

November 20, 2020

Sumitomo Mitsui Finance and Leasing Company, Limited  
SMFL MIRAI Partners Company, Limited

**Notice Regarding Commencement of Tender Offer by Our Subsidiary**

We hereby announces that SMFL MIRAI Partners Investment 2 Co., Ltd., which is wholly owned by SMFL MIRAI Partners Company, Limited (Representative Director, President: Tatsurou Terada), which is wholly owned by Sumitomo Mitsui Finance and Leasing Company, Limited (Representative Director, President: Masaki Tachibana), determined today to acquire common stock in Kenedix, Inc. (securities code: 4321, listed on the First Section of the Tokyo Stock Exchange, Inc.), through a tender offer under the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended), as described in the Exhibit.

(Exhibit)

SMFL MIRAI Partners Investment 2 Co., Ltd.

“Notice Regarding Commencement of Tender Offer for Stock in Kenedix, Inc. (Securities Code: 4321),” dated November 20, 2020

(End of Document)

[Contact for inquiries regarding this matter]

03-5219-6334, Ozawa, Public Relations IR Office, Corporate Planning Department of Sumitomo Mitsui Finance and Leasing Company, Limited

November 20, 2020

Name of company:

SMFL MIRAI Partners Investment 2 Co., Ltd.

Name of representative:

Hiroyasu Komiya, Representative Director

**Notice Regarding Commencement of Tender Offer for Stock in Kenedix, Inc. (Securities Code: 4321)**

SMFL MIRAI Partners Investment 2 Co., Ltd., (the “Tender Offeror”) announces as below that, today, it determined to acquire common stock in Kenedix, Inc. (securities code: 4321, listed on the First Section of the Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”); the “Target Company”) (the “Target Company’s Stock”) through a tender offer (the “Tender Offer”) under the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the “Act”).

**1. Purpose of Purchase, Etc.**

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

The Tender Offeror is a corporation established on July 30, 2020 by SMFL MIRAI Partners Company, Limited (“FLMP”), a wholly-owned subsidiary of Sumitomo Mitsui Finance and Leasing Company, Limited (“SMFL”) (the Tender Offeror, SMFL, and FLMP are collectively referred to as the “Tender Offerors”), in order to ensure the mobility and flexibility in making the Target Company a private company while obtaining the Target Company’s Stock promptly and flexibly through the Tender Offer, and all of the issued shares of the Tender Offeror are owned by FLMP. The Tender Offeror holds 100 shares of the Target Company’s Stock (Ownership Ratio (Note 1): 0.00%) as of today, but SMFL and FLMP do not hold any Target Company’s Stock as of today.

(Note1) “Ownership Ratio” means the ratio to the number of shares calculated by subtracting the number of the treasury shares as of September 30, 2020 (i.e., 0 share) from the total number of issued shares of the Target Company as of September 30, 2020 (i.e., 220,581,200 shares) set forth in “Third Quarterly Report for the 26th Fiscal Year” (the “Target Company’s Third Quarterly Report”), as filed by the Target Company on November 10, 2020 (rounded off to the second decimal place; hereinafter the same shall apply to the calculation of the Ownership Ratio).

As described in the Target Company’s Third Quarterly Report, the stock owned by the Target Company as trust assets in accordance with the introduction of a stock ownership plan trust for officers and a stock ownership plan trust for employees (according to the Target Company, the number of shares owned by the Target Company as trust assets as of September 30, 2020 is

1,601,900 shares) are not included in “treasury shares.” Therefore, the number of “treasury shares” is the number of shares (i.e., 0 shares) calculated by subtracting the number of shares held by the Target Company with respect to the stock ownership plan trust as of September 30, 2020 (i.e., 1,601,900 shares) from the number of treasury shares at the end of the quarter as of September 30, 2020 (i.e., 1,601,900 shares) set forth in “Summary of Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2020 (Nine Months Ended September 30, 2020) [Japanese GAAP]”, as announced by the Target Company on November 9, 2020. The same shall apply hereinafter.

Today, the Tender Offeror decided to implement the Tender Offer as part of a series of transactions (the “Transactions”), which are premised on the Target Company’s Stock becoming delisted and the Target Company becoming a subsidiary of the Tender Offeror by acquiring all of the Target Company’s Stock listed on the First Section of the Tokyo Stock Exchange (excluding the Target Company’s Stock held by the Tender Offeror, the treasury shares held by the Target Company, and the Target Company’s Stock held by ARA REAL ESTATE INVESTORS XVIII PTE. LTD., the largest shareholder of the Target Company (it owns 44,705,900 shares of the Target Company’s Stock as of today; Ownership Ratio: 20.27%) (the “Major Shareholder”)) (the “Relevant Target Company’s Stock”), and limiting the number of shareholders of the Target Company to two companies, i.e., the Tender Offeror and the Major Shareholder, the largest shareholder of the Target Company. Today, SMFL entered into a capital and business alliance agreement (the “Capital and Business Alliance Agreement”) with the Target Company, which stipulates a business alliance between the two companies in the event the Tender Offer has been consummated, and thereunder they have agreed on the purposes of the capital and business alliance, the implementation of the Tender Offer, and making the Target Company a private company (“Going Private”) as a means of realizing the capital and business alliance, the policy and structure relating to the organization and management of the Target Company after the completion of Going Private, and the measures to enhance the enterprise value of the Target Company Group (as defined in “(2) Background, Purpose, and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and Management Policy after the Tender Offer” below). Today, SMFL also entered into a management entrustment agreement (the “Management Entrustment Agreement”) with Mr. Taisuke Miyajima, Representative Director of the Target Company, and Mr. Soushi Ikeda, Managing Director of the Target Company, respectively, with respect to the management of the Target Company following the completion of Going Private. For details of the Capital and Business Alliance Agreement and the Management Entrustment Agreement, please refer to “a. Capital and Business Alliance Agreement” and “b. Management Entrustment Agreement” of “(6) Matters concerning Material Agreement related to the Tender Offer” below, respectively.

In addition, today, in connection with the implementation of the Tender Offer, the Tender Offeror and SMFL entered into a shareholders agreement (the “Shareholders Agreement”) with the Major Shareholder and ARA Asset Management Limited (“ARA”), a wholly-owning parent company of the Major Shareholder, that stipulates to the effect that ARA shall cause the Major Shareholder not to tender any of 44,705,900 shares of the Target Company’s Stock held by the Major Shareholder (Ownership Ratio: 20.27%) (the “Non-Tendered Shares”) in the Tender Offer, as well as the type of business operations, etc., the Target Company will engage in after the Transactions. In the Shareholders Agreement, they agreed that, in the event any of the procedures set forth in “(4) Policy for Organizational Restructuring, Etc., after the Tender Offer (Matters relating to So-called ‘Two-step Acquisition’)” below (the “Squeeze-Out Procedures”) is implemented, the transfer of a portion of the Target Company’s Stock from the Tender Offeror to the Major Shareholder (the “Off-Market Trading”) in order to bring the shareholding ratio of the Tender Offeror and the Major Shareholder to 70% and 30%, respectively, or other necessary measures in order to realize the respective shareholding ratio stated above shall be implemented after the Target Company obtains the Prime Minister’s approval pursuant to the proviso of Article 24, Paragraph 1 of the Act with respect to the application for the suspension of the Target Company’s obligation to submit an Annual Securities Report. As described in “a. Background, Purpose, and Decision-Making Process Leading to the Decision to Implement the Tender Offer” of “(2) Background, Purpose, and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and Management Policy after the Tender Offer” below, in the discussions with ARA prior to the Tender Offer, ARA made a proposal to the Tender Offerors stating that ARA wished to increase the shareholding ratio of the Major Shareholder to 30% after the Transactions, in order to enable ARA to contribute in future to the enhancement of the enterprise value of the Target Company. Then, the Tender Offerors decided that, even if the shareholding ratio of the Major Shareholder becomes 30% after the Transactions, the enterprise value of the Target Company can still be expected not only to be enhanced as before but also to be even more enhanced through the cooperation with ARA, and that, considering the shareholder composition of the Target Company, it is desirable to establish a cooperative relationship with ARA in order to ensure that the Target Company’s Stock is delisted. Therefore, the Tender Offerors agreed to bring the shareholding ratio of the Tender Offeror to 70% and the shareholding ratio of the Major Shareholder to 30% after the Transactions. Since the Off-Market Trading is scheduled to be implemented after the total number of issued shares of the Target Company is decreased by the Share Consolidation (as defined in “(4) Policy for Organizational Restructuring, Etc., after the Tender Offer (Matters relating to So-called ‘Two-step Acquisition’)” below) in the Squeeze-Out Procedures, the price of the Off-Market Trading will be different from the price for purchase, etc., under the Tender Offer (the “Tender Offer Price”) when compared on a per share basis. However, such price will be determined in proportion to the ratio of the Share Consolidation and on the basis of the Tender Offer Price in order not to conflict with the purpose of the regulation on uniformity of the tender offer price (Article 27-2, Paragraph 3 of the Act), and will be substantially the same price as the Tender Offer Price.

For a summary of the Shareholders Agreement, please refer to “c. Shareholders Agreement” of “(6) Matters concerning Material Agreement related to the Tender Offer” below.

In the Transactions, the Tender Offerors and the Target Company will establish a new capital and business alliance to enhance the enterprise value of both group companies, and as part of such alliance, the Tender Offerors will make the Target Company a private company. By such measures, the Transactions aim to enhance the enterprise value of the Target Company Group, which is mainly engaged in real estate asset management, from a medium- to long-term perspective by promoting business based on the Target Company’s prompt and decisive decision-making and a close network with a wide range of stakeholders that the Target Company has cultivated since its foundation and to further expand the presence of SMFL’s real estate-related businesses by evolving the business model through the utilization of the Target Company Group’s know-how in SMFL Group, expanding the investment assets through the Target Company’s asset management business, and realizing complementary relations through differences in the asset class between the Target Company Group’s listed J-REIT and private placement funds, while making the maximum use of synergies between SMFL Group (324 subsidiaries and 14 affiliates (as of September 30, 2020)) and the Target Company Group after the Transactions. In the Capital and Business Alliance Agreement, SMFL and the Target Company agreed to maintain the management structure consisting of the Target Company’s current executive directors and executive officers after the consummation of the Tender Offer. In addition, in the Management Entrustment Agreement, SMFL agreed with Mr. Taisuke Miyajima, Representative Director of the Target Company, and Mr. Soushi Ikeda, Managing Director of the Target Company, respectively, that they continue to perform the duties as the Target Company’s management even after the completion of the Transactions. In light of each of these agreements, even after the completion of the Transactions, the Target Company will strive to enhance the enterprise value of both SMFL and the Target Company by making steady progress in implementing the specific measures that SMFL and the Target Company stipulated in the Capital and Business Alliance Agreement, while maintaining the mobility and innovativeness as an independent company (Note 2), which is the source of the competitiveness of the Target Company, and an open corporate culture.

(Note2) This refers to a company that does not belong to a capital relationship with major developers, etc.

In the Tender Offer, since the Tender Offeror intends to limit the number of shareholders of the Target Company to two companies, i.e., the Tender Offeror and the Major Shareholder, the Tender Offeror has set 102,348,200 shares (Ownership Ratio: 46.40%) as the minimum number of the shares to be purchased, and, if the total number of the share certificates, etc., tendered in response to the Tender Offer (the “Tendered Share Certificates, Etc.”), is less than such minimum number (i.e., 102,348,200 shares), the Tender Offeror will not purchase any of the Tendered Share Certificates, Etc. However, the Tender Offeror aims to acquire

all of the Relevant Target Company's Stock in the Tender Offer, and, therefore, has not set the maximum number of the shares to be purchased, and, if the total number of the Tendered Share Certificates, Etc., is equal to or greater than the minimum number, the Tender Offeror will purchase all of the Tendered Share Certificates, Etc.

The minimum number of shares to be purchased is the number of the Target Company's Stock (i.e., 102,348,200 shares) that is equivalent to the number of shares representing the number of voting rights (i.e., 1,023,482 units) obtained by (i) multiplying the number of voting rights (i.e., 2,205,812 units) pertaining to the total number of issued shares of the Target Company as of September 30, 2020 (i.e., 220,581,200 shares) set forth in the Target Company's Third Quarterly Report by two-thirds and (ii) subtracting from the result thereof (i.e., 1,470,542 units; rounded up to the nearest whole number) the number of voting rights (i.e., 1 unit) pertaining to the Target Company's Stock held by the Tender Offeror as of today (i.e., 100 shares) and the number of voting rights (i.e., 447,059 units) pertaining to the Target Company's Stock held by the Major Shareholder as of today (i.e., 44,705,900 shares). Such number of shares will exceed the number of shares (i.e., 87,937,601 shares) equivalent to a majority of the number of the shares (i.e., 175,875,200 shares) (so-called "majority of minority"), which is the total number of issued shares above (i.e., 220,581,200 shares), less the Target Company's Stock held by the Tender Offeror as of today (i.e., 100 shares) and the number of the Target Company's Stock held by the Major Shareholder as of today (i.e., 44,705,900 shares).

If the Tender Offeror fails to acquire all of the Relevant Target Company's Stock through the Tender Offer even though the Tender Offer has been consummated, the Tender Offeror plans to acquire all of the Relevant Target Company's Stock and make the Target Company's Stock delisted through implementing the Squeeze-Out Procedures after consummation of the Tender Offer.

According to the "Statement of Opinion on the Tender Offer for Kenedix Stock by SMFL MIRAI Partners Investment 2 Co., Ltd. and Recommendation for Tender, and Announcement of Capital and Business Alliance with Sumitomo Mitsui Finance and Leasing Company, Limited" (the "Target Company's Press Release") announced by the Target Company as of today, the Target Company resolved at its board of directors meeting held on the same day, to express an opinion to support the Tender Offer and to recommend that the shareholders of the Target Company tender their shares through the Tender Offer. For details of the process of the decision-making of the board of directors of the Target Company, please refer to "g. Unanimous Approval by All Non-interested Directors and No Dissenting Opinion of All Non-interested Statutory Auditors at the Target Company," of "(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" below.

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

## **Offer, and Management Policy after the Tender Offer**

### a. Background, Purpose, and Decision-Making Process Leading to the Decision to Implement the Tender Offer

On October 1, 2007, Sumisho Lease Co., Ltd., and SMBC Leasing Co., Ltd., which are the predecessors of SMFL, merged, with Sumisho Lease Co., Ltd., as the surviving entity and SMBC Leasing Co., Ltd., as the absorbed entity, and the trade name of the surviving entity was changed to Sumitomo Mitsui Finance and Leasing Company, Limited, the present trade name, on the same day. Since then, as the core platform for leasing business, which is positioned as a strategic joint business by Sumitomo Mitsui Financial Group, Inc. (“SMFG”) and Sumitomo Corporation, SMFL has been expanding its business against the background of fund raising capacity, etc., that is supported by sound financial base and external ratings. SMFL believes it is supported by high external ratings; such external ratings given to SMFL as of today include a long-term rating of AA by Japan Credit Rating Agency, Ltd., a long-term rating of A+ by Rating and Investment Information, Inc., and a long-term rating of A- by S&P Global Ratings Japan Inc. It believes that it has established itself as a leading company in the leasing industry so much that having the business portfolio of approximately 5.3 trillion yen in the fiscal year ended March 31, 2020.

On the other hand, while the traditional business in the Japanese economy continues to shrink due to the maturation of the industry and an aging society with a low birthrate, SMFL has sought to foray into new business areas in order to aim sustainable growth while strengthening existing businesses. As part of these efforts, FLMP was incorporated in October 2018 with the purpose of providing new services in each field of real estate, environmental energy, regional revitalization, social infrastructure, and healthcare, etc., based on the experience, knowledge, know-how, and performance that SMFL has cultivated over the years, and the business began full-scale operations in April 2019. The real estate business conducted by FLMP mainly consists of the real estate securitization business, REIT bridge business, and development-type real estate leasing business, etc. Subsequently, in July 2019, FLMP acquired shares in Max-Realty Inc., which provides consulting services, etc., related to management and operations of real estate, etc., and made it a consolidated subsidiary of FLMP to accelerate its expansion into new business areas.

In addition, SMFL upholds the strategic important themes of “enhancing financial solutions” and “expanding the business domain and building a new platform for growth” in “Medium-Term Management Plan (FY2020 to FY2022)” announced on May 14, 2020. To realize these themes, SMFL is working to strengthen its joint development and leasing business of real estate, which is a business targeting developers, etc., and aims risk-sharing and risk part-outs as part of its purpose, real estate management business, and operating business while combining the strengths of the group as a whole, and to build a real estate portfolio that contributes to stable earnings growth.

As such, SMFL has positioned the real estate business as one of its core businesses for sustainable growth and enhancement of the enterprise value and strengthened it.

According to the Target Company, the Target Company was established in April 1995 in Chiyoda-ku, Tokyo as Kennedy-Wilson Japan Co., Ltd., (renamed as Kenedix, Inc. in May 2005), as a base for the real estate business of Kennedy-Wilson, Inc. in Japan. The Target Company's stock was listed on the Osaka Stock Exchange's NASDAQ in February 2002, then listed on the Second Section of the Tokyo Stock Exchange in December 2003, and designated as shares listed on the First Section of the Tokyo Stock Exchange in December 2004. As a result of the integration of the spot markets between the Tokyo Stock Exchange and the Osaka Stock Exchange in July 2013, the Target Company is currently listed on the First Section of the Tokyo Stock Exchange.

As an independent real estate asset management company, the Target Company continues to grow by expanding its business in tandem with the expansion of the real estate securitization market, leveraging its strengths in flexible decision making, advanced initiatives to collaborate with the best partner, providing highly transparent services, and the organic combination of diverse and highly professional officers and employees attracted by them. As of today, the Target Company's group consists of the Target Company, 35 consolidated subsidiaries, and 16 equity-method affiliates (hereinafter collectively referred to as the "Target Company Group"), leading the real estate fund market as one of the Japan's leading independent real estate asset management companies with AUM (Note 1) of approximately 2,504.6 billion yen (as of the end of September 2020). The Target Company is engaged in (i) an asset management business that provides domestic and foreign real estate investors, who are clients of the Target Company Group, with investment opportunities and management services in real estate and other properties through REITs and private placement funds, (ii) a real estate management business that provides management services centered on real estate owned by funds for which the Target Company Group has undertaken asset management services, together with a real estate operation business through which the Target Company Group leases and operates buildings, and (iii) a real estate investment business that uses its own funds to make joint investments with client investors and temporary bridge investments for the formation of future funds.

(Note 1) "AUM" means an abbreviation for Assets Under Management.

Based on the Target Company's mission statement, "Kenedix is dedicated to realizing the full potential of real estate," the Target Company formulated its long-term vision, "Kenedix Vision 2025" in 2015, and has aimed at achieving AUM of 4 trillion yen, a group market capitalization of 2 trillion yen and an ROE of 15% through the implementation of the "Kenedix Model," which aims to avoid owning real estate by itself, create attractive real estate investment opportunities for its client investors, and provide real estate asset management services that are consistent from acquisition and investment to sales. At present, the Target



Company has achieved AUM of approximately 2,504.6 billion yen (as of the end of September 2020), a group market capitalization of approximately 754.6 billion yen (as of the end of September 2020), and an ROE of 11.2% (for the year ended December 2019), and will continue to work toward achieving its long-term vision. In addition, the Target Company formulated its medium-term management plan, “Partners in Growth, Next 2020” in 2018, and based on its basic policies of expanding its business domains centered on real estate asset management, promoting flexible and strategic investments, and developing new growth fields that reflect the changing times, the Target Company sets a quantitative plan of an ROE of at least 10% on average over 3 years and a total return ratio of at least 50% on average over 3 years. To date, the Target Company has achieved ROEs of 13.4% (for the year ended December 2018) and 11.2% (for the year ended December 2019), respectively, and total return ratios of 93.8% (for the year ended December 2018) and 56.5% (for the year ended December 2019), respectively. The Target Company will continue to strive for sustainable growth and medium- to long-term enhancement of enterprise value.

In addition, in the business environment surrounding the Target Company Group, amid ongoing accommodative monetary policies and a low interest rate environment, attention has increased in recent years to Japanese real estate as an investment product that can expect a certain level of yield. This trend has been increased in the wake of the global rapid recession due to the impact of spread of the new coronavirus infection (COVID-19), and competition to acquire real estate in the real estate market has been intensifying. Furthermore, the spread of COVID-19 has had a major impact on people’s behavior, resulting in a major change in the traditional way real estate is being handled, and at the same time, uncertainty in the real estate market has been increasing. On the other hand, the expansion of use of digital technology for real estate, so-called ReTech, has been progressing in recent years, and combined with the above-mentioned changes in the way real estate is handled, there is a possibility that the structural reform of real estate-related businesses will accelerate rapidly.

The Target Company believes that such a drastically changing business environment can increase business risks for the Target Company Group, but by proactively responding to such risks, it will provide a significant opportunity for growth of the Target Company. Under these circumstances, the Target Company believes that maximizing the Target Company Group’s enterprise values requires business decisions from a medium- to long-term perspective and, as a result, there may be a discrepancy between the timing of profit generation resulting from the Target Company’s future optimal business cycle and the return cycle expected by many of the Target Company’s shareholders.

