

Press Release



TOKAI TOKYO FINANCIAL HOLDINGS, INC.

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(Securities Code 8616)

February 20, 2017

The Notice of Launching the Tender Offer for the Shares etc. of Takagi Securities Co., Ltd. (Security Code 8625)

We, Tokai Tokyo Financial Holdings, Inc. are pleased to announce that we made the resolution as you find below for launching Tender Offer (“the Tender Offer”) to acquire the common stocks of Takagi Securities Co., Ltd. (hereafter “the Target”) and the related new stock subscription rights at the Board of Directors’ Meeting held on the 20h of February 2017.

1. The Purpose of the Tender Offer

(1) The Outline of the Tender Offer

We resolved at the Board of Directors’ Meeting on February 20, 2017 that we would acquire all the common stocks (except treasury stocks held by the Target) of the Target (hereafter “the Target Stocks”) that are listed on the second section of Tokyo Stock Exchange Group, Inc. (hereafter “Tokyo Stock Exchange”) as well as all the new stock subscription rights (hereafter “the New Stock Subscription Rights”) issued as the Target’s first such issue to pay the stock-based compensation as per the resolution made at the Target’s Board of Directors’ Meeting on June 25, 2014, as part of the transaction of which purpose is to possess the Target as our wholly-owned subsidiary company.

In launching the Tender Offer, we signed the Tender Offer agreement (hereafter “the Bid Agreement”) on February 20th, 2017 respectively with 1) Nomura Land and Building Co., Ltd., the largest and principal shareholder of the Target, (as of February 20, 2017, they own 17,069,149 stocks of the Target, representing 29.02% ownership and they are hereafter “Nomura Land and Building”) and 2) Nomura Research Institute, Ltd., the second largest of the same (as of February 20, 2017, owning 6,248, 941 stocks of the Target, representing 10.62% *ownership percentage, and hereafter “Nomura Research Institute”. Further, Nomura Land and Building and Nomura Research Institute are hereafter collectively “Accepting Shareholders etc.”), to the effect that we would offer to purchase all the stocks that Accepting Shareholders etc. own as of February 20, 2017. (In aggregate, the two companies possess 23,318 stocks representing 39.64% ownership of the Target. This specific block of stocks are hereafter “Share Certificates Offered to Sell for Sale”)

For the details of the Bid Agreement, please see “(4) The Important Agreement etc.” that we address later concerning the Tender Offer.

As of February 20, 2017, we do not own either any stock or the New Target’s share subscription right of the Target.

* Ownership percentage as denoted by F, the ownership percentage using the following computation:

A: 59,764,400, the number of outstanding stocks of the Target issued as of December 31, 2016 as stated in the 3rd quarter report of the Target’s 101st fiscal year that was publicized on February 3, 2017 (hereafter “The 3rd Quarter Result of the Target’s 101st Fiscal Year”).

B: 1,155,649, the number of stocks held by the Target as treasury stocks as of December 31, 2016 as stated in the 3rd quarter result of the fiscal year ending in March 2017 that was publicized on January 26, 2017.

- C: $A-B=58,608,751$
- D: 212,000, the number of stocks of the Target that the New Target's share subscription rights in the aggregate of 212 are validly exercisable against.
- E: $C+D=58,820,751$
- F: The number of stocks owned by each party-E= (as rounded off to the two decimal places and we use the same rounding off method from now onward unless otherwise mentioned.).

With respect to the number of the New Target's share subscription rights mentioned here as of December 31, 2016, we confirmed its accuracy by referring to the Certificate of Full Registry Records of the Target, and further by inquiring of the Target about the number. (The same is applicable throughout this outline disclosure as far as the number of the New Target's share subscription rights is concerned.)

In launching the Tender Offer, we set the minimum purchase quantity of stock as 23,318,090, which is equal to the number of stocks we offer to purchase, and will not purchase at all if the total number of stocks of the Target and of the New Shares Subscription Rights (hereafter "Share Certificates Offered to Sell etc.") does not reach the said minimum purchase quantity. On the other hand, since we do not set the maximum purchase quantity for the Tender Offer, we will purchase all the Share Certificates Offered to Sell etc. if the number of those does not fall below the said minimum purchase quantity.

Further, since we deem it an objective to wholly own the Target as our subsidiary company, will take progressive procedures (hereafter "the Proposed Steps for Wholly Owning the Target") as stated later in this outline at 6) The Organization Restructuring Plan After Post-Tender Offer (as it relates to so called two-step acquisition). If the Proposed Steps for Wholly Owning the Target are disapproved by the Target's Board of Directors Meeting or the Extraordinary Shareholders Meeting (We define the Extraordinary Shareholders Meeting later in this outline at 6) The Organization Restructuring Plan After Post-Tender Offer (as it relates to so called two-step acquisition), the said Proposed Steps for Wholly Owning the Target will not be implemented.

The price of the Target quoted for the Tender Offer (hereafter "the Offer Price"), ¥270 per share, is the one determined through the discussion and negotiation with Nomura Land and Building and their one and only owner, Nomura Holdings, Inc. (hereafter "Nomura Holdings") as well as Nomura Research Institute.

The Target made the press release on February 20, 2017 under the caption, "The notice of our opinion about the Tender Offer launched by Tokai Tokyo Financial Holdings, Inc. in its attempt to purchase the stocks of Takagi Securities Co., Ltd." We said the following in the release; They received the Tender Offer proposal from us in mid-November in 2016 and since then they have had cautiously evaluated the proposal. Now, they reached the judgment that the proposed Transaction, including the Tender Offer as its core, would help them uplift their corporate value. Further, they considered that the Offer Price and various other conditions peripheral to the Tender Offer are appropriate and good enough to provide the shareholders of the Target and the holders of the New Target's share subscription right with a reasonable selling opportunity. The Target therefore made a resolution at their Board of Directors Meeting on February 20, 2017 to the effect that they would accept the Tender Offer and recommend their shareholders and the New Subscription Right holders to do the same as well. For more detailed information about the Target's resolution, please refer to ⑤ The approval and the declaration of no disagreement made respectively by all the Directors and all the Auditors who have no conflict of interest with the Target under (5) The measures to secure the fairness of the Tender Offer

(2) The aim, background, circumstances that led us to launch the Tender Offer and the relevant decision making process

We, Tokai Tokyo Financial Holdings, Inc., were established in 2000 through the merger between Tokyo Securities Co., Ltd. and Tokai Maruman Securities Co., Ltd. Tokyo Securities Co., Ltd. was originally incorporated in June 1929 as Takayama Shoten Co., Ltd. and their stocks were listed on both Tokyo Stock Exchange and Osaka Stock Exchange in June 1987. Tokai Maruman Securities Co., Ltd. on the other hand was set up first in March in 1944 as Maruman Securities Co., Ltd. and their stocks were listed on both Tokyo Stock Exchange and Osaka Stock Exchange in May in 1988.

Since then, we have achieved the following key developments;

- In July 2007, we established YM Securities Co., Ltd by way of joint capital contribution

together with Yamaguchi Financial Group, Inc. and with this first joint venture project as an ignition start, we began deploying alliance strategy with various regional banks. As of today, we have 5 different joint venture securities brokerage operations running.

- In April 2009, we transformed our organizational structure to holding company and adopted a new trade name, Tokai Tokyo Financial Holdings, Inc.
- In January 2010, we acquired all the stocks of Toyota Financial Services Securities Corporation from Toyota Financial Services Corporation (hereafter “Toyota FS Securities”) and turned the acquired company into our wholly subsidiary. Further, in April 2010, Tokai Tokyo Securities Co., Ltd. (hereafter “Tokai Tokyo Securities”) absorbed Toyota FS Securities as a wholly owned subsidiary by acquiring all its stocks.
- We, Tokai Tokyo Financial Holdings, Inc., are a financial holding company that leads the group currently comprised of 20 subsidiaries and 8 affiliates and we earn about ¥67.5 Billion of consolidated revenues, for instance, for the fiscal year ending in March 2016.

We, the group, perform proprietary dealings in securities, services of securities broking, intermediation, securities underwriting and booking, and private placement and other financial instruments businesses and those incidental thereto (hereafter collectively “Securities Business”). We have operating foothold in financial and capital markets in Asia, Europe and the United States and are providing widely ranged and global services to meet our clients’ both financing and investment needs

Tokai Tokyo Securities, the nucleus company of our group, operates as a securities company with competitive edge in Chubu region or geographic center of Japan and they at the same time wholesale the products such as foreign equities and bonds to their peer securities companies.

In addition to aforementioned YM Securities Co., Ltd., the list of securities companies owned jointly with regional banks is now expanded to include 5 such entities and they are; Hamagin Tokai Tokyo Securities Co., Ltd., Nishi-Nippon City Tokai Tokyo Securities Co., Ltd., Senshu Ikeda Tokai Tokyo Securities Co., Ltd., and Hokuhoku Tokai Tokyo Securities Co., Ltd. They are held jointly by us and by the following regional banks or their holding companies respectively in the order of the appearance above; Yamaguchi Financial Group, Inc., Bank of Yokohama, Nishi-Nippon Financial Holdings, Inc., Ikeda Senshu Holdings, Inc. and Hokuhoku Financial Holdings, Inc.

For us, Tokai Tokyo Financial Holdings, Inc., all the above 5 companies are equity method affiliates and we are operating securities business together with each partner regional bank that possesses strong customer base in respective region.

Other consolidated subsidiaries include as below;

- Tokai Tokyo Asset Management Co., Ltd. that operates asset management such as Wrap as well as real estate business like real estate brokerage and development.
- Tokai Tokyo Investment Co., Ltd. that engages in venture capital investment brokerage and fund administration.
- Tokai Tokyo Wealth Consulting Co., Ltd. provides various helps with, for instance, inheritance procedures based on the wishes of customers’ deceased family members and with the matter related to real estate investment.
- Tokai Tokyo Research Institute Co., Ltd. that offers research result and information as our group’s Think Tank.
- Tokai Tokyo Academy Co., Ltd. that provides education and training and organizes various seminars and lectures.
- Tokai Tokyo Service Co., Ltd. that serves the group members’ needs of producing printed matters and manages the group’s leisure facilities.
- Tokai Tokyo Business Services Co., Ltd. that provides what we call a back-office services to run securities company operation including clerical paper processing, accounting, data processing, document filing and all others.

