

As set out in “(1) Transactions, etc. with Controlling Shareholder and Status of

Conformity with Policy regarding Measures to Protect Minority Shareholders” above, the Transaction (including the Tender Offer) constitutes, in relation to the Company, a transaction, etc. with a controlling shareholder. Therefore, the Company has determined that it is necessary to implement measures to ensure fairness and measures to avoid conflicts of interest, and has made its decision after ensuring fairness and avoiding conflicts of interest by implementing the measures as set out in “(6) Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” in “3. Details and Grounds and Reasons for the Opinion on the Tender Offer” above.

(3) Outline of Opinion Obtained From a Party That has No Interest in the Controlling Shareholder Stating that the Transaction, etc. Would not be Disadvantageous to the Minority Shareholders

As set out in “(C) Establishment of an Independent Special Committee at the Company and Obtainment of a Written Report from the Special Committee” in “(6) Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” in “3. Details and Grounds and Reasons for the Opinion on the Tender Offer” above, the Company received the Written Report dated today from the special committee independent from the Company and the Offeror to the effect that it is believed that the Transaction would not be disadvantageous to the minority shareholders of the Company.

11. Other Matters

As announced in “Notice Regarding Revision of Dividends Forecast (No Dividends) for the Year Ending March 2019” dated today, the Company resolved at its board of directors meeting held today not to pay dividends at the end of the fiscal year ending March 2019, conditional upon the successful completion of the Tender Offer.

End

Reference: Offeror’s announcement titled “Announcement of Commencement of Tender Offer for Certificates of Shares, Etc. in DAIKYO INCORPORATED (Securities Code: 8840)” dated October 26, 2018 (as attached)