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May 10, 2017

To Whom It May Concern:

Company Name: **Obayashi Corporation**
Name of Representative: Toru Shiraishi
President and Director
(Code No. 1802: First Section of Tokyo Stock Exchange, Fukuoka
Stock Exchange)
Contact: Seiji Kikkawa
Manager of Administrative Department at
Obayashi Corporation's head office
(TEL:03-5769-1701)

Notice Regarding Commencement of Tender Offer
for Shares of Obayashi Road Corporation (Securities Code: 1896)

We would like to inform you that Obayashi Corporation (“Tender Offeror” or “Company”) resolved at its board of directors’ meeting held today to acquire the common shares (“Common Shares”) of Obayashi Road Corporation (“Target Company”) (listed on the First Section of Tokyo Stock Exchange, Inc. (“TSE”) under the Securities Code Number of 1896) through a tender offer (“Tender Offer”), as described below.

1. Purposes of the Tender Offer and Other Relevant Matters

(1) Overview of the Tender Offer

As of today, the Company owns 18,746,521 shares (holding ratio (Note): 41.67%) of the Common Shares, which are listed on the First Section of TSE, and pursuant to the substantial control criteria, the Target Company is a consolidated subsidiary of the Company. At its board of directors’ meeting held today, the Company decided to implement the Tender Offer with respect to all of the issued shares of the Target Company (excluding the Common Shares already owned by the Company and treasury shares owned by the Target Company; hereinafter the same) for the purpose of making the Target Company a wholly-owned subsidiary of the Company.

(Note) “Holding ratio” means the percentage calculated by using 44,989,573 shares as the denominator, which value was obtained by deducting the number of treasury shares (1,829,234 shares) owned by the Target Company as at March 31, 2017, as indicated in “March 2017 Financial Results <Based on Japanese Standards> (Consolidated)” (“Target Company’s Financial Results”) released by the Target Company today, from the total number of issued shares (46,818,807 shares) of the Target Company as at the same date, as

indicated in the Target Company's Financial Results (values are rounded to the second decimal place by rounding up the digit that is five (5) or greater; hereinafter the same unless stated otherwise); hereinafter the same.

The Company has not set a maximum number of shares to be purchased through the Tender Offer since the Company's purpose is to make the Target Company its wholly-owned subsidiary. In addition, the Company has not set a minimum number of shares to be purchased through the Tender Offer in order for shareholders of the Target Company to have an opportunity to sell the Common Shares owned by them. Therefore, all of the shares offered for sale ("Tendered Shares") in response to the Tender Offer will be purchased. Further, because the Company's purpose is to make the Target Company its wholly-owned subsidiary, if all of the issued shares of the Target Company cannot be acquired through the Tender Offer, the Company plans to carry out a series of procedures to make the Company the sole shareholder of the Target Company as described in "(4) Policy regarding reorganization, etc., following completion of the Tender Offer (so-called 'two-step acquisition'))" below, in order to acquire all of the issued shares of the Target Company (collectively with the Tender Offer, "Transactions"). Even if the number of voting rights held by the Company in the Target Company following the completion of the Tender Offer falls below two-thirds (2/3) of the total voting rights of the Target Company, the Company does not have a specific plan to additionally acquire the Common Shares at this point in time and currently plans to make a request to the Target Company to carry out the procedures set forth in "(4) Policy regarding reorganization, etc., following completion of the Tender Offer (so-called 'two-step acquisition'))" - "<2> Share Consolidation" below. Even if proposals for such procedures are rejected at the Target Company's Shareholders' Meeting (as defined in "(4) Policy regarding reorganization, etc., following completion of the Tender Offer (so-called 'two-step acquisition'))" below), the Tender Offeror does not have a specific plan to additionally acquire the Common Shares at this point in time.

According to "Notice Regarding Support for and Recommendation of Application for Tender Offer for the Company's Shares by Its Controlling Shareholder Obayashi Corporation" ("Target Company's Press Release") released by the Target Company today, the Target Company determined that the Transactions are expected to result in further increase of the Target Company's corporate value, that various conditions of the Transactions including the price for purchase of the Common Shares in the Tender Offer ("Tender Offer Price") are reasonable, and that the Tender Offer provides the shareholders of the Target Company with a reasonable opportunity to sell shares. Additionally, it was resolved at the Target Company's board of directors' meeting held on the same day to the effect that the Target Company will express an opinion to support the Tender Offer and that it will recommend the application for the Tender Offer to the shareholders of the Target Company.

According to the Target Company, the resolution of the Target Company's board of directors' meeting above has been made through the method set forth in "2. Overview of the Tender Offer" - "(4) Grounds for calculation, etc. of the Tender Offer Price" - "<2> Background of calculation" - "(Measures for ensuring the fairness of the Tender Offer Price, measures for avoiding a conflict of interests, and other measures for ensuring the fairness of the Tender Offer)" - "<v>Approval of all directors of the Target Company who have no interest in the Transactions and opinion of no objection by auditors of the Target Company" below.

- (2) Background to the decision to implement the Tender Offer, the purpose and decision-making process thereof, as well as management policy after the Tender Offer

The Company was founded as a private establishment in January 1892 in Osaka City of Japan by Yoshigoro Obayashi, and the private establishment was changed into Goshi Kaisha Obayashi-gumi in July 1909 and was further changed into Obayashi Corporation in December 1918. In December 1936, Dai-ni Obayashi Corporation was established, and in March of the following year, Dai-ni Obayashi Corporation changed its trade name to Obayashi Corporation after merging with the then existing Obayashi Corporation through absorption. As of today, the Company's group consists of the Company and 88 consolidated subsidiaries, including the Target Company, and 26 equity method affiliated companies. The major businesses of the Company's group are comprised of a construction business (a domestic building construction business, an overseas building construction business, a domestic civil engineering business and an overseas civil engineering business), a real estate business and other businesses (such as PFI business and renewable energy business). The Company's group states in its "Medium-Term Business Plan 2017", which commences from the 2017 fiscal year (fiscal year ending March 31, 2018), that its "vision for the future" is to become "the leader at the forefront of technology and productivity" and "a corporate group advancing while creating diverse earnings sources" and to continue to grow beyond the framework of a "general contractor" and to evolve into a corporate group that can meet the expectations of all its stakeholders, adapting flexibly to changes in the business environment. Based on the above, the Company group's basic policies in respect of the 5-year period of the plan that will mark the start of it achieving the "vision for the future" are: to use all of its strength to maintain its current performance of record-high consolidated sales, consolidated operating income and consolidated current net income, and expand it; to seize opportunities for growth investments and build a robust management foundation able to cope with unexpected changes in the business environment; and to "prepare the way for the future" by carrying out technology development and acquisition, human resource development, and new business model creation, supported by strategic investment for deepening and expanding business domains and promoting globalization.

The Target Company was established in August 1933 as an affiliate of Obayashi Corporation, under the trade name of Toyo Hosokabe Kabushiki Kaisha. It was listed on the Second Section of TSE in April 1971 and was then listed on the First Section of TSE and the First Section of Osaka Securities Exchange, Inc. in February 1973. The Target Company's major businesses include conducting paving work, civil engineering work, building construction and other relevant work under contract as well as other businesses related thereto. In addition, the Target Company conducts businesses including manufacturing and selling of products (asphalt mixtures) and manufacturing and selling of recycled and crushed stones and other relevant businesses. In its "Medium-Term Business Plan 2021", which commences from the 2017 fiscal year (fiscal year ending March 31, 2018), the Target Company states that it will strive to realize a continued increase of corporate value pursuant to its business philosophy to "move forward along with the local community and conduct management that places value on people in order to create an enriched living environment". Based on its basic policies to "create a corporate culture that focuses on compliance", "secure continually a stable profit in the changing construction market", "enhance technological capabilities by actively promoting implementation of technologies and technological development" and to "secure and develop human resources", the Target Company will further ensure its compliance while striving to achieve technological development in the area of environment and sales to the private sector as well as enhancement of the building

construction business in areas such as small-scale commercial facilities in order to increase competitiveness of the construction business. Moreover, in its manufacturing and selling business and other relevant businesses, the Target Company will exert its efforts to reduce manufacturing cost and increase the quality through renewal and enhancement of manufacturing facilities and to preserve the environment, and also aim to secure sales volume.

For many years, the Company and the Target Company have been working on enhancement of collaboration through technology and human resource exchanges and transactions involving building exterior work and civil engineering work as members of the Company's group. With respect to the current business environment surrounding the Company's group, it is considered that for the time being, demand for construction will be strong in areas such as Olympics-related facilities, large-scale redevelopment in the Tokyo metropolitan area and maintenance and renewal of infrastructure to promote Japan's initiatives for the national resilience which is where the Company's group will be able to demonstrate its strength. From a long term perspective, however, it is difficult to expect an expansion of the domestic construction market because of population decrease. In addition, in the Company's group, securing and developing human resources and initiatives for work-style reforms are needed. Also, especially, with respect to the road construction industry, it is considered that capital investments in the private sector will continue a moderate increasing trend due to improvement of corporate earnings. However, capital investments in the public sector are seeing a decreasing trend. In addition, there is concern that factors, such as uncertainty about future price trends of materials and continued shortage of engineers and skilled workers, may influence corporate earnings.

In order for each company of the Company's group, including the Target Company to increase its earning capacity, there is an urgent need for further promotion of group management, improvement of rapid production capacity, including technical innovation such as IoT (Internet of Things – everything gets connected through the Internet) and AI (Artificial Intelligence), improved competitiveness, and securing expert human resources that possess advanced technological know-how.

It can be considered that specific measures that can be taken in order for the Target Company to achieve medium-to-long term improvement of its profitability under the changing business environment as described above, are, with respect to its construction business, to expand into PFI business to increase orders for the construction work contracted from civil services and to strengthen the sales and marketing to private customers, including that for mega solar construction and building construction work in areas such as small-scale commercial facilities; other specific measures include the development and promotion of technologies in the area of environment, such as environmentally friendly paving (paving which reduces increase in road surface temperature), in response to capital investments in the private sector that are expected to show strong increase for the time being. Moreover, as one of the measures against continued labor shortage, implementation and/or development of ICT construction work machinery (construction work machinery which automatically controls the height and/or tilt of work devices by usage of Information and Communication Technology) for civil engineering and paving work through collaboration of the Company and the Target Company can be considered. In addition, with respect to the manufacturing and selling business including that of asphalt mixtures, exerting efforts to reduce the manufacturing cost and increase the quality through renewal and enhancement of manufacturing facilities and to preserve the environment, as well as aim to secure manufacturing and sales volume for further business enhancement can be considered.