Since April 2009, we have pursued further evolution to become a financial group with a securities company as its nucleus that is able enough to withstand and survive any stringent economic and competitive environments. In this endeavor, we have completed the tasks progressively that are prescribed under TT Revolution, our 3-year management plan.

Under the plan, Ambitious 5, we set out the following five strategies.

- ① **Community and the Middle** (Focus on Region-Specific and Segment-Specific Approaches)
We develop and execute strategies fitting to varying qualities of different regional markets with a view to further expanding our business foundation. At the same time, we aim to build overwhelming presence and win name-recognition in Chubu region, which is our home market. Further, we deploy strategies suitably catering to each customer segment of the Wealth, the Matured and the Wealth Saving. Another task we must fulfill to improve the convenience of our service and thus cultivate and customer base is the introduction of cutting-edge service capability like sophisticated internet banking.
- ② **Alliance & Platform** (Proactive Expansion of Business Foundation)
Under this strategy, without settling with the above stated 5 JV entities, we envisage making further uninterrupted endeavors to set up new joint venture securities companies with regional banks for expanding our operating foothold. Concurrently, we offer various new services and products to existing JV securities companies and the recipients of our platform services aiming to secure solid business footing and amplify earnings as a unique comprehensive financial group. From global perspective, we find it necessary to broaden and enhance overseas network as well as forming capital and business alliance arrangement with new partners. Such efforts, we believe, will help us scale up asset management and private banking capabilities.
- ③ **Expertise**
Regarding this resource requirement, we will raise the skills of employees so that they become able to make right problem-solving suggestion for customers. Also, we will further enhance bond underwriting and placement, which is our competitive strength, and improve the quality of the information and amplify the volume thereof we deliver as well as concentrate on cultivating the customer base of overseas investors.
- ④ **Humanity** (Working place filled with caring fellow workmates)
We have adopted a new HR system that deems teamwork building important and now we encourage employees to respect diversity that facilitates promotion of female employees and those with various unique backgrounds within the company. Embracing such thought, we intend to ferment humanity-filled corporate culture that esteems diverse value standards and lifestyles. Another point of our emphasis about HR development is that we will train and use effectively the employees who possess high level of expertise and fit-out the working environment and training program in order to assist individual employee to sharpen his or her individuality and then utilize respectively developed such ability.
- ⑤ **Risk Management** (Strengthening Crisis Handling Capability)
We will align our corporate framework to be able to deal with various risks by further strengthening our resources of risk management, compliance, governance and finance. Also, we will build up sufficient crisis management capability to withstand natural disaster like earthquakes and Tsunami. Further, we will perform satisfactory fiduciary duty by fulfilling the roles and responsibilities required of financial institution that engages in the operation, chiefly in Financial Instruments Business. More specifically stated, we consider that it is our mission to develop products, conduct sales and provide asset management services to meet varying needs of our various investors possessing funds of various natures

Turning now to the Target, they said they were established originally in 1918 as Takagi Shoten Co., Ltd. and they got registered as security broker in 1948. Since then, they have been operating investment and financial services with Financial Instrument Business as their core. In April 1989, they went public by listing their stock on the second section of both Tokyo and Osaka Stock Exchanges. They have 14 operating outlets in metropolitan areas in Japan predominantly around Tokyo and Osaka and through such operational set up, they are conducting mainly region-based retail business leveraging on their long-nurtured business secret of face-to-face sales. Also, on such a face-to-face business scene, they now show the information on tablet PCs to make suitable and elaborate suggestions about the products

suitable to each individual customer. They have been striving to offer wide spectrum of services covering not only securities investment but also inheritance and real estate investment, and for this purpose, they introduced the external professional expertise to provide high-quality advisory help with customers' wealth formation from overhead perspective.

However, on one day in June 2010, the Director-General of Kinki Local Financial Bureaus handed down upon the Target an Administrative Disposition for the reason of irregularity about the handling of a certain real estate fund they were then selling. This incident caused them loss of many material customers and, in addition, their operating environment worsened due to recent stagnant domestic stock market, and dwindling customer base, less active accounts and contracted volume of asset under custody that are all attributable to ageing trend of our society.

Facing this reality, the Target thought it imminent task to gain new customers aggressively. They struck a move adopting a new business model under which they operate "Fund Lab" (* Note 1). Subsequently, they set up in September 2015 an administrative office that drives forward the said business and in November 2015, and they opened "Toushi no Madoguchi" or Investment Trust Sales Window Offices (hereafter "Sales Window"), one in Nihombashi as a main office and the other in Sangenjaya as a regular sales branch office. Sales Window office as sales outlet specializes in the sales of investment trust products.

Further in April 2016, they started the operation of website branch of Investment Trust Sales Window that provides face-to-face online service* (Note 1) that conducts personal consultation in the similar manner as conventional sales office does (Note 2). In June 2016, they opened the new branch of Investment Trust Sales Window Office at Osaka Ekimae Daiichi Building as the first such outlet in Kansai area. With the subject office opening, they have completed service providing system to offer the uniform Fund Lab based services either at conventional outlet or from website throughout Japan depending on customers' needs. In addition, with a view to expanding customer base, they are making efforts to raise their brand recognition through active TV advertisement. As a result, they achieved the increase of consultation and accompanying frequent new fund flow from newly acquired customers.

Having said that, the problem surfaced regarding the Sales Window. using the Sales Window system, they originally aimed to suggest the investment trust portfolio considered most suitable to individual investor and they make objective analysis by using Fund Lab. analytical tool even including the asset that customers have already purchased elsewhere. The fact, however, was that their satisfied users of Investment Trust Sales Window office in the end were not necessarily induced to open new accounts with the Target or buy investment trust product from them. Therefore, the new account increase brought by the Sales Window became sluggish. Such slump combined with depressed stock market environment that resulted in the declined commission, and rising advertisement expenditure and front heavy cost of system development do not encourage the Target to hold on to the optimistic expectation for better revenue generation anytime soon. In longer perspective, too, they thought it is difficult to earn the revenue constantly insulated from the effect of turbulent market condition. Accordingly, it was deemed wise for the Target to reassess their customer base and customer characteristics and study drastic solutions while the Target remains financially somewhat strong to take some right actions.

(* Note 1) Fund Lab. is an innovative and unique analytical system developed specifically for investment trust products. The system gives rating to almost all the investment products made available for purchase in Japan and it makes the overall evaluation quantitatively based on the past record of any investment trust using seven criteria including 1. Performance, 2. Security of Principal, 3. Dividend Benefit Prospect, 4. Dividend Stability, 5. Acquisition Cost and two others. And then, it analyzes comparatively and relatively the investment trust products customers possess to suggest the portfolio that best suit to individual customer.

(*Note 2) Face-to-face online service is the service that makes it easy for a customer to consult in person with a concierge who has expertise in investment trust products.

We, Tokai Tokyo Financial Group, have been deepening the business relationship with the Target in line with our efforts to promote Alliance & Platform strategy, and we have particularly concentrated on the wholesale of foreign equity and bond products of both foreign and domestic origination in terms of actual business activity between two of us. We have a strength in Chubu area that in itself is a large metropolitan business zone and the Target on the other hand has a geographic operational advantage in

Kansai that is also another dominant business area and thus we came to believe that we and the Target can complement each other with no conflict and wisely share management resources for mutually raising each corporate value. Under such a background, the Target happened to sound us out in September 2016 on our thought about the possibility of further deepening cooperative relation. Then in early October 2016, we agreed with the Target on beginning the discussion and study on further relationship enhancement between the two of us.

Since the inception of discussion, we have performed investigation and analysis on the business of the Target including the visit to their Sales Window office while we continued talk and negotiation with them. Then, we and the target reached the following consensus. If we, Tokai Tokyo, and the Target share each other the management resource each possesses as described later in (3) Management Policy After the Consummation of Tender Offer, and advance further the business cooperation between the two, it may not be impossible altogether either for us or the Target to create synergy effect by maintaining just the current level of co-working. But, we would have to establish a firm and clear ownership relationship for more solid synergy effect to be realized.

Thus, we decided in November 2016 to start full-blown study of the stock acquisition of the Target.

Then, in this conjunction, we talked with Nomura Holdings that is classified as the Target's other related party and we acknowledged their willingness to see our proposal on the matter. So, we proposed next to initiate discussion over the purchase of the Target stocks from Accepting Shareholders etc. and had done due diligence analysis on the Target from early to late January and we started negotiation with Accepting Shareholders etc. in mid- January.

We continued studying further the matter with specific focus on the business synergy we can expect after we establish the capital relation. We reached the judgement, as described later in (3) Management Policy After the Consummation of Tender Offer, that it would be essential to own the Target as wholly-owned subsidiary rather than merely consolidated group company both for us and the Target to maximize at the earliest possible time the benefit of cooperative operation, which is to allow each other to tap the business resource each possesses. We in the end presented in the latter half of January 2017 a proposal to Nomura Holdings, Accepting Shareholders etc. and the Target for our wholly owning the Target.

Next, we performed study comprehensively perusing the data such as the financial condition of the Target, industry outlook, stock price appraisal prepared by Plutus Consulting Co., Ltd. (hereafter "Plutus"), including the reference information regarding the predicted range of price, under each calculation method, due diligence report, the price change record over a year in the immediate past and the opinion stated by the Target in its opinion statement report regarding the Tender Offer. Concurrently, we continued talking with Nomura Holding, Inc. and Accepting Shareholders etc. After such process, we reached the agreement with Nomura Holdings and Accepting Shareholders etc. in the middle of February in 2017 on the level of Offer Price to be ¥270 per share.

Finally, we, Tokai Tokyo Financial Holdings, made a resolution at the Board of Directors Meeting held on February 20, 2017 to launch the Tender Offer and then on the same date, we concluded the Tender Offer Contract with Accepting Shareholders etc. (3) Management Policy After the Consummation of Tender Offer

When the Tender Offer is successfully established and the wholly owning procedure of the Target is completed, we will practice the following tasks while utilizing mutually the business resources each possesses and generate synergy soon with an ultimate and mutual goal of raising respective corporate value.

