[Translation]

April 30, 2015

Nomura Real Estate Holdings, Inc.
1-26-2, Nishi-Shinjuku, Shinjuku-ku, Tokyo
(Stock code: 3231, TSE First Section)
Representative: Kamezo Nakai, President and Director
Contact: Naoko Usami, General Manager
of Corporate Communications & Investor Relations Dept.
Tel: +81-3-3348-8117

Notice of Commencement of Tender Offer for Share Certificates, etc. of Megalos Co., Ltd. (Stock Code: 2165)

Nomura Real Estate Holdings, Inc. (the "**Offeror**" or the "**Company**") hereby announces that a resolution was passed at the meeting of the Board of Directors held today to acquire the share certificates, etc. of Megalos Co., Ltd. (the "**Target Company**") through a tender offer (the "**Tender Offer**") as follows.

1. Purpose of Tender Offer

(1) Outline of the Tender Offer

As of today, the Company holds 2,103,600 shares (Ownership Ratio (Note) : 53.87% (rounded to two decimal places, the same applies hereinafter)) of common stock of the Target Company (the "**Target Company Shares**") listed on the JASDAQ Standard Market (the "**JASDAQ Market**") which is a market established by the Tokyo Stock Exchange, Inc. ("**TSE**"), and the Target Company is a consolidated subsidiary of the Company. The Company resolved at the meeting of its Board of Directors held today to conduct the Tender Offer as part of the transactions for the purpose of acquiring all of the Target Company Shares (excluding the Target Company Shares held by the Company and the treasury shares held by the Target Company) and the Stock Acquisition Rights (the "Stock Acquisition Rights" and the names of the respective stock acquisition rights are defined in "(ii) Stock acquisition rights" of "(3) Tender Offer Price" of "2. Outline of Offer" below; the same applies hereinafter) and making the Target Company a wholly-owned subsidiary of the Company (the "**Transactions**").

(Note) The "Ownership Ratio" is the ratio to the number of shares equal to the total number of issued shares of the Target Company as of March 31, 2015 (3,905,100 shares) as set forth in the "Summary of Financial Results [Japanese Accounting Standards] (on a Non-consolidated Basis) for the Business Year Ended March 2015" (the "**Summary of Target Company Financial Results**") announced by the Target Company today less the number of treasury shares held by the Target Company as of March 31, 2015 (208 shares) as set forth in the Summary of Target Company Financial Results (i.e., 3,904,892 shares).

The Company has not set a maximum number or a minimum number of shares to be purchased in the Tender Offer, and therefore, the Company will purchase all of the share certificates, etc. tendered in the Tender Offer (the "**Tendered Share Certificates, Etc.**").

If the Company is unable to acquire all of the Target Company Shares (excluding the Target Company Shares held by the Company and the treasury shares held by the Target Company) in the Tender Offer, the Company will make the Target Company a wholly-owned subsidiary of the Company by requesting the Target Company to take various procedures as stated in "(4) Policy for Reorganization, etc. After the Tender Offer (Matters Relating to So-called "Two-Step Acquisition")" below.

In relation to the Tender Offer, the Company have executed the tender offer acceptance agreement (the "**Tender Agreement**") as of today respectively with JAFCO V2 Joint Investment Limited Partnership which is the second largest shareholder of the Target Company (the number of shares held: 520,000 shares, and Ownership Ratio: 13.32%; "**JAFCO V2**"), JAFCO V2-R Investment Limited Partnership which is the sixth largest shareholder of the Target Company (the number of shares held: 24,000 shares, and Ownership Ratio: 0.61%; "**JAFCO V2-R**"), JAFCO

Co., Ltd. which is the seventh largest shareholder of the Target Company (the number of shares held: 16,800 shares, and Ownership Ratio: 0.43%; "**JAFCO**"), and JAFCO V2-W Investment Limited Partnership which is the eighth largest shareholder of the Target Company (the number of shares held: 11,200 shares, and Ownership Ratio: 0.29%; "**JAFCO V2-W**," and JAFCO V2, JAFCO V2-R, JAFCO and JAFCO V2-W are hereinafter collectively referred to as "**JAFCO, Etc.**"), and JAFCO, Etc. have agreed to tender all of their Target Company Shares (the total number of shares held: 572,000 shares, and Ownership Ratio: 14.65%) in the Tender Offer (for the outline of the Tender Agreement, please refer to "(3) Material Agreements for the Tender Offer" below).

According to the "ANNOUNCEMENT REGARDING EXPRESSION OF OPINION IN FAVOR OF THE TENDER OFFER BY NOMURA REAL ESTATE HOLDINGS, INC., OUR CONTROLLING SHAREHOLDER, FOR THE SHARES OF MEGALOS CO. LTD. AND RECOMMENDATION TO TENDER SHARES" announced today by the Target Company (the "**Target Company Press Release**"), the Target Company resolved, at the meeting of its Board of Directors held today, to express an opinion in favor of the Tender Offer and to recommend the shareholders of the Target Company and the holders of the Stock Acquisition Rights to tender their share certificates, etc. in the Tender Offer.

For the details of the resolution of the Target Company's Board of Directors, please refer to "(v) Approval of all disinterested directors of the Target Company" of "(ii) Background of calculation" of "(4) Basis of Valuation of the Tender Offer Price" of "2. Outline of Offer" below.

(2) Purpose of, Background to, and Decision-Making Process of, the Tender Offer and the Management Policies after the Completion of the Tender Offer

The Company is a so-called pure holding company of the enterprise group whose key member is Nomura Real Estate Development Co., Ltd. The major business engaged in by the Company's group (the "**Company Group**") consists of (i) the "residential and development business" which involves the development and sales of condominiums and detached housing, (ii) the "leasing business" which involves the development and leasing of office buildings and commercial facilities, and the development and sales of profit-generating properties for the real estate investment market, (iii) the "investment management business" which involves investment management for private funds, J-REITs and real estate securitization products, etc., (iv) the "property brokerage & CRE business" which involves property brokerage and consulting, (v) the "property & facility management business" which involves building management and structural contract work for condominiums and office buildings, and (vi) "other business" in which the Target Company provides services relating to fitness clubs.

In October 2012, the Company formulated the "Nomura Real Estate Group Mid-to Long-term Business Plan through 2022/3 – Creating Value through Change –" as its 10-year business plan starting from the business year ended March 2013. In such mid-to long-term business plan, the Company specified the long-term vision of the enterprise group, "being an enterprise group that continues to create high value through sustainable change," and with an aim to achieve sustainable growth, formed the following business policy: (i) to establish a "trusted brand" that is continuously chosen by customers, (ii) to create value through sustainable change that is full of a spirit of determination, and (iii) to leverage the group's comprehensive strength through organic ties among each of the group companies. For the purpose of fulfilling the long-term vision, the Company considers the "building of a profit-earning business portfolio" and "profit growth through sustainable change" to be its top priority strategy.

Based on the mid-to long-term business plan, the Company Group seeks to develop both the development sector, which consists of the "residential and development business" and the "leasing business", and the service & management sector, a non-asset sector consisting of the "investment management business," the "property brokerage & CRE business" and the "property & facility management business." In the development sector, the Company Group endeavors to enhance asset efficiency and expand the income foundation of the "leasing business" while achieving sustainable and stable growth of the "residential and development business" as its core business. In the service & management sector, in which stable earnings are expected to be generated, the Company Group promotes aggressive business expansion in such sector as essential to build the profit-balanced business portfolio that the Company aims to achieve.

In addition, as a developer group, the Company not only develops and supplies products that display a commitment to "manufacturing (product planning and quality)", but also provides various property and facility management services to pursue customer satisfaction in the facilities after development by each of the group companies working together. In order to achieve further growth while responding to change in environment surrounding the Company Group such as future changes in social structure and diversifying customer needs, the

Company believes that its important business task is to continue to create innovative value of products and services in the future.

On the other hand, the Target Company provides, as part of the health service industry, services relating to fitness clubs and schools that contribute to healthy and purposeful lives, by adopting a management philosophy of "changing customer satisfaction to inspiration and happiness" and placing importance on the concept of hospitality. Specifically, the Target Company engages in the business of operating sports clubs, including fitness clubs, swimming schools, tennis schools, golf schools and karate schools, and the business of selling sports products and other items, and as of today runs 29 directly-managed sports clubs primarily in the Tokyo metropolitan area. The Target Company primarily operates large-scale clubs whose premises sizes exceed 1,000 *tsubo*, and is developing and providing services flexibly adapted to customer needs by preparing various equipment and service options.