However, in order for the Target Company to implement these measures, an integrated management with

the Tender Offeror, including the sharing of management resources and know-how, is necessary. In light of recent trends where transactions between a parent company and its subsidiary (where minority shareholders exist) are being scrutinized because of a rise in the awareness of corporate governance, it is becoming difficult to implement the measures described above. The measures result in the Company and the Target Company mutually seeking to realize the synergy effect by swiftly responding to changes in the economic environment at the same time as ensuring fairness in the transactions between the Company and the Target Company, from an objective point of view, because of the current situation where the Target Company is listed and there are minority shareholders. The Company is also aware of the existence of other issues, such as the fact that if the Target Company remains listed, decision-making for the implementation of the aforementioned measures in a swift manner will become difficult. Moreover, upon making growth investments using internal reserves, which will be conducted from the medium-to-long term viewpoint, it is predicted that a conflict of interests may emerge between the minority shareholders who desire a further enhancement of shareholders' return.

In addition, in light of the fact that the Target Company was punished by the Japan Fair Trade Commission in September, 2016, in relation to bidding for disaster restoration paving work ordered by Tohoku Branch and Kanto Branch of East Nippon Expressway Company Limited, based on the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947, as amended.), the Company considers that further enhancement of compliance at the Target Company is necessary.

Under such circumstances, around the middle of January 2017, the Company made a proposal to the Target Company to hold consultations and discussions regarding the medium-to-long-term growth strategy and various other measures aimed at increasing corporate value of both companies through further promotion of group management. The Company and the Target Company also held a series of consultations and discussions from around early March of the same year. As a result, the Company concluded that the Company's making the Target Company its wholly-owned subsidiary will enable the Company's group to "prepare the way for the future". This is because it is considered that doing so will contribute to an increase in the degree of freedom in management of the Company's group through factors including: avoiding a future conflict of interests among the parent company and minority shareholders that may be caused by listing of both the parent and the subsidiary; speeding up the decision-making for the group's management strategy; and enabling the further enhancement of compliance at the Target Company through measures including the construction and management of a more effective compliance system under the initiative of the Company. Also, it is considered that the Company's making the Target Company its wholly-owned subsidiary will be extremely beneficial for increasing the Target Company's corporate value through enhancement of the management base of the group and improvement of business efficiency of the entire group. This will enable the sharing of know-how, the promotion of technological development, increases of production capacity, increases competitiveness through the centralization of sales-related information, and the effective allocation of human, financial and management resources within the Company's group, among others.

Under these circumstances, around early March of the same year, the Company appointed Nomura Securities Co., Ltd. ("Nomura Securities") as its financial advisor and third-party calculation agent independent from the Company and the Target Company and Anderson Mori & Tomotsune as its legal advisor. The Target Company appointed The Bank of Tokyo-Mitsubishi UFJ, Ltd. ("BTMU") as its financial advisor and third-party calculation agent independent from the Company and the Target Company in respect

of the Transactions and Oh-Ebashi LPC & Partners (“Oh-Ebashi”) as its legal advisor, and further established a third-party committee in order to avoid a conflict of interests (for the structure of the third-party committee and details of activities thereof, please see “2. Overview of Tender Offer” - “(4) Grounds for calculation, etc. of the Tender Offer Price” - “<2> Background of calculation” - “(Measures for ensuring the fairness of the Tender Offer Price, measures for avoiding a conflict of interests, and other measures for ensuring the fairness of the Tender Offer)” - “(iii) Establishment of an Independent third-party committee by the Target Company” below). The Target Company also built a structure for conducting consultations and negotiations for the Transactions. Thereafter, the Company and the Target Company held a series of consultations and discussions for the purpose of further increasing corporate value of both companies. After that, the Company submitted the final proposal of the Tender Offer to the Target Company in late April 2017, and the Company and the Target Company held consultations and negotiations.

As a result, the Company concluded that the Company’s making the Target Company its wholly-owned subsidiary will enable the Company’s group to “prepare the way for the future”. This is because it is considered that it will contribute to an increase in the degree of freedom in management of the Company’s group, and will enable further enhancement of compliance at the Target Company. It will be also extremely beneficial for increasing the Target Company’s corporate value through enhancement of management base of the group and improvement of business efficiency of the entire group. Therefore, at its board of directors’ meeting held today, the Company resolved to implement the Tender Offer.

According to the Target Company’s Press Release, in response to the Company’s proposal as described above, the Target Company appointed BTMU as its financial advisor and third-party calculation agent independent from the Company and the Target Company in respect of the Transactions and Oh-Ebashi as its legal advisor in order to ensure the fairness of various conditions of the Transactions including the Tender Offer Price. In addition, according to the Target Company, the Target Company established a third-party committee as its advisory body in order to eliminate arbitrariness in the Target Company’s decision-making on the Transactions including the Tender Offer, and to ensure the fairness, transparency and objectiveness in the decision-making process of the Target Company regarding the same, and held a series of consultations and negotiations with the Company and the Company’s financial advisor, Nomura Securities, in respect of matters including the purpose of the Transactions, the management structure and policy following the completion of the Transactions, and various conditions of the Transactions.

Also, according to the Target Company, with respect to the Tender Offer Price, the Target Company, after having received legal advice from its legal advisor Oh-Ebashi after the middle of April 2017 on the decision-making process and method of decision-making with respect to the Tender Offer, and on other points to be noted in decision-making with respect to the Tender Offer, started negotiations with the Company and held a series of consultations and negotiations with the Company. According to the Target Company, the third-party committee also had question-and-answer sessions directly with the Target Company with respect to matters including its opinion on the calculation of the Tender Offer Price. The Target Company obtained from BTMU a share valuation report on May 9, 2017 (the “Share Valuation Report Requested by the Target Company”), and also received the report dated on the same day from the third-party committee (“Third-Party Committee’s Report”) (for a summary of the report and details of activities of the third-party committee, please see “2. Overview of the Tender Offer” - “(4) Grounds for calculation, etc. of the Tender Offer Price” - “<2> Background of calculation” - “(Measures for ensuring the fairness of the Tender Offer Price, measures for avoiding a conflict of interests, and other measures for ensuring the fairness of the Tender Offer)” - “<iii>

Establishment of a third-party committee by the Target Company” below).

After this, based upon the legal advice obtained from Oh-Ebashi with respect to the decision-making process and method of decision-making on the Tender Offer, and other points to be noted in decision-making for the Tender Offer including the Tender Offer, and the content of the Share Valuation Report Requested by the Target Company, at the same time as respecting to the maximum extent the content of the Third-Party Committee’s Report, the board of directors’ meeting of the Target Company conducted careful discussions and review from various viewpoints including whether the Transactions will enable an increase of the Target Company’s corporate value and whether various conditions of the Transactions, including the Tender Offer Price, are reasonable, according to the Target Company.

As a result, the Target Company concluded that it will be expected to further increase the Target Company’s corporate value through the Transactions, and at the same time, the Tender Offer will provide the shareholders of the Target Company with a reasonable opportunity to sell their shares, according to the Target Company. The Target Company therefore resolved at the board of directors’ meeting held today to the effect that the Target Company will express an opinion to support the Tender Offer and that it will recommend the application for the Tender Offer to the shareholders of the Target Company, according to the Target Company.

For the decision-making process at the Target Company, please see “2. Overview of the Tender Offer” - “(4) Grounds for calculation, etc. of the Tender Offer Price” - “<2> Background of calculation” - “(Measures for ensuring the fairness of the Tender Offer Price, measures for avoiding a conflict of interests, and other measures for ensuring the fairness of the Tender Offer)” - “<v>Approval of all directors of the Target Company who have no interest in the Transactions and opinion of no objection by auditors of the Target Company” below.

After making the Target Company its wholly-owned subsidiary, the Company intends to optimize the whole group through an integrated operation of construction business. The Company further intends to conduct robust group management by taking advantage of the Company’s technological capabilities and financial strength and to increase earning power throughout the Company’s group including the Target Company. Through collaboration of the Company and the Target Company in carrying forward an effective technological development, including utilization of ICT construction work machinery for civil engineering and paving work, as well as securing and developing of human resources, the Company’s group will further increase its production capabilities. By centralizing and effectively utilizing sales information across Japan held by the Company and the Target Company, it will also enhance the competitiveness of the Company’s group as a whole. In addition, The Company will share know-how and will enhance the small-scale construction business of the Target Company while further promoting diversification of the earnings base of the Company’s group through efforts toward conducting new businesses including those for PFI business. As for growth investments, the Company will effectively utilize financial and management resources within the Company’s group, and from a long-term perspective, will actively and flexibly engage in projects that are expected to have high profitability. Further, by speeding up the decision-making process, the Company will further enhance the power of the group even in an uncertain business environment, and will strive to further enhance compliance at the Target Company to increase its corporate value.

As of today, the Target Company’s board of directors is comprised of eight (8) directors, one (1) of which is a temporary transferred employee from the Company, and one (1) of which concurrently serves as an executive officer of the Company. The Company has not specifically determined the future management

structure of the Target Company at this point in time, while basically respecting the current management structure of the Target Company, it is planned to be determined upon consultation with the Target Company from now on.

(3) Measures for ensuring the fairness of the Tender Offer Price, measures for avoiding a conflict of interests, and other measures for ensuring the fairness of the Tender Offer

In light of the fact that the Target Company is a consolidated subsidiary of the Company, and that the Transactions, including the Tender Offer, fall under the scope of significant transactions or the like with the controlling shareholder, the Company and the Target Company implement measures for ensuring the fairness of the Tender Offer Price, measures for avoiding a conflict of interests, and other measures for ensuring the fairness of the Tender Offer as follows.

- (i) The Tender Offeror's obtaining a share valuation report from an independent third-party calculation agent
- (ii) The Target Company's obtaining a share valuation report from an independent third-party calculation agent
- (iii) Establishment of a third-party committee by the Target Company
- (iv) Advice to the Target Company from an independent law firm
- (v) Approval of all directors of the Target Company who have no interest in the Transactions and opinion of no objection by auditors of the Target Company
- (vi) Measures to secure other offerors an opportunity to purchase

For details concerning the above, please see "2. Overview of the Tender Offer" - "(4) Grounds for calculation, etc. of the Tender Offer Price" - "<2> Background of calculation" - "(Measures for ensuring the fairness of the Tender Offer Price, measures for avoiding a conflict of interests, and other measures for ensuring the fairness of the Tender Offer)" below.

