

March 17, 2017

To whom it may concern:

Company: Sumitomo Real Estate Sales Co., Ltd.  
 Representative: Toshikazu Tanaka,  
 Representative Director, President and Chief  
 Executive Officer  
 (Code: 8870)  
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 Managing Executive Officer and Division Manager,  
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**Announcement regarding expression of opinion in favor of, and recommendation to tender in, the tender offer by Sumitomo Realty & Development Co., Ltd., our controlling shareholder, for the shares of Sumitomo Real Estate Sales Co., Ltd.**

Sumitomo Real Estate Sales Co., Ltd. (hereinafter, the “Company”) hereby announces that the Company resolved at a meeting of its board of directors held on today to express an opinion to endorse the tender offer (hereinafter, the “Tender Offer”) conducted by Sumitomo Realty & Development Co., Ltd, which is the controlling shareholder of the Company (the parent company)(hereinafter, the “Tender Offeror”) for all of the issued shares of the Company (other than the shares owned by the Tender Offeror and the treasury shares owned by the Company), and to recommend shareholders of the Company to tender shares of the Company in the Tender Offer, as stated below.

The resolution of the board of directors has been made on the premises that the Tender Offeror intends to make the Company a wholly-owned subsidiary through the Tender Offer and subsequent transactions, and that the shares of the Company will be delisted.

1. Outline of the Tender Offeror

(1)	Company Name	Sumitomo Realty & Development Co., Ltd.												
(2)	Location	2-4-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo												
(3)	Name and Title of Representative	Executive Managing Director and President Kojun Nishima												
(4)	Business	development and leasing of building, development and sales of residential house, development and sales of land, development, sales, and leasing of foreign real estate, engineering and construction, design and supervision, trading, brokerage, and appraisal, etc. of real estate												
(5)	Paid-in Capital	122,805 million yen (as of December 31, 2016)												
(6)	Date of Incorporation	December 1, 1949												
(7)	Major Shareholders and Shareholding Ratio as of September 30, 2016	<table> <tr> <td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td> <td>5.80%</td> </tr> <tr> <td>Japan Trustee Services Bank, Ltd. (Trustee Account)</td> <td>5.39%</td> </tr> <tr> <td>Sumitomo Mitsui Banking Corporation</td> <td>2.52%</td> </tr> <tr> <td>Japan Trustee Services Bank, Ltd. (Trustee Account 4)</td> <td>2.27%</td> </tr> <tr> <td>THE BANK OF NEW YORK MELLON SA/NV 10</td> <td>2.18%</td> </tr> <tr> <td>(Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)</td> <td></td> </tr> </table>	The Master Trust Bank of Japan, Ltd. (Trust Account)	5.80%	Japan Trustee Services Bank, Ltd. (Trustee Account)	5.39%	Sumitomo Mitsui Banking Corporation	2.52%	Japan Trustee Services Bank, Ltd. (Trustee Account 4)	2.27%	THE BANK OF NEW YORK MELLON SA/NV 10	2.18%	(Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	
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	OBUYASHI CORPORATION	1.58%
	SHIMIZU CORPORATION	1.58%
	Mitsui Sumitomo Insurance Co., Ltd.	1.42%
	STATE STREET BANK – WEST PENSION FUND CLIENTS - EXEMPT 505233 (Standing proxy: Mizuho Bank, Ltd.)	1.37%
	THE SUMITOMO WAREHOUSE Co., Ltd.	1.29%
(8) The relationship between the Company and the Tender Offeror		
Capital Relationship	As of today, the Tender Offeror owns 40,220,000 shares of the Company, equivalent to 70.31% of all the issued shares of the Company (57,200,000 shares)	
Personnel Relationship	As of today, three of the Company’s directors concurrently serve as directors of the Tender Offeror.	
Transactional Relationship	The Company holds a consignment agreement with the Tender Offeror for the sales of condominium and house developed and sold by the Tender Offeror. The Company rents the head office etc. from the Tender Offeror.	
Status as a Related party	The Tender Offeror is the parent company of the Company, and therefore falls under a related party of the Company.	

## 2. Tender Offer Price

3,600 yen per share of common stock

## 3. Contents, Grounds, and Reasoning of the Opinion on the Tender Offer

### (1) Contents of the Opinion on the Tender Offer

The Company resolved at a meeting of its board of directors held on today to express an opinion to endorse the Tender Offer and to recommend shareholders of the Company to tender the shares of the Company in the Tender Offer based on the grounds and reasoning which are stated in “(2) Grounds and Reasoning of the Opinion on the Tender Offer” below.

The above resolution of the Company's board of directors was in accordance with the procedures stated in “(V) Unanimous Approval of Directors without Conflicts of Interest and No Objections from All Statutory auditors without Conflicts of Interest” of “(4) Measures to ensure fairness of the Tender Offer such as measures to ensure fairness of tender offer price and measures to avoid conflicts of interest” below.

### (2) Grounds and Reasoning of the Opinion on the Tender Offer

#### (i) Outline of the Tender Offer

The Company received an explanation concerning the outline of the Tender Offer from the Tender Offeror as follows:

As of today, the Tender Offeror owns 40,220,000 common shares of the Company that are listed on the First Section of Tokyo Stock Exchange, Inc. (hereinafter, the “Tokyo Stock Exchange”) and the share holding ratio (hereinafter, the “Share Holding Ratio”) by the Tender Offeror accounts for 70.38 percent (which percentage is rounded to the nearest hundredth): this Share Holding Ratio means a holding ratio to the number of shares (i.e., 57,149,596 shares),

obtained by deducting (i) the number of treasury shares (i.e., 50,504 shares) held by the Company as of December 31, 2016, as set forth in the Third Quarterly Earnings Release for FY2016 (Japan GAAP) (Consolidated) disclosed by the Company on February 7, 2017 from (ii) the total issued shares of the Company (i.e., 57,200,000 shares) as of December 31, 2016, as set forth in the 43th Business Period Third Quarterly Report. Accordingly, the Company is a consolidated subsidiary of the Tender Offeror. The Tender Offeror determined today to conduct the Tender Offer for all the issued common shares of the Company (other than the shares of the Company owned by the Tender Offeror and the treasury shares owned by the Company) as a part of the transaction to make the Company a wholly-owned subsidiary of the Tender Offeror (hereinafter, the “Transaction”).

The Tender Offeror does not establish the maximum or minimum number of shares to be purchased in the Tender Offer. Accordingly, the Tender Offeror will purchase all of the common shares that are tendered in the Tender Offer (hereinafter, the “Tendered Share, etc.”)

Since the purpose of the Tender Offer is to make the Company a wholly-owned subsidiary, if the Tender Offeror is unable to acquire all of the issued common shares of the Company (other than the shares of the Company owned by the Tender Offeror and the treasury shares owned by the Company) in the Tender Offer, the Tender Offeror plans to acquire all of the issued common shares of the Company (other than the shares of the Company owned by the Tender Offeror and the treasury shares owned by the Company) by conducting a series of transactions stated in “(5) Policy for organizational restructuring, etc. after the Tender Offer (matters related to so-called “Two-Tiered Acquisitions”).

#### (ii) Background of the Tender Offer

Since its foundation in 1949, the Tender Offeror, as a real estate developer under the basic mission of creating better social assets and handing them down to the future generations, has been promoting businesses by making contributions to the society through supplying business offices for a corporate base and private residences for base for a comfortable life. Further, the Tender Offeror became listed on the Second Section of both the Tokyo Stock Exchange and the Osaka Stock Exchange in 1970 and moved to the First Section of both the Tokyo Stock Exchange and the Osaka Stock Exchange in 1971.

The Tender Offeror, together with its subsidiaries and affiliates (including 50 companies as consolidated subsidiaries) (hereinafter, the “Tender Offeror Group”), have been pursuing well-balanced sustainable growth by the integration of respective business expertise of each members, based on four major mainstays such as a real estate rental business featuring office buildings in the center area of Tokyo, a real estate sales business specializing in the distribution of condominiums especially in metropolitan areas and major cities throughout Japan, a construction business based on construction contracts for reform business dubbed as “*ShinchikuSokkuri-san*” and a custom-build detached housing business, and a real estate distribution business conducting real estate brokerage and sales agency.

The Tender Offeror Group has mapped out the seventh medium-term business plan starting from March 2017 (hereinafter, the “Business Plan”). The Business Plan features objectives to constantly achieve the increase in income and profit in the years to come, following the preceding sixth medium-term business plan (hereinafter, the “Former Business Plan”) with the recognition that the Business Plan would be unable to enjoy the tail wind in economy during the period corresponding to the Former Business Plan. The Business Plan focuses on the redevelopment business in the central area of Tokyo to further bolster the leasing business as an integral part of the Tender Offeror Group by ensuring the projects in the pipeline after the launch of the Business Plan, including the huge projects with the project over one-million tsubo coupled with promoting four housing-related businesses

(custom-build detached housing, house leasing, hotels, and event halls) so that those business will evolve into existing four major mainstays of business.

Meanwhile, the Company was established in 1975 as an institution to take the role of distribution of condominiums and detached homes developed and sold by the Tender Offeror. From 1976, the Company initiated consignment sales of condominiums and detached homes developed and sold by institutions other than the Tender Offeror. In 1979, the Company moved into the area of real estate brokerage business through the transfer of the business from the Tender Offeror. Further, in 1982, the Company introduced CI (Note) and named the whole broking business as “Sumitomo’s broking-Step” and in 1989 the Company opened 100th branches for brokerage, expanding the business network through pre-emptive strategy to increase branches. Under the creed “the customer first”, the Company adopted the principal policy with providing real estate brokerage and consignment sales among real estate distribution services to offer the comfortable life stage for customers to contribute to the better housing life of customers, and the Company went public on the Second Section of the Tokyo Stock exchange in 1998, in order to improve financing capabilities and develop a framework for competition equivalent to those of other companies in the industry that had been listed on stock exchanges, and the First Section of the Tokyo Stock Exchange in 2000 while the number of branches reached 200 in 2001.

As of today, the Company, as the leading company in regard to the number of own branches (based on the search result as of March 16, 2017 obtained by the internet information providing service with respect to the real estate brokers maintained by the Bureau of Urban Development, Tokyo Metropolitan Government) among the real estate distribution industry, has rolled out 257 branches for the major “broking business” throughout Japan, including 147 branches in the metropolitan area, 72 branches in Kansai area, and 38 branches in other local areas, with some of which running agent business for leasing. On top of that as the second pillar of the business, the Company engages in “consignment sales business” mainly for condominiums newly developed and sold by the Tender Offeror and other developers in major cities in Japan. Further, the Company and its subsidiaries (specifically, Step Properties Co., Ltd. and Sumitomo Real Estate Sales (N.Y.), Inc.) engage in a leasing business of office building and condominiums, etc. and the subsidiaries (specifically, Well Tokyo Co., Ltd. and Step Investment Co., Ltd.) primarily engage in a real estate sales business such as the sales of small-scale building lots mainly in the metropolitan area.

And as of the end of March in 2016, the revenue from operations of the brokerage business with external customers of the Company’s group accounts for 78 percent of its consolidated revenue while 85 percent of consolidated operating income comes from the brokerage business with customers of the whole group. This highlights that the brokerage is a flagship business for the Company. The Company sets a goal to evolve into a dominant company with comprehensive services in the real estate distribution businesses by maintaining the sustainable growth of the brokerage business as an engine.

(Note) The word “CI” means the abbreviation of the “Corporate Identity”; which enables the characteristics of the company to be rediscovered and reorganized inside the company, to be announced clearly from the company, and to be recognized outside the company.

According to the Tender Offeror, the Tender Offeror estimates that, against the backdrop of the saturated market in newly-built condominiums and the enhanced quality of the used housing, triggering the expansion of the used housing distribution and renovation markets, the business climate in housing-related markets surrounding the Tender Offeror Group, including the Company, should become increasingly competitive. The Tender Offeror indicates that pursuing further growth of the Company under current business environment entails hiring highly-skilled professionals and providing the value-added solutions utilizing total power of the Group to meet with diversified needs of consumers, which comes from the integrated expertise, including renovation and property

management businesses of the group companies. Further, according to the Tender Offeror, the leasing business of office building, etc. has been in a fair wind due to the stable performance of corporate tenants; however, maintaining the solid financial ground and the effective cash-flow management by the Tender Offeror Group are essential for the investment to ensure the continuous supply of new leasing properties. The Tender Offeror also believes that there will be growing needs for consolidating management resources and the collective management of market information of the Tender Offeror Group to effectively cope with current changes in the markets to achieve the sustainable growth.

According to the Tender Offeror, however, since the Company runs its business operation independently as a listed company, it is difficult for the Tender Offeror Group under the current situation to promptly integrate the expertise thereof, including renovation and property management businesses of the group companies.

Furthermore, according to the Tender Offeror, such kind of business and cash management in a timely manner under the changes of business environments may cause the issues of conflicts of interest between the Tender Offeror and minority shareholders of the Company. More specifically, according to the Tender Offeror, the investment and business strategy as a whole of the Tender Offeror's group from the medium- and long term perspectives have had more importance in order to cope with the drastic changes in the business environments. On the other hand, according to the Tender Offeror, if the Company remains listed, there might be conflicts of interest; one is to ensure the benefit of minority shareholders through shareholders return, and the other is to utilize the financial resources for the medium-and long term strategy of the Tender Offeror's Group.

Consequently, the Tender Offeror commenced studies of the delisting of the Company from the beginning of December 2016, and as a result, the Tender Offeror opted to delist the Company in order to exclude the possibility of potential conflicts of interest concerning parent-subsidiary listings, and considered that pursuing the optimal distribution of management resources of the group would enable the Tender Offeror Group to maximize the corporate value thereof, ending up the medium- and long term enhancement of the corporate value in the beginning of January 2017. Accordingly, the Tender Offeror decides on the method to make the Company a wholly-owned subsidiary through the Tender Offer. Further, the Tender Offeror takes into consideration the timing to make the Company a wholly-owned subsidiary under current steady performances of the Company so that the Tender Offeror provide minority shareholders of the Company with reasonable opportunities to sell off their holdings without imposing risks on them in the future market environment, ending up contributing to the benefit of minority shareholders.

The Tender Offeror made an initial proposal for the Transactions to the Company on January 19, 2017, considering that the making the Company a wholly-owned subsidiary would help maximize the corporate value of the Tender Offeror's Group, ending up the medium- and long-term enhancement of the corporate value of the Company while help ensure the profit of the minority shareholders of the Company, by providing the reasonable opportunities to the minority shareholders of the Company. Furthermore, upon the consent from the Company, the Tender Offeror conducted the due diligence of the Company from the beginning to the middle of February 2017 and from the middle of February to the middle of March, the Tender Offeror and the Company have been continuing consideration and discussion in regard to the terms and conditions and the method of the Tender Offer. Moreover, after the beginning of March 2017, the Company had several meetings with the Tender Offeror to discuss and negotiate the purchase price for the shares of the Company in the Tender Offer (hereinafter, the "Tender Offer Price"). As a result, in the middle of March 2017, the Tender Offeror reached a settlement with the Company on implementing the Tender Offer by setting the Tender Offer Price as 3,600 yen, and the Tender Offeror will execute the Tender Offer, on March 17, 2017, including the Tender Offer as a part of the Transactions.