Although the Target Company is proud that the Target Company Group has established a position as a leading company in the Japanese domestic real estate fund industry, the Target Company believes that the following

five initiatives are necessary in order to resolve the above-mentioned business issues, to maintain the Target Company Group's position as mentioned above, and to further enhance its enterprise value:

- (i) To evolve and develop the "Kenedix Model" that aims for sustainable growth by avoiding owning real estate by the Target Company itself and providing real estate asset management services to client investors;
- (ii) To expand the project pipelines (Note 2) to continue to provide client investors with attractive investment opportunities amid intensifying competition in the real estate market;
- (iii) To enhance the Target Company's creditworthiness, build stronger relationships with a wider range of investors and lenders to further increase its ability to raise investment funds, and lower its funding costs and the funding costs of REITs and funds managed by the Target Company to improve its competitiveness of property acquisitions;
- (iv) To make strategic investments from a medium- to long-term perspective in light of the development of advancedness through the expansion of ReTech in the real estate industry; and
- (v) To establish a stable shareholder composition and create a management environment that enables business reform from a medium- to long-term perspective in order to build new businesses, while keeping in mind the possibility that the spread of COVID-19 may change the way real estate is handled and real estate-related business.

(Note 2) This refers to the real estate acquisition opportunities and search information networks that form the basis of the origination of the investment projects.

The Target Company took the opportunity of significant changes in the global social and economic situations and the outlook for the business environment becoming unclear as mentioned above to review its business strategies beginning in early March 2020 in order to promote each of the above initiatives with a view to achieving AUM of 4 trillion yen as set forth in its long-term vision, "Kenedix Vision 2025." At the same time, the Target Company has begun exploring business partners that would contribute to its growth in the future and is considering the establishment of a capital relationship that intends to maximize synergies with such strategic partners.

In searching for a strategic partner, the Target Company considered the Target Company Group's current situation and business environment and emphasized the following five conditions from the perspective of contributing to the further enhancement of the Target Company Group's enterprise value:

(i) Respect for the “Kenedix Model”

Based on the recognition that the source of the Target Company’s competitiveness lies in the “Kenedix Model” that enables provision of attractive investment opportunities to client investors, flexible decision making, advanced initiatives in collaboration with the best partner and the provision of highly transparent services that are essential to implement the “Kenedix Model,” and in the organic combination of diverse and highly professional officers and employees attracted by the Target Company’s open-minded corporate culture, to respect its governance structure and management discretion that maintains the “Kenedix Model” and the Target Company’s independence and autonomy to the maximum extent possible.

(ii) Expansion of Project Pipelines Contributing to AUM Expansion

Amid intensifying competition for the acquisition of real estate in the current real estate and financial environment, to have their own project pipelines that contribute to the expansion of AUM, which is the business base of the Target Company’s main business, the real estate asset management business.

(iii) Improvement of Creditworthiness

In the event of the current financial environment being continued and competition in the business environment being expected to continue to intensify, to contribute to the further improvement of funding conditions, including the enhancement of funding capacity, which will enable the Target Company to engage in longer-term and larger-scale development projects and large-scale M&As that will differentiate the Target Company from other companies.

(iv) Collaboration in ReTech fields

With the aim of expanding the retail investor base in the real estate securitization market and considering the commercialization of the real estate investment platform business using security tokens, to be able to expect medium- to long-term collaboration and support for the promotion of new businesses.

(v) Realization of Stable Capital Policy

Based on the fact that a stable shareholder composition is required for the implementation of management strategies from a medium- to long-term perspective, to be able to build a medium- to long-term collaborative relationship and establish a collaboration structure for expanding the business of the Target Company Group through a strong capital relationship.

Against this background, SMFL was approached by the Target Company in early April 2020 regarding the possibility of the establishment of a strategic partnership structure that would take various capital policies as options, including the establishment of capital relationships which are premised on going private or maintaining listing. Since the establishment of the Target Company, SMFL and the Target Company have collaborated on various matters; for example, SMFL supported the managed funds of the Target Company through financing, and SMFL provided bridge functions and contributed real estate properties based on a support agreement with the managed REIT of the Target Company Group. According to the Target Company, the Target Company made the approach on the basis of the belief that SMFL could become a beneficial partner that could draw up a vision for the future in which the Target Company Group would be able to build a collaborative structure to expand its business by building closer relations than before, in light of the fact that SMFL satisfied the five aforementioned requirements for the Target Company as well as the trusting relationship they had cultivated through the past collaborations. In early April 2020, SMFL came to believe that promoting business collaboration with the Target Company would further solidify the business foundations of both companies in the real estate market, and, at the same time, it would lead to integration of the strengths that SMFL Group and the Target Company Group owned respectively, such as integration of the former's strength in the provision of leases of real estates and financing, etc., with the latter's strengths in real estate asset management and fund structuring, etc., and then, it would be possible to build a new growth foundation and fields that capture the changes of the environment targeted by both companies as medium-to long-term targets. Accordingly, SMFL began discussions with the Target Company in early April 2020 in order to explore the possibility of the establishment of a strategic partnership structure through the capital relationship, including going private. In order to commence discussions with the Target Company, SMFL appointed Nagashima Ohno & Tsunematsu as its legal advisor independent from SMFL, ARA, and the Target Company in late April 2020, SMBC Nikko Securities Inc. ("SMBC Nikko Securities"), as its financial advisor and third-party valuation institution independent from SMFL, ARA, and the Target Company in the middle of May 2020, and Goldman Sachs Japan Co., Ltd. ("Goldman Sachs Japan"), as its financial advisors independent from SMFL, ARA, and the Target Company in late July 2020, respectively. Although SMBC Nikko Securities, a financial advisor and a third-party valuation institution, is, just like the Tender Offerors, one of the group companies of SMFG, SMFL has appointed SMBC Nikko Securities as a financial advisor and a third-party valuation institution, taking into consideration the performance of SMBC Nikko Securities as a valuation institution, and in light of the fact that (i) the department that evaluates the share value of the Target Company's Stock in SMBC Nikko Securities and other departments therein, as well as SMFG, the parent company of SMBC Nikko Securities, have adopted prescribed measures to block the transfer of information between the departments as the preventive measures against adverse effects; (ii) as the Tender Offerors and SMBC Nikko Securities conduct transactions on the same terms and conditions with those for the ordinary business partners, the independence of SMBC Nikko Securities as the financial advisor and the

third party valuation institution is ensured; and (iii) SMBC Nikko Securities does not constitute a related party of the Target Company and there is no particular issue with respect to the Tender Offerors' requesting SMBC Nikko Securities to conduct the valuation of the share value of the Target Company's Stock.

Subsequently, from early April 2020 to late May 2020, SMFL had multiple interviews with the management of the Target Company, and, in order to deepen its understanding of the Target Company's business, conducted simple due diligence on the Target Company with the cooperation of the Target Company. As a result, in late May 2020, SMFL came to believe that by making maximum and mutual use of the management resources and know-how, etc., of both companies, it will be possible not only to expand existing businesses, but also to expect business synergies, including the creation of new businesses, and, at the same time, that, for the purpose of maximizing the enterprise value with further synergy effects, it is essential for SMFL to make the Target Company a wholly-owned subsidiary.

Based on this decision, on June 2, 2020, SMFL conducted an initial declaration of intent against the Target Company with respect to making the Target Company a wholly-owned subsidiary by SMFL Group (the "Initial Declaration of Intent").

On the other hand, as mentioned above, the Target Company received the Initial Declaration of Intent for the acquisition of the Target Company as a wholly-owned subsidiary by SMFL Group from SMFL on June 2, 2020. SMFL explained to the Target Company to the effect that SMFL believes that the acquisition of the Target Company as a wholly-owned subsidiary by SMFL Group will strengthen the capital relationship with SMFL, and will enable the Target Company to secure a stable source of funds, as well as that it will be possible to further expand business opportunities of the Target Company Group by leveraging SMFL Group's client base, information capabilities and portfolio in the real estate-related business. In addition, SMFL also explained to the Target Company that it believes that it can further expand its presence in the real estate-related business by advancing its business model through the use of Target Company Group's know-how, expanding its assets under management through the Target Company's asset management business, and realizing complementary relationships based on the asset class differences between the Target Company Group's listed J-REITs, private placement funds and SMFL. SMFL further explained to the Target Company that it believes that the organic combination of the Target Company Group's mobility and advancement as an independent enterprise and the diverse and highly professional officers and employees attracted by the Target Company's open-minded corporate culture are essential for the Target Company Group to maintain its leading position in the real estate asset management industry in the medium- to long-term, and that SMFL will retain as much discretion as possible in the management of the Target Company so that the Target Company can maintain this source of value even after becoming a wholly-owned subsidiary.

On that basis, the Target Company has discussed with SMFL repeatedly, and has come to the conclusion that SMFL not only fulfills the above-mentioned conditions for the Target Company, but also is a useful partner, with whom the Target Company has cultivated a trust relationship through collaboration in the areas of funding support for the Target Company's funds, the provision of a bridge function for REITs managed by the Target Company Group based on a support agreement and contribution of real estate properties, and the Target Company can draw up a future vision for building a collaboration system between the Target Company Group and SMFL Group for the business expansion of the Target Company Group by further deepening its relationship with SMFL.

Subsequently, SMFL began full-scale discussions and consideration with the Target Company regarding the acquisition of the Target Company as a wholly-owned subsidiary by SMFL Group, and, from early June 2020, started full-scale due diligence on the Target Company's business, finance, tax, and legal affairs (the due diligence was completed in late July 2020). Subsequently, additional financial due diligence was conducted from September 2020 and completed in early October 2020), while holding the interviews with the management and employees engaged in operation of the Target Company to further discuss and consider the significance of acquisition of the Target Company as a wholly-owned subsidiary by SMFL Group, governance and management policies after the acquisition, the synergies between both companies, and the future growth strategy for the Target Company Group.

After such discussions and consideration, SMFL and the Target Company Group has come to believe anew that, while there are existing business relationships between them in late July 2020, there was no capital relationship at present, and accordingly there are limitations in the management resources and knowledge that can be provided, and smooth mutual use of such management resources and knowledge could be hindered, and in order to maximize business synergies, both companies need to participate in the same group and build a strong cooperative relationship under a stable capital relationship. With respect to the capital relationship between the Tender Offerors and the Target Company Group, taking into consideration the facts including (i) through (iii) below, in late July 2020, the Tender Offerors have decided that it would contribute to the enhancement of the enterprise value of both companies to not only make the Target Company a consolidated subsidiary, but also to make it a wholly-owned subsidiary and build a stronger relationship therewith as a member of SMFL Group, and steadily conduct various measures after establishing a structure that can promptly and flexibly implement the necessary measures: (i) while it is considered important to balance the pursuit of short-term business results with the formulation and implementation of strategies from a medium- to long-term perspective in order to deepen the cooperative relationship between both companies, the companies can, with maintaining the above stated balance, strengthen their cooperative relationship under a stable management environment by eliminating the impact on the management execution caused by a temporary slump in the Target Company's stock price caused by external factors etc., or unintended changes

to the major shareholders of the Target Company, etc.; (ii) if the Target Company becomes a wholly-owned subsidiary, it would become possible to actively and flexibly invest management resources, and it can be expected that, through integrating the Target Company Group with SMFL Group, the creditworthiness and financial base thereof will be supplemented; (iii) the possibility cannot be denied that the costs required to maintain the listing of shares (costs related to the operation of the general meeting of shareholders and the consignment of administrative work to the share registrar, as well as the costs related to the continued disclosure of annual securities reports under the Financial Instruments and Exchange Act, etc.) would be a burden on the management of the Target Company.

The Target Company believes that it is important for the Target Company to grow dramatically by expanding business opportunities and improving its creditworthiness through its collaboration with SMFL while maintaining the independence and autonomy of the management of the Target Company, and the Target Company has determined that it is necessary to enter into the Capital and Business Alliance Agreement with SMFL based on the judgment that it is essential to further strengthen such medium- to long-term commitments and made an offer to SMFL in the middle of July 2020. In response to such proposal, SMFL commenced full-scale discussions on business management policies based on a capital and business alliance. Even after the submission of the Proposal Dated July 30 (as defined below) described below, the Tender Offerors and the Target Company have been engaged in a series of discussions and consideration toward generating synergies, including not only preparation of the concrete measures to strengthen the real estate businesses of both companies, but also establishment of the system and structure to ensure completion of such measures. In addition to SMFL's agreeing to respect the independence and autonomy of the management structure and management execution of the Target Company to the maximum extent, as mentioned above, SMFL and the Target Company concluded that it would contribute to the enhancement of the enterprise value of both companies' groups, to enter into a capital and business alliance, with the aim of further increasing the likelihood of synergies expected by mutually utilizing the management resources of both companies' groups, including the presence and the know-how that both SMFL, which had the strength in financing, etc., secured by its high creditworthiness, and the Target Company, which had the strength in real estate management business, had cultivated in their respective industries. Accordingly, as of today, SMFL and the Target Company entered into the Capital and Business Alliance Agreement.

In addition, in order to maintain and ensure the independence and autonomy of the management of the Target Company even after Going Private, the Target Company has determined that since the continued engagement in the management of the Target Company by Mr. Taisuke Miyajima, Representative Director, and Mr. Soushi Ikeda, Managing Director, even after completion of the acquisition of the Target Company as a wholly-owned subsidiary by SMFL Group will contribute to the enhancement of enterprise value of the Target Company, it is important for Mr. Taisuke Miyajima and Mr. Soushi Ikeda, respectively, to enter into

the Management Entrustment Agreement with SMFL in addition to the Capital and Business Alliance Agreement, and made an offer to SMFL in early August 2020. In response to this proposal, SMFL began considering the possibility and details of the management entrustment agreement like the Capital and Business Alliance Agreement. Subsequently, SMFL had been engaged in a series of discussions and consideration with respect to the Management Entrustment Agreement with Mr. Taisuke Miyajima and Mr. Soushi Ikeda and entered into the Management Entrustment Agreements respectively with Mr. Taisuke Miyajima and Mr. Soushi Ikeda as of today. For details of the Capital and Business Alliance Agreement and the Management Entrustment Agreement, please respectively refer to “a. Capital and Business Alliance Agreement” and “b. Management Entrustment Agreement” of “(6) Matters concerning Material Agreement related to the Tender Offer.”

The followings are the business synergies that the Tender Offerors have come to believe will be accomplished by making the Target Company a wholly-owned subsidiary:

(i) Strengthening REIT and Private Placement Fund Businesses

The Target Company is one of the largest domestic independent real estate asset management companies and, through management of three (3) J-REIT, the main investment targets of which are offices, housing, and commercial facilities, private REIT, and several private placement funds, realizes the stable incomes. By utilizing the experience, knowledge, know-how, presence, and track record of the real estate asset management business of the Target Company, it will become possible for the Target Company Group and SMFL Group to jointly establish the REIT targeting new asset class, and it will also become possible to securitize the investments in the real estate assets owned by the Target Company Group and SMFL Group. In addition, by utilizing the REIT bridge function provided by SMFL, strengthening the above-mentioned businesses, including enabling the establishment of an exit platform per asset class, will contribute to the expansion of AUM of the Target Company Group and will also lead to an increase in the income of the asset management business of the Target Company Group.

(ii) Supplementation of Creditworthiness and Enhancement of Fund Raising Capacity

The Tender Offerors believe that consolidating the Target Company Group as a member of SMFL Group will further supplement the creditworthiness and fund raising capacity, in addition to the current fund raising capacity of the Target Company Group. The Tender Offerors believe that this will not only contribute significantly to the stable expansion of AUM and the improvement of the performance of the Target Company Group under its independent management, but also enable



SMFL Group and the Target Company Group to work together to expand their real estate business initiatives further in the future, even in the current severe business environment.

(iii) Expansion of New Business Domains

The Target Company Group anticipates the future image of the real estate investment market, and is actively working on the expansion of new business domains in order to aim for further development. For the purpose of expansion of the private investor class, the Target Company Group is adding liquidity and simplicity to the real estate investment market and building a real estate platform business that utilizes security tokens. SMFL Group also intends to collaborate therewith toward materialization and realization of such business model by utilizing its management resources.

(iv) Strengthening Competitiveness by Sharing Experience, Knowledge, and Know-how through Mutual Exchange of Human Resources

The Tender Offerors intend, after the Target Company Group joins SMFL Group, by promoting further exchange of human resources by and between both companies, to promote the sharing and mutual use of the experience, knowledge, and know-how that are the source of the competitiveness that both companies have built up to now. By deepening the above measures, the Tender Offerors expect to further develop the real estate business, which SMFL is focusing on as a new business domain, by retaining and training the professional human resources of the real estate business, in addition to responding to the wide-range of needs of customers of both companies and creating new business domains.

(v) Sharing Know-how on SDGs Management

With the SDGs (Note 3) at the heart of their management, the Tender Offerors are working to resolve social issues in various regions all over the world. The Tender Offerors believe that, by effectively utilizing the management resources of both companies, such as human resources and management systems, it will become possible to drastically strengthen the management functions to fulfill their social responsibilities, which will lead to the realization of new growth.

(Note 3) “SDGs” means the abbreviation for the Sustainable Development Goals.

In light of the analysis and consideration based on the above due diligence, and the discussions between both companies, the Tender Offerors submitted, on July 30, 2020, to the Target Company their final declaration of intent (the “Proposal Dated July 30”) regarding the terms and conditions, including the tender offer price per

share of the Target Company's Stock in case of implementation of the Tender Offer, upon which the Tender Offer Price was proposed at 645 yen.

The Tender Offerors were subsequently requested by the Special Committee (as defined in "b. Decision-Making Process and Reasons, Leading to the Target Company's Decision to Agree to the Tender Offer" below; hereinafter the same), to reexamine the Tender Offer Price on August 24, 2020, on the ground that the Tender Offer Price of 645 yen, which had been proposed in the Proposal Dated July 30, was insufficient. Based on the above request by the Special Committee, the Tender Offerors reexamined the Tender Offer Price, and on August 25, 2020, the Tender Offerors re-proposed to the Special Committee that the Tender Offer Price be 680 yen. However, on August 31, 2020, the Special Committee again requested that the Tender Offer Price be raised, and on September 14, 2020, the Tender Offerors requested the Special Committee to provide an opportunity for discussion with the financial advisor of the Target Company, for the purpose of deepening their understanding of the Special Committee's thoughts on the Tender Offer Price, and held discussion with the financial advisor of the Target Company on September 15, 2020. Although, on September 23, 2020, the Tender Offerors re-proposed to the Special Committee that the Tender Offer Price be 720 yen, based on the above discussions and the advice from a financial point of view of SMBC Nikko Securities, the financial advisor of the Tender Offerors, on the same day, the Special Committee requested that the Tender Offer Price be reexamined. Again, based on the advice of SMBC Nikko Securities from a financial point of view, on September 29, 2020, the Tender Offerors re-proposed to the Special Committee that the Tender Offer Price be 740 yen. Subsequently, on October 23, 2020, the Special Committee requested that the Tender Offer Price be raised again. Accordingly, based on the advice of SMBC Nikko Securities from a financial point of view, on October 28, 2020, the Tender Offerors made a final proposal to the Special Committee that the Tender Offer Price be 750 yen. While there was a certain period between the price proposal dated September 29, 2020 and the price proposal dated October 28, 2020, this was due to, among others, the negotiation of the Capital and Business Alliance Agreement with the Target Company, the negotiation of the Management Entrustment Agreement with Mr. Taisuke Miyajima and Mr. Soushi Ikeda, and the approaches to the Major Shareholder to discuss tendering for the Tender Offer as described below.

Based on such discussions and negotiations, in addition to the valuation results indicated in the share valuation report concerning the share value of the Target Company's Stock provided to the Tender Offerors by SMBC Nikko Securities (the "Share Valuation Report (SMBC Nikko Securities)"), the Tender Offerors comprehensively reviewed several factors, such as the likelihood that the Target Company's board of directors would support the Tender Offer, the examples of premiums added in determining the prices for purchase, etc., in other tender offers conducted in the past for the purpose of making a target company a private company, the trend of the market price of the Target Company's Stock, the results of the due diligence on the Target Company conducted by SMFL from early June to late July 2020 (after the due diligence, an additional

financial due diligence was conducted from September 2020 and finished in early October 2020.), and the prospect of shares being tendered in the Tender Offer; and took into consideration the results of the discussions and negotiations with the Target Company. As a result, today, the Tender Offerors decided to implement the Tender Offer through the Tender Offeror with the Tender Offer Price at 750 yen, as part of the Transactions.