① Upgrade the management efficiency

(i) Mutual augmentation of the partner for its weak regional presence and sales outlet streamlining

We will consider consolidation of inefficient sales outlets of the Target and redesigning of regional strategy including closing and combining existing sales outlets that become redundant once the two entities are merged.

(ii) Improve the operational efficiency

Since sometime in 2013, Tokai Tokyo Securities have been supplying products like foreign equities and both domestic and foreign bonds to the Target. But, from now onward, we will explore the measures to upgrade the management efficiency through the improvement of operational efficiency, for instance, by limiting the product supply channels as much as we can only to the one from Tokai Tokyo Securities.

(iii) Strategic use of human resources

For jointly implementing the below described segment-specific strategy and the afore-mentioned Investment Trust Sales Window service, we need the professional staff who possesses the expertise of consulting and the ample knowledge of investment trust products. Therefore, we, Tokai Tokyo Financial Group and the Target will work out the measures and manners to train and post strategically such professional staff with high expertise.

② Joint deployment of segment-specific marketing

We are studying the following joint deployment of segment-specific strategy. First, we and the Target gather the data of all the customers of both sides in one basket, and then classify those customers in various segments to deploy jointly the segment-specific marketing (*Note). For instance, when we organize seminar catering to the Wealth segment customers, we would be able to attract more attendants by soliciting the customers of both parties rather than those of Tokai Tokyo Securities alone.

The said segment-specific marketing, if promoted jointly rather than solely by Tokai Tokyo Securities alone, would prove to be a strong measure to overcome harsh operating environment because we and the Target can expect to mutually share the know-how accumulated by each party and reduce the respective operational cost burden. So, this is the reason why we consider making joint efforts in the region where both Tokai Tokyo and the Target have had mutually exclusive business presence until now.

(*Note) Segment -specific marketing: Based on the understanding that customer need varies with the segment any given customer belongs to and we, Tokai Tokyo Financial Group, laid out segments of Wealth, Matured and Wealth Forming and we intend to offer varying services matching the need of customers of each segment instead of uniform service to increase transaction flow. This is how we define segment-specific marketing. To be more specific, to the Wealth segment customers including mid-sized business owner, Director of the publicly held corporation and medical practitioner, we provide the consulting-oriented services to help such customers with their business succession, inheritance, real estate investment and international financing. To the Matured segment customer who generally possesses beyond a certain amount of financial asset and, for that reason, has higher asset management need, we offer the combination of conventional face-to-face service and internet transaction so that s/he can take advantage of both types of services. To the Wealth Forming segment customer, who is amid the process of saving wealth for future stage of life, we try to provide the service that is convenient to use and useful for daily life.

③ Mutual use of the superior business resource each possesses

We will broaden the range of service by effectively sharing what Tokai Tokyo Financial Group and the Target respectively possesses as the resource superior to the comparable one the other possesses.

- (i) The Target will use our platform service capability to perform product supply, employees training, back office work, corporate clients sales, research and various consulting.
- (ii) The Tokai Tokyo Financial Group will use the Sales Window and the Fund Lab.

We consider exercising a new business approach using such new service capabilities, for instance, for selling investment trust products to new customers through networks we have established jointly with various regional banks, and, in particular, solicit Tokai Tokyo Securities' customers active use of the Investment Trust Sales Window.

④ Secondment of our personnel to the Target as its Director

While all the management members of the Target will remain in their current duties, a few personnel will be seconded to the Target so that the people from both sides make endeavors together to raise corporate value of both Tokai Tokyo and the Target. With respect to the personnel to be seconded from Tokai Tokyo as Director and the number thereof will be decided through discussions with the Target after successful closing of the Tender Offer.

Since we intend to wholly own the Target, if we fail to acquire all the stocks and the new subscription warrants after launching the Tender Offer, we will go through the wholly owning procedure. However, if the said wholly owning procedure is voted down at the Target's Board of

Directors Meeting or their Extraordinary Shareholders Meeting, owning the Target wholly as we intend does not materialize. In such a case, it may be possible that we cannot achieve at all either the task preceded with ① or with ② among the afore-stated tasks, or we can realize only limited effect even if we manage to achieve one or both two tasks. But, even under this situation, we will try to the best we can to maximize the synergy from the cooperative efforts between the two.

(4) Important agreement about the Tender Offer

As we described in (1) The Outline of the Tender Offer of this report, we concluded the Tender Offer Agreement effective February 20, 2017 with each Accepting Shareholder to the effect that every such Accepting Shareholder would subscribe the said Tender Offer fully for the respectively held stocks, which aggregates to 23,318,090 stocks for the entire Accepting Shareholders etc., representing 39.64 % of total outstanding shares as of February 20, 2017.

Under the Tender Offer Contract, it was agreed that if the Tender Offer is lawfully and effectively established, and furthermore, the Accepting Shareholder in question possesses voting right exercisable at the Target's Shareholders Meeting that is to be held after the expiration of the valid purchase period of the Tender Offer, the said Accepting Shareholder, at our direction, shall either (i) exercise his or her voting right as we instruct or (ii) deliver a letter of proxy and all other necessary documents to us or the party we designate. The Tender Offer Contract requires in summary the following conditions to be met:

- ① The Tender Offer has been lawfully and validly launched and have never been withdrawn and there is no realistic likelihood either of any withdrawal to be made hereafter.
- ② The representation and warranty (* Note 1) we expressed in the Tender Offer Contract for its important part is true and accurate and there is no likelihood of the subject representation and warranty becoming untrue or inaccurate on the transaction date of the Tender Offer.
- ③ The obligations of material importance stipulated by the Tender Offer Contract that we have to fulfill or observe (* Note 2) have been all met and it is reasonably expected that the said obligations will be all met.
- ④ At the Target's Board of Directors Meeting, the resolution approving the Tender Offer and recommending both the shareholders of the Target and the holders of new subscription right for the Target's stock to respond to the Tender Offer is unanimously adopted by all the Directors then present, and the Target publicly discloses such fact. Further, the Target's Board of Directors Meeting does not make any resolution to withdraw the said resolution or the one contradictory to the said resolution.
- ⑤ The Accepting Shareholders etc. do not know of any undisclosed material fact about the Target's business or the material fact related to the Tender Offer launch or its cancellation, and there is no realistic likelihood either of such fact emerging.
- ⑥ There is no existing judgment from either judicial or administrative authority to restrict or prohibit the Tender Offer and the acceptance thereof by the Accepting Shareholders etc. or there is no likelihood of such being the case either.
- ⑦ Since the conclusion of the Tender Offer Contract, there has been no occurrence of such situation that makes it impossible in light of socially accepted practice for the Accepting Shareholders etc. to respond to the Tender Offer due to the reason not attributable to Accepting Shareholders etc. like natural disaster, and there is no realistic likelihood of such occurrence being the case.
- ⑧ Subsequent to filing of the notice to the Fair Trade Commission in pursuance of Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947 including amendments made thereafter, and Antitrust Law hereafter in this report), Article 10, Section 2, the filing party does not receive any preliminary Cease and Desist Order ordering acquirer either to dispose, in entirety or in part, of the stocks acquirer possesses or to transfer partially the business in question and there is no likelihood of the afore-stated being the case. Similarly, the filing party does not receive any Interim Order as the party that violated the law, Article 10, Section 1, from any court and there is no realistic likelihood of such being the case.

(i) In case where the third party launches Tender Offer on the stock of the Target ("competing Tender Offer" hereafter) and the Target receives in writing the same offer between the closing date of

the Tender Offer Contract and the expiry date of the Tender Offer, and now the competing Tender Offer offers better per share purchase price (in case where competing Tender Offer is offered, prospective purchase price offered by the competing party is considered to be the basis for comparison, and further if the competing bid price is revised upward due to the changed bidding condition, then such revised price will be the basis for comparison with our offer price) than the price (if our offer price is revised upward due to the bidding condition change, then such revised bid price will be the basis for comparison with the price offered under competing bid). Under this situation, suppose that the Accepting Shareholder still remains to be the Accepting Shareholder and does not withdraw the acceptance it has once made, and such Accepting Shareholder receives advise in writing from the attorney who has experience of handling acquisition of public company or corporate restructuring that says to the effect that a Director of the Target may be deemed to have neglected the duty of care a good manager should exercise, (but, this situation is not considered validly existing unless the copy of the said writing is provided to us), or (ii) any condition prescribed above is found to be unfulfilled (but, regarding specifically the above stated condition ④, it is valid only if the resolution is adopted to approve the competing bid at the Target's Board of Directors Meeting), the Accepting Shareholder will be exempted from the obligation to accept the Tender Offer, and at his or her discretion, the Accepting Shareholder may now accept the competing Tender Offer that offers better price instead of accepting our Tender Offer. Further, even the Accepting Shareholder who has already accepted the Tender Offer may cancel the Tender Offer Contract during its valid period even if it has been established as result of the acceptance already made.

(Note 1) Under the Tender Offer Contract, we made the representation and warranty regarding the following six matters:

- (i) We were lawfully and effectively incorporated and are continuously existing.
- (ii) We have a right to conclude and exercise the Tender Offer
- (iii) We can exercise the Tender Offer.
- (iv) We have acquired the permissions and approvals required to conclude and perform the Tender Offer and we have been fulfilling the requirements and the procedures in accordance with such permissions and approvals.
- (v) We do not recognize any conflict with either the permissions and approvals required to conclude and perform the Tender Offer, or any of our currently existing contractual obligations.
- (vi) We do not recognize any undisclosed material fact.
- (vii) We do not have any relation with any anti-social group.

(Note 2) Under the Tender Offer Contract, we bear the following three obligations:

- (i) The execution of the Tender Offer
- (ii) Non-transfer of our position and right under the Tender Offer Contract
- (iii) Maintenance of confidentiality

(5) The measures to secure the fairness of the Tender Offer We have concluded the Tender Offer Contract respectively with the Accepting Shareholders etc. including the largest shareholder of the Target and so the interests of the Accepting Shareholders etc. may not necessarily be the same as those of minority shareholders, and we intend to wholly own the Target through the Tender Offer and the wholly owning procedures. Under such circumstances, we and the Target are discussing the matter cautiously and taking the measures stated below in order to secure the fairness and the suitability of the Tender Offer.

