

# Press Release



**TOKAI TOKYO FINANCIAL HOLDINGS, INC.**

5-1, NIHONBASHI 2-CHOME, CHUO-KU, TOKYO 103-6130 JAPAN

*Note: This English translation is for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.  
We assume no responsibility for this translation or for direct, indirect or any other form of damage arising from the translation.*

(TSE, NSE: 8616)

February 12, 2021

## **Notice Regarding Commencement of Tender Offer for Shares of**

### **ACE Securities Co., Ltd.**

Tokai Tokyo Financial Holdings, Inc. (the “Company”) hereby announces that at the board of directors’ meeting held on February 12, 2021, the Company adopted a resolution to acquire common stock of ACE Securities Co., Ltd. (the “Target”) through a tender offer (the “Tender Offer”), as follows.

#### 1. Purpose of the Purchase

##### (1) Overview of the Tender Offer

The Company adopted a resolution at its board of directors’ meeting held on February 12, 2021 to implement the Tender Offer as part of the transaction (the “Transaction”) whereby it will acquire all shares (excluding the treasury shares owned by the Target; hereinafter the same) of the Target’s common stock (the “Target Stock”) and make the Target a wholly-owned subsidiary of the Company.

In relation to the Tender Offer, the Company entered into a tender agreement (the “Tender Agreement”) as of February 12, 2021 with FUJI SOFT INCORPORATED, the Target’s second largest shareholder (as of today, it owns 1,345,000 shares of Target Stock, and its ownership ratio\* is 26.98%; the “Prospective Tendering Shareholder”), to the effect that the Prospective Tendering Shareholder will tender all the shares of Target Stock that it owns as of today. For details of the Tender Agreement, please refer to “(4) Material Agreements Relating to the Tender Offer” below. As of today, the Company is the largest shareholder of the Target, owning 1,455,000 shares of Target Stock (ownership ratio: 29.18%).

\* In this Statement, the “ownership ratio” refers to the ratio of the number of shares of Target Stock owned by a person to the total number of outstanding shares of Target Stock (4,985,923 shares), which is obtained by subtracting the number of treasury shares owned by the Target as of December 31, 2020 (1,577 shares), as stated in the “3rd Quarterly Report for the 103rd Fiscal Year” submitted on February 12, 2021 by the Target (the “Target’s 3rd Quarterly Report for 103rd FY”) from the total number of issued shares as of December 31, 2020, as stated in the Target’s 3rd Quarterly Report for the 103rd Fiscal Year (4,987,500 shares)(rounded off to the second decimal place; hereinafter the same applies to calculation of ownership ratio unless otherwise stipulated).

In this Tender Offer, the Company has set the minimum number of shares to be purchased as 1,869,000 shares (ownership ratio: 37.49%); if the total number of shares tendered in the Tender Offer (“Tendered Shares”) is less than the minimum number of shares to be purchased, none of the Tendered Shares will be purchased. On the other hand, since the Company has not set the maximum number of shares to be purchased in the Tender Offer, if the total number of Tendered Shares is equal to or above the minimum number of shares to be purchased (1,869,000 shares), all of the Tendered Shares will be purchased. Further, since the Company intends to make the Target its wholly-owned subsidiary, if the Company fails to acquire all shares of the Target Stock through the Tender Offer, after successful completion of the Tender Offer, it plans to take respective procedures to make the Target its wholly-owned subsidiary (the “Procedures to Make the Target a Wholly-owned Subsidiary”) as stated in “(6) Post-Tender Offer Reorganization Policy (Matter Regarding a So-Called Two-Step Acquisition)” below. In order to ensure performance of the Procedures to Make the Target a Wholly-owned Subsidiary, the minimum number of shares to be purchased (1,869,000 shares) is set as follows: two-thirds (33,240 voting rights; rounded up to the nearest one right) of the voting rights (49,859 voting rights) pertaining to the total number of outstanding shares of Target Stock (4,985,923 shares), which is obtained by deducting the number of treasury shares owned by the Target (1,577 shares) as of December 31, 2020, as stated in the Target’s 3rd Quarterly Report for the 103rd Fiscal Year, from the total number of issued shares of the Target Stock (4,987,500 shares) as of December 31, 2020, as stated in the Target’s 3rd Quarterly Report for the 103rd Fiscal Year, and multiplied by 100 shares (unit share of the Target) is calculated (3,324,000 shares); and from which the number of shares of Target Stock owned by the Company as of today (1,455,000 shares) is deducted.

Also, according to the Target, at its board of directors’ meeting held on February 12, 2021, the Target adopted a resolution to express its support for the Tender Offer and to recommend that its shareholders tender their shares in the Tender Offer based on the grounds and for the reasons stated in “(2) Background, Purpose and Decision-Making Process Leading to the Decision to Implement the Tender Offer” below. For details of the Target’s decision-making process, please refer to “(2) Background, Purpose and Decision-Making Process Leading to the Decision to Implement the Tender Offer” and “(5) Measures to Ensure Fairness of the Tender Offer” below.

(2) Background, Purpose and Decision-Making Process Leading to the Decision to Implement the Tender Offer

The background, purpose and decision-making process leading the Company to the decision to implement the Tender Offer are as described below. In the descriptions below, the descriptions related to the Target are based on the information publicized, and the explanation made to the Company, respectively, by the Target.

The Company was established in 2000 through the merger between Tokyo Securities Co., Ltd. and Tokai Maruman Securities Co., Ltd.; the company surviving the merger changed its trade name to Tokai Tokyo Securities Co., Ltd. (“Tokai Tokyo Securities”). Tokyo Securities Co., Ltd. was originally incorporated in June 1929 as Takayama Shoten Co., Ltd. and listed its shares on the Tokyo Stock Exchange and the Osaka Stock Exchange in June 1987. Tokai Maruman Securities Co., Ltd., on the other hand, was set up in March 1944 as Maruman Securities Co., Ltd. and listed its shares on the Tokyo Stock Exchange and the Nagoya Stock Exchange in May 1988.

Since then, the Company has achieved the following key growth:

- In April 2009, it spun out its financial instruments business, etc. to the Tokai Tokyo Securities Company Split Preparatory Company (presently, Tokai Tokyo Securities) by way of a company split, and transformed its organizational structure into a holding company and adopted a new trade name, Tokai Tokyo Financial Holdings, Inc.
- In January 2010, it acquired all the shares of Toyota Financial Services Securities Co., Ltd. (“Toyota FS Securities”) from Toyota Financial Services Co., Ltd. and turned it into its subsidiary. Further, in April 2010, Tokai Tokyo Securities merged with Toyota FS Securities through an absorption-type merger.
- In May 2017, it acquired all the shares of Takagi Securities Co., Ltd. (“Takagi Securities”) and turned the acquired company into its subsidiary. Further, in September 2019, Tokai Tokyo Securities merged with Takagi Securities through an absorption-type merger.

As a consequence of the above-stated growth, the Company has become a financial holding company that leads a corporate group that currently comprises 28 subsidiaries and 15 affiliated companies (together with the Company, the “Company Group”) and that generated about 62 billion in consolidated operating revenues for the fiscal year ended March 2020.

The Company Group performs proprietary dealings in securities, services of securities brokerage, intermediation, public offering and secondary distribution of securities and handling thereof, handling of private placement, and other financial instruments businesses and those businesses incidental thereto (collectively, “Securities Business”). It has business footholds in Asia, Europe and the US, in addition to Japan, and is conducting global operations.

Tokai Tokyo Securities, the core business of the Company Group, has 62 operation bases in Japan as of the end of January 2021 and operates as a securities company; furthermore, at the same time, it wholesales products such as foreign equities and bonds to its peer securities companies.

Under a unique alliance arrangement with regional bank partners, the Company is conducting joint venture securities company operations with various local financial institutions, and that list of joint ventures is getting longer as follows, all of which are our equity-method affiliates:

- YM Securities Co., Ltd. (a JV with Yamaguchi Financial Group);
- Hamagin Tokai Tokyo Securities Co., Ltd. (a JV with The Bank of Yokohama);
- Nishi-Nippon City Tokai Tokyo Securities Co., Ltd. (a JV with Nishi-Nippon Financial Holdings);
- Senshu Ikeda Tokai Tokyo Securities Co., Ltd. (a JV with Senshu Ikeda Holdings);
- Hokuhoku Tokai Tokyo Securities Co., Ltd. (a JV with Hokuhoku Financial Group);
- Tochigin Tokai Tokyo Securities Co., Ltd. (a JV with The Tochigi Bank); and
- Jyuroku Tokai Tokyo Securities Co., Ltd. (a JV with The Jyuroku Bank).

In addition, the Company’s consolidated subsidiaries, except for its overseas affiliates and its indirectly held subsidiaries, are as follows:

- Tokai Tokyo Research Institute Co., Ltd., which offers research results and information on various fields as the Company Group’s think tank;
- Tokai Tokyo Asset Management Co., Ltd., which provides asset management services such as wrap accounts;
- Tokai Tokyo Investment Co., Ltd., which engages in venture capital investment brokerage and fund administration;

- Tokai Tokyo Wealth Consulting Co., Ltd., which provides various consulting services with, for instance, inheritance procedures based on the wishes of customers' deceased family members and with the matter related to utilization of customers' real estate;
- Tokai Tokyo Academy Co., Ltd., which provides education and training and organizes various seminars and lectures;
- Tokai Tokyo Service Co., Ltd., which serves the Company Group members' needs of producing printed matter and manages the Company Group's welfare and leisure facilities;
- Tokai Tokyo Business Services Co., Ltd., which provides what are called back-office services to run securities company operations including clerical paper processing, accounting, data processing, document filing, and other peripherals;
- Money Compass Japan Co., Ltd., which designs, develops, and operates the asset management platform application;
- ETERNAL Co., Ltd., which provides intermediate services for life insurance and non-life insurance; and
- Pinnacle Inc., which provides M&A advisory services.

The Company began working on its management plan, “New Age’s Flag Bearer 5,” in April 2017, and it aims, as the next stage, to establish itself as an “integrated financial group” by creating a unique business model to meet new challenges.

Under the management plan, “New Age’s Flag Bearer 5,” the Company has formulated and been committed to the following two strategies:

(I) Further Enhancement of Operating Foundation and Growth

(A) Pursuit of Unique Segment-specific Retail Strategy

It divides individual customers (including some corporate customers) into three segments, i.e., High Net Worth; Matured; and Asset Forming, and offers products and services that match their respective nature and needs.

For the High Net Worth segment, the Company has been operating “Orque D’or,” (“Orque D’or”) at Tokai Tokyo Securities as a brand aimed at the High Net Worth segment. Under the Orque D’or, the Company not only provides asset investment services for the High Net Worth segment but also proposes comprehensive solutions that even cover non-financial services, such as services relating to inheritance and business succession, at a section within the Company dedicated to the High Net Worth segment. Further, the Company operates “Orque D’or Salons,” which are salons for exclusive use by Orque D’or members, in Nagoya and Tokyo. The Company has been making efforts to expand its customer bases in the Chubu region and the Tokyo metropolitan area by providing these enhanced business functions and services of Orque D’or. For the Matured segment, the Company offers a wide selection of services and features such as an inheritance advisory service utilizing a wealth diagnosing system, introduction of optimal services depending on the customers’ lifetime events, assignment of specialists to suggest the right products to customers with a risk-taking appetite and affordability, and cross-departmental marketing efforts using the combined forces of the Corporate Sales and Retail departments to small business owners. As for the Asset Forming segment, which centers on customers aged 20–49, the Company Group has released a version of its application for smartphones, “Okane no Compass for TT”’s. This application allows users to both manage and invest their financial assets by enabling them to use asset management, investment, insurance,

and pension services, as well as various other financial services that best match the Asset Forming segment customers. Also, for this segment, the Company deploys a “wholesale” sales approach to potential customers, pursuant to which it conducts seminars on topics related to their Asset forming at the premises of their employers with whom it maintains good relations.

(B) Trilateral Approach by Corporate Sales and Other Departments and Business Expansion in Global Market

The Company has been attempting to accomplish business growth by enhancing trilateral cross-departmental endeavors among Corporate Sales, Corporate Financing, and Market departments. The business growth the Company plans to achieve will be realized by boosting its competences in supplying its originally sourced overseas information, broadening product lines catering to the needs for global market products, and providing high caliber M&A intermediary services.