The predecessor of the Target Company was NF Create K. K. (a wholly-owned subsidiary of Nomura Real Estate Development Co., Ltd.) which was incorporated as a parent organization to operate a community facility "Tsurukawa Midoriyama Club" under the theme of culture and fitness in the residential subdivision area developed by Nomura Real Estate Development Co., Ltd. After that, NF Create K. K. fully participated in the fitness market and rolled out new fitness clubs. In 2001, NF Create K. K. changed its trade name to Megalos Co., Ltd., and the Target Company listed its shares on the Jasdaq Securities Exchange operated by Jasdaq Co., Ltd. (currently, the JASDAQ Market) in November 2007 for purposes such as securing financing and corporate creditworthiness, increasing corporate recognition, and securing human resources, and as a result of the listing, the number of the Target Company Shares held by the Company decreased to 2,103,600 shares (Ownership Ratio: 53.87%). After the listing, while the Company made the Target Company its consolidated subsidiary by continuing to hold a majority of the voting rights of the Target Company, the Company treated the Target Company as one of its group companies by placing value on the independence and autonomy of the management of the Target Company as a listed company.

Since being listed, the Target Company has sought to increase profits in the existing fitness clubs by taking measures for boosting retention of members such as renewal and various events in clubs, and has aimed to increase its corporate value by aggressively expanding business areas and opening new clubs. In recent years, however, the Target Company has faced tasks such as intensifying competition due to the increased number of competitor fitness clubs in the fitness market, and changing and diversifying customer needs for equipment and services. As a result of a decrease in the number of members in the existing clubs due to the effects of these factors, the operating profits of the Target Company gradually decreased from 1,210 million yen in the business year ended March 2008 to 332 million yen in the business year ended March 2014. Accordingly, the Company is aware that it is in a situation requiring drastic measures for business recovery.

Under these market conditions, while contemplating how to increase the corporate value of the Company Group, the Company has also examined in various ways the growth strategy of the Target Company as well as measures to ensure the effectiveness thereof. In the process of the examination, the Company reached the conclusion that it would be able to expect leverageable synergy effects leading to mutual profit opportunities and to mutually speed up growth by making the Target Company a wholly-owned subsidiary of the Company, taking advantage of each other's management resources, and making maximum use of various services, facility operation know-how, professional human resources and other matters in the fitness business area held by the Target Company. The Company has also concluded that the Company Group will be able to realize the "leveraging of comprehensive strength through organic ties among each of the group companies" and "domain expansion and accelerated growth in the service & management sector," which are goals that the Company Group has been aiming to achieve.

Moreover, given the background of the steadily aging population of society at large and the ever increasing momentum for health spurred by the holding of the Tokyo Olympic and Paralympic Games, the fitness market is expected to grow further. Therefore, the Company intends to focus on the fitness-related business sector in the future as the service & management sector of the Company Group to be mainly conducted by the Target Company.

In addition to the provision of existing fitness club services, the Target Company has recently been making efforts to develop and provide a function of fostering the local community, whereby people of varying generations from surrounding neighborhoods are able to come together at fitness clubs, and wellness programs for senior member customers. The Company considers that these diversified services provided by the Target Company can be expected to create various collaborative opportunities with a wide range of businesses engaged in by the Company Group. In particular, it is expected that (i) the Target Company will be able to provide fitness services and a community-fostering function in large-scale residential subdivision areas and large-scale condominiums developed by the Company Group, (ii) the Target Company will be able to provide a community-fostering and customer-attracting function in multipurpose facilities and commercial facilities developed by the Company Group, (iii) the Target Company will be able to provide fitness services for wellness and rehabilitation support purposes in residential facilities for senior citizens to be developed by the Company Group, and (iv) the Company Group and the Target Company will be able to utilize each other's customer bases.

Under those circumstances, the Company considers that as measures to be taken from the mid-to long-term perspective of the Target Company, it is essential to review the fee system of the existing fitness clubs in a manner appropriate for the actual style of their use by each club member, and to otherwise roll out new clubs as a new model of fitness clubs in response to diversifying customer needs (such as night use and short-time use). However, given that such measures would involve temporary decreases in the membership revenue of existing fitness clubs, as well as investment in the opening of new model fitness clubs and upfront costs related to such openings, there is a risk of a resulting short-term fall in the operating results of the Target Company and uncertainty regarding subsequent profit recovery. Therefore, because it is possible that these measures would not necessarily receive an adequate evaluation in the capital market as measures taken by a listed company, it is also assumed that the share price of the Target Company Shares may be adversely affected. Further, if no mid-to long-term improvement in profitability is achieved, the possibility cannot be denied of a resulting long-term decline in the corporate value of the Target Company. The Company also recognizes that in maintaining the listing of the Target Company, there is a problem that it may be unable to make quick decisions because it would be necessary to fully verify the validity and effectiveness of those measures.

Under these conditions, since the Company proposed the Transactions to the Target Company in February 2015, the Company and the Target Company have developed a system for discussing and negotiating the Transactions, by the Company appointing Nomura Securities Co., Ltd. ("**Nomura Securities**") as a financial advisor and third-party valuation agent, independent from the Company and the Target Company, and Mori Hamada & Matsumoto as a legal advisor, while the Target Company appointing KPMG FAS Co., Ltd. ("**KPMG**") as a financial advisor and third-party valuation agent, independent from the Company and the Target Company, and City-Yuwa Partners as a legal advisor, and further establishing a third-party committee (for the details of the composition and specific activities of such third-party committee, please refer to "iii. Establishment of a third-party committee by the Target Company" of "(ii) Background of calculation" of "(4) Basis of Valuation of the Tender Offer Price" of "2. Outline of Offer" below; the same applies hereinafter) to avoid conflicts of interest. Since doing so, the Company and the Target Company have conducted discussions and examinations over multiple occasions for the purpose of further increasing their respective corporate value.

As a result, the Company and the Target Company determined that it would be possible for the Target Company to implement bold measures that may entail a risk of a short-term fall in operating results or uncertainty based on quick decision-making by achieving integrated management of the Company and the Target Company under the relationship of a wholly-owning company and a wholly-owned company, and that it would be possible to achieve acceleration of the Target Company's growth based on mid-to long-term perspectives. The Company and the Target Company also determined that because they could expect to be able to leverage not only the Target Company's strengths but also the comprehensive strength of the integrated group, such integrated management will lead to an increase in the corporate value of the Company Group.

Accordingly, the Company has resolved at the meeting of its Board of Directors held today, to commence the Tender Offer for the purpose of the Company making the Target Company a wholly-owned subsidiary of the Company.

On the other hand, the Target Company states that its decision-making process and reason of opinion in favor of the Tender Offer are as follows:

It is stated that, as discussed above, the Company proposed the Transactions to the Target Company in February 2015, and upon such proposal, the Target Company appointed KPMG as a financial advisor and a third-party valuation institution independent from the Company and the Target Company, and appointed City-Yuwa Partners as its legal advisor. Further, it is stated that the Target Company established a third-party committee on February 20, 2015 as the Target Company's consulting body in order to evaluate the proposal, and the Target Company and the Company conducted discussions and examinations over multiple occasions regarding the purpose of the Transactions, management system and management policy after the Transactions, terms and conditions of the Transactions, etc. It is stated that as for a tender offer price among the terms and conditions of the Transactions, after the Target Company has been made an initial proposal by the Company, the Target Company had continuous negotiations with the Company and its financial advisor Nomura Securities, and as a result, they made a final proposal to set the price as 2,000 yen per Target Company Share.

It is stated that, in light of the above, the Target Company deliberated on and evaluated whether the Transactions will contribute to the improvement of corporate value of the Target Company, based on the legal advice from City-Yuwa Partners, making reference to the share valuation report on the Target Company Shares obtained from KMPG on April 30, 2015 ("**Share Valuation Report**") and the explanations given by KPMG regarding the Share Valuation Report, and further giving the utmost respect to the report submitted by the third-party committee on April 30, 2015 ("**Report**"; please refer to "iii. Establishment of a third-party committee by the Target Company" of "(ii) Background of calculation" of "(4) Basis of Valuation of the Tender Offer Price" of "2. Outline of Offer" below for the content of the Report).

It is stated that, as a result, the Target Company reached the conclusion that the Transactions will contribute to the further improvement of corporate value of the Target Company, as discussed below.