We set the lowest limit of 23,318,090 (representing 39.6% ownership) on the total number of prospective stock purchase for the Tender Offer, which is not meant to be the lowest limit of the so-called Majority of Minority. We, however, consider that we have paid sufficient attention by practicing the measures denoted as the six matters as stated below.

- ① Our acquisition of share value appraisal issued by an independent third party
We retained Plutus Consulting Co., Ltd. as the third-party appraiser that is independent of the Target. The said appraiser is not the related party either to us or the Target and does not own material interests in the Tender Offer.

For the details about the appraisal (hereafter “the Appraisal”) we obtained from Plutus Consulting Co., Ltd., please refer to ①Fundamentals of valuation and ②Process of valuation, both under (4) Basis etc. of the bid price valuation, that come further under 2. The outline of the Tender Offer, etc. of this report.

② The Target’s acquisition of share value appraisal issued by an independent third party

The Target mentioned in their press release that they retained the third-party appraiser, AGS Consulting Co., Ltd., that is independent either of us or themselves (hereafter “AGS Consulting”) to obtain the value appraisal of the Target’s stock and they obtained the said valuation appraisal report dated February 17, 2017 (hereafter “the Target’s stock appraisal”). We learned from the Target that AGS Consulting is not the related party either to us or the Target and they do not possess material interests in the Tender Offer. But, the Target said they did not get the fairness opinion regarding the Offer Price from AGS Consulting.

AGS Consulting was said to have examined several appraisal approaches and they adopted the market value method and discounted cash flow method. They used the market value method on one hand because the stock of the Target is listed on the second section of Tokyo Stock Exchange, and the discounted cash flow method on the other to reflect the stream of future cash flow from the Target’s business and they reached the evaluation result of the stock value of the Target respectively under the said two methods.

We were told that the appraisal report on the stock value of the Target under the said methods were as follows:

Market value method: ¥173 ~ ¥218

DCF method: ¥265 ~ ¥292

Under the market value method, AGS Consulting set February 17, 2017 as the reference date for calculation (hereafter “Reference Date”) and obtained ¥218 as the simple average of the closing prices of the Target during immediately preceding one-month period, ¥215 as the same during three-month period and similarly ¥173 during six month-period. We heard that based on those data, AGS then appraised the range of per share price as ¥173 to ¥218

Under the DCF method, AGS Consulting reached the per share appraisal result ranging from ¥265 to ¥292 based on the following data;

- (1) Target’s business plan for the four fiscal years beginning in April 2016 and ending in March 2020 (the said business plan here does not assume that the Target will become our wholly-owned subsidiary by way of the Tender Offer transaction)
- (2) Business trend until the Reference Date
- (3) Corporate value calculated as present value by discounting at a certain discount rate the free cashflow the Target is expected to generate from the fourth quarter of the fiscal year ending in march 2017 and beyond. The cashflow projection here was based on the information that was generally disclosed.
- (4) The stock value analysis

We were told that the business plan used as the basis for appraising stock value under DCF method hypothesized in its calculation process significantly increased earnings beginning the previous fiscal year on the assumption that the Target will achieve their operating revenues growth by way of expanding the Sales Window operation. About the comparable peer company analysis that uses price book-value ratio (PBR), AGS Consulting did not adopt that for the following reason. The amount of net asset indicates liquidation value of a company and therefore, the PBR, which shows the relation between stock price of a certain company and the company’s liquidation value, is not the indicator of profitability or growth potential of a company. Thus, the comparable peer company analysis does not fit to a going concern.

The Tender Offer includes the new Target’s share subscription right as target besides the stock and the bid price for the right was determined to be ¥269,000 and this specific pricing was reached as follows. First, subtract ¥1, which is the exercise price of conversion to the Target stock, from ¥270, which is the price of the same offered under Tender Offer, and the result is ¥269. Then, multiply the result by 1,000, which represents the number of stocks to be granted to each one unit

of new Target's share subscription right. Thus, the final figure is ¥269,000.

However, since this particular pricing level was reached through such self-evident and simple manner, the Target said they did not acquire an appraisal from the third-party organization on the price of the new Target's share subscription right under the Tender Offer and AGS Consulting did not include that price in their appraisal of the stock under the Tender Offer.

③ The advice from an independent attorney office

According to the press release from the Target, they selected Nomura & Partners as an adviser independent of the Target, the Accepting Shareholders etc. and us in order to secure the fairness and the suitability of decision making at the Target's Board of Directors Meeting, and they are actually receiving the legal advice from the adviser on such matters as the method and the process, and other important matters to remember concerning the decision making at their Board of Directors Meeting.

④ The acquisition of opinion from external auditor.

According to the press release from the Target, although the Tender Offer at this time does not constitute the case of Tender Offer by controlling shareholders, the Target asked Mr. Atsuo Takahashi, who is an external auditor of the Target and registered to Tokyo Stock Exchange as an independent Director, to perform the investigation about the following questions with a view to securing the fairness of the Transaction including the Tender Offer;

- (a) Whether the purpose of the Transaction including the Tender Offer is considered rational
- (b) Whether the fairness is secured for the procedures of the Transaction including the Tender Offer
- (c) Whether the appropriateness is secured for the conditions of the Transaction including the Tender Offer
- (d) Whether the Transaction including the Tender Offer causes the minority shareholders of the Target, or the new Target's share subscription right holders of the Target stock (hereafter "minority shareholders etc.") any disadvantage.

Upon the receipt of such an inquiry, Mr. Takahashi inquired of the Target about the significance and the negotiation process of the Tender Offer and Mr. Takahashi and the Target conducted questioning and answering based on the explanations from the Target. Also, he examined a stock appraisal and other data concerning the matter.

Mr. Atsuo Takahashi made careful examination about the matters (a) through (d) stated above and put together his comments as in the following:

(a) Under "(2) The aim, background, circumstances that led us to launch the Tender Offer and the relevant decision making process" and "(3) Management Policy After the Consummation of Tender Offer" in this report, the business environment and tasks as well as the necessity and the objective that the Target identified were clarified.

(b) The measures are taken to secure the fairness mentioned under "(5) The measures to secure the fairness of the Tender Offer" and the room for arbitrariness is disallowed.

(c) The Tender Offer price is considered adding;

- 22.17% premium over ¥221, the closing price of the Target's stock on the second section of Tokyo Stock Exchange, on February 17, 2017, which is one business day before the announcement date of the Tender Offer (February 20, 2017)
- 23.85% premium over ¥218, the simple average of closing prices for the past one month until February 17, 2017
- 25.58% premium over ¥215, which is the simple average of closing prices for the past three months until February 17, 2017
- 56.07% premium over ¥173, which is the simple average of closing prices for the past six months until February 17, 2017
- significant premium over the level identified in comparable Tender Offer transactions.

Also, the Tender Offer price had been determined after the measures were taken appropriately to eliminate the possibility of conflict of interest and the relatively long purchase period is allowed. Further, we intend to calculate the purchase price to be paid in case of two-step acquisition in the

manner such price becomes the same as the Tender Offer price as described later under “(6) The policy for restructuring organization after the consummation of Tender Offer” in this release.

Considering all the above, Mr. Takahashi submitted his opinion letter dated February 20, 2017 to the Target to the following effect in summary.

- (a) The transaction including the Tender Offer promotes corporate value uplifting and its objective has economic rationale.
- (b) The procedures of the transaction refers to the process of paying attention to defend interests of minority shareholders and they are transparent and fair.
- (c) The conditions for the transaction are deemed reasonable.
- (d) From overall perspective taking all of (a) through (c) into consideration, the transaction is acknowledged to be not unfair to the minority shareholders of the Target.

We were told that Mr. Atsuo Takahashi has no conflict of interest with us or the Target.

- ⑤The opinion of approval from all the Target’s Directors, and no objection from the Target’s Auditors, who all possess no conflict of interest.

According to the Target’s press release, as described in foregoing “(2) The aim, background, circumstances that led us to launch the Tender Offer and the relevant decision making process, (i) The Target can expect to streamline the sales operation and at the same time improve business result by working together with Tokai Tokyo Securities who has advantage in retail operation in Chubu region. (ii) We can now expect to carry out the new business approach whereby the Target undertakes support function for the investment trust sales to new customers. (iii) Through the exchange of human resources and information, we can secure the availability of the concierge to be dedicated to the Sales Window where solid knowledge about investment is required and we can train such personnel. (iv) We can expect to increase the management efficiency through appropriate allocation of the target’s operational resources, and such measures would include, for instance, shifting as much as we can the current Target’s product supply capability to Tokai Tokyo Securities. (v) When we successfully commensurate the Tender Offer and realize wholly-owning of the Target as subsidiary, we, Tokai Tokyo Financial Group and the Target, intend to use mutually the operational resources possessed by each and thereby attain synergy soon by joint efforts between the two, for the ultimate and mutual goal of raising corporate value of both. Therefore, we can expect to establish amicable positive relationship between the two. (vi) For creating the operational synergy after establishing capital relationship with our group, the Target may possibly be required to overhaul a large scale organizational restructuring toward the task of sharing operational resources. Under such circumstance, it was considered most effective to set themselves ready to execute the measures promptly and flexibly by way of becoming our wholly-owned subsidiary.

For the reasons above stated, they said they came to consider that the transaction including the Tender Offer would help them increase their corporate value.

The Target then based on the Target’s stock appraisal report prepared by AGS Consulting, the legal advice obtained from Nomura & Partners, the substance of continued discussion with us and other related data, they discussed carefully the Transaction including the Tender Offer and, in the end, reached the conclusion that the Transaction would facilitate the improvement of corporate value.