(iii) Decision-making process and reasoning leading to the determination to endorse the Tender Offer, and recommend shareholders of the Company to tender the shares of the Company in the tender offer

(a) Decision-making process and reasoning

The Company, as described in above “(ii) Background of the Tender Offer,” received an initial proposal for the Transactions on January 19, 2017 from the Tender Offeror, and appointed SMBC Nikko Securities Inc.(hereinafter, the “SMBC Nikko Securities”) as a financial advisor and third party valuation institution independent from the Company and the Tender Offeror, and Nakamura, Tsunoda & Matsumoto as a legal advisor, and further, on February 14, 2017, established an independent committee as an a advisory body to consider the proposal, having several meetings with the Tender Offeror to discuss and consider the objective of the Transactions and the organizational structure and policies after the Transactions, and the terms and conditions of the Transactions.

Added to that, as to the Tender Offer Price among the terms and conditions of the Transactions, the Company continuously negotiated with the Tender Offeror and Daiwa Securities Co. Ltd. (hereinafter, “Daiwa Securities”), acting as the Tender Offeror’s financial advisor, after receiving the above-mentioned initial proposal for the Transactions on January 19, 2017 from the Tender Offeror, and as a result, received a final proposal which sets the Tender Offer Price as 3,600 yen on March 16, 2017.

Furthermore, the Company has carefully discussed and examined the Transactions, referring to the legal advice from Nakamura, Tsunoda & Matsumoto as well as the explanation of details and contents in the share valuation report on the common share of the Company dated March 16, 2017 (hereinafter, the “Share Valuation Report”) from SMBC Nikko Securities, and the contents in the opinion letter dated March 16, 2017 from the above-mentioned independent committee (hereinafter, the “Opinion Letter”) (details are described in the following “(iii) Establishment of an Independent Committee at the Company” under “(4) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid the conflicts of interest”).

Although the Company has been a consolidated subsidiary of the Tender Offeror, the Company recognizes that it has already established a leading position in the real estate distribution business as a result of the development of its business model employing its own brokerage offices and the Company’s continuous efforts.

In addition, looking toward the forthcoming business environments, as the “Basic Plan for Housing Life” introduced in 2016 by the Ministry of Land, Infrastructure, Transport and Tourism, entails the objective to double the size of the used housing distribution markets, the markets are expected to further record huge growth. On the other hand, the competitive environment surrounding the Company will become still more intensified because of various factors, including utilization of IT, diversification of consumer needs and influx of entrants reflecting a low entry barrier of the markets. Furthermore, the status quo calls for a preemptive strategy to ride out the changing environment of businesses, including the growing interest in the system of site inspection in accordance with the amendment to Building Lots and Buildings Transaction Business Act which was designed to facilitate the distribution of safe -and secure- used houses, developments of initiatives to ensure quality assurance system for used houses, solutions for the increase of vacant houses, which emerges as a social problem.

Under these circumstances, the Company needs to carry out the drastic measures with medium- and long-term perspectives which enable the Company to cope with the changing business environment to ensure sustainable growth rather than just maintaining its current position in the markets. Specifically, the Company examines measures such as the exploration of information strategy with a central focus on internet, including

countermeasures against new entrants to the market from affiliates of IT firms, expansion of office networks by new office openings, relocations of existing offices to prime areas near train stations, renovation of offices, and development of advertising programs aimed to enhance the recognition and image of the Company as well as seize a lot of responses so as to differentiate the Company from the competitors. Such measures, however, involves costs for investments required for developments of new IT services and new office openings, which not only might trigger adverse effects on the short-term profitability of the Company, but also implicate uncertainty about when and how the Company will restore its profitability after the introduction of such measures. Moreover, if the Company kept its shares listed, the Company would need considerable time to map out such measures and prepare the explanation to shareholders, which is not desirable for the Company to initiate measures in the business environments pressing the Company to make timely decision-making.

In addition, the completion of the business integration by the Tender Offeror and the Company enables both parties to ensure maximum utilization of management resources and customer base: (i) unified value-added solution becomes available because of the integration of real estate distribution business and surrounding various businesses, including reform, interior, leasing management, and insurance, etc., (ii) the Company is able to enhance its presence in the existing condominium market against the backdrop of the leading position of the Tender Offeror (“The national condominium market trend” released by Real Estate Economic Institute Co., Ltd. on February 20, 2017) in the supply of newly-built condominiums, and (iii) the centralized information management by the Tender Offeror and the Company help reinforce approaches to the prospective customers on top of the tenants of the Tender Offeror, which holds the top position (in terms of the number of the operating and/or managing office buildings for lease in the Tokyo metropolitan area) (according to the research by the Tender Offeror) to own more than 210 buildings in the center areas of Tokyo and the prospect to expand customer base for real estate brokerage for corporations, ending up the promotion of opportunities and the enhancement of quality services.

As described above, the Company ended up a judgement to recognize that the business integration of the Tender Offeror and the Company through the Transactions helps reduce the risks related to shareholders of the Company, facilitate the decisive and timely implementation of the strategy and help materialize the medium- and long-term business strategy of the Company to cope with the huge change in the market.

Finally, the Company considers that the high quality employees of the Company are the most significant management resources and an engine to boost the value to materialize the achievement of long-term corporate value of the Company. As such, the Company holds a policy to ensure the human resources programs for recruiting, training, and appointment and to focus on businesses, organization, and human resources management as a bedrock of the business model to pursue a sustainable growth and development of the Company under the business integration.

As described above, the Company has concluded that the Transactions contribute to the further enhancement of the corporate value and the Company determined to express an opinion in favor of the Tender Offer.

Also the Company determined that the Tender Offer will provide the shareholders of the Company to sell the Company shares at prices with reasonable premiums, taking into consideration that the Tender Offer Price (i) exceeds the price range computed by the Historical Share Price Analysis and is in the price ranges by the discounted cash flow analysis (hereinafter, the “DCF Analysis”) in the Share Valuation Report by SMBC Nikko Securities described in “(ii) Summary of Valuation” under “(3) Matters Related to the Valuation”, (ii) is the sum of 2,921 yen as the closing price of the common share of the Company by the regular transaction on the Tokyo Stock Exchange Market on March 16, 2017-the preceding business day of the date of the announcement of the Tender Offer with the premium of 23.25 percent (rounded to the nearest to hundredth and the same shall apply

hereinafter in the calculation of premiums) and the sum of 2,899 yen (rounded to the nearest whole yen and the same shall apply hereinafter in the calculation of simple average prices) as the simple average of closing prices for the past one month before March 16, 2017 with the premium of 24.18 percent, the sum of 2,768 yen as the simple average of closing prices for the past three months before March 16, 2017 with the premium of 30.06 percent, the sum of 2,607 yen as the simple average of closing prices for the past six months before March 16, 2017 with the premium of 38.09 percent, (iii) shows the consideration for the minority shareholders, e.g. measures to avoid conflicts of interest, described in the following “(4) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid the conflicts of interest”, (iv) was determined as a result of discussions and negotiations ensured by the measures to avoid the conflicts of interest described above between the Company and the Tender Offeror, as equally independent parties.

As a result, the Company announces that the Company resolved at a meeting of its board of directors held on today to express an opinion to endorse the Tender Offer and to recommend shareholders of the Company to tender the shares of the Company in the Tender Offer.

Please refer to below “(v) Unanimous Approval of Directors with Conflict of Interest and No Objections from All Statutory Auditors without Conflicts of Interest and No Objections from All Statutory Auditors without Conflicts of Interest” under “(4) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid the conflicts of interest” for the details of resolutions by the board of directors.

#### (b) Management policy after the Transactions

According to the Tender Offeror, while three directors out of nine directors and four statutory auditors of the Company concurrently serve as the executives at the Tender Offeror as of today, they have no specific plans to modify the management structure of the Company after the Transactions. Moreover, the Tender Offeror will concentrate on the solidarity by the Tender Offeror Group as a whole to create the further quality of the corporation through the consolidation of management resources of the Tender Offeror Group, including the Company.

### (3) Matters Related to the Valuation

#### (i) The name of institution for the valuation and its relation to the Company and the Tender Offeror

In determining an opinion for the Tender Offer, the Company requested SMBC Nikko Securities, acting in the capacity of a third-party valuation institution independent from both the Tender Offeror and the Company, to analyze the value of the shares of the Company to ensure the fairness about the decision-making process for the Tender Offer Price proposed by the Tender Offeror.

SMBC Nikko Securities, a third-party valuation institution, is not a related party of the Tender Offeror and the Company and does not have any material interests in respect of the Tender Offer.

#### (ii) Summary of Valuation Analysis

The Company requested SMBC Nikko Securities to analyze the value of the shares of the Company and the Company received the Share Valuation Report from SMBC Nikko Securities as of March 16, 2017. The Company has not obtained any fairness opinion regarding the Tender Offer Price from SMBC Nikko Securities. The results of analysis on the value of the shares of the Company are as follows.

SMBC Nikko Securities adopted the Historical Share Price Analysis as the market price for the stock of the Company traded on the First Section of Tokyo Stock Exchange is available and the DCF analysis factoring in the evaluation of the intrinsic valuation based on the future business activities to analyze the value of the Company share. The ranges for the value per share calculated by the above analyses are as follows:

Historical Share Price Analysis : 2,768 yen to 2,899 yen  
 DCF Analysis : 3,223 yen to 4,085 yen

In the Historical Share Price Analysis, the record date is set as March 16, 2017 to calculate the range for the value of share prices from 2,768 yen to 2,899 yen, applying the Company share prices, during the past one month-and three months- average of closing share prices (respectively, 2,899 yen and 2,768 yen) on the Tokyo Stock Exchange.

In the DCF Analysis, the record date is set as the end of December 2016 to analyze the range for the value of share prices from 3,223 yen to 4,085 yen, taking into consideration the estimated free cash flow to be generated by the Company in and after the fourth quarter of the fiscal year ending March 2017, based on the earnings forecast from the fiscal year ending March 2017 through the fiscal year ending March 2019, discounted by the discount rate to compute the Enterprise value and the Equity value. The discount rate ranges from 6.9 percent to 7.9 percent and the calculation of the terminal value is based upon the Perpetual Growth Method where perpetual growth rate of 0.0 percent to 1.0 percent is assumed. The consolidated financial projection based on the business plan from the fiscal year ending March 2017 through the fiscal year ending March 2019, which was prepared by the Company and adopted by SMBC Nikko Securities for the DCF Analysis (hereinafter, “the Business Plan”) is as follows; In addition, in the Business Plan, there is no fiscal year during which significant increases or decreases in earnings are anticipated, and the synergy effects to be generated after the Transactions are not taken into account.

(Unit: million yen)

	March 2017 (remaining three months)	March 2018	March 2019
Revenue	24,913	83,320	89,096
Operating Profit	5,286	16,499	17,701
EBITDA	5,675	17,702	19,004
Free Cash Flow	5,844	9,895	10,579

(4) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid the conflicts of interest

The Company and the Tender Offeror implemented the following measures to ensure the fairness of the Tender Offer Price and to avoid the conflicts of interest since the Company is a consolidated subsidiary of the Tender Offeror as of today, and therefore the Transactions fall under the material transaction, etc. between the controlling shareholder of the Company, with taking into account that the Transactions may cause an issue concerning the structural conflicts of interest.

Please note that, though the Tender Offer has set no limit for the minimum number of shares to be purchased in the Tender Offer and does not establish the minimum of the number to be purchased of so-called “majority of minority” as a mandatory condition for the Tender Offer, the Tender Offeror consider that the enough consideration for the benefit of the minority shareholders of the Company to be taken into account by the following measures implemented by the Tender Offeror and the Company.

(i) Obtaining a Share Valuation Report from a third party valuation institution by the Tender Offeror

According to the Tender Offeror, in order to determine the Tender Offer Price, the Tender Offeror requested Daiwa Securities Co. Ltd., a financial advisor and third-party valuation institution that is independent from both of the Company and the Tender Offeror, to calculate the value of the shares of the Company. Daiwa Securities is not a related party of the Company and the Tender Offeror and does not have any material interests regarding the Transactions including the Tender Offer.

Daiwa Securities considered the calculation methods for the valuation of the shares of the Company to be adopted for the going-concern companies and calculated the value of the shares of the Company by employing each of the market share price analysis and DCF analysis. The Tender Offeror obtained a share valuation report of the Company (hereinafter, the “Tender Offeror’s Share Valuation Report”) on March 16, 2017. The Tender Offeror has not obtained any fairness opinion regarding the Tender Offer Price from Daiwa Securities.

According to the Tender Offeror’s Share Valuation Report, the analyses used for the calculation and the ranges of share value per the shares of the Company calculated based on those analyses are as follows:

Market Share Price Analysis	:	2,607 yen to 2,921 yen
DCF Analysis	:	3,181 yen to 4,063 yen

It is stated that, for the market share price analysis, the calculation reference date was set at March 16, 2017, and the valuation per the shares of the Company was analyzed based on the closing price (2,921 yen) of the shares of the Company on the reference date, and the simple average closing prices of the shares of the Company for the most recent one-month period (from February 17, 2017, through March 16, 2017), three-month period (from December 19, 2016, through March 16, 2017), and six-month period (from September 20, 2016 through March 16, 2017) (2,899 yen, 2,768 yen, and 2,607 yen respectively (rounded to the nearest whole yen and the same shall apply hereinafter in the calculation of simple average prices)), as quoted on the First Section of the Tokyo Stock Exchange. A range of 2,607 yen to 2,921 yen per the shares of the Company was derived from the analysis.

It is also stated that, for the DCF analysis, the free cash flow that the Company is expected to generate from the fourth quarter of the fiscal year ending March 2017 onwards (based on elements such as the Company’s estimated future earnings in the Business Plan, investment plan, and publicly disclosed information) was discounted to the present value by using a certain discount rate, in order to analyze the Company’s corporate value and share value. A range of 3,181 yen to 4,063 yen per the shares of the Company was derived from the analysis.

With the valuation results in the Tender Offeror’s Share Valuation Report obtained from Daiwa Securities, the Tender Offeror considered the Tender Offer Price by comprehensively taking into account factors such as whether the Company’s board of directors would express endorsement of the Tender Offer, examples of the premiums added when determining tender offer prices in tender offers conducted in the past by a party other than issuer and that were of the same kind as the Tender Offer (examples of tender offers on the premise to make wholly-owning subsidiaries), trends in the market value of shares of the Company, the results of the due diligence conducted by the Tender Offeror, and the estimated number of shares to be tendered in the Tender Offer, and in light of the process and other factors of discussion and negotiation, and finally decided on a Tender Offer Price of 3,600 yen per share dated March 17, 2017.

