



December 21, 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)
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Announcement of ORIX Corporation's Decision to Make a Demand for Sale of Our Shares, and
Our Approval of that Demand for Sale of Our Shares and Delisting of Our Shares

As DAIKYO INCORPORATED (the "Company") announced in the release titled "Announcement of Results of the Tender Offer for Our Shares Conducted by ORIX Corporation, a Parent Company", dated December 11, 2018, ORIX Corporation ("ORIX") conducted a tender offer for the Company's common shares (the "Company Common Shares") from October 29, 2018 (that tender offer, the "Tender Offer"), and as a result, ORIX came to own 74,873,117 Company Common Shares (the ratio of ORIX's ownership of voting rights represented by its Company Common Shares to the total number of voting rights of all shareholders of the Company ("Voting Rights Ownership Ratio;" please see Note) is 93.98%, rounded to two decimal places) as of December 17, 2018, which is the commencement date of settlement of the Tender Offer, and ORIX became a special controlling shareholder (the "Special Controlling Shareholder") as defined in the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same applies).

According to ORIX, since ORIX came to own 90% or more of the Company's voting rights as a result of the successful completion of the Tender Offer, ORIX decided today to require all shareholders of the Company (excluding ORIX, ORIX Asia Limited and the Company; "Selling Shareholders"), to sell all of their Company Common Shares ("Selling Shares") to ORIX (the "Demand for the Sale of Shares") under Article 179 of the Companies Act as part of the transaction intended to make the Company a wholly-owned subsidiary of ORIX by acquiring all of the Company Common Shares (excluding those held by ORIX and the treasury shares held by the Company; the same applies hereinafter) (the "Transaction") as stated in "(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” in “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” released by the Company on October 26, 2018 (the “Opinion Press Release”).

The Company hereby announces that it has received from ORIX a notice regarding the Demand for the Sale of Shares, and it resolved today at its board of directors meeting to approve the Demand for the Sale of Shares with the following details.

In addition, the Company Common Shares will come to fall under the delisting criteria of the Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”) upon the approval of the Demand for the Sale of Shares. Therefore, the Company Common Shares will be designated as stock to be delisted for the period from today through January 21, 2019, and they will be delisted on January 22, 2019. Please note that after the delisting, the Company Common Shares may not be traded on the First Section of the Tokyo Stock Exchange.

Note: “Voting Rights Ownership Ratio” means the ratio of the voting rights owned (rounded to two decimal places; the same applies hereinafter unless otherwise stipulated) to 796,681 voting rights represented by 79,668,196 shares, which is the difference 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 on October 26, 2018 less the number of treasury shares held by the Company as of October 22, 2018 (4,686,077 shares), the same applies hereinafter. 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. Also ORIX directly owns 950,000 shares of Class 1 Preferred Shares of the Company (the “Preferred Shares”) and indirectly owns 50,000 shares of the Preferred Shares through ORIX Asia Limited. Altogether, ORIX owns 1,000,000 shares of the Preferred Shares but when calculating the Voting Rights Ownership Ratio, the Preferred Shares were not included since the Preferred Shares do not have voting rights.

1. Outline of Demand for the Sale of Shares

(1) Outline of the Special Controlling Shareholder

(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 September 30, 2018)	Japan Trustee Services Bank, Ltd. (Trust Account) 9.15%
	The Master Trust Bank of Japan, Ltd. (Trust Account) 6.26%
	Japan Trustee Services Bank, Ltd. (Trust Account 9) 2.76%
	SSBTC Client Omnibus Account (Standing proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch) 2.60%
	Citibank, N.A. –NY, as Depositary Bank for Depositary Share Holders (Standing proxy: Citibank, N.A., Tokyo Branch) 2.15%
	Japan Trustee Services Bank, Ltd. (Trust Account 5) 2.00%
	State Street Bank and Trust Company 505001 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department) 1.80%

	State Street Bank West Client-Treaty 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	1.68%
	Japan Trustee Services Bank, Ltd. (Trust Account 7)	1.62%
	The Chase Manhattan Bank 385036 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	1.56%

(8) Relationship between the Company and the Special Controlling Shareholder

Capital Relationship	ORIX owns 74,873,117 Company Common Shares (Voting Rights Ownership Ratio: 93.98%) as of today, and has made the Company its consolidated subsidiary.
Personnel Relationship	One executive officer of the Company has been dispatched from ORIX and one employee of the Company has been seconded to ORIX. In addition to the foregoing, five employees of the Company Group (Note 1) have been seconded to the ORIX Group (Note 2), and 24 employees of the ORIX 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 ORIX.
Status as Related Party	ORIX is a parent company of the Company; therefore ORIX and the Company constitute related parties with respect to each other.