It is stated that the Target Company is facing a variety of challenges, including severe competition with competitor companies and changing and diversifying customer needs. It is stated that, as a result, there was a decrease in the number of members in the existing clubs and accordingly the Target Company is experiencing deteriorated profitability and a gradual decrease of operating profit. It is stated that, on the other hand, given the ever increasing momentum for sports and health spurred by the holding of the Tokyo Olympic and Paralympic Games in 2020 and steadily aging population of society at large, the fitness market is expected to grow further. It is stated that, under such circumstances, the Target Company considers that fundamental measures with a mid-to long-term viewpoint must be taken to respond to the changing market environment. It is stated that, specifically, the Target Company considers that it is essential for the Target Company to review the fee system of the existing fitness clubs, to roll out new clubs as a new model of fitness clubs in response to diversifying customer needs, and to take such other measures to actively make investments for further growth of the Target Company's business. It is stated that, however, given that such measures would involve development of new services and investment in the opening of new model fitness clubs, there is a risk of a resulting short-term fall in the profit level of the Target Company and uncertainty regarding subsequent profit recovery. It is stated that, if no mid-to long-term improvement in profitability is achieved, the possibility cannot be denied of a resulting long-term decline in the corporate value of the Target Company. It is stated that, also, if the Target Company Shares continue to be listed, evaluation of the measures mentioned above and explanation of the measures to the shareholders of the Target Company will require substantial amount of time, which the Target Company believes is not desirable in implementing the measures in a market environment where companies are expected to make prompt decisions.

It is stated that, therefore, the Target Company has concluded that an integrated management with the Company by becoming its wholly-owned subsidiary by means of the Transactions will help the Target Company to avoid the risk which the shareholders of the Target Company may incur and to boldly and promptly enforce fundamental measures which may entail adverse effect on profit level and uncertainty, and will also help the Target Company to respond to the rapidly changing market environment and to accelerate mid-to long-term business development.

It is stated that, also, an integrated management with the Company will allow both the Target Company and the Company to mutually utilize to a maxim extent their business resources and know-how, and to further expand their respective business opportunities and improve their services, through (i) providing fitness services and a community-fostering function in large-scale residential subdivision areas and large-scale condominiums developed by the Company Group, (ii) providing a community-fostering and customer-attracting function in multipurpose facilities and commercial facilities developed by the Company Group, (iii) providing fitness services for wellness and rehabilitation support purposes in residential facilities for senior citizens to be developed by the Company Group, and (iv) utilizing each other's customer bases by both the Company Group and the Target Company. It is stated that, the Target Company has decided to strengthen our existing businesses through our original service foundation such as our existing customers and know-how, and to aim continuous growth and development by actively engaging in collaborations with the businesses of the Company Group companies.

It is stated that, as discussed above, the Target Company has concluded that the Target Company can expect further improvement of its corporate value as a result of the Transactions, and has decided to express an opinion in favor of the Tender Offer.

It is stated that, also, the Target Company has decided that the Tender Offer provides an opportunity for the shareholders of the Target Company and holders of the Stock Acquisition Rights to sell their share certificates, etc. with a reasonable premium, in light of the below factors:

(a) the tender offer price of the Tender Offer (the "**Tender Offer Price**") is above the maximum value under the average market share price analysis among the Target Company Share value calculation results conducted by KPMG as described in "ii. Obtainment by the Target Company of a share valuation report from an independent third-party valuation institution" of "(ii) Background of calculation" of "(4) Basis of Valuation of the Tender Offer Price" of "2. Outline of Offer" below, and within the range under the discounted cash flow analysis ("**DCF analysis**")

(b) the Tender Offer Price is higher than 1,720 yen (as of March 13, 2015), which is the highest price of the Target Company Share since the Target Company was listed on the Jasdaq Securities Exchange (currently the JASDAQ Market) in November 2007, with an added premium of 23.38% (rounded to two decimal places, and the same shall apply hereafter for value of the premium shown in percentage (%)) on 1,621 yen, which is the closing price of the Target Company Shares quoted on the JASDAQ Market on April 28, 2015 (the business day immediately preceding the announcement date for the Tender Offer), a premium of 22.85% on 1,628 yen, which is the simple average closing price quoted for the one-month period prior to April 28, 2015, a premium of 22.17% on 1,637 yen, which is the simple average closing price quoted for the three-month period prior to the same date, and a premium of 25.00% on 1,600 yen, which is the simple average closing price quoted for the six-month period prior to the same date;

(c) the Target Company acknowledges that measures to protect the interests of minority shareholders are taken, such as measures to avoid conflict of interest as discussed in "*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 "(ii) Background of calculation" of "(4) Basis of Valuation of the Tender Offer Price" of "2. Outline of Offer" below;

(d) the Tender Offer Price is determined upon taking measures to avoid conflict of interest as described above, and further upon multiple discussions and negotiations between the Target Company and the Company in the same way discussions and negotiations are conducted between independent parties; and in addition,

(e) the purchase price of the Stock Acquisition Rights is the amount calculated by multiplying the difference of the Tender Offer Price and the exercise price per Target Company Share of one Stock Acquisition Right, by 100 (which is the number of shares of common stock to be issued upon the exercise of each respective Stock Acquisition Right).

On April 9, 2015, the Target Company has announced "Announcement Regarding Revision to Business Performance Forecast" which has revised its estimated value of the individual business performance for the full business year ended March 2015. The revision of the estimated business performance was due to the change to corporation tax rate, etc. pursuant to "Act on Partial Revision of the Income Tax Act, Etc." and "Act on Partial Revision of the Local Tax Act, Etc." promulgated as of March 31, 2015. The revision was disclosed in compliance with the timely disclosure standards of the TSE, and was not conducted in connection with or intending to the Transactions.

It is stated that, accordingly, at the meeting of its Board of Directors held today, the Target Company resolved to express an opinion in favor of the Tender Offer and to recommend the shareholders of the Target Company and the holders of the Stock Acquisition Rights tender their share certificates, etc.in the Tender Offer.

Please refer to "v. Approval of all disinterested directors of the Target Company" of "(ii) Background of calculation" of "(4) Basis of Valuation of the Tender Offer Price" of "2. Outline of Offer" for the details of the above resolution of the Target Company's Board of Directors.

The Company has changed the Target Company's position in the Company Group from the "other business" segment to the "property & facility management business" segment since April 2015 so as to promote its business in an integrated manner with the property & facility management business.

The Company intends to decide, upon consultation with the Target Company, the future business strategy relating to the Target Company's business domain after the Target Company becomes a wholly-owned subsidiary of the Company, but it is the intention of the Company that, after making the Target Company a wholly-owned subsidiary, the Company will strengthen the Target Company's business by managing it in a way in which the business characteristics and strengths of the Target Company are fully utilized. In addition, for the purpose of leveraging synergy effects between the Company and the Target Company, the both companies intend to promote further exchanges of human resources.

Although, as of today, one of the Target Company's directors (of its four directors in total) and four of the Target Company's corporate auditors (of its 4 corporate auditors in total) concurrently serve as officers of the Company or the Company's subsidiary (including a person to be appointed as the Company's officer after approval at the shareholders' meeting of the Company to be held in late June 2015), the Company has no specific intention to change, and has not yet examined in detail, the composition of directors and other aspects of the management structure of the Target Company after making the Target Company a wholly-owned subsidiary of the Company, and it is intended to examine the establishment of a structure most appropriate for the implementation of various measures described above and the further strengthening of the business foundation.

(3) Material Agreements Concerning the Tender Offer

Upon the Tender Offer, the Company has executed the Tender Agreement as of today respectively with JAFCO, Etc. Under the Tender Agreement, JAFCO, Etc. have agreed to tender all of their Target Company Shares (the total number of shares held: 572,000 shares, and Ownership Ratio: 14.65%) in the Tender Offer. The Tender Agreement does not provide for any condition precedent to such tender.

(4) Policy for Reorganization, etc. After the Tender Offer (Matters Relating to So-called "Two-Step Acquisitions")

As described in "(1) Outline of Tender Offer" above, the Company intends to acquire all of the Target Company Shares (excluding the Target Company Shares held by the Company and the treasury shares held by the Target Company), and if the Company fails to acquire all of the Target Company Shares (excluding the Target Company Shares held by the Company and the treasury shares held by the Target Company) in the Tender Offer, the Company intends to, after the completion of the Tender Offer, execute with the Target Company a share exchange agreement in which the Company will be a wholly-owning parent company and the Target Company will be a wholly-owned subsidiary (the share exchange under the share exchange agreement is hereinafter referred to as the "**Share Exchange**"), and acquire all of the Target Company Shares (excluding the Target Company Shares held by the Company and the treasury shares held by the Target Company).