The Tender Offer Price of 3,600 yen includes a premium of 23.25 percent (rounded to the nearest hundredth ; the

same applies to all percentages in the paragraph) on 2,921 yen, a closing price of the Company's shares quoted on the First Section of the Tokyo Stock Exchange on March 16, 2017, immediately preceding the announcement date for the Tender Offer, a premium 24.18 percent on 2,899 yen, the simple average closing price quoted for one-month period (from February 17, 2017 through March 16, 2017), a premium 30.06 percent on 2,768 yen, the simple average closing price quoted for three-months period (from December 19, 2016 through March 16, 2017), and a premium 38.09 percent on 2,607 yen, the simple average closing price quoted for six-months period (from September 20, 2016 through March 16, 2017).

(ii) Obtaining the Share Valuation Report from a third party valuation institution by the Company

In order to ensure the fairness in the process to determine the Tender Offer Price proposed by the Tender Offeror, The Company requested SMBC Nikko Securities, acting in the capacity of a third-party valuation institution independent from both of the Tender Offeror and the Company, to calculate the valuation of the shares of the Company to ensure the fairness about the decision making process for the Tender Offer Price proposed by the Tender Offeror. The Company has obtained the Share Valuation Report from SMBC Nikko Securities on March 16, 2017. Please refer to aforementioned "(3) Matters related to the valuation" for the outline of the report.

(iii) Establishment of an Independent Committee at the Company

Considering that the Company is a consolidated subsidiary of the Tender Offeror and the Transactions, including the Tender Offer falls under one of material transactions with a controlling shareholder, the Company established an independent committee on February 14, 2017, which consist of commissioners including outside intellectuals who are highly independent of the Tender Offeror and the Company (as commissioners, Mr. Tetsuya Sano, a certified public accountant, Mr. Akira Nishida, a lawyer at Nishida Law Office, and Mr. Teruyuki Maehara, an outside statutory auditor, Teruyuki Maehara Tax Accountant Office, from the viewpoint of avoiding the arbitrariness and conflicts of interest through the process of ensuring the fairness of decision at the board of directors of the Company. The Company consulted the independent committee from the viewpoint of (a) the validity of the purpose of the Transactions, (b) the fairness of the procedure about the Transactions, and (c) in the light of the validity in the consideration to the minority shareholders for the Transactions, whether the Transactions are not disadvantageous for minority shareholders of the Company (collectively, "Consultation Issues"). The Independent Committee had 5 sessions from February 16, 2017 through March 15, 2017 to carefully discuss and examine Consultation Issues. Specifically, the independent committee received an explanation with respect to the status and business environment of the Company, the details of the Business Plan, the effects of the Transactions on the Company, etc. from the Company and had a Q&A session therewith. Added to that, the independent committee sent questionnaires to the Tender Offeror twice and received written answers thereto, including the current status and business environment of the Tender Offeror, the purpose and background of the Transactions, the management policy after the Transactions, etc. Moreover, the independent committee received an explanation in regard to the result of valuation of the Company's shares and views as a third-party valuation institution on the Tender Offer Price from SMBC Nikko Securities and had a Q&A session therewith. Further, the Company received explanations from SMBC Nikko Securities, the financial advisor of the Company, on the terms and conditions of the Tender Offer, the contents of the two-stage takeovers and other details of the Transactions, and the nature of the negotiation of the Tender Offer Price that took place between the Tender Offeror and the Company, and receive explanations from Nakamura, Tsunoda & Matsumoto, the legal advisor of the Company, on matters such as the decision-making process of the Company's board of directors regarding the Tender Offer.

The independent committee carefully discussed and examined the Consultation Issues as explained above, and as a result, it submitted an opinion letter on March 16, 2017 with unanimous approval of the commissioners, the brief

contents of which are as follows:

- a. According to the information presented to the independent committee, it deems that (a) under the business environments where the used housing distribution and renovation markets are expected to expand and increase competitiveness, the Tender Offeror Group is required not only to provide value-added solutions utilizing total power of the group, but also maintain the solid financial ground and the effective cash-flow managements for the purpose of the investment aimed at the continuous supply of new leasing properties, it is likely that the issues of conflicts of interest between the Tender Offeror and minority shareholders of the Company might occur, and therefore it is one of the most reasonable choices for the Tender Offeror to make the Company a wholly-owned subsidiary thereof in order to maximize the corporate value of the Tender Offeror Group, (b) it is also beneficial for the Company to become a wholly-owned subsidiary of the Tender Offeror because it facilitates the Company to make new investments from medium- and long term perspectives and to consolidate the management resources and customer base, (c) the Tender Offeror have taken into account the benefit of the minority shareholders (i.e., shareholders of the Company other than the Tender Offeror.) in deciding the scheme of the Transactions, in that delivering the money, which has more convenience and liquidity than shares, would provide options for such shareholders, including the option to purchase the Tender Offeror's shares. Accordingly, it is reasonable to consider that the Transactions are aimed to increase the corporate value of the Tender Offeror Group including the Company, and that the Transactions would contribute to the increase thereof.
- b. Based on the process of discussions and negotiations of the Transactions found in the independent committee, it deems that (a) the Company has engaged only directors and employees who could truly pursue the interests of minority shareholders and employees in the process of discussions and negotiations with the Tender Offeror, (b) the Company has continually obtained independent advice from SMBC Nikko Securities as expert of the valuation of share prices, in the course of such process of discussions and negotiations, and (c) from the legal aspects of the Transaction, the Company has consistent access to the professional advice from the Nakamura, Tsunoda & Matsumoto. Therefore, it deems the Company has established good standing equivalent to the corresponding companies involved in similar transactions and thus the process with respect to the Transactions has been fair.
- c. Based on the information provided to the independent committee, (a) it deems that the Tender Offer Price was within the price range of the result of the valuation by the DCF Analysis analyzed by SMBC Nikko Securities, the established third-party valuation institution in the practice of valuation of share prices, (b) it does not deem that the details of the Historical Share Price Analysis and the DCF Analysis calculated by SMBC Nikko Securities (including, but not limited to the adoption of the Business Plan, the discount rate and the perpetual growth rate, underlying the valuation in the DCF Analysis) are unreasonable or questionable, (c) it does not deem that the Tender Offer Price is not set as a result of the arms-length negotiations between the Tender Offeror and the Company. Therefore, it does not deem that the fairness of price to be compensated for the minority shareholders should be denied.
- d. Based on the decision stated in a. through c. above, the Transactions are not disadvantageous for minority shareholders.

(iv) Advice to the Company by an Independent Law Firm

The Company appointed Nakamura, Tsunoda & Matsumoto as a legal advisor, which is independent from both of the Tender Offeror and the Company in order to ensure the fairness and appropriateness of the decision making of

its board of directors regarding the Transactions, including the Tender Offer and obtained its legal advice for the decision-making process and the decision-making methods of the board of directors with respect to the Transactions, including the Tender Offer, and other points to note.

The Company has been carefully discussing and examining the specific conditions of the Transactions, including the Tender Offer, resting on the legal advice from Nakamura, Tsunoda & Matsumoto on the decision-making methods and the decision-making process about the Transactions, including the Tender Offer.

Nakamura, Tsunoda & Matsumoto is not a related party of the Company and the Tender Offeror and does not have any material interests.

(v) Unanimous Approval of Directors without Conflicts of Interest and No Objections from All Statutory Auditors without Conflicts of Interest

The Company carefully discussed and examined the conditions of the Tender Offer proposed by the Tender Offeror aiming to render the Company to a wholly-owned subsidiary of the Tender Offeror by taking consideration of the Share Valuation Report from SMBC Nikko Securities, the legal advice from Nakamura, Tsunoda & Matsumoto, the Opinion Letter from the Independent Committee at the Company, and other relevant materials.

As a result, the Company concluded that (i) the corporate value of the Company is expected to enhance through the Transactions, including the Tender Offer and (ii) reasonable conditions of the Tender Offer Price and the Tender Offer, including other provisions, help provide all the shareholders of the Company with reasonable opportunities to sell off shares of the Company, which were discussed at the board of directors meeting today, excluding Mr. Toshikazu Tanaka, Mr. Hiroshi Kato, and Mr. Koji Ito, and the board of directors unanimously resolved to express an opinion of the approval of the Tender Offer and to recommend shareholders of the Company to tender the shares of the Company in the Tender Offer. (Please refer to the above (2) the grounds and reason for the opinion of the Tender Offer (iii) the decision-making process and reason for the approval of the Tender Offer and the recommendation for the application to the Tender Offer for details.)

In addition, among directors of the Company, Mr. Toshikazu Tanaka, Mr. Hiroshi Kato, and Mr. Koji Ito who concurrently work as the directors of the Tender Offeror, do not engage in the discussion and negotiation of the Tender Offer as the board member of the Company to avoid the conflicts of interest and do not participate in the deliberation and resolution of the bill on the Tender Offer at the board of directors meetings, including above.

Also, at the board of meeting, all statutory auditors, including an outside statutory auditor, joined the deliberation and all of them expressed opinions that they had no objection against the resolution by the board of directors regarding the approval for the Tender Offer and the recommendation to the shareholders of the Company for the application to the Tender Offer.

(vi) Measure to Ensure Opportunities for other Acquirer to Purchase the Company shares

The Tender Offeror has set the Tender Offer Period to be 30 business days, while the shortest period set forth by law is 20 business days. By setting a comparatively long Tender Offer Period, it is intended that the Tender Offeror ensures the opportunity for appropriate decisions to be made on the acceptance of the Tender Offer by the shareholders of the Company, providing opportunities for persons other than the Tender Offeror to purchase the Company Shares.

In addition the Tender Offeror and the Company do not have any agreement at all which may restrict

communications between the persons proposing competing purchase and the Company, such as an agreement including provisions for protection of transaction, which prohibit the Company from communicating with the persons proposing competing purchase and consider the ensuring of the appropriateness of the Tender Offer coupled with the provision for the public period of the Tender Offer while ensuring opportunities for competing purchase.

(5) Policy for organizational restructuring, etc. after the Tender Offer (matters relating to so-called “Two-Tiered Acquisitions”)

As stated in the section above titled “(i) Outline of the Tender Offer” of (2) Grounds and Reasoning of the Opinion on the Tender Offer,” the objective of the Tender Offer is for the Company to become a wholly-owned subsidiary of the Tender Offeror, and in the event that the Tender Offeror is unable to obtain all of the shares of the Company through the Tender Offer, then, after the successful completion of the Tender Offer, the Tender Offeror intends to take the following actions to obtain all of the shares of the Company.

Specifically, if the total number of voting rights represented by shares held by the Tender Offeror is equal to or exceeds 90% of the total number of voting rights of all shareholders of the Company after the successful completion of the Tender Offer and the Tender Offeror has become a special controlling shareholder of the Company as stipulated in Article 179, Item 1 of the Companies Act (Act No. 86 of 2005, as amended, hereinafter the same,) the Tender Offeror intends, without delay after the settlement of the Tender Offer, to require all shareholders of the Company (excluding the Tender Offeror and the Company) to sell the shares of the Company held by them to the Tender Offeror (hereinafter, the “Demand for the Sale of Shares”), as stipulated in Part II, Chapter 2, Section 4-2 of the Companies Act.

In the event of a Demand for the Sale of Shares, each of the shares of the Company held by each shareholder of the Company (excluding the Tender Offeror and the Company) will be exchanged for cash consideration equal to the Tender Offer Price. In such an event, the Tender Offeror will notify the Company of the Demand for the Sale of Shares and seek the Company’s approval thereof. If the Company approves the Demand for the Sale of Shares by a resolution of the board of directors, then, in accordance with the procedures provided for in applicable laws and regulations and without requiring the consent of the individual shareholders of the Company, on the day stipulated by the Demand for the Sale of Shares, the Tender Offeror will acquire all the shares of the Company held by shareholders of the Company (excluding the Tender Offeror and the Company) in exchange for an amount of cash consideration per share equal to the Tender Offer Price.

According to the provisions of the Companies Act that aim to protect the rights of minority shareholders, including Article 179-8 of the Companies Act and other applicable laws and regulations, in the event of a Demand for the Sale of Shares, shareholders of the Company that did not tender into the Tender Offer will be able to file a petition with the court for a determination of the sale price for the shares of the Company held by such shareholders. In such a case, the purchase price will be finally determined by the court.

Alternatively, if the total number of voting rights represented by shares held by the Tender Offeror is less than 90% of the total number of voting rights of all shareholders of the Company after the successful completion of the Tender Offer, the Tender Offeror intends to request the Company to submit the following proposals to the annual shareholders meeting scheduled to be held in June 2017 (hereinafter, the “Annual Shareholders Meeting”) with the last day of March 2017 as the record date: (i) to conduct a consolidation of the shares of the Company (hereinafter, the “Share Consolidation”), and (ii) to make an amendment to the Company’s Articles of Incorporation that would abolish the share unit number provisions. The Tender Offeror intends to approve such proposals at the Annual Shareholders Meeting.

If the proposal for the Share Consolidation is approved at the Annual Shareholders Meeting, the shareholders of the Company will, on the effective date of the Share Consolidation, hold the number of the shares of the Company proportionate to the ratio of the Share Consolidation that is approved at the Annual Shareholders Meeting. If, due to the Share Consolidation, the number is a fraction less than one, each shareholder of the Company will receive an amount of cash obtained by selling the shares of the Company equivalent to the total number of shares less than one unit (with such aggregate sum rounded down to the nearest whole number; the same shall apply hereinafter) to the Tender Offeror or the Company as per the procedures specified in Article 235 of the Companies Act and other applicable laws and regulations. The purchase price for the aggregate sum of shares less than one unit in the Company will be valued so that the amount of cash received by each shareholder who did not tender its shares in the Tender Offer (excluding the Tender Offeror and the Company) as a result of the sale will be equal to the price obtained by multiplying the Tender Offer Price by the number of the shares of the Company owned by each such shareholder. The Tender Offeror will request the Company to file a petition to the court for permission to purchase such shares of the Company on this basis.

Although the ratio of the Share Consolidation of the shares of the Company has not been determined as of the date hereof, it is intended that shareholders (excluding the Tender Offeror and the Company) who held the shares of the Company and did not tender in the Tender Offer would have their shares classified as shares less than one unit in order for the Tender Offeror to become the sole owner of all of the shares of the Company (excluding treasury shares held by the Company).

In the interest of protecting the rights of minority shareholders in circumstances involving the Share Consolidation, the Companies Act provides that if the Share Consolidation occurs and there are shares less than one unit as a result thereof, and if the prescribed conditions are satisfied in accordance with Articles 182-4 and 182-5 of the Companies Act and other applicable laws and regulations, each shareholder (excluding the Tender Offeror and the Company) may request that the Company purchase all such shares less than one unit at a fair price, and such shareholders may file a petition to the court to determine the price of the shares of the Company. As stated above, it is intended that any shareholders of the Company who do not tender the shares of the Company held by them in the Tender Offer (excluding the Tender Offeror and the Company) will hold shares less than one unit, and any shareholders of the Company who oppose the Share Consolidation will be able to file the above petition. In the event that holders of shares less than one unit file the above petition with the court, the acquisition price will be finally determined by the court.

With regard to the above procedure, it is possible that, depending on amendments to the relevant laws and regulations, the interpretation of the relevant laws and regulations by authorities, the ownership ratio of the shares of the Company by the Tender Offeror after the Tender Offer, and the ownership of the shares of the Company by shareholders other than the Tender Offeror, more time may be required or alternative methods may be utilized to implement the Transactions.