(C) Group Synergy and Great Platform

We have started building a Great Platform Service by upgrading the current “Platform” to a “Great Platform.” Doing so enables us to combine marketing techniques developed internally within the Company Group to the current Platform. The services currently available to the Company’s joint venture securities companies and peer securities companies from the Platform include clerical work, office systems, employee training, information supply, financial products, intranet, and trust services, as well as M&A competence.

(D) Productivity Revolution and Fortifying Organizational Administration and Defense Lines

The Company has been exerting its efforts to make better use of the Company Group’s resources. On the retail sales operation front, for instance, it has improved operational efficiency by reconfiguring the branch network based on the analysis of regional market attributes and deploying database-supported marketing activities through full use of big data. Further, it has reviewed the HR practices of the entire Company Group.

Regarding its governance area, it has endeavored to achieve qualitative enhancement. For the purpose of boosting corporate governance, the Company has expedited the decision-making process and deepened the discussion at its board of directors’ meeting. The Company, at the same time, has paid keen attention to fortifying the above-captioned theme by allocating more resources to its fiduciary duty.

(E) Expertise and Humanity

In order for the Company to accomplish each theme under the management plan, it thinks that it is imperative to develop human resources and establish a working environment in which employees find it easy to work. The Company has therefore improved productivity by taking the following measures: (1) it has provided more chances to both women and senior employees by conforming to diversity promotion ideals; (2) it has reviewed and revised HR practices so that it can encourage and evaluate employees’ expertise accurately; and (3) it has introduced the change in modus operandi in terms of daily operations and developed creative segment-specific approaches for customers. The Company Group has focused on, and will continue to focus on, nurturing human resources equipped with both heart and expertise by accelerating the process of fostering personal resourcefulness and realizing activities featured by increased humanity in the manner of work and expertise.

## (II) Pursuit of Strategic Themes

With respect to this subject, in addition to other ordinary measures, the Company has set up and drives six strategic themes, which are: (1) M&A Move Focusing on Peer Competitors in the Industry; (2) Asset Management Competence; (3) Diverse Pension and Insurance Service Capabilities; (4) Banking; (5) Overseas Operations; and (6) Full-fledged Penetration into the Metropolitan Market. Under those themes, the Company will constantly look for appropriate targets and actions so that it can take the right actions at the right time.

The Target, on the other hand, was established as “Ito Shoten Co., Ltd.” in February 1931 by reorganizing Daisei, a stock broker business started by Mr. Ginzo Ito in February 1914. Thereafter, the Target changed its name to “Itogin Securities Co., Ltd.” in April 1944, and again in April 1989 to “Ace Securities Co., Ltd.” Further, because the Target filed a securities registration statement in October 1985, it has been filing securities reports since the fiscal year ended September 1985. As of today, the Target group mainly comprises three subsidiaries (one consolidated and two non-consolidated subsidiaries) and provides investment and financial services centering on financial instruments business. The Target and its consolidated subsidiary, Maruhachi Securities Co., Ltd., perform business activities to meet their customers’ needs in both financing and asset management. Their main business activities include: securities trading, and acting as intermediary, broker or agent therefor; underwriting and secondary distribution of securities trading; handling of public offering and secondary distribution of securities; and handling of private placement of securities.

The circumstances that now surround the securities market require increasingly large-scale structural change in the face of global technological innovation brought forward by the 4<sup>th</sup> industrial revolution and declining birth rate coupled with an aging population. This momentum is now being further escalated as people’s living environments evolve amid the spread of Covid-19. This will present major medium- to long-term challenges for investments in the securities market, and the Target considers that it must respond to these changes.

The government in the meantime encourages the general public to shift from “saving to investment,” which further highlights the significance of securities companies that assume a certain role in financial markets. As a securities company engaging in retail operations, the Target group also considers this situation to be an opportunity for itself to take a large step forward.

Under such a situation, the Target group is collectively working on the following measures as its customer-first initiative with a view to becoming “a corporate group achieving overwhelming customer confidence” by offering various services suitable for customers and supporting their asset-forming purposes.

### (A) Stronger Business Foundation

The Target will offer highly necessary attractive financial products and timely information, and strengthen consultation competence to boost customer satisfaction, acting in the best interest of its customers. Also, according to the Target, it has been actively promoting the shift from “quantity” to “quality.” Specifically, it has been attempting to change its IFA business, being part of its growth strategy, into one that will enable developing sales activities focused on increasing assets under custody, particularly investment trusts. For this purpose, the Target has shifted from a strategy of expansion through an increase in the number of IFAs to a strategy of focusing on the development

and cultivation of IFAs who can practice customer-oriented sales. These are examples of the Target working to build a stronger business foundation.

(Note) “IFA” refers to an independent financial advisor who provides financial instruments to clients based on a service agreement with a financial instruments business operator. “IFA business” refers to a business under which a financial instruments business operator provides an IFA with service support and manages the accounts of the IFA’s clients, for which it receives certain fees corresponding to the provision of financial instruments by the IFA to the clients.

(B) Building a Solid Management Foundation

The Target is currently taking on the following tasks to build a solid management foundation:

- (i) Performance stabilization (stable profit structure by increasing the balance of investment trust; promote proposals for high performance investments; secure stable trading profits; and low-cost operation by cost reductions and converting fixed costs to variable costs);
- (ii) Group strategy implementation (strengthen intragroup cooperation to maximize the group’s profit, gain synergies from focused business areas and enhance group governance);
- (iii) Compliance enhancement (thoroughly observe the Customer First Policy); and
- (iv) Intensify human resource development and promote workstyle reform: (train and develop the skills of young sales representatives, and encourage the obtainment of qualifications; support women’s active engagement in work; more actively use an experienced senior workforce; and promote “work-life-balance” initiatives.

On September 5, 2016, as part of the strategic themes of Alliance & Platform (which intends to expand aggressively the business foundation) under the previous medium-term management plan, “Ambitious 5”, the Company acquired, through a transfer of shares, in total 14,550,000 shares of the Target (the then-ownership ratio of voting rights: 29.20%) (furthermore, a share consolidation was conducted as of October 1, 2018, under which ten shares of Target Stock were consolidated into one share) from Keiai Corporation and Aoki Holdings Inc., being shareholders of the Target, and made the Target one of its equity method affiliates. Since then, both the Company and the Target have endeavored to enhance their respective corporate value through a good partner relationship by mutually sharing resources and strengths, deepening business cooperation, and expanding their operations and business foundation.

The Transaction is in line with the “M&A Move Focusing on Peer Competitors in the Industry” and “Full-fledged Penetration into the Metropolitan Market,” which are among the six strategic themes in the Company’s current medium-term management plan, “New Age’s Flag Bearer 5” stated above. The theme “M&A Move Focusing on Peer Competitors in the Industry” aims to expand the customer base of the Company Group by offering products and services to existing customers of peer competitors. The theme “Full-fledged Penetration into the Metropolitan Market” intends to secure big markets as markets next in line to the Chubu region; i.e., the Company Group’s home market. The Company believes that the Target will be a suitable partner for its strategic themes, as the Target: engages in the securities business likewise with Tokai Tokyo Securities, a core business of the Company Group; and has a customer base focused on the Osaka metropolitan area.

Based on that belief, the Company deems that, in order to respond to fiduciary duty regulations and to the changing environment surrounding the securities industry, such as the digitalization of operations, it is necessary to achieve the effects of economies of scale. Accordingly, in late August 2019, the Company determined that it is necessary to make the Target a subsidiary of the Company for the

purpose of enhancing the corporate value of both companies by making their relationship deeper than that of a company and its equity-method affiliate and creating synergies across a wider scope of operations. Further, for the following two reasons, the Company finally concluded in late August 2019 that it should make the Target its wholly-owned subsidiary, considering that it would be the optimal choice to operate the Target's business as an integrated member of the Company Group by acquiring all shares of the Target.

(A) Intensifying the Utilization of Business Foundation and Management Resources

Making the Target a wholly owned subsidiary should enable both the Target and the Company to expand their customer bases in size and depth, and mutually leverage their business and financial bases without limits and at a higher level. This will contribute to further business growth and increased corporate value of the Target and the Company Group overall.

(B) More Flexible and Quicker Decision-making in the Process of the Target's Management Strategy Execution

Appropriate response to a changing business environment requires business management from medium-to-long term perspectives. In light of this, making the Target a wholly-owned subsidiary will enable more flexible and quicker decision-making as potential conflicts of interest with the Target's minority shareholders may be avoided.

In mid-September 2019, in relation to the acquisition of the Target Stock through a tender offer in order to make the Target a wholly-owned subsidiary, the Company sounded out the Prospective Tendering Shareholder, the Target's second largest shareholder, to see if it intended to sell the Target Stock. The Prospective Tendering Shareholder responded that it would sell the Target Stock at a price of ¥3,220 or more, and although the Company sounded out whether there was room to reduce that price by inferring the share value of the Target Stock compared with that of comparable listed companies and consulted with the Prospective Tendering Shareholder, the Prospective Tendering Shareholder did not change its stance. Therefore, in late October 2019, the Company decided on the principle of considering the Tender Offer Price aimed at approximately ¥3,220 expecting to make the Target its wholly-owned subsidiary to achieve maximum synergies. Thereafter, through discussions with the Prospective Tendering Shareholder, the Company became convinced that they could agree on a non-binding price of around ¥3,220; then, the Company submitted to the Target a proposal to make the Target its wholly-owned subsidiary in late January 2020 and conducted due diligence on the Target from early March 2020 until mid-October 2020, with some interruption from mid-June to late September to gauge the effects of COVID-19. Although it took a certain amount of time due to the effects of COVID-19, the Company considered whether the price of ¥3,220 was an appropriate price, by comprehensively considering various factors, including the Target's financial standing, industrial trends, the strategic significance of acquiring the Target Stock through the Tender Offer in line with the current mid-term management plan, synergies to be created between the Company and the Target, and the results of due diligence on the Target, based on the fact that the Prospective Tendering Shareholder's response was that it would sell the Target Stock at a price of ¥3,220 or more and the Company needed to respect the Prospective Tendering Shareholder's intentions in order to successfully complete the Tender Offer. As a result, the Company did not find any fact that impaired the appropriateness of the per-share price of Target Stock being ¥3,220, and determined that the appropriate per-share price of Target Stock was ¥3,220. Then, in mid-November 2020, the Company confirmed with the Prospective Tendering Shareholder the principle of having discussions with the Target proposing the per-share purchase price of the Target Stock in the Tender Offer (the "Tender Offer Price") of ¥3,220. Thereafter, the Company



comprehensively further considered various factors, including the fact that the Company discussed the Tender Offer Price with the Target, as stated below, based on the view of the Special Committee (as defined in “IV. Establishment of an Independent Special Committee, and Acquisition of Opinion (Report), by the Target” of “(5) Measures to Ensure Fairness of the Tender Offer” below; hereinafter the same (for the composition of the Special Committee and specific activities, please refer to “IV. Establishment of an Independent Special Committee, and Acquisition of Opinion (Report), by the Target” of “(5) Measures to Ensure Fairness of the Tender Offer” below)), and the Company reached an agreement on the Tender Offer Price of ¥3,220 with the Target on February 12, 2021, the fact that the price is within the range of the share price of the calculation results using the DDM method for the Target as analyzed in the Share Valuation Report (the “Share Valuation Report”) obtained from Plutus Consulting Co., Ltd. (“Plutus”), and the fact that it is likely that the Target will resolve to express its support for the Tender Offer and to recommend that its shareholders tender their shares in the Tender Offer, and then the Company agreed with the Prospective Tendering Shareholder on February 12, 2021, to keep the Tender Offer Price of ¥3,220 that was proposed to the Target on December 3, 2020, as set forth below.