(4) Policy regarding reorganization, etc., following completion of the Tender Offer (so-called "two-step acquisition")

As stated in "(1) Overview of the Tender Offer" above, if the Company fails to acquire all of the issued shares of the Target Company through the Tender Offer, the Company plans to carry out procedures for acquiring all of the issued shares of the Target Company in the following manner following the completion of the Tender Offer.

<1> Demand for Sale of Shares

If, as the result of the completion of the Tender Offer, the total voting rights held by the Company in the Target Company becomes 90% or more of the voting rights held by all shareholders of the Target Company, the Company, promptly after the completion of settlement of the Tender Offer, plans to make a demand to all shareholders of the Target Company (excluding the Company and the Target Company) to sell all of the Common Shares held by them ("Demand for Sale of Shares") pursuant to Article 179 of the Companies Act of Japan (Act No. 86 of 2005, as amended; hereinafter the same). In making the Demand for Sale of Shares, the Company plans to designate that it will deliver to the shareholders of the Target Company (excluding the

Company and the Target Company) money in an amount equivalent to the Tender Offer Price as consideration per one (1) share of the Common Shares. In this case, the Company will notify the Target Company to such effect and will seek the Target Company's approval on the Demand for Sale of Shares. If the Target Company approves such Demand for Sale of Shares by resolution of its board of directors' meeting, the Company will acquire from all of the shareholders of the Target Company (excluding the Company and the Target Company) all of the Common Shares held by them, as of the date of acquisition designated in such Demand for Sale of Shares without being required to obtain individual consent of the shareholders of the Target Company pursuant to the procedures provided in the relevant laws and ordinances. According to the Target Company's Press Release, if the Demand for Sale of Shares is made by the Company, the Target Company plans to approve such Demand for Sale of Shares at the board of directors' meeting of the Target Company. If the Demand for Sale of Shares is made, the shareholders of the Target Company may file to the relevant court a petition for determination of the sales price of the Common Shares they hold pursuant to the provisions of Article 179-8 of the Companies Act and other relevant laws and ordinances.

<2> Share Consolidation

On the other hand, if, after the completion of the Tender Offer, the total number of voting rights held by the Company in the Target Company is less than 90% of the voting rights held by all of the shareholders of the Target Company, the Company plans to request the Target Company to submit, at the Target Company's extraordinary shareholders' meeting ("Target Company's Shareholders' Meeting") scheduled to be held in late August or early September 2017, proposals for conducting share consolidation of the Common Shares ("Share Consolidation") pursuant to Article 180 of the Companies Act and for amending its articles of incorporation so that the provision on share unit therein will be abolished on the condition that the Share Consolidation has become effective. The Company plans to support each of the proposals described above at the Target Company's Shareholders' Meeting. Even if the number of voting rights held by the Company in the Target Company following the completion of the Tender Offer falls below two-thirds (2/3) of the total voting rights of the Target Company, the Company does not have a specific plan to additionally acquire the Common Shares at this point in time and currently plans to make such request to the Target Company. Even if each of the proposals described above are rejected at the Target Company's Shareholders' Meeting, the Tender Offeror does not have a specific plan to additionally acquire the Common Shares at this point in time.

If the proposal on the Share Consolidation is approved at the Target Company's Shareholders' Meeting, on the date of effectuation of the Share Consolidation, the shareholders of the Target Company will hold the Common Shares in an amount that is proportionate to the ratio of the Share Consolidation approved at the Target Company's Shareholders' Meeting. If any fractional shares falling short of one (1) share arise as a result of the Share Consolidation with respect to the number of shares, money obtained by selling to the Target Company or the Company the Common Shares in the number equivalent to the total of such fractional shares (if such total includes fractional amount of less than one (1) share, such fractional amount shall be rounded off; hereinafter the same) 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 and ordinances. With respect to the sales price of the Common Shares in the number equivalent to the total of such fractional shares, the Company plans to request that the Target Company files a petition to the relevant court for approval of sale by private contract, after making an arrangement so that as a result of such sale, the amount of money to be delivered to the shareholders of the Target Company (excluding the Company and the Target Company)

who did not apply for the Tender Offer equals the price calculated by multiplying the Tender Offer Price by the number of the Common Shares held by each of such shareholders. While the share consolidation ratio of the Common Shares is not determined as of today, it is planned that such ratio will be determined so that the number of the Common Shares held by the shareholders of the Target Company (excluding the Company and the Target Company) who did not apply for the Tender Offer, will be a fractional amount falling short of one (1) share, thereby enabling the Company to become the sole holder of all of the Common Shares (excluding treasury shares held by the Target Company).

If the Share Consolidation is conducted and fractional shares falling short of one (1) share arise in respect of the number of shares as a result of the Share Consolidation, pursuant to Article 182-4 and Article 182-5 of the Companies Act and other relevant laws and ordinances, the shareholders of the Target Company (excluding the Company and the Target Company) who did not apply for the Tender Offer are permitted under the Companies Act to make a demand to the Target Company for purchase of all of the fractional shares falling short of one (1) share among the shares they hold at a reasonable price and to file a petition to the relevant court for determination of the price of the Common Shares. The Tender Offer is not, by any means, intended to solicit approval of the shareholders of the Target Company at the Target Company's Shareholders' Meeting.

With respect to the procedures set forth in each of <1> and <2> above, time may be required for conducting them and/or there may be changes in the method of conducting them depending on conditions concerning the relevant laws and ordinances such as any amendment thereto, enforcement and interpretation thereof by the relevant authorities as well as the factors including status of holding of the Common Shares by the Company or status of holding of the Common Shares by the shareholders of the Target Company (other than the Company) after the completion of the Tender Offer. Even in such case, however, if the Tender Offer is completed, it is planned that the method to be employed will be the one where money will ultimately be delivered to the shareholders of the Target Company (excluding the Company and the Target Company) who did not apply for the Tender Offer, and in such case, the amount of money to be delivered to such shareholders of the Target Company will be calculated so that such amount will equal the amount calculated by multiplying the Tender Offer Price by the number of the Common Shares held by such shareholders of the Target Company. Notwithstanding the above, if a petition for determination of sales price in respect of the Demand for Sale of Shares or a petition for determination of price for demand for purchase of shares in respect of the Share Consolidation is made, the sales price or the price for demand for purchase of shares with respect to the Common Shares will ultimately be determined by the relevant court.

It is planned that matters including detailed procedures and timing of implementation with respect to the cases described above will promptly be publicized by the Target Company upon determination of the same after consultation with the Target Company. With respect to handling of tax matters concerning application for the Tender Offer and/or concerning each of the procedures described above, the shareholders of the Target Company must confirm with tax experts at their own responsibility.

(5) Prospects for delisting and its reasons

As of today, the Common Shares are listed on the First Section of TSE. Because the Company has not set a maximum number of shares to be purchased through the Tender Offer, the Common Shares may be delisted

pursuant to the criteria for delisting provided by TSE, depending on the result of the Tender Offer, after following prescribed procedures. Even if such criteria is not met at the time of the completion of the Tender Offer, if it is decided that each of the procedures set forth in “(4) Policy regarding reorganization, etc., following completion of the Tender Offer (so-called “two-step acquisition”)” above will be conducted after the completion of the Tender Offer, the Common Shares will fall under the criteria for delisting and will be delisted after following prescribed procedures. After delisting, the Common Shares may no longer be traded at TSE.

2. Overview of the Tender Offer

(1) Outline of the Target Company

<1> Company name	Obayashi Road Corporation	
<2> Location	8-8, Sarugakucho 2-chome, Chiyoda-ku, Tokyo	
<3> Title and name of representative	Hitoshi Hasegawa Representative Director	
<4> Contents of business	Conducting paving work, civil engineering work, building construction and other relevant work under contract as well as business relating to these and others	
<5> Stated capital	JPY 6,293 million	
<6> Date of incorporation	August 26, 1933	
<7> Large shareholders and shareholding ratio (As of September 30, 2016)	Obayashi Corporation	40.04%
	Japan Trustee Services Bank, Ltd. (trust account)	3.87%
	The Master Trust Bank of Japan, Ltd. (retirement benefit trust, Cosmo Oil account)	3.58%
	Obayashi Road Stock Ownership Plan	1.83%
	The Master Trust Bank of Japan, Ltd. (trust account)	1.68%
	Nippon Life Insurance Company	1.58%
	CBNY DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank Japan Ltd.)	1.41%
	Obayashi Road Hakuyu Employee Stock Ownership Plan	1.39%
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1.10%
	Sumitomo Mitsui Banking Corporation	1.08%
<8> Relationship between listed company and the Target Company		
Capital relationship	As of today, the Company holds 18,746,521 Common Shares (holding ratio: 41.67%).	
Personal relationship	As of today, among the eight (8) directors of the Target Company, one (1) director is a temporary transferred employee from the Company, and one (1) director concurrently serves as an executive officer of the Company. Also, one (1) director of the Target Company has informally been decided to serve as an advisor to the Company, upon his resignation from the office of the Target Company’s director as at the general shareholders’ meeting of	

	the Target Company scheduled to be held in June 2017. In addition, as of today, four (4) employees of the Company are dispatched to the Target Company.
Transactional relationship	The Target Company has transactions (amounting to approximately JPY 19.7 billion in the fiscal year ended March 31, 2017) pursuant to the acceptance of orders for construction work from the Company.
Applicability to related parties	The Target Company is the Company's consolidated subsidiary and falls under the category of the Company's related party.

(2) Time schedule, etc.

<1> Time schedule

Resolution of board of directors' meeting	May 10, 2017 (Wednesday)
Date of public notice on commencement of the Tender Offer	May 11, 2017 (Thursday) Public notice will be made electronically and will be published in <i>Nihon Keizai Shimbun</i> . (URL for the website where the electronic public notice will be posted is as follows: http://disclosure.edinet-fsa.go.jp/)
Date of submission of tender offer registration statement	May 11, 2017 (Thursday)

<2> Initially registered Tender Offer Period

From May 11, 2017 (Thursday) through June 21, 2017 (Wednesday) (30 business days)

<3> Possible extension of period by the Target Company's request

Not applicable.