In the Share Exchange, the Company will deliver the shares of common stock of the Company as consideration for the Target Company Shares held by the shareholders of the Target Company. All of the Target Company Shares that are not tendered in the Tender Offer (excluding the Target Company Shares held by the Company immediately prior to the Share Exchange coming into effect) will be exchanged with the shares of common stock of the Company by taking necessary statutory procedures, and the shareholders of the Target Company who receive one or more shares of common stock of the Company will become the shareholders of the Company. The Share Exchange will be implemented, with the effective date set in the period from or around mid to late October 2015 and ending in or around early November 2015 at the latest.

The purpose of this process is not only to provide the shareholders of the Target Company the opportunity to receive monetary consideration earlier by selling their shares in the Tender Offer, but to secure for the shareholders of the Target Company who did not tender their share certificates, etc. in the Tender Offer the option to continue to invest in the business of the Company Group through the acquisition of the shares of common stock of the Company by way of the Share Exchange.

The Share Exchange will be implemented without approval of the shareholders' meeting of the Company by way of a simplified share exchange as prescribed in the main text of Article 796, Paragraph 3 of the Companies Act (or, after the effective date of the Companies Act (May 1, 2015) as amended under the Act to Partially Amend the Companies Act (Act No. 90 of 2014), the main text of Article 796, Paragraph 2). In addition, the Share Exchange may be implemented without approval of the shareholders' meeting of the Target Company by way of a summary share exchange as prescribed in the main text of Article 784, Paragraph 1 of the Companies Act by satisfying the statutory requirements.

In order to secure its appropriateness, the Company and the Target Company will determine the share exchange ratio of the Share Exchange after the consummation of the Tender Offer, by reference to the result of the calculation of the share exchange ratio by the financial advisor, fully taking into consideration the interests of their respective shareholders. However, the value of the Target Company Shares that serves as the premise for the determination of the consideration to be received by the shareholders of the Target Company as a result of the Share Exchange (meaning the shares of common stock of the Company, or, in accordance with the Companies Act, if there is a fraction less than one share in the number of shares to be received, distribution of money for such fraction) will be the same price as the Tender Offer Price. According to the Target Company Press Release, the Target Company will cancel all of the treasury shares held by the Target Company during the period from the completion date of the Tender Offer to the effective date of the Share Exchange.

Upon the Share Exchange, the shareholders of the Target Company, which will become a wholly-owned subsidiary of the Company, may demand that the Target Company purchase the shares held by the shareholders pursuant to the provisions of the Companies Act and other relevant laws and regulations. In this case, the purchase price will be finally determined by the court.

With respect to the Stock Acquisition Rights, if the Company fails to acquire all of the Stock Acquisition Rights in the Tender Offer notwithstanding the completion of the Tender Offer, the Company will demand that the Target Company recommend the holders of the Stock Acquisition Rights to waive their Stock Acquisition Rights and take other reasonable procedures necessary for the execution of the Transactions.

(5) Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest

Given that the Target Company is a consolidated subsidiary of the Company, the Company and the Target Company have taken the following measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and measures to avoid conflicts of interest.

(i) Obtainment by the Company of a share valuation report from a financial advisor;
(ii) Obtainment by the Target Company of a share valuation report from an independent third-party valuation institution;
(iii) Establishment of a third-party committee by the Target Company;
(iv) Advice from a law firm independent from the Target Company;
(v) Approval of all disinterested directors of the Target Company; and
(vi) Measures to ensure opportunities for other offerors to make tender offers.

For the details of the measures above, please refer to "(ii) Background of calculation" of "(4) Basis of valuation of the Tender Offer Price" of "2. Outline of Offer."

(6) Possibility of and Reasons for Delisting

The Target Company Shares are listed on the JASDAQ Market as of today. However, because the Company has not set a maximum number of shares to be purchased in the Tender Offer, depending on the result of the Tender Offer, the Target Company Shares might be delisted through prescribed procedures pursuant to TSE's delisting standards. Also, even if the relevant standards do not apply at the time of completion of the Tender Offer, because, when the Tender Offer is completed, the procedures as set forth in "(4) Policy for Reorganization, etc. After the Tender Offer (Matters Relating to So-called "Two-Step Acquisitions")" above are to be taken for the purpose of acquiring all of the Target Company Shares (excluding the Target Company Shares held by the Company and the treasury shares held by the Target Company), the Target Company Shares will be delisted through prescribed procedures pursuant to TSE's delisting standards. After the delisting, the Target Company Shares may not be traded on the JASDAQ Market.

2. Outline of Offer

(1) Outline of the Target Company

(i) Name	Megalos Co., Ltd.

(ii)	Address	2-4-4, Ebisu-minami, Shibuya-ku, Tokyo
(iii)	Name and title of representative	Mitsuru Ohashi, President and Representative Director
(iv)	Description of business	Operation of sports clubs, including fitness clubs, swimming schools, tennis schools, golf schools and karate schools, and sale of sports products and other items
(v)	Stated capital	1,467 million yen
(vi)	Date of incorporation	March 1, 1989
(vii)	Major shareholders and shareholding ratios (as of March 31, 2015) (Note)	Nomura Real Estate Holdings, Inc. 53.87% JAFCO V2 Joint Investment Limited Partnership 13.32% Megalos Employee Shareholding Association 6.88% Kunio Kisaragi 0.84% Tadanao Takagoshi 0.82% JAFCO V2-R Investment Limited Partnership 0.61% JAFCO Co., Ltd. 0.43% JAFCO V2-W Investment Limited Partnership 0.29% Kenji Mizutani 0.23% Yoshiaki Ikegami 0.18%
(viii)	Relationship between the Company and the Target Company	
	Capital relationship	As of today, the Company owns 2,103,600 shares of the Target Company Shares (Ownership Ratio: 53.87% (rounded to two decimal places)).
	Personnel relationship	One of the Company's directors concurrently serves as a director of the Target Company, one of the Company's full-time corporate auditors concurrently serves as a corporate auditor of the Target Company, one of the Company's full-time corporate auditors concurrently serves as an outside corporate auditor of the Target Company, one of the corporate auditors of the Company's subsidiary concurrently serves as an outside corporate auditor of the Target Company, and one of the outside corporate auditors of the Target Company will be appointed as an outside corporate auditor of the Company after approval at the shareholders' meeting of the Target Company to be held at the end of June 2015. As of today, one of the employees of the Company's subsidiary is seconded to the Target Company, and one of the Target Company's employees is seconded to the Company.
	Business relationship	The Company and the Target Company have no material business relationship to be specified. However, the Company's subsidiary and the Target Company has a business relationship in which the Company's subsidiary leases buildings for two clubs of the Target Company, is contracted to perform facility management services for the Target Company's clubs, and is contracted to perform cleaning services for the Target Company's clubs and head office.
	Status as related party	The Target Company is a consolidated subsidiary of the Company, and therefore, the Target Company is a related party of the Company.

(Note) "Shareholding ratios" above indicate the ratio of the number of shares held to the total number of issued shares (3,905,100 shares) of the Target Company as of March 31, 2015 described in the Summary of Target Company Financial Results.

(2) Schedule and Other Matters

(i) Schedule

Meeting of Board of Directors	April 30, 2015 (Thursday)
Date of public notice of commencement of Tender Offer	May 1, 2015 (Friday) The Offeror will issue an electronic public notice and publish a statement to that effect in the *Nihon Keizai Shimbun*. (Address of electronic public notice

	http://disclosure.edinet-fsa.go.jp/）
Filing date of Tender Offer registration statement	May 1, 2015 (Friday)

(ii) Initial tender offer period at time of filing of registration statement

From May 1, 2015 (Friday) through June 16, 2015 (Tuesday) (30 business days)

(iii) Possibility of extension of tender offer period upon request of Target Company

Not applicable.