In addition, in parallel with the discussion between the Tender Offerors and the Target Company, in early October 2020, in light of the fact that the Major Shareholder holds more than 20% of the Target Company's Stock, for the purpose of confirming the intention of the Major Shareholder and ARA, the wholly-owning parent company of the Major Shareholder with respect to the Tender Offer, the Tender Offerors conveyed to the Major Shareholder and ARA that the Tender Offerors are considering implementing the Tender Offer and delisting the Target Company's Stock, and sounded out tendering by the Major Shareholder for the Tender Offer, after concluding a confidentiality agreement with the Major Shareholder and ARA. In response to this, in the middle of October 2020, ARA proposed that the Major Shareholder would like to maintain its position as a shareholder of the Target Company, in order to contribute, as a shareholder of the Target Company, together with the Tender Offerors, to the enhancement of the enterprise value of the Target Company. Given that ARA, based in Singapore, operates asset management businesses in various countries around the world, is well versed in global real estate market trends, and as an asset management company, it has its own unique global network, SMFL and the Target Company have determined that maintaining the Target Company's capital relationship with ARA as a strategy will further enhance the effect of the Target Company's going private through the Transactions, and will contribute to the enhancement of the enterprise value of the Target Company Group from a medium- and long-term perspective. Based on this judgment, the Tender Offerors began discussion, from late October 2020, on the assumption that the Tender Offeror and the Major Shareholder, both being shareholders of the Target Company, will hold 100% of the Target Company's Stock. In the above discussions, ARA proposed to increase the shareholding ratio of the Major Shareholder to 30% after the Transactions, in order to enable ARA to contribute in future to the enhancement of the enterprise value of the Target Company. As the Tender Offerors explained to ARA the status of the above discussions with the Target Company and the management policy after the Target Company's going private, and ARA is expected to give its approval on such basic policy, SMFL and the Target Company have decided that, even if the shareholding ratio of the Major Shareholder becomes 30% after the Transactions, the enterprise value can still be expected not only to be enhanced as described above but also to be even more enhanced through the cooperation with ARA, and that, considering the shareholder composition of the Target Company, it is desirable to establish a cooperative relationship with ARA in order to ensure that the Target Company's Stock is delisted. Furthermore, upon the premise that the Target Company will also be the party to the Shareholders Agreement immediately after the completion of the Squeeze-Out Procedures, ARA, SMFL and the Target Company commenced discussion, since the middle of November 2020, regarding the

relationship between the Capital and Business Alliance Agreement and the Shareholders Agreement. Through such discussion and consideration, SMFL and ARA agreed to operate the Target Company, after delisting the Target Company's Stock and bringing the shareholding ratio of the Tender Offeror to 70% and the shareholding ratio of the Major Shareholder to 30%, and, as of today, SMFL, the Tender Offeror, the Major Shareholder and ARA entered into the Shareholders Agreement, after confirming the terms and conditions of the Capital and Business Alliance Agreement and the Management Entrustment Agreement, as described in "c. Shareholders Agreement" of "(6) Matters concerning Material Agreement related to the Tender Offer" below.

b. Decision-Making Process and Reasons, Leading to the Target Company's Decision to Agree to the Tender Offer

According to the Target Company's Press Release, as described in "a. Background, Purpose, and Decision-Making Process Leading to the Decision to Implement the Tender Offer" above, the Target Company has started reviewing its business strategy from early March 2020 and, at the same time, started exploring business partners that would contribute to its growth in the future and considering the establishment of a capital relationship intended to maximize synergies with such strategic partner. In early April 2020, the Target Company sounded out SMFL about the possibility of establishment of a strategic partnership framework through various capital policies, including going private, and the Target Company has started consultations with SMFL on the possibility of the capital and business alliance with SMFL. Then, in late April 2020, Nomura Securities Co., Ltd. ("Nomura Securities") was appointed as a financial advisor and a third-party valuation institution independent from the Target Company, SMFL and ARA and Anderson Mōri & Tomotsune was appointed as a legal advisor, and in late May 2020, Greenhill & Co. Japan Ltd. ("Greenhill") was appointed as a financial advisor independent from the Target Company, SMFL and ARA. After receiving the Initial Declaration of Intent for the acquisition of the Target Company as a wholly-owned subsidiary by SMFL Group from SMFL on June 2, 2020, based on the recognition that the source of competitiveness of the Target Company Group lies in the "Kenedix Model" that enables the provision of attractive investment opportunities to client investors, flexible decision making as an independent enterprise that is essential to implement the "Kenedix Model," advanced initiatives in collaboration with the best partner and the provision of highly transparent services, and in the organic combination of diverse and highly professional officers and employees attracted by the Target Company's open-minded corporate culture, as well as in the independence and autonomy of the management to realize them, and the importance to maintain and ensure its management policy even after going private, the Target Company has determined to enter into the Capital and Business Alliance Agreement with SMFL on August 4, 2020 with respect to the management structure after consummation of the Tender Offer, and the Target Company has determined that it is also necessary for SMFL to enter into the Management Entrustment Agreement with Mr. Taisuke Miyajima,

Representative Director of the Target Company, and Mr. Soushi Ikeda, Managing Director of the Target Company, respectively. Accordingly, as described in “(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below, the Target Company has established a special committee (the “Special Committee”; for information about the composition and specific activities of the Special Committee, please refer to “d. Establishment of an Independent Special Committee and Obtaining of the Report by the Target Company” of “(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below) on June 11, 2020, as an advisory body to the Target Company to consider proposals relating to the acquisition of the Target Company as a wholly-owned subsidiary by SMFL Group, in order to take into consideration the impact on minority shareholders of the Target Company while ensuring the fairness of the Tender Offer Price, to eliminate the possibility of arbitrariness and conflicts of interest in the decision making process leading to the decision to implement the Tender Offer, and to ensure the fairness of the Tender Offer Price and the fairness of the acquisition of the Target Company as a wholly-owned subsidiary by SMFL Group, including the Tender Offer, taking into account that the Tender Offeror intends to make the Target Company its subsidiary, and that Mr. Taisuke Miyajima, Representative Director of the Target Company and Mr. Soushi Ikeda, Managing Director of the Target Company will respectively enter into the Management Entrustment Agreement with SMFL with respect to the Target Company’s management structure after consummation of the Tender Offer.

As described in “e. Obtaining of the Share Valuation Report and Fairness Opinion from an Independent Third-party Valuation Institution by the Special Committee” and “f. Obtaining of Advice from an Independent Law Firm Received by the Special Committee” of “(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below, the Special Committee appointed BofA Securities K.K. (“BofA Securities”) as a financial advisor independent from the Tender Offerors, ARA and the Target Company, and Mori Hamada & Matsumoto as a legal advisor.

In addition, the Target Company started formally considering the implementation of the acquisition of the Target Company as a wholly-owned subsidiary by SMFL Group upon receipt of the Proposal Dated July 30 from SMFL, and since it was decided that among the directors of the Target Company, Mr. Taisuke Miyajima, Representative Director and Mr. Soushi Ikeda, Managing Director would respectively propose on August 4, 2020 to SMFL to enter into the Management Entrustment Agreement and agree to continue to manage the Target Company even after the completion of the acquisition of the Target Company as a wholly-owned subsidiary by SMFL Group, Mr. Taisuke Miyajima and Mr. Soushi Ikeda have not participated in the consultations or negotiations with the Tender Offeror or SMFL on behalf of the Target Company since August 7, 2020, from the perspective of avoiding suspicion of conflict of interest, based on the legal advice provided by the Target Company’s legal adviser Anderson Mōri & Tomotsune, and with the approval of the Special

Committee. In addition, by resolution of the board of directors of the Target Company dated August 13, 2020, the Target Company has granted the Special Committee the authority to negotiate with SMFL and the Tender Offeror on the tender offer price and other terms and conditions for the acquisition of the Target Company as a wholly-owned subsidiary by SMFL Group.

Under the above-mentioned system, based on the contents of the share valuation report on the valuation results of the Target Company's Stock obtained from Nomura Securities as a third-party valuation institution and financial advisor (the "Share Valuation Report (Nomura Securities)") and the legal advice received from the Target Company's legal advisor Anderson Mōri & Tomotsune on the points to be noted in in relation to the decision making regarding the Transactions, including the Tender Offer, and while respecting the contents of the report submitted by the Special Committee to the maximum extent, the Target Company made careful discussions and considerations from the perspective of whether the Transactions contribute to the enhancement of enterprise value of the Target Company and whether the terms and conditions of the Transactions, including the Tender Offer Price, are appropriate.

On July 30, 2020, the Target Company received from SMFL the Proposal Dated July 30, which included the setting of a tender offer price of 645 yen per share. In addition, the Special Committee received a proposal on August 25, 2020 from SMFL to set the tender offer price at 680 yen per share, on September 23, 2020 to set the tender offer price at 720 yen per share, and on September 29, 2020 to set the tender offer price at 740 yen per share. To each such proposal, the Special Committee requested SMFL to reconsider the tender offer price, because the Special Committee determined, after making considerations based on the advices received from BofA Securities and Mori Hamada & Matsumoto, as well as the opinions of Nomura Securities, Greenhill and Anderson Mōri & Tomotsune, that the tender offer price did not fully reflect the Target Company's intrinsic value and synergies of the acquisition of the Target Company as a wholly-owned subsidiary by SMFL Group. Subsequently, the Target Company continued to make consultations and negotiations with SMFL through the Target Company's financial advisor and, as a result, on October 28, 2020, the Special Committee received a proposal from SMFL, including setting the Tender Offer Price of 750 yen.

During the course of the above-mentioned consultations and negotiations, the Target Company has reported to the Special Committee from time to time on important aspects and obtained its approval as necessary. Specifically, the Target Company has received from the Special Committee its confirmation and approval on the reasonableness of the contents, material assumptions and preparation process of the Business Plan (as defined in "b. Obtaining of the Share Valuation Report from an Independent Third-party Valuation Institution by the Target Company" of "(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" below; hereinafter the same), which was presented to SMFL and used as the basis for calculating the value of the Target Company's Stock

by Nomura Securities and BofA Securities. In addition, the Target Company responded to negotiations with SMFL in accordance with the negotiation policy discussed and determined in advance by the Special Committee and, whenever it received a proposal from SMFL with respect to the terms and conditions of the Transactions, including the Tender Offer Price and the details of the capital and business alliance, the Target Company immediately reported this to the Special Committee on a case-by-case basis and have taken actions in accordance with its instructions.

Today, the Target Company obtained a report from the Special Committee (the “Report”) to the effect that (1) the board of directors of the Target Company should state its opinion to agree to the Tender Offer and adopt a resolution to recommend shareholders of the Target Company to tender their shares in the Tender Offer; and (2) (a) the Special Committee believes it will not be disadvantageous to the minority shareholder of the Target Company that the board of directors of the Target Company states its opinion to agree to the Tender Offer and resolves to recommend shareholders of the Target Company to tender their shares in the Tender Offer, and (b) the implementation of the share consolidation, which is scheduled to be implemented after the consummation of the Tender Offer and expected to be accompanied by delisting, and in which shareholders of the Target Company will be limited exclusively to the Tender Offeror and the Major Shareholder, is not disadvantageous to the minority shareholders of the Target Company (for information on the overview of the Report, please refer to “d. Establishment of an Independent Special Committee and Obtaining of the Report by the Target Company” of “(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below).

In addition, SMFL and the Target Company have engaged in consultations and negotiations for the implementation of the Transactions on the assumption that the Target Company’s fair enterprise value, which is not affected by the market share price situation, will be valued by taking into account the recent trend of share prices of the Target Company’s Stock, although the stock market’s volatility has increased since late February 2020 following the global spread of COVID-19.

As a result, as described in “a. Background, Purpose, and Decision-Making Process Leading to the Decision to Implement the Tender Offer” above, the Target Company has concluded today that the Tender Offeror will respect the Target Company’s corporate culture and management style and, while it is essential for the Target Company to continue to obtain AUM in a stable manner in order to continue to grow sustainably in a business environment where competition is expected to be more severe as stated above, by implementing the Transactions and becoming a subsidiary of the Tender Offeror, the Target Company will be able to anticipate the benefits described below, strengthen its profit base and business competitiveness, and contribute to the sustainable improvement of its enterprise value in the medium- to long term.

Furthermore, the Target Company also believes that the best way to maximize the enterprise value within the Target Company Group is to build strong relationships with SMFL while maintaining the “Kenedix Model,” which is the source of the Target Company Group’s competitiveness, and the independence of its management. The Target Company has determined that upon agreement under the Capital and Business Alliance Agreement between SMFL and the Target Company to maintain the Target Company’s management structure of the current executive directors and executive officers even after the consummation of the Tender Offer and upon agreement under the Management Entrustment Agreement between SMFL and Mr. Taisuke Miyajima and Mr. Soushi Ikeda that Mr. Taisuke Miyajima and Mr. Soushi Ikeda will continue to be in the management of the Target Company even after the completion of the Transactions, it will be possible to enhance the enterprise value of both the Target Company and SMFL by steadily implementing the specific measures set forth in the Capital and Business Alliance Agreement, while maintaining, even after the completion of the Transactions, flexibility and advancedness as an independent enterprise and an open-minded corporate culture that are the source of competitiveness of the Target Company.

Therefore, the Target Company has concluded that by implementing the Transactions and limiting the shareholders of the Target Company to the Tender Offeror and the Major Shareholder, it is expected that the Target Company will be able to enjoy the following benefits, which will strengthen its profit base and business competitiveness of the Target Company, and contribute to the sustainable enhancement of the Target Company’s enterprise value over the medium- to long term.

- ( i ) Support for Growth toward AUM of 4 Trillion Yen (in 2025) as Set Forth in Our Long-term Vision “Kenedix Vision 2025”

The Target Company formulated its long-term vision, “Kenedix Vision 2025” in 2015, and the Target Company’s business goal is to achieve AUM of 4 trillion yen through the implementation of the “Kenedix Model,” which aims to avoid owning real estate by itself and to own real estate through funds organized and operated by the Target Company Group. However, attention has increased to Japanese real estate as an investment product that can expect a certain level of yield due to impacts including those from a globally continued low interest rate policy in recent years, and competition to acquire real estate has been intensifying. The Target Company believes that the execution of the Transactions and expansion of project pipelines through the securitization of properties owned and developed by SMFL Group and utilization of SMFL Group’s information network will contribute to achieve AUM of 4 trillion yen as set forth in the “Kenedix Vision 2025.”

- ( ii ) Improvement of Creditworthiness and Fund-Raising Ability



Amid intensifying competition to acquire real estate, the Target Company Group needs to improve its creditworthiness and fund-raising ability in order to achieve sustainable growth. In addition, the Target Company Group believes that by implementing the Transactions, the Target Company Group will strengthen its fund-raising ability through enhancing the capital relationship with SMFL Group and supplementing the creditworthiness of the Target Company. Furthermore, the Target Company also believes that through improving the Target Company Group's creditworthiness and fund-raising ability, the funds and REITs operated by the Target Company Group will also improve the creditworthiness and fund-raising ability.

(iii) Support for Implementation of New Business

The expansion of ReTech has forced real estate-related businesses to change, and there is a growing need to build new business. While the Target Company is engaged in the real estate transaction platform business using security tokens, the Target Company believes that the Target Company will be able to strengthen such efforts by coordinating with SMFL Group.

(iv) Acceleration of Overseas Business Development and Expansion of Foreign Client Investors

By collaborating with ARA, which operates an asset management business in 28 countries around the world and has a global business platform, the Target Company believes that the Target Company will be able to accelerate the organization of outbound funds for domestic client investors using overseas real estate and expand the base of foreign client investors in the fund organization using domestic real estate. Furthermore, the Target Company believes that the utilization of ARA's investor network as well as its capabilities to develop (originate) real estate investment projects and its management capabilities and structure on a global basis will further strengthen its real estate fund business outside of Japan.

(v) Strengthening of SDGs Management

There is a need for SDGs management, which aims to enhance enterprise value by contributing to the resolution of social issues necessary to build a sustainable society. The Target Company believes that it is possible to radically strengthen the Target Company's business management functions to fulfill the Target Company's social responsibilities by utilizing the SDGs management's know-hows of SMFL Group, which is working to resolve social issues in each region of the world, placing SDGs at the center of its management.

In addition to the above benefits, the Target Company believes that the realization of Going Private through the Transactions will eliminate the management burden required of a listed company, such as expenses for

maintaining its administrative division, and will allow the Target Company to concentrate its management resources on business growth, thereby contributing to the enhancement of its enterprise value.

Based on these points, the Target Company believes that making the best use of SMFL Group's solid customer base and other platforms and strengthening cooperation with ARA at the same time will improve the Target Company's competitiveness and further enhance transaction opportunities, etc., and that the Transactions will make a significant contribution to achieving AUM 4 trillion yen (in 2025) as set forth in the Target Company's long-term vision, "Kenedix Vision 2025." In order to realize the above advantages to the maximum extent, the Target Company believes that it is important to develop a decision-making system that can swiftly implement various measures to solve the Target Company's business issues and promptly make the maximum use of the management resources and know-how of SMFL Group. In this regard, if the Target Company does not consider that the shareholders of the Target Company consist exclusively of the Tender Offeror and the Major Shareholder, the speed and scope of implementation of various measures will naturally be limited compared to the case where the Target Company's Stock is delisted and the shareholders of the Target Company consist exclusively of the Tender Offeror and the Major Shareholder. In addition, in order to implement discontinuous measures to achieve business growth of the Target Company, there is a possibility of a short-term decline in business performance, etc., and the Target Company believes that implementing these measures while it remains listed will increase the risks borne by shareholders of the Target Company. Based on these considerations, the Target Company has decided today that eliminating the above-mentioned risks through Going Private and promptly realizing and maximizing mutual utilization of management resources and know-hows, etc. with SMFL Group and ARA pursuant to the capital and business alliance is the best option from the viewpoint of enhancement of the Target Company's enterprise value, and that it can be expected that the feasibility of the Target Company's growth strategy will be further enhanced.

In addition, (a) based on the valuation results of the value of the Target Company's Stock by Nomura Securities as described in "b. Obtaining of the Share Valuation Report from an Independent Third-party Valuation Institution by the Target Company" of "(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" below, the Tender Offer Price is higher than the upper limit of the valuation results based on the market price method and the comparable peer company method and within the range of value based on the discounted cash flow method (the "DCF method"); (b) the Tender Offer Price represents a premium of 26.48% (rounded off to two decimal places; the same applies hereinafter to the value of premium (%) on share price) to 593 yen, the closing price of the Target Company's Stock on the First Section of the Tokyo Stock Exchange on November 19, 2020, which is the business day immediately prior to today, a premium of 32.04% to 568 yen, which is the simple average of the closing prices for the preceding one month (rounded off to the nearest whole number; the same applies hereinafter to the simple average closing prices), a premium of 36.61% to 549 yen,

which is the simple average of the closing prices for the preceding three months and a premium of 39.93% to 536 yen, which is the simple average of the closing prices for the preceding six months, and the expected level of premium based on the average for each of the preceding one month, three months and six months is between the middle and upper half of the 30% range, and so it is considered that the premium on the Tender Offer Price is comparable to the level of premium in other tender offer cases aimed at going private; (c) it is deemed that, in determining the Tender Offer Price, measures have been taken to ensure fairness and to avoid conflict of interest as described in “(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest”, and consideration has been given to the interests of minority shareholders; and (d) the price was determined after taking the above-mentioned measures to ensure fairness and to avoid conflict of interest followed by the holding of discussions and negotiations between the Tender Offeror and the Target Company equivalent to those at arm’s length. In view of these and other facts, today, the Target Company determined that the Tender Offer would provide the shareholders of the Target Company with a reasonable opportunity to sell their shares.

In consideration of the foregoing, at the meeting of the board of directors held today, the Target Company resolved to state its opinion to agree to the Tender Offer and to recommend that the shareholders of the Target Company tender their shares in the Tender Offer. For the details of the resolution at the meeting of the board of directors of the Target Company, please refer to “g. Unanimous Approval by All Non-interested Directors and No Dissenting Opinion of All Non-interested Statutory Auditors at the Target Company” of “(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest.”

c. Management Policy after Implementation of the Tender Offer

While under the “Medium-Term Management Plan (FY2020 to FY2022),” SMFL is promoting the enhancement of existing business and management foundations, entering into new business domains and taking various measures to strengthen further profitability and build a foundation for growth, SMFL positions the business of the Target Company as one of the core businesses of SMFL Group.

SMFL, as mentioned above, recognizes that the source of the enterprise value of the Target Company Group lies in the flexible decision making as an independent enterprise, advanced initiatives in collaboration with the best partner and the provision of highly transparent services, and in the organic combination of diverse and highly professional officers and employees attracted by the Target Company’s open-minded corporate culture, as well as in the independence and autonomy of the management to realize them, and that it is important to maintain and secure such management policy after Going Private. Based on such recognition, and pursuant to the Capital and Business Alliance Agreement, SMFL agrees to support the management policy and business strategy of the management of the Target Company and respect the independence and

autonomy of the management system and management execution of the Target Company Group to the maximum extent. As described in “a. Capital and Business Alliance Agreement” of “(6) Matters concerning Material Agreement related to the Tender Offer,” SMFL and the Target Company are steadily implementing the specific measures set forth in the Capital and Business Alliance Agreement, and will strive to increase the enterprise value of both companies. In addition, though SMFL plans to nominate the director candidates, so that the persons to be dispatched by SMFL will constitute a majority of the board of directors of the Target Company after the completion of the Transactions, SMFL and the Target Company have agreed, under the Capital and Business Alliance Agreement, to maintain the current management structure in relation to the executive directors and executive officers of the Target Company after the consummation of the Tender Offer. Moreover, the Major Shareholder plans to dispatch a non-executive director of the Target Company.

In addition, as described in “b. Management Entrustment Agreement” of “(6) Matters concerning Material Agreement related to the Tender Offer” below, SMFL has entered into the Management Entrustment Agreement with Mr. Taisuke Miyajima, Representative Director and Mr. Soushi Ikeda, Managing Director of the Target Company respectively and agreed to continuously engage them in the management of the Target Company after the completion of the Transactions.

In addition, SMFL plans to maintain the terms and conditions of the employment of employees of the Target Company Group at the level equivalent to the current terms and conditions thereof. Also, for the purpose of retention and improvement of the motivation of officers and employees of the Target Company Group, SMFL is considering the introduction of stock options and other incentive plans that are linked to the enterprise value or performance of the Target Company Group, and is going to establish a system to enhance enterprise value.

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

As of today, the Tender Offerors do not hold any shares of the Target Company’s Stock, except for 100 shares of the Target Company’s Stock held by the Tender Offeror, and the Tender Offer does not constitute a tender offer that falls under the “significant transactions, etc., with controlling shareholders” stipulated in the code of conduct of the Tokyo Stock Exchange. In addition, it is not anticipated that all or a part of the management of the Target Company will invest directly or indirectly in the Tender Offeror, and the Transactions, including the Tender Offer, will not constitute a so-called management buyout (MBO) (Note). Nevertheless, in light of the fact that (i) the Tender Offerors intend to make the Target Company a subsidiary and delist the Target Company’s Stock, and (ii) although the Transactions do not constitute a so-called management buyout (MBO) as stated above, it is agreed with SMFL under the Management Entrustment Agreement that Mr. Taisuke Miyajima, Representative Director, and Mr. Soushi Ikeda, Managing Director

of the Target Company, will continue to be engaged in the management of the Target Company even after consummation of the Tender Offer, and in consideration of the impact on minority shareholders of the Target Company, the following measures were taken to ensure the fairness of the Tender Offer Price and to eliminate the risk of arbitrariness and possibility of conflicts of interest in the decision-making process leading to the decision to implement the Tender Offer. With respect to the following statements, those regarding the measures implemented by the Target Company are based on the Target Company's Press Release and the explanation given by the Target Company.