However, even in such a case, it is intended that a method will be used whereby the shareholders of the Company who do not tender the shares of the Company held by them in the Tender Offer (excluding the Tender Offeror and the Company) will ultimately receive cash consideration equal to the number of the shares of the Company held by such shareholder multiplied by the Tender Offer Price in exchange for their shares. In such a case, the Company will announce specific details and expected timing promptly once determined.

It is further noted that shareholders of the Company will not be solicited to agree to the Tender Offer at the Annual Shareholders Meeting. All shareholders of the Company are solely responsible for seeking their own specialist tax

advice with regard to the tax consequences of tendering into the Tender Offer or participating in the procedures outlined above.

(6) Possibility of and reasons of delisting

The common shares of the Company are listed on the First Section of the Tokyo Stock Exchange. However, since the Tender Offeror has not set a maximum number of common shares to be purchased in the Tender Offer, the shares of the Company may be delisted pursuant to the procedures prescribed by the Tokyo Stock Exchange in accordance with the criteria by the Tokyo Stock Exchange for delisting shares, depending on the results of the Tender Offer. In addition, even if the shares of the company do not fall under the criteria as of the completion of the Tender Offer, after the completion of the Tender Offer, the Tender Offeror plans to subsequently conduct the transactions by which the Tender Offeror acquires all the issued common shares of the Company pursuant to the applicable laws and regulations described in “(5) Policy for organizational restructuring, etc. after the Tender Offer (matters relating to so-called “Two-Tiered Acquisition””. In such case, the common shares of the Company are to be delisted pursuant to the procedures prescribed by the Tokyo Stock Exchange. After the delisting, the common shares of the Company will not be sold or purchased on the First Section of the Tokyo stock Exchange.

4. Matters on the Important Agreement regarding the Acceptance of the Tender Offer between the Tender Offeror and the shareholders and the board of directors, etc. of the Company

Not applicable

5. Benefits Offered by the Tender Offeror or its Special Interested Party

Not applicable

6. Policy regarding fundamental Policy on Control of the Company

Not applicable

7. Questions to the Tender Offeror

Not applicable

8. Request for Extension of the Tender Offer Period

Not applicable

9. Outlook after the Tender Offer

Please refer to “(5) Policy for organizational restructuring, etc. after the Tender Offer (matters relating to so-called “Two-Tiered Acquisitions”)” and “(6) Possibility of and reasons of delisting” described in “3. Contents, Grounds, and Reasoning of the Opinion on the Tender Offer” above.

10. Matters regarding Transactions, etc. with the Controlling Shareholder

(1) Applicability concerning transactions, etc. with controlling shareholder and compliance with the guideline for the policies for the Protection of Minority Shareholders

Since the Tender Offeror is the controlling shareholder (parent company) of the Company, the Tender Offer falls under the transactions, etc. with the controlling shareholder. The Company refers to “Guidelines concerning measures to protect minority shareholders in transactions with controlling shareholders” in the Corporate Governance Report of July 7, 2016. In the Report, the Company describes that it is the policy of the Company to carry out transactions with the Tender Offeror based on fair market prices, as a result of which the Company does not recognize it harms the interest of minority shareholders. .

Concerning the Tender Offer by the controlling shareholder, the Company adopted measures to ensure the fairness described in “(4) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest” of “3. Contents, Grounds and Reasoning of the Opinion on the Tender Offer” above, hence the Company complies with the guidelines noted above.

(2) Matters regarding measures to ensure the fairness and to avoid conflicts of interest

Please refer to “(4) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest” of “3. Contents, Grounds, and Reasoning of the Opinion on the Tender Offer.”

(3) Outline of opinion from the party that has no interest in controlling shareholder concerning that the Transactions, etc. do not harm minority shareholders

As described in “(iii) Establishment of an Independent Committee at the Company” of “(4) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest” under “3. Contents, Grounds, Reasoning of the Opinion on the Tender Offer”, the Company obtained the Opinion Letter as of March 16, 2017, stating that the Transactions are not disadvantageous for minority shareholders (i.e., shareholders of the Company other than the Tender Offeror and the Company) from the independent committee, which is independent from both of the Company and the Tender Offeror.

## 11. Other Information

The Company resolved at a meeting of its board of directors held today that the Company would not pay any year-end dividend for the Fiscal Year ending March 2017 if the Tender Offer successfully closes, as set forth in “Announcement regarding Revision of the Expected Dividends for the Fiscal Year ending March 2017.”

\* Reference: “Announcement Regarding Commencement of the Tender Offer for the Shares of Sumitomo Real Estate Sales Co., Ltd. (Securities Code: 8870) by Sumitomo Realty & Development Co., Ltd.” released by the Tender Offeror

### Caution

The financial advisor to the Company (including its affiliates) may, within its ordinary course of business and to the extent permitted under Japan's securities laws and in accordance with the requirements of Rule 14e-5(b) under the U.S. Securities Exchange Act of 1934, as amended, prior to the commencement of, or during the Tender Offer Period in the Tender Offer, engage in the purchase, or arrangement to purchase, of shares of the Company for its own account or for its customers' accounts by means other than pursuant to the Tender Offer. If any information concerning any such purchase is disclosed in Japan, corresponding disclosure will be made on the English homepage of the financial advisor (or through other public disclosure methods).

Company Name: Sumitomo Realty & Development Co., Ltd.  
Representative: Kojun Nishima, Representative Director and President  
(Securities Code: 8830, First Section of the Tokyo Stock Exchange)  
Inquiries: Tetsuya Mogi, Senior Manager, Corporate Planning Section  
Tel: 03-3346-2342

**Announcement Regarding Commencement of the Tender Offer for the Shares of Sumitomo Real Estate Sales Co., Ltd. (Securities Code: 8870) by Sumitomo Realty & Development Co., Ltd.**

Sumitomo Realty & Development Co., Ltd. (the “Offeror”) hereby announces today that it has decided, as described below, to acquire the common stock of Sumitomo Real Estate Sales Co., Ltd. (Securities Code: 8870, First Section of the Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”); the company referred to, the “Target Company,” and its common stock, “Target Company Shares”) through a tender offer (the “Tender Offer”) under the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the “Act”).

1. Purposes of tender offer

(1) Outline of the Tender Offer

As of today, the Offeror holds 40,220,000 shares (ownership ratio (see note): 70.38%) of the Target Company Shares, which are listed on the First Section of the Tokyo Stock Exchange, and the Target Company is a consolidated subsidiary of the Offeror.

Note: “Ownership ratio” means the ratio (rounded to two decimal places) of the number of shares held by the relevant shareholder to the number of shares (57,149,596 shares) resulting from the following formula: (i) the total number of issued shares (57,200,000 shares) as of December 31, 2016, stated in the quarterly report for the third quarter of the 43rd term filed on February 14, 2017, by the Target Company (the “Quarterly Report for the Third Quarter of the 43rd Term of the Target Company”) minus (ii) the number of treasury shares held by the Target Company (50,404 shares) stated in the summary of accounts for the third quarter of the fiscal year ending March 2017 (Japanese GAAP) (Consolidated) published on February 7, 2017, by the Target Company (the “Summary of Accounts for the Third Quarter of the Fiscal Year Ending March 2017 of the Target Company”).

The Offeror resolved at its board of directors meeting held today to implement the Tender Offer as part of a transaction aimed at making the Target Company a wholly-owned subsidiary of the Offeror (the “Transaction”) by acquiring all of the Target Company Shares (excluding the Target Company Shares held by the Offeror and the treasury shares held by the Target Company; the same applies hereinafter).

The Offeror does not set a maximum or a minimum number of shares to be purchased in the Tender Offer, and the Offeror will purchase all of the Target Company Shares tendered in the Tender Offer (the “Tendered Shares”). If the Offeror is unable to acquire all of the Target Company Shares through the Tender Offer, the Offeror plans to request the Target Company to implement the procedures stated in “(4) Policy for organizational restructuring after the Tender Offer (matters relating to two-step acquisition)” below and make the Target Company a wholly-owned subsidiary of the Offeror.

According to the “Announcement regarding expression of opinion in favor of, and recommendation to tender in, the tender offer by Sumitomo Realty & Development Co., Ltd., our controlling shareholder, for the shares of Sumitomo Real Estate Sales Co., Ltd.” released today by the Target Company (the “Target Company Press Release”), the Target Company resolved at its board of directors meeting held today, to express an opinion in support of the Tender Offer and to recommend that the Target Company’s shareholders tender their shares in the Tender Offer. For details of the decision-making process of the Target Company, please refer to “(v) Approvals from all directors in the Target Company without interests in the Transaction and opinions from all statutory auditors in the Target Company without interests in the Transaction to the effect that they have no objections” of “Measures to ensure fairness of the Tender Offer Price and to avoid conflicts of interest and other measures to ensure fairness of the Tender Offer” of “(B) Process of calculation” of “(4) Basis for the calculation of the Tender Offer Price” of “2. Outline of tender offer” below.

- (2) Background, purpose, and decision-making process leading to the decision to conduct the Tender Offer, and management policy following the Tender Offer
  - (i) Background, purpose, etc. of Tender Offer

Since its establishment in 1949, the Offeror has expanded its business base while contributing to the development of society as a real estate developer by providing real estate that serves as bases for corporate activities and residences that serve as foundations for people’s lifestyles under its fundamental mission of “creating even better social assets for the next generation.” The Offeror was listed on the Second Section of both the Tokyo Stock Exchange and the Osaka Securities Exchange in 1970 and transferred to the First Section of both in 1971.

The Offeror, together with its subsidiaries and affiliates (of which 50 companies are consolidated subsidiaries) (the Offeror, its subsidiaries, and its affiliates collectively, the “Offeror Group”), has established four business pillars: the real estate leasing business, focusing on office buildings in central Tokyo; the real estate sales business, which is engaged in condominium sales in major cities around the country, particularly in the Tokyo area; the housing construction business, which, among other things, fulfills construction contracts for custom homes and remodeling under the “Shinchiku Sokkurisan” brand; and the real estate brokerage business, which provides brokerage and sales agency services for real estate. By using the different characteristics of these businesses to complement one another, the Offeror Group strives to maintain good balance and achieve growth throughout the entire group.

The Offeror Group has established its Seventh Management Plan (April 2016 to March 2019) (the “Plan”), commencing with the fiscal year ending March 2017, and although the favorable conditions that were present during the Sixth Management Plan (April 2013 to March 2016) (the “Previous Plan”) are not expected to continue, the Offeror Group has set a goal of firmly maintaining its revenue and profit growth trajectory to surpass the record results achieved under the Previous Plan. Under the Plan, the Offeror Group will place primary focus on redevelopment in central Tokyo in order to further strengthen the leasing business, the mainstay of the Offeror Group, and steadily advance work on properties equivalent to more than one million *tsubo* (1 *tsubo* = approximately 3.3m<sup>2</sup>) of gross floor area to be brought to market during and after the term of the Plan, in addition to which the Offeror Group will promote the growth of the four peripheral businesses (custom homes, rental condominiums, hotels, and multipurpose halls) and work to develop these businesses to a level that will rival the four business pillars.

The Target Company, meanwhile, was established in 1975 to handle the sale of condominiums, single-family houses, and other residences developed or offered by the Offeror; in 1976, the Target Company began consignment sales of residences developed or offered by companies other than the Offeror, and in 1979, following the transfer of the real estate brokerage business from the Offeror, it entered the brokerage business. The Target Company created a corporate identity (see note) and adopted “Sumitomo brokerage services - Step” as its unified brand in 1982 and extended its sales network by actively expanding its locations, opening its 100th brokerage office in 1989. Under its philosophy that customer satisfaction comes first, the Target Company has established a basic management policy of contributing to the improvement of home life by providing comfortable living environments that meet people’s needs through the real estate distribution business of brokerage services and consignment sales. In order to improve financing capabilities and develop a framework for competition equivalent to those of other companies in the industry that were listed on stock exchanges, the Target Company was listed on the Second Section of the Tokyo Stock Exchange in 1998 and the First Section in 2000, following which it opened its 200th location in Japan in 2001.

As of today, as a leading company of the real estate distribution industry with the most directly-managed offices (based on search results derived from the Tokyo Metropolitan Government Bureau of Urban Development’s internet service system for information on real estate brokers as of March 16, 2017), the Target Company has expanded its brokerage business, its main pillar, to include 257 brokerage offices throughout Japan (147 in the Tokyo area, 72 in the Kansai area, and 38 in other areas) and also provides leasing brokerage services at some offices. As the second pillar of its business, the Target Company is engaged in the consignment sales business mainly for new condominiums developed or offered by the Offeror or other companies in major cities throughout Japan. Additionally, largely focusing on the Tokyo area, the Target Company and two of its subsidiaries, Step Properties Co., Ltd. and Sumitomo Real Estate Sales (N.Y.), Inc., are engaged in the leasing business for office buildings, condominiums, and the like, while mainly Well Tokyo Co., Ltd. and Step Investment Co., Ltd., also the Target Company’s subsidiaries, are engaged in the real estate sales business, including the sale of small-scale residential land.

As of the end of March 2016, the brokerage business accounted for approximately 78% of the operating revenue of the Target Company, its subsidiaries (eight companies), and its affiliate (one company) (collectively, the “Target Company Group”) from customers outside the Target Company Group and for approximately 85% of the operating profit of the entire Target Company Group and is therefore an extremely important business for the Target Company Group; through the continuing growth of the brokerage business as a main pillar, the Target Company Group strives to be the customers’ choice for a comprehensive real estate distribution service provider.

(Note: A corporate identity (or “CI”) is used to define the characteristic features of the corporation, renew awareness of those features within the corporation, and clearly present those features to make the public aware of them.)

In the housing-related business environment that surrounds the Offeror Group, including the Target Company, expansion and greater competition in the used home distribution market and the home remodeling market are expected as the new

condominium market is maturing and the quality of used homes is improving. In order for the Target Company to achieve further growth in this business environment, it is necessary for it to secure personnel with a high degree of expert knowledge and to understand diversifying consumer needs and provide solutions with high added value using the total strength of the Offeror Group, including remodeling and property management. There is currently a favorable business environment for the real estate leasing business for office buildings and the like due to the steady business results of tenant companies; however, when making investments to continue bringing new properties to market, the maintenance of a strong financial base and the efficient management of funds of the Offeror Group are essential. Accordingly, in order to respond appropriately and efficiently to the changing market and achieve continuing growth, the Offeror believes that there will be an increasing necessity to consolidate the management resources of the Offeror Group and centralize the management of market data.

However, because the Target Company operates its business independently as a listed company, under the current circumstances, it is difficult to promptly perform such tasks as consolidating the management resources of the entire Offeror Group, including in areas such as remodeling and property management.