(3) Tender Offer Price

(i) Common stock 2,000 yen per share of common stock

(ii) Stock acquisition rights

(a) Stock acquisition rights (Series No. 2) for the 2008 business year (the "**Series No. 1 Stock Acquisition Rights**") issued pursuant to the resolution of the general shareholders' meeting of the Target Company held on November 13, 2008 126,000 yen per stock acquisition right

(b) Stock acquisition rights (Series No. 2) for the 2009 business year (the "**Series No. 2 Stock Acquisition Rights**") issued pursuant to the resolution of the general shareholders' meeting of the Target Company held on July 16, 2009 99,000 yen per stock acquisition right

(c) Stock acquisition rights (Series No. 2) for the 2010 business year (the "**Series No. 3 Stock Acquisition Rights**") issued pursuant to the resolution of the general shareholders' meeting of the Target Company held on July 28, 2010 90,700 yen per stock acquisition right

(d) Stock acquisition rights (Series No. 2) for the 2011 business year (the "**Series No. 4 Stock Acquisition Rights**") issued pursuant to the resolution of the general shareholders' meeting of the Target Company held on July 27, 2011 89,500 yen per stock acquisition right

(e) Stock acquisition rights (Series No. 2) for the 2012 business year (the "**Series No. 5 Stock Acquisition Rights**") issued pursuant to the resolution of the general shareholders' meeting of the Target Company held on July 25, 2012 80,400 yen per stock acquisition right

(f) Stock acquisition rights (Series No. 2) for the 2013 business year (the "**Series No. 6 Stock Acquisition Rights**") issued pursuant to the resolution of the general shareholders' meeting of the Target Company held on July 24, 2013 51,200 yen per stock acquisition right

(g) Stock acquisition rights (Series No. 1) for the 2014 business year (the "**Series No. 7 Stock Acquisition Rights**") issued pursuant to the resolution of the general shareholders' meeting of the Target Company held on July 23, 2014 199,900 yen per stock acquisition right

(h) Stock acquisition rights (Series No. 2) for the 2014 business year (the "**Series No. 8 Stock Acquisition Rights**") issued pursuant to the resolution of the general shareholders' meeting of the Target Company held on July 23, 2014 41,000 yen per stock acquisition right

(The Series No. 1 Stock Acquisition Rights, the Series No. 2 Stock Acquisition Rights, the Series No. 3 Stock Acquisition Rights, the Series No. 4 Stock Acquisition Rights, the Series No. 5 Stock Acquisition Rights, the Series No. 6 Stock Acquisition Rights, the Series No. 7 Stock Acquisition Rights and the Series No. 8 Stock Acquisition Rights are hereinafter collectively referred to as the "**Stock Acquisition Rights**.")

(4) Basis of Valuation of the Tender Offer Price

(i) Basis of calculation

(a) Common stock

In determining the Tender Offer Price, the Company engaged Nomura Securities, which is the Company's financial advisor, to calculate the share value of the Target Company, in order to ensure the fairness of the Tender Offer Price.

Nomura Securities has, as a result of its consideration of the calculation methods to be used in calculating the share value of the Target Company among a number of methods of calculating the share value, calculated the share value of the Target Company by employing the average market share price analysis and the DCF analysis. The Company obtained the share valuation report of the result of calculation of the Target Company as of today. The Company has not obtained from Nomura Securities any opinion on the fairness of the Tender Offer Price (fairness opinion).

The ranges of share value per Target Company Share as calculated by Nomura Securities based on the above-mentioned analyses are as follows.

Average market share price analysis:	1,600 yen to 1,637 yen
DCF analysis:	996 yen to 2,409 yen

For the average market price analysis, the calculation base date was set at April 28, 2015, and the valuation per Target Company Share was analyzed based on the closing price on the base date (1,621 yen) and the simple average closing prices over the one-week, one-month, three-month and six-month periods prior to the base date (1,618 yen, 1,628 yen, 1,637 yen and 1,600 yen respectively), as quoted on the JASDAQ Market. A range of 1,600 yen to 1,637 yen per Target Company Share was derived from the analysis. Although the Target Company announced the "Announcement Regarding Revision to Business Performance Forecast" on April 9, 2015, Nomura Securities believes that it is not particularly necessary to take this into consideration upon the calculation based on the average market share price analysis in the light of factors such as the content of the announcement above and subsequent trends in the market price of the Target Company Shares.

For the DCF analysis, the future free cash flow of the Target Company expected to be generated based on the Target Company's estimated future earnings in or after the business year ended March 2016 taking into account elements such as the business plan provided by the Target Company and confirmed by the Company, interviews with the Target Company's management, trends in the Target Company's operating results to date, and publicly disclosed information, was discounted to the current value by using a certain discount rate, in order to analyze the Target Company's corporate value and share value. A range of 996 yen to 2,409 yen per Target Company Share was derived from the analysis.

With the calculation results in the share valuation report obtained from Nomura Securities as a reference, the Company's Board of Directors ultimately decided on a Tender Offer Price of 2,000 yen per share at its meeting held today, based on such factors as the progress of discussions and negotiations with JAFCO, Etc. and the Target Company, and having considered the Tender Offer Price by comprehensively taking into account such factors as (i) the trends in the market price for the past six-month period and the most recent market price of the Target Company Shares on the JASDAQ Market, (ii) examples of the premiums added when determining purchase prices of share certificates, etc. in tender offers of the same kind conducted in the past by a party other than an issuer, (iii) estimation on whether the Target Company's Board of Directors would express an opinion in favor of the Tender Offer and (iv) the numbers of shares expected to be tendered in the Tender Offer.

The Tender Offer Price represents (i) a premium of 23.38% on 1,621 yen, which is the closing price of the Target Company Shares quoted on the JASDAQ Market on April 28, 2015, the business day immediately preceding the announcement date for the Tender Offer, (ii) a premium of 22.85% on 1,628 yen, which is the simple average closing price of the Target Company Shares quoted for the one-month period prior to April 28, 2015, (iii) a premium of 22.17% on 1,637 yen, which is the simple average closing price quoted for the three-month period prior to April 28, 2015, and (iv) a premium of 25.00% on 1,600 yen, which is the simple average closing price quoted for the six-month period prior to April 28, 2015.

(b) Stock Acquisition Rights

The Stock Acquisition Rights were issued to the officers, employees and other members of the Target Company as stock options, and the acquisition of the Stock Acquisition Rights by transfer is required to be approved by the Target Company's Board of Directors at the meeting of the Target Company's Board of Directors held today. According to the Target Company Press Release, it is stated that the Target Company resolved at the meeting of its Board of Directors to comprehensively approve that the holders of the Stock Acquisition Rights may transfer the Stock Acquisition Rights by tendering them in the Tender Offer. The exercise price per Target Company Share of each Stock Acquisition Right is less than the Tender Offer Price as of today. Therefore, the Company, at the meeting of the Company's Board of Directors held today, decided on the purchase price of the Stock Acquisition Rights to be the amount calculated by multiplying the difference of the 2,000 yen Tender Offer Price and the exercise price per Target Company Share of one Stock Acquisition Right, by 100 (which is the number of shares of common stock to be issued upon the exercise of each respective Stock Acquisition Right). Specifically, (i) the purchase price of the Series No. 1 Stock Acquisition Rights is 126,000 yen (calculated by multiplying the difference of the Tender Offer Price and 740 yen, the exercise price per Target Company Share of the Series No. 1 Stock Acquisition Rights, by 100), (ii) the purchase price of the Series No. 2 Stock Acquisition Rights is 99,000 yen (calculated by multiplying the difference of the Tender Offer Price and 1,010 yen, the exercise price per Target Company Share of the Series No. 2 Stock Acquisition Rights, by 100), (iii) the purchase price of the Series No. 3 Stock Acquisition Rights is 90,700 yen (calculated by multiplying the difference of the Tender Offer Price and 1,093 yen, the exercise price per Target Company Share of the Series No. 3 Stock Acquisition Rights, by 100), (iv) the purchase price of the Series No. 4 Stock Acquisition Rights is 89,500 yen (calculated by multiplying the difference of the Tender Offer Price and 1,105 yen, the exercise price per Target Company Share of the Series No. 4 Stock Acquisition Rights, by 100), (v) the purchase price of the Series No. 5 Stock Acquisition Rights is 80,400 yen (calculated by multiplying the difference of the Tender Offer Price and 1,196 yen, the exercise price per Target Company Share of the Series No. 5 Stock Acquisition Rights, by 100), (vi) the purchase price of the Series No. 6 Stock Acquisition Rights is 51,200 yen (calculated by multiplying the difference of the Tender Offer Price and 1,488 yen, the exercise price per Target Company Share of the Series No. 6 Stock Acquisition Rights, by 100), (vii) the purchase price of the Series No. 7 Stock Acquisition Rights is 199,900 yen (calculated by multiplying the difference of the Tender Offer Price and 1 yen, the exercise price per Target Company Share of the Series No. 7 Stock Acquisition Rights, by 100), and (viii) the purchase price of the Series No. 8 Stock Acquisition Rights is 41,000 yen (calculated by multiplying the difference of the Tender Offer Price and 1,590 yen, the exercise price per Target Company Share of the Series No. 8 Stock Acquisition Rights, by 100).