(Note 1): 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 2): The ORIX Group means ORIX and its subsidiaries and affiliates. As of March 31, 2018, the ORIX Group consists of ORIX, 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.

(2) Schedule of the Demand for the Sale of Shares

Date of the Demand for the Sale of Shares	Friday, December 21, 2018
Date of the resolution was passed at the Company's board of directors meeting	Friday, December 21, 2018
Last trading day	Monday, January 21, 2019
Delisting date	Tuesday, January 22, 2019
Acquisition date	Friday, January 25, 2019

- (3) Sale Consideration
2,970 yen per common share

2. Details of the Demand for the Sale of Shares

ORIX, as the Special Controlling Shareholder of the Company as prescribed in Article 179, paragraph (1) of the Companies Act, has decided to require the Selling Shareholders to sell all of the Selling Shares to ORIX, and today the Company received a notice with the following contents.

- (1) When Deciding not to Make the Demand for the Sale of Shares a Wholly-Owned Subsidiary Corporation of the Special Controlling Shareholder, That Decision and the Name of That Wholly-Owned Subsidiary Corporation of the Special Controlling Shareholder (Article 179-2, paragraph (1), item (i) of the Companies Act)

ORIX Asia Limited

- (2) Amount of Cash to be Delivered to Selling Shareholders as Consideration for the Selling Shares Through the Demand for the Sale of Shares and Matters Related to the Allotment of Cash to the Selling Shareholders (Article 179-2, paragraph (1), items (ii) and (iii) of the Companies Act)

ORIX will allocate and deliver to each of the Selling Shareholders 2,970 yen per share of the Selling Shares held by that shareholder as consideration for the Selling Shares (the

“Sale Consideration”).

- (3) Matters Related to a Demand for Sale of Share Options (Article 179-2, paragraph (1), item (iv) of the Companies Act)

Not applicable

- (4) Day on Which the Special Controlling Shareholder Acquires the Selling Shares (“Acquisition Date”) (Article 179-2, paragraph (1), item (v) of the Companies Act)

January 25, 2019

- (5) Method of Securing Funds for Payment of the Sale Consideration (Article 179-2, paragraph (1), item (vi) of the Companies Act and Article 33-5, paragraph (1), item (i) of the Regulations for Enforcement of the Companies Act)

ORIX will pay the Sale Consideration from its cash and bank deposits. ORIX has bank deposits in an amount equivalent to the funds necessary for the payment of the Sale Consideration.

- (6) Any Other Terms and Conditions for the Demand for the Sale of Shares in Addition to the Foregoing (Article 33-5, paragraph (1), item 1 of the Companies Act and Article 33-5, paragraph (1), item (ii) of the Regulations for Enforcement of the Companies Act)

The Sale Consideration will be delivered within a reasonable period after the Acquisition Date to the address of Selling Shareholders stated or recorded in the Company’s final shareholder register as of the day immediately preceding the Acquisition Date, or at any other place notified by the Selling Shareholders to the Company, and that delivery will be made in the same manner as a delivery of dividend by the Company. However, if delivery is unable to be made in that manner, the Sale Consideration will be paid to the relevant Selling Shareholders at the head office of the Company in a manner designated by the Company, at a place and in a manner designated by ORIX, or at a place and in a manner discussed and determined by ORIX and the Company.

3. Grounds and Reasons for the Decision to Approve the Demand for the Sale of Shares

- (1) Grounds and Reasons for the Decision to Approve the Demand for the Sale of Shares

The Demand for the Sale of Shares will be conducted as part of the Transaction; therefore the Sale Consideration is set to be equal to the price per share of the Company Common Shares in the Tender Offer (the “Tender Offer Price”).