Furthermore, in operating business and managing funds in prompt response to business environment changes, there is an increasing possibility of conflicts of interest between the Offeror and minority shareholders. Specifically, amid the increasing importance of the investment and business strategies of the Offeror Group as a whole from a mid- to long-term perspective in order to respond to sudden changes in the business environment, if the Target Company's status as a listed company is maintained, the Offeror believes that there is a possibility that a conflict of interests could arise between the necessity to promote the interests of minority shareholders and the utilization of management resources in the mid- to long-term strategies of the Offeror Group as a whole.

Consequently, the Offeror began considering the privatization of the Target Company from early December 2016, and in early January 2017, it determined that resolving the issue of conflicts of interest between the Offeror and minority shareholders stated above while also achieving the ideal allocation of management assets in the Offeror Group will contribute to maximizing the corporate value of the Offeror Group and, by extension, to improving the mid- to long-term corporate value of the Target Company and has come to believe that the optimal choice of a method for doing so is for the Offeror to make the Target Company a wholly-owned subsidiary. The Offeror believes that providing an opportunity for a reasonable share sale without burdening the Target Company's minority shareholders with risks, such as those associated with the future market environment, through making the Target Company a wholly-owned subsidiary at this time, while the Target Company's business results remain stable, will contribute to the interests of the Target Company's minority shareholders.

In consideration of the judgment that making the Target Company a wholly-owned subsidiary at this time will contribute to maximizing the corporate value of the Offeror Group and, by extension, to improving the mid- to long-term corporate value of the Target Company and will contribute to the interests of the Target Company's minority shareholders by providing them with an opportunity for a reasonable share sale, the Offeror made an initial proposal to the Target Company regarding the Transaction on January 19, 2017. After obtaining the consent of the Target Company, the Offeror conducted due diligence on the Target Company

from early to mid-February 2017 and continued to consider and discuss with the Target Company the conditions, methods, and other matters relating to the Transaction from mid-February to mid-March 2017. From early March 2017, the Offeror conducted discussions and negotiations with the Target Company over multiple occasions regarding the purchase price per share of the Target Company Shares in the Tender Offer (the “Tender Offer Price”). As a result, in mid-March 2017, the Offeror reached an agreement with the Target Company to conduct the Tender Offer with 3600 yen as the Tender Offer Price, and on March 17, 2017, the Offeror decided to conduct the Transaction and, as part thereof, the Tender Offer.

It is stated in the Target Company Press Release that the Target Company received an initial proposal regarding the Transaction from the Offeror on January 19, 2017, as discussed above, and upon such proposal, the Target Company appointed SMBC Nikko Securities Inc. (“SMBC Nikko Securities”) as both a financial advisor and a third party valuation institution independent from the Offeror and the Target Company, in addition to which it appointed Nakamura, Tsunoda & Matsumoto as its legal advisor. Further, it is stated that the Target Company established a third party committee on February 14, 2017, as the Target Company’s consulting body in order to evaluate the proposal, and the Target Company and the Offeror conducted discussions and consideration over multiple occasions regarding the purpose of the Transaction, the management system and management policy after the Transaction, and the terms and conditions of the Transaction.

It is stated that, thereafter, the Target Company carefully deliberated on and considered the Transaction taking into account the legal advice from Nakamura, Tsunoda & Matsumoto, the share valuation report on the Target Company Shares obtained from SMBC Nikko Securities on March 16, 2017 (the “Target Company Share Valuation Report”), and the explanations given by SMBC Nikko Securities regarding the Target Company Share Valuation Report, and further giving the utmost respect to the report submitted by the third party committee on March 16, 2017 (the “Report”; please refer to “(iv) Establishment of an independent third party committee by the Target Company” of “Measures to ensure fairness of the Tender Offer Price and to avoid conflicts of interest and other measures to ensure fairness of the Tender Offer” of “(B) Process of calculation” of “(4) Basis for the calculation of the Tender Offer Price” of “2. Outline of tender offer” below for the content of the Report).

It is stated that, as a result, the Target Company reached the conclusion that the Transaction will contribute to the further improvement of corporate value of the Target Company and that the Tender Offer provides an opportunity for the shareholders of the Target Company to sell their shares at a price to which a reasonable premium has been added, and accordingly, the Target Company resolved at its board of directors meeting held today to express an opinion in favor of the Tender Offer and to recommend the shareholders of the Target Company to tender their shares in the Tender Offer.

Please refer to “(v) Approvals from all directors in the Target Company without interests in the Transaction and opinions from all statutory auditors in the Target Company without interests in the Transaction to the effect that they have no objections” of “Measures to ensure fairness of the Tender Offer Price and to avoid conflicts of interest and other measures to ensure fairness of the Tender Offer” of “(B) Process of calculation” of “(4) Basis for the calculation of the Tender Offer Price” of “2. Outline of tender offer” for the details of the above resolution of the

Target Company's board of directors.

(ii) Management policy following the Tender Offer

Of the nine directors and four statutory auditors of the Target Company, three directors concurrently serve as officers of the Offeror as of today, but at present, the Offeror has no specific plan to change the management structure of the Target Company after the Tender Offer. By further consolidating the management resources of the Offeror Group, including the Target Company, the Offeror Group will achieve greater unity and press forward towards the further improvement of its corporate value.

(3) Measures to ensure fairness of the Tender Offer Price and to avoid conflicts of interest and other measures to ensure fairness of the Tender Offer

Taking into consideration the fact that the Transaction, including the Tender Offer, constitutes a material transaction with a controlling shareholder, since the Target Company is a consolidated subsidiary of the Offeror as of today, and that the problem of structural conflicts of interest could exist, the Offeror and the Target Company have taken the following measures from the perspective of ensuring the fairness of the Tender Offer and avoiding conflicts of interest.

The Offeror has not set a minimum number of shares to be purchased in the Tender Offer, and the completion of the Tender Offer is not subject to the tender of a so-called "majority of minority." However, the Offeror believes that the interests of minority shareholders of the Target Company have been fully taken into consideration through the following measures taken by the Offeror and the Target Company.

- (i) Obtaining a share valuation report from an independent third party financial advisor by the Offeror;
- (ii) Obtaining a share valuation report from an independent third party financial advisor by the Target Company;
- (iii) Obtaining advice from an independent law firm by the Target Company;
- (iv) Establishment of an independent third party committee by the Target Company;
- (v) Approvals from all directors in the Target Company without interests in the Transaction and opinions from all statutory auditors in the Target Company without interests in the Transaction to the effect that they have no objections; and
- (vi) Measures to ensure tender opportunities from other tender offerors.

For details of the measures listed above, please refer to "Measures to ensure fairness of the Tender Offer Price and to avoid conflicts of interest and other measures to ensure fairness of the Tender Offer" of "(B) Process of calculation" of "(4) Basis for the calculation of the Tender Offer Price" of "2. Outline of tender offer" below.

(4) Policy for organizational restructuring after the Tender Offer (matters relating to two-step acquisition)

As stated in the section above titled "(1) Outline of the Tender Offer," the objective of the Tender Offer is for the Target Company to become a wholly-owned subsidiary of the Offeror, and in the event that the Offeror is unable to obtain all of the Target Company Shares through the Tender Offer, then, after the successful completion of the Tender Offer, the Offeror intends to take the following actions to obtain all of the Target Company Shares.

Specifically, if the total number of voting rights represented by shares held by the Offeror is equal to or exceeds 90% of the total number of voting rights of all shareholders of the Target Company after the successful completion of the Tender Offer and the Target Company has become a special controlling shareholder of the Target Company as stipulated in Article 179, Item 1 of the Companies Act (Act No. 86 of 2005, as amended; the “Companies Act”), the Offeror intends, without delay after the settlement of the Tender Offer, to require all shareholders of the Target Company (excluding the Offeror and the Target Company) to sell their Target Company Shares to the Offeror (the “Demand for the Sale of Shares”), as stipulated in Part II, Chapter 2, Section 4-2 of the Companies Act.

In the event of a Demand for the Sale of Shares, each of the Target Company Shares held by each shareholder of the Target Company (excluding the Offeror and the Target Company) will be exchanged for cash consideration equal to the Tender Offer Price. In such an event, the Offeror will notify the Target Company of the Demand for the Sale of Shares and seek the Target Company’s approval thereof. If the Target Company approves the Demand for the Sale of Shares by a resolution of the board of directors, then, in accordance with the procedures provided for in applicable laws and regulations and without requiring the consent of the individual shareholders of the Target Company, on the day stipulated by the Demand for the Sale of Shares, the Offeror will acquire all Target Company Shares held by shareholders of the Target Company (excluding the Offeror and the Target Company) in exchange for an amount of cash consideration per share equal to the Tender Offer Price.

According to the provisions of the Companies Act that aim to protect the rights of minority shareholders, including Article 179-8 of the Companies Act and other applicable laws and regulations, in the event of a Demand for the Sale of Shares, shareholders of the Target Company that did not tender into the Tender Offer will be able to file a petition with the court for a determination of the sale price for their Target Company Shares. In such a case, the purchase price will be finally determined by the court.

Alternatively, if the total number of voting rights represented by shares held by the Offeror is less than 90% of the total number of voting rights of all shareholders of the Target Company after the successful completion of the Tender Offer, the Offeror intends to request the Target Company to submit the following proposals to the ordinary shareholders’ meeting scheduled to be held in June 2017 (the “Ordinary Shareholders’ Meeting”) with the last day of March 2017 as the record date: (i) to conduct a consolidation of the Target Company Shares (the “Share Consolidation”), and (ii) to make an amendment to the Target Company’s Articles of Incorporation that would abolish the share unit number provisions. The Offeror intends to approve such proposals at the Ordinary Shareholders’ Meeting.

If the proposal for the Share Consolidation is approved at the Ordinary Shareholders’ Meeting, the shareholders of the Target Company will, on the effective date of the Share Consolidation, hold the number of Target Company Shares proportionate to the ratio of the Share Consolidation that is approved at the Ordinary Shareholders’ Meeting. If, due to the Share Consolidation, the number is a fraction less than one, each shareholder of the Target Company will receive an amount of cash obtained by selling the Target Company Shares equivalent to the total number of shares less than one unit (with such aggregate sum rounded down to the nearest whole number; the same applies hereinafter) to the Offeror or the Target Company as per the procedures specified in Article 235 of the Companies Act and other applicable laws and regulations. The purchase price for the aggregate sum of shares less than one unit in the Target Company will be valued so that the amount of cash received by each shareholder who did not tender its shares in the Tender Offer (excluding the Offeror and the Target Company) as a result of the sale will be equal to the price obtained by multiplying the Tender Offer Price by the number of Target Company Shares owned by each such shareholder. The Offeror will request the Target Company to file a petition to the court for permission to purchase such Target Company Shares on this basis.

Although the ratio of the Share Consolidation of the Target Company Shares has not been determined as of today, it is intended that shareholders (excluding the Offeror and the Target Company) who held shares in the Target Company and did not tender in the Tender Offer would have their shares classified as shares less than one unit in order for the Offeror to become the sole owner of all of the Target Company Shares (excluding treasury shares held by the Target Company).

In the interest of protecting the rights of minority shareholders in circumstances involving the Share Consolidation, the Companies Act provides that if the Share Consolidation occurs and there are shares less than one unit as a result thereof, and if the prescribed conditions are satisfied in accordance with

Articles 182-4 and 182-5 of the Companies Act and other applicable laws and regulations, each shareholder (excluding the Offeror and the Target Company) may request that the Target Company purchase all such shares less than one unit at a fair price, and such shareholders may file a petition to the court to determine the price of the Target Company Shares. As stated above, it is intended that any shareholders of the Target Company who do not tender their Target Company Shares in the Tender Offer (excluding the Offeror and the Target Company) will hold shares less than one unit, and any shareholders of the Target Company who oppose the Share Consolidation will be able to file the above petition. In the event that holders of shares less than one unit file the above petition with the court, the acquisition price will be finally determined by the court.

With regard to the above procedure, it is possible that, depending on amendments to the relevant laws and regulations, the interpretation of the relevant laws and regulations by authorities, the ownership ratio of shares of the Offeror after the Tender Offer, and the ownership of Target Company Shares by shareholders other than the Offeror, more time may be required or alternative methods may be utilized to implement the Transaction.

However, even in such a case, it is intended that a method will be used whereby the shareholders of the Target Company who do not tender their shares in the Tender Offer (excluding the Offeror and the Target Company) will ultimately receive cash consideration equal to the number of Target Company Shares held by such shareholder multiplied by the Tender Offer Price in exchange for their shares. In such a case, the Target Company will announce specific details and expected timing promptly once determined.

It is further noted that shareholders of the Target Company will not be solicited to agree to the Tender Offer at the Ordinary Shareholders' Meeting. All shareholders of the Target Company are solely responsible for seeking their own specialist tax advice with regard to the tax consequences of tendering into the Tender Offer or participating in the procedures outlined above.

(5) Possibility of and reasons for delisting

The Target Company Shares are listed on the First Section of the Tokyo Stock Exchange. However, since the Offeror has not set a maximum limit on the number of shares to be purchased in the Tender Offer, the Target Company Shares may be delisted through prescribed procedures in accordance with the stock delisting criteria of the Tokyo Stock Exchange, depending on the results of the Tender Offer. Also, even in the case where the shares of common stock of the Target Company do not fall under that criteria at the time of the successful completion of the Tender Offer, the Offeror plans to conduct the transactions aimed at acquiring all of the issued shares of the common stock of the Target Company in accordance with applicable laws and regulations as set out in “(4) Policy for organizational restructuring after the Tender Offer (matters relating to two-step acquisition)” above after the successful completion of the Tender Offer, in which case the Target Company Shares will be delisted through the prescribed procedures in accordance with the stock delisting criteria of the Tokyo Stock Exchange. After delisting, the Target Company Shares may not be traded on the First Section of the Tokyo Stock Exchange.