The Company did not obtain any valuation report, etc. from a third-party valuation agent when determining the purchase prices of the Stock Acquisition Rights in the Tender Offer.

(ii) Background of calculation

Process of decision on the Tender Offer Price

After the Company proposed the Transactions to the Target Company in February 2015, the Company and the Target Company have developed a system for discussing and negotiating the Transactions, by the Company appointing Nomura Securities as a financial advisor and third-party valuation agent, independent from the Company and the Target Company, and Mori Hamada & Matsumoto as a legal advisor, while the Target Company appointing KPMG as a financial advisor and third-party valuation agent, independent from the Company and the Target Company, and City-Yuwa Partners as a legal advisor, and further establishing a third-party committee to avoid conflicts of interest. Since doing so, the Company and the Target Company have conducted discussions and examinations over multiple occasions for the purpose of further increasing their respective corporate value.

As a result, the Company and the Target Company determined that it would be possible for the Target Company to implement bold measures that may entail a risk of a short-term fall in operating results or uncertainty based on quick decision-making by achieving integrated management of the Company and the Target Company under the relationship between a wholly-owning company and a wholly-owned company, and that it would be possible to achieve acceleration of the Target Company's growth based on mid-to long-term perspectives. The Company and the Target Company also determined that because they could expect to be able to leverage not only the Target Company's strengths but also the comprehensive strength of the integrated group, such integrated management will lead to an increase in the corporate value of the Company Group.

Accordingly, the Company has decided to conduct the Tender Offer for the purpose of making the Target Company a wholly-owned subsidiary of the Company and decided the Tender Offer Price by the process described above pursuant to the decision by the Company's Board of Directors held today.

(a) Name of third-party consulted in valuation

In determining the Tender Offer Price, the Company engaged Nomura Securities, which is the Company's financial advisor, to calculate the share value of the Target Company, in order to ensure the fairness of the Tender Offer Price.

(b) Outline of the opinion

Nomura Securities has calculated the share value of the Target Company by employing the average market share price analysis and the DCF analysis, and the ranges of the share value per Target Company Share as calculated by Nomura Securities based on these analyses are as follows.

Average market share price analysis:	1,600 yen to 1,637 yen
DCF analysis:	996 yen to 2,409 yen

(c) Process of decision on the Tender Offer Price in accordance with the opinion

With the calculation results in the share valuation report obtained from Nomura Securities as a reference, the Company's Board of Directors ultimately decided on a Tender Offer Price of 2,000 yen per share at its meeting held today, based on such factors as the progress of discussions and negotiations with JAFCO, Etc. and the Target Company, and having considered the Tender Offer Price by comprehensively taking into account such factors as (i) the trends in the market price for the past six-month period and the most recent market price of the Target Company Shares on the JASDAQ Market, (ii) examples of the premiums added when determining purchase prices of share certificates, etc. in tender offers of the same kind conducted in the past by a party other than an issuer, (iii) estimation on whether the Target Company's Board of Directors would express an opinion in favor of the Tender Offer and (iv) the numbers of shares expected to would be tendered in the Tender Offer.

On the other hand, the Stock Acquisition Rights were issued to the officers, employees and other members of the Target Company as stock options, and the acquisition of the Stock Acquisition Rights by transfer is required to be approved by the Target Company's Board of Directors. According to the Target Company Press Release, the Target Company resolved at the meeting of its Board of Directors to comprehensively approve that the holders of the Stock Acquisition Rights may transfer the Stock Acquisition Rights by tendering them in the Tender Offer. The exercise price per Target Company Share of each Stock Acquisition Right is less than the Tender Offer Price as of today. Therefore, the Company decided on the purchase price of the Stock Acquisition Rights to be the amount calculated by multiplying the difference of the 2,000 yen Tender Offer Price and the exercise price per Target Company Share of one Stock Acquisition Right, by 100 (which is the number of shares of common stock to be issued upon the exercise of each respective Stock Acquisition Right). Specifically, (i) the purchase price of the Series No. 1 Stock Acquisition Rights is 126,000 yen (calculated by multiplying the difference of the Tender Offer Price and 740 yen, the exercise price per Target Company Share of the Series No. 1 Stock Acquisition Rights, by 100), (ii) the purchase price of the Series No. 2 Stock Acquisition Rights is 99,000 yen (calculated by multiplying the difference of the Tender Offer Price and 1,010 yen, the exercise price per Target Company Share of the Series No. 2 Stock Acquisition Rights, by 100), (iii) the purchase price of the Series No. 3 Stock Acquisition Rights is 90,700 yen (calculated by multiplying the difference of the Tender Offer Price and 1,093 yen, the exercise price per Target Company Share of the Series No. 3 Stock Acquisition Rights, by 100), (iv) the purchase price of the Series No. 4 Stock Acquisition Rights is 89,500 yen (calculated by multiplying the difference of the Tender Offer Price and 1,105 yen, the exercise price per Target Company Share of the Series No. 4 Stock Acquisition Rights, by 100), (v) the purchase price of the Series No. 5 Stock Acquisition Rights is 80,400 yen (calculated by multiplying the difference of the Tender Offer Price and 1,196 yen, the exercise price per Target Company Share of the Series No. 5 Stock Acquisition Rights, by 100), (vi) the purchase price of the Series No. 6 Stock Acquisition Rights is 51,200 yen (calculated by multiplying the difference of the Tender Offer Price and 1,488 yen, the exercise price per Target Company Share of the Series No. 6 Stock Acquisition Rights, by 100), (vii) the purchase price of the Series No. 7 Stock Acquisition Rights is 199,900 yen (calculated by multiplying the difference of the Tender Offer Price and 1 yen, the exercise price per Target Company Share of the Series No. 7 Stock

Acquisition Rights, by 100), and (viii) the purchase price of the Series No. 8 Stock Acquisition Rights is 41,000 yen (calculated by multiplying the difference of the Tender Offer Price and 1,590 yen, the exercise price per Target Company Share of the Series No. 8 Stock Acquisition Rights, by 100).

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

Given that the Target Company is a consolidated subsidiary of the Company, the Company and the Target Company have taken the following measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and measures to avoid conflicts of interest.

i. Obtainment by the Company of a share valuation report from a financial advisor

In determining the Tender Offer Price, the Company engaged Nomura Securities, which is the Company's financial advisor, to calculate the share value of the Target Company, in order to ensure the fairness of the Tender Offer Price. For the outline of the share valuation report of the result of calculation of the share value of the Target Company obtained from Nomura Securities, please refer to "(i) Basis of calculation" above.

ii. Obtainment by the Target Company of a share valuation report from an independent third-party valuation institution

According to the Target Company Press Release, it is stated that, in order to secure the fairness in the process of decision-making for the Tender Offer Price proposed by the Company, the Target Company's Board of Directors requested calculation of the value of the Target Company Shares by KPMG, as the financial advisor and the third-party valuation institution independent from the Company and the Target Company, and obtained the Share Valuation Report on April 30, 2015. It is stated that KPMG is not a related party of the Company or the Target Company, and does not have material interest to be noted with respect to the Transactions including the Tender Offer. The Target Company has not obtained from KPMG any opinion on the appropriateness of the Tender Offer Price (fairness opinion).

It is stated that, in response to the Target Company's request, KPMG calculated the value of the Target Company Shares after the Target Company disclosed to KPMG information including the current status of the Target Company and its future business plans, etc., and gave an explanation to KPMG regarding such information, and further after KPMG conducting interviews with the Target Company's management. It is stated that, as for the share value calculation method, KPMG adopted the average market price analysis because the Target Company is listed on JASDAQ Market and a market price of the Target Company Shares is available, and also the DCF analysis, under which the future free cash flow of the Target Company expected to be generated based on the Target Company's estimated future earnings is discounted to the current value by using a certain discount rate, for the purpose of reflecting the future business activities of the Target Company into the calculation.
It is stated that the ranges of share value per Target Company Share as calculated by KPMG based on the above-mentioned analyses are as follows.