After receipt of the proposal from ORIX in late August 2018 as stated in “(B) Background of the Tender Offer” in “(2) Grounds and Reasons for the Opinion” in “3. Details and Grounds and Reasons for the Opinion on the Tender Offer” in the Opinion Press Release, 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 “(4) 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 ORIX 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 ORIX 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 ORIX in late September 2018, had discussions and negotiations with ORIX on multiple occasions in consideration of the deliberations of the special committee and advice from Daiwa Securities, and finally received a final proposal from ORIX 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 October 26, 2018 (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 “(4) 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” in “(2) Grounds and Reasons for the Opinion” in “3. Details and Grounds and Reasons for the Opinion on the Tender Offer” in the Opinion Press Release, 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 effect 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” in “3. Details and Grounds and Reasons for the Opinion on the Tender Offer” in the Opinion Press Release is anticipated from the viewpoint of (a) acceleration of development of comprehensive capabilities in the real estate development business, (b) expansion of existing business in the real estate brokerage and real estate management businesses, (c) creating overseas business opportunities, (d) greater M&A opportunities and active utilization of those opportunities, and (e) providing growth opportunities to employees as a result of implementing the measures proposed by ORIX as described in “(B) Background of the Tender Offer” in “(2) Grounds and Reasons for the Opinion” in “3. Details and Grounds and Reasons for the Opinion on the Tender Offer” in the Opinion Press Release and utilizing the management resources of ORIX even more after the Transaction.

Also, 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” in “3. Details and Grounds and Reasons for the Opinion on the Tender Offer” in the Opinion Press Release, the Company considered following factors and other factors comprehensively.

- (i) 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, and 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.
- (ii) 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 and considers possible conflicts of interest between ORIX and the Company's minority shareholders.

- (iii) On the other hand, the Company also 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.

The Company therefore reached the conclusion that becoming a wholly-owned subsidiary of ORIX 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 ORIX based on sincere negotiations conducted on multiple occasions with ORIX, and after taking measures to ensure fairness of the Tender Offer as described in “(4) 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 “(B) Procurement by the Company of the Share Price Valuation Report from the Independent Third-Party Valuation Institution ” in “(4) 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,
- (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 "(4) 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 on October 26, 2018 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 "(4) 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.

On December 11, 2018, the Company received from ORIX a report on the results of the Tender Offer to the effect that 21,124,111 shares of the Company Common Shares were tendered and that ORIX would acquire all of those shares. As a result, ORIX's ownership ratio of voting rights represented by its holding of the Company Common Shares became 93.98% as of December 17, 2018 (the commencement date of the settlement of the Tender Offer), and ORIX became the Special Controlling Shareholder of the Company.

Based on this, the Company received from ORIX a notice to the effect that ORIX would conduct the Demand for the Sale of Shares as part of the Transaction as stated in "(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.” Upon receipt of that notice, the Company prudently discussed and deliberated whether to approve the Demand for the Sale of Shares.

As a result, the board of directors of the Company decided that due consideration had been given to the interest of the Selling Shareholders in the Demand for the Sale of Shares and that terms and conditions of the Demand for the Sale of Shares are fair based on the following reasons;

- (i) the Demand for the Sale of Shares is to be conducted as part of the Transaction, as explained above, the Company concluded that the implementation of the Transaction would contribute to the further improvement of the Company’s enterprise value, and there are no particular circumstances that require that judgment to be changed,
- (ii) it is believed that the Sale Consideration of 2,970 yen per Selling Share is reasonable for the Selling Shareholders and sufficient consideration is being given to the interests of the minority shareholders, since that price is equal to the Tender Offer Price and measures to secure the fairness of the Tender Offer and other measures are being taken as explained in “(4) 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,
- (iii) it is expected ORIX will be capable of delivering the Sale Consideration because ORIX has an amount of bank deposits equivalent to the payment amount of the Sale Consideration as of October 25, 2018, which is confirmed by the certificate of bank balance attached to the registration statement regarding the Tender Offer filed by ORIX, and because no event that might hinder ORIX’s payment of the Sale Consideration has occurred and ORIX is not aware of any possibility of such an event occurring in the future,
- (iv) the terms and conditions of the Demand for the Sale of Shares are considered to be appropriate because no unreasonable points have been found with respect to the period until the delivery and the payment method of the Sale Consideration, and
- (v) no material event that will change the enterprise value of the Company has arisen since the commencement of the Tender Offer until today.

The Company therefore resolved today at its board of directors meeting to approve the Demand for the Sale of Shares as it was stated in the notice from ORIX.