(3) Tender Offer Price

JPY 940 per one (1) common share

(4) Grounds for calculation, etc. of the Tender Offer Price

<1> Basis of calculation

In order to ensure the fairness of the Tender Offer Price, the Company, in determining the Tender Offer Price, requested that Nomura Securities, a financial advisor as a third-party calculation agent independent from the Company and the Target Company, calculate the value of the shares of the Target Company. Nomura Securities calculated the Common Shares using the average market share price method, the comparable companies method, and the discounted cash flow method ("DCF Method"). The Company received a share valuation report ("Share Valuation Report Requested by Tender Offeror") from Nomura Securities on May 9, 2017. The Company has not obtained from Nomura Securities a fairness opinion, an opinion on the validity of the Tender Offer Price.

As a result of share value calculation by Nomura Securities, the per share value of the Target Company has been calculated as follows.

Average market share price method:	JPY 653 to JPY 694
Comparable companies method:	JPY 585 to JPY 1,090
DCF Method:	JPY 719 to JPY 1,350

Under the average market share price method, the range of the Target Company's per share value was analyzed to be from JPY 653 to JPY 694. This analysis was made after setting the record date on May 9, 2017, and calculation was made based on: JPY 694, the closing price of the Common Shares in ordinary transactions at the First Section of TSE; JPY 688, the simple average of the closing prices thereat for the most recent five (5) business days (value is rounded to the nearest yen by rounding up the digit that is five (5) or greater; hereinafter the same in calculation of the simple average of the closing prices); JPY 653, the simple average of the closing prices thereat for the most recent one (1) month; JPY 670, the simple average of the closing prices thereat for the most recent three (3) months; and JPY 685, the simple average of the closing prices thereat for the most recent six (6) months.

Secondly, under the comparable companies method, the range of the Target Company's per share value was analyzed to be from JPY 585 to JPY 1,090. This analysis was made by calculating the share value of the Target Company through comparison of market share value and financial indicators of profitability, or the like, of listed companies that engage in businesses comparatively similar to those of the Target Company.

Lastly, under the DCF Method, the range of the Target Company's per share value was analyzed to be from JPY 719 to JPY 1,350. This analysis was made by analyzing the corporate value and share value of the Target Company after discounting at a certain discount rate the free cash flow estimated to be generated by the Target Company in the future from and after the business year ending March 31, 2018 to its present value, based on the profitability and investment plan indicated in the Target Company's business plan for the period of the fiscal year ending March 31, 2018 through the fiscal year ending March 31, 2022, as well as various other factors including information disclosed to the public. In the Target Company's business plan, on which the DCF Method analysis is based, a significant increase or decrease in profit is not projected. In addition, a synergy effect which is expected to be accomplished by the execution of the Transactions is not reflected in the financial forecasts as it is difficult to specifically estimate the effect on the profitability for the time being.

The Company ultimately determined the Tender Offer Price to be JPY 940 per share by resolution of its board of directors' meeting held today, by referring to the results of calculation made under each method set forth in the Share Valuation Report Requested by the Tender Offeror obtained from Nomura Securities, and by comprehensively taking into consideration factors including: actual samples of premium granted upon determination of the price for purchase, etc. in the cases of tender offers for share certificates, etc. conducted in the past by parties other than the issuer; whether or not the Target Company's board of directors will support the Tender Offer; the trend of market value of the Common Shares; and the estimated number of applications for the Tender Offer, in addition to other factors such as the results of consultations and negotiations with the Target Company.

The Tender Offer Price of JPY 940 per share is the resulting amount after adding a premium of 35.45% (value is rounded to the second decimal place by rounding up the digit that is five (5) or greater; hereinafter the same in percentage values as in this paragraph) to JPY 694, the closing price of the Common Shares in ordinary transactions at the First Section of TSE on May 9, 2017, which is the business day immediately preceding the date of publication of implementation of the Tender Offer; 43.95% to JPY 653, the simple average of the closing prices in ordinary transactions thereat for the recent one (1) month (from April 10, 2017 through May 9, 2017); 40.30% to JPY 670, the simple average of the closing prices in ordinary transactions thereat for the recent three (3) months (from February 10, 2017 through May 9, 2017); and 37.23% to JPY 685, the simple average of the closing prices in ordinary transactions thereat for the recent six (6) months (from November 10, 2016 through May 9, 2017), respectively.

<2> Background of calculation

(Background to decision of the Tender Offer Price)

The Company began considering the Tender Offer in the middle of November 2016, and around early March 2017, the Company appointed Nomura Securities as its financial advisor and third-party calculation agent independent from the Company and the Target Company and Anderson Mori & Tomotsune as its legal advisor. Also, the Target Company appointed BTMU as its financial advisor and third-party calculation agent independent from the Company and the Target Company in respect of the Transactions and Oh-Ebashi as its legal advisor, and it built a structure for conducting consultations and negotiations for the Tender Offer. Further, the Company conducted due diligence from late March 2017 to the middle of April of the same year to examine the feasibility of the Tender Offer while also continuing consultations with the Target Company on various conditions of the Transactions including the Tender Offer. Moreover, in the middle of April 2017, the Company conducted a series of consultations and negotiations with the Target Company with respect to the Tender Offer Price. After that, the Company made a final proposal on the Tender Offer to the Target Company in late April 2017 and the Company conducted consultations and negotiations with the Target Company.

As a result, it has been concluded that the Company making the Target Company its wholly-owned subsidiary will enable the Company's group to "prepare the way for the future". This is because it is considered that the Company making the Target Company its wholly-owned subsidiary will contribute to avoidance of a future conflict of interests among the parent company and minority shareholders that may be caused by the listing of both the parent and the subsidiary, and by speeding up decision-making for the group's management strategy, among others, which will contribute to an increase in the degree of freedom in management of the Company's group, and in addition, it will enable enhancement of compliance at the Target Company. Also, it is considered that the Company making the Target Company its wholly-owned subsidiary will be extremely beneficial for increasing the Target Company's corporate value through enhancement of the management base of the group and improvement of business efficiency of the entire group because it will enable the sharing of know-how, the promotion of technological development, increases of production capacity, increases of competitiveness through the centralization of sales-related information, and the effective allocation of human, financial and management resources within the Company's group, among others. Therefore, at its board of directors'

meeting held today, the Company determined to implement the Tender Offer, and determined the Tender Offer Price pursuant to the background described below.

(i) Obtaining a share valuation report from a third-party calculation agent

Upon determining the Tender Offer Price, the Company requested that Nomura Securities, a financial adviser of the Company, calculate the share value of the Target Company. Nomura Securities does not fall under the criteria of related party of the Company or the Target Company, nor does it have a material interest in the Tender Offer. The Company has not obtained from Nomura Securities a fairness opinion, an assessment of the validity of the Tender Offer Price of the Common Shares.

(ii) Summary of the opinion

Nomura Securities calculated the Target Company's share value by using the average market share price method, the comparable companies method and the DCF Method. The range of per Common Share value calculated pursuant to each of these methods is as follows.

Average market share price method:	JPY 653 to JPY 694
Comparable companies method:	JPY 585 to JPY 1,090
DCF Method:	JPY 719 to JPY 1,350

(iii) Process of determining the Tender Offer Price based on the opinion

The Company ultimately determined the Tender Offer Price to be JPY 940 per share by resolution of its board of directors' meeting held today by referring to the results of calculation made under each method set forth in the Share Valuation Report Requested by Tender Offeror obtained from Nomura Securities, and by comprehensively taking into consideration: actual samples of premium added upon determination of price for purchase, etc. in the cases of tender offers for share certificates, etc. conducted in the past by parties other than the issuer; whether or not the Target Company's board of directors will support the Tender Offer; the trend of market value of the Common Shares; and the estimated number of applications for the Tender Offer, among others, in addition to basing on other factors such as the results of consultations and negotiations with the Target Company. For details, please see "<1> Basis of calculation" above.

(Measures for ensuring the fairness of the Tender Offer Price, measures for avoiding a conflict of interests, and other measures for ensuring the fairness of the Tender Offer)

In light of the fact that the Target Company is a consolidated subsidiary of the Company and that the Transactions, including the Tender Offer, fall under the scope of significant transactions or the like with the controlling shareholder, the Company and the Target Company implemented measures for ensuring the fairness of the Tender Offer Price, for avoiding a conflict of interests, and other measures for ensuring the fairness of the Tender Offer as follows.

(i) The Tender Offeror's obtaining a share valuation report from an independent third-party

calculation agent

In order to ensure the fairness of the Tender Offer Price, the Company, in determining the Tender Offer Price, requested that Nomura Securities, a financial advisor as a third-party calculation agent independent from the Company and the Target Company, conduct calculation of the value of the shares of the Target Company. For details of the Share Valuation Report Requested by Tender Offeror regarding the calculation result of the Target Company's share value, which is obtained by the Company from Nomura Securities, please see the "<1> Basis of calculation" described above.

- (ii) The Target Company's obtaining a share valuation report from an independent third-party calculation agent

According to the Target Company's Press Release, as measures for ensuring the fairness when considering the Tender Offer Price presented by the Tender Offeror and determining an opinion for the Tender Offer, the Target Company's board of directors requested BTMU, a financial advisor as a third-party calculation agent independent from the Target Company and the Tender Offeror in respect of the Transactions, conduct analysis of the value of the Common Shares. According to the Target Company, BTMU, a third-party calculation agent, does not fall under the criteria of a related party of the Target Company or the Tender Offeror. Although BTMU provides loans to and holds shares of both the Target Company and the Tender Offeror, it has in place an appropriate structure for management of conflicts of interests in accordance with applicable laws and ordinances including Article 13-3-2, Paragraph 1 of the Banking Act of Japan (Law No. 59 of 1981, as amended) and Article 14-11-3-3 of the Ordinance for Enforcement of the Banking Act of Japan (Ordinance of the Ministry of Finance No. 10 of 1982, as amended), and implements the same, and BTMU's calculation of the Target Company's share value is conducted from a standpoint that is independent from its status as the lender and the shareholder, according to the Target Company. The Target Company determined that appropriate preventive measures against adverse effects are taken in respect of calculation of the Target Company's share value, and therefore the Target Company selected BTMU as its calculation agent, according to the Target Company.

According to the Target Company, BTMU, after considering which calculation method should be adopted in the share value calculation of the Target Company among a number of share value calculation methods, based on the premise that the Target Company is a going concern and from the viewpoint that it is appropriate to calculate the value of the Common Shares from various aspects, conducted an analysis of the Target Company's share value by using each of the following methods: (i) a market share price analysis as there exists a market share price for the Common Shares, (ii) a comparable companies analysis as the Target Company's share value can be calculated through comparison of market share value and financial indicators of profitability or the like of listed companies that engage in businesses comparatively similar to those of the Target Company, and (iii) a discounted cash flow analysis (the "DCF Analysis") in order to appropriately reflect the conditions of the Target Company's future business activities in the evaluation. The Target Company obtained from BTMU the Share Valuation Report Requested by the Target Company on May 9, 2017, according to the Target Company. The Target Company has not obtained from BTMU a fairness opinion, an opinion on the fairness of the Tender Offer Price, according to the Target Company.