- (i) Also, as described under ① through ④ under (5) of “The measures to secure the fairness of the Tender Offer” of this release, this Tender Offer is designed not to impair the benefit that the shareholders and the holders of the subscription right of new Target’s share.
- (ii) The Tender Offer Price exceeds the level of appraisal on the Target’s stock under the market price analysis method and stays within the level reached under DCF method both provided by AGS Consulting, which appears under ② of “(5) The measures to secure the fairness of the Tender Offer” of this release.
- (iii) The Tender Offer Price is considered adding;

- 22.17% premium over ¥221, the closing price of the Target's stock on the second section of Tokyo Stock Exchange, on February 17, 2017, which is one business day before the announcement date of the Tender Offer (February 20, 2017)
- 23.85% premium over ¥218, the simple average of closing prices for the past one month until February 17, 2017
- 25.58% premium over ¥215, which is the simple average of closing prices for the past three months until February 17, 2017
- 56.07% premium over ¥173, which is the simple average of closing prices for the past six months until February 17, 2017
- the significant premium that stays within reasonable range and appears no less attractive if compared with the levels identified in the precedencies of Tender Offer where wholly-owning of target is aimed,

and moreover, the subscription right of new Target's share was determined to be ¥269,000 and this specific pricing was reached as follows. Subtract ¥1, the exercise price of conversion, from the Tender Offer price of ¥270 and then multiply the result, ¥269 by 1,000, which represents the number of stocks to be granted to each one unit of new Target's share subscription right. Thus, the final figure is ¥269,000.

In addition to the above stated, they said they judged the Tender Offer, including the price and other conditions, as reasonable and they thought it would offer suitable selling opportunity to the shareholders of the Target and the new Target's share subscription right holders of the Target's stock based on the below delineated analysis. Then, they made a resolution at their Board of Directors Meeting held on February 20, 2017 to the effect that they would express the opinion approving the Tender Offer and at the same time recommend all their shareholders and the holders of the subscription right of new Target's share.

The subject resolution at the Board of Directors Meeting was adopted unanimously by seven Directors then present, missing only one, who was Mr. Kouji Iida, out of eight Directors of the Target. Mr. Kouji, a Director of the Target, we heard, had been a Director of Nomura Business Services Co.Ltd., a subsidiary of Nomura Holdings, until March 2016 and for this reason, did not participate in any discussion or decision making process at the Target's Board of Directors Meeting concerning the matter related to the Tender Offer, and did not attend the Board of Directors Meeting held on February 20, 2017 with a view to enhancing fairness and the objectivity of the decision by the subject Board of Directors Meeting. With respect to other Directors of the Target, Messrs. Yasuo Yoshihara, Hideo Okawa, Ryuji Kawazoe, Kiyotaka Inamitsu, Hiroyuki Tsukada and Shigeru Hirota, they all used to be former Directors of subsidiaries of Nomura Holdings. However, they all have been retired from, or outside of, such subsidiaries for three years or longer and none of them remains any longer in the position to receive any instruction whatsoever from Nomura Holdings. Therefore, we were told, there exists either no possible or actual conflict of interests between those six persons and the Target.

Further, out of three Target's Auditors, two Auditors (and both are External Auditors) except Mr. Hidefumi Tsuchiya, who is an External Auditor, attended the foregoing Board of Directors Meeting and both the two Auditors then present expressed the opinion of no objection to the subject resolution. Mr. Hidefumi Tsuchiya, one of the Target's Auditors, concurrently assumes another Director position at Nomura Land and Building, and for this reason, he did not participate in any discussion or decision making process at the Target's Board of Directors Meeting concerning the matter related to the Tender Offer, and he is refraining from making any comment on the subject matter with a view to enhancing fairness and the objectivity of the decision by the subject Board of Directors Meeting. He, as a matter of fact, did not attend the Board of Directors Meeting held on February 20, 2017. Mr. Taichi Yamao, another Auditor of the Target, used to be an ex-employee of one or more of subsidiaries of Nomura Holdings. But, he has been retired from, or outside of, such subsidiaries for three years or longer. Therefore, we were told, there exists either no possible or actual conflict of interests between those six persons and the Target as of now.

⑥Securing the objective circumstances that ensures fairness of Tender Offer Price

We set the 30 day-period of Tender Offer in contrast with legally required shortest minimum period of 20 days. With longer Tender Offer Period, we allow the shareholders and the holders of the subscription right of new Target's share ample decision making time to respond to the Tender Offer or consider other alternative chances for responding to other purchase opportunities. Thus, we are ensuring the fairness of the Tender Offer.

(6) The policy of organization overhaul etc. after the Tender Offer (The matter concerning the so-called two-step acquisition)

As per "(1) The Outline of the Tender Offer", we intend to acquire the entire stocks and subscription rights of the Target's new stock, and if we, as a result of the Tender Offer, fail in such entire acquisition, we plan to acquire the entire stocks and subscription rights of the Target's new stock in the following manner.

① Demand for the sale of shares

In case we accomplish owning 90% or more of the voting rights of all the Target's shareholders after the Tender Offer is established, we will demand (hereafter "Demand for the Sale of Shares") all the Target's shareholders (except we, Tokai Tokyo Financial Holdings, and the Target, and hereafter "the Seller Shareholders") the sale of Target's shares (hereafter "Shares to be sold") and at the same time we will likewise demand all the holders of subscription right of Target's new share (hereafter "New Subscription Right to be sold") the sale of such subscription rights (hereafter "Demand for the Sale of New Subscription Rights", which together with Demand for the Sale of Shares, are collectively hereafter referred to as "Demand for the Sale of Shares etc.") without delay after completing all the settlement transactions of the Tender Offer in accordance with the Company Law (Act No. 86 of 2001, and including amendments thereto thereafter and the same applies hereafter where case may be) Article 179.

In making the Demand for the Sale of Shares, we will pay the same per share price as under the Tender Offer, and in making the Demand for the Sale of New Subscription Rights, we will pay the same price as the purchase price for respective new share subscription right.

In such a case, we advise the Target accordingly and request the approval for making Demand for the Sale of Shares etc. If the Target approves the Demand for the Sale of Shares etc. in the form of a resolution at their Board of Directors Meeting, we will acquire all the Shares to be sold from the Seller Shareholders and all the New Subscription Rights to be sold from the sellers thereof with no need of individual approval from either the Seller Shareholders or those holding the New Subscription Right to be sold on the date of acquisition specified in the Demand for the Sale of Shares etc. in accordance with the procedures stipulated by the relevant laws and regulations. In this case, we make the payment to the Seller Shareholders at the per share price equal to the price offered under the Tender Offer and to the holders of the New Subscription Right to be sold at the same unit price of such subscription right at the time of purchase. According to the press release from the Target, the Target's Board of Directors Meeting will approve the Demand for the Sales of Shares etc.

The part of the Company Law designed to protect the right of minority shareholder is its Article 179, Section 8, together with other relevant laws, stipulates that the Seller Shareholder and the New Share Subscription Holder may bring a petition to a court of justice asking for judgement on the dispute over the prices of the Share to be Sold and the New Subscription Right. Under this case, the court will ultimately exercise the judgment over the said prices.

② Consolidation of Share

In case where the Tender Offer is consummated, but we gain smaller than 90% of total voting rights of the Target's shareholders, we will (i) effect share consolidation (hereafter "the Share Consolidation") and (ii) request the Target of holding their Extraordinary General Shareholders Meeting (hereafter "the Extraordinary General Shareholders Meeting") in which they discuss whether they should adopt the resolution for revising their Articles of Incorporation to repeal its part(s) pertinent to share unit number, subject to effectuation of the Share Consolidation, and we will approve the adoption of such resolution at the Extraordinary General Shareholders Meeting. Further, in principle, even if the share of our voting rights resulted in owning less than 2/3 of the same, we will, in carrying out the share consolidation, make the foregoing request without acquiring additional Target's share from the Target's shareholders (excluding we, ourselves).

However, we may not make such a request in the exceptional situation where the number of the Accepting Shareholders etc. who actually respond to the Tender Offer is extremely small and therefore such a share consolidation may reasonably and highly likely constitute the case of the Target's negligence of duty of care that a good manager should exercise for the fear of minority shareholders' interests being impaired.

If the resolution is approved at the Extraordinary General Shareholders Meeting, the shareholders of the Target will own the shares of the Target at the rate of share consolidation to be determined at the said General Shareholders Meeting on the date the Share Consolidation takes effect.

Regarding the fraction, namely smaller than one, as the number of stock resulted from the Share Consolidation, we will pay the amount against the new total number of your stocks disregarding its fraction part in exchange of your sales of the Target's Stock presented either to the Target or to us (the same applies from now on) in accordance with Company Act Article 235 and other laws relevant to the matter.

With respect to the purchase price of the stocks representing the sum of all such discarded fractions, it will be determined so that the payment per share to be made to each shareholder of the Target Stock, multiplied by the total number of the Target Stocks held by the shareholders not joining in the Tender Offer acceptance, equals to what would have been made to them in total under the Tender Offer. Then, we will bring a petition to the court of law, requesting the approval on sale on such determined basis by private contract.

Although the share consolidation ratio of the Target stock remains undecided as of February 20, 2017, it will be decided so that all the Target Stocks owned by the shareholders who (excluding us and the target) did not join in Tender Offer acceptance now represents fraction or smaller than one stock.

The Company Law designed to protect the right of minority shareholder, which are its Article 182, Section 48 and 5, together with other relevant laws, stipulates that the Shareholder of the Target may demand the Target to purchase the fractioned stock resulting from the share consolidation in entirety at the fair price and s/he may bring a petition to a court of justice asking for determining the price of such stock. Under this case, the court will ultimately exercise the judgment over the said price.

In case where the Tender Offer is consummated and we gain smaller than 90% of total voting rights of the Target's shareholders, or we gain less than the entire New Subscription Rights and such unobtained Rights remain unexercised, we will request the Target to take measures considered reasonably necessary for them to purchase such New Subscription Rights or recommend the holders of such unexercised New Subscription Right to discard the Rights, or we will, by ourselves, do take the said measures.

The execution of the procedure ① and ② respectively, depending on the interpretation of the pertinent laws by pertinent authorities, as well as the resulting shareholding percentage of the Target Stocks we then own and the same of other parties own, may takes long time. Under this situation, we may switch to other alternative procedure of comparable effect.

Even in that case, however, we will to wholly-own the Target ultimately by making a payment to respective shareholder of the Target who does not respond to the Tender Offer.