(Note) "Management Buyout (MBO)" is a transaction in which a tender offeror is an officer of the target company or in which the tender offeror is a person who conducts a tender offer at the request of the officers of the target company and who shares common interests with the officers of the target company.

a. Obtaining of the Share Valuation Report from an Independent Third-party Valuation Institution by Tender Offerors

In order to ensure the fairness of the Tender Offer Price, in determining the Tender Offer Price, the Tender Offerors requested SMBC Nikko Securities, acting as a third-party valuation institution that is independent from the Tender Offeror, ARA, and the Target Company, to evaluate the share value of the Target Company's Stock, and obtained such evaluation. Although SMBC Nikko Securities is, just like the Tender Offerors, one of the group companies of SMFG, the Tender Offerors have requested SMBC Nikko Securities to conduct the valuation of the Target Company's Stock, taking into consideration the performance of SMBC Nikko Securities as a valuation institution, and in light of the fact that (i) the department that evaluates the share value of the Target Company's Stock in SMBC Nikko Securities and other departments therein, as well as SMFG, the parent company of SMBC Nikko Securities, have adopted prescribed information blocking measures as the measures to prevent adverse effects; (ii) as the Tender Offerors and SMBC Nikko Securities conduct transactions on the same terms and conditions with those for the ordinary business partners, the independence of SMBC Nikko Securities as the third party valuation institution is ensured; and (iii) SMBC Nikko Securities does not constitute a related party of the Target Company and there is no particular issue with respect to the Tender Offerors' requesting SMBC Nikko Securities to conduct the valuation of the Target Company's Stock.

For the outline of the Share Valuation Report (SMBC Nikko Securities) concerning the share value of the Target Company's Stock provided to the Tender Offerors by SMBC Nikko Securities, please refer to "a. Basis of Calculation" of "(4) Bases, Etc. of Calculation of Price for Purchase, Etc." of "2. Outline of Purchase, Etc."

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

According to the Target Company's Press Release, the Target Company requested Nomura Securities, the third-party valuation institution independent from the Target Company, the Tender Offerors and ARA, to evaluate the value of the Target Company's Stock as a measure to ensure fairness in considering the Tender Offer Price proposed by the Tender Offeror and in stating its opinion to agree to the Tender Offer and recommending the shareholders of the Target Company to tender their shares, and obtained the Share Valuation Report (Nomura Securities) from Nomura Securities as of November 19, 2020. Nomura Securities is not a related party of the Target Company, Tender Offerors or ARA, and does not have any material interest in relation to the Transactions including the Tender Offer.

In addition, Nomura Securities' fees for the Transactions include a contingency fee to be paid contingent upon the consummation of the Tender Offer. The Target Company has determined that the inclusion of a contingency fee to be paid contingent upon the consummation of the Tender Offer does not negate its independence, taking into account the prevailing business practices for similar transactions and the appropriateness of a fee structure that would impose a reasonable financial burden on the Target Company in the event that the Transactions fail to close, and thus have appointed Nomura Securities as its financial advisor and third-party valuation institution under the fee structure described above.

After considering the valuation methods in the Tender Offer, Nomura Securities evaluated the value of the Target Company's Stock using the average market price method since the Target Company's Stock is listed on the First Section of the Tokyo Stock Exchange, the comparable peer company method since there are listed companies comparable to the Target Company and it is possible to infer the share value of the Target Company's Stock by comparison with similar companies, and the DCF method in order to reflect the future status of business activities in the valuation, and the Target Company has obtained the Share Valuation Report (Nomura Securities) from Nomura Securities as of November 19, 2020. The Target Company has not obtained an opinion on the fairness of the Tender Offer Price (a fairness opinion) from Nomura Securities.

According to Nomura Securities, the methods adopted for calculating the value of the Target Company's Stock and the ranges of values per share of the Target Company's Stock evaluated based on such methods are as follows.

Average market price method:	536 yen to 593 yen
Comparable peer company method:	326 yen to 609 yen
DCF method:	699 yen to 840 yen

In the average market price method, the range of the value per share of the Target Company's Stock was evaluated to be 536 yen to 593 yen based on 593 yen, which is the closing price of the Target Company's Stock on the First Section of the Tokyo Stock Exchange on the base date, 574 yen, which is the simple average of the closing prices for the preceding five business days, 568 yen, which is the simple average of the closing prices for the preceding one month, 549 yen, which is the simple average of the closing prices for the preceding three months and 536 yen, which is the simple average of the closing prices for the preceding six months, with the base date being November 19, 2020.

In the comparable peer company method, the range of the value per share of the Target Company's Stock was evaluated to be 326 yen to 609 yen through comparison with financial indicators indicating market prices, profitability and other factors of listed companies that are engaged in businesses that are relatively similar to that of the Target Company.

In the DCF method, the range of the value per share was evaluated to be 699 yen to 840 yen by evaluating the enterprise value by discounting the Target Company's free cash flows to be generated in the future from the fourth quarter of the fiscal year ending December 2020 to the present value at a certain discount rate according to business risk, taking into consideration reasonable assumptions such as revenue forecasts and investment plans based on the business plan prepared by the Target Company for the period from the fiscal year ending December 2020 through the fiscal year ending December 2025 (the "Business Plan"). The Business Plan of the Target Company that was used for the DCF method includes a fiscal year in which a significant increase in profits is expected. Specifically, from the fiscal year ending December 2021 to the fiscal year ending December 2022, the operating profit is expected to increase significantly from 13,046 million yen to 17,637 million yen, due to an increase in fee income in the asset management business resulting from an increase in the AUM balance. The synergy effects that can be expected to be realized through the Transactions are not included in the financial forecasts because it is difficult to estimate this specifically at this time.

(Note) In calculating the value of the Target Company's Stock, Nomura Securities assumed that the public information and all information provided to Nomura Securities were accurate and complete, and has not independently verified the accuracy and completeness of such information. The assets or liabilities (including derivatives, off-balance sheet assets and liabilities, and other contingent liabilities) of the Target Company and its affiliates have not been independently evaluated, appraised or assessed, including the analysis and evaluation of individual assets and liabilities, and have not been requested to be appraised or assessed by any third-party organization. The financial forecasts of the Target Company (including profit plans and other information) are assumed to have been reasonably reviewed or prepared by the management of the Target

Company based on the best and good faith estimates and judgments currently available. Nomura Securities' valuations reflect information and economic conditions obtained by Nomura Securities as of November 19, 2020. The sole purpose of the valuations by Nomura Securities is to serve as a reference for the board of directors of the Target Company in considering the value of the Target Company's Stock.

c. Advice from an Independent Law Firm Received by the Target Company

According to the Target Company's Press Release, in order to ensure the transparency and reasonableness of the decision making process of the board of directors of the Target Company in relation to the Transactions, including the Tender Offer, in late April 2020, the Target Company appointed Anderson Mori & Tomotsune as its legal advisor independent from the Tender Offerors, ARA and the Target Company, and received the necessary legal advice on the method and process of decision making by board of directors of the Target Company and other points to be noted in relation to the Transactions, including the Tender Offer. Anderson Mori & Tomotsune is not a related party of the Tender Offerors, ARA or the Target Company, and does not have any material interest that should be disclosed in relation to the Tender Offer.

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

According to the Target Company's Press Release, given that the Transactions will be conducted on the premise that the Target Company's Stock will go private, in order to be careful in making decisions and to eliminate arbitrariness and ensure fairness, transparency and objectivity of the decision making process of board of directors of the Target Company, board of directors of the Target Company established the Special Committee consisting of three members, namely Mr. Koji Kotaka (Independent Outside Director of the Target Company, Representative of Koji Kotaka Law Office), Mr. Shuhei Shiozawa (Independent Outside Director of the Target Company, Professor Emeritus of Keio University) and Mr. Shinzo Hara (Independent Outside Director of the Target Company, Representative Director of Hotel New Grand Co., Ltd.), who are outside directors of the Target Company notified to the Tokyo Stock Exchange as independent officers and are independent from the Tender Offerors, ARA and the Target Company, on June 11, 2020 (The members of the Special Committee have not been changed since its establishment. Mr. Koji Kotaka has been appointed as the Chairman of the Special Committee based on the mutual election by its members, taking into consideration that he is in a position to be directly involved in the business judgment as a member of the board of directors of the Target Company and has considerable knowledge of the business of the Target Company and that he also has the expertise and qualifications to consider the Transactions including the Tender Offer. The remuneration of the members of the Special Committee is fixed, and contingency fees are not adopted.), and inquiries have been made to the Special Committee and they were commissioned to submit a report to the Target Company on the following matters: (a) whether the purpose of the Transactions,



including the Tender Offer, is considered reasonable (including whether the Transactions will contribute to improving the Target Company's enterprise value); (b) whether due consideration has been given to the interests of the shareholders of the Target Company through fair procedures in the Transactions, including the Tender Offer; (c) whether the reasonableness of the terms of the Transactions (including the tender offer price in the Tender Offer) has been ensured; (d) whether, in view of (a) to (c) above, it is probable that the Transactions will not be disadvantageous to the minority shareholders of the Target Company; and (e) whether it is appropriate for the board of directors of the Target Company to adopt a resolution to state its opinion to agree to the Tender Offer and recommend that the shareholders of the Target Company tender their shares in the Tender Offer (hereinafter collectively referred to as the "Matters of Inquiry"). In addition, the Target Company also resolved at the above mentioned meeting of the board of directors held on June 11, 2020 that the decision making of the board of directors of the Target Company concerning the Transactions shall be conducted with the utmost respect for the decisions of the Special Committee based on the above commission, and in particular, if the Special Committee determines that the terms of the Transactions are not appropriate, the board of directors of the Target Company shall not state its opinion to agree to the Transactions under such terms. Furthermore, in response to the receipt of SMFL's proposal dated July 30, 2020, the Target Company, by the resolution of the board of directors of the Target Company dated August 13, 2020, authorized the Special Committee to negotiate with SMFL and the Tender Offeror on the tender offer price and other terms of the Transactions.

Between June 11, 2020 and November 20, 2020, the Special Committee held a total of 35 meetings for a total of approximately 38 hours, and carefully discussed and considered the Matters of Inquiry. Specifically, in the middle of June 2020, the Special Committee has appointed BofA Securities as the financial advisor and third-party valuation institution independent from the Tender Offerors, ARA and the Target Company, and Mori Hamada & Matsumoto as its own legal advisor independent from the Tender Offerors, ARA and the Target Company, respectively. In addition, it approved Nomura Securities and Greenhill, the financial advisors, and Anderson Mori & Tomotsune, the legal advisor, as the financial advisors and legal advisor of the Target Company, respectively, as there were no issues related to their independence and expertise.

As for the specific discussions thereafter, the Special Committee (i) presented questions to the Target Company, and the Target Company had a question-and-answer session in an interview format with respect to the purpose and background of the Transactions, management policy after the Transactions and other matters, and (ii) presented questions to SMFL at another meeting, and SMFL had a question-and-answer session in an interview format with respect to the purpose and background of the Transactions, management policy after the Transactions and other matters.

In addition, with respect to the Business Plan prepared by the Target Company, the Special Committee received from the Target Company an explanation with respect to the content and the process of preparation of the Business Plan, and confirmed the reasonableness of these matters. Further, taking into account the explanations from Nomura Securities and BofA Securities with respect to important premises including the details of the share valuation based on the Business Plan, the basis of valuation of the discount rate in the DCF method and the DCF analysis, and the reasons for selecting the peer companies in the comparable peer company method and the comparable peer company analysis, it held a question-and-answer session and discussed and considered such matters, and confirmed the reasonableness of such matters.

Furthermore, the Special Committee received explanations from the Target Company, Nomura Securities, Greenhill and Anderson Mori & Tomotsune on the measures to ensure the fairness of the procedures for the Transactions and the method and process of decision making of the board of directors of the Target Company and other measures to avoid conflict of interest in relation to the Transactions and, based on the legal advice from Mori Hamada & Matsumoto, discussed and considered the measures to be taken to ensure the fairness of procedures in the Transactions.

In addition, based on the financial advice received from BofA Securities, the Special Committee discussed and considered the negotiation policy, including the policy to conduct sufficient negotiations in line with the general negotiation process conducted in M&As between mutually independent third parties, in order to obtain a higher price from the Tender Offeror. After receiving SMFL's proposal on July 30, 2020 to set the tender offer price at 645 yen per share, each time the Special Committee received SMFL's proposal on the tender offer price, the Special Committee discussed and considered the policy on negotiation with SMFL based on the financial advice received from BofA Securities and the opinion received from Nomura Securities and then held discussions and negotiations with SMFL with respect to the tender offer price, including by direct exchange of documents. As a result, on October 28, 2020, SMFL finally proposed a tender offer price of 750 yen per share.

Based on the background described above, and after careful discussion and consideration of the Matters of Inquiry in consideration of the Share Valuation Report (BofA) and the Fairness Opinion (BofA) (both as defined in "e. Obtaining of the Share Valuation Report and Fairness Opinion from an Independent Third-party Valuation Institution by the Special Committee" below), the Special Committee submitted a report to the board of directors of the Target Company on November 20, 2020 based on the unanimous consent of all committee members, the content of which is substantially as follows.

(I) Contents of the Report

- (i) The Transactions contribute to the enhancement of enterprise value of the Target Company and the

purpose of the Transactions, including the Tender Offer, is reasonable.

- (ii) Due consideration has been given to the interests of the shareholders of the Target Company through fair procedures in the Transactions, including the Tender Offer.
  - (iii) The reasonableness of the terms of the Transactions (including the tender offer price in the Tender Offer) has been ensured.
  - (iv) It would not be disadvantageous to the minority shareholders of the Target Company (excluding the Tender Offeror and the Major Shareholder) for the board of directors of the Target Company to resolve to state its opinion to agree to the Tender Offer and recommend that the shareholders of the Target Company tender their shares in the Tender Offer. In addition, implementing the Share Consolidation, which is scheduled after the Tender Offer and in which the Tender Offeror and the Major Shareholder will be the only two shareholders of the Target Company and the Target Company's Stock is expected to be delisted, would not be disadvantageous to the minority shareholders of the Target Company.
  - (v) The board of directors of the Target Company should resolve to state its opinion to agree to the Tender Offer and to recommend that the shareholders of the Target Company (excluding the Tender Offeror and the Major Shareholder) tender their shares in the Tender Offer.
- (II) Grounds of the Report
- (i) In consideration of the following points, the Special Committee has determined that the Transactions contribute to the enhancement of enterprise value of the Target Company and the purpose of the Transactions, including the Tender Offer, is reasonable.
    - The purpose of the Transactions is to build a strong cooperative relationship under a stable capital relationship and improve the enterprise value of both groups by the Target Company and SMFL becoming members of the same group while maintaining the independence and autonomy of the management of the Target Company. The Special Committee has no objection to the business environment and management issues surrounding the Target Company as recognized by the Target Company, and considers the above purpose to be reasonable. The Business and Capital Alliance Agreement and the Management Entrustment Agreement serve as a basis for maintaining the independence and autonomy of the management of the Target Company, consistent with the above purpose. Furthermore, the synergies described in “b. Decision-Making Process and Reasons, Leading to the Target Company’s Decision to Agree to the Tender Offer” of “(2) Background, Purpose, and Decision-Making Process Leading to the Decision to Implement the Tender Offer,

and Management Policy after the Tender Offer” above which the Target Company and the Tender Offerors envisage as a result of discussions between both companies are considered reasonable and expected to have such effects on the Target Company as an increase in sales and an improvement in the profitability rate. The contents of the synergies to be created for the Target Company as a result of the Transactions with ARA are also reasonable and no unreasonable point is found in particular about such synergies.

- In addition, no material dis-synergy is expected to occur with the Transactions in the first place, and even if such material dis-synergy does occur, it is deemed that reasonable measures to mitigate or reduce such dis-synergy are being considered to be taken.
- (ii) In consideration of the following points, the Special Committee has determined that due consideration has been given to the interests of the shareholders of the Target Company through fair procedures in the Transactions, including the Tender Offer.
- The Special Committee, which is independent from the Target Company, ARA, and the Tender Offerors, has been established from the initial stage of consideration of the Transactions.
  - In the course of the consideration of the Transactions, the Special Committee received the legal advice, including advice on the procedures of the Transactions and the method and process of the Special Committee’s discussions on the Transactions, from Mori Hamada & Matsumoto who was appointed as a legal advisor independent from the Tender Offerors, ARA, and the Target Company. It also received the advice from a financial point of view on the Transactions from BofA Securities who was appointed as the financial advisor and third-party valuation institution independent from the Tender Offerors, ARA, and the Target Company, in order to obtain professional advice and assistance concerning valuation of enterprise value, price negotiation and other matters.
  - The Target Company received the necessary legal advice on the method and process of decision making by board of directors of the Target Company and other points to be noted in relation to the Transactions, including the Tender Offer, from Anderson Mori & Tomotsune who was appointed as the legal advisor independent from the Target Company, ARA, and the Tender Offerors. The Target Company also received the financial advice from Nomura Securities who is the third-party valuation institution and financial advisor independent from the Target Company, ARA, and the Tender Offerors, and Greenhill who is the financial advisor independent from the Target Company, ARA and the Tender Offerors, in order to ensure the fairness of the Target Company’s decision making processes concerning the Tender Offer Price proposed by the Tender Offerors in stating Target Company’s opinion on the Tender Offer.

- The Special Committee has obtained, subject to the assumptions and conditions described below and certain other assumptions and conditions, the Share Valuation Report (BofA) and the Share Valuation Report (Nomura Securities) from BofA Securities and Nomura Securities, respectively, both of whom are financial advisors and third-party valuation institutions independent from the Tender Offerors, ARA, and the Target Company, and also obtained the Fairness Opinion (BofA) from BofA Securities.
- Among the directors of the Target Company, Mr. Taisuke Miyajima, Representative Director, and Mr. Soushi Ikeda, Managing Director, have not participated in the discussions and negotiations with the Tender Offerors on behalf of the Target Company since August 7, 2020, in order to avoid any suspicion of conflict of interest with the Target Company. However, Mr. Taisuke Miyajima, Representative Director, participated in the discussions and negotiations with ARA in relation to the Transactions as necessary as a person on the SMFL side, not as the representative of the Target Company, but to communicate to ARA the intentions and proposals from SMFL to ARA or matters agreed between SMFL and the Target Company, so as not to be disadvantageous to the general shareholders of the Target Company. In addition, the discussions and negotiations on the Management Entrustment Agreement with SMFL were conducted by Nakamura, Tsunoda & Matsumoto, who were independently appointed by Mr. Taisuke Miyajima and Mr. Soushi Ikeda, and Anderson Mori & Tomotsune, who is the legal advisor of the Target Company, was notified of the negotiation status of the Management Entrustment Agreement from Nakamura, Tsunoda & Matsumoto as appropriate and reported it to the Special Committee for its consideration.
- In order to avoid any suspicion of conflict of interest, since August 7, 2020, Mr. Taisuke Miyajima and Mr. Soushi Ikeda have not participated at all in the deliberation and resolutions at the meetings of the board of directors of the Target Company, nor have they participated at all in the discussions and negotiations with the Tender Offerors on behalf of the Target Company. In addition, Mr. Hiroki Yaze, director of the Target Company, and Mr. Kazuo Matsumoto, statutory auditor of the Target Company, both of whom are from the SMFL Group, have not participated at all in the deliberation at the above-mentioned meetings of the board of directors of the Target Company, and have refrained from stating their opinion, in order to avoid any suspicion of conflict of interest.
- The period for purchase, etc., in the Tender Offer (the “Tender Offer Period”) is set to be longer (30 business days) than the minimum period (20 business days) prescribed by law. In addition, under the Capital and Business Alliance Agreement, the Target Company has agreed not to withdraw or change its resolution on the statement of opinion during the Tender Offer Period and not to adopt any board resolution that would be inconsistent with its resolution on the statement

of opinion. However, this is not an agreement that prohibits any person proposing a counter acquisition from contacting the Target Company. It is a provision that allows the Target Company to agree to the proposal that will better contribute to the improvement of the enterprise value of the Target Company if a person proposing a counter acquisition appears. Moreover, this is not an agreement that prohibits the Special Committee from changing its opinion on the Tender Offer in light of the content of the counter tender offer and thus, it is considered that this provision does not prevent an opportunity to conduct a counter tender offer. Therefore, it is recognized that there is an environment in which other potential acquirers can make a counter proposal after the announcement, and that a so-called indirect market check is conducted.