According to the Target Company, the range of per Common Share value analyzed pursuant to each such method mentioned above is as follows:

Market share price analysis

JPY 651 to JPY 697

Comparable companies analysis
DCF Analysis

JPY 790 to JPY 1,210
JPY 755 to JPY 1,358

First, under the market share price analysis, the range of per Common Share value was analyzed to be from JPY 651 to JPY 697, according to the Target Company. This analysis was made after setting the record date on May 8, 2017, and calculation was made based on: JPY 697, the closing price of the Common Shares on the record date at the First Section of TSE; JPY 651, the simple average of the closing prices thereat for the most recent one (1) month; JPY 670, the simple average of the closing prices thereat for the most recent three (3) months; and JPY 684, the simple average of the closing prices thereat for the most recent six (6) months, according to the Target Company.

Secondly, under the comparable companies analysis, the range of per Common Share value was analyzed to be from JPY 790 to JPY 1,210, according to the Target Company. This analysis was made by selecting NIPPO CORPORATION, MAEDA ROAD CONSTRUCTION Co., LTD., THE NIPPON ROAD CO., LTD., SEIKITOKYU KOGYO CO., LTD., TOA ROAD CORPORATION, and WATANABE SATO CO., LTD. among companies listed in Japan engaged in the business of road paving work as comparable companies by taking into consideration of the similarities with the Target Company, including the description of business and company size, and by using EV/EBITDA ratio, according to the Target Company.

Under the DCF Analysis, the range of per Common Share value was analyzed to be from JPY 755 to JPY 1,358, according to the Target Company. This analysis was made by analyzing the corporate value and share value of the Target Company after discounting at a certain discount rate the free cash flow estimated to be generated by the Target Company in the future on and after the fiscal year ending March 31, 2018 to its present value, based on the Target Company's profitability forecasts in the future, which are obtained by taking into consideration the business plans for the fiscal year ending March 31, 2018 to the fiscal year ending March 31, 2022 prepared by the Target Company, the trends of the latest business performance and various other factors including information disclosed to the public, according to the Target Company. In addition, a discount rate of 6.00 % to 7.00 % is adopted, and for the calculation of going value, a comparable multiple valuation method and a permanent growth rate method are adopted, using EV/EBITDA ratio from 1.5 to 3.5 times and permanent growth rate from -0.50% to 0.50%, according to the Target Company.

The financial forecasts in accordance with the Target Company's business plan, on which the calculation by the DCF Analysis is based are as follows, according to the Target Company. The financial forecasts do not contain the fiscal year in which a significant increase or decrease in profit is projected, according to the Target Company. In addition, a synergy effect which is expected to be accomplished by the execution of the Transactions is not reflected in the financial forecasts as it is difficult to specifically estimate the effect on the profitability for the time being, according to the Target Company.

(Unit: JPY million)

	Fiscal year ending March 31 2018	Fiscal year ending March 31 2019	Fiscal year ending March 31 2020	Fiscal year ending March 31 2021	Fiscal year ending March 31 2022
Sales	112,490	111,980	113,950	115,020	117,080
Operating profit	7,381	7,397	7,932	8,042	8,252
EBITDA	9,456	9,535	9,949	10,023	10,161
Free cash flow	Δ3,722	3,832	3,156	3,145	3,763

(iii) Establishment of an Independent third-party committee by the Target Company

According to the Target Company's Press Release, the Target Company's board of directors, for the purpose of eliminating arbitrariness from the Target Company's decision-making on the Transactions including the Tender Offer, and ensuring the fairness, transparency and objectivity of the decision-making process of the same, established a third-party committee comprised of the following four (4) members: Mr. Shinsuke Hasegawa (certified accountant, Hasegawa Certified Public Accountant Office) and Mr. Akito Takahashi (lawyer, Takahashi & Katayama Law Office), who are the outside experts independent from the Target Company and the Tender Offeror, and Mr. Yuji Momosaki (certified accountant) and Mr. Masaki Nomoto (lawyer), who are the outside auditors and the Target Company's independent officers. (The Target Company appointed the above four (4) persons as the members of the third-party committee from its initial establishment, and has not made any changes to the members thereof.) On April 3, 2017, the Target Company's board of directors resolved to request the third-party committee to consider the following matters, according to the Target Company: (a) whether the purpose of the Transactions is reasonable (including whether the Transactions will contribute to an increase of the Target Company's corporate value), (b) whether the fairness of the terms and conditions of the Transactions (including the Tender Offer Price) is ensured, (c) whether a sufficient consideration has been given to the interests of shareholders of the Target Company in the Transactions through a fair procedure, and (d) in addition to (a) through (c) described above, whether the Transactions are not disadvantageous to the Target Company's minority shareholders (collectively, the "Matters to Be Considered").

The third-party committee has held seven (7) meetings in total from March 21, 2017 to May 2, 2017, and consulted and considered the Matters to Be Considered, according to the Target Company. Specifically, under such consideration, the third-party committee carefully discussed the Matters to Be Considered by reviewing the materials submitted from the Target Company, the Tender Offeror and BTMU, and by holding question-and-answer sessions not only with the Target Company, BTMU and Oh-Ebashi, but also with the Tender Offeror and Tender Offeror's financial advisor Nomura Securities by having the committee inviting them, according to the Target Company. In addition, in considering the Matters to Be Considered, the third-party committee received supplemental information regarding the assessment of the Target Company's share value from Mizuho Securities Co., Ltd., which is independent from the Target Company and the Tender Offeror and does not fall under the criteria of a related party, in order to use them as a reference for the consultations and considerations by having obtained more specialized information, according to the Target Company. Upon implementing such procedure, the third-party committee carefully discussed the Matters to be Considered, according to the Target Company.

Based on the above, as a result of consideration and assessment described in i) through iv) below, on May 9, 2017, the third-party committee submitted to the Target Company's board of directors the Third-Party Committee's Report to the effect that (a) the purpose of the Transactions is reasonable and the Transactions contribute to an increase of the Target Company's corporate value, (b) the fairness of the terms and conditions of the Transactions (including the Tender Offer Price) is ensured, (c) sufficient consideration has been given to the interests of shareholders of the Target Company in the Transactions through a fair procedure, and (d) the Transactions are not disadvantageous to the Target Company's minority shareholders, according to the Target Company.

i) The purpose of the Transactions is to increase the Target Company's corporate value, and the Transactions are considered to increase the Target Company's corporate value. This is

because (a) the Target Company and the Tender Offeror have considered the necessity and merits of the Transactions based on the market environment in which the Target Company engages, future trend forecasts and other factors, and (b) the Target Company's future business, growth prospects and management policy after the Transactions (i.e. managing the business by fully leveraging the strength of the Target Company and seeking to further strengthen the business of the Target Company while respecting the subjectivity of the Target Company) as explained by the Target Company and others are premised on the Target Company's business contents and management conditions and are in light of the business contents of the Tender Offeror, and neither are considered to be unreasonable.

ii) In considering and determining the terms and conditions of the Transactions, the Target Company, in particular, for the purpose of ensuring the fairness of the Tender Offer Price, employed and appointed an independent third-party calculation agent for the calculation of the Target Company's share value, and thereafter it has obtained from the said third-party calculation agent the Share Valuation Report Requested by the Target Company, referenced the Share Valuation Report Requested by the Target Company. On that basis, the third-party committee considers that the Target Company's responses described below are a reasonable and appropriate method for ensuring the fairness of the terms and conditions of the Tender Offer, in particular the Tender Offer Price, and eliminating arbitrariness from the process of the Target Company's judgment and decision-making in relation thereto. This is because (a) the calculation method in the process of the calculation which resulted in the conclusion in the Share Valuation Report Requested by the Target Company prepared by the said third-party calculation agent is considered to be a general and reasonable method in light of the actual practices, and its contents are also considered to be reasonable in light of the actual practices, and thus there is considered to be no particular unreasonable point or material issue, etc. in the process, (b) the Target Company, on the basis of the Share Valuation Report Requested by the Target Company, also considered the Tender Offer Price by taking into consideration the necessity and merits of the Transactions, the effects to the Target Company's future business and other circumstances in general, (c) the Target Company has employed a financial advisor with sufficient experiences and negotiated the terms and conditions of the Transactions in general including the Tender Offer Price, (d) the Tender Offer Price is consequently not only within the range of the results of the share valuation of the Common Shares as a tender offer price by the Share Valuation Report Requested by the Target Company, but also includes a premium of approximately 35% to 44% to the average closing prices of the Common Shares for the most recent one (1) month to six (6) months as well as to the closing price (JPY 694) of the Common Shares on the date of the Third-Party Committee's Report, which is on the same level as actual samples of premiums in past similar cases, and (e) there is no particular unreasonable point or material issue, etc. within the discussion and reviews by the third-party committee in respect of (a) through (d) above. In addition, with regard to the terms and conditions for a series of procedures to make the Tender Offeror the sole shareholders of the Target Company as described in "1. Purposes of the Tender Offer and Other Relevant Matters" - "(4) Policy regarding reorganization, etc., following completion of the Tender Offer (so-called "two-step acquisition"))", the third-party committee was told that unless there arises any special circumstances hereafter, the price will be calculated and determined based on the same price as the Tender Offer Price. Since the series of procedures described above are the subsequent procedures scheduled to be taken following the completion of the Tender Offer (such procedures are often known as a "two-step acquisition"), it is considered to be reasonable to make the terms and conditions of these two procedures the same as one will be implemented shortly after the other. On that basis, as described above, the methods for ensuring the fairness of the terms and conditions of the Tender Offer, in particular

the Tender Offer Price and eliminating the arbitrariness from the process of the Target Company's judgment and decision-making in relation thereto are considered to be reasonable and appropriate. Thus, it is considered that the fairness is also ensured with respect to the terms and conditions of the series of procedures described above. Since the period for purchase of the Tender Offer (the "Tender Offer Period") is scheduled to be 30 days or more, such period is considered to be reasonable for the shareholders of the Company to sufficiently make their considerations and judgments.