(6) Matters regarding material agreements related to acceptance of the Tender Offer between the Offeror and the shareholders of the Target Company

N/A

2. Outline of tender offer

(1) Outline of the Target Company

(A)	Name	Sumitomo Real Estate Sales Co., Ltd.
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(B)	Address	4-1, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo																					
(C)	Title and Name of Representative	Toshikazu Tanaka, Representative Director and President																					
(D)	Description of Business	<ol style="list-style-type: none"> <li>1. Sale and purchase of real estate, lease brokerage</li> <li>2. Consignment sales of real estate</li> <li>3. Leasing of real estate</li> <li>4. Any other business activities incidental or relating to the foregoing</li> </ol>																					
(E)	Capital	2,970,000,000 yen (as of March 17, 2017)																					
(F)	Date of Establishment	March 1, 1975																					
(G)	Major Shareholders and Shareholding Ratios (as of September 30, 2016)	<table border="0"> <tr> <td>Sumitomo Realty &amp; Development Co., Ltd.</td> <td style="text-align: right;">70.31%</td> </tr> <tr> <td>State Street Bank and Trust Company</td> <td style="text-align: right;">2.11%</td> </tr> <tr> <td>Sumitomo Real Estate Sales Employee Stock Ownership Association</td> <td style="text-align: right;">2.05%</td> </tr> <tr> <td>State Street Bank and Trust Company 505103</td> <td style="text-align: right;">1.41%</td> </tr> <tr> <td>Japan Trustee Services Bank, Ltd. (Trust account)</td> <td style="text-align: right;">1.07%</td> </tr> <tr> <td>Sumitomo Mitsui Banking Corporation</td> <td style="text-align: right;">1.00%</td> </tr> <tr> <td>Northern Trust Co. (AVFC) RE IEDU UCITS Clients Non Lending 15 PCT Treaty Account</td> <td style="text-align: right;">0.98%</td> </tr> <tr> <td>JP Morgan Chase Bank 385166</td> <td style="text-align: right;">0.76%</td> </tr> <tr> <td>The Master Trust Bank of Japan, Ltd. (Trust account)</td> <td style="text-align: right;">0.73%</td> </tr> <tr> <td>The Bank of New York 133522</td> <td style="text-align: right;">0.65%</td> </tr> </table>		Sumitomo Realty & Development Co., Ltd.	70.31%	State Street Bank and Trust Company	2.11%	Sumitomo Real Estate Sales Employee Stock Ownership Association	2.05%	State Street Bank and Trust Company 505103	1.41%	Japan Trustee Services Bank, Ltd. (Trust account)	1.07%	Sumitomo Mitsui Banking Corporation	1.00%	Northern Trust Co. (AVFC) RE IEDU UCITS Clients Non Lending 15 PCT Treaty Account	0.98%	JP Morgan Chase Bank 385166	0.76%	The Master Trust Bank of Japan, Ltd. (Trust account)	0.73%	The Bank of New York 133522	0.65%
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The Master Trust Bank of Japan, Ltd. (Trust account)	0.73%																						
The Bank of New York 133522	0.65%																						
(H)	Relationship between the Offeror and the Target Company																						
	Capital Relationship	The Offeror owns 40,220,000 Target Company Shares, which is equivalent to 70.31% of the total number of issued shares of the Target Company (as of September 30, 2016).																					
	Personnel Relationship	Three officers of the Offeror concurrently serve as directors of the Target Company as of today.																					
	Business Relationship	The Offeror outsources the sale of condominiums to the Target Company. The Offeror leases offices to the Target Company.																					
	Status as Related Party	The Target Company is a consolidated subsidiary of the Offeror, and constitutes a related party of the Offeror.																					

Note: The shareholding ratios above are the same as those provided in the quarterly report for the second quarter of the 43rd term submitted by the Target Company on November 14, 2016.

(2) Schedule

(A) Schedule

Date on which the implementation of the Tender Offer was decided	March 17, 2017 (Friday)
Date of public notice of commencement of the Tender Offer	March 21, 2017 (Tuesday) Public notice will be made electronically via the Internet, and a notice to that effect will be published in the Nikkei. (URL of the electronic notice: <a href="http://disclosure.edinet-fsa.go.jp/">http://disclosure.edinet-fsa.go.jp/</a> )
Filing date of Tender Offer registration statement	March 21, 2017 (Tuesday)

(B) Initially registered offering period

From Tuesday, March 21, 2017, through Monday, May 1, 2017 (30 business days)

(C) The possibility of extension of tender offer period upon request of the Target Company

N/A

(3) Price of tender offer

3,600 yen per share of common stock

(4) Basis for the calculation of the Tender Offer Price

(A) Basis of calculation

In deciding the Tender Offer Price, the Offeror requested its financial adviser, Daiwa Securities Co. Ltd. (“Daiwa Securities”), to calculate the share value of the Target Company Shares as a third party valuation institution independent from the Offeror and the Target Company. Daiwa Securities is not a related party of the Offeror or the Target Company, nor does it have any material interest in relation to the Transaction, including the Tender Offer.

Daiwa Securities has, as a result of its consideration of which calculation methods should be used in calculating the share value of the Target Company Shares from among a number of possible methods, calculated the share value of the Target Company Shares by employing the market share price analysis and the discounted cash flow analysis (“DCF analysis”), assuming that the Target Company is a going concern. The Offeror obtained the share valuation report (the “Offeror Share Valuation Report”) from Daiwa Securities as of March 16, 2017. The Offeror has not obtained from Daiwa Securities any opinion on the fairness of the Tender Offer Price (a fairness opinion).

According to the Offeror Share Valuation Report, the analyses used for the calculation and the ranges of share value per Target Company Share calculated based on those analyses are as follows:

Market share price analysis: From 2,607 yen to 2,921 yen

DCF analysis: From 3,181 yen to 4,063 yen

For the market share price analysis, the calculation reference date was set at March 16, 2017, and the valuation per Target Company Share was analyzed based on the closing price (2,921 yen) of the Target Company Shares on the reference date, and the simple average closing prices of the Target Company Shares for the most recent one-month period (from February 17, 2017, through March 16, 2017), three-month period (from December 19, 2016, through March 16, 2017), and six-month period (from September 20, 2016 through March 16, 2017) (2,899 yen, 2,768 yen, and 2,607 yen respectively (rounded to the nearest whole yen; the same applies for calculations of simple average closing prices hereinafter)), as quoted on the First Section of the Tokyo Stock Exchange. A range of 2,607 yen to 2,921 yen per Target Company Share was derived from the analysis.

For the DCF analysis, the free cash flow that the Target Company is expected to generate from the fourth quarter of the fiscal year ending March 2017 onwards (based on elements such as the Target Company's estimated future earnings in the business plan from the fiscal year ending March 2017 to the fiscal year ending March 2019 prepared by the Target Company (the "Business Plan"), investment plan, and publicly disclosed information) was discounted to the present value by using a certain discount rate, in order to analyze the Target Company's corporate value and share value. A range of 3,181 yen to 4,063 yen per Target Company Share was derived from the analysis.

While taking into account the results of the discussions and negotiations with the Target Company, the Offeror ultimately decided on the Tender Offer Price of 3,600 yen per share today, after comprehensively considering factors such as the possibility of endorsement of the Tender Offer by the Target Company's board of directors, examples of premiums added when determining tender offer prices in tender offers for shares conducted in the past by a party other than an issuer similar to the Tender Offer (i.e., tender offer cases where it is planned that the target company will be a wholly-owned subsidiary of the offeror), trends in the market price of the Target Company Shares, the results of due diligence conducted on the Target Company by the Offeror, and the prospect of the number of shares to be tendered in the Tender Offer, in addition to the calculation results of the Offeror Share Valuation Report obtained from Daiwa Securities.

The Tender Offer Price of 3,600 yen represents (i) a premium of 23.25% (rounded to two decimal places; the same applies for calculations of premium rates hereinafter) on 2,921 yen, the closing price of the Target Company Shares on the First Section of the Tokyo Stock Exchange as of March 16, 2017, which is the business day immediately preceding the announcement date of the implementation of the Tender Offer, (ii) a premium of 24.18% on 2,899 yen, the simple average closing price for the most recent one-month period (from February 17, 2017, through March 16, 2017), (iii) a premium of 30.06% on 2,768 yen, the simple average closing price for the most recent three-month period (from December 19, 2016, through March 16, 2017), and (iv) a premium of 38.09% on 2,607 yen, the simple average closing price for the most recent six-month period (from September 20, 2016, through March 16, 2017).

## (B) Process of calculation

### **Process leading to decision on the Tender Offer Price**

On January 19, 2017, the Offeror made an initial proposal to the Target Company to make the Target Company a wholly-owned subsidiary of the Offeror. After obtaining the consent of the Target Company, the Offeror conducted due diligence on the Target Company from early to mid-February 2017 and continued to consider and discuss with the Target Company the conditions (including the Tender Offer Price) and the method of the Transaction and other matters related to the Transaction from mid-February to mid-March 2017. As a result, the Offeror decided today to conduct the Tender Offer with an aim of making the Target Company a wholly-owned subsidiary of the Offeror and decided on the Tender Offer Price based on the following process. For details of the process leading to the Offeror's decision to

conduct the Tender Offer, please refer to the section above titled “(2) Background, purpose, and decision-making process leading to the decision to conduct the Tender Offer, and management policy following the Tender Offer” of “1. Purposes of tender offer.”

- (a) Name of third party from whom the Offeror received advice upon calculation

In deciding the Tender Offer Price, the Offeror requested its financial adviser Daiwa Securities to calculate the share value of the Target Company Shares as a third party valuation institution independent from the Offeror and the Target Company, and the Offeror obtained the Offeror Share Valuation Report from Daiwa Securities on March 16, 2017. Daiwa Securities is not a related party of the Offeror or the Target Company, nor does it have any material interest in relation to the Tender Offer.

- (b) Summary of advice from Daiwa Securities

According to the Offeror Share Valuation Report, the analyses used for the calculation and the ranges of share value per Target Company Share calculated based on those analyses are as follows:

Market share price analysis: From 2,607 yen to 2,921 yen

DCF analysis: From 3,181 yen to 4,063 yen

- (c) Process leading to decision on the Tender Offer Price upon consideration of advice from Daiwa Securities

While taking into account the results of the discussions and negotiations with the Target Company, the Offeror ultimately decided on the Tender Offer Price of 3600 yen per share today, after comprehensively considering factors such as the possibility of endorsement of the Tender Offer by the Target Company’s board of directors, examples of premiums added when determining tender offer prices in tender offers for shares conducted in the past by a party other than an issuer similar to the Tender Offer (i.e., tender offer cases where it is planned that the target company will be a wholly-owned subsidiary of the offeror), trends in the market price of the Target Company Shares, the results of due diligence conducted on the Target Company by the Offeror, and the prospect of the number of shares to be tendered in the Tender Offer, in addition to the calculation results of the Offeror Share Valuation Report obtained from Daiwa Securities.

#### **Measures to ensure fairness of the Tender Offer Price and to avoid conflicts of interest and other measures to ensure fairness of the Tender Offer**

Taking into consideration the fact that the Transaction, including the Tender Offer, constitutes a material transaction with a controlling shareholder, since the Target Company is a consolidated subsidiary of the Offeror as of today, and that the problem of structural conflicts of interest could exist, the Offeror and the Target Company have taken the following measures in order to ensure the fairness of the Tender Offer and avoid conflicts of interest.

As described in the above section titled “(1) Outline of tender offer” of “1. Purposes of tender offer,” since the Offeror already holds 40,220,000 shares (ownership ratio: 70.38%) of the Target Company Shares as of today, the Offeror has not set a minimum number of shares to be purchased in the Tender Offer, and the completion of the Tender Offer is not subject to the tender of a so-called “majority of minority” in the Tender Offer. However, the Offeror believes that the interests of minority shareholders of the Target Company have been fully taken into consideration since the measures set out in (i) through (vi) below have been implemented by the Offeror and the Target Company.

- (i) Obtaining a share valuation report from an independent third party financial advisor by the Offeror

The Offeror obtained the Offeror Share Valuation Report from Daiwa Securities as of March 16, 2017. For details, please refer to “(A) Basis of calculation” above.

- (ii) Obtaining a share valuation report from an independent third party financial advisor by the Target Company

According to the Target Company Press Release, in deciding its opinion on the Tender Offer, the Target Company requested SMBC Nikko Securities, which is a third party valuation institution independent from the Offeror and the Target Company, to calculate the Target Company’s share value in order to ensure the fairness of the process of its decision-making regarding the Tender Offer Price presented by the Offeror.

It is also stated that SMBC Nikko Securities, the third party valuation institution, is not a related party of the Offeror or the Target Company, nor does it have any notable material interest in relation to the Tender Offer.

It is stated that the Target Company requested SMBC Nikko Securities to calculate the share value of the Target Company Shares and received the Target Company Share Valuation Report from SMBC Nikko Securities as of March 16, 2017. It is also stated that the Target Company has not obtained from SMBC Nikko Securities any opinion on the fairness of the Tender Offer Price (a fairness opinion).

It is also stated that SMBC Nikko Securities conducted the calculation of the value of the Target Company Shares by using market share price analysis due to the fact that the Target Company Shares are listed on the First Section of the Tokyo Stock Exchange and the market price of the Target Company Shares is available as well as by using discounted cash flow (DCF) analysis to reflect the intrinsic value based on future business activities of the Target Company in the calculation. It is also stated that the ranges of share value per Target Company Share calculated by using the above analyses are as follows:

Market share price analysis: 2,768 yen to 2,899 yen

DCF analysis: 3,223 yen to 4,085 yen

It is also stated that, for the market share price analysis, the calculation resulted in a range of share value per Target Company Share of 2,768 yen to 2,899 yen based on the simple average closing prices of the Target Company Shares for the one-month and three-month periods ending on the calculation reference date of March 16, 2017 (2,899 yen and 2,768 yen respectively), as quoted on the First Section of the Tokyo Stock Exchange.

It is also stated that, for the DCF analysis, the reference date used was the last day of December 2016, and the corporate value and share value of the Target Company have been calculated by taking the cash flows expected to be generated by the Target Company in and after the fourth quarter of the fiscal year ending March 2017 based on the future earnings forecast of the Target Company for the three fiscal periods from the fiscal year ending March 2017 to the fiscal year ending March 2019, and then determining the present value of such cash flows by discounting them by a certain discount rate. It is stated that a range of 3,223 yen to 4,085 yen per Target Company Share was derived from the analysis. It is also stated that the discount rate used was 6.9% to 7.9% and the terminal value was calculated by using the perpetuity growth method with the perpetuity growth rate at 0.0% to 1.0%. It is stated that the consolidated financial forecasts based on the Business Plan that SMBC Nikko Securities used as the premises for calculation according to the DCF analysis are as set forth below. It is stated that the Business Plan does not include any fiscal years in which a significant increase or decrease in earnings is expected. It is stated that the synergy effects expected from execution of the Transaction are not taken into account in the Business Plan.

(million yen)

	Fiscal Year Ending March 2017 (3 months)	Fiscal Year Ending March 2018	Fiscal Year Ending March 2019
Net Sales	24,913	83,320	89,096
Operating Income	5,286	16,499	17,701
EBITDA	5,675	17,702	19,004
Free Cash Flow	5,844	9,895	10,579

(iii) Obtaining advice from an independent law firm by the Target Company

According to the Target Company Press Release, in order to ensure the fairness and appropriateness of the decision-making process of the board of directors of the Target Company with respect to the Transaction, including the Tender Offer, the Target Company appointed Nakamura, Tsunoda & Matsumoto as a legal advisor independent from the Target Company and the Offeror and has been receiving legal advice from the law firm concerning the method and process of decision-making by the board of directors of the Target Company, including procedures related to the Transaction.

It is stated that the Target Company has carefully discussed and considered the specific conditions of the Transaction, including the Tender Offer, taking into consideration the legal advice obtained from Nakamura, Tsunoda & Matsumoto concerning the process and method of decision-making and other matters to keep in mind in relation to the Transaction, including the Tender Offer.

It is also stated that Nakamura, Tsunoda & Matsumoto is not a related party of the Offeror or the Target Company, nor does it have any material interest in either of the two companies.