Average market share price analysis: 1,600 yen to 1,637 yen
DCF analysis: 1,611 yen to 2,148 yen

It is stated that, for the average market price analysis, the calculation base date was set at April 28, 2015, and the valuation per Target Company Share was analyzed based on the closing price on the base date (1,621 yen), and the simple average closing prices over the one-month, three-month and six-month periods prior to the calculation base date (1,628 yen, 1,637 yen, and 1,600 yen respectively), as quoted on the JASDAQ Market. It is stated that a range of 1,600 yen to 1,637 yen per Target Company Share was derived from the analysis. It is stated that, although the Target Company announced the "Announcement Regarding Revision to Business Performance Forecast" on April 9, 2015, KPMG believes that it is not particularly necessary to take this into consideration upon the calculation based on the average market share price analysis in the light of factors such as the content of the announcement above and subsequent trends of the market price of the Target Company Shares.

It is stated that, for the DCF analysis, the future free cash flow of the Target Company expected to be generated based on the Target Company's estimated future earnings, taking into account elements such as the business plan for the business year ended March 2016 until the business year ended March 2022 provided by the Target Company, interviews with the Target Company's management, trends in the Target Company's operating results to date, and publicly disclosed information, was discounted to the current value by using a certain discount rate, in order to analyze the Target Company's corporate value and share value. It is stated that a range of 1,611 yen to 2,148 yen per Target Company Share was derived from the analysis. It is stated that KPMG adopted discount rate from 5.0% to 5.2%, and further, when calculating going concern value, adopted the constant growth rate method and performed the calculations based on permanent growth rate of -0.25% to 0.25%.

It is stated that the financial forecasts based on the Target Company's business plan that KPMG used as the premises for calculation according to the DCF analysis are as set forth below.

It is stated that, under the following financial forecast, some business years are expected to record substantial increase or decrease in profit. It is stated that, in the business year ended March 2016, the Target Company implemented fundamental measures for profit improvement and expecting operating loss as a result of incurring the cost of implementation of such measures. It is stated that, on the other hand, from the business year ended March 2017 until business year ended March 2019, the Target Company expects substantial increase of operating income and EBITDA as a result of profit improvement measures such as actively rolling out new fitness clubs as a new model of fitness clubs and reviewing the fee system. It is stated that, among the synergy effects expected from execution of the Transactions, the reduction of the cost to maintain the status as a listed company by a delisting of the Target Company Shares is calculated in the financial forecasts. It is stated that, however, it is difficult at this time to make specific estimates concerning the effects of the variety of measures to be taken after the Transactions, and accordingly, they are not included in the following forecasts of financial results.

(Millions of yen)

	Business Year Ending March 2016	**Business Year Ending March 2017**	**Business Year Ending March 2018**
Sales	15,200	16,710	17,877
Operating income	(350)	381	716
EBITDA	713	1,478	1,825
Free cash flows	(245)	22	232

(Millions of yen)

	Business Year Ending March 2019	**Business Year Ending March 2020**	**Business Year Ending March 2021**
Sales	18,973	19,841	20,755
Operating income	1,020	1,127	1,307
EBITDA	2,076	2,221	2,411
Free cash flows	294	454	587

(Millions of yen)

	Business Year Ending March 2022
Sales	21,654
Operating income	1,464
EBITDA	2,497
Free cash flows	831

It is stated that, while the Tender Offer covers purchase of the Stock Acquisition Rights, the

Target Company has not obtained any valuation report for the Stock Acquisition Rights from any third-party valuation institution, because the purchase price of the Stock Acquisition Rights are decided as the amount calculated by multiplying the difference of the 2,000 yen Tender Offer Price and the exercise price per Target Company Share of one Stock Acquisition Right, by 100 (which is the number of shares of common stock to be issued upon the exercise of each respective Stock Acquisition Right). Specifically, (a) the purchase price of the Series No. 1 Stock Acquisition Rights is 126,000 yen (calculated by multiplying the difference of the Tender Offer Price and 740 yen, the exercise price per Target Company Share of the Series No. 1 Stock Acquisition Rights, by 100), (b) the purchase price of the Series No. 2 Stock Acquisition Rights is 99,000 yen (calculated by multiplying the difference of the Tender Offer Price and 1,010 yen, the exercise price per Target Company Share of the Series No. 2 Stock Acquisition Rights, by 100), (c) the purchase price of the Series No. 3 Stock Acquisition Rights is 90,700 yen (calculated by multiplying the difference of the Tender Offer Price and 1,093 yen, the exercise price per Target Company Share of the Series No. 3 Stock Acquisition Rights, by 100), (d) the purchase price of the Series No. 4 Stock Acquisition Rights is 89,500 yen (calculated by multiplying the difference of the Tender Offer Price and 1,105 yen, the exercise price per Target Company Share of the Series No. 4 Stock Acquisition Rights, by 100), (e) the purchase price of the Series No. 5 Stock Acquisition Rights is 80,400 yen (calculated by multiplying the difference of the Tender Offer Price and 1,196 yen, the exercise price per Target Company Share of the Series No. 5 Stock Acquisition Rights, by 100), (f) the purchase price of the Series No. 6 Stock Acquisition Rights is 51,200 yen (calculated by multiplying the difference of the Tender Offer Price and 1,488 yen, the exercise price per Target Company Share of the Series No. 6 Stock Acquisition Rights, by 100), (g) the purchase price of the Series No. 7 Stock Acquisition Rights is 199,900 yen (calculated by multiplying the difference of the Tender Offer Price and 1 yen, the exercise price per Target Company Share of the Series No. 7 Stock Acquisition Rights, by 100), and (h) the purchase price of the Series No. 8 Stock Acquisition Rights is 41,000 yen (calculated by multiplying the difference of the Tender Offer Price and 1,590 yen, the exercise price per Target Company Share of the Series No. 8 Stock Acquisition Rights, by 100).

iii. Establishment of a third-party committee by the Target Company

According to the Target Company Press Release, it is stated that, to eliminate arbitrary decision-making by the Target Company concerning the Transactions including the Tender Offer and to ensure fairness, transparency, and objectivity in the Target Company's decision-making process, on February 20, 2015, the Target Company's Board of Directors established an independent third-party committee comprising the following three external experts, all of whom are independent from the Company and the Target Company (the Target Company initially nominated these three members of the third-party committee, and there has been no change in the membership of the third-party committee). It is stated that, the Target Company resolved to consult with the third-party committee on the following issues (the "**Consultation Issues**"): (a) the legitimacy and reasonableness of the objectives of the Transactions (including the evaluation of whether the Transactions contributes to the improvement of the Target Company's corporate value), (b) the fairness and appropriateness of the terms and conditions of the Transactions (including the Tender Offer Price, the appropriateness of the consideration of the second stage acquisition scheduled to be implemented after the Tender Offer and evaluation and negotiation process of the Transactions), (c) the fairness of the negotiation process and the procedures leading to decision-making, and in light of the above issues, (x) the reasonableness of the Target Company's Board of Directors expressing an opinion in favor of the Tender Offer and recommending that the shareholders of the Target Company and holders of the Stock Acquisition Rights tender their shares certificates, etc. in the Tender Offer, and (y) whether the decisions of the Target Company are contrary to the interests of the minority shareholders of the Target Company.

Committee
Chairperson of the Committee: Omoo Yamazaki
(certified public accountant, certified tax accountant and representative director of Kabushiki Kaisha GG Partners)
Member of the Committee: Kouki Tada
(attorney at law and partner at Hayabusa Asuka Law Offices)
Member of the Committee: Kenichi Saito
(certified tax accountant and representative member of Cinq & Associates)

It is stated that, the third-party committee held a total of 5 meetings during the period from

March 5, 2015 to April 28, 2015. It is stated that, in the deliberation, the third-party committee initially had the Target Company explain the current business challenges to be dealt with by the Target Company, necessity of the Transactions, the Target Company's opinions on management policies and management system after the Transactions, expected influence and effect of the Transactions on the corporate value of the Target Company, and the business plans of the Target Company, and had a question-and-answer session. It is stated that, also, the committee had the Company explain the details of the proposals of the Company in the Transactions, purpose of the Transactions, details of the corporate value expected to be improved as a result of the Transactions, management system and policies after the Transactions and terms and conditions of the Transactions, etc., and had a question-and-answer session. It is stated that, then the third-party committee had KPMG explain the share value calculation for the Target Company Shares, and had a question-and-answer session. It is stated that, based on the explanations given and the question-and-answer session, the third-party committee deliberated on and investigated the Consultation Issues in light of improvement of the corporate value of the Target Company.