- It is recognized that, in relation to the Transactions, substantial disclosure is planned to be made and general shareholders are planned to be provided with an opportunity to make informed and appropriate decisions.
  - It can be said that, in relation to the Transactions, consideration has been given to preventing any problem of coerciveness, and the legality of the Squeeze-Out Procedures has been ensured.
  - The Tender Offeror will not conduct the Transactions, including the Tender Offer, unless the majority of the shareholders of the Target Company without interest in the Tender Offerors agrees, and the minimum number of shares to be purchased has been set by respecting the intentions of the minority shareholders of the Target Company.
  - There are no other facts that would lead the Special Committee to assume that the Target Company was unduly influenced by the Tender Offeror in the course of the discussion, consideration and negotiation concerning the Transactions.
- (iii) In consideration of the following points, the Special Committee has determined that the reasonableness of the terms of the Transactions (including the Tender Offer Price) has been ensured.
- The average market price analysis and the average market price method, the comparable peer company analysis and the comparable peer company method and the DCF analysis and the DCF method, which are the valuation methods used in the share valuation reports prepared by BofA Securities and Nomura Securities, are considered to be common and reasonable methods in light of current valuation practices, and the explanations regarding the reasons for selecting the peer companies under the comparable peer company analysis and the comparable peer company method and the basis for the discount rate and other factors under the DCF analysis and the DCF method are also reasonable and the valuations are considered to be reasonable in light of current

practices. In addition, with respect to the Business Plan, the Special Committee received from the Target Company an explanation regarding the content and the process of preparation of the Business Plan, and confirmed the reasonableness of these matters. In light of the valuation of the Target Company's Stock made in such share valuation reports, the Tender Offer Price exceeds the upper limit of the valuation results based on the average market price analysis and the average market price method and the upper limit of the calculation results based on the comparable peer company analysis and the comparable peer company method, and is within the range of the valuation results based on the DCF analysis and the DCF method.

- The Special Committee also received the Fairness Opinion (BofA) from BofA Securities subject to the assumptions and conditions described below and certain other assumptions and conditions. Since the method and content of the share valuation by BofA Securities, which was used as a reference in the submission of the Fairness Opinion (BofA), are not found to be unreasonable, the procedure and content of the issue of the Fairness Opinion (BofA) are not found to be unreasonable.
  - The Special Committee was established promptly after the initial proposal of SMFL Group's acquisition of the Target Company as a wholly-owned subsidiary from SMFL, and, taking into account the benefits of the Transactions to the Target Company, discussed on several occasions whether the Tender Offer Price was a reasonable price that ensured the benefits to be enjoyed by the general shareholders of the Target Company, and reflected the results of such discussions in the policy of negotiation with the Tender Offerors. The negotiation with the Tender Offerors was conducted under such policy of negotiation determined by the Special Committee and in accordance with the instructions of the Special Committee. As a result of such negotiation, the Special Committee has achieved a price increase of approximately 16.3% (105 yen) from the initial proposal.
  - There are no other specific circumstances that would cast doubt on the fairness of the process of determining the Tender Offer Price.
  - The method of conducting a tender offer as the first step and a share consolidation as the second step is a method generally adopted for this type of going private transaction, and the method of the Transactions is not found to be unreasonable.
- (iv) In view of the foregoing, it is considered that this transaction would not be disadvantageous to the minority shareholders of the Target Company excluding the Tender Offeror and the Major Shareholder.

(v) In addition, the board of directors of the Target Company should resolve to state its opinion to agree to the Tender Offer and to recommend that the shareholders of the Target Company (excluding the Tender Offeror and the Major Shareholder) tender their shares in the Tender Offer.

e. Obtaining of the Share Valuation Report and Fairness Opinion from an Independent Third-party Valuation Institution by the Special Committee

According to the Target Company's Press Release, in order to obtain professional advice and assistance concerning the valuation of the enterprise value, price negotiation and other matters, the Special Committee requested that BofA Securities, which is a financial advisor and third-party valuation institution independent from the Tender Offerors, ARA and the Target Company, to evaluate the share value of the Target Company's Stock and to submit a written opinion regarding whether or not the Tender Offer Price of the Target Company's Stock to be received by holders of the Target Company's Stock (other than the Tender Offerors and the Major Shareholder and their respective affiliates) in the Tender Offer is fair, from a financial point of view, to such holders (a fairness opinion), and received a share valuation report as of November 20, 2020 with respect to the results of the valuation of the Target Company's Stock (the "Share Valuation Report (BofA)") subject to the assumptions and conditions described below and certain other assumptions and conditions, and also obtained a fairness opinion to the effect that, subject to the assumptions and conditions described below and certain other assumptions and conditions, the Tender Offer Price of the Target Company's Stock to be received in the Tender Offer by holders of the Target Company's Stock (other than the Tender Offerors and the Major Shareholder and their respective affiliates) is fair, from a financial point of view, to such holders (the "Fairness Opinion (BofA)").

BofA Securities has acted as financial advisor to the Special Committee in connection with the Transactions and will receive a fee for its services, a portion of which is payable upon the rendering of the Fairness Opinion (BofA) and a significant portion of which is contingent upon the consummation of the Tender Offer. BofA Securities may also receive a discretionary fee payable at the sole discretion of the Special Committee upon the consummation of the Tender Offer. In addition, the Target Company has agreed to reimburse expenses incurred in connection with, and indemnify BofA Securities against certain liabilities arising out of the engagement.

BofA Securities has reviewed the Business Plan prepared by the Target Company and various valuation methods for the share value of the Target Company and determined that the following three valuation methods were appropriate.

a. The average market price analysis, since the Target Company's Stock is listed on the First Section of the Tokyo Stock Exchange



- b. The comparable peer company analysis, since there are listed companies relatively similar to the Target Company and it is possible to infer the value of the Target Company's Stock by comparison with similar companies
- c. The DCF analysis under the preconditions described below and certain other conditions in order to reflect the future status of business activities in the valuation, on the assumption that the Target Company is a going concern

BofA Securities is not a related party of the Tender Offerors, ARA, or the Target Company and does not have any material interest that should be disclosed in relation to the Transactions, including the Tender Offer.

According to BofA Securities, the ranges of share value per share of the Target Company's Stock evaluated based on these methods are as follows.

Average market price analysis:	536yen to 593 yen
Comparable peer company analysis:	332yen to 519 yen
DCF analysis:	608yen to 983 yen

In the average market price analysis, the range of the share value per share of the Target Company's Stock was calculated to be 536 yen to 593 yen based on 593 yen, which is the closing price of the Target Company's Stock on the First Section of the Tokyo Stock Exchange on the base date, 568 yen, the simple average of the closing prices for the preceding one month, 549 yen, which is the simple average of the closing prices for the preceding three months, and 536 yen, which is the simple average of the closing prices for the preceding six months, with the base date being November 19, 2020.

In the comparable peer company analysis, the range of the share value per share of the Target Company's Stock was evaluated to be 332 yen to 519 yen through comparison with financial indicators indicating market prices, profitability and other factors of listed companies that are engaged in businesses that are relatively similar to that of the Target Company.

The DCF analysis was conducted based on factors such as the Business Plan and the financial forecasts prepared and provided to BofA Securities by the Target Company, the revenue and investment plan based on the Business Plan prepared by the Target Company and other publicly available information (provided that, as described below, BofA Securities has not independently verified the accuracy and completeness of such materials and has no responsibility or obligation to conduct such independent verification). The range of the share value per share was evaluated to be 608 yen to 983 yen by evaluating the enterprise value by discounting the Target Company's free cash flows to be generated in the future from the fourth quarter of the fiscal year ending December 2020, to present value at a certain discount rate according to business risk.

Target Company's Business Plan that was used for the DCF analysis includes a fiscal year in which a significant increase in profit is expected. Specifically, between the fiscal year ending December 2021 and the fiscal year ending December 2022, operating income is expected to increase significantly from 13,046 million yen to 17,637 million yen due to an increase in fee income in the asset management business resulting from an increase in the AUM balance. The synergy effects that can be expected to be realized through the Transactions are not included in the financial forecasts because they are difficult to estimate specifically at this time.

(Note) Assumptions, Disclaimer and Other Matters Concerning the Analyses in the Share Valuation Report (BofA) and the Fairness Opinion (BofA) by BofA Securities

The Share Valuation Report (BofA) and the Fairness Opinion (BofA) of BofA Securities described above have been delivered to the board of directors of the Target Company solely for the use and benefit of the Special Committee (in its capacity as such) in connection with and for purposes of its evaluation of the Tender Offer Price from a financial point of view. BofA Securities expresses no view or opinion as to any terms or other aspects of the Transactions (other than the Tender Offer Price to the extent expressly specified in the Fairness Opinion (BofA) and based on the assumptions and conditions specified in the Fairness Opinion (BofA)), including, without limitation, the form or structure of the Transactions, or any terms or other aspects of any other agreement or arrangement entered into in connection with the Transactions. BofA Securities was not requested to, and it did not, solicit indications of interest or proposals from third parties regarding a possible acquisition of all or any part of Target Company or any alternative transactions. The Fairness Opinion (BofA) is limited to the fairness, from a financial point of view, of the Tender Offer Price to be received by holders of the Target Company's Stock (other than Tender Offerors and the Major Shareholder and their respective affiliates) in the Tender Offer and no opinion or view with respect to any consideration received in connection with the Transactions by the holders of any class of securities, creditors or other constituencies of any party. In addition, BofA Securities does not express any opinion or view with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any of the officers, directors or employees of any party to the Transactions, or class of such persons, relative to the consideration or otherwise. Furthermore, BofA Securities does not express any opinion or view as to the relative merits of the Transactions in comparison to other strategies or transactions that might be available to the Target Company or in which the Target Company might engage or as to the underlying business decision of the Target Company to proceed with or effect the Transactions. In addition, BofA Securities does not express any opinion or recommendation as to whether any stockholder should tender their shares of the Target Company Stock in the Tender Offer or how any stockholder should act in

connection with the Transactions or any related matter. BofA Securities also is not expressing any view or opinion with respect to, and has relied, at the direction of the Special Committee, upon the assessments of the Special Committee regarding, legal, regulatory, accounting, tax and similar matters relating to the Target Company, SMFL, Tender Offeror, the Major Shareholder or any other entity and the Transactions as to which BofA Securities understands that the Special Committee obtained such advice as it deemed necessary from qualified professionals.

In conducting the analysis as stated in the Share Valuation Report (BofA) (the “Analysis”) and in preparation of the Fairness Opinion (BofA), BofA Securities has assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with BofA Securities and has relied upon the assurances of the management of the Target Company that they are not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any material respect. With respect to certain internal financial and operating information with respect to the business, operations and prospects of the Target Company furnished to or discussed with BofA Securities by the management of the Target Company, including certain financial forecasts relating to the Target Company prepared by the management of the Target Company, BofA Securities has been advised by the Target Company, and has assumed, at the direction of the Special Committee, that they have been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of the Target Company as to the future financial performance of the Target Company. Except as otherwise stated, the Analysis and the Fairness Opinion (BofA) are necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to BofA Securities as of, the date thereof. As you are aware, the credit, financial and stock markets have been experiencing unusual volatility and BofA Securities expresses no opinion or view as to any potential effects of such volatility on the Target Company, Tender Offeror, the Major Shareholder or the Transactions. It should be understood that subsequent developments may affect the Analysis and the Fairness Opinion (BofA), and BofA Securities does not have any obligation to update, revise, or reaffirm the Analysis or the Fairness Opinion (BofA).

The descriptions of the analyses conducted by BofA Securities set forth above are summaries of the material financial analyses presented by BofA Securities to the Special Committee in connection with the Share Valuation Report (BofA) above and are not comprehensive descriptions of all analyses undertaken by BofA Securities in connection with such report. The preparation of the Share Valuation Report (BofA) and its underlying analysis is a complex analytical process involving various judgments about the appropriateness and relevance of each financial analytical

method and the application of those methods to the particular circumstances; therefore, it is not necessarily advisable to describe only a part of the results or summary of the analysis. BofA Securities believes that its analyses must be considered holistically. BofA Securities further believes that selecting portions of its analyses and the factors considered or focusing on any information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying the Analysis and the Fairness Opinion (BofA). The fact that any specific analysis has been referred to in the summary set out above is not meant to indicate that such analysis was given greater weight than any other analysis referred to in such summary.

In conducting the Analysis, BofA Securities considered industry performance, general business and economic conditions, and other matters, many of which are beyond the control of Tender Offeror and the Target Company. The estimates of the future performance of the Target Company based on which BofA Securities' analyses were made are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than such estimates. BofA Securities' analyses were performed solely as part of its analysis contained in the Share Valuation Report (BofA) and were provided to the Special Committee in connection with the delivery of such report. BofA Securities' analyses do not purport to be appraisals or to reflect the prices at which a company might actually be sold or the prices at which any securities have been traded or may be traded at any time in the future. Accordingly, the estimates used in, and the ranges of valuations resulting from, any particular analysis described above are inherently subject to substantial uncertainty and should not be taken to be BofA Securities' view of the actual values of the Target Company.

The Tender Offer Price was determined through negotiations between Tender Offeror and the Target Company (or the Special Committee), rather than by any financial advisor, and was approved by the board of directors of the Target Company. The determination to express its opinion to support the Tender Offer was made solely by the board of directors of the Target Company in accordance with the recommendation of the Special Committee. As described above, the Share Valuation Report (BofA) and the Fairness Opinion (BofA) of BofA Securities were only one of many factors considered by the Special Committee in its evaluation of the Transactions and should not be viewed as determinative of the views of the Special Committee with respect to the Transactions or the Tender Offer Price.

BofA Securities has not made or been provided with any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of the Target Company or any other entity, nor has it

made any physical inspection of the properties or assets of the Target Company or any other entity. BofA Securities has not evaluated the solvency or fair value of the Target Company or any other entity under any local, national or other laws relating to bankruptcy, insolvency or similar matters. BofA Securities has assumed, at the direction of the Special Committee, that the Transactions will be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the Transactions, no delay, limitation, restriction or condition, including any divestiture requirements or amendments or modifications, will be imposed that would have an adverse effect on the Target Company or the contemplated benefits of the Transactions. The Analysis is based upon financial information prepared in accordance with generally accepted accounting principles in Japan. BofA Securities also has assumed, at the direction of the Special Committee that the final executed version of the Capital and Business Alliance Agreement will not differ in any material respect from the draft of the Capital and Business Alliance Agreement reviewed by BofA Securities.

BofA Securities and its affiliates comprise a full service securities firm and commercial bank engaged in securities, commodities and derivatives trading, foreign exchange and other brokerage activities, and principal investing as well as providing investment, corporate and private banking, asset and investment management, financing and financial advisory services and other commercial services and products to a wide range of companies, governments and individuals. In the ordinary course of its businesses, BofA Securities and its affiliates may invest on a principal basis or on behalf of customers or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions in equity, debt or other securities or financial instruments (including derivatives, bank loans or other obligations) of the Target Company, SMFL, the Major Shareholder and certain of their respective affiliates.

BofA Securities and its affiliates currently are providing and may in the future provide investment banking, commercial banking and other financial services to the Target Company and its affiliates and may receive compensation for the rendering of these services.

In addition, BofA Securities and its affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to SMFL and the Major Shareholder and/or their respective affiliates and have received or in the future may receive compensation for the rendering of these services, including having acted as lead

manager and bookrunner for various debt offerings of SMFL and its affiliates SMFG and Sumitomo Corporation.

f. Obtaining of Advice from an Independent Law Firm Received by the Special Committee

According to the Target Company's Press Release, in order to obtain professional advice on the fairness of the procedures, as described in "d. Establishment of an Independent Special Committee and Obtaining of the Report by the Target Company" above, the Special Committee has appointed Mori Hamada & Matsumoto as its legal advisor independent from the Tender Offerors, ARA, and the Target Company, and has received legal advice including advice on the procedures of the Transactions and the method and process of the Special Committee's discussions on the Transactions.

In addition, Mori Hamada & Matsumoto is not a related party of the Tender Offerors, ARA or the Target Company and does not have any material interest that should be disclosed in relation to the Transactions, including the Tender Offer.

g. Unanimous Approval by All Non-interested Directors and No Dissenting Opinion of All Non-interested Statutory Auditors at the Target Company

According to the Target Company's Press Release, The Target Company carefully discussed and considered the terms of the Transactions, including the Tender Offer, based on the Share Valuation Report (Nomura Securities) obtained from Nomura Securities, the Report submitted by the Special Committee, the legal advice provided by Anderson Mori & Tomotsune and other related materials.

As a result, as described in "b. Decision-Making Process and Reasons, Leading to the Target Company's Decision to Agree to the Tender Offer" of "(2) Background, Purpose, and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and Management Policy after the Tender Offer" above, the Target Company determined that (a) the Transactions is the best choice from the viewpoint of enhancing the enterprise value of the Target Company and is expected to further increase the feasibility of growth strategy of the Target Company, and (b) the terms of the Transactions, including the Tender Offer Price, will provide the shareholders of the Target Company with a reasonable opportunity to sell their shares, and at the meeting of the board of directors of the Target Company held today, the six directors without interest who were present at the meeting unanimously adopted a resolution to state an opinion to agree to the Tender Offer and to recommend that the shareholders of the Target Company tender their shares in the Tender Offer. In addition, at the above-mentioned meeting of the board of directors, all of the statutory auditors, except for Mr. Kazuo Matsumoto stated that they had no dissenting opinion on the above resolution.

In response to the receipt of the Proposal Dated July 30 from SMFL, the Target Company officially commenced consideration regarding SMFL Group's acquisition of the Target Company as a wholly-owned subsidiary. As it was proposed that, among the directors of the Target Company, Mr. Taisuke Miyajima, Representative Director, and Mr. Soushi Ikeda, Managing Director, enter into the Management Entrustment Agreement with SMFL respectively and agree to be continuously engaged in the management of the Target Company after the completion of SMFL Group's acquisition of the Target Company as a wholly-owned subsidiary, in order to avoid any suspicion of conflict of interest, since August 7, 2020, Mr. Taisuke Miyajima and Mr. Soushi Ikeda have not participated in the discussions and negotiations with the Tender Offeror and SMFL on behalf of the Target Company, nor have they participated in the deliberation and resolutions at the above-mentioned meetings of the board of directors. Among the directors of the Target Company, Mr. Hiroki Yaze, who is from SMFL Group, has not participated in the deliberation and resolutions at the above-mentioned meetings of the board of directors, nor has he participated in the discussions and negotiations with the Tender Offeror and SMFL on behalf of the Target Company, in order to avoid any suspicion of conflict of interest. In addition, among the statutory auditors of the Target Company, Mr. Kazuo Matsumoto, who is from SMFL Group, has not participated in the deliberation at the above-mentioned meetings of the board of directors, and has refrained from stating his opinion, in order to avoid any suspicion of conflict of interest.

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

The Tender Offeror has set the Tender Offer Period at thirty (30) business days, while the statutory minimum period is twenty (20) business days. By setting the Tender Offer Period at a relatively long period of time, the Tender Offeror intends to secure an appropriate opportunity for the shareholders of the Target Company to make a decision as to whether to tender their shares in the Tender Offer and an opportunity for persons other than the Tender Offeror to make offers with respect to the Target Company's Stock, and thereby ensure the fairness of the Tender Offer Price.

i. Setting the Minimum Number of Shares to be Purchased to Accomplish the Majority of Minority

In the Tender Offer, the Tender Offeror has set 102,348,200 shares (Ownership Ratio: 46.40%) as the minimum number of the shares to be purchased, and, if the total number of the Tendered Share Certificates, Etc., is less than such minimum number (i.e., 102,348,200 shares), the Tender Offeror will not purchase any of Tendered Share Certificates, Etc. However, the Tender Offer intends to limit the number of the shareholders of the Target Company to only two companies of the Tender Offeror and the Major Shareholder, and, therefore, the maximum number of the shares to be purchased has not been set, and, if the total number of the Tendered Share Certificates, Etc., is equal to or greater than the minimum number, the Tender Offeror will purchase all of Tendered Share Certificates, Etc.

The minimum number of shares to be purchased is the number of the Target Company's Stock (i.e., 102,348,200 shares) that is equivalent to the number of shares representing the number of voting rights (i.e., 1,023,482 units) obtained by (i) multiplying the number of voting rights (i.e., 2,205,812 units) pertaining to the total number of issued shares of the Target Company as of September 30, 2020 (i.e., 220,581,200 shares) set forth in the Target Company's Third Quarterly Report by two-thirds and (ii) subtracting from the result thereof (i.e., 1,470,542 units; rounded up to the nearest whole number) the number of voting rights (i.e., 1 unit) pertaining to the Target Company's Stock held by the Tender Offeror as of today (i.e., 100 shares) and the number of voting rights (i.e., 447,059 units) pertaining to the Target Company's Stock held by the Major Shareholder as of today (i.e., 44,705,900 shares). Such number of shares will exceed the number of shares (i.e., 87,937,601 shares) equivalent to a majority of the number of the shares (i.e., 175,875,200 shares) (so-called, "majority of minority"), which is the total number of issued shares above (i.e., 220,581,200 shares), less the Target Company's Stock held by the Tender Offeror as of today (i.e., 100 shares) and the Target Company's Stock held by the Major Shareholder as of today (i.e., 44,705,900 shares). In this way, the Tender Offeror has decided that, if the Tender Offeror cannot obtain the approval of the majority of shareholders of the Target Company who do not have an interest in the Tender Offeror, the Tender Offeror shall not conduct the Transactions, including the Tender Offer, and has set the minimum number of shares to be purchased, with respecting the intention of the minority shareholders of the Target Company.