On the other hand, after having confirmed with the Prospective Tendering Shareholder in mid-November 2020 the principle of having discussions with the Target by setting the Tender Offer Price at ¥3,220, the Company proposed to the Target on December 3, 2020 that the Tender Offer Price be ¥3,220. Based on the Special Committee’s instruction to request and negotiate an increase in that price from the perspective of furthering the interests of minority shareholders to the maximum extent, the Target encouraged the Company on January 18, 2021 to reconsider the Tender Offer Price taking into account the interests of minority shareholders to the maximum extent, without suggesting a specific price. In response to this, on January 21, 2021, the Company conveyed its thoughts on the share valuation, explained to the Target that the Company had evaluated the Target Stock at the maximum, and proposed again that the Tender Offer Price be ¥3,220. Thereafter, the Target again encouraged the Company to reconsider a higher Tender Offer Price, without suggesting a specific price, based on the Special Committee’s instruction to renegotiate a higher price in light of general shareholder interests. However, on February 1, 2021, the Company again conveyed its thoughts on the share valuation and explained again to the Target that the Company had evaluated the Target Stock at the maximum. Then, the Company was informed by the Target that at the Special Committee meetings held on February 3 and 9, 2021, after examining the explanations from the Company and comprehensively taking into account the share prices of comparable companies as of February 10, 2021, the Special Committee determined that the Tender Offer Price had some rationality. Then, after comprehensively considering that the Tender Offer Price is the price confirmed with the Prospective Tendering Shareholder and is within the range of the share price of the calculation results using the DDM method for the Target analyzed in the Share Valuation Report, and that it is likely that the Target will resolve to express its support for the Tender Offer and to recommend that its shareholders tender their shares in the Tender Offer, the Company decided not to change the Tender Offer Price of ¥3,220 as proposed to the Target, and reached an agreement with the Target on February 12, 2021.

As a result, the Company adopted a resolution at its board of directors meeting held on February 12, 2021, to implement the Tender Offer and entered into the Tender Agreement with the Prospective Tendering Shareholder on the same date.

### (3) Post-Tender Offer Management Policy

When the Tender Offer is consummated and the Procedures to Make the Target a Wholly-owned Subsidiary are completed, the Company will consider various measures to raise the corporate value of both companies. Such measures should enable both parties to create business synergies soon by their mutually

sharing management resources of the Company Group and the Target. The Company will hold discussions with the management team of the Target to decide on the detailed actions after the Tender Offer is consummated. The Company considers that the measures listed below will be instrumental in improving productivity.

(I) Retail Sales, Corporate Sales, and IFA Strategies

(A) Retail Sales Strategy

Tokai Tokyo Securities classifies its retail customers into three segments—High Net Worth, Matured, and Asset Forming—and is directing efforts to efficiently and effectively operate its business for the respective segments. In addition, Tokai Tokyo Securities has increased its productivity by optimally allocating its management resources, such as sales representatives, depending on the customer characteristics, and offering products and services tailored to respective customer needs. The Company considers that it should be able to increase its productivity by taking a similar approach with the Target, as it has with Tokai Tokyo Securities.

(B) Corporate Sales Strategy

Tokai Tokyo Securities' Corporate Sales department provides products and services to corporate customers, including financial institutions and large corporations. The department is staffed by sales representatives with a high level of expertise, and Tokai Tokyo Securities has further upgraded its system to develop its corporate business through the combined efforts of its Corporate Sales and Market departments in order to provide even higher quality products and services required by corporate customers, including financial institutions and large corporations. In advancing this endeavor, Tokai Tokyo Securities provides advanced products and services that its corporate customers require by appropriately identifying their needs through relations created by its Corporate Sales department and proposing solutions based on the high expertise of its Market department regarding markets, products, and services. The Company believes that it should be able to increase its productivity by taking a similar approach with the Target as well.

(C) IFA Strategy

Tokai Tokyo Securities is developing IFA business targeted mainly at customers in the High Net Worth segment, while the Target is developing IFA business targeted mainly at customers in the Asset Forming segment. The Company expects to expand deposited assets of IFA businesses that it believes have the potential for future expansion, by sharing and exerting leverage held by Tokai Tokyo Securities and the Target, respectively. Also, the Company should be able to raise its productivity by reorganizing the functions that will become redundant after the Transaction.

(II) Strategy for the Kansai Region

The Company contemplates that the Company Group will be able to take new advanced measures by adding to the depth of its customer base in the Kansai Region with its center located in Osaka. As teleworking becomes common with the spread of COVID-19, the Company is in the midst of studying various branch network configurations. In this light, the possible customer base expansion by the Transaction will widen the range of alternatives enabling the Company to design an optimal branch network strategy for the Company Group overall.

### (III) Streamlining Operations

From the viewpoint of operational efficiency improvement, the Company considers that the Transaction will create synergies as it will allow the Company Group and the Target to share their respective infrastructures, including their office systems, and implement branch strategies in the Kansai Region and elsewhere and plan optimal human resource allocation.

### (IV) Mutual Use of Superior Functions and Resources

- i. IFA functions
- ii. Market operation competence
- iii. Investment banking capability
- iv. FinTech capability
- v. Specialized services rendered by operating subsidiaries
- vi. Human resource development and training
- vii. Initiatives for workstyle change
- viii. Approach toward fiduciary duties

As of today, the Target's board of directors comprises 11 members including external directors. One of the members was a Managing Executive Officer of the Company until June 2017, while another member now concurrently serves as an advisor to the Company. The management structure of the Target after it becomes the Company's wholly owned subsidiary remains undecided as of today (including future treatment of the current management team), but the Company will consider creating an optimal structure through discussions with the Target.

### (4) Material Agreement Relating to the Tender Offer

As stated in "(1) Overview of the Tender Offer" above, before commencing the Tender Offer, the Company entered into the Tender Agreement as of February 12, 2021, with the Prospective Tendering Shareholder under which the Prospective Tendering Shareholder will tender all shares of Target Stock that it owns as of today (1,345,000 shares of Target Stock in total; ownership ratio: 26.98%). Under the Tender Agreement, it was agreed that if the Tender Offer is lawfully and effectively established, and when (a) the record date of the Target's shareholders meeting for exercising voting rights is before the date immediately preceding the commencement date of settlement of the Tender Offer and (b) the Company owns voting rights with respect to the shares of Target Stock tendered by the Prospective Tendering Shareholder and purchased by the Company therefrom on the commencement date of settlement, at the Company's instruction and to the extent permitted under laws, ordinances, notices, rules, orders, statutes, guidelines, and other regulations (including the rules of financial instruments exchanges) in and outside Japan (collectively, "Laws"), the Prospective Tendering Shareholder shall either (i) exercise the voting rights as instructed by the Company, or (ii) deliver a letter of proxy and all other necessary documents related to the voting rights to the Company or its designee.

In summary, the Tender Agreement requires the following conditions to be met for the Prospective Tendering Shareholder to tender in the Tender Offer:

- (I) The Tender Offer has been lawfully commenced in accordance with applicable laws and regulations, and has not been withdrawn;

- (II) The representations and warranties of the Company in the Tender Agreement (\*Note 1) are true and accurate in material respects as of the execution date thereof and the commencement date of the Tender Offer;
- (III) The Company has performed or complied with all obligations that it must perform or comply with under the Tender Agreement by the commencement date of the Tender Offer (\*Note 2) in material respects;
- (IV) At the Target's board of directors meeting, a resolution supporting the Tender Offer and recommending that shareholders of the Target tender in the Tender Offer has been unanimously adopted by all directors who participated in the voting, and the Target has publicly released the resolution; further, the Target's board of directors meeting has not adopted a resolution to withdraw, or a resolution that contravenes, the resolution;
- (V) No circumstances have arisen that render it impossible, in light of socially-accepted norms, for the Prospective Tendering Shareholder to tender in the Tender Offer due to a natural disaster or other event not attributable to the Prospective Tendering Shareholder;
- (VI) With respect to the notification to be filed with the Japan Fair Trade Commission by the Company pursuant to Article 10, paragraph (2) of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947, as amended; the "Antimonopoly Act") in order to acquire all shares of Target Stock owned by the Prospective Tendering Shareholder, the period provided in Article 10, paragraph (8) thereof is expected to expire during the purchase period in the Tender Offer (the "Tender Offer Period"); by the last date of the Tender Offer Period, the Company neither has received, nor is likely to receive, from the Japan Fair Trade Commission prior notice of a cease-and-desist order requiring the disposal of all or part of the Target shares, or partial assignment of the Company's businesses, and the period during which the Company may receive prior notice of a cease-and-desist order under the Antimonopoly Act has ended; and by the last date of the Tender Offer Period, the Company neither has been, nor is likely to be, subject to a petition for an urgent temporary suspension order by a court as a person engaging in any act likely to violate Article 10, paragraph (1) thereof; and
- (VII) There are neither petitions, lawsuits or proceedings pending with any court, other judicial or administrative organs, financial instruments exchanges, or other self-regulatory bodies (collectively, "Judicial/Administrative Organs") seeking to restrict or prohibit the Tender Offer or tendering therein, nor are there any Laws or orders, dispositions, or judgments by any Judicial/Administrative Organs that restrict or prohibit the Tender Offer or tendering therein.

However, the Tender Agreement does not restrict the Prospective Tendering Shareholder from tendering in the Tender Offer at its decision, and discretion by waiving all or part of the above conditions.

(Note 1) In the Tender Agreement, the Company made the following representations and warranties:

- (i) Its lawful and valid incorporation and existence;
- (ii) Existence of authority for the Company to execute and perform the Tender Agreement;
- (iii) Enforceability of the Tender Agreement against the Company;
- (iv) Completion by the Company of the procedures for the permissions and approvals and other procedures under Laws required to execute and perform the Tender Agreement;
- (v) No contravention by the execution or performance of the Tender Agreement of any relevant laws or regulations, the Company's internal rules, contracts or otherwise; and
- (vi) No relationship with any anti-social forces.

(Note 2) Under the Tender Agreement, the Company owes the following obligations:

- (i) To implement the Tender Offer;
- (ii) To make efforts to complete, by the respective time limits prescribed in Laws, the procedures required under the Antimonopoly Act to acquire shares of the Target through the Tender Offer;
- (iii) Not to transfer its status, rights or obligations under the Tender Agreement to any third parties;
- (iv) To bear taxes and public dues imposed on the Company and all expenses incurred by or for the Company in relation to negotiation, preparation, execution, and performance of the Tender Agreement; and
- (v) To maintain confidentiality.

(5) Measures to Ensure Fairness of the Tender Offer

As of today, the Target is not a consolidated subsidiary of the Company, and the Tender Offer does not constitute the purchase of a subsidiary by its controlling shareholder. However, the Company and the Target have taken the measures set forth below with a view to ensuring the fairness of the Tender Offer Price and avoiding conflicts of interest, by considering the following: (i) the Company has made the Target its equity method affiliate by owning 1,455,000 shares of the Target Stock (ownership ratio: 29.18%); (ii) the Company will execute the Tender Agreement with the Prospective Tendering Shareholder (ownership ratio: 26.98%); and (iii) directors of the Target hold officer or other management positions at the Company or the Prospective Tendering Shareholder. The Company has not set a lower limit on the projected number of shares to be purchased that would satisfy the “majority of the minority” in the Tender Offer where the minimum requirement is the tender of a majority of shares owned by general shareholders who do not share common material interests with the Company. This is because, as stated in “(1) Overview of the Tender Offer” above, since the Prospective Tendering Shareholder has agreed in the Tender Agreement to tender in the Tender Offer the shares of Target Stock that it owns (1,345,000 shares; ownership ratio: 26.98%), and the Company owns shares of the Target Stock (1,455,000 shares; ownership ratio: 29.18%) as of today, the Company believes that if it sets a lower limit on the projected number of shares to be purchased that would satisfy the “majority of the minority” with respect to the Tender Offer, this would destabilize the consummation of the Tender Offer and actually undercut the interests of minority shareholders who seek to tender in the Tender Offer. However, the Company believes that sufficient consideration has been given in the Tender Offer to the interests of minority shareholders of the Target through the measures set forth in (I) through (VI) below. The measures that have been implemented by the Target and are described below are according to the explanations by the Target.

(I) Acquisition of Share Valuation Report by the Company from an Independent Third-party Valuation Organization

In deciding the Tender Offer Price, the Company retained Plutus as the third-party valuation organization independent of the Company, the Target, and the Prospective Tendering Shareholder to have the value of the Target’s stock calculated. Plutus is not a related party to the Company, the Target, or the Prospective Tendering Shareholder, and it does not own material interests in the Tender Offer.

For details of the Share Valuation Report that the Company obtained from Plutus, please refer to “(I) Basis for Valuation” and “(II) Background of Valuation” of “(4) Basis for Valuation of the Purchase Price, Etc.” of “2. Overview of the Purchase” below.