(iv) Establishment of an independent third party committee by the Target Company

According to the Target Company Press Release, in consideration of the fact that the Transaction, including the Tender Offer, constitutes a material transaction with a controlling shareholder because the Target Company is a consolidated subsidiary of the Offeror, on February 14, 2017, the Target Company accordingly established a third party committee, which is composed of members including outside experts who are highly independent from the Offeror and the Target Company (as members of the third party committee, the Target Company has appointed Mr. Tetsuya Sano (certified public accountant), Mr. Akira Nishida (attorney at law at Nishida Law Office), and Mr. Teruyuki Maehara (outside statutory auditor of the Target Company at Maehara Teruyuki Certified Public Tax Accountant Office)), in order to ensure that the Target Company's decision-making is conducted carefully, to exclude any risk of arbitrariness and conflicts of interest in the decision-making process of the board of directors of the Target Company, and to ensure fairness in such decision-making process. It is stated that the Target Company consulted with the third party committee regarding: (i) whether the Transaction contributes to the improvement of the Target Company's corporate value, (ii) the fairness of the procedures of the Transaction, and (iii) whether the Transaction can be considered to not be disadvantageous to the minority shareholders of the Target Company (shareholders of the Target Company other than the Offeror and the Target Company) in terms of the appropriateness of the consideration to be paid to the minority shareholders of the Target Company in the Transaction (collectively, the "Matters of Inquiry"). It is also stated that the third party committee held a total of five meetings from February 16, 2017, to March 15, 2017, and carefully reviewed and discussed the Matters of Inquiry. Specifically, it is stated that the third party committee received an explanation from the Target Company on the status of the Target Company's business, business environment, details of the Business Plan, and the impact of the Transaction on the Target Company's business

and conducted a Q&A session on these matters. It is stated that the third party committee sent questions to the Offeror on two separate occasions and received written answers from the Offeror on the current status and business environment of the Offeror, the purpose and background of the Transaction, and the management policy after the Transaction. It is also stated that the third party committee received an explanation from SMBC Nikko Securities, the third party valuation institution, on the results of its share value calculations of the Target Company Shares and its opinion toward the Tender Offer Price as a third party valuation institution and conducted a Q&A session on these matters. Further, it is stated that the third party committee received an explanation from SMBC Nikko Securities, the Target Company's financial advisor, on the schemes of the Transaction including the conditions of the Tender Offer, details of the acquisition in the second step, as well as on the status of negotiations between the Target Company and the Offeror regarding the Tender Offer Price, received an explanation from Nakamura, Tsunoda & Matsumoto, the Target Company's legal advisor, on the decision-making method and process of the Target Company's board of directors, and conducted a Q&A session in each case on these matters.

It is stated that, upon carefully discussing and reviewing the Matters of Inquiry based on the content of the examinations, discussions, and deliberations above, the third party committee submitted a report, with the unanimous consent of all committee members, to the Target Company's board of directors on March 16, 2017, the details of which are described below:

- a. According to the information presented to the third party committee, it deems that (a) under the business environment where the used housing distribution and renovation markets are expected to expand and experience increased competitiveness, the Offeror Group is required not only to provide value-added solutions utilizing the total strength of the group, but also to maintain solid financial ground and effective cash-flow management for investments aimed at continuously supplying new leasing properties, it is likely that the issues of conflicts of interest between the Offeror and minority shareholders of the Target Company might occur, and therefore it is one of the most reasonable choices for the Offeror to make the Target Company a wholly-owned subsidiary thereof in order to maximize the corporate value of the Offeror Group, (b) it is also beneficial for the Target Company to become a wholly-owned subsidiary of the Offeror because it would enable the Target Company to make new investments from mid- to long-term perspectives more easily and would provide more opportunities for both companies to use the Offeror's management resources and customer base, (c) the Offeror has taken into account the interests of minority shareholders (i.e., shareholders of the Target Company other than the Offeror) in deciding the scheme of the Transaction, in that delivering money, which has more convenience and liquidity than shares, would provide options for such shareholders, including the option to purchase the Offeror's shares. Accordingly, it is reasonable to consider that the Transaction is aimed to improve the corporate value of the Offeror Group including the Target Company, and that the Transaction would also contribute to the improvement of the Target Company's corporate value.
- b. Based on the process of discussions and negotiations of the Transactions observed by the third party committee, it deems that (a) the Target Company has engaged only directors and employees who could truly pursue the interests of minority shareholders and employees in the process of discussions and negotiations with the Offeror, (b) the Target Company has obtained independent advice from SMBC Nikko Securities as an expert of the valuation of share prices from time to time in the course of discussions and negotiations, and (c) from the legal aspects of the Transaction, the Target Company has had consistent access to professional advice from Nakamura, Tsunoda & Matsumoto. Therefore, it deems that the conditions set for the Transaction are in line with that of transactions similar to the Transaction in terms of protecting the interests of minority shareholders, and thus the fairness of the procedures for the Transaction has been ensured.
- c. Based on the information provided to the third party committee, it deems that (a) the Tender Offer Price was within the price range of the result of the calculation by the DCF analysis by SMBC Nikko Securities, an established third party valuation institution in the practice of share price valuation, (b) the

calculation methods employed in the market share price analysis and DCF analysis conducted by SMBC Nikko Securities (including, but not limited to the selection of the Business Plan and the setting of the discount rate and perpetuity growth rate underlying the valuation in the DCF analysis) was not unreasonable or questionable, (c) no aspect has been found that casts doubt on the fact that the Tender Offer Price was determined through negotiations, equivalent to those in an arm's length negotiation, held between the Offeror and the Target Company. Therefore, it can be said that no aspect has been found that denies the appropriateness of the consideration to be paid to the minority shareholders of the Target Company in the Transaction.

- d. Based on the judgments stated in a. through c. above, the Transaction is not disadvantageous to the minority shareholders of the Target Company.
  
- (v) Approvals from all directors in the Target Company without interests in the Transaction and opinions from all statutory auditors in the Target Company without interests in the Transaction to the effect that they have no objections

According to the Target Company Press Release, after the Target Company received the initial proposal regarding the Transaction from the Offeror on January 19, 2017, the Target Company appointed SMBC Nikko Securities as a financial advisor and third party valuation institution independent from the Offeror and the Target Company and appointed Nakamura, Tsunoda & Matsumoto as a legal advisor, and further established a third party committee as an advisory body to the Target Company to review such proposal on February 14, 2017, and the Target Company has discussed and reviewed with the Offeror on multiple occasions regarding the purpose of the Transaction, the management structure and policy after the Transaction, and conditions of the Transaction.

With regard to the Tender Offer Price included in the conditions of the Transaction, it is stated that, after the Target Company received the above proposal from the Offeror on January 19, 2017, the Target Company continually held negotiations with the Offeror and Daiwa Securities, the Offeror's financial advisor, and decided to accept a final proposal to have the Tender Offer Price at 3,600 yen per share on March 16, 2017.

In addition, it is stated that the Target Company carefully discussed and reviewed the Transaction by taking into account the legal advice from Nakamura, Tsunoda & Matsumoto, the content of the Target Company Share Valuation Report and the explanation thereof given by SMBC Nikko Securities, and further by giving the utmost respect to the Report (details of which are stated in "(iv) Establishment of an independent third party committee by the Target Company" above).

It is stated that, as a result, the Target Company came to the conclusion, as explained below, that the Transaction will further improve the corporate value of the Target Company.

It is stated that although the Target Company has been a consolidated subsidiary of the Offeror, the Target Company recognizes that it has already established a leading position in the real estate distribution business as a result of the development of its business model employing only its own brokerage offices and the Target Company's continuous efforts.

It is stated that, in addition, looking toward the forthcoming business environments, as the "Basic Plan for Housing Life" introduced in 2016 by the Ministry of Land, Infrastructure, Transport and Tourism entails the objective to double the size of the used housing distribution markets, the markets are expected to further record huge growth. It is stated that, on the other hand, the competitive environment surrounding the Target Company will become still more intensified because of various factors, including utilization of IT, diversification of consumer needs, and influx of entrants reflecting a low entry barrier of the markets. It is stated that, furthermore, the status quo calls for a preemptive strategy to ride out the changing environment of businesses, including the growing interest in the system of site inspection in accordance with the amendment to the Building Lots and Buildings Transaction Business Act that was designed to facilitate the distribution of safe and secure used houses, developments of initiatives to ensure quality assurance systems for used houses, and solutions for the increase of vacant houses, which has emerged as a social problem.

It is stated that, under these circumstances, the Target Company needs to carry out the drastic measures with medium- and long-term perspectives that enable the Target Company to cope with the changing business environment to ensure sustainable growth rather than just maintaining its current position in the markets. It is stated that, specifically, the Target Company examines measures such as the exploration of information strategy with a central focus on internet, including countermeasures against new entrants to the market from affiliates of IT firms, expansion of office networks by new office openings, relocations of existing offices to prime areas near train stations, renovation of offices, and development of advertising programs aimed to enhance the recognition and image of the Target Company as well as to seize a lot of responses so as to differentiate the Target Company from the competitors. It is stated that such measures, however, involve costs for investments required for development of new IT services and new office openings, which not only might trigger adverse effects on the short-term profitability of the Target Company, but also implicate uncertainty about when and how the Target Company will restore its profitability after the introduction of such measures. It is stated that, moreover, if the Target Company kept its shares listed, the Target Company would need considerable time to map out such measures and prepare the explanation to shareholders, which is not desirable for the Target Company to initiate measures in the business environments pressing the Target Company to make timely decision-making.

It is stated that, in addition, the completion of the business integration by the Offeror and the Target Company enables both parties to ensure maximum utilization of management resources and customer base: (i) unified value-added solutions become available because of the integration of real estate distribution business and surrounding various businesses, including reform, interior, leasing management, and insurance, etc., (ii) the Target Company is able to enhance its presence in the existing condominium market against the backdrop of the leading position (according to “National Condominium Market Movements” (Japanese only), from Real Estate Economic Institute Co., Ltd., dated February 20, 2017) of the Offeror in the supply of newly-built condominiums, and (iii) the centralized information management by the Offeror and the Target Company help reinforce approaches to the prospective customers on top of the tenants of the Offeror, which holds the top position (according to the Offeror’s research; based on number of rental office buildings operated or managed within Tokyo) to own more than 210 buildings in the center areas of Tokyo and the prospect to expand customer base for real estate brokerage for corporations, ending up the promotion of opportunities and the enhancement of quality services.

It is stated that, as described above, the Target Company reached a judgement to recognize that the business integration of the Offeror and the Target Company through the Transaction helps reduce the risks related to shareholders of the Target Company, facilitates the decisive and timely implementation of the strategy, and helps materialize the medium- and long-term business strategy of the Target Company to cope with the huge change in the market.

It is stated that, finally, the Target Company considers that the high quality employees of the Target Company are the most significant management resources and an engine to boost the value to materialize the achievement of long-term corporate value of the Target Company. It is stated that, as such, the Target Company holds a policy to ensure the human resources programs for recruiting, training, and appointment and to focus on businesses, organization, and human resources management as a bedrock of the business model to pursue sustainable growth and development of the Target Company under the business integration.

It is also stated that the Target Company concluded that the Tender Offer will provide the shareholders of the Target Company with an opportunity to sell their shares at a price to which a reasonable premium has been added, taking into account the following facts: (i) as provided for in the Target Company Share Valuation Report, the Tender Offer Price exceeded the upper end of the calculation results of the Target Company’s share value conducted by SMBC Nikko Securities based on the market share price analysis and was within the range of the calculation results based on the DCF analysis; (ii) the Tender Offer Price represents a premium of 23.25% (rounded to two decimal places; the same applies for calculations of premiums on share prices hereinafter) on 2,921 yen, the closing price of the Target Company Shares on the Tokyo Stock Exchange as of March 16, 2017, which is the business day immediately preceding the announcement date of the Tender Offer, a premium of 24.18% on 2,899 yen (rounded

to the nearest whole yen; the same applies for calculations of simple average closing prices hereinafter), the simple average closing price for the one-month period ending on March 16, 2017, a premium of 30.06% on 2,768 yen, the simple average closing price for the three-month period ending on March 16, 2017, and a premium of 38.09% on 2,607 yen, the simple average closing price for the six-month period ending on March 16, 2017; (iii) the measures to avoid conflicts of interest as described in “Measures to ensure fairness of the Tender Offer Price and to avoid conflicts of interest and other measures to ensure fairness of the Tender Offer” have been taken and the interests of minority shareholders have been taken into account; and (iv) as the above measures to avoid conflicts of interest were taken, the Tender Offer Price was determined through discussions and negotiations, equivalent to those in an arm’s length transaction, held between the Target Company and the Offeror on multiple occasions.

It is stated that, accordingly, the board of directors of the Target Company deliberated the matter with all six directors present (excluding Mr. Toshikazu Tanaka, Mr. Hiroshi Kato, and Mr. Koji Ito) at its meeting held today and adopted a unanimous resolution to express an opinion in support of the Tender Offer and to recommend that the Target Company’s shareholders tender their shares in the Tender Offer.

It is stated that, given that of the directors of the Target Company, Mr. Toshikazu Tanaka, Mr. Hiroshi Kato, and Mr. Koji Ito concurrently serve as directors of the Offeror, they have not discussed or negotiated with the Offeror as directors of the Target Company nor have they participated in any deliberations or resolutions of the board of directors of the Target Company regarding the Tender Offer, including the above meeting of the board of directors, in order to avoid conflicts of interest.

It is also stated that all four of the statutory auditors of the Target Company, including outside statutory auditors, were present at such board of directors meeting and that all of them expressed an opinion that they have no objection to the board of the directors of the Target Company resolving to express an opinion in support of the Tender Offer and to recommend that the Target Company’s shareholders tender their shares in the Tender Offer.

(vi) Measures to ensure tender opportunities from other tender offerors

While the minimum period for tender offers under laws and regulations is 20 business days, the Offeror has set a relatively long purchase period of 30 business days for the Tender Offer (the “Tender Offer Period”). By setting a relatively long Tender Offer Period, the Offeror provides an appropriate opportunity for the shareholders of the Target Company to make a decision whether to tender their shares in the Tender Offer while also ensuring an opportunity for other offerors to conduct counter offers.

The Offeror has not entered into any agreement with the Target Company that includes deal protection provisions to prohibit the Target Company from having contact with a counter offeror or that would otherwise restrict a counter offeror from having contact with the Target Company. The Offeror has given consideration to ensuring the fairness of the Tender Offer by not only setting the Tender Offer Period as above but also ensuring the opportunity for a counter offer.

(C) Relationship with appraiser

The Offeror’s financial adviser Daiwa Securities is not a related party of the Offeror or the Target Company, nor does it have any material interest in relation to the Transaction, including 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
16,929,596 (shares)	- (shares)	- (shares)

- Note 1: In the Tender Offer, the Offeror has not set a maximum or a minimum number of shares to be purchased, and the Offeror will purchase all of the Tendered Shares. The number of shares to be purchased is stated as the maximum number of shares of the Target Company that can be acquired by the Offeror through the Tender Offer. This figure represents (i) the total number of issued shares of the Target Company (57,200,000 shares) as of December 31, 2016, as stated in the Quarterly Report for the Third Quarter of the 43rd Term of the Target Company, minus (ii) the total sum of the number of treasury shares held by the Target Company (50,404 shares) as of December 31, 2016, as stated in the Summary of Accounts for the Third Quarter of the Fiscal Year Ending March 2017 of the Target Company and the number of Target Company shares held by the Offeror (40,220,000 shares) as of today.
- Note 2: Shares less than one unit are also subject to the Tender Offer. If a right to request a purchase of shares less than one unit is exercised by a shareholder of the Target Company in accordance with the Companies Act, the Target Company may purchase its own shares less than one unit during the Tender Offer Period in accordance with procedures required by laws and regulations.
- Note 3: The Offeror does not intend to acquire the treasury shares held by the Target Company through the Tender Offer.