**(4) Policy for Organizational Restructuring, Etc., after the Tender Offer (Matters relating to So-called "Two-step Acquisition")**

As described in "(1) Overview of the Tender Offer" above, if the Tender Offeror is unable to acquire all of the Relevant Target Company's Stock through the Tender Offer even after the Tender Offer is consummated, the Tender Offeror, for the purpose of acquiring all of the Relevant Target Company's Stock, intends to implement the Squeeze-Out Procedures by the following methods after the consummation of the Tender Offer:

Specifically, after the consummation of the Tender Offer, the Tender Offeror plans to request the Target Company to hold an extraordinary shareholders' meeting (the "Extraordinary Shareholders' Meeting") that will resolve proposals including: (a) a proposal regarding consolidation of the Target Company's Stock (the "Share Consolidation") pursuant to Article 180 of the Companies Act (Act No. 86 of 2005, as amended) (the "Companies Act") and (b) a proposal regarding an amendment to the articles of incorporation subject to the Share Consolidation becoming effective for the purpose of abolishing the provision regarding the number of shares constituting one unit of stock. The Tender Offeror and the Major Shareholder plan to vote in favor of each of the above-mentioned proposals at the Extraordinary Shareholders' Meeting. In addition, the Tender Offeror believes that it is preferable to hold the Extraordinary Shareholders' Meeting as early as possible in the interests of enhancing the enterprise value of SMFL Group, including the Target Company



Group, and it plans to request the Target Company to give public notice regarding setting a record date for the Extraordinary Shareholders' Meeting on any date during the Tender Offer Period in order to set the record date for the Extraordinary Shareholders' Meeting on the same day as the commencement date of settlement for the Tender Offer (as of today, this date is planned to be on January 15, 2021). Further, the Extraordinary Shareholders' Meeting is planned to be held in late February 2021.

If the proposal regarding the Share Consolidation is approved at the Extraordinary Shareholders' Meeting, as of the effective date of the Share Consolidation, the number of the Target Company's Stock owned by the shareholders of the Target Company will be changed in proportion to the ratio for the Share Consolidation approved at the Extraordinary Shareholders' Meeting. In the case where any fractional share less than one share arises as a result of the Share Consolidation, the amount of cash to be obtained by selling the Target Company's Stock in the amount equivalent to the aggregate of such fractional shares (any fractional shares less than one share in the aggregate will be rounded off; hereinafter the same) to the Target Company or the Tender Offeror, will be delivered to the shareholders of the Target Company pursuant to the procedures provided in Article 235 of the Companies Act and other relevant laws or regulations. With respect to the sale price of the Target Company's Stock in the amount equivalent to the aggregate of such fractional shares, the Tender Offeror plans to request the Target Company to determine such price so that the amount of money to be delivered to the Target Company's shareholders who did not tender their shares in the Tender Offer as a result of such sale will be equal to the amount obtained by multiplying (a) the Tender Offer Price by (b) the number of the Target Company's Stock held by such shareholder, and file a petition with a court for permission for such voluntary sale. Although the ratio for the consolidation of the Target Company's Stock has not yet been determined as of today, it is contemplated that the ratio will be determined so that the two companies of the Tender Offeror and the Major Shareholder will hold all of the Target Company's Stock (excluding the treasury shares held by the Target Company) and the number of the Target Company's Stock owned by the Target Company's shareholders (excluding the Tender Offeror, the Major Shareholder, and the Target Company) who did not tender their shares in the Tender Offer will be a fractional share less than one share.

Provided, however, if the Ownership Ratio of the Target Company's Stock, which the Tender Offeror was unable to acquire, is more than 20% as a result of the Tender Offer, the ratio for the consolidation may be made to be the proportion whereby only the Tender Offeror holds all of the Target Company's Stock (excluding the treasury stock held by the Target Company) as a result of the Share Consolidation (in this case, after the completion of the Squeeze-Out Procedures, the Tender Offeror, SMFL, the Major Shareholder, and ARA will, in accordance with the Shareholders Agreement executed among these four companies (for its summary, please refer to "c. Shareholders Agreement" of "(6) Matters concerning Material Agreement related to the Tender Offer" below), implement the Off-Market Trading in order to bring the shareholding

ratio of the Tender Offeror and the Major Shareholder to 70% and 30%, respectively, or implement other necessary measures in order to realize the respective shareholding ratio stated above; therefore, the Major Shareholders will reacquire the Target Company's Stock after the Share Consolidation).

As the provisions under the Companies Act for the purpose of protecting minority shareholder rights in connection with the Share Consolidation, it is stipulated to the effect that the shareholders of the Target Company (excluding the Tender Offeror and the Target Company), pursuant to the provisions of Articles 182-4 and 182-5 of the Companies Act and other relevant laws or regulations and subject to the satisfaction of the prescribed conditions, may request the Target Company to purchase at a fair price all of its fractional shares of the Target Company less than one share and file a petition with a court for determination of the price of the Target Company's Stock in the case where the Share Consolidation is conducted and any fractional share less than one share arises. As described above, in the Share Consolidation, the number of Target Company's Stock owned by the Target Company's shareholders (excluding the Tender Offeror, the Major Shareholder, and the Target Company) who did not tender their shares in the Tender Offer will be a fractional share less than one share; therefore, the Target Company's shareholders who oppose the Share Consolidation will be able to file the above petition. In the event the above-mentioned petition is filed, the purchase price will ultimately be determined by the court.

It is not intended in the Tender Offer to solicit the affirmative vote by the Target Company's shareholders at the Extraordinary Shareholders' Meeting.

The procedures described above may take longer than anticipated or may be changed in the method due to the amendment or enforcement of the relevant laws and regulations, the interpretation by the authorities on the relevant laws and regulations. However, even in such cases, if the Tender Offer is consummated, the Tender Offeror intends to adopt any measures to eventually pay cash to the shareholders of the Target Company (excluding the Tender Offeror, the Major Shareholder, and the Target Company) who did not tender their shares in the Tender Offer and cause the amount of cash to be paid to such shareholders of the Target Company to be equal to the amount obtained by multiplying the Tender Offer Price by the number of the Target Company's Stock owned by such shareholder of the Target Company.

The specific procedures and the schedule thereof in each case above will be announced by the Target Company once they are determined through mutual discussions between the Tender Offeror and the Target Company.

In addition, if the Squeeze-Out Procedures are expected to be completed by March 31, 2021, the Tender Offeror will request, subject to the completion of the Squeeze-Out Procedures, the Target Company to make a partial amendment to the articles of incorporation for the purpose of abolishing the provision regarding the

record date of voting rights at the 26<sup>th</sup> ordinary shareholders' meeting of the Target Company for the fiscal year ending December 2020 (the "Ordinary Shareholders' Meeting"), in order to treat the shareholder after the completion of the Squeeze-Out Procedures, i.e., the Tender Offeror and the Major Shareholder, as the shareholders who are entitled to exercise their rights at the Ordinary Shareholders' Meeting. Therefore, the shareholders who are stated or registered in the shareholders' registry of the Target Company as of December 31, 2020, may possibly be unable to exercise their rights at the Ordinary Shareholders' Meeting.

Each shareholder of the Target Company should consult with licensed tax accountant, etc., at its own responsibility regarding tax implications in relation to the tender in the Tender Offer or the procedures above.

After the completion of the Squeeze-Out Procedures, the Tender Offeror, SMFL, the Major Shareholder, and ARA will, in accordance with the Shareholders Agreement executed among these four companies (for its summary, please refer to "c. Shareholders Agreement" of "(6) Matters concerning Material Agreement related to the Tender Offer" below), implement the Off-Market Trading in order to bring the shareholding ratio of the Tender Offeror and the Major Shareholder to 70% and 30%, respectively, or implement other necessary measures in order to realize the respective shareholding ratio stated above after the Target Company obtains the Prime Minister's approval pursuant to the proviso of Article 24, Paragraph 1 of the Act with respect to the application for the suspension of the Target Company's obligation to submit an Annual Securities Report. Since the Off-Market Trading is scheduled to be implemented after the total number of issued shares of the Target Company decreased by the Share Consolidation in the Squeeze-Out Procedures, the price of the Off-Market Trading will be different from the Tender Offer Price when compared on a per share basis. However, the price of the Off-Market Trading will be determined in proportion to the ratio of the Share Consolidation based on the Tender Offer Price, which will be substantially the same price as the Tender Offer Price.

**(5) Possibility of Delisting and Reasons Therefor**

As of today, the Target Company's Stock is listed on the First Section of the Tokyo Stock Exchange. However, since the Tender Offeror has not set the maximum number of shares to be purchased in the Tender Offer, depending on the result of the Tender Offer, the Target Company's Stock may be delisted pursuant to the procedures prescribed by the Tokyo Stock Exchange in accordance with the Tokyo Stock Exchange's criteria for delisting.

In addition, even in the case where the Target Company's Stock does not fall under such criteria at the time of the consummation of the Tender Offer, the Tender Offeror is scheduled to implement the Squeeze-Out Procedures for the purpose of obtaining all of the Relevant Target Company's Stock as described in "(4) Policy for Organizational Restructuring, Etc., after the Tender Offer (Matters Relating to So-called 'Two-step Acquisition')" above, after the Tender Offer is consummated; therefore, in such case, the Target

Company's Stock will be delisted pursuant to the prescribed procedures in accordance with the Tokyo Stock Exchange's criteria for delisting. The Target Company's Stock will no longer be traded on the First Section of the Tokyo Stock Exchange after the delisting.

**(6) Matters concerning Material Agreement related to the Tender Offer**

a. Capital and Business Alliance Agreement

SMFL entered into the Capital and Business Alliance Agreement with the Target Company, dated today. The outline, etc., of the Capital and Business Alliance Agreement is as follows:

(I) Purpose

SMFL and the Target Company recognize that the source of the competitiveness of the Target Company as a leading company in real estate asset management lies in the mobility and innovativeness of the independent company and the organic combination of diverse and highly specialized officers and employees attracted by the open corporate culture, and execute the capital and business alliance (the "Capital and Business Alliance") with the purpose of dramatically expanding the Target Company's growth through the expansion of business opportunities and improvement of creditworthiness through collaboration with SMFL and enhancing the enterprise value of both SMFL and the Target Company, while maintaining the Target Company's management autonomy.

(II) Matters relating to the Tender Offer and Going Private

(A) Implementation of the Tender Offer by the Tender Offeror

SMFL will cause the Tender Offeror to determine the implementation of the Tender Offer and disclose its contents thereof.

(B) Target Company's Endorsement of the Tender Offer

If SMFL cause the Tender Offeror to determine the implementation of the Tender Offer, the Target Company will resolve at a meeting of its board of directors to endorse the Tender Offer and recommend the shareholders of the Target Company to tender their shares in the Tender Offer (the "Resolution of Opinion") and disclose its contents thereof.

The Target Company will not withdraw or amend the Resolution of Opinion during the Tender Offer Period, nor will the Target Company make a resolution at a meeting of the board of directors that is inconsistent with the contents of the Resolution of Opinion; provided, however, that in the case that

a third party executes or proposes the tender offer of the Target Company's Stock (the "Competitive Tender Offer"), at the purchase price exceeding the Tender Offer Price without setting the maximum number of shares to be purchased and without the Target Company's positive cooperation, or in other cases where the assumption of the Resolution of Opinion has been changed without the involvement of the Target Company, the Target Company shall be entitled to consider amendment of the Resolution of Opinion, and the Target Company may amend the Resolution of Opinion after consulting with SMFL in good faith in advance, when (i) it can be reasonably explained that the independence and autonomy of management, which are the source of the enterprise value, can be ensured and contributes to the enhancement of the enterprise value of the Target Company despite the consummation of the Competitive Tender Offer, or (ii) in cases other than the case which falls under (i), the Target Company reasonably decides on the basis of the opinion of the Special Committee that not amending the Resolution of Opinion can possibly violate the duty of due care of directors of the Target Company (provided, however, such decision shall take into account the existence of the Capital and Business Alliance Agreement, stipulating the confirmation of management independence and autonomy, which is the source of enterprise value.).

(C) Implementation of Going Private

In the event that the Tender Offeror is unable to acquire all of the Relevant Target Company's Stock, SMFL will cause the Tender Offeror to implement procedures to make the Tender Offeror and the Major Shareholder acquire all of the voting rights at the ratio of 70:30 through the method described in "(4) Policy for Organizational Restructuring, Etc., after the Tender Offer (Matters Relating to So-called 'Two-step Acquisition')" above, and the Target Company will provide the Tender Offeror with the necessary cooperation for Going Private and the above procedures.

(III) Matters concerning the Organization and Management of the Target Company

(A) Management Policies and Business Strategies

SMFL and the Target Company mutually acknowledge that the source of the Target Company's enterprise value is considered to be the independence and autonomy of its management. SMFL recognizes that it is essential to ensure the independence and autonomy of the Target Company's management, even after the consummation of the Tender Offer, in order to further enhance the Target Company's enterprise value. Accordingly, SMFL will support the management policies and business strategies of the Target Company existed at the time of the conclusion of the Capital and Business Alliance Agreement and will respect the independence and autonomy of the management structure and business strategies of the Target Company, including management policies and

business strategies to be decided in the future by the Target Company Management (collectively referring to the Target Company's present executive directors and executive officers or their successors; the same shall apply hereinafter) to the maximum extent, while conforming to the company regulations, etc., of SMFL Group (collectively referring to the group companies regulations that SMFL stipulates the operation and management of the group companies, the operational management rules of the group companies, and other internal rules applicable to the group companies; the same shall apply hereinafter) from the standpoint of governance.

In the event that the Target Company Group, following the completion of the Transactions, does not achieve certain performance requirements despite the provision of business support and cooperation by SMFL as agreed upon through consultation between SMFL and the Target Company, SMFL may, after consulting with the Target Company in good faith, require the Target Company to make reasonable changes to certain matters, including the organizational and management matters of the Target Company, and both parties shall consult in good faith towards an agreement to change such matters.

(B) Management Structure

SMFL may, after the completion of the Transactions, (i) appoint a certain number of directors, which is added one (1) to the number of directors of the Target Company for whom SMFL does not have a right to appoint, and (ii) appoint as many statutory auditors of the Target Company as SMFL may desire, respectively. The Target Company confirms that the Major Shareholder is entitled to appoint a director of the Target Company pursuant to the Shareholders Agreement, and will participate in the Shareholders Agreement as a party thereto within ten (10) business days after the completion of the Transactions.

SMFL shall, in principle, maintain the management structure of the Target Company Management even after the consummation of the Tender Offer and shall permit the Target Company Management to continue to make management decisions and perform its business activities in its sole and reasonable discretion to the extent not inconsistent with the duty of due care of a good manager.

SMFL shall determine the appointment of successors to executive directors of the Target Company after the completion of the Transactions, respecting the nominations by the Target Company Management to the maximum extent. Subject to such internal procedures as may be required by SMFL, SMFL shall, in principle, entrust the Target Company Management with the personnel affairs of persons in managerial positions of the executive officers and below of the Target Company and

the personnel affairs of the officers and employees of the Target Company Group other than the Target Company after the completion of the Transactions.

After the completion of the Transactions, SMFL and the Target Company shall establish the Target Company Management Committee (tentative name), consisting of the Target Company Management (collectively referring to the persons who hold the position or title of directors or executive officers of the Target Company; the same shall apply hereinafter), the compliance officers, the heads of each business division, and the external members of the Target Company, at the Target Company, and shall consider the establishment of a system to deliberate and make decisions on important matters in the execution of the Target Company Group's business and management decisions.

The Target Company shall implement or cooperate in implementing of (i) dispatch SMFL's appointees to the Target Company as executive officers (full-time); (ii) dispatch observers appointed by SMFL to each of the Corporate Compliance Committee, the Business Compliance Committee, the Nominating and Compensation Advisory Committee, and the Equity Committee; (iii) introduction of and compliance with the systems and frameworks required by SMFL Group, such as those for compliance and risk management; and (iv) other matters that the Tender Offerors reasonably require as the parent company or the shareholder.

The Target Company shall comply with the regulations, etc., of SMFL Group, properly apply, discuss, and report in accordance with the applicable rules, and cause the Target Company's subsidiaries and affiliates to comply with the applicable regulations, etc., of SMFL Group.

(IV) Measures to Enhance the Enterprise Value of the Target Company

(A) Business Investment by the Target Company

Even after the consummation of the Tender Offer, SMFL shall consult with the Target Company in good faith with respect to the reasonably necessary level of the Target Company's equity capital and cash reserves (liquidity in hand) so that the Target Company makes business investments promptly and flexibly.

(B) Business Support and Cooperation by SMFL

SMFL shall consult in good faith with respect to the implementation of business support and cooperation, including the following, in response to the request of the Target Company, with the purpose of enhancing the enterprise value of the Target Company:

- (a) Growth support for achieving the target of AUM four (4) trillion yen (in 2025) in the long-term vision
- (b) Improvement of creditworthiness in financing situations
- (c) Offer of bridge functions by SMFL Group
- (d) Support for new businesses
- (e) Sharing of know-how related to SDGs management
- (f) Sharing of experience, knowledge, know-how, etc., through mutual exchange of human resources

(C) Financing

In the event that the Target Company requests support for financing, SMFL shall consult in good faith with the Target Company, make its best efforts to implement such financial support by SMFL, and respect the decision of the Target Company Management with respect to the policy of financing from existing main banks and financial counterparties of the Target Company Group to the maximum extent.

(D) Employee Treatment

SMFL shall agree to maintain the employment of the employees of the Target Company Group as of the commencement date of the settlement relating to the Tender Offer and shall not require the Target Company to change the employment terms and conditions (including benefits) adversely.

(E) Compensation and Incentive Plans

SMFL agrees to maintain or adopt a compensation and a compensation plan that are substantially the level equivalent to the compensation or compensation plan adopted as of the execution date of the Capital and Business Alliance Agreement even after the consummation of the Tender Offer for the purpose of retaining officers and employees (including executive officers) of the Target Company Group in order to maintain and enhance the enterprise value of the Target Company.

SMFL shall consider the introduction of stock options and other new incentive plans linked to the enterprise value or performance of the Target Company Group after the completion of the Transactions with the purpose of retaining the officers and employees of the Target Company Group and maintaining their motivation and morale to improve their performance.

(V) Termination of the Capital and Business Alliance Agreement



The Capital and Business Alliance Agreement will be terminated in the event that (i) SMFL and the Target Company agree in writing, (ii) the Tender Offer is withdrawn or failed, (iii) SMFL Group no longer holds shares equivalent to a majority of the voting rights of all shareholders in the Target Company, (iv) the Target Company files an application for listing on a financial instruments exchange, (v) the Capital and Business Alliance Agreement is cancelled pursuant to the termination events prescribed in the Capital and Business Alliance Agreement, such as breach of obligation in material respects that is prescribed in the Capital and Business Alliance Agreement, or (vi) the Target Company is dissolved and the liquidation is completed.

b. Management Entrustment Agreement

SMFL entered into the Management Entrustment Agreement with Mr. Taisuke Miyajima, Representative Director of the Target Company, and Mr. Soushi Ikeda, Managing Director of the Target Company (referred to as the “Directors of the Target Company” in “b. Management Entrustment Agreement”) respectively as of today. The main clauses of the Management Entrustment Agreement shall become effective at the time of completion of the Transactions, and the outline of such provisions is as follows:

(I) Purpose

SMFL and the Directors of the Target Company will enter into the Management Entrustment Agreement for the purpose of enhancing and maximizing the enterprise value of the Target Company by the performance of the Directors of the Target Company of the duties described in “(II) Entrustment of Management” below in accordance with the Management Entrustment Agreement when SMFL and the Target Company implements the Capital and Business Alliance based on the Capital and Business Alliance Agreement.

(II) Entrustment of Management

SMFL shall entrust that Mr. Taisuke Miyajima will accept the position as Representative Director of the Target Company and Mr. Soushi Ikeda will accept the position as Managing Director, general manager of strategic investment division of the Target Company, and shall entrust them to perform their duties, and the Directors of the Target Company shall accept such entrustment of the duties (the “Management Entrustment”). The Directors of the Target Company shall not resign or retire, or refuse a reappointment during the effective period of the Management Entrustment Agreement unless there is a health or other unavoidable reason. SMFL may dismiss or refrain from reappointing the Directors of the Target Company in the event that the Directors of the Target Company violate laws and regulations or there are other sufficiently reasonable reasons.

(III) Compliance with Capital and Business Alliance Agreement

Upon the Management Entrustment, SMFL undertakes to comply with the obligations of SMFL set forth in the Capital and Business Alliance Agreement. The Directors of the Target Company shall make an effort, in good faith in light of their own duties and powers in the Target Company, to cause the Target Company to comply with the obligation set forth in the Capital and Business Alliance Agreement.

SMFL and the Directors of the Target Company shall consult in good faith with respect to the details of the items set forth in “(E) Compensation and Incentive Plans” of “(IV) Measures to Enhance the Enterprise Value of the Target Company” of “ a. Capital and Business Alliance Agreement” above promptly after the completion of the Transactions.

(IV) Non-Competition and Non-Solicitation of the Directors of the Target Company

During the term of the Management Entrustment Agreement and for one (1) year after the termination thereof, the Directors of the Target Company shall not, in principle, engage in any business that competes with the business that is actually conducted, or planned to be conducted, by the Target Company Group at that time (the “Competing Business”), provide any services in relation to the Competing Business by way of entrustment, contract, appointment of advisor, or otherwise, or acquire any interests in the Competing Business.

During the term of the Management Entrustment Agreement and for one (1) year after the termination thereof, the Directors of the Target Company shall not solicit officers or employees of the Target Company Group to be appointed or employed by the Directors of the Target Company or their affiliated companies, encourage them to resign from the Target Company Group, or otherwise encourage them to do anything, or cause their affiliates companies to do so.

(V) Termination of the Management Entrustment Agreement, Etc.