(II) Acquisition of Share Valuation Report by the Target from an Independent Third-party Valuation Organization

According to the Target, it retained KPMG FAS Co., Ltd. as the financial advisor and third-party valuation organization independent of the Company, the Target, or the Prospective Tendering Shareholder (“KPMG FAS”) to have the value of the Target’s stock calculated in expressing its opinions regarding the Tender Offer. After reviewing the calculation methods from among multiple share value analysis methods to be adopted in analyzing the share value of the Target Stock, KPMG FAS calculated the value of the Target Stock by using the following methods, considering that it would be appropriate to evaluate the value of the Target Stock from multiple perspectives on the assumption that the Target was a going concern: the comparable company analysis method (because it is possible to infer the share value of the Target Stock through comparisons with multiple listed companies comparable to the Target); and the dividend discount model method (a method used to assume the capital structure required for stable business operation by the Target and to analyze share values by discounting the income attributable to the shareholders (with retained earnings required to maintain the equity capital calculated based on that capital structure being taken into account) down to the present value by shareholder capital cost) (in order to reflect the status of future business activities in the calculation) (the “DDM Method”). The Target then obtained a share valuation report on the calculation results of the value of the Target Stock submitted on February 10, 2021 (the “Target’s Share Valuation Report”). The Target has not obtained a fairness opinion regarding the fairness of the Tender Offer Price from KPMG FAS.

KPMG FAS is not a related party to the Company, the Target or the Prospective Tendering Shareholder, and it does not have a material interest in the Tender Offer. At its first meeting, the Special Committee that was established by the Target approved the third-party valuation organization elected by the board of directors of the Target, as there were no issues concerning the valuation organization’s independence or expertise; furthermore, the Special Committee also confirmed that it may receive professional advice therefrom as necessary. KPMG FAS will receive fixed fees for its services as a financial advisor and third-party valuation organization, which is payable irrespective of the success or failure of the Transaction.

The calculation ranges of the per-share value of the Target Stock calculated under the above methods are as follows:

Comparable company analysis method: ¥2,550 ~ ¥3,021

DDM Method: ¥2,914 ~ ¥3,546

Under the comparable company analysis method, KPMG FAS calculated the share value of the Target through comparison with the market share prices and financial indicators (e.g., profitability) of listed companies that engage in businesses comparatively similar to those of the Target. Using this methodology, the per-share value of the Target Stock was calculated to range from ¥2,550 to ¥3,021.

Under the DDM Method, KPMG FAS calculated the share value of the Target by discounting the profit attributable to its shareholders expected to be generated by the Target in and after the third quarter of the fiscal year ending in March 2021, at a certain discount rate based on the shareholder capital cost to the present value, by assuming the relevant factors including the following: the profitability and investment plans in the three-year business plan from the fiscal year ending in March 2021 to the fiscal year ending in March 2023 prepared by the Target; financial information of the Target for the second quarter of the fiscal year ending in March 2021; and other publicly available information. Using this methodology, the per-share value of the Target Stock was calculated to range from ¥2,914 to ¥3,546. KPMG FAS applied a discount rate from 9.3% to 11.3%. In calculating the going value, KPMG FAS used the perpetual growth method, applying a perpetual growth rate from -0.5% to +0.5%.

The Target’s business plan underlying the calculation by KPMG FAS under the DDM Method includes no fiscal years in which a significant increase or decrease in profits are expected. The calculation

does not reflect the effects of measures that are expected to be achieved by implementing the Transaction, as it is difficult to specifically estimate the impacts on revenue at this point in time.

(III) Advice from a Law Firm Independent of the Target

According to the Target, it retained Kitahama Partners (“Kitahama Partners”) as a legal advisor independent of the Company, the Target and the Prospective Tendering Shareholder in order to ensure the fairness and suitability of decision-making by the Target’s board of directors. The Target receives legal advice from the advisor on such matters as the method to elect members of the Special Committee, the method and process of decision-making by the Target’s board of directors regarding the Tender Offer and the series of subsequent procedures, and other considerations concerning its decision-making. Kitahama Partners does not have any material interest in the Company, the Target or the Prospective Tendering Shareholder. At its first meeting, the Special Committee approved the legal advisor appointed by the Target’s board of directors as there were no issues concerning the advisor’s independence or expertise; the Special Committee also confirmed that it may receive professional advice therefrom as necessary.

(IV) Establishment of an Independent Special Committee, and Acquisition of Opinion (Report), by the Target

According to the Target, in order to eliminate arbitrariness in decision-making by the Target regarding the Transaction including the Tender Offer and to ensure the fairness, transparency, and objectiveness of the decision-making process, it established a special committee (the “Special Committee”) on March 13, 2020, consisting of members independent of the Company, the Target, and the Prospective Tendering Shareholder. As a member of the Special Committee, the Target selected its three external directors: Messrs. Atsushi Takada (certified public accountant), Hiroaki Kitaoka (attorney-at-law), and Noriaki Miki (attorney-at-law). The members of the Special Committee have not been changed since its establishment. Remunerations for the members of the Special Committee are payable irrespective of the success or failure of the Transaction. Mr. Atsushi Takada was elected as chair of the Special Committee from among its members. In establishing the Special Committee, the Target decided at its board of directors meeting that the Target would not support the Tender Offer if the Special Committee determined that the transaction terms thereof were inappropriate.

The Target consulted the Special Committee on the following matters and entrusted it to submit a report to the Target on those matters (the “Advisory Matters”): (i) to consider whether the Target’s board of directors should support the Transaction and should recommend that the Target’s shareholders tender in the Tender Offer, and to make recommendations to the Target’s board of directors; and (ii) to consider whether the decision by the Target’s board of directors concerning the Transaction would be disadvantageous to the Target’s minority shareholders and provide opinions to the Target’s board of directors, and in considering the foregoing, (1) to consider and determine whether to implement the Transaction from the perspective of enhancing the corporate value of the Target, and (2) to consider and determine the appropriateness of the transaction terms and the fairness of the procedures from the perspective of ensuring the benefit of the general shareholders of the Target.

The Special Committee held meetings nine times in total from March 24, 2020 to February 9, 2021, where it discussed and considered the Advisory Matters. Specifically, the Special Committee received explanations from, and exchanged questions and answers with, the Target on the following matters: the purposes of, and the background to, the Transaction; the Target’s attitude toward the Transaction; details of businesses, performance, financial condition and business plans of the Target; specific synergies expected from the Transaction; and the prospect for business continuation if the

Transaction was not implemented, including whether there were alternative measures to implement in place of the Transaction. The Special Committee also provided opinions and advice to the Target in multiple negotiation stages with the Company. The Special Committee further received explanations from, and exchanged questions and answers with, the Company regarding the purposes of the Transaction, the specific synergies expected from the Transaction, post-Transaction management policies, terms of the Transaction, vision for possible synergies anticipated by implementing a measure other than the Transaction. In addition, the Special Committee was provided with explanations by KPMG FAS regarding the background to the negotiations for the terms and other aspects of the Transaction, and the details regarding the calculation of the Target's share value. It also received explanations from Kitahama Partners concerning measures to ensure the fairness of procedures of the Transaction, the decision-making method and process adopted by the Target's board of directors for the Transaction, and other measures to avoid conflicts of interests in the Transaction. The Special Committee exchanged questions and answers regarding the above matters with the respective advisors.

The Special Committee carefully discussed and reviewed the Advisory Matters as stated above, and submitted to the Target's board of directors a report (the "Report") on the Advisory Matters on February 12, 2021, as summarized below.

(i) Whether the Transaction will contribute to enhancement of the Target's corporate value

The Target and the Company share an understanding on the recent changing business environment surrounding the Target and the management issues to be addressed by the entire group after the Transaction. The Special Committee also shares that understanding.

Regarding the measures that the Company deems necessary for the Target's future growth stated in "(3) Post-Tender Offer Management Policy" above, the Target also recognizes that those measures are in line with the direction aimed at by the Target and determined that the Transaction would create synergies through the utilization of the management resources held by the Target and that the Transaction would be the optimal choice expected to increase the corporate value of the Target in the medium to long term. Such explanations by the Company and the Target are considered to be realistic for increasing the Target's future competitiveness based on the business environment surrounding the Target. Also, given that the Company presented a policy to consider creating an optimal structure through discussions with the Target regarding the Target's management structure after the Procedures to Make the Target a Wholly-owned Subsidiary, which is expected to lead to a cooperative relationship with the Company, no specific disadvantage was discovered in connection with the Transaction. As a result, the Special Committee considers that the Target's determination that the Transaction will be able to contribute to enhancement of the medium to long term corporate value of the Company group, including the Target group, and its decision-making process are not unreasonable.

(ii) Appropriateness of the Transaction terms

(A) In the process leading to the decision on the transaction terms, while receiving opinions and advice from the Special Committee, the Target had discussions and negotiations with the Company through KPMG FAS, which has no problems in terms of independence from the Company, the Target, and the Prospective Tendering Shareholder as well as expertise, and encouraged the Company to reconsider the Tender Offer Price taking into account the interests of minority shareholders. Given the foregoing, the Special Committee determined that the negotiation process regarding the terms of the Transaction was considered to be those between independent parties and thus was fair and that a situation was ensured in



which the parties could make reasonable efforts to implement the Transaction on transaction terms advantageous to general shareholders as much as possible while enhancing the Target's corporate value.

(B) In response to the questions from the Special Committee to KPMG FAS regarding the reasoning behind the selection of the calculation methods, KPMG FAS explained as follows: it adopted the comparable company analysis method because it made it possible to infer the share value of the Target Stock through comparisons with multiple listed companies comparable to the Target, and the DDM method because it is widely used to evaluate financial institutions (a method used to assume the capital structure required for stable business operation by the Target and to analyze share values by discounting the income attributable to shareholders (with retained earnings required to maintain the equity capital calculated based on that capital structure being taken into account) down to the present value by shareholder capital cost) (in order to reflect the status of future business activities in the calculation). On the other hand, KPMG FAS did not use the net asset method as it was not appropriate to do so in calculating the Target's corporate value because a per-share net asset amount is not an index reflecting a company's profitability or potential and the Target is a going concern and does not expect to sell its assets. The Special Committee considers that these selection and determinations were not unreasonable in light of the current practice.

In addition, the Special Committee asked KPMG FAS and the Target questions regarding the selection of comparable companies and the selection of indices used as a multiple in the comparable company analysis method, as well as regarding the Target's business plan, financial forecasts based on that business plan, the calculation method of continuity value, the basis for calculation of the discount rate and the detailed calculation of non-operating assets serving as a basis for calculation in the DDM method, etc. and received responses thereto. As a result of considering those exchanges, no unreasonable points were discovered in light of general valuation practice.

Therefore, the Special Committee determined that the Target's share valuation amount in the Target's Share Valuation Report is not unreasonable.

(C) The Tender Offer Price (¥3,220) is higher than the calculation results using the comparable company analysis method in the Target's Share Valuation Report and is at a level near the median of the range in the calculation results using the DDM method. As such, the Special Committee considers that the Tender Offer Price substantially reflects the Target's share value and is not at a level where the reasonableness of the price can be denied.

(D) Minority shareholders who did not tender their shares in the Tender Offer will ultimately receive money in the Procedures to Make the Target a Wholly-owned Subsidiary to be conducted after the Tender Offer. It is planned that the amount of money to be delivered in those procedures will be set forth in an opinion manifestation report or other document as a price calculated by multiplying the Tender Offer Price by the number of shares of Target Stock owned by such shareholders.

For the Procedures to Make the Target a Wholly-owned Subsidiary, it is assumed that a demand for the sale of shares (where the Company becomes a special controlling shareholder as defined in Article 179, paragraph (1) of the Companies Act as a result of the successful completion of the Tender Offer) or a share consolidation (where the total number of voting rights of the Target owned by the Company is less than 90% of the number of voting rights of all the Target's shareholders after the successful completion of the Tender Offer) will be used. In either method, procedures for information disclosure to minority shareholders have been developed and measures to protect shareholders such as procedures to decide the share purchase price or procedures to exercise the right to demand a purchase of shares have been prepared under the Companies Act. Since those methods are generally accepted, they cannot be methods inordinately adverse to minority shareholders.