iii) Based on the framework and conditions described in "(ii) The Target Company's obtaining a share valuation report from an independent third-party calculation agent" described above and "(iv) Advice to the Target Company from an independent law firm" described below, and in light of the characteristics of the Transactions, which are considered to have a relatively strong structural conflict of interests between the parent company and the subsidiary as a transaction to make the subsidiary a wholly-owned subsidiary, it can be said that the Target Company is aware of the necessity of ensuring the appropriateness and fairness of the terms and conditions of the Transactions in a careful manner. Accordingly, the Target Company asked the Tender Offeror to consider the transaction terms and conditions by giving sufficient consideration to the interests of the minority shareholders from the early stages of the discussion process, and had a series of general deliberations on whether the circumstances are appropriate and fair as well as whether the terms and conditions are realistic. Thereafter, final adjustments were made to the Tender Offer Price through discussion with the Tender Offeror. Following the final adjustments, an agreement was reached between the Target Company and the Tender Offeror with regard to the terms and conditions of the Transactions, including the Tender Offer Price. Including these points, in the process of responding and considering the Transactions, it is considered that specific responses were taken in respect of several points such as ensuring an appropriate judgment opportunity for the shareholders of the Target Company through early and detailed disclosures and explanations, eliminating arbitrariness in the decision-making process, ensuring the fairness of the terms and conditions (in particular the Tender Offer Price), ensuring the objective circumstances to ensure the fairness of the terms and conditions of the series of procedures to make the Tender Offeror the sole shareholder of the Company as described in "1. Purposes of the Tender Offer and Other Relevant Matters" - "(4) Policy regarding reorganization, etc., following completion of the Tender Offer (so-called "two-step acquisition"))" above, and giving sufficient consideration to the interests of the shareholders of the Target Company through a fair procedure.

iv) Given the relevant matters described in i) through iii) above, the Transactions are not considered to be disadvantageous to the Target Company's minority shareholders, and other than these matters, no particular circumstance in which the Transactions are considered to be disadvantageous to the Target Company's minority shareholders has been found for the time being.

(iv) Advice to the Target Company from an independent law firm

According to the Target Company's Press Release, in order to ensure the transparency and fairness in the decision-making process on the Transactions including the Tender Offer, the Target Company's board of directors appointed Oh-Ebashi as its legal advisor independent from the Target Company and the Tender Offeror, and has received necessary legal advice from Oh-Ebashi, with respect to the decision-making process and method of decision-making on the Transactions including the Tender Offer, and other points to be noted in decision-making on the Transactions including the Tender Offer.

- (v) Approval of all directors of the Target Company who have no interest in the Transactions and opinion of no objection by auditors of the Target Company

According to the Target Company's Press Release, based on the legal advice received from Oh-Ebashi, with respect to the decision-making process and method of decision-making on the Transactions including the Tender Offer, and other points to be noted in decision-making on the Transactions including the Tender Offer, and the content of the Share Valuation Report Requested by the Target Company obtained from its third-party calculation agent BTMU, at the same time as respecting to the maximum extent the content of the Third-Party Committee's Report obtained from the third-party committee, the Target Company's board of directors gave careful consideration and made discussions from various viewpoints, including whether the Transactions will enable an increase of the Target Company's corporate value and whether various conditions of the Transactions including the Tender Offer Price, are reasonable.

The Target Company recognizes that the entire construction industry will grow firmly for the time being due to restoration works from the massive disaster and expansion of the investments in constructions in connection with the hosting of the Tokyo Olympic and Paralympic Games to be held in 2020, according to the Target Company. Although the amounts of public investments in relation to the Road Bureau of the Ministry of Land, Infrastructure, Transport and Tourism of Japan have been slightly increasing so far, which was approximately JPY 1,600 billion in 2017, the Target Company recognizes that a moderate decrease is expected in the future after the completion of restoration works, according to the Target Company. In addition, the Target Company recognizes that although there is a trend of increase in the capital investments in the public sector due to the improvement of corporate earnings, which will grow firmly as a whole, it is difficult to expect an expansion of the domestic construction market in the long-term due to decreases in population, and there is a concern that factors such as uncertainty about future price trends of materials and continued shortage of engineers and skilled workers, may an influence on corporate earnings, according to the Target Company.

Under such business environment, in order to achieve mid-to-long term improvement in the Target Company's profitability, a further enhancement of compliance by strengthening and building the governance system will be necessary, according to the Target Company. In addition, with respect to its construction business, the Target Company considers that it needs to, while ensuring a solid profitability by maintaining the construction work contracted from civil services and backlog of orders from the Tender Offeror's group, expand into PFI business to increase orders for the construction works contracted from civil services, strengthen the sales and marketing to the private customers, including for mega solar construction and building construction work in areas such as small-scale commercial facilities, and develop and promote technologies in the area of environment such as environmentally friendly paving, as a response to capital investments in the private sector which are expected to grow firmly for the time being, according to the Target Company. Moreover, the Target Company recognizes that it is necessary to take measures against the continued labor shortage as well as to introduce and develop ICT construction work machinery and develop and secure engineers and laborers professionally skilled in construction work, according to the Target Company. In addition, the Target Company considers that, with respect to the manufacturing and selling business including that of asphalt mixtures and others, further business enhancements are necessary when compared with other major competitive companies. It is also necessary to strive to reduce the manufacturing cost and increase the quality through renewal and enhancement of manufacturing facilities and to preserve the environment, and also to aim to secure manufacturing and sales volume, according to the Target Company.

In order to implement these measures and policies, the Target Company considers that an

integrated management, including the sharing of management resources and know-how with the Tender Offeror, is necessary, according to the Target Company. However, the Target Company considers that if the Target Company remains listed, this may cause a conflict of interests with the minority shareholders in terms of its independency and autonomy, which is not desirable in today's market environment where speed is required in decision-making, according to the Target Company. Also, since an increase in the burden of investments are expected due to the expansion of technologies in the area of environment, as well as expansions in the small-scale construction business, in addition to renewal and enhancement of facilities for manufacturing and sales business, it is possible that these may adversely affect the Target Company's profit level in the short-term, and furthermore may cause uncertainty in respect of the subsequent recovery in its profitability, and the possibility that these may also adversely affect the Common Share price cannot be denied, according to the Target Company.

It has been determined that the Target Company's becoming the Tender Offeror's wholly-owned subsidiary through the Transactions will contribute to the future development of the Target Company because it will enable a prompt implementation of various measures such as those described above through speeding up decision-making, and moreover, will lead to resolution of the issues that cannot be addressed by the Target Company alone, such as enhancement of sales capabilities by promotion of sales activities conducted in an integrated manner, upgrading of the small-scale construction business through the Target Company's receipt of know-how on sales and construction work of the construction business held by the Tender Offeror, and increase in productivity through promotion of joint research and development of ICT construction work for civil engineering and paving work, in addition to enabling expansion of business opportunities for the Target Company, according to the Target Company.

As described above, it has been determined that the Transactions are expected to contribute to a further increase of the Target Company's corporate value, according to the Target Company.

In addition, according to the Target Company, it was determined that the Tender Offer will provide the shareholders of the Target Company with a reasonable opportunity to sell shares based on the facts that, with regard to the Tender Offer Price: i) that such price exceeds the range of the market share price analysis of the Share Valuation Report Requested by the Target Company, and is also within the range of the results of the comparable companies analysis and the DCF Analysis; ii) that such price is the resulting amount after adding a premium of 35.45% (value is rounded to the second decimal place by rounding up the digit that is five (5) or greater; hereinafter the same in percentage values as in this paragraph) to JPY 694, the closing price of the Common Shares in ordinary transactions at the First Section of TSE on May 9, 2017, which is the business day immediately preceding the date of publication of the implementation of the Tender Offer; 43.95% to JPY 653, the simple average of the closing prices in ordinary transactions thereat for the most recent one (1) month (from April 10, 2017 through May 9, 2017); 40.30% to JPY 670, the simple average of the closing prices in ordinary transactions thereat for the most recent three (3) months (from February 10, 2017 through May 9, 2017); and 37.23% to JPY 685, the simple average of the closing prices in ordinary transactions thereat for the most recent six (6) months (from November 10, 2016 through May 9, 2017) respectively; iii) each of the measures described in the "(Measures for ensuring the fairness of the Tender Offer Price, measures for avoiding a conflict of interests, and other measures for ensuring the fairness of the Tender Offer)," have been conducted in order to avoid a conflict of interests and consideration has been given to the interests of minority shareholders; iv) it is the price which was determined, after the measures to avoid a conflict of interests described above were taken, and through a series of consultations and negotiations between the Target Company and the

Tender Offeror, which are equivalent to those discussions and negotiations in arm's-length transactions and v) that although such price is below JPY 1,038.64, which is the net asset value per share of the Target Company as of March 31, 2017, it is considered that it is not appropriate to determine the Tender Offer Price based solely on the net asset value per share since the calculation of the Target Company's share value should be based on the premise that the Target Company is a going concern, and that the Common Shares are not necessarily traded at the net asset price, given the additional costs and so on for liquidation.

Based on the above, the Target Company resolved at its board of directors' meeting held today to the effect that the Target Company will express an opinion to support the Tender Offer, and that it will recommend that the shareholders of the Target Company to apply for the Tender Offer, according to the Target Company.

In addition, out of the eight (8) directors of the Target Company, given the fact that Mr. Katsuya Takagai is a temporary transferred employee from the Tender Offeror, Ms. Toshimi Sato is an executive officer of the Tender Offeror, and Mr. Hitoshi Hasegawa will retire from the director of the Target Company at the Target Company's annual meeting of shareholders to be held on June 2017, and has informally been decided to serve as an advisor to the Tender Offeror, and there may be a structural a conflict of interests for them to consider the Transactions in the Target Company. They did not participate in any and all deliberations and resolutions regarding the proposals of the Transactions at the Target Company's board of directors' meetings, and did not participate in any and all discussions and negotiations with the Tender Offeror in the position of the Target Company, according to the Target Company.

In addition, three (3) auditors, including outside directors of the Target Company, except for Mr. Masatomo Okano, who was absent from the board of directors' meeting due to personal reasons, participated at the relevant board of directors' meetings, and all such auditors expressed their opinions that they have no objection for the Target Company's board of directors to make the resolution described above, according to the Target Company (The Target Company's board of directors also separately confirmed from Mr. Masatomo Okano, who was absent from the board of director's meeting, that he has no objection for the Target Company's board of directors to make the resolution described above.).