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 ORIX and Mr. Tsukasa Kimura was an Executive Officer of ORIX. They also did not participate in the discussions or negotiations on the Transaction in their capacity as representatives of the Company.

(2) Matters Relating to Valuation

The Demand for the Sale of Shares will be conducted as the second step of the "Two-Step Acquisition" after the Tender Offer, and the Sale Consideration is set to be equal to the Tender Offer Price. Therefore, when making the decision to approve the Demand for the Sale of Shares, the Company did not obtain another share price valuation report.

(3) Possibility and Reasons for Delisting

The Company Common Shares are listed on the First Section of the Tokyo Stock Exchange as of today. However, the Company Common Shares will come to fall under the delisting criteria of the First Section of the Tokyo Stock Exchange upon the approval of the Demand for the Sale of Shares. Therefore, the Company Common Shares will be designated as stock to be delisted for the period from today through January 21, 2019, and will be delisted on January 22, 2019. Please note that after the delisting, the Company Common Shares may not be traded on the First Section of the Tokyo Stock Exchange.

(4) 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

The Demand for the Sale of Shares will be conducted as part of the second step of the "Two-Step Acquisition" after the Tender Offer in the Transaction with the Sale Consideration equal to the Tender Offer Price. As explained 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" in the Opinion Press Release, the measures set out in (A) through (F) below have been taken by ORIX and the Company from the perspective of ensuring fairness of the Transaction.

As stated in "(1) Grounds and Reasons for the Decision to Approve the Demand for the Sale of Shares" above, in the Company's decision-making process regarding the approval of the Demand for the Sale of Shares, the resolution 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 ORIX and Mr. Tsukasa Kimura was an Executive Officer of ORIX. They also did not participate in the discussions or negotiations on the Transaction in their capacity as representatives of the Company.

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

According to the ORIX, in deciding the Tender Offer Price, the ORIX requested its financial advisor Nomura Securities, which served as a third-party valuation institution independent from the ORIX 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 ORIX 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 Co., Ltd. ("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 ORIX obtained a share value valuation report from Nomura Securities on October 25, 2018 (the "ORIX's Valuation Report"). The ORIX 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 ORIX referred to the valuation results of each analysis method stated in the ORIX's Valuation Report received from Nomura Securities, and the ORIX 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 ORIX 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

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 ORIX, to calculate the value of the Company Common Shares.

Daiwa Securities is not a related party of the Company or ORIX 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
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

(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 ORIX, 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 ORIX 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 ORIX 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 ORIX's officers by the committee members.

After these procedures, the special committee submitted on October 26, 2018 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) 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 ORIX'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 ORIX 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 ORIX, 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 ORIX 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 ORIX, and other related materials. As a result, as stated in "(1) Grounds and Reasons for the Decision to Approve" above, the Company resolved at its board of directors meeting held on October 26, 2018 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 ORIX and Mr. Tsukasa Kimura was an Executive Officer of ORIX. 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

ORIX 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, ORIX 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 ORIX, by setting the Tender Offer Period to a relatively long period, ORIX 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 ORIX are given an opportunity to carry out a counter tender offer, etc., thereby ensuring the appropriateness of the Tender Offer Price.

ORIX has not set a minimum number of shares to be purchased in the Tender Offer because, ORIX already owns 53,749,006 Company Common Shares and 1,000,000 Preferred Shares as of October 26, 2018, 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. ORIX 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. Future Prospects

The Company's management structure, management policy and plans, etc. after the Company's decision to approve the Demand for the Sale of Shares will be discussed and

deliberated between the Company and ORIX.

5. 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

ORIX 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 “(4) 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. Grounds and Reasons for the Decision to Approve the Demand for the Sale of Shares” 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 “(4) 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. Grounds and Reasons for the Decision to Approve the Demand for the Sale of Shares” 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 “(4) 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. Grounds and Reasons for the Decision to Approve the Demand for the Sale of Shares” above, the Company received the Written Report dated December 26, 2018 from the special committee independent from the Company and ORIX to the effect that it is believed that the Transaction would not be disadvantageous to the minority shareholders of the Company. Since the Written Report is regarding the Transaction including the Demand for the Sale of Shares, when approving the Demand for the Sale of Shares, the Company did not separately obtain an additional opinion from the party that has no interest in the Controlling Shareholder.

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