If so, for the Target's minority shareholders, even if they do not tender their shares in the Tender Offer, they can receive the same economic value that they would had they done so, and they will not be under undue pressure to tender their shares in the Tender Offer. Thus, the procedures after the Tender Offer are considered to be reasonable.

(E) Based on the foregoing, after having carefully discussed and considered the Transaction terms, the Special Committee has determined that they are appropriate.

(iii) Fairness of the procedures relating to the Transaction

(A) The Special Committee is of the opinion that the ways to increase the effectiveness of the Special Committee have been devised proactively for the following reasons: the Target is evaluated to have promptly established a special committee for the Transaction; the Special Committee members are all external directors and are independent from the Company, the Target, and the Prospective Tendering Shareholder, as well as from the consequences of the Transaction (remuneration for the members of the Special Committee is payable on a fixed basis irrespective of the success or failure of the Transaction); the Special Committee provided opinions, instructions and requests in crucial phases when discussing, negotiating, and determining the Tender Offer Price, including proposing to encourage the Company to reconsider the price; in the Transaction, a financial advisor and a legal advisor who have no problems in terms of independence from the Company, the Target, and the Prospective Tendering Shareholder as well as expertise, have been appointed or retained, and professionals from whom the Special Committee may seek professional advice and place trust in have been selected; at its nine committee meetings (in total), the Special Committee sought information and made inquiries deemed necessary to consider and determine the Advisory Matters from time to time, obtained important information on behalf of minority shareholders of the Target, and a situation was ensured where the committee could discuss and decide on the Advisory Matters.

(B) The Target did not have any officers who concurrently serve as officers of the Company (including those who were officers of the Company) involved in the negotiation process regarding the terms of the Transaction between the Target and the Company, or the process of preparing the business outlook serving as a basis for the valuation of the Target Stock, from the perspective of eliminating structural conflicts of interest. The structure to consider the Transaction at the Target (including the scope and duties of officers of the Target involved in discussing, negotiating and deciding on the Transaction) was developed based on advice from Kitahama Partners. Accordingly, the Target is evaluated to have constructed a framework enabling the Transaction to be discussed and negotiated independently from the Company.

(C) At the board of directors meetings related to "(V) Approval of All Directors (Including Audit and Supervisory Committee Members) of the Target Without Conflicts of Interest" below, from the perspective of avoiding potential conflicts of interest, directors who concurrently hold positions such as officers of the Company or the Prospective Tendering Shareholder, or who have concurrently held such positions in the past decided not to participate in deliberations and resolutions at the board of directors meetings above. In addition, Mr. Naoyuki Kenjo, who is temporarily performing the duties of a director and Audit and Supervisory Committee Member (external director), assumed that office as of January 27, 2021, pursuant to a decision of the Osaka District Court dated January 27, 2021, due to a lack of the statutory number of Audit and Supervisory Committee Members because Mr. Takashi Kinoshita, who was a director and Audit and Supervisory Committee Member, passed away. He has no problem in terms of independence from the

Company, the Target, and the Prospective Tendering Shareholder as well as expertise; as such, no fact was found bringing into question the fairness of the procedures related to the internal system of the Target.

(D) The Company has set 30 business days as the Tender Offer Period, which is longer than the minimum period of 20 business days provided by relevant laws and regulations. By setting a comparatively long Tender Offer Period, the Company intends to ensure an appropriate opportunity for the Target's shareholders to decide whether to tender their shares in the Tender Offer, and at the same time, to ensure opportunities for a potential purchaser other than the Company to make a competing offer and to ensure the fairness of the Tender Offer.

(E) A lower limit on the projected number of shares to be purchased that would satisfy the "majority of the minority" is not planned to be set with respect to the Tender Offer. This is because if such a limit is set, it would destabilize the consummation of the Tender Offer and actually undercut the interests of minority shareholders who seek to tender in the Tender Offer. In addition, each of the measures above has been taken in the Transaction. Accordingly, the Special Committee believes that the fact that a lower limit on the projected number of shares to be purchased that would satisfy the "majority of the minority" is not planned to be set with respect to the Tender Offer will not damage the fairness of the procedures in the Tender Offer.

(F) Based on the foregoing, after careful discussions and consideration by the Special Committee, it was determined that proper measures to ensure fairness have been taken in the Transaction and the negotiation process leading to the Transaction is fair.

(iv) Whether the Target's board of directors should support the Transaction and recommend that the Target's shareholders tender their shares in the Tender Offer

Considering the matters stated in (i) to (iii) above, the Special Committee considers it appropriate for the Target's board of directors to support the Transaction and recommend that the Target's shareholders tender their shares in the Tender Offer.

(v) Whether the decision on the Transaction at the Target's board of directors is disadvantageous to minority shareholders of the Target

Considering the matters stated in (i) to (iv) above, the decision at the Target's board of directors to support the Transaction and recommend that the Target's shareholders tender their shares in the Tender Offer is not disadvantageous to minority shareholders of the Target.

(V) Approval of All Directors (Including Audit and Supervisory Committee Members) of the Target Without Conflicts of Interest

In early March 2020, the Target appointed KPMG FAS as a financial advisor and third-party valuation organization and Kitahama Partners as a legal advisor, each independent of the Company, the Target, and the Prospective Tendering Shareholder, in order to ensure the appropriateness of the Tender Offer Price, and the fairness of the procedures for the Transaction and the fairness of the Transaction including the Tender Offer, as stated in "(II) Acquisition of Share Valuation Report by the Target from an Independent Third-party Valuation Organization" and "(III) Advice from a Law Firm Independent of the Target" above after receiving the Company's proposal to make the Target a wholly-owned subsidiary of the

Company in late January 2020. The Target also requested a share valuation report concerning the Target Stock from KPMG FAS, the third-party valuation organization. With the advice of Kitahama Partners, the Target also commenced considering the Transaction by establishing the Special Committee independent of the Company, the Target and the Prospective Tendering Shareholder and constructing a framework for discussing and negotiating the Transaction, in order to avoid conflicts of interest. For details of the Special Committee, please refer to “(IV) Establishment of an Independent Special Committee, and Acquisition of Opinion (Report), by the Target” above.

Then, as stated in “(2) Background, Purpose and Decision-Making Process Leading to the Decision to Implement the Tender Offer” above, the Target continued to discuss and consider the following with the Company on multiple occasions in and after early December 2020 when it received from the Company the specific proposal, including the Tender Offer Price: a variety of measures to increase the corporate value of both companies by strengthening the Target’s businesses through enhancing its partnership with the Company and by streamlining its business management; the purposes of the Transaction; post-Transaction management system and policies; and terms of the Transaction, although it had taken time before the Company made the specific proposal including the Tender Offer Price due to the prolonged due diligence affected by the declaration of a state of emergency issued upon infection spread of COVID-19.

The Target then received the Report from the Special Committee on February 12, 2021, to the effect that (A) it considers that the Target’s board of directors should adopt a resolution to express its support for the Tender Offer and to recommend that its shareholders tender their shares in the Tender Offer, and (B) it considers that the decision at the Target’s board of directors to express its support for the Tender Offer and to recommend that its shareholders tender their shares in the Tender Offer would not be disadvantageous to general shareholders of the Target (for an overview of the Report, please refer to “(IV) Establishment of an Independent Special Committee, and Acquisition of Opinion (Report), by the Target” above.)

At its board of directors meeting on February 12, 2021, the Target carefully discussed and deliberated on whether the Transaction (including the Tender Offer) would contribute to enhancing the Target’s corporate value and whether the terms and conditions of the Transaction (including the Tender Offer Price) were appropriate, by fully respecting the Special Committee’s decisions provided in the Report, and based on the legal advice of Kitahama Partners, the advice from a financial perspective from KPMG FAS, and the details of the Target’s Share Valuation Report submitted as of February 10, 2021.

As a result, the Target concluded that the Transaction, including the Tender Offer, would be the optimal choice that would enable increasing the medium- to long-term corporate value of the Target, for reasons including the following: (a) a possible productivity increase can be expected by the Target introducing initiatives similar to those of the Company that is, as its retail sales strategy, efficiently and effectively operating its business by customer segment; (b) a productivity increase can be expected in the corporate sales department by introducing the highly specialized know-how of the market department at Tokai Tokyo Securities, (c) the Target can expect to expand the amount of deposited assets of IFA businesses that has the potential for future expansion, by mutually leveraging the strengths of Tokai Tokyo Securities which mainly develops IFA business for the High Net Worth segment, and the Target which mainly develops IFA business for the Asset Forming segment, (d) the Target can expect to streamline its business management and improve its business efficiencies by sharing infrastructures (including systems of the Company Group and the Target) and diversifying options for branch office strategies; (e) the Target expects to create an amicable relationship with the Company, as the Company intends, if the Tender Offer and the Procedures to Make the Target a Wholly-owned Subsidiary are consummated, to consider collaborating with the Target to jointly utilize the respective management resources of the Company Group and the Target and to exert business synergies in broader fields; (f) in order to respond to the changing

business environment surrounding the Target as stated in “(2) Background, Purpose and Decision-Making Process Leading to the Decision to Implement the Tender Offer” above and to achieve the aforementioned synergies, it will be most effective for the Company to make the Target its wholly-owned subsidiary and to build a mutual collaboration system that makes the best use of the uniqueness and superiority of the Target, thereby the Company Group and the Target jointly working to make speedier decisions through closer communication, enlarging their customer bases both in size and depth, and mutually utilizing their management resources (such as business and financial bases) at a higher level and without limits.

The Target determined that the Tender Offer would provide the Target’s shareholders with reasonable opportunities to transfer their shares of Target Stock, considering the following: (a) the Target Stock is not listed on a financial instruments exchange and the opportunities to transfer the same are limited; and (b) with respect to the Tender Offer Price (¥3,220 per share of the Target Stock), it is higher than the results of calculation under the comparable company analysis method and it is at a level near the median of the results of calculation under the DDM Method), as stated in “(II) Acquisition of Share Valuation Report by the Target from an Independent Third-party Valuation Organization” above, (c) measures to ensure the fairness of the Tender Offer have been taken, and sufficient care and thought have been put into the interests of minority shareholders of the Target, as stated in this section (“(5) Measures to Ensure Fairness of the Tender Offer”), (d) the price was proposed after the above measures to ensure fairness and to avoid conflicts of interest were taken, and as a result of the Target and the Company engaging in the same level of discussions and negotiations as in arm’s length transactions (more specifically, through sincere, continuous discussions and negotiations, taking into account, for example, the calculation results of the value of the Target Stock by KPMG FAS, discussions with the Special Committee, and legal advice of Kitahama Partners), and (e) the Special Committee has concluded in the Report that fairness and appropriateness have been procured, as stated in “(IV) Establishment of an Independent Special Committee, and Acquisition of Opinion (Report), by the Target” above.

Accordingly, the Target resolved at its board of directors meeting on February 12, 2021, to express an opinion supporting, and recommend that its shareholders tender in, the Tender Offer.

Among the 11 directors of the Target, the following directors did not participate in the deliberations or resolutions concerning the Transaction at any of the Target’s board of directors meetings including the above, or in the discussions or negotiations regarding the Transaction in the Target. This was to avoid potential conflicts of interest for the following reasons: (i) Mr. Satoshi Matsui, Vice President and Representative Director, had served as a Managing Executive Officer of the Company previously; (ii) Mr. Masaaki Murakami concurrently served as an advisor of the Company; (iii) Ms. Mari Morimoto concurrently served as Operating Officer and Deputy Director of Sales Division of the Prospective Tendering Shareholder; and (iv) Mr. Shigemi Ikushima, Audit and Supervisory Committee Member, had concurrently served as an auditor at the Prospective Tendering Shareholder previously.

In addition, Mr. Naoyuki Kenjo who is temporarily performing the duties of a director and Audit and Supervisory Committee Member (external director), assumed such office as of January 27, 2021, pursuant to a decision of the Osaka District Court dated January 27, 2021, due to a lack of the statutory number of Audit and Supervisory Committee Members because Mr. Takashi Kinoshita, who was a director and Audit and Supervisory Committee Member, passed away on December 29, 2021.

#### (VI) Measures to Ensure Purchase Opportunities for Other Purchasers

The Company has set 30 business days as the Tender Offer Period, which is longer than the minimum period of 20 business days provided by relevant laws and regulations. By setting such a comparatively long Tender Offer Period, the Company intends to ensure an appropriate opportunity to

allow the Target's shareholders to decide whether to tender their shares in the Tender Offer, and at the same time, to ensure opportunities for a potential purchaser other than the Company to make a competing offer and to ensure the fairness of the Tender Offer.