In this instance, the payment to be made to such shareholder will be calculated so that s/he would have received by joining in the Tender Offer acceptance. Further, concerning the payment to the holders of the New Subscription Right not joining in the Tender Offer acceptance, we will make the payment to such holders of the Right so that such holders can receive the payment equal to the product of each original acquisition price of the Right multiplied by the number of such Rights held by the Holders.

Concerning the Extraordinary General Shareholders Meeting to be held by the Target in conjunction with the above stated purpose, we will discuss with the Target about the actual procedures and the timing of implementation and the Target will announce publicly without delay. Please note that the Tender Offer is not either intended to induce the shareholders of the Target to approve itself or to be so interpreted.

(7) The possibility of the Target stock getting delisted

Although the stock of the Target remains listed on the second section of Tokyo Stock Exchange as of February 20, 2017, it may get delisted through predetermined procedure in accordance with the standard of Tokyo Stock Exchange for delisting of securities, depending on the outcome of the Tender Offer, since we have not set the upper limit on the projected number of stocks to be purchased under the Tender Offer.

Also, even in the case where the above-mentioned outcome does not automatically prompt delisting in light of the standard, the Tender Offer will be established and the process of wholly-owning the Target will be executed by us as described in this release report at (6) The policy of organization overhaul etc. after the Tender Offer (The matter concerning the so-called two-step acquisition). Therefore, if such process is approved, the Target's stock will get delisted through predetermined procedure in accordance with the standard of Tokyo Stock Exchange for delisting of securities.

If, on the other hand, the wholly-owning procedure is disapproved at either the Target's Board of Directors Meeting or the Extraordinary General Shareholders Meeting, the said procedure will be suspended and delisting of the Target's stock will not occur.

2. Outline of the Purchase, etc.

(1) Profile of the Target

①	Company Name	Takagi Securities Co., Ltd.	
②	The Headquarters Location	1 Chome 3-1-400 Umeda, Kita Ku, Osaka City, Japan	
③	Name and Position of the Representative	Yasuo Yoshihara, President and Representative Director	
④	Business	Financial Instruments Business Operator	
⑤	Paid-in Capital	¥11,069 Million as of September 2016, 2016	
⑥	Date of Incorporation	November 21, 1918	
⑦	Large Shareholders and their ration of Shareholdings as of September 30, 2016	1.	Nomura Land and Building Co., Ltd. 28.56%
		2.	Nomura Research Institute, Ltd. 10.45%
		3.	The Master Trust Bank of Japan, Ltd. (Retirement Benefits Trust Ace Securities account) 2.34%
		4.	ASAHI FIRE & MARINE INSURANCE 1.18%
		5.	MSIP CLIENT SECURITIES (Standing Proxy Morgan Stanley MUFG Securities Co., Ltd.) 0.91%
		6.	Kozo Koike 0.88%
		7.	HEIWA REAL ESTATE CO., LTD. 0.87%
		8.	SBI SECURITIES Co., Ltd. 0.70%
		9.	THE BANK OF NEW YORK MELLON 140042 (Standing Proxy MIZUHO BANK, LTD) 0.67%
		10.	SUMITOMO LIFE INSURANCE COMPANY 0.61%
⑧	The Relation Between We as Listed Company and the Target		
	Capital Relation	No capital relation exists between us and the Target to be noted.	
	Personnel Relation	No personnel relation exists between us and the Target to be noted.	
	Business Relation	Products are supplied by our group.	
	Whether or not classified as the related party	The Target is not classified as our related party	

(note) The above stated description is made identical to that of the 2nd quarter financial report of the 101st fiscal year, submitted on November 11, 2016. by the Target, with respect to the Large Shareholders and their ration of Shareholdings.

(2) The Schedule

① The Schedule

Resolution of the Board of Directors Meeting	Monday, February 20, 2017
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The Date of Public Notice of Tender Offer Commencement	Tuesday, February 21, 2017
The name of the newspaper that carries the public notice	We make the notice electronically and we announce to that effect on the Nippon Keizai Shimbun. The site address we put the subject electronic notice on; http://disclosure.edinet-fsa.go.jp/)
The date of submission of the Tender Offer reporting	Tuesday, February 21, 2017

②The period of purchase etc. at the time of submission of the report on the planned Tender Offer
Tuesday, February 21, 2017 through Tuesday, April 4, 2017 (30 business days)

③The possibility of extension of the purchase period at the request of the Target
Not applicable

(3) Purchase price etc.

① ¥270 per share of common stock

② ¥269,000 per unit of the new share subscription right

(4) The explanation for the Offer Price determination

①Basis of determination

i Common Stock

In determining the Offer Price, we retained Plutus Consulting Co., Ltd. as the third-party appraiser that is independent either of us or the Target for their service of appraising the stock value of the Target. The said appraiser is not a related party either to us or the Target and they do not possess any material interests with the Tender Offer.

For the appraising the Target's stock, Plutus has selected the market price method out from among several other methods because the market price does exist for the subject stock as it is listed on the second of the Tokyo Stock Exchange.

Plutus considers the situation surrounding the Target's stock unfit to be evaluated under income approach for the following reasons. First, the Target does not have released any performance forecast since Financial Instruments Business, their main line of business, tends to be affected significantly by economic condition and market fluctuations. Further, although we received from the Target the future performance projection, they have actually recorded negative quarterly profit continuously since the second quarter of their fiscal year that ended in March 2016. Plus, the recent gap between their internally set goal and their actual performance appears wide. Moreover, with growth potential of their recently launched Sales Window service remaining uncertain, it is highly difficult to predict whether the subject service earns as expected.

Therefore, Plutus used DCF method to calculate the value for appraisal and deemed the result as the information for reference purpose. In making analysis under the DCF method, Plutus used both the 3-year performance forecast prepared by the Target for their fiscal years all ending in March of 2018, 2019 and 2020, and the one we put together the same forecast. Difference, though, is that ours indicates the range between both high and low potentials for every fiscal year based on the same 3-year performance forecast from the Target and after perusing the record of their past 4 years and the most recent one.

With respect to suitability of using the comparable peer company analysis, considering the fact that the Target has been recording loss for every quarter since the second quarter of the fiscal year ended in March 2016 and notably weak result so far for the quarter now in progress as well, Plutus could not use the profitability based indicator for appraisal. Also, the comparable peer company analysis using the PBR is generally considered applicable. But, multiples of the comparable companies are difficult to be applied to the Target judging from

their profitability. So, they regard the result of analysis under this specific method as reference information.

The result of per share appraisal on the Target's stock performed by Plutus is given below.

Market price of stock method: ¥173 through ¥221

(For reference purpose) DCF method: ¥164 through ¥327

(For reference purpose) Comparable peer company analysis: ¥175 through ¥441

Under the market price of stock method, the value of the stock is predicted to stay in the range of ¥173 to ¥221 based on the following past records up to February 17, 2017, which is the date used for the appraisal as ordinary trading date for the stock of the Target.

- ¥221, the closing price of the Target's stock on the second section of Tokyo Stock Exchange, on February 17, 2017
- ¥218 by rounding off the first decimal place the simple average of closing prices for the past one month until February 17, 2017,
- ¥215 by rounding off the first decimal place the simple average of closing prices for the past three months until February 17, 2017
- ¥173 by rounding off the first decimal place the simple average of closing prices for the past six months until February 17, 2017

Under the DCF method of which result should be taken as reference information only, the range of the price of the Target's stock is given as ¥164 through 327 based on the following data.

- the 3-year performance forecast prepared by the Target for their fiscal years all ending in March of 2018, 2019 and 2020,
- the prediction we put together that indicates the range between both high and low potentials for every fiscal year based on the same 3-year performance forecast from the Target as well as all other data made publicly available and after perusing the record of their past 4 years and the most recent one.
- The data of corporate value and stock value obtained by discounting the future free cash flow at a certain rate the Target is expected to generate beginning the 4th quarter of their Fiscal Year ending in March 2017

Please note that the appraisal made under DCF method assumed large profits increase due to the expected significant contribution from the Sales Window operation that is hoped to grow. Under the comparable peer company analysis of which result should be used as the information for reference purpose only, the Plutus calculated the value of the Target's stock by comparing price book-value ratio (PBR) of the listed companies engaging in somewhat similar business and they set the range of the value from ¥175 to ¥441.

We, by the way, have not acquired from Plutus the fairness opinion about the Tender Offer price.

We examined the following data in a comprehensive manner and conducted discussions and negotiations continuously over the Offer Price with Nomura Holdings, and the Accepting Shareholders etc., and as a consequence reached the agreement with them on level of the Offer Price to be ¥270.

- The financial condition of the Target
- Industry outlook
- Appraisal result prepared by Plutus under varying methods (that includes stock value range as reference information)
- The report of due-diligence performed on the Target
- The market price record of the Target's stock over the most recent year
- The Target's opinion statement report regarding the Tender Offer

Please note here that the Offer Price, ¥270, signifies;

- 22.17% premium over ¥221, the closing price of the Target's stock on the second section of Tokyo Stock Exchange, on February 17, 2017, which is one business day before the announcement date of the Tender Offer (February 20, 2017)
- 23.85% premium over ¥218, the simple average of closing prices for the past one month until February 17, 2017
- 25.58% premium over ¥215, which is the simple average of closing prices for the past three months until February 17, 2017
- 56.07% premium over ¥173, which is the simple average of closing prices for the past six months until February 17, 2017

ii The new share subscription right

The exercise price of the new share subscription right is ¥1, which is lower than the Offer Price. We, therefore, multiply the difference between the Bid price, ¥270, and the exercise price of the right, ¥1, by the number of the stocks each such right makes its holder entitled to receive, 1,000, and we reached the price, ¥269,000.

The New Share Subscription Rights were issued as stock option to the Directors, Executive Officers, Management Officers, Councilors and so, the transfer of the said Right is the matter subject to the approval at the Target's Board of Directors Meeting. But, we learned from the Target's press release that they, the Target, made a resolution at the Board of Directors Meeting held on February 20, 2017 to the effect that the all holders of such Right may transfer the Right they own to us by responding to the Tender Offer, subject to the consummation of the Tender Offer.