(vi) Measures to ensure an opportunity to purchase for other offerors

While the shortest period for a tender offer set forth in the laws and ordinances is 20 business days, the Company has set the Tender Offer Period as 30 business days. By setting a relatively longer Tender Offer Period, the Company intends to ensure the appropriateness of the Tender Offer Price by providing the Target Company's shareholders with the opportunity to properly determine whether or not to apply for the Tender Offer, and ensuring an opportunity for the persons other than the Company to make a competing purchase, etc. Moreover, the Company and the Target Company do not have any agreement which may restrict the persons proposing the competing purchase to have any contact with the Target Company, such as an agreement including the provisions for protections of transactions which may prohibit the Target Company from contacting persons proposing the competing purchase. By ensuring opportunities for competing purchase, etc., along with the setting of the Tender Offer Period described above, the Company and the Target Company are giving consideration to ensuring the fairness of the Tender Offer.

<3> Relationship with calculation agents

The Company's financial advisor (calculation agent), Nomura Securities, does not fall under the criteria of a related party of the Company or the Target Company, nor does it have a material interest in

the Tender Offer.

(5) Number of shares to be purchased

Number of shares to be purchased	Minimum number of shares to be purchased	Maximum number of shares to be purchased
26,243,052 shares	— shares	— shares

(Note 1) In the Tender Offer, no maximum or minimum number of shares to be purchased has been set and therefore all of the purchases, etc. of the Tendered Shares will be conducted. In addition, the number of shares, etc. to be purchased shall be the number of shares (i.e., 26,243,052 shares) that is calculated by the Target Company's total number of issued shares as at March 31, 2017 as indicated in the Target Company's Financial Results (i.e., 46,818,807) less the number of treasury shares held by the Target Company (i.e., 1,829,234) as of the same date described in the Target Company's Financial Results and the number of the Common Shares held by the Company (i.e., 18,746,521).

(Note 2) Shares of less than one (1) unit are also subject to the Tender Offer. When a shareholder exercises its right to demand repurchase of shares less than one (1) unit pursuant to the Company Act, the Target Company may repurchase its own shares during the Tender Offer Period pursuant to the procedures set forth in the laws and ordinances.

(Note 3) There is no plan for the treasury shares held by the Target Company to be acquired through the Tender Offer.

(6) Change in percentage of ownership of shares after the Tender Offer

Number of voting rights represented by shares held by the Tender Offeror before the Tender Offer	187,465 units	(Holding ratio of shares before the Tender Offer: 41.67%)
Number of voting rights represented by shares held by persons in a special relationship before the Tender Offer	0 units	(Holding ratio of shares before the Tender Offer: 0.00%)
Number of voting rights represented by shares held by the Tender Offeror after the Tender Offer	449,895 units	(Holding ratio of shares after the Tender Offer: 100.00%)
Number of voting rights represented by shares held by persons in a special relationship after the Tender Offer	0 units	(Holding ratio of shares after the Tender Offer: 0.00%)
Number of voting rights held by all shareholders of the Target Company	449,534 units	

(Note 1) The "Number of voting rights represented by shares held by the Tender Offeror after the Tender Offer" is the number of voting rights calculated by adding the "Number of voting rights represented by shares held by the Tender Offeror before the Tender Offer" (i.e., 187,465 units) to the number of voting rights (i.e., 262,430 units) represented by the number of shares to be purchased in the Tender Offer (i.e., 26,243,052 shares).

(Note 2) The "Number of voting rights represented by shares held by persons in a special relationship before

the Tender Offer” is the total number of the voting rights represented by the shares held by each of the persons in a special relationship (except for those excluded from the persons in a special relationship in calculation of the ownership ratio in each item of Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act (Law No. 25 of 1948, as amended; the “Act”) in accordance with Article 3, Paragraph 2, Item 1 of the Cabinet Office Ordinance on the 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; the “the Tender Offer Ordinance”). As the shares held by persons in a special relationship (except for the treasury shares held by the Target Company) is also subject to the Tender Offer, the “Number of voting rights represented by shares held by persons in a special relationship before the Tender Offer” are not added to the numerator in the calculation of the “number of shares after the Tender Offer”.

(Note 3) The “Number of voting rights held by all shareholders of the Target Company” is the number of the voting rights (set out with the number of shares for one (1) unit being 100 shares) of all of the shareholders as of September 30, 2016 described in the 3rd quarter report of the 86th term filed by the Target Company on February 14, 2017. However, as the shares less than one (1) unit is also subject to the Tender Offer, in the calculation of the “Holding ratio of shares before the Tender Offer” and the “Holding ratio of shares after the Tender Offer,” the number of voting rights (i.e., 449,895 units) represented by the number of shares (i.e., 44,989,573 shares), which is calculated by the Target Company’s total number of issued shares as of March 31, 2017 described in the Target Company’s Financial Results (i.e., 46,818,807 shares) less the number of treasury shares (i.e., 1,829,234 shares) held by the Target Company as of the same date described in the Target Company’s Financial Results, is calculated as the “Number of voting rights held by all shareholders of the Target Company”.

(Note 4) The figures in the “Holding ratio of shares before the Tender Offer” and the “Holding ratio of shares after Tender Offer” were rounded to the second decimal place by rounding up the digit that is five (5) or greater.

(7) Purchase price: JPY 24,668,468,880

(Note) The “Purchase price” is an amount calculated by multiplying the number of shares to be purchased (i.e., 26,243,052 shares) by the Tender Offer Price per share (JPY 940).

(8) Method of settlement

<1> Name and address of head office of financial instruments business operators, banks, etc. in charge of settlement of purchase

Nomura Securities Co., Ltd. 9-1, Nihonbashi 1-chome, Chuo-ku, Tokyo

<2> Commencement date of settlement

June 28, 2017 (Wednesday)

<3> Method of settlement

After the expiration of the Tender Offer Period, a notification concerning the purchase through the Tender Offer will be sent without delay to the addresses of persons who agree to apply for the purchase, etc. or offer to sell the shares for the Tender Offer (the “Tendering Shareholders”) (or addresses of their standing proxies in the case of foreign shareholders, etc.). In addition, for those shareholders who have agreed to electronic delivery, etc. of documents via Nomura Net & Call, the documents shall be delivered by way of electronic method at the Nomura Net & Call’s website (<https://netcall.nomura.co.jp/>).

The purchase will be settled in cash. The Tendering Shareholders may receive the cash proceeds from

the Tender Offer by the method designated by the Tendering Shareholders, such as transfer of money, without delay on and after the commencement date of settlement (in such case, a transfer fee may be charged).

<4> Method of return of shares

If the Tender Offeror does not acquire all of the Tendered Shares pursuant to the terms and conditions set forth in below in “(9) Other conditions and methods of tender offer” - “<2> Conditions for withdrawal of the Tender Offer, details thereof and method of disclosure for withdrawal”, the shares shall be returned to the account of Tendering Shareholders established at the tender offer agent promptly on and after the second business day immediately after the last day of the Tender Offer Period (or the date of withdrawal if the Tender Offer is withdrawn) by restoring the record of the shares to be returned to its state immediately prior to such tendering (in case of transferring such shares to the account of Tendering Shareholders established in other financial instruments business operators, it should be confirmed at the head office of the tender offer agent or its respective branch offices in Japan that accepted the tendering).

(9) Other conditions and methods of the Tender Offer

<1> Conditions set forth in Article 27-13, Paragraph 4 of the Act and the details thereof

In the Tender Offer, no maximum or minimum number of shares to be purchased has been set. Therefore, the Tender Offeror will purchase, etc. all of the Tendered Shares.

<2> Conditions for withdrawal of the Tender Offer, details thereof and method of disclosure for withdrawal

Upon the occurrence of any event listed in Article 14, Paragraph 1, Items 1 *i* through *ri* and *wo* through *so*, Items 3 *i* through *chi* and *nu*, as well as in Article 14, Paragraph 2, Items 3 through 6 of the Enforcement Order of the Financial Instruments and Exchange Act (Government Ordinance No. 321 of 1965, as amended) (the “FIEA Enforcement Order”), the Tender Offeror may withdraw the Tender Offer. Furthermore, with respect to the Tender Offer, the “respective events specified in *i* through *ri*” as specified in Article 14, Paragraph 1, Items 3 *nu* refer to the case where statutory disclosure documents that the Target Company has previously filed turn out to contain false information in respect of any material matters or lack information required to be provided in relation to material matters and the Tender Offeror did not know that there was such false descriptions and could not know such false descriptions although it exercised reasonable care. In the event that the Tender Offeror intends to withdraw the Tender Offer, the Tender Offeror shall give public notice electronically, and shall then post a notice in *Nihon Keizai Shimbun* that such public notice has been made; provided, however, that if it is impracticable to give such notice by the last day of the Tender Offer Period, the Tender Offeror shall make a public announcement pursuant to the provisions of Article 20 of the Tender Offer Ordinance and give public notice immediately thereafter.

<3> Conditions of reduction of purchase price, details thereof and method of disclosure of the reduction

Pursuant to Article 27-6, Paragraph 1, Item 1 of the Act, if the Target Company takes any action enumerated in Article 13, Paragraph 1 of the FIEA Enforcement Order during the Tender Offer Period, the Tender Offeror may reduce the price of purchase, etc. in accordance with the methods provided for in the provisions of Article 19, Paragraph 1 of the Tender Offer Ordinance. In the event that the Tender Offeror intends to reduce the price of purchase, the Tender Offeror shall give public notice electronically, and shall then post a notice in *Nihon Keizai Shimbun* that such public notice has been made; provided, however, that, if it is impracticable to give such notice by the last day of the Tender Offer Period, the Tender Offeror shall make a public announcement pursuant to the method provided for in Article 20 of the Tender Offer Ordinance and give public notice immediately thereafter. If the price of purchase, etc. is

reduced, the Tender Offeror will also purchase at the reduced price the shares tendered on or prior to the date of the public notice.