(6) Post-Tender Offer Reorganization Policy (Matters Regarding a So-Called Two-Step Acquisition)

As stated in “(1) Overview of the Tender Offer” above, if the Company fails to acquire all shares of the Target Stock through the Tender Offer, the Company plans to implement the Procedures to Make the Target a Wholly-owned Subsidiary in the following manner after consummation of the Tender Offer.

(I) Demand for the Sale of Shares

If, as a result of the consummation of the Tender Offer, the total number of voting rights of the Target owned by the Company is 90% or more of the number of voting rights of all the Target's shareholders, and the Company becomes a special controlling shareholder as prescribed in Article 179, paragraph (1) of the Companies Act, the Company will, promptly after completion of the settlement of the Tender Offer, demand that all shareholders of the Target (excluding the Company and the Target) sell all shares of the Target Stock owned by them, pursuant to the provisions in Part II, Chapter 2, Section 4-2 of the Companies Act (the “Demand for the Sale of Shares”). In the Demand for the Sale of Shares, the Company intends to prescribe that the same amount of money as the Tender Offer Price will be delivered to the Target's shareholders (excluding the Company and the Target) as the per-share value of the Target Stock.

In such a case, the Company will give the Target a notice to that effect and request the Target's approval to make the Demand for the Sale of Shares. If the Target approves the Demand for the Sale of Shares by a resolution of its board of directors, the Company will acquire from all of the Target's shareholders (excluding the Company and the Target) all shares of the Target Stock owned by them without the individual consent of the Target's shareholders on the date of acquisition specified in the Demand for the Sale of Shares in accordance with the procedures prescribed by the relevant laws and regulations. Thereafter, the Company intends to deliver to each of those shareholders, as the per-share value of the Target Stock owned by each of them, the same amount of money as the Tender Offer Price. According to the Target, if the Target is notified by the Company of its intention to make a Demand for the Sale of Shares and the matters set forth in each item of Article 179-2, paragraph (1) of the Companies Act, the Target intends to approve such Demand for the Sale of Shares at its board of directors meeting, on the condition that the value and other conditions are equivalent to those of the Tender Offer.

The part of the Companies Act designed to protect the rights of minority shareholders relating to the Demand for the Sale of Shares prescribes that the Target's shareholders (excluding the Company and the Target) may file a petition with a court to determine the sales price of the Target Stock owned by them, in accordance with Article 179-8 of the Companies Act, and other relevant laws and regulations. If such petition is filed, the court will ultimately determine the sales price of the Target Stock.

(II) Share Consolidation

If, following the consummation of the Tender Offer, the total number of voting rights of the Target owned by the Company is less than 90% of the number of voting rights of all the Target's shareholders, the Company will, promptly after the completion of the settlement of the Tender Offer, request that the Target hold its extraordinary shareholders' meeting (the “Extraordinary Shareholders' Meeting”) in or around late June 2021, in which proposals to be submitted will include: (i) a proposal to implement a consolidation of Target Stock in accordance with Article 180 of the Companies Act (the

“Share Consolidation”); and (ii) a proposal to make amendments to the Company’s Articles of Incorporation, including abolishing the share unit number clause, subject to the effectuation of the Share Consolidation. The Company intends to approve each of the proposals above at the Extraordinary Shareholders’ Meeting.

If the proposals concerning the Share Consolidation are approved at the Extraordinary Shareholders’ Meeting, the Target’s shareholders will, as of the effective date of the Share Consolidation, own the Target Stock in a number corresponding to the share consolidation ratio approved at the Extraordinary Shareholders’ Meeting.

If the Share Consolidation results in fractional shares that are less than one share, in accordance with the procedures set forth in Article 235 of the Companies Act and other relevant laws and regulations, the money to be obtained through the sale of Target Stock in a number equivalent to the sum of such fractional shares (if the sum of such fractional shares includes fractional shares less than one share, such fractional shares will be discarded; the same applies hereafter) to the Target or the Company will be delivered to the Target’s shareholders who have become entitled to such fractional shares as a result of the Share Consolidation.

With respect to the sale price of the Target Stock equivalent to the sum of such fractional shares, the Company will request that the Target file a petition with a court to permit the voluntary sale, after ensuring that as a result of such sale of fractional shares, the monetary amount delivered to Target’s shareholders who did not apply for the Tender Offer (excluding the Company and the Target) will be the same as the value obtained when the number of the Target Stock owned by each shareholder is multiplied by the Tender Offer Price.

Although the consolidation ratio of the Target Stock has not yet been decided as of today, the consolidation ratio will be determined in such manner that as a result of the Share Consolidation, the Target’s shareholders who did not apply for the Tender Offer (excluding the Company and the Target) will only hold fractional shares less than one share and therefore, the Company will exclusively hold all shares of the Target Stock.

The part of the Companies Act designed to protect the rights of minority shareholders relating to the Share Consolidation prescribes that if the Share Consolidation is implemented, and this results in fractional shares that are less than one share, the Target’s shareholders who did not apply for the Tender Offer (excluding the Company and the Target) may demand that the Target purchase all the fractional shares less than one share owned by them at a fair price, as well as demand that they may file a petition with a court to determine the purchase price of the Target Stock owned by them, in accordance with Articles 182-4 and 182-5 of the Companies Act and other relevant laws and regulations. As described above, in connection with the Share Consolidation, the Target Stock to be owned by Target’s shareholders who did not apply for the Tender Offer (excluding the Company and the Target Company) will be fractional shares less than one share. Therefore, the Target’s shareholders who oppose the Share Consolidation will be able to file a petition with a court to determine the purchase price of their Target Stock, in accordance with Articles 182-4 and 182-5 of the Companies Act and other relevant laws and regulations. If such petition is filed, the court will ultimately determine the purchase price of the Target Stock.

Implementing each procedure described in (I) and (II) above may take extra time, or implementation methods may change, depending on the status of amendments to, execution of, and interpretation by relevant authorities of, relevant laws and regulations.

Even in such a case, however, if the Tender Offer is completed, measures will be taken by which money will be ultimately delivered to the Target’s shareholders who did not apply for the Tender Offer (excluding the Company and the Target), and the monetary amount will be calculated to be the price

obtained when the number of Target Stock owned by the relevant Target's shareholders is multiplied by the Tender Offer Price.

The Target will promptly announce the specific procedures and implementation timing thereof in each situation described above, once they are determined.

Please note that the Tender Offer is not intended to persuade the Target's shareholders to approve the relevant proposals at the Extraordinary Shareholders' Meeting. Also, the Target's shareholders are each personally responsible for consulting with tax experts regarding the handling of taxes relating to applications for the Tender Offer, and each of the procedures described above.

(7) Possibility of Delisting and Reasons Therefor

As the Target is not a listed company, this is not applicable.

2. Overview of the Purchase

(1) Overview of the Target

(I) Company Name	ACE Securities Co., Ltd.																				
(II) Address	2 Chome 6-11 Honmachi, Chuo-ku, Osaka-shi																				
(III) Name and Position of the Representative	Yoshinobu Deguchi, President and Representative Director																				
(IV) Business	Financial Instruments Business Operator																				
(V) Capital Stock	¥8,831,125,000																				
(VI) Date of Incorporation	February 21, 1931																				
(VII) Major Shareholders and Shareholding Ratio (as of September 30, 2020)	<table> <tr> <td>1. Tokai Tokyo Financial Holdings Inc.</td><td>29.18%</td></tr> <tr> <td>2. FUJI SOFT INCORPORATED</td><td>26.97%</td></tr> <tr> <td>3. Leoplace21 Corporation</td><td>6.01%</td></tr> <tr> <td>4. ACE Securities Employee Shareholders' Association</td><td>5.42%</td></tr> <tr> <td>5. Resona Bank, Limited</td><td>3.69%</td></tr> <tr> <td>6. Rakuten General Insurance Co., Ltd.</td><td>1.95%</td></tr> <tr> <td>7. SHIZUOKA YAIZU SHINKIN BANK</td><td>1.24%</td></tr> <tr> <td>8. SUGIMURA WAREHOUSE CO., LTD.</td><td>1.06%</td></tr> <tr> <td>9. Custody Bank of Japan, Ltd. (Trust Account 4)</td><td>0.78%</td></tr> <tr> <td>10. Endeavor Partners Co., Ltd.</td><td>0.72%</td></tr> </table>	1. Tokai Tokyo Financial Holdings Inc.	29.18%	2. FUJI SOFT INCORPORATED	26.97%	3. Leoplace21 Corporation	6.01%	4. ACE Securities Employee Shareholders' Association	5.42%	5. Resona Bank, Limited	3.69%	6. Rakuten General Insurance Co., Ltd.	1.95%	7. SHIZUOKA YAIZU SHINKIN BANK	1.24%	8. SUGIMURA WAREHOUSE CO., LTD.	1.06%	9. Custody Bank of Japan, Ltd. (Trust Account 4)	0.78%	10. Endeavor Partners Co., Ltd.	0.72%
1. Tokai Tokyo Financial Holdings Inc.	29.18%																				
2. FUJI SOFT INCORPORATED	26.97%																				
3. Leoplace21 Corporation	6.01%																				
4. ACE Securities Employee Shareholders' Association	5.42%																				
5. Resona Bank, Limited	3.69%																				
6. Rakuten General Insurance Co., Ltd.	1.95%																				
7. SHIZUOKA YAIZU SHINKIN BANK	1.24%																				
8. SUGIMURA WAREHOUSE CO., LTD.	1.06%																				
9. Custody Bank of Japan, Ltd. (Trust Account 4)	0.78%																				
10. Endeavor Partners Co., Ltd.	0.72%																				
(VIII) Relation between the Listed Company and the Target																					
Capital Relation	As of today, the Company owns 1,455,000 shares (ownership ratio: 29.18%) of the Target Stock.																				
Personnel Relation	Mr. Tetsu Matsui, a director of the Target, was the Company's Managing Executive Officer; and Mr. Masaaki Murakami concurrently serves as advisor to the Company.																				
Business Relation	The Company Group supplies products to the Target.																				
Status as Related Party	The Target is an equity-method affiliate of the Company.																				

(Note) The "major shareholders" and "shareholding ratio" described above are stated similarly to those in the "2nd Quarterly Report for the 103rd Fiscal Year" submitted on November 12, 2020, by the Target.



(2) Schedule, Etc.

(I) Schedule

Resolution of Board of Directors Meeting	Friday, February 12, 2021
Date of Public Notice of Tender Offer Commencement	Monday, February 15, 2021
Name of the newspaper that carries the public notice	Public notice will be made electronically via the Internet, and a notice to that effect will be published in the Nihon Keizai Shimbun. (URL of the electronic notice: <a href="http://disclosure.edinet-fsa.go.jp/">http://disclosure.edinet-fsa.go.jp/</a> )
Filing date of Tender Offer Registration Statement	Monday, February 15, 2021

(II) Purchase Period Originally Specified in the Registration Statement

From Monday, February 15, 2021 through Monday, March 29, 2021 (30 business days)

(III) Possibility of Extension Upon Request of the Target

Not applicable

(3) Purchase Price

¥3,220 per share of common stock

(4) Basis for Valuation of the Purchase Price, Etc.

(I) Basis for Valuation

In deciding the Tender Offer Price, the Company retained Plutus as the third-party valuation organization independent of the Company, the Target, and the Prospective Tendering Shareholder to have the value of the Target's stock calculated. Plutus is not a related party to the Company, the Target or the Prospective Tendering Shareholder, and it does not own material interests in the Tender Offer.

After reviewing the calculation methods from among multiple share value analysis methods to be adopted in analyzing the share value of the Target Stock, Plutus calculated the value of the Target Stock by using the following methods: the comparable company analysis method (because it is possible to infer the share value of the Target Stock through comparisons with multiple listed companies comparable to the Target); and the DDM Method (a method used to assume the capital structure required for stable business operation by the Target and to analyze share values by discounting the income attributable to the shareholders (with retained earnings required to maintain the equity capital calculated based on that capital structure being taken into account) down to the present value by shareholder capital cost) in order to reflect the status of future business activities in the calculation). The Company then obtained the Share Valuation Report dated February 10, 2021 from Plutus. The Company has not obtained an evaluation from Plutus regarding the appropriateness of the Tender Offer Price (fairness opinion) from a financial perspective.