It is stated that, as a result of the deliberation and investigation, on April 30, 2015, the third-party committee submitted to the Target Company's Board of Directors the Report on the Consultation Issues stating the following:

(a) the integrated business between the Target Company and the Company as a result of the Transactions realizes a closer information exchange and cooperation between the companies, a system which allows a prompt decision-making, and bold enforcement of fundamental measures necessary to make a breakthrough from the current business circumstances of the Target Company, and accordingly, the purpose of the Transactions is legitimate and reasonable;

(b) in light of the fact that as for the terms and conditions of the Tender Offer, the Tender Offer Price is higher than 1,720 yen, which is the highest price of the Target Company Share since the Target Company was listed, that the price is added with a premium by 22.17% to 25.00% on closing price of the Target Company Shares quoted on the JASDAQ Market on April 28, 2015 (the business day immediately preceding the announcement date for the Tender Offer) and on the simple average closing price of the Target Company Shares quoted for the one-month, three-month and six-month periods prior to April 28, 2015, that the price is determined upon due consideration for avoiding conflicts of interest, that the Tender Offer Period is set at a relatively long period, and that the price of the Target Company Shares in deciding the consideration to be paid to the shareholders of the Target Company by the Share Exchange as the second acquisition in the two-tier acquisition is scheduled to be the same as the Tender Offer Price, the terms and conditions of the Transactions are fair and appropriate;

(c) in light of the fact that no director or an auditor with a conflict of interest with the Target Company participated in the decision-making for the Transactions, that independent financial advisor and legal advisor were appointed, and that the Target Company obtains their advice from time to time, the negotiations process of the Transactions and the procedures leading to the decision-making are fair; and further in light of the above,

(x) it is reasonable for the Target Company's Board of Directors to express an opinion in favor of the Tender Offer and to recommend that the shareholders of the Target Company and the holders of the Stock Acquisition Rights tender their share certificates, etc. in the Tender Offer; and,

(y) the Target Company's decision-making concerning the Transactions is not contrary to the interests of the minority shareholders of the Target Company.

iv. Advice from a law firm independent from the Target Company

According to the Target Company Press Release, it is stated that, to ensure the transparency and reasonableness of the decision-making process relating to the Transactions including the Tender Offer, the Target Company retained City-Yuwa Partners, a law firm independent from the Company and Target Company, as its legal advisor and obtained from the law firm legal advice concerning the decision-making process relating to the statement of opinions on the Tender Offer, decision-making methods and points that should be kept in mind relating to the Tender Offer.

v. Approval of all disinterested directors of the Target Company

According to the Target Company Press Release, it is stated that, the Target Company's Board of Directors deliberated on and evaluated, among other things, whether the Transactions will contribute to the improvement of corporate value of the Target Company and whether the Tender Offer Price and other terms and conditions of the Transactions are appropriate, based on legal advice from City-Yuwa Partners, making reference to the Share Valuation Report obtained from KPMG as the third-party valuation institution, and further giving the utmost respect to the Report obtained from the third-party committee.

It is stated that, as a result, the Target Company has determined that the Transactions will further improve the corporate value of the Target Company, in light of the fact that:

a) the Transactions is helpful for the Target Company to boldly and promptly take fundamental measures which may entail adverse effect on profit level and uncertainty while avoiding the risks which the shareholders may face;

b) the Transactions will help the Target Company to respond to the rapidly changing market conditions and accelerate the Company's mid-term and long-term business development; and that,

c) the Transactions will allow the Company and the Target Company to mutually utilize to a maxim extent their business resources and know-how and will also allow the two companies to further expand their respective business opportunities and improve their services.

It is stated that, the Target Company also determined that the Transactions provides an opportunity for the shareholders of the Target Company and holders of the Stock Acquisition Rights to sell their share certificates, etc. with a reasonable premium (please refer to "(2) Purpose of, Background to, and Decision-Making Process of, the Tender Offer and the Management Policies after the Completion of the Tender Offer" of "1. Purpose of Tender Offer" above for details of the decision-making process).

It is stated that, accordingly, at the meeting of its Board of Directors held today, the Target Company resolved to express an opinion in favor of the Tender Offer and to recommend the shareholders of the Target Company and the holders of the Stock Acquisition Rights tender their share certificates, etc. in the Tender Offer.

It is stated that, at the meeting of the Target Company's Board of Directors described above, the resolution was unanimously resolved by all of the directors of the Target Company, except for Mr. Yukou Yoshida ("**Mr. Yoshida**"), a director of the Target Company. It is stated that, Mr. Yoshida is also a director of the Company, and in order to avoid the risk of conflict of interest concerning the Transactions, Mr. Yoshida did not participate in any of the discussions at the meeting of the Target Company's Board of Directors in connection with the Transactions including Tender Offer or in the resolution for the agenda, nor did he participate in any of the discussions and negotiations with the Company as a director of the Target Company. It is stated that, also, Mr. Yoji Kurihara and Mr. Takao Orihara, both of whom are auditors of the Target Company, are also auditors of the Company. It is stated that, Mr. Shigeaki Yoshioka, another auditor of the Target Company, is also an auditor of Nomura Real Estate Asset Management Co., Ltd., a wholly-owned subsidiary of the Company. It is stated that, Mr. Akira Ono, another auditor of the Target Company, is scheduled to be appointed as an auditor of the Company after the ordinary shareholders meeting of the Company scheduled to be held in late June 2015. It is stated that, in order to avoid the risk of conflict of interest, all of the above auditors did not participate in any of the discussions at the meeting of the Target Company's Board of Directors in connection with the Transactions including the Tender Offer.

vi. Measures to ensure opportunities for other offerors to make tender offers

The Company has not entered into any agreement with the Target Company that would restrict a counter offeror from contacting or otherwise engaging with the Target Company, including an agreement on a deal protection clause that would prohibit the Target Company from contacting the counter offerors.

Furthermore, the Company has set the tender offer period in the Tender Offer at 30 business days, which is longer than the minimum tender offer period stipulated by law of 20 business days. By setting a comparatively long tender offer period, the Company ensures an appropriate opportunity for the shareholders and the holders of the Stock Acquisition Rights of the Target Company to make a decision about the Tender Offer, while ensuring an opportunity for counter offers by other parties of the Target Company Shares, as a means to guarantee the appropriateness of the Tender Officer Price.

Although, as described in "(1) Outline of the Tender Offer" of "1. Purpose of Tender Offer," the Company has not set a minimum number of shares to be purchased in the Tender Offer, the Share Exchange will be stably implemented given that, as of today, the Company already holds 2,103,600 shares of the Target Company Shares (Ownership Ratio: 53.87%), and expects to be able to hold 2,675,600 shares (Ownership Ratio: 68.52%) including an additional 572,000 shares (Ownership Ratio: 14.65%) to be tendered by JAFCO, Etc. as a result of having executed the Tender Agreement with JAFCO, Etc. Accordingly, this process will not only provide the shareholders of the Target Company with the opportunity to receive monetary consideration earlier by selling their shares in the Tender Offer, but also offer the shareholders of the Target Company who did not tender in the Tender Offer the option to continue to invest in the business of the Company Group through the acquisition of the shares of common stock of the Company by way of the Share Exchange.

Therefore, the Company has not set a minimum number of shares to be purchased in the Tender Offer as the Company believes that it is not necessary to set a minimum number of shares to be purchased from a so-called "majority of minority" in the Tender Offer in terms of protecting minority shareholders. The Company believes that the interests of minority shareholders of the Target Company have been fully taken into consideration in the Tender Offer through the measures to ensure the fairness thereof as set out in i. through vi. above.

(iii) Relationship with valuation institution

Although Nomura Securities, which is the Company's financial advisor, is a subsidiary of Nomura Holdings, Inc., which is another affiliate of the Company, and is a related party of the Company, the Company requested Nomura Securities to provide the share value report described above in the light of the track record of Nomura Securities as a valuation agent, and on the ground that the independence as a valuation agent is secured because the Company and Nomura Securities conduct transactions on the same business conditions as those adopted with general customers.

(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
1,929,192 shares	—shares	—shares

(Note 1) Because the Offeror has not set a maximum number or minimum number of shares to be purchased in the Tender Offer, the Offeror will purchase all of the Tendered Share Certificates, Etc. The column of the "Number of shares to be purchased" above indicates the maximum number of share certificates, etc. to be acquired by the Offeror in the Tender Offer. Such maximum number is the total number of shares (i.e., 1,929,192 shares) obtained by (a) deducting (i) the number of treasury shares held by the Target Company as of March 31, 2015 (208 shares) as set forth in the Summary