<4> Matters concerning the right of Tendering Shareholders to cancel their tender

The Tendering Shareholders may cancel their tender under the Tender Offer at any time during the Tender Offer Period. The Tendering Shareholders who wish to cancel their tender must send by personal delivery or mail a cancellation notice stating that such Tendering Shareholder requests to cancel his or her tender under the Tender Offer (the “Cancellation Notice”) to the head office or its respective branch offices in Japan designated below at which his or her tender was accepted by 15:30 on the last day of the Tender Offer Period. However, if the Cancellation Notice is sent by mail, it must arrive by 15:30 on the last day of the Tender Offer Period. The Tendering Shareholders who wish to cancel their tender that was made via Nomura Net & Call must cancel their tender through the operation on the Nomura Net & Call website (<https://netcall.nomura.co.jp/>) or by sending the Cancellation Notice thereto. In the case of cancelling via the Nomura Net & Call website, the Tendering Shareholders must undertake the cancellation procedure by 15:30 on the last day of the Tender Offer Period in accordance with the method described on such website. In the case of cancellation by way of sending the Cancellation Notice, the Tendering Shareholders must request the Cancellation Notice from Nomura Net & Call Customer Support in advance, and then send the Cancellation Notice addressed to Nomura Net & Call. The Cancellation Notice through Nomura Net & Call must also arrive by 15:30 on the last day of the Tender Offer Period. No compensation for damages or penalty of payment shall be claimed against any Tendering Shareholders by the Tender Offeror in the event that a Tendering Shareholder has cancelled a tender. The costs for returning the Tendered Shares shall be borne by the Tender Offeror.

<5> Method of disclosure of amendment to the conditions of the Tender Offer (if any)

Except for the cases prohibited by the Article 27-6, Paragraph 1 of the Act and the Article 13 of the FIEA Enforcement Order, the Tender Offeror may amend the terms and conditions of the Tender Offer during the Tender Offer Period. If any terms or conditions of the Tender Offer are amended, the Tender Offeror shall give public notice electronically regarding the details of such amendments, and shall then post a notice in *Nihon Keizai Shimbun* that such public notice has been made; provided, however, that, if it is impracticable to give such notice by the last day of the Tender Offer Period, the Tender Offeror shall make a public announcement pursuant to the method provided for in Article 20 of the Tender Offer Ordinance, and give public notice immediately thereafter. If any terms and conditions of the Tender Offer are amended, the Tender Offeror will also purchase the shares tendered on or prior to the date of the public notice in accordance with such amended terms and conditions.

<6> Method of disclosure of amendment statement (if any)

If an amendment statement is filed with the Director-General of the Kanto Local Finance Bureau, the Tender Offeror shall immediately make a public announcement of the details thereof to the extent relevant to the details of the public notice of the commencement of the Tender Offer, in accordance with the method provided for in Article 20 of the Tender Offer Ordinance. The Tender Offeror shall also immediately amend the tender offer explanatory statement and deliver the amended tender offer explanatory statement to those Tendering Shareholders who have received the tender offer explanatory statement; provided, however, that if the amendment of the tender offer explanatory statement is limited to a small portion, the Tender Offeror shall instead prepare a document stating the reason(s) for the amendments, the matters amended and the details of the information subsequent to the amendment, and deliver such document to the Tendering Shareholders.

<7> Method of disclosure of results of the Tender Offer

The results of the Tender Offer will be made publicly by the method provided for in Article 9-4 of the FIEA Enforcement Order and Article 30-2 of the Tender Offer Ordinance on the day immediately following the last day of the Tender Offer Period.

(10) Date of public notice of commencement of the Tender Offer

May 11, 2019 (Thursday)

(11) Tender offer agent

Nomura Securities Co., Ltd.

9-1, Nihonbashi 1-chome, Chuo-ku, Tokyo

3. Policy following the completion of the Tender Offer and future prospects

(1) Policy following the completion of the Tender Offer

With regard to policies following the completion of the Tender Offer, please see “1. Purposes of the Tender Offer and Other Relevant Matters” - “(2) Background to the decision to implement the Tender Offer, the purpose and decision-making process thereof, as well as management policy after the Tender Offer” - “(4) Policy regarding reorganization, etc., following completion of the Tender Offer (so-called “two-step acquisition”)” and “(5) Prospects for delisting and its reasons.”

(2) Future prospects

Effects to the business performance are currently under the review, and will be promptly publicized if there arises any necessity to amend the business forecasts or any matters to be disclosed.

4. Others

(1) Existence or non-existence of agreement between the Tender Offeror and the Target Company or its officer(s), and details thereof

<1> Existence or non-existence of agreement between the Tender Offeror and the Target Company, and details thereof

According to the Target Company’s Press Release, the Target Company resolved at its board of directors’ meeting held today to the effect that the Target Company will express an opinion to support the Tender Offer, and that it will recommend that the shareholders of the Target Company apply for the Tender Offer. For the details regarding the Target Company’s decision-makings on these matters, please see the Target Company’s Press Release and the “2. Overview of the Tender Offer” - “(4) Grounds for calculation, etc. of the Tender Offer price” - “<2> Background of calculation” - “(Measures for ensuring the fairness of the Tender Offer Price, measures for avoiding a conflict of interests, and other measures for ensuring the fairness of the Tender Offer)” - “(v) Approval of all directors of the Target Company who have no interest in the Transactions and opinion of no objection by auditors of the Target Company”.

<2> Existence or non-existence of agreement between the Tender Offeror and officer(s) of the Target Company and details thereof

It has informally been decided that Mr. Hitoshi Hasegawa, a representative director of the Target Company, will serve as an advisor to the Tender Offeror upon his resignation from the office of the Target Company’s director as at the general shareholders’ meeting of the Target Company scheduled to be held in June 2017.

<3>Background to the decision to implement the Tender Offer, the purpose and decision-making process thereof, as well as management policy after the Tender Offer

Please see “1. Purposes of the Tender Offer and Other Relevant Matters” – “(2) Background to the decision to implement the Tender Offer, the purpose and decision-making process thereof, as well as management policy after the Tender Offer” described above.

<4> Measures for ensuring the fairness of the Tender Offer Price, measures for avoiding a conflict of interests, and other measures for ensuring the fairness of the Tender Offer

Please see “2. Overview of the Tender Offer” - “(4) Grounds for calculation, etc. of the Tender Offer price” - “<2> Background of calculation” - “(Measures for ensuring the fairness of the Tender Offer Price, measures for avoiding a conflict of interests, and other measures for ensuring the fairness of the Tender Offer)” described above.

(2) Any other information deemed necessary for investors to decide whether or not to apply for the Tender Offer

<1>Release of “March 2017 Financial Results <Based on Japanese Standards> (Consolidated)”

Today, the Target Company released its “March 2017 Financial Results <Based on Japanese Standards> (Consolidated)”. According to the release, the Target Company’s profits and losses in the said period are as follows. Please note that the content of the financial results has not been audited by auditors pursuant to Article 193-2, Paragraph 1 of the Act. In addition, the content as described below is partly excerpted from the content that the Target Company disclosed. For details of the financial results of the Target Company, please see the release.

(i) Profits and losses

Fiscal year	Fiscal year ended March 31, 2017 (consolidated)
Net sales	JPY 101,441 million
Cost of sales	JPY 86,246 million
Sales, general and administrative expenses	JPY 5,518 million
Non-operating profit	JPY 129 million
Non-operating expenses	JPY 32 million
Net profit	JPY 6,779 million

(ii) Profits and losses per share

Fiscal year	Fiscal year ended March 31, 2017 (consolidated)
Net profit per share	JPY 150.69
Dividend per share	JPY 20.00
Net asset per share	JPY 1,038.64

<2>Dividend for the fiscal year ended March 31, 2017

Today, the Target Company released “Notice regarding Dividend of Surplus”. According to the release, the Target Company resolved at its board of directors’ meeting held today to the effect that the dividend for the fiscal year ended March 31, 2017 will be JPY 20 per share, increased by JPY 4 from JPY 16 per share announced before. For details, please see the release.

END

【Restrictions on solicitation】

This press release is a statement to publicly announce the Tender Offer and has not been prepared for the purpose of soliciting an offer to sell the shares. If shareholders wish to make an offer to sell their shares, they should first read the tender offer explanation statement regarding the Tender Offer and apply thereafter at their own discretion. This press release does not constitute all or any part of any offer to sell, solicitation of a sale of, or any solicitation of any offer to purchase, any securities. Neither of this press release (or any part thereof) nor the distribution thereof shall constitute the basis for any agreement regarding the Tender Offer, and this press release cannot be relied upon at the time of the conclusion of any such agreement.

【Future prospects】

This press release contains prospects of business development on the basis of the opinions of the Company's management in the case the Common Shares are acquired. Actual results may significantly differ from these forecasts due to various factors.

【Regulations on the United States】

Although the Tender Offer will be conducted in compliance with the procedures and information disclosure standards prescribed in the Financial Instruments and Exchange Act of Japan, these procedures and standards may not necessarily be the same as the procedures and information disclosure standards in the United States. In particular, Sections 13(e) and 14(d) of the U.S. Securities Exchange Act of 1934, and the rules prescribed thereunder, do not apply to the Tender Offer, and the Tender Offer does not conform to those procedures and standards.

Unless otherwise specified, all procedures relating to the Tender Offer shall be conducted entirely in Japanese. While some or all of the documentation relating to the Tender Offer will be prepared in English, if there is any inconsistency between the English documentation and the Japanese documentation, the Japanese documentation will prevail.

This press release contains "forward-looking statements" as defined in Section 27A of the U.S. Securities Act of 1933, and Section 21E of the U.S. Securities Exchange Act of 1934. Known or unknown risks, uncertainties and other factors could cause actual results to differ substantially from the projections and other matters expressly or impliedly set forth herein as "forward-looking statements." Neither the Tender Offeror nor any of its affiliates assures that such express or implied results set forth herein as "forward-looking statements" will be accomplished. The "forward-looking statements" contained herein have been prepared based on the information held by the Tender Offeror as of the date hereof and, unless otherwise required under applicable laws and ordinances, neither the Tender Offeror nor any of its affiliates assumes any obligation to update or revise the descriptions herein to reflect any future events or circumstances.

The Tender Offeror, each of the financial advisors to the Tender Offeror and the Target Company, and the tender offer agent (including their affiliates) may, in their ordinary course of business, purchase shares in the Target Company for its own account or for the account of its clients prior to the Tender Offer or during the Tender Offer Period outside the Tender Offer in accordance with the requirements of Rule 14e-5(b) of the U.S. Securities Exchange Act of 1934 or take actions for such purchase to the extent permitted by financial instruments and exchange-related laws and ordinances and other applicable laws and ordinances of Japan. If any information concerning such purchase is disclosed in Japan, the relevant person(s) will disclose such information on its website (or by any other means of disclosure) in English.

【Other countries】

In certain countries or regions, legal restrictions may be imposed on the announcement, publication, or distribution of this press release. In such cases, please pay adequate attention of such restrictions and comply

with them. This press release shall be deemed as a material simply distributed for informative purposes, and shall not constitute any solicitation of an offer to sell or an offer to purchase shares with respect to the Tender Offer.