The Management Entrustment Agreement will be terminated in the event that (i) the Parties agree in writing, (ii) the Tender Offer is withdrawn or failed, (iii) the Capital and Business Alliance Agreement is terminated, (iv) SMFL Group no longer holds shares equivalent to a majority of the voting rights of all shareholders in the Target Company, (v) the Directors of the Target Company lose their position, (vi) the Target Company files an application for listing on a financial instruments exchange, (vii) the Management Entrustment Agreement is cancelled pursuant to the termination events prescribed in the Management Entrustment Agreement, such as breach of obligation in

material respects that is prescribed in the Management Entrustment Agreement, or (viii) the Target Company is dissolved and the liquidation is completed.

c. Shareholders Agreement

Today, in connection with the implementation of the Tender Offer, the Tender Offeror and SMFL entered into the Shareholders Agreement with the Major Shareholder and ARA, a wholly-owning parent company of the Major Shareholder, stipulating that ARA shall cause the Major Shareholder not to tender the Non-Tendered Shares in the Tender Offer, as well as business operations, etc., of the Target Company after the Transactions. The Major Shareholder and ARA entered into the Shareholders Agreement after confirming the terms and conditions of the Capital and Business Alliance Agreement and the Management Entrustment Agreement. The contents of the Shareholders Agreement are as follows. After confirming the terms and conditions of the Shareholders Agreement, the Target Company agreed with SMFL in the Capital and Business Alliance Agreement to participate in the Shareholders Agreement as a party thereto within ten (10) business days after the completion of the Transactions.

(I) Agreement on Non-tender of the Non-Tendered Shares

SMFL shall cause the Tender Offeror to commence the Tender Offer, and ARA shall cause the Major Shareholder not to tender any of the Target Company's Stock held by the Major Shareholder (i.e., 44,705,900 shares; Ownership Ratio: 20.27%) (Non-Tendered Shares) in the Tender Offer. If, during the Tender Offer Period, a third party implements a tender offer, that does not set a maximum number of shares to be purchased, with respect to the Target Company's Stock, with the tender offer price exceeding the Tender Offer Price, the parties shall consult in good faith with respect to a measure.

In addition, after the consummation of the Tender Offer, the Tender Offeror shall implement the Squeeze-Out Procedures as described in "(4) Policy for Organizational Restructuring, Etc., after the Tender Offer (Matters Relating to So-called 'Two-step Acquisition')" above, and ARA shall provide cooperation, including cooperation to exercise voting rights at the Extraordinary Shareholders' Meeting, with the Tender Offeror and the Target Company in order to facilitate the Squeeze-Out Procedures.

After the completion of the Squeeze-Out Procedures, the Tender Offeror, SMFL, the Major Shareholder, and ARA will implement the transfer of a portion of the Target Company's Stock from the Tender Offeror to the Major Shareholder (the Off-Market Trading) in order to bring the shareholding ratio of the Tender Offeror and the Major Shareholder to 70% and 30%, respectively, or implement other necessary measures in order to realize the respective shareholding ratio stated

above. The price of the Off-Market Trading will be economically the equivalent value to the Tender Offer Price.

(II) Agreement on Business Operations of the Target Company

The parties to the Shareholders Agreement generally agree on the following matters with regard to the management policy of the Target Company after the Transactions.

- (A) The Major Shareholder will have the right to dispatch a non-executive director of the Target Company after the completion of the Squeeze-Out Procedures.
- (B) The parties to the Shareholders Agreement shall consult in good faith with each other with respect to the cooperation for the enhancement of the enterprise value of the Target Company.
- (C) SMFL shall not cause the Target Company to engage in any action that would result in squeezing out the Major Shareholder from the Target Company or decreasing the Ownership Ratio of the Major Shareholder.
- (D) In case that the Target Company issues new shares, the Tender Offeror and the Major Shareholder shall have the right, prior to any third party, to subscribe for a portion of such new shares in proportion to their shareholding ratio.
- (E) The Tender Offeror and the Major Shareholder shall acquire the prior consent of ARA for the matters relating to activities of the Target Company and its subsidiaries ((i) substantive amendment to the articles of incorporation; (ii) organizational restructuring, etc., that requires approval by a special resolution at the shareholders' meeting; (iii) acquisition of treasury shares at non-pro rata basis; and (iv) dissolution and petition for commencement of insolvency proceedings).
- (F) The parties to the Shareholders Agreement may, from time to time, verify the outcome of the business synergies among such parties and the Target Company with the Target Company, and, depending on its outcome, require the other party to discuss in good faith with respect to the form of joint venture of the Target Company.

(III) Agreement on Treatment of the Target Company's Stock Held by the Tender Offeror and the Major Shareholder, Etc.

The parties to the Shareholders Agreement generally agree on the following matters concerning the treatment, etc., of the Target Company's Stock held by the Tender Offeror and the Major Shareholder.

- (A) In principle, the Tender Offeror shall not transfer the Target Company's Stock to any third party without prior consent of the Major Shareholder, and the Major Shareholder shall not transfer the Target Company's Stock to any third party without prior consent of the Tender Offeror.
- (B) If the Tender Offeror and the Major Shareholder seek to transfer all of the Target Company's Stock held by them to any third party, it shall notify the other party to that effect, and the other party shall be given the opportunity to propose, to the party seeking such transfer, that it seeks to purchase all of the relevant shares.
- (C) The Major Shareholder shall have the put option at fair market value to the Tender Offeror on all of the Target Company's Stock held by the Major Shareholder during five (5) years after the completion of the Squeeze-Out Procedures.
- (D) If the Tender Offeror seeks to transfer all of the Target Company's Stock held by the Tender Offeror to any third party, the Major Shareholder shall have a tag-along right for all of the Target Company's Stock held by the Major Shareholder, and the Tender Offeror shall have a drag-along right for all of the Target Company's Stock held by the Major Shareholder (only after the date on which five (5) years have elapsed following the completion of the Squeeze-Out Procedures).

**(7) Others**

As described in “(4) Policy for Organizational Restructuring, Etc., after the Tender Offer (Matters Relating to So-called ‘Two-step Acquisition’)” above, after the completion of the Squeeze-Out Procedures, the Tender Offeror, SMFL, the Major Shareholder, and ARA are scheduled to implement the Off-Market Trading in order to bring the shareholding ratio of the Tender Offeror and the Major Shareholder to 70% and 30%, respectively, or implement other necessary measures in order to realize the respective shareholding ratio stated above after the Target Company obtains the Prime Minister's approval pursuant to the proviso of Article 24, Paragraph 1 of the Act with respect to the application for the suspension of the Target Company's obligation to submit an Annual Securities Report in accordance with the Shareholders Agreement that was entered into among such four companies (for a summary of the Shareholders Agreement, please refer to “c. Shareholders Agreement” of “(6) Matters concerning Material Agreement related to the Tender Offer” above). An overview of the Major Shareholder, a counterparty to the Tender Offeror in the Off-Market Trading, is as follows:

ARA REAL ESTATE INVESTORS XVIII PTE.LTD.

- (A) Overview of ARA REAL ESTATE INVESTORS XVIII PTE.LTD.

(a) History of ARA REAL ESTATE INVESTORS XVIII PTE.LTD.

Month/Year	History
October 2011	ARA Managers (CIP) Pte. Ltd, as its trade name, was incorporated as a private company under the laws of Singapore, having the headquarters at 6 Temasek Boulevard #16-02, Suntec Tower Four, Singapore 038986, and its capital is 1 SGD.
August 2017	ARA RE Investment Group (Singapore) Pte. Ltd. acquired all of the issued shares from ARA Portfolio Management Limited. On the same day, its trade name was changed to ARA REAL ESTATE INVESTORS XVIII PTE.LTD and its business purpose changed from real property fund management to an investment holding company.

(b) Business Purpose of ARA REAL ESTATE INVESTORS XVIII PTE.LTD., and the Details of its Business Purpose of ARA REAL ESTATE INVESTORS XVIII PTE.LTD.

1. To undertake any business or activity in relation to real property fund management
2. To carry on any other trade or business that can directly or indirectly enhance the value or profitability of any property, rights or undertakings of the company
3. To borrow or raise or secure the payment of money for the purposes of or in connection with the company's business
4. To mortgage and charge the undertaking of all or any of the real and personal property and assets of the company
5. To issue and deposit any securities which the company has power to issue by way of mortgage to secure any sum or by way of security for the performance of any contracts or obligations of the company
6. To pay for any property or rights acquired by the company
7. To do all such other things as in the opinion of the company or its directors are incidental or conducive to the conduct, promotion or attainment of any purpose to directly or indirectly enhance the value or profitability of any property, rights or undertakings of the company

Details of Business

Investment holding company to hold the Target Company's Stock

(c) Amount of Stated Capital and Total Number of Issued Shares

(as of November 20, 2020)

Amount of Stated Capital (yen)	Total Number of Issued Shares (shares)
1 SGD	1

(d) Major Shareholders

(as of November 20, 2020)

Name	Address or Location	Number of Shares Owned (shares)	Ratio of Number of Owned Shares to Total Number of Issued Shares (excluding treasury shares) (%)
ARA Re Investment Group (Singapore) Pte. Ltd.	5 Temasek Boulevard #12-01, Suntec Tower Five, Singapore 038985	1	100.00
Total	-	1	100.00

## (e) Business Experiences of and Number of Shares Owned by Officers

(as of November 20, 2020)

Title	Position	Name	Date of Birth	Business Experiences		Number of Shares Owned (shares)
Director	-	CHIU KWOK HUNG, JUSTIN	July 6, 1950	July 2002	Chairman and Director of ARA Asset Management Limited. (current position)	-
				May 2007	Director of ARA RE Investment Group (Singapore) Pte. Ltd. (current position)	
				August 2017	Director of ARA REAL ESTATE INVESTORS XVIII PTE.LTD. (current position)	
Director	-	LIM HWEE CHIANG	June 28, 1956	July 2002	Established ARA Asset Management Limited	-
				July 2002	Group Chief Executive Officer and Director of ARA Asset Management Limited (current position)	
				May 2007	Director of ARA RE Investment Group (Singapore) Pte. Ltd. (current position)	
				August 2017	Director of ARA REAL ESTATE INVESTORS XVIII PTE.LTD. (current position)	
Total						-

## (B) Relationship with the Tender Offeror

N/A

## (C) Purpose of Transfer

For the joint management of the Target Company with the Tender Offeror

## (D) Number of the Target Company's Stock Owned as of Today



44,705,900 shares

## 2. Outline of Purchase, Etc.

### (1) Outline of the Target Company

(1)	Name	Kenedix, Inc.	
(2)	Location	2-1-6 Uchisaiwaicho, Chiyoda-ku, Tokyo	
(3)	Name and Title of Representative	Taisuke Miyajima, Representative Director	
(4)	Contents of Business	Asset management business, real estate management business, real estate operation business, real estate investment business	
(5)	Capital	JPY40,320 million (as of June 30, 2020)	
(6)	Date of Incorporation	April 17, 1995	
(7)	Major Shareholders and Shareholding Ratios	DBS BANK LTD. 700152 (Standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd)	19.34%

(as of June 30, 2020) (Note)	The Master Trust Bank of Japan, Ltd. (Trust Account)	5.39%
	NORTHERN TRUST CO.(AVFC) RE FIDELITY FUNDS (Standing proxy: Custody Business Department of The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch)	5.17%
	Japan Trustee Services Bank, Ltd. (Trust Account)	3.77%
	STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd)	3.43%
	DAIWA CM SINGAPORE LTD (TRUST A/C) (Standing proxy: Daiwa Securities Co. Ltd.)	3.38%
	SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Custody Business Department of The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch)	2.48%
	J.P. MORGAN BANK LUXEMBOURG S.A. 1300000 (Standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd)	1.98%
	Japan Trustee Services Bank, Ltd. (Trust Account 7)	1.94%
	JP MORGAN CHASE BANK 385781 (Standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd)	1.71%
(8)	Relationship between the Tender Offeror and the Target Company	

Capital Relationship	Not applicable. The Tender Offeror holds 100 shares of the Target Company's Stock.
Personnel Relationship	Not applicable
Business Relationship	Not applicable. SMFL, the wholly-owning parent company of the Tender Offeror, provides the loan to the Target Company.
Status as Related Party	Not applicable.

(Note) "Major Shareholders and Shareholding Ratios (as of June 30, 2020)" is described based on the "Status of Major Shareholders" stated in the Target Company's Second Quarterly Report for the 26th Fiscal Year submitted on August 14, 2020.

**(2) Schedule, Etc.**

a. Schedule

Resolution Date	November 20, 2020 (Friday)
Date of Notice of Commencement of Tender Offer	November 24, 2020 (Tuesday) Public disclosure will be made electronically, and a notice of such disclosure will be published in the Nihon Keizai Shimbun.  (URL of electronic public notice <a href="https://disclosure.edinet-fsa.go.jp/">https://disclosure.edinet-fsa.go.jp/</a> )
Filing Date of Tender Offer Registration Statement	November 24, 2020 (Tuesday)

b. Period for Purchase, Etc. as of the Time of Filing of the Tender Offer Registration Statement

From November 24, 2020 (Tuesday) to January 8, 2021 (Friday) (30 business days)

c. Possible Extension of the Tender Offer Period based on the Target Company's request

N/A

**(3) Price for Purchase, Etc.**

750 yen per share of common stock

**(4) Bases, Etc. of Calculation of Price for Purchase, Etc.**

a. Basis of Calculation

The Tender Offerors requested SMBC Nikko Securities, a financial advisor of the Tender Offerors, as a third-party valuation institution that is independent from the Tender Offerors, ARA, and the Target Company, to evaluate the share value of the Target Company's Stock for determining the Tender Offer Price. Although SMBC Nikko Securities, a financial advisor and a third-party valuation institution of the Tender Offerors, is, just like the Tender Offerors, one of the group companies of SMFG, SMFL has appointed SMBC Nikko Securities as a financial advisor and a third-party valuation institution, taking into consideration the performance of SMBC Nikko Securities as a valuation institution, and in light of the fact that (i) the department that calculates the share value of the Target Company's Stock in SMBC Nikko Securities and other departments therein, as well as SMFG, the parent company of SMBC Nikko Securities, have adopted prescribed information blocking measures as the measures to prevent harmful effects; (ii) as the Tender Offerors and SMBC Nikko Securities conduct transactions on the same terms and conditions as those for the ordinary business partners, the independence of SMBC Nikko Securities as the financial advisor and the third party valuation institution is ensured; and (iii) SMBC Nikko Securities does not fall under a related party of the Target Company and there is no particular issue with respect to the Tender Offerors' requesting SMBC Nikko Securities to conduct the valuation of the share value of the Target Company's Stock.

After considering which valuation methods should be applied to evaluate the share value of the Target Company's Stock among various stock valuation methods, SMBC Nikko Securities evaluated the share value of the Target Company's Stock using each method of (i) the market price method since the Target Company is listed on the first section of the Tokyo Stock Exchange and a market price exists, and (ii) the DCF method in order to reflect the future business activities in the valuation. The Tender Offerors obtained the Share Valuation Report (SMBC Nikko Securities) relating to the share value of the Target Company's Stock from SMBC Nikko Securities on November 19, 2020. It should be noted that SMBC Nikko Securities is not a related party of the Target Company, and has no material interest in the Tender Offer. Also, the Tender Offerors have not received any opinion concerning the fairness of the Tender Offer Price (a fairness opinion) from SMBC Nikko Securities.

According to the Share Valuation Report (SMBC Nikko Securities), the ranges of share value per share of the Target Company's Stock evaluated in the adopted analyses above are as follows:

Market share price method: 536 yen to 568 yen

DCF method: 678 yen to 866 yen

Under the market price method, the range of share value per share was analyzed to be from 536 yen to 568 yen as of November 19, 2020 as the record date for calculation. This range was based on the simple average closing price of the Target Company's Stock on the first section of the Tokyo Stock Exchange for the past one (1) month up to the record date for calculation (from October 20, 2020 to November 19, 2020) which was 568 yen, the past three (3) months up to such date (from August 20, 2020 to November 19, 2020) which was 549 yen and the past six (6) months up to such date (from May 20, 2020 to November 19, 2020) which was 536 yen.

Under the DCF method, the share value per share was analyzed to be in the range of 678 yen to 866 yen as a result of analyzing the share value of the Target Company's Stock by discounting the cash flow that is expected to be generated by the Target Company in and after the fiscal year ending December 2020 to the present value at a specific discount rate, on the basis of the Business Plan provided by the Target Company and in accordance with revenue forecast of the Target Company under various factors, such as the preceding performance trend, the results of the due diligence on the Target Company conducted by the Tender Offerors and publicly disclosed information. The Business Plan that underlay the DCF method above includes a fiscal year in which a significant increase in profit is expected. Specifically, from the fiscal year ending December 2021 to the fiscal year ending December 2022, the operating income is expected to increase significantly from 11,470 million yen to 15,182 million yen, due to an increase in fee income in the asset management business resulting from an increase in the AUM balance. The synergy effects that can be expected to be realized through the Transactions are not included in the financial forecasts because it is difficult to estimate this specifically at this time.

In addition to the valuation results indicated in the Share Valuation Report (SMBC Nikko Securities) provided by SMBC Nikko Securities, the Tender Offerors comprehensively reviewed several factors, such as the likelihood that the Target Company's board of directors would support the Tender Offer, the examples of premiums added in determining the prices for purchase, etc., in other tender offers conducted in the past for the purpose of making a target company a private company, the trend of the market price of the Target Company's Stock, the results of the due diligence on the Target Company conducted by SMFL from early June to late July 2020 (after such due diligence, an additional financial due diligence was conducted from September 2020 and finished at early October 2020.), and the prospect of shares being tendered in the Tender Offer; and took into consideration the results of the discussions and negotiations with the Target Company. As a result, the Tender Offerors ultimately set the Tender Offer Price at 750 yen today.

The Tender Offer Price of 750 yen is the price including (a) a premium of 26.48% added to 593 yen, which is the closing price of the Target Company's Stock on the first section of the Tokyo Stock Exchange on November 19, 2020, the business day immediately preceding today; (b) a premium of 32.04% added to 568

yen, which is the simple average closing price of the Target Company's Stock for the past one (1) month up to such date; (c) a premium of 36.61% added to 549 yen, which is the simple average closing price for the past three (3) months up to such date; and (d) a premium of 39.93% added to 536 yen, which is the simple average closing price for the past six (6) months up to such date.

b. Background of Calculation

(Background to the Determination of the Tender Offer Price)

SMFL, as described in "1. Purpose of Purchase, Etc.," above, concluded that making the Target Company a wholly-owned subsidiary by SMFL Group would be the best option for the Target Company Group and SMFL Group. SMFL announced the Initial Declaration of Intent to the Target Company on June 2, 2020, after appointing Nagashima Ohno & Tsunematsu as a legal advisor independent from SMFL, ARA, and the Target Company, SMBC Nikko Securities and Goldman Sachs Japan as financial advisors independent from SMFL, ARA, and the Target Company, and SMBC Nikko Securities as a third-party valuation institution independent from SMFL, ARA, and the Target Company. Based on that, SMFL conducted due diligence to scrutinize the feasibility of making the Target Company a wholly-owned subsidiary by SMFL Group from early June to late July 2020 (after such due diligence, an additional financial due diligence was conducted from September 2020 and finished at early October 2020), and have continued discussions with the Target Company regarding the conditions of making the Target Company a wholly-owned subsidiary by SMFL Group. Subsequently, on July 30, 2020, SMFL submitted the Proposal Dated July 30 to the Target Company, and discussed and negotiated with the Target Company.

In addition, in parallel with the discussion between the Tender Offerors and the Target Company, in early October 2020, the Tender Offerors sounded out tendering for the Tender Offer to the Major Shareholder and ARA. In response to this, in the middle of October 2020, ARA proposed that the Major Shareholder would like to maintain its position as a shareholder of the Target Company. SMFL and the Target Company have determined that maintaining the Target Company's capital relationship with ARA as a strategy will further enhance the effect of the Target Company's going private through the Transactions, and will contribute to the enhancement of the enterprise value of the Target Company Group from a medium- and long-term perspective. Based on this judgment, the Tender Offerors began discussion, from late October 2020, on the assumption that the Tender Offeror and the Major Shareholder, both being shareholders of the Target Company, will hold 100% of the Target Company's Stock. Through such discussion and consideration, SMFL and the Major Shareholder agreed to operate the Target Company, after making the Target Company's Stock delisted and bringing the Target Company, with the shareholding ratio of the Tender Offeror to 70% and the shareholding ratio of the Major Shareholder to 30%.

As a result, in late October 2020, SMFL and the Target Company agreed that making the Target Company a subsidiary would be the best measure to contribute to enhance the enterprise value of the entire SMFL Group, including the Target Company Group, in response to changes in the business environment surrounding SMFL Group and the Target Company Group. Accordingly, the Tender Offeror decided to implement the Tender Offer as part of the Transactions today.

(i) Name of the Third Party that Provided an Opinion in the Calculation

When determining the Tender Offer Price, the Tender Offerors requested SMBC Nikko Securities, the financial advisor of the Tender Offerors, as a third-party valuation institution that is independent from the Tender Offerors, ARA, and the Target Company, to evaluate the share value of the Target Company's Stock, and obtained the Share Valuation Report (SMBC Nikko Securities) relating to the share value of the Target Company's Stock from SMBC Nikko Securities on November 19, 2020. The Tender Offerors have not obtained an opinion concerning the fairness of the Tender Offer Price (a fairness opinion) from SMBC Nikko Securities.

(ii) Summary of the Opinion

According to the Share Valuation Report (SMBC Nikko Securities), the ranges of share value per share of the Target Company's Stock evaluated in the adopted analyses above are as follows:

Market share price method:	536 yen to 568 yen
DCF method:	678 yen to 866 yen

(iii) Background of the Determination of the Tender Offer Price based on the Opinion

On July 30, 2020, the Tender Offerors submitted the Proposal Dated July 30 to the Target Company and proposed that the Tender Offer Price be 645 yen.