The results of calculation of the per-share value of the Target Stock calculated by Plutus are as follows:

Comparable company analysis method: ¥1,923 ~ ¥2,259

DDM Method: ¥2,450 ~ ¥3,546

Under the comparable company analysis method, Plutus calculated the share value of the Target through comparison with the market share prices and financial indicators (e.g., profitability). Using this methodology, the per-share value of the Target Stock was calculated to range from ¥1,923 to ¥2,259.

Under the DDM Method, Plutus calculated the share value of the Target by assuming the capital structure required for stable business operation by the Target after the fiscal year ending in March 2021 and discounting the income attributable to shareholders (with retained earnings required to maintain the equity capital calculated based on that capital structure being taken into account) down to the present value by shareholder capital cost, by assuming relevant factors, including the following: the profitability and investment plans in the business plan adopted by the Company and other publicly available information. Using this methodology, the per-share value of the Target Stock was calculated to range from ¥2,450 to ¥3,546.

Besides details of the Share Value Report obtained by Plutus and calculation results thereunder, the Company comprehensively considered the strategic significance of acquiring the Target Stock through the Tender Offer in line with the current mid-term management plan, synergies to be created between the Company and the Target, the results of due diligence on the Target, and the likelihood that the Target will resolve to express its support for the Tender Offer and to recommend that its shareholders tender their shares in the Tender Offer. Further, based on discussions and negotiations with the Prospective Tendering Shareholder, at its board of directors meeting held on February 12, 2021, the Company finally decided the Tender Offer Price per share of the Target Stock to be ¥3,220 per share.

## (II) Background of Valuation

As stated in “(2) Background, Purpose and Decision-Making Process Leading to the Decision to Implement the Tender Offer” of “1. Purpose of the Purchase” above, in mid-September 2019, in relation to the acquisition of the Target Stock through a tender offer in order to make the Target a wholly-owned subsidiary, the Company sounded out the Prospective Tendering Shareholder, the Target’s second largest shareholder, to see if it intended to sell the Target Stock. The Prospective Tendering Shareholder responded that it would sell the Target Stock at a price of ¥3,220 or more, and although the Company sounded out whether there was room to reduce that price by inferring the share value of the Target Stock compared with that of comparable listed companies and consulted with the Prospective Tendering Shareholder, the Prospective Tendering Shareholder did not change its stance. Therefore, in late October 2019, the Company decided on the principle of considering the Tender Offer Price aimed at approximately ¥3,220 expecting to make the Target its wholly-owned subsidiary to achieve maximum synergies. Thereafter, through discussions with the Prospective Tendering Shareholder, the Company became convinced that they could agree on a non-binding price of around ¥3,220; then, the Company submitted to the Target a proposal to make the Target its wholly-owned subsidiary in late January 2020 and conducted due diligence on the Target from early March 2020 until mid-October 2020, with some interruption from mid-June to late September to gauge the effects of COVID-19. Although it took a certain amount of time due to the effects

of COVID-19, the Company considered whether the price of ¥3,220 was an appropriate price, by comprehensively considering various factors, including the Target's financial standing, industrial trends, the strategic significance of acquiring the Target Stock through the Tender Offer in line with the current mid-term management plan, synergies to be created between the Company and the Target, and the results of due diligence on the Target, based on the fact that the Prospective Tendering Shareholder's response was that it would sell the Target Stock at a price of ¥3,220 or more and the Company needed to respect the Prospective Tendering Shareholder's intentions in order to successfully complete the Tender Offer. As a result, the Company did not find any fact that impaired the appropriateness of the per-share price of Target Stock being ¥3,220, and determined that the appropriate per-share price of Target Stock was ¥3,220. Then, in mid-November 2020, the Company confirmed with the Prospective Tendering Shareholder the principle of having discussions with the Target proposing the Tender Offer Price of ¥3,220. Thereafter, the Company comprehensively further considered various factors, including the fact that the Company discussed the Tender Offer Price with the Target, as stated below, based on the view of the Special Committee, and the Company reached an agreement on the Tender Offer Price of ¥3,220 with the Target on February 12, 2021, the fact that the price is within the range of the share price of the calculation results using the DDM method for the Target as analyzed in the Share Valuation Report obtained from Plutus, and the fact that it is likely that the Target will resolve to express its support for the Tender Offer and to recommend that its shareholders tender their shares in the Tender Offer, and then the Company agreed with the Prospective Tendering Shareholder on February 12, 2021, to keep the Tender Offer Price of ¥3,220 that was proposed to the Target on December 3, 2020, as set forth below.

On the other hand, after having confirmed with the Prospective Tendering Shareholder in mid-November 2020 the principle of having discussions with the Target by setting the Tender Offer Price at ¥3,220, the Company proposed to the Target on December 3, 2020 that the Tender Offer Price be ¥3,220. Based on the Special Committee's instruction to request and negotiate an increase in that price from the perspective of furthering the interests of minority shareholders to the maximum extent, the Target encouraged the Company on January 18, 2021 to reconsider the Tender Offer Price taking into account the interests of minority shareholders to the maximum extent, without suggesting a specific price. In response to this, on January 21, 2021, the Company conveyed its thoughts on the share valuation, explained to the Target that the Company had evaluated the Target Stock at the maximum, and proposed again that the Tender Offer Price be ¥3,220. Thereafter, the Target again encouraged the Company to reconsider a higher Tender Offer Price, without suggesting a specific price, based on the Special Committee's instruction to renegotiate a higher price in light of general shareholder interests. Despite this, on February 1, 2021, the Company again conveyed its thoughts on the share valuation and explained again to the Target that the Company had evaluated the Target Stock at the maximum. Then, the Company was informed by the Target that at the Special Committee meetings held on February 3 and 9, 2021, after examining the explanations from the Company and comprehensively taking into account the share prices of comparable companies as of February 10, 2021, the Special Committee determined that the Tender Offer Price had some rationality. Then, after comprehensively considering that the Tender Offer Price is the price confirmed with the Prospective Tendering Shareholder and is within the range of the share price of the calculation results using the DDM method for the Target analyzed in the Share Valuation Report, and that it is likely that the Target will resolve to express its support for the Tender Offer and to recommend that its shareholders tender their shares in the Tender Offer, the Company decided not to change the Tender Offer Price of ¥3,220 as proposed to the Target, and reached an agreement with the Target on February 12, 2021.

(A) Name of Third Party Whose Opinion Was Heard in the Valuation

In deciding the Tender Offer Price, the Company retained Plutus as the third-party valuation organization independent of the Company, the Target, and the Prospective Tendering Shareholder to have the value of the Target's stock calculated. Plutus is not a related party to the Company, the Target or the Prospective Tendering Shareholder, and it does not own material interests in the Tender Offer.

Plutus calculated the value of the Target Stock by using the comparable company analysis method and the DDM Method. The Company obtained the Share Valuation Report from Plutus on February 12, 2021. The Company has not obtained an opinion regarding the appropriateness of the Tender Offer Price from the financial viewpoint (fairness opinion) from Plutus.

(B) Overview of the Opinion

The results of calculation of the per-share value of the Target Stock calculated by Plutus are as follows:

Comparable company analysis method: ¥1,923 ~ ¥2,259

DDM Method: ¥2,450 ~ ¥3,546

(C) Process for Deciding the Tender Offer Price Based on the Opinion

Based on discussions and negotiations with the Prospective Tendering Shareholder, besides details of the Share Value Report obtained by Plutus and calculation results thereunder, the Company comprehensively considered various factors, including the strategic significance of acquiring the Target Stock through the Tender Offer, synergies to be created between the Company and the Target, the results of due diligence on the Target, and the fact that it is likely that the Target will resolve to express its support for the Tender Offer and to recommend that its shareholders tender their shares in the Tender Offer. Then, the Company determined that the appropriate price of one share of Target Stock would be ¥3,220. In the end, at its board of directors meeting held on February 12, 2021, the Company finally decided the Tender Offer Price per share of the Target Stock to be ¥3,220 per share.

As a result, the Company adopted a resolution at its board of directors meeting held on February 12, 2012, to implement the Tender Offer and entered into the Tender Agreement with the Prospective Tendering Shareholder on the same date.

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

As of today, the Target is not a consolidated subsidiary of the Company, and the Tender Offer does not constitute the purchase of a subsidiary by its controlling shareholder. However, the Company and the Target have taken the measures set forth in “(5) Measures to Ensure Fairness of the Tender Offer” of “1. Purpose of the Purchase” above with a view to ensuring the fairness of the Tender Offer Price and avoiding conflicts of interest, by considering the following: (i) the Company has made the Target its equity method affiliate by owning 1,455,000 shares of the Target Stock (ownership ratio 29.18%); (ii) the Company executed the Tender Agreement with the Prospective Tendering Shareholder (ownership ratio 26.98%); and

(iii) directors of the Target hold officer or other management positions at the Company or the Prospective Tendering Shareholder.

(III) Relationship with the Valuation Institution

Plutus, the third-party valuation institution for the Company, is not a related party to the Company, the Target and the Prospective Tendering Shareholder, and has no material interest to be stated in relation to the Tender Offer.

(5) Number of Shares to Be Purchased

Number of shares to be purchased	Minimum number of shares to be purchased	Maximum number of shares to be purchased
3,530,923 (shares)	1,869,000 (shares)	— (shares)

(Note 1) The “Number of shares to be purchased” is the maximum possible number of Target Stock to be acquired by the Company through the Tender Offer. This maximum number of shares (3,530,923 shares in total) is obtained by deducting the number of Target Stock owned by the Company as of December 31, 2020 (1,455,000 shares) as stated in the Target’s 3rd Quarterly Report for the 103rd Fiscal Year and the number of treasury shares owned by the Target (1,577 shares), from the total number of issued shares of the Target as of December 31, 2020 (4,987,500 shares), as stated in the Target’s 3rd Quarterly Report for the 103rd Fiscal Year.

(Note 2) If the total number of Tendered Shares is less than the minimum number of shares to be purchased (1,869,000 shares), none of the Tendered Shares will be purchased. If the total number of Tendered Shares is equal to or above the minimum number of shares to be purchased (1,869,000 shares), all of the Tendered Shares will be purchased.

(Note 3) Shares less than one unit are also targets of the Tender Offer. If shareholders exercise their right to demand a purchase of shares less than one unit in accordance with the Companies Act, the Target may purchase its own shares during the Tender Offer Period in accordance with the relevant laws and regulations.

(Note 4) There are no plans for the Company to acquire the treasury shares owned by the Target through the Tender Offer.

(6) Changes in the Share Ownership Ratio as a Result of the Purchase

Number of voting rights pertaining to shares owned by the Tender Offeror before the purchase	14,550 voting rights	(Share ownership ratio before the purchase: 29.18 %)
Number of voting rights pertaining to shares owned by specially related parties before the purchase	141 voting rights	(Share ownership ratio before the purchase: 0.28 %)
Number of voting rights pertaining to shares owned by the Tender Offeror after the purchase	49,859 voting rights	(Share ownership ratio after the purchase: 100.00 %)

Number of voting rights pertaining to shares owned by specially related parties after the purchase	— voting rights	(Share ownership ratio after the purchase: — %)
Total number of voting rights pertaining to shares owned by all shareholders of the Target (as of September 30, 2020)	49,827 voting rights	

(Note 1) The “number of voting rights pertaining to shares owned by the Tender Offeror after the purchase” is the number of voting rights (35,309 voting rights) pertaining to shares to be purchased through the Tender Offer (3,530,923 shares) including the “number of voting rights pertaining to shares owned by the Tender Offeror before the purchase” (14,550 voting rights).

(Note 2) The “number of voting rights pertaining to shares owned by specially related parties before the purchase” is the total number of voting rights pertaining to shares owned by specially related parties (excluding those specially related parties who are excluded from being a specially related party under Article 3(2)(i) of the Cabinet Office Order on Disclosure Required for Tender Offer for Share Certificates by Persons Other Than Issuers (Ministry of Finance Order No. 38 of 1990, as amended; the “Cabinet Office Order”) for the purpose of calculating the share ownership ratio under each item of Article 27-2(1) of the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the “Act”).