We, however, have not obtained the appraisal or fairness opinion from the third-party entity during the process of determining the price of the new share subscription right because the price of the said Right under the Tender Offer is essentially the same as the Offer Price of the stock of the Target.

②The process of Offer Price determination

We came through the following process in determining the Offer Price.

i Acquisition of the stock value appraisal from the third-party appraiser

In determining the Offer Price, we retained Plutus for their service of price appraisal of the Target's stock as the third-party appraiser that is independent either of us and the Target. Plutus is the party related neither to us or the Target and they have no material interests in the Tender Offer.

Plutus performed the appraisal on the Target stock under in accordance with the market price method, and additionally DCF method and the comparable peer company analysis both for reference purpose only. We received the appraisal report from Plutus on February 17, 2017. But, we have not obtained the fairness opinion on the level of the Offer Price.

ii Appraisal summary

The result of appraisal by Plutus is as follows.

Market price method: ¥173 ~¥221

(For reference only) DCF method: ¥164 ~ ¥327

(For reference only) The comparable peer company analysis he comparable peer company analysis : ¥175 ~ ¥441

iii Process of the Offer Price determination based on the foregoing appraisal

As part of our efforts to drive forth Alliance & Platform Strategy (for expanding the business foundation), we have been strengthening business relation with the Target beginning sometime in 2013 by wholesaling the products like foreign equities and both foreign and domestic bonds. Although both we and the Target are based in large city, we operate on our home turf in Chubu while the Target's home market lies in Kansai, and thus, having markets causing no conflict to each other. So, both we and the Target came to possess the same idea

that the two should be able to raise the corporate value mutually by sharing the operational resources each other. Under these circumstances, we were sounded out our thought about further deepening the cooperation in mid-September in 2016, which led the both to agree to start the discussion in early October in 2016.

Since the inception of discussion, we have performed investigation and analysis on the business of the Target including the visit to their Sales Window office while we continued talk and negotiation with them. Then, we and the target reached the following consensus;

If we, Tokai Tokyo, and the Target share each other the management resource each possesses as described later in (3) Management Policy After the Consummation of Tender Offer, and advance further the business cooperation between the two, it may not be impossible altogether either for us or the Target to create synergy effect by maintaining just the current level of co-working. But, we would have to establish a firm and clear ownership relationship for more solid synergy effect to be realized.

Thus, we decided in November 2016 to start full-blown examination about the stock acquisition of the Target.

Then, in this conjunction, we talked with Nomura Holdings that is classified as the Target's other related party and we acknowledged their willingness to see our proposal on the matter. So, we proposed next to initiate discussion over the purchase of the Target stocks from Accepting Shareholders etc. and had done due diligence analysis on the Target from early to late January and we started negotiation with Accepting Shareholders etc. in mid- January.

We continued studying further the matter with specific focus on the business synergy we can expect after we establish the capital relation. We reached the judgement, as described in forgoing (3) Management Policy After the Consummation of Tender Offer, that it would be essential to own the Target as wholly-owned subsidiary rather than merely consolidated group company in order for us and the Target to maximize at the earliest possible time the benefit of cooperative operation, which is to allow each other to tap the business resource each possesses. We in the end presented in the latter January 2017 a proposal to Nomura Holding, Inc., Accepting Shareholders etc. and the Target for wholly owning the Target.

Next, we performed study comprehensively perusing the data such as the financial condition of the Target, industry outlook, stock price appraisal prepared by Plutus under each calculation method (including for reference only information regarding the predicted range of price), due diligence report, the price change record over a year in the immediate past and the opinion statement by the Target regarding the Tender Offer. Concurrently, we continued talking with Nomura Holding, Inc. and Accepting Shareholders etc. After such process, we reached the agreement with Nomura Holdings and Accepting Shareholders etc. in the middle of February in 2017 on the level of Offer Price to be ¥270 per share.

Finally, we, Tokai Tokyo Financial Holdings, made a resolution at the Board of Directors Meeting held on February 20, 2017 to launch the Tender Offer and then on the same date, we concluded the Tender Offer Contract with Accepting Shareholders etc.

③ The relation with the appraiser

Plutus., the third-party appraisal service entity that we retained, is not a related party to either us or the Target, and does not have any material interests in the Tender Offer to note.

(5) Number of the stocks etc. to be purchased

Number of the stocks to be purchased	Lower limit to be purchased	Higher limit to be purchased
58,820,751	23,318,090	—

(Note 1) If the number of stocks actually subscribed for does not reach the lower limit, which is 23,318,090, we do not execute purchase at all, and if it does, we will purchase all such subscribed stocks.

(Note 2) We will not purchase any treasury stock held by the Target under the Tender Offer.

(Note 3) We will purchase the Target stock which is in the format of fractional unit share, too.

(Note 4) We described the prospective number of stocks to be purchased by performing the following calculation. Subtract the number, 1,155,649 that represents the number of the treasury stocks the Target owned as of the same date, from 59,764,400, that represents the full number of outstanding share of the Target as of December 31, 2016, as described in the Target's 3rd quarter financial reporting for the 101st fiscal year, and then we got 58,608,751. Next, we add the number of stocks (212,000) that all the holders of new share subscription rights on combined basis, which is 212, may qualify to receive. So, the prospective number of stocks to be purchased is 58,820,751.

(Note 5) Some of the New Subscription Rights may be exercised by the end of the purchase period set under the Tender Offer and in this case, we will treat such Target's stock equally as those to be purchased under the Tender Offer.

(6) The changes of the number of voting right attached to the stock held by the shareholders of each shareholder category resulting from the Tender Offer (before and after)

The number of voting rights attached to the stocks held by the Accepting Shareholders etc. before the Tender Offer	—	(Shareholding ratio before the Tender Offer — %)
The number of voting rights attached to the stocks held by the persons in special relationship before the Tender Offer	1,400	(Shareholding ratio before the Tender Offer 2.38 %)
The number of voting rights attached to the stocks held by the Accepting Shareholders etc. after the Tender Offer	58,820	(Shareholding ratio after the Tender Offer 100.00%)
The number of voting rights attached to the stocks held by the persons in special relationship after the Tender Offer	—	(Shareholding ratio after the Tender Offer — %)
The total number of voting rights attached to the stocks held by all the Target's shareholders (as of December 31,2016)	58,312	

(Note 1) Regarding the above described number of voting rights attached to the stocks held by the Accepting Shareholders etc. after the Tender Offer, we quoted the number of voting rights attached to the stocks held by the Accepting Shareholders etc. under the Tender Offer, which is 58,820,751

(Note 2) Regarding the above described number of voting rights attached to the stocks held by the persons in special relationship before the Tender Offer, we put the total number of voting rights attached to the stocks held by the respective person in special relationship. Please note, however, that the persons in special relationship, in the context of the Financial Instruments and Exchange Act, who are excluded from the category of the persons in special relationship (hereafter "Small Holders") as per Cabinet Office Ordinance 3-2 Paragraph (1) (that was originally promulgated as the Ministerial Ordinance of Ministry of Finance No. 38 of 1990 and revisions have been made thereafter) which refers to the disclosure of Tender Offer launched by non-issuer of the stock etc. in elaborating on the calculation of shareholding ratio. The stocks etc. here are those defined by Article 27-2 Paragraph 1 and each Subparagraph thereunder of the Financial Instruments and Exchange Act defines

(Note 3) Regarding the above described total number of voting rights attached to the stocks held by all the Target's shareholders as of December 31, 2016, we put the number of voting rights listed as the number of voting rights of all the shareholders as of December 31, 2016 on the Target's 3rd quarter financial report of the fiscal year ending in March 2017. However, in calculating the number of voting rights attached to the stocks we own after the Tender Offer, we did the following; Subtract the number of treasury stocks held by the Target as of December 31, 2016, which is described in the Target's

3rd quarter financial report for their 101st fiscal year, (1,155,649) from total number of outstanding Target's stock as of December 31, 2016 as reported in the Target's 3rd quarter financial report (59,764,400) and we got the resulted number of the Target's stock, which is 58,608,751. Now, add to this the number of the Target Stocks (212,000) that the all the New Subscription Rights as of February 20, 2017 (212) represents. Now, we have new number of total target's stock, which is 58,820,751. So, the resulting total number of voting rights is 58,820 and we used the number, 58,820,751, as denominator to calculate the shareholding ratio after the Tender Offer.

(Note 4) With regard to both Shareholding ratio before the Tender Offer and Shareholding ratio after the Tender Offer, we calculated and put the numbers by rounding to two decimal points.

(7) The Purchase Payment Amount 15,882 Million Yen

(Note) We put the purchase payment amount here by multiplying ¥270, which is the Offer Price, by 58,820,751, which is the number of Share Certificates Offered to Sell to be purchased.

(8) Settlement Method

① Securities company that handles the settlement for the Tender Offer and its headquarters location

Tokai Tokyo Securities Co., Ltd.

4 Chome 7-1 Meieki, Nakamura Ku, Nagoya City, Aichi Prefecture, Japan

② Beginning date of the settlement

Tuesday April 11, 2017

③ Settlement Method

We will send without delay the notice of purchase under the Tender Offer to the addresses of responded shareholders to the Tender Offer or to that of his or her standing proxy if such shareholder is a foreigner. The purchase will be effected in cash. We will send, without delay after the beginning date of the settlement, the sales proceeds of the stocks sold to us to the bank account the accepting shareholder designate or to that of his or her standing proxy designate if such shareholder is a foreigner from our Tender Offer agent.

④ Method of Returning Stock

In case where we do not purchase the entire Share Certificates Offered to Sell to be sold, we will return all such stocks by way of having the Tender Offer agent promptly (on the date of the withdrawal if such Tender Offer is actually withdrawn), put the records (leave the record on securities transaction account of the Tender Offer agent) of all such stocks to the status as of the moment immediately before making the response to the Tender Offer, and such stock returning will be exercised in accordance with what is announced later in this report specifically under (9) Conditions for the purchase and method of such purchase later in this release concerning ① Whether there exists condition and the description thereof if it does exist or ② Whether there exists condition for withdrawal of the Tender Offer and the description thereof if it does exist, and the subsequent method of withdrawal and the related disclosure respectively as per the Financial Instruments and Exchange Act (the Law No. 25 of 1948, referred to as the Law hereafter including all the amendments thereto) Article 27-13 Paragraph 4, each subparagraph underneath thereof.