The Tender Offerors were subsequently requested by the Special Committee to reexamine the Tender Offer Price on August 24, 2020, on the ground that the Tender Offer Price of 645 yen, which had been proposed in the Proposal Dated July 30, was insufficient. Based on the above request by the Special Committee, the Tender Offerors reexamined the Tender Offer Price, and on August 25, 2020, the Tender Offerors re-proposed to the Special Committee that the Tender Offer Price be 680 yen. However, on August 31, 2020, the Special Committee again requested that the Tender Offer Price be raised, and on September 14, 2020, the Tender Offerors requested the Special Committee to provide an opportunity for discussion with the financial advisor of the Target Company, for the purpose of deepening their understanding of the Special Committee's thoughts on the Tender Offer Price, and held discussion with

the financial advisor of the Target Company on September 15, 2020. Although, on September 23, 2020, the Tender Offerors re-proposed to the Special Committee that the Tender Offer Price be 720 yen, based on the above discussions and the advice from a financial point of view of SMBC Nikko Securities, the financial advisor of the Tender Offerors, on the same day, the Special Committee requested that the Tender Offer Price be reexamined. Again, based on the advice of SMBC Nikko Securities from a financial point of view, on September 29, 2020, the Tender Offerors re-proposed to the Special Committee that the Tender Offer Price be 740 yen. Subsequently, on October 23, 2020, the Special Committee requested that the Tender Offer Price be raised again. Accordingly, based on the advice of SMBC Nikko Securities from a financial point of view, on October 28, 2020, the Tender Offerors made a final proposal to the Special Committee that the Tender Offer Price be 750 yen. While there is a certain period between the price proposal dated September 29, 2020 and the price proposal dated October 28, 2020, this is due to the negotiation of the Capital and Business Alliance Agreement with the Target Company, the negotiation of the Management Entrustment Agreement with Mr. Taisuke Miyajima and Mr. Soushi Ikeda, and the approaches to sound out tendering for the Tender Offer by the Major Shareholder.

After such consultation and negotiation, in addition to the valuation results indicated in the Share Valuation Report (SMBC Nikko Securities) provided by SMBC Nikko Securities, the Tender Offerors comprehensively reviewed several factors, such as the likelihood that the Target Company's board of directors would support the Tender Offer, the examples of premiums added in determining the prices for purchase, etc., in other tender offers conducted in the past for the purpose of making a target company a private company, the trend of the market price of the Target Company's Stock, the results of the due diligence on the Target Company conducted by SMFL from early June to late July 2020 (after the due diligence, an additional financial due diligence was conducted from September 2020 and finished at early October 2020.), and the prospect of shares being tendered in the Tender Offer; and took into consideration the results of the discussions and negotiations with the Target Company. As a result, the Tender Offerors ultimately set the Tender Offer Price at 750 yen today.

c. Relationship with the Valuation Institution

SMBC Nikko Securities, the financial advisor (the valuation institution) of the Tender Offerors, does not fall under a related party of the Target Company and has no material interest in the Tender Offer. Although SMBC Nikko Securities is, just like the Tender Offerors, one of the group companies of SMFG, the Tender Offerors have requested SMBC Nikko Securities to conduct the valuation of the Target Company's Stock, taking into consideration the performance of SMBC Nikko Securities as a valuation institution, and in light of the fact that (i) the department that evaluates the share value of the Target Company's Stock in SMBC Nikko Securities and other departments therein, as well as SMFG, the parent company of SMBC Nikko Securities, have adopted prescribed information blocking measures as the measures to prevent adverse



effects; (ii) as the Tender Offerors and SMBC Nikko Securities conduct transactions on the same terms and conditions with those for the ordinary business partners, the independence of SMBC Nikko Securities as the third party valuation institution is ensured; and (iii) SMBC Nikko Securities does not constitute a related party of the Target Company and there is no particular issue with respect to the Tender Offerors' requesting SMBC Nikko Securities to conduct the valuation of the Target Company's Stock.

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

Number of shares to be purchased	Minimum number of shares to be purchased	Maximum number of shares to be purchased
175,875,200 shares	102,348,200 shares	— shares

(Note 1) If the total number of the Tendered Share Certificates, Etc., is less than the minimum number of shares to be purchased (102,348,200 shares), the Tender Offeror will not purchase any of the Tendered Share Certificates, Etc. If the total number of the Tendered Share Certificates, Etc., is equal to or greater than the minimum number of shares to be purchased (102,348,200 shares), the Tender Offeror will purchase all of the Tendered Share Certificates, Etc.

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

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

(Note 4) Since a maximum number of shares to be purchased has not been set in the Tender Offer, the maximum number of the Target Company's Stock to be purchased, etc., by the Tender Offeror in the Tender Offer is stated as the number of shares to be purchased. Such maximum number of shares (175,875,200 shares) is the number of shares calculated by subtracting the sum of (a) the number of shares held by the Tender Offeror as of today (100 shares) and (b) the number of the Target Company's Stock held by the Major Shareholder as of today (44,705,900 shares) from the total number of issued shares as of September 30, 2020 (220,581,200 shares) indicated in the Target Company's Third Quarterly Report.

**(6) 【Ownership Ratio of Share Certificates, Etc., after Purchase, Etc.】**

Number of Voting Rights	1	(Ownership ratio of share certificates, etc., before
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Represented by Share Certificates, Etc. Owned by Tender Offeror, before Purchase, Etc.		Purchase, Etc.  0.00%)
Number of Voting Rights Represented by Share Certificates, Etc. Owned by Special Related Parties, before Purchase, Etc.	447,059	(Ownership ratio of share certificates, etc., before Purchase, Etc.  20.27%)
Number of Voting Rights Represented by Share Certificates, Etc. Owned by Tender Offeror, after Purchase, Etc.	1,758,752	(Ownership ratio of share certificates, etc., after Purchase, Etc.  79.73%)
Number of Voting Rights Represented by Share Certificates, Etc. Owned by Special Related Parties, after Purchase, Etc.	447,059	(Ownership ratio of share certificates, etc., after Purchase, Etc.  20.27%)
Number of Voting Rights of All Shareholders of Target Company	2,205,713	

(Note 1) The “Number of Voting Rights Represented by Share Certificates, Etc., Owned by Tender Offeror after Purchase, Etc.” is the number of voting rights pertaining to the number of share certificates, etc. (175,875,200 shares), to be purchased through the Tender Offer.

(Note 2) The “Total Number of Voting Rights of All Shareholders, Etc., of the Target Company” is the total number of voting rights of all shareholders of the Target Company as of June 30, 2020, as indicated in the Target Company’s Third Quarterly Report. However, in the Tender Offer, as shares constituting less than a unit are also subject to Purchase, Etc., in calculating the “Ratio of Share Certificates, Etc., before Purchase, Etc.,” and “Ownership Ratio of Share Certificates, Etc., after Purchase, Etc.,” the denominator is the number of voting rights (2,205,812 units) pertaining to the total number of issued shares as of September 30, 2020 (220,581,200 shares) indicated in the Target Company’s Third Quarterly Report.

(Note 3) The “Ratio of Share Certificates, Etc., before Purchase, Etc., to Total Number of Voting Rights of All Shareholders, Etc.,” and the “Ownership Ratio of Share Certificates, Etc., after Purchase, Etc.,” are rounded off to the second decimal place.

**(7) Purchase Fund**

131,906,400,000 yen

(Note) The “Aggregate Tender Offer Price” is calculated by multiplying the number of shares intended to be purchased in the Tender Offer (175,875,200 shares) by the Tender Offer Price (750 yen) per share.

**(8) Method of Settlement**

- a. Name and Address of the Head Office of the Financial Instruments Business Operators / Banks in Charge of Settlement for Purchase, Etc.

SMBC Nikko Securities Inc.

3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo

- b. Commencement Date of Settlement

January 15, 2021 (Friday)

- c. Method of Settlement

A notice of purchase, etc., by way of the Tender Offer will be mailed to the address or the location of Shareholders wishing to tender their shares in the Tender Offer (the “Tendering Shareholder, Etc.”) (or the standing proxy in the case of Shareholders who reside outside Japan (including corporate shareholders, the “Foreign Shareholders”), promptly after the end of the Tender Offer Period. The notice will be delivered by electromagnetic methods for the applications via the online trading (<https://trade.smbcnikko.co.jp/>) (the “Nikko Easy Trade”).

The purchase price will be settled in cash. The purchase price for the Share Certificates, Etc., purchased will be remitted to the place designated by the Tendering Shareholders, Etc. (or the standing proxy residing in Japan (the “standing proxy”) in the case of the Foreign Shareholders), from the Tender Offer Agent promptly after the commencement date of settlement in accordance with the instruction of the Tendering Shareholders, Etc. (or the standing proxy in the case of the Foreign Shareholders).

- d. Method of Returning Share Certificates, Etc.

If all of the Tendered Share Certificates, Etc., are not purchased in accordance with the terms described in “a. Conditions set forth in each Item of Article 27-13, Paragraph 4 of the Act and Details thereof” or “b. Conditions of Withdrawal, Etc., of Tender Offer, Details thereof and Method of Disclosure of Withdrawal, Etc.,” of “(9) Other Conditions and Methods of Purchase, Etc.,” below, the Tender Offer Agent will return the share certificates, etc., that must be returned to their original condition at the time of the tender (the “original condition at the time of application” means the condition where the execution of the tender order for the Tender Offer has been cancelled) on the date two (2) business days after the last day of the Tender

Offer Period (or the day of the withdrawal, etc., of the Tender Offer if the Tender Offer has been withdrawn, etc.) in the Tendering Shareholders' Accounts with the Tender Offer Agent.

**(9) Other Conditions and Methods of Purchase, Etc.**

a. Conditions set forth in each Item of Article 27-13, Paragraph 4 of the Act and Details thereof

If the total number of the Tendered Share Certificates, Etc., is less than the minimum number of the shares to be purchased (102,348,200 shares), the Tender Offeror will not purchase any of the Tendered Share Certificates, Etc. If the total number of the Tendered Share Certificates, Etc., is equal to or more than the minimum number of the shares to be purchased (102,348,200 shares), the Tender Offeror will purchase all of the Tendered Share Certificates, Etc.

b. Conditions of Withdrawal, Etc., of Tender Offer, Details thereof and Method of Disclosure of Withdrawal, Etc.

The Tender Offer may be withdrawn upon the occurrence of any event listed in Article 14, Paragraph 1, Items 1.1 through 1.9 and Items 1.12 through 1.18, Items 3.1 through 3.8 and Item 3.10, and Item 4 of the same Paragraph, as well as Article 14, Paragraph 2, Items 3 through 6 of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965, as amended) (the "Enforcement Order"). The "matters equivalent to the matters listed in Items 1.1 through 1.9" in Article 14, Paragraph 1, Item 3.10 of the Enforcement Order means the cases (i) where it is found that there is a false statement regarding, or an omission of, a material matter to be stated, in the statutory disclosure documents that the Target Company previously submitted, (ii) where the matters listed in Items 3.1 through 3.7 of the same paragraph occur with respect to a material subsidiaries of the Target Company, and (iii) where the material contracts relating to the business of the Target Company are terminated due to the matters that have occurred after the commencement date of the Tender Offer.

In addition, pursuant to the Securities and Futures Act (Chapter 289) of Singapore, the Tender Offeror (including an entity that holds, directly or indirectly, 20% or more of the voting rights of the Tender Offeror (Note); hereinafter collectively referred to as the "Tender Offeror, Etc.") is required to obtain prior approval from the Monetary Authority of Singapore (the "MAS"), which is the supervisory authority in Singapore, regarding the acquisition of the Target Company's Stock through the Tender Offer (the "Prior Approval"), because the Tender Offeror falls under an entity that would obtain effective control of a company that holds the Capital Markets Services Licence (CMSL) (Kenedix Asia Pte. Ltd., a wholly-owned subsidiary of the Target Company, is applicable), by acquiring, directly or indirectly, 20% or more of the issued shares or voting rights of such company. On September 11, 2020, the Tender Offeror, Etc., filed the necessary

application in order to obtain the Prior Approval for the MAS, and obtained the Prior Approval on November 3, 2020. However the Tender Offeror Etc., may be withdrawn, as in the event that the “Approvals, etc.,” as described in Article 14, Paragraph 1, Item 4 of the Enforcement Order, are not obtained, in the case where the Prior Approval of MAS is cancelled or withdrawn by the day before the last day of the Tender Offer Period (including the case where the Tender Offer Period is extended).

Should the Tender Offeror intend to withdraw the Tender Offer, it will give public notice thereof through electronic disclosure as well as in the Nihon Keizai Shimbun. However, if it is difficult to give such notice within the Tender Offer Period, the Tender Offeror will make an official announcement pursuant to Article 20 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc. by Person Other than Issuer (Ordinance of the Ministry of Finance No. 38 of 1990, as amended; hereinafter referred to as the “TOB Order”) and give public notice promptly thereafter.

c. Conditions of Reduction of Purchase Price, Details thereof and Method of Disclosure of Reduction

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

Should the Tender Offeror intend to reduce the Tender Offer Price, it will give public notice thereof through electronic disclosure as well as in the Nihon Keizai Shimbun. However, if it is difficult to give such notice within the Tender Offer Period, the Tender Offeror will make an official announcement pursuant to Article 20 of the TOB Order and give public notice promptly thereafter.

If the Tender Offer Price is reduced, the Tender Offeror will purchase the Tendered Share Certificates, Etc., which are tendered on or prior to the date of such public notice at the reduced Tender Offer Price.

d. Matters concerning Tendering Shareholders, Etc.’ Right of Cancellation of Contract

Tendering Shareholders, Etc., may cancel a contract related to the Tender Offer at any time during the Tender Offer Period. In order to cancel the contract, Tendering Shareholders, Etc., are required to personally deliver or mail (by post) a written request for the cancellation of the contract related to the Tender Offer (the “Cancellation Documents”) to the entity designated below by 15:30 on the last day of the Tender Offer Period (provided, however, the business hours may vary depending on each branch. Please confirm the business hours, etc., of the branch to be used before proceeding with the application.). If cancellation is made by postal mail, the cancellation will not be effective unless the Cancellation Documents are delivered to the entity designated below by 15:30 on the last day of the Tender Offer Period (provided, however, the business hours differ depending on each branch. Please confirm the business hours, etc., of the branch to be used in advance and proceed with the application.).

In order to cancel a contract via Nikko Easy Trade, Tendering Shareholders, Etc., after logging into Nikko Easy Trade, are required to complete the cancellation procedures in the manner prescribed on that website by 15:30 on the last day of the Tender Offer Period.

Entity authorized to receive the Cancellation Documents:

SMBC Nikko Securities Inc.

3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo

(and branch offices of SMBC Nikko Securities Inc. located in Japan)

No compensation for damages or penalty payment upon the cancellation of a contract by the Tendering Shareholder, Etc., will be demanded of any Tendering Shareholders, Etc., by the Tender Offeror. The cost of returning the Tendered Share Certificates, Etc., will be borne by the Tender Offeror.

e. Method of Disclosure if the Conditions or other Terms of the Tender Offer are Changed

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

Should any terms or conditions of the Tender Offer be changed, the Tender Offeror will give public notice thereof through electronic disclosure as well as in the Nihon Keizai Shimbun. However, if it is difficult to give notice within the Tender Offer Period, the Tender Offeror will make an official announcement pursuant to Article 20 of the TOB Order and give such public notice promptly thereafter.

If the terms or conditions of the Tender Offer are changed, the Tender Offeror will purchase the Tendered Share Certificates, Etc., which are tendered on or prior to the date of such public notice in accordance with the terms and conditions as changed.

f. Method of Disclosure if Amended Statement is Submitted

If the Tender Offeror submits an amendment to the Tender Offer Registration Statement to the Director-General of the Kanto Local Finance Bureau (except in the case prescribed in the proviso of Article 27-8, Paragraph 11 of the Act), the Tender Offeror will promptly make an official announcement of the details of such amended statement to the extent relevant to the contents of the public notice of the Tender Offer, pursuant to the method set forth in Article 20 of the TOB Order. The Tender Offeror will also promptly amend the explanatory statement and provide the amended explanatory statement to the Tendering Shareholders, Etc., who have received the original explanatory statement. If the extent of the amendments is limited, however, the Tender Offeror will convey the changes to the Tendering Shareholders, Etc., by

preparing and delivering to the Tendering Shareholders, Etc., a document stating the reason for the amendments, the matters amended and the details thereof.

**g. Method of Disclosure of Results of Tender Offer**

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

**(10) Date of Notice of Commencement of Tender Offer**

November 24, 2020 (Tuesday)

**(11) Tender Offer Agent**

SMBC Nikko Securities Inc.

3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo

**3. Policies and Future Outlook after Tender Offer**

Please refer to “c. Management Policy after Implementation of the Tender Offer” of “(2) Background, Purpose, and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and Management Policy after the Tender Offer” of “1. Purpose of Purchase, Etc.”, “(4) Policy for Organizational Restructuring, Etc., after the Tender Offer (Matters relating to So-called “Two-step Acquisition”)", and “(5) Possibility of Delisting and Reasons Therefor” above.

**4. Others**

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

N/A

**(2) Other Information Deemed Necessary for Investors to Decide Whether to Tender Their Shares to the Offer, Etc.**

- a. Announcement of the “Notice Concerning Revision of Dividend Forecast (non-dividend) for the Fiscal Year ending December 2020”

At the board of directors meeting of the Target Company held today, the Target Company resolved to revise the dividend forecast for the fiscal year ending December 2020 and not to pay year-end dividends for the fiscal year ending December 2020, subject to the consummation of the Tender Offer.

For details, please refer to the “Notice Concerning Revision of Dividend Forecast (non-dividend) for the Fiscal Year ending December 2020” that was announced by the Target Company today.

b Announcement of the “Notice Concerning Revision of Performance Forecast”

At the board of directors meeting of the Target Company held today, the Target Company decided to revise the consolidated performance forecast for the full fiscal year ending December 2020 (January 1, 2020 to December 31, 2020), which was announced on February 12, 2020, on the basis of its recent business trend.

For details, please refer to the “Notice Concerning Revision of Performance Forecast” that was announced by the Target Company today.

(Millions of yen)	Revenue	Operating income	Ordinary income	Profit attributable to owners of parent	Earnings per share
Previous forecast (A)	—	16,000	16,400	11,500	52.13 yen
Revised forecast (B)	31,900	14,200	14,800	8,800	40.19 yen
Change in amount (B – A)	—	(1,800)	(1,600)	(2,700)	—
Percentage change (%)	—	(11.3)	(9.8)	(23.5)	—
Reference Performance for the previous fiscal year (Fiscal year ending December 2019)	70,326	15,931	15,841	10,673	48.32 yen

(End of Document)



**[Soliciting Regulations]**

This press release is an announcement in order to announce the Tender Offer to the general public and is not prepared for the purpose of solicitation of selling. If a shareholder tenders his or her shares for selling, the shareholder is required to tender on his/her own judgment after carefully reading the tender offer explanatory statement concerning the Tender Offer. This press release is not, and does not constitute any part of, an offer or solicitation of selling, or a solicitation of purchase offer, of securities. This press release (or any part of it) or the fact of its distribution does not constitute a basis for any agreement pertaining to the Tender Offer, and it may not be relied upon when executing any such agreement.

**[Regulations of the United States]**

The Tender Offer is to be conducted in compliance with the procedures and information disclosure standards prescribed in the Japanese law. Such procedures and information disclosure standards are not necessarily the same as the procedures and information disclosure standards in the U.S. In particular, Section 13(e) and Section 14(d) of the U.S. Securities Exchange Act of 1934, as amended, and the regulations prescribed thereunder do not apply to the Tender Offer, and the Tender Offer does not conform to those procedures and standards. The financial information contained in this press release and reference materials thereof have been prepared in accordance with Japanese accounting standards which may be substantially different from the general accepted accounting principles in the U.S. or other countries. Moreover, as the Tender Offeror is a corporation incorporated outside of the U.S. and all or some of its officers are non-U.S. residents, it may be difficult to enforce any rights or claims arising under the U.S. securities-related laws. In addition, it may not be possible to commence legal actions against a non-U.S. company or its officers in a non-U.S. court on the ground of a violation of the U.S. securities-related laws. Furthermore, a corporation outside the U.S. and its subsidiaries and affiliates may not necessarily be compelled to submit to the jurisdiction of U.S. courts.

Unless otherwise provided, all procedures for the Tender Offer shall be conducted entirely in the Japanese language. Some or all portion of the documents relating to the Tender Offer are or will be prepared in the English language. However, should there be any inconsistency between the document in English and that in Japanese, the Japanese document shall prevail.

This press release and reference materials thereof contain “forward-looking statements” as defined in Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934. Due to any known or unknown risks, uncertainties, or any other factors, it is possible that actual results may substantially differ from the contents expressly or implicitly indicated in such forward-looking statements. Neither the Tender Offeror, the Target Company nor any of their affiliates gives any assurance that the results expressly or implicitly indicated in any “forward-looking statements” will be achieved. The “forward-looking statements” in this press release and reference materials thereof have been prepared based on the information held by the Tender Offeror as of the date of this press release, and unless otherwise required by applicable laws and regulations, neither the Tender Offeror, the Target Company nor any of their affiliates is obliged to change or modify such statements in order to reflect any events or circumstances in the future.

The financial advisors of the Tender Offeror and the Target Company, the Tender Offer Agent, and persons related thereto might, before the commencement of the Tender Offer or during the Tender Offer Period, purchase by means other than the Tender Offer or conduct an act aimed at such a purchase of the Target Company’s Stock on its own account or the account of its client to the extent permitted by Japanese laws related to financial instruments transactions in the scope of its ordinary business and in accordance with the requirements of Rule 14e-5(b) of the U.S. Securities Exchange Act of 1934. If information regarding such a purchase is disclosed in Japan, that information will also be disclosed in the U.S. in a similar manner.

**[Other Countries]**

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