(Note 3) The “number of voting rights of all shareholders of the Target (as of September 30, 2020)” is the number of voting rights of all shareholders as of September 30, 2020, as stated in the Target’s 3rd Quarterly Report for the 103rd Fiscal Year. However, since shares less than one unit are subject to the purchase, for the purpose of calculating the “share ownership ratio after the purchase,” the number of voting rights (49,859 voting rights) pertaining to the number of shares of Target Stock (4,985,923 shares) obtained by deducting the number of treasury shares owned by the Target (1,577 shares) from the total number of issued shares (4,987,500 shares) as of December 31, 2020.

(Note 4) Regarding the “share ownership ratio before the purchase” and the “share ownership ratio after the purchase,” any fraction is rounded off to the third decimal places.

(7) Amount of Consideration for the Tender Offer

¥11,369,572,060

(Note) The amount of consideration for the Tender Offer is calculated by multiplying the number of shares to be purchased (3,530,923 shares) by the Tender Offer Price (¥3,220).

(8) Settlement Method

(I) Name and Main Office Location of Financial Instruments Business Operators, Banks, and Other Institutions Conducting Settlement of Purchases

Tokai Tokyo Securities Co., Ltd.  
4 Chome 7-1 Meieki, Nakamura Ku, Nagoya City, Aichi Prefecture, Japan

(II) Commencement Date of Settlement

Friday, April 16, 2021

### (III) Settlement Method

Promptly following expiration of the Tender Offer Period, notifications of the purchases through the Tender Offer will be mailed to the addresses of the tendering shareholders (or the addresses of standing proxies for foreign shareholders). Purchases are made in cash. At the tendering shareholders' instruction (or standing proxies' instruction for foreign shareholders) and promptly after commencement of the settlement procedures, proceeds of sales will be (i) remitted from the Tender Offer Agent to a bank account designated by the tendering shareholders (or standing proxies for foreign shareholders), or (ii) paid into an account of the tendering shareholders whose applications to tender their shares in the Tender Offer were accepted by the Tender Offer Agent.

Settlement procedures are commenced subject to completion of a name change entry in the shareholder registry of the shares purchased through the Tender Offer. Specifically, via the Tender Offer Agent, if necessary, (i) the Company will fix the total number of Tendered Shares promptly after the expiration of the Tender Offer Period and deliver a "request for name change entry" and a "share balance statement" regarding the shares purchased through the Tender Offer to the share registry administrator of the Target; (ii) upon the notice from the share registry administrator that the name change entry for the relevant shares has been completed, the Company will confirm the name change entry in the share registry regarding the shares purchased through the Tender Offer; and then (iii) the Company will commence settlement procedures on the date specified in "(II) Commencement Date of Settlement" above for the tendering shareholders for which the name change entry has been completed. If the "tender offer application form" or "request for name change entry" submitted to the Tender Offer Agent by a tendering shareholder is insufficient, and the share registry administrator cannot confirm completion of the name change entry by the date specified in "(II) Commencement Date of Settlement" above, the shares tendered by such tendering shareholder will not be purchased and thus settlement procedures for such tendering shareholder will not be commenced.

Further, it may take several days from the time when rights to the shares purchased by a tendering shareholder through the Tender Offer are transferred from the tendering shareholder to the Company (the time when the name change entry in (ii) above is completed) until the time the payment of proceeds of sales of the shares purchased through the Tender Offer has been commenced. This is due to paperwork required to be done because the Target is not a listed company and a share certificate-issuing company.

### (IV) Method of Return of Shares

Even if none of the Tendered Shares are purchased in accordance with the conditions described in "(I) Existence of Conditions Described in Each Item of Article 27-13(4) of the Act and Details Thereof" or "(II) Existence of Conditions for Withdrawal of the Tender Offer, the Details Thereof, and Method for Disclosing Withdrawal" of "(9) Other Conditions and Methods for Purchases" below, the "request for name change entry" and the "tender offer application form" will not be returned to the relevant tendering shareholders. Since the Target is not a share certificate-issuing company and does not issue any share certificates, there are no shares to be returned.

(9) Other Conditions and Methods for Purchases

(I) Existence of Conditions Described in Each Item of Article 27-13(4) of the Act and Details Thereof

If the total number of Tendered Shares is less than the minimum number of shares to be purchased (1,869,000 shares), none of the Tendered Shares will be purchased. If the total number of Tendered Shares is equal to or above the minimum number of shares to be purchased (1,869,000 shares), all of the Tendered Shares will be purchased.

(II) Existence of Conditions for Withdrawal of the Tender Offer, the Details thereof, and Method for Disclosing Withdrawal

If any of the circumstances set forth in Article 14(1)(i)(a) to (i) and (l) to (r), 14(1)(iii)(a) to (g) and (j), 14(1)(iv) and Article 14(2)(iii) to (vi) of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965, as amended, the “Order”) should arise, the Tender Offer may be withdrawn.

For the purpose of the Tender Offer, “facts equivalent to those set forth in (a) to (i)” set forth in Article 14(1)(iii)(j) of the Order means: (i) events where it is found that statutory disclosure documents previously filed by the Target contain a false statement about a material particular or omit a statement regarding a material particular that is required to be stated and (ii) events where any of the facts set forth in Article 14(1)(iii)(a) to (h) arise within a material subsidiary of the Target.

If the Tender Offer is withdrawn, an electronic public notice will be made; and a notice to that effect will be published in the Nihon Keizai Shimbun. However, if issuing the public notice by the last day of the Tender Offer Period proves difficult, an announcement will be made via the methods prescribed in Article 20 of the Cabinet Office Order; and a public notice will be issued immediately thereafter.

(III) Existence of Conditions for Reduction in the Purchase Price, the Details Thereof, and Method of Disclosing Such Reduction

In accordance with Article 27-6(1)(i) of the Act, if the Target engages in any of the actions described in Article 13(1) of the Order during the Tender Offer Period, the purchase price may be reduced in accordance with the standards provided in Article 19(1) of the Cabinet Office Order. If the purchase price is reduced, an electronic public notice will be made, and a notice to that effect will be published in the Nihon Keizai Shimbun. However, if issuing the public notice by the last day of the Tender Offer Period proves difficult, an announcement will be made via the methods prescribed in Article 20 of the Cabinet Office Order; and a public notice will be issued immediately thereafter. If the purchase price is reduced, purchases will be made at the newly reduced price even with respect to the Tendered Shares that were tendered on or before the date on which such public notice was made.

(IV) Matters Relating to Tendering Shareholders’ Right to Cancel Contract to Tender Shares

A tendering shareholder may cancel a contract regarding the Tender Offer at any time during the Tender Offer Period. When canceling the contract, please deliver or send a document indicating the intention to cancel the contract regarding the Tender Offer (“Cancellation Document”) with the receipt of the application for the Tender Offer to the head office or a domestic branch of the Tender Offer Agent who accepted the tender, no later than 4:00 p.m. on the last day of the Tender Offer Period. The cancellation of the



contract takes effect upon delivery of the Cancellation Document to the Tender Offer Agent or upon arrival thereof. Thus, if sending the Cancellation Document, the document must arrive at the Tender Offer Agent by 4:00 p.m. on the last day of the Tender Offer Period.

Party authorized to receive the Cancellation Documents  
Tokai Tokyo Securities Co., Ltd.  
4 Chome 7-1 Meieki, Nakamura Ku, Nagoya City, Aichi Prefecture, Japan  
(or other domestic branches of Tokai Tokyo Securities Co., Ltd.)

The Company will not seek payment of damages or penalties from any tendering shareholders who canceled their contract. Furthermore, any expenses associated with returning the Tendered Shares shall be borne by the Company.

(V) Disclosure Method Where Terms and Conditions of Purchase are Changed

Except when prohibited under Article 27-6(1) of the Act and Article 13 of the Order, the Company may change the purchase conditions during the Tender Offer Period. If the Company changes any purchase conditions, an electronic public notice will be made regarding such changes; and a notice to that effect will be published in the Nihon Keizai Shimbun. However, if issuing the public notice by the last day of the Tender Offer Period proves difficult, an announcement will be made via the methods prescribed in Article 20 of the Cabinet Office Order; and a public notice will be issued immediately thereafter. If the Company changes any purchase conditions, purchases of Tendered Shares will be made in accordance with the newly changed purchase conditions even with respect to Tendered Shares that were tendered in the Tender Offer on or before the date on which such public notice was made.

(VI) Disclosure Method Where an Amendment Statement is Submitted

If an amended statement is submitted to the Director-General of the Kanto Finance Bureau (excluding, however, the proviso contained in Article 27-8(11) of the Act), details indicated in the amended statement relating to the content described in the public notice for commencing the Tender Offer will be immediately announced via the methods prescribed in Article 20 of the Cabinet Office Order. Furthermore, the Company will immediately amend the tender offer explanation statement, and any tendering shareholders who have already received an original tender offer explanation statement will be provided with an amended version thereof. However, if the scope of the amendment is narrow, a document containing reasons for the amendment, the amended items, and the content following the amendment will be prepared; and such document will be sent to the tendering shareholders for the purpose of amending the previously provided tender offer explanation statement.

(VII) Disclosure Method for Results of the Tender Offer

The results of the Tender Offer will be publicly announced on the day following the last day of the Tender Offer Period in accordance with the methods prescribed in Article 9-4 of the Order and Article 30-2 of the Cabinet Office Order.

(VIII) Others

The Tender Offer will not be conducted, directly or indirectly, within or to the United States, or by the use of the U.S. postal service, or by other means or instrumentality (including but not limited to telephones, telexes, facsimile transmissions, e-mails and Internet communications) of interstate commerce or international commerce, or through any stock exchange facilities in the United States. No person may tender shares in the Tender Offer by such means or instrumentality or through such facilities, or from the United States. The Tender Offer Registration Statement or related purchase documents will not or shall not be sent or distributed by mail or other means within, to, or from the United States. Any tendering of shares in the Tender Offer in violation, directly or indirectly, of such restrictions will not be accepted. When tendering shares in the Tender Offer, the tendering shareholders (or standing proxies for foreign shareholders) may be requested to make the following representations and warranties to the Tender Offer Agent: (i) the tendering shareholder is not located in the United States at either the time of tendering its shares or sending the tender offer application form; (ii) the tendering shareholder has not, directly or indirectly, received or sent any information relating to the Tender Offer within, to or from the United States; (iii) the tendering shareholder has not, directly or indirectly, used the U.S. postal service, or any other means or instrumentality (including but not limited to telephones, telexes, facsimile transmissions, e-mails and Internet communications) of interstate commerce or international commerce, and it has not used stock exchange facilities in the United States in relation to the purchase or signing and delivering of the tender offer application form; and (iv) the tendering shareholder is not acting as an agent without discretionary power or as a depositary for another person (except where such other person gives all purchase instructions from outside the United States).

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

Monday, February 15, 2021

(11) Tender Offer Agent

Tokai Tokyo Securities Co., Ltd.  
4 Chome 7-1 Meieki, Nakamura Ku, Nagoya City, Aichi Prefecture, Japan

3. Post-Tender Offer Policies and the Future Outlook

(1) Post-Tender Offer Policies

For the post-Tender Offer policies, please refer to “(3) Post-Tender Offer Management Policy” of “1. Purpose of the Purchase” above.

(2) Future Outlook for Business Results

Any facts concerning the impact of the Tender Offer on the Company’s consolidated business results that should be disclosed are currently under scrutiny and will be promptly published if they arise.

#### 4. Other Information

##### (1) Existence and Details of Agreements Between the Tender Offeror and the Target or the Target's Officers

According to the Target, at the board of directors meeting held on February 12, 2021, the Target expressed its opinion to support the Tender Offer, and resolved to recommend that its shareholders tender their shares in the Tender Offer.

For details of the opinion regarding the Tender Offer and decision-making process of the Target, please refer to “(2) Background, Purpose and Decision-Making Process Leading to the Decision to Implement the Tender Offer” and “(5) Measures to Ensure Fairness of the Tender Offer” of “1. The Purpose of the Tender Offer”.

##### (2) Other Information Deemed Necessary for the Investors in Deciding Whether to Apply for the Tender Offer

According to the Target, it does not plan to pay year-end dividends for the fiscal year ended March 2021 on condition that the Tender Offer is successfully completed.

(End)