(6) Changes in ownership ratio of shares through the Tender Offer

Number of voting rights represented by shares held by the Offeror before tender offer	402,200	(Ownership ratio of shares before tender offer: 70.38%)
Number of voting rights represented by shares held by special related parties before tender offer	1,484	(Ownership ratio of shares before tender offer: 0.26%)
Number of voting rights represented by shares held by the Offeror after tender offer	571,495	(Ownership ratio of shares after tender offer: 100.00%)
Number of voting rights represented by shares held by special related parties after tender offer	-	(Ownership ratio of shares after tender offer: - %)
Total number of voting rights of all shareholders of the Target Company	570,608	

- Note 1: The “Number of voting rights represented by shares held by special related parties before tender offer” is the total number of voting rights represented by the shares held by the special related parties (other than those excluded from special related parties under Article 3, Paragraph 2, Item 1 of the Cabinet Ordinance with respect to Disclosure of a Tender Offer for Share Certificates, Etc. by an Offeror other than the Issuing Company (Ministry of Finance Ordinance No. 38 of 1990, as amended; the “Cabinet Ordinance”) for the purpose of calculating the ownership ratio of shares under each item of Article 27-2, Paragraph 1 of the Act). Since the shares held by the special related parties (excluding treasury shares held by the Target Company) are also subject to the Tender Offer, when calculating the “Ownership ratio of shares after

tender offer,” the “Number of voting rights represented by shares held by special related parties before tender offer” is not added to the numerator.

Note 2: The “Total number of voting rights of all shareholders of the Target Company” is the number of voting rights of all shareholders as of December 31, 2016, as stated in the Quarterly Report for the Third Quarter of the 43rd Term of the Target Company (stated as one share unit being 100 shares). However, since all of the shares of common stock issued by the Target Company including shares less than one unit (excluding treasury shares held by the Target Company) are subject to the Tender Offer, when calculating the “Ownership ratio of shares before tender offer” and the “Ownership ratio of shares after tender offer,” the number of voting rights (571,495) represented by 57,149,596 shares is used as a denominator. This number of shares (57,149,596 shares) represents: (i) the total number of issued shares (57,200,000 shares) as of December 31, 2016, as stated in the Quarterly Report for the Third Quarter of the 43rd Term of the Target Company, minus (ii) the number of treasury shares held by the Target Company (50,404 shares), as stated in the Summary of Accounts for the Third Quarter of the Fiscal Year Ending March 2017 of the Target Company.

Note 3: The “Ownership ratio of shares before tender offer” and the “Ownership ratio of shares after tender offer” have been rounded to two decimal places.

(7) Purchase price: 60,946,545,600 yen

Note: The purchase price is the amount obtained by multiplying the number of shares to be purchased in the Tender Offer (16,929,596 shares) by the Tender Offer Price per share (3,600 yen).

(8) Method of settlement

(A) Name and address of head office of securities company/bank etc. in charge of settlement of tender offer

Daiwa Securities Co. Ltd. 1-9-1, Marunouchi, Chiyoda-ku, Tokyo

(B) Commencement date of settlement

May 11, 2017 (Thursday)

(C) Method of settlement

A notice regarding the purchase under the Tender Offer will be mailed to the address or head office location of tendering shareholders (or to the address of the standing proxy in the case of foreign shareholders) without delay after the expiration of the Tender Offer Period.

The purchase will be settled in cash. The Tender Offer Agent will, in accordance with the instructions given by the tendering shareholders and without delay on or after the commencement date of settlement, remit (a remittance fee might be charged) to the address designated by the tendering shareholders (or the standing proxy in the case of foreign shareholders), or pay to the tendering shareholders’ account where the Tender Offer Agent accepted the tender in the Tender Offer, the sales price with regard to the shares purchased.

(D) Method of return of shares

In the event that any of the Tendered Shares will not be purchased under the terms set forth in “(A) Conditions set forth in each item of Article 27-13, Paragraph 4 of the Act and the details thereof” or “(B) Conditions of withdrawal, etc. of the tender offer, details thereof and method of disclosure of withdrawal, etc.” in the section titled “(9) Other conditions and methods of purchase” below, the shares that must be returned will be returned without delay to the tendering account that was opened with the Tender Offer Agent and reverted to their original condition at the time of the tender on or after the date two business days after the last day of the Tender Offer Period (or the date of withdrawal of the Tender Offer if the Offeror withdraws the Tender Offer).

(9) Other conditions and methods of purchase

- (A) Conditions set forth in each item of Article 27-13, Paragraph 4 of the Act and the details thereof

Since the Offeror has not set a maximum or a minimum number of shares to be purchased in the Tender Offer, the Offeror will purchase all the Tendered Shares.

- (B) Conditions of withdrawal, etc. of the tender offer, details thereof and method of disclosure of withdrawal, etc.

If any event listed in Article 14, Paragraph 1, Items (1)1 through (1)9 and Items (1)12 through (1)18, Items (3)1 through (3)8 and (3)10, as well as Article 14, Paragraph 2, Items (3) through (6) of the Financial Instruments and Exchange Act Enforcement Order (Cabinet Order No. 321 of 1965, as amended; the “Enforcement Order”) occurs, the Offeror may withdraw the Tender Offer. In the Tender Offer, the “events that are equivalent to those listed in Items (3)1 through (3)9” set out in Article 14, Paragraph 1, Item (3)10 of the Enforcement Order shall refer to (i) the case where any of the statutory disclosure documents submitted by the Target Company in the past is found to contain a false statement on a material fact, or omit a statement on a material fact that should have been stated, but the Offeror was not aware of the existence of such false statement, etc. and could not have been aware of such false statement, etc. even with reasonable care, and (ii) the case where any of the events listed in Article 14, Paragraph 1, Items (3)1 through (3)7 of the Enforcement Order occurs in respect of a significant subsidiary of the Target Company.

If the Offeror intends to withdraw the Tender Offer, the Offeror will give an electronic public notice and publish a notice to that effect in the Nikkei. However, if it is deemed difficult to give the public notice by the last day of the Tender Offer Period, the Offeror will make a public announcement by the method set out in Article 20 of the Cabinet Ordinance and give a public notice immediately after the announcement.

- (C) Conditions to reduce purchase price, details thereof and method of disclosure

of reduction

Under Article 27-6, Paragraph 1, Item (1) of the Act, if the Target Company conducts any act set out in Article 13, Paragraph 1 of the Enforcement Order during the Tender Offer Period, the Offeror may reduce the purchase price in accordance with the standards set out in Article 19, Paragraph 1 of the Cabinet Ordinance.

If the Offeror intends to reduce the purchase price, the Offeror will give an electronic public notice and publish a notice to that effect in the Nikkei. However, if it is deemed difficult to give the public notice by the last day of the Tender Offer Period, the Offeror will make a public announcement by the method set out in Article 20 of the Cabinet Ordinance and give a public notice immediately after the announcement. If the purchase price is reduced, the Offeror will also purchase the shares tendered on or before the date of the public notice at the reduced purchase price.

(D) Matters concerning tendering shareholders' right to cancel the tender agreement

Tendering shareholders may, at any time during the Tender Offer Period, cancel their agreement for the Tender Offer. Tendering shareholders who wish to cancel their tender must deliver or send a cancellation notice (consisting of a "Receipt of Acceptance of Tender Offer" and a document stating that such tendering shareholder cancels its agreement for the Tender Offer) to the head office or any branch in Japan of the Tender Offer Agent who accepted the tender by 4 p.m. on the last day of the Tender Offer Period. If the cancellation notice is sent by mail, it must reach the Tender Offer Agent by no later than 4 p.m. on the last day of the Tender Offer Period.

The Offeror will not make any claim for damages or penalty against any tendering shareholder as a result of that tendering shareholder's cancellation of the agreement. Further, the cost of returning Tendered Shares to the tendering shareholders will be borne by the Offeror. If cancellation is proposed, the Tendered Shares will be returned promptly after the procedures are consummated in the manner set out in "(D) Method of return of shares" in "(8) Method of settlement" above.

(E) Method of disclosure if the conditions of the Tender Offer are changed

The Offeror may change the conditions, etc. of the Tender Offer unless such change is prohibited under Article 27-6, Paragraph 1 of the Act or Article 13 of the Enforcement Order.

If the Offeror intends to change any conditions, etc. of the Tender Offer, the Offeror will give an electronic public notice and publish a notice to that effect in the Nikkei. However, if it is deemed difficult to give the notice by the last day of the Tender Offer Period, the Offeror will make a public announcement in the manner set out in Article 20 of the Cabinet Ordinance and give a public notice immediately after the announcement. If the conditions, etc. of the Tender Offer are changed, the Offeror will also purchase the shares tendered on or before the date of the public notice in accordance with the changed

conditions, etc. of the Tender Offer.

(F) Method of disclosure if amendment statement is filed

If the Offeror submits an amendment statement to the Director-General of the Kanto Local Finance Bureau (excluding the cases provided for in the proviso in Article 27-8, Paragraph 11 of the Act), the Offeror will immediately make a public announcement of the content of such amendment statement that is relevant to the content of the public notice of the commencement of the Tender Offer in the manner set out in Article 20 of the Cabinet Ordinance. The Offeror will also immediately amend the explanatory statement of the Tender Offer and deliver the amended explanatory statement to the tendering shareholders who have already received the previous explanatory statement. However, if the amendments are limited in scope, the Offeror may instead prepare and deliver to tendering shareholders a document stating the reason for the amendments, the matters amended, and the details thereof.

(G) Method of disclosure of results of the tender offer

The results of the tender offer will be made public on the day following the last day of the Tender Offer Period in the manner set out in Article 9-4 of the Enforcement Order and Article 30-2 of the Cabinet Ordinance.

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

March 21, 2017 (Tuesday)

(11) Tender Offer Agent

Daiwa Securities Co. Ltd. 1-9-1, Marunouchi, Chiyoda-ku, Tokyo

3. Post-tender offer policy and future outlook

Please refer to the sections titled “(2) Background, purpose, and decision-making process leading to the decision to conduct the Tender Offer, and management policy following the Tender Offer,” “(4) Policy for organizational restructuring after the Tender Offer (matters relating to two-step acquisition),” and “(5) Possibility of and reasons for delisting” within “1. Purposes of tender offer” above.

4. Others

(1) Agreements between the Offeror and the Target Company or its officers, and the contents thereof

According to the Target Company Press Release, the Target Company resolved at its board of directors meeting held today to express an opinion in support of the Tender Offer and to recommend that the Target Company’s shareholders tender their shares

in the Tender Offer. For details of the above resolution of the board of directors of the Target Company, please refer to “(v) Approvals from all directors in the Target Company without interests in the Transaction and opinions from all statutory auditors in the Target Company without interests in the Transaction to the effect that they have no objections” of “Measures to ensure fairness of the Tender Offer Price and to avoid conflicts of interest and other measures to ensure fairness of the Tender Offer” of “(B) Process of calculation” of “(4) Basis for calculation of the Tender Offer Price” of “2. Outline of tender offer” above.

- (2) Other information considered necessary for investors to decide whether to tender into the tender offer

The Target Company resolved at its board of directors meeting held today to revise its expected dividends for the fiscal year ending March 2017 and not to declare a year-end dividend for the fiscal year ending March 2017, on the condition that the Tender Offer is completed. For details, please refer to the “Announcement regarding Revision of the Expected Dividends for the Fiscal Year ending March 2017” released today by the Target Company.

End

- This press release is to announce the Tender Offer to the public and has not been prepared for the purpose of soliciting an offer to sell shares. If shareholders wish to make an offer to sell their shares, they should first read the Tender Offer Explanatory Statement for the Tender Offer and make their own independent decision. This press release does not constitute, nor form part of, any offer to sell, solicitation of a sale of, or any solicitation of any offer to buy, any securities. In addition, neither this press release (nor any part of it) nor the fact of its distribution shall form the basis of or be relied on in connection with any agreement pertaining to the Tender Offer.
- Although the Tender Offer will be conducted in accordance with the procedures and information disclosure standards prescribed in the Financial Instruments and Exchange Act of Japan, these procedures and information disclosure standards may differ from the procedures and information disclosure standards in the United States. In particular, Section 13(e) and Section 14(d) of the U.S. Securities Exchange Act of 1934 (as amended) and the rules prescribed thereunder do not apply to the Tender Offer, and the Tender Offer does not conform to those procedures and standards. All financial information contained in this press release has been prepared in accordance with Japanese accounting standards, and not in accordance with U.S. accounting standards, and may not be comparable to the financial information of U.S. companies. It may be difficult to enforce any right or claim arising under U.S. federal securities laws because the Offeror is incorporated outside the United States and all or some of its directors or its officers are non-U.S. residents. It may not be possible to commence legal proceedings against the Offeror and its directors or officers in a non-U.S. court for violations of the U.S. securities laws. In addition, it may not be possible to compel any non-U.S. corporation and its subsidiaries and affiliates to subject themselves to a U.S. court's jurisdiction.
- Unless otherwise specified, all procedures relating to the Tender Offer are to be conducted entirely in Japanese. If all or part of a document relating to the Tender Offer is prepared in the English language and there is any inconsistency between the English language documentation and the Japanese language documentation, the Japanese language documentation will prevail.
- This press release and the reference material pertaining hereto include "forward-looking statements" as defined in Article 27A of the U.S. Securities Act of 1933 (as amended) and Article 21(E) of the U.S. Securities Exchange Act of 1934. Actual results might be materially different from the express or implied predictions of the forward-looking statements contained herein due to known or unknown risks, uncertainties, or other factors. Neither the Offeror nor any of its affiliates assures that such express or implied predictions contained herein will ultimately prove to be correct. The forward-looking statements contained in this press release and the reference material pertaining hereto have been prepared based on the information possessed by the Offeror as of the date hereof, and, unless otherwise required under applicable laws and regulations or rules of the relevant financial instruments exchange, neither the Offeror nor any of its affiliates assumes any obligation to amend or revise such statements to reflect any future events or circumstances.
- The financial advisor of the Offeror or the Target Company as well as their respective affiliates may, within their ordinary course of business, engage before the commencement of the Tender Offer or during the Tender Offer Period in the purchase of or arrangement to purchase shares of common stock of the Target Company for their own account or for their customers' accounts outside the Tender Offer in accordance with the requirements under Rule 14e-5(b) of the U.S. Securities Exchange Act of 1934, to the extent permitted under Japanese financial instruments and exchange regulations. Such purchases may be made at the market price through market transactions, or at a price determined by negotiation outside of the market. If any information concerning such purchase is disclosed in Japan, the disclosure will be provided in a similar manner in the U.S.