With regard to the New Subscription Right, the document presented at the time of response to the Tender Offer for the Right will be sent back by way of postal service to each Accepting Shareholder (including the Target's notice of consent to the transfer, the document issued by the Target confirming the record of the New Share Subscription Right on official registry and other documents required to record the ownership change on the official registry).

(9) Conditions for the purchase and method of such purchase

- ① Whether there exists condition and the description thereof if it does exist in view of the Law Article 27-13 Paragraph 4, each subparagraph thereunder;

In case the number of share certificates offered to sell does not reach the designated low, which is 23,318,090, we do not purchase at all such share certificates. Conversely, if the number of the same reaches such designated low and beyond, then we will purchase all such share certificates.

- ② Whether there exists condition for withdrawal of the Tender Offer and the description thereof if it does exist, and the subsequent method of withdrawal and the related disclosure;

If any of the situation is constituted as described under the following, we may withdraw the Tender Offer. The “the situation where any of the cases described under below-mentioned Enforcement Order in its Article 14-1 Paragraph 3 Subparagraph ㄨ, further underneath ㄨ through ㄨ applies” in conjunction with the Tender Offer means the situation where any statutory disclosure document submitted by the Target in the past is found to contain false description about the material matter or lack the reference to important matter;

Enforcement Ordinance of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965 and the subsequent its revisions included hereafter referred to as “the Order”) Article 14-1, Paragraph No. 1 Subparagraphs ㄨ through ㄨ and ㄨ through ㄨ, Paragraph No. 3 Subparagraphs ㄨ through ㄨ, and ㄨ and Article 14-2, Paragraphs No. 2 through No.6.

When we withdraw the Tender Offer, we will so announce electronically and post such notice on the newspaper, Nippon Keizai Shimbun. But, if we find it difficult to make such public notice electronically by the end of the Tender Offer Period, we will announce to that effect publicly in the manner stipulated under the Government Ordinance Article 20, and make public notice promptly afterward.

- ③ Whether the condition for lowering purchase price exists, and if it does the description thereof and the method of subsequent disclosure;

If the Target performs the act referenced under the Order, Article 13-1, we may lower the Purchase Price following the criteria set out by the Governance Ordinance Article 19 Paragraph 1 as allowed under the Financial Instruments and Exchange Act Article 27-6, Paragraph 1, Subparagraph 1. In such a case, we will make the announcement electronically and post the same announcement on the newspaper, Nippon Keizai Shimbun. But, if we find it difficult to make such public notice electronically by the end of the Tender Offer Period, we will announce to that effect publicly in the manner stipulated under the Government Ordinance Article 20, and make public notice promptly afterward. In case where we lower the Purchase Price, we will purchase the share certificates that are offered to sell before the date of such public announcement at the lowered purchase price.

- ④ The cancellation of the contract by the Accepting Shareholder and the related matter;

The Accepting Shareholders etc. may cancel the contact pursuant to the Tender Offer at any time during the Tender Offer Period. For the cancellation, the Accepting Shareholder is expected to deliver or send by surface mail or other appropriate courier service the letter stating the s/he will cancel the contract of the Tender Offer (hereafter “Cancellation Letter”) together with the receipt of the Tender Offer response to the headquarters or branch offices of the Tender Offer agent. The subject contract cancellation will become effective when the Cancellation Letter is delivered or sent to the Tender Offer Agent. Therefore, in delivering or sending the Cancellation Letter, please be reminded that such letter and the attached document should reach the Takeover Agent by 4 P.M. of the last day of the Tender Offer Period.

The party authorized to receive the Cancellation Letter
Tokai Tokyo Securities Co., Ltd.
4 chome 7-1 Meieki, Nakamura Ku, Nagoya City, Aichi Prefecture, Japan and its main
office and branches all over Japan

⑤The method of disclosure when the Tender Offer terms are altered

We may change the Tender Offer terms unless such change is disallowed under either the Financial Instruments and Exchange Act, Article 27-6 Paragraph 1 or the Order, Article 13. Prior to changing the Tender Offer terms, we will announce electronically and we will post to that effect on the newspaper, Nihon Keizai Shimbun. But, if we find it difficult to make the said public notice electronically by the end of the Tender Offer Period, we will announce to that effect publicly in the manner stipulated under the Government Ordinance Article 20, and make public notice promptly afterward. When we change the terms of the Tender Offer, we will purchase the share certificates that are offered to sell before the date of the said public announcement at the changed terms of purchase.

⑥The method of disclosure when the letter of correction is submitted to the Kanto Local Bureaus.

When we submit the letter of correction to the Kanto Local Financial Bureaus. (excluding the case mentioned under a proviso in the Financial Instruments and Exchange Act Article 27-8), we will promptly make public announcement regarding the part of reported correction letter that is related to the public notice made at the commencement of the Tender Offer. Also, we will promptly revise the Tender Offer Notification and, at the same time, to the Accepting Shareholders etc. to whom we have already distributed unrevised Tender Offer Notification, we will explain about the correction by providing them with the revised Tender Offer Notification. But, if the correction in its extent is small, we will perform the correction by furnishing the letter explaining the reason for correction, corrected points and content of the corrected notification with the Accepting Shareholders etc..

⑦The method of disclosure of the Tender Offer outcome

We will publicly announce the outcome of the Tender Offer one day next to the last day of the Tender Offer Period in the manner stipulated under the Order Article 9-4 and the Government Ordinance Article 30-2.

⑧Other related points to be noted

The Tender Offer is not the one exercised either directly or indirectly in the United States of America (hereafter “the us”) or toward the party in us and it is not effected by using us Postal Service or other interstate and international business communication methods (including but not limited to telephone, telex, facsimile, e-mail and internet), and furthermore, it is not exercised through any Stock Exchange facility in the United States.

Therefore, no one can respond to the Tender Offer by way of the above-mentioned methods or means from the United States.

Also, the Tender Offer Notification and any other document incidental to the Tender Offer will not be distributed within us, and they will not be, and they cannot be, sent or delivered from anywhere in us by using postal service or any other service.

We will not accept any Tender Offer that violates either directly or indirectly the above stated restrictions. The Accepting Shareholders etc. accepting the Tender Offer will be mandated to make Representation and Warranty about the following toward the Tender Offer Agent or to the Standing Agent if the Accepting Shareholder is a foreigner;

- The Accepting Shareholder etc. does not reside in US at the time of either making response or sending the bid for Tender Offer.
- The Accepting Shareholder etc. has not either received or sent, within, from or toward the United States, the information or document related to the Tender Offer.
- The Accepting Shareholder etc. has not used directly or indirectly US Postal Service, any other

interstate and international business communication methods (including but not limited to telephone, telex, facsimile, e-mail and internet), or any Stock Exchange facility in the United States for the purpose of signing the document ranging from Purchase contract to the acceptance order for Tender Offer.

- The Accepting Shareholder is not acting without discretionary power as agent, trustee or appointee (unless such party provides all the instructions from the place outside the United States concerning the purchase).

(10) The beginning date of public notice concerning the Tender Offer:
Tuesday, February 21, 2017

(11) Tender Offer Agent

Tokai Tokyo Securities Co., Ltd.

4 Chome 7-1 Meieki, Nakamura Ku, Nagoya City, Aichi Prefecture, Japan

3. The policy and the outlook after the Tender Offer

(1) The policy after the Tender Offer

About this subject, please see afore-stated (3) Management Policy After the Consummation of the Tender Offer under 1. The Purpose of the Tender Offer.

(2) Estimated Impact on Our Performance Hereafter

About the possible impact from the Tender Offer, we are under the process of scrutiny and we will announce promptly if the fact that we must publicly disclose is found.

4. Other Matters

(1) The issue whether the agreement exists between the Accepting Shareholder and the Target or the Target's Director

According to the press release from the Target, the Target made a statement at their Board of Directors Meeting held on February 20, 2017 that expresses their opinion of approval on the Tender Offer, and made the resolution to recommend both the shareholders of the Target and the holders of New Share Subscription Rights to respond the Tender Offer.

For the details of the resolution adopted by the Target's Board of Directors Meeting, please see ⑤The opinion of approval from all the Target's Directors, and no objection from the Target's Auditors, who all possess no conflict of interest with the Target, that comes under (5) The measures to secure the fairness of the Tender Offer, that comes further down under 1. The Purpose of the Tender Offer

(2) Other information considered necessary for an investor to determine the desirability of responding to the Tender Offer

①The Target publicized "The notice of personnel change regarding the Representative Director (the alternation of President)" that was dated February 20, 2017. Further, the Target adopted a resolution at their Board of Directors Meeting held on the same date that Mr. Yasuo Yoshihara, currently President and Representative Director will be inaugurated as Chairman and Representative Director and Mr. Koji Iida, currently Deputy President and Representative Director, will be inaugurated as President and Representative Director, both effective May 1, 2017. For the details about this matter, please see the subject publicized notice.

②The Target publicized "The notice of revised projected dividend for the fiscal year ending in March 2017 (101st fiscal year)" on the effective date of February 20, 2017. The Target gave their thought on the year-end dividend for the fiscal year ending in March 2017 by taking the conditions of the Tender Offer into consideration. The Target then adopted the resolution at their Board of Directors Meeting that they would not make year-end dividend payment for the fiscal year ending in March 2017 considering the following development. For the details of this matter, please see the subject publicized notice.

- The base date of year-end dividend payment falls on the date during the Takeover Period. The base date here means the date any given shareholder of the Target shall be recognized as such by actually possessing the share of the Target as of that precise date.
- The Tender Offer was validated at the Board of Directors Meeting held on February 20, 2017 and subsequently the process of our wholly-owning the Target was initiated (, which means that the Target approved the act of demanding sales of the share certificate by way of adopting the resolution at their Board of Directors Meeting or the Target set the base date in order to convene the Extraordinary General Shareholders Meeting.) because the Purchase Price under the Tender Offer was determined after comprehensive judgement and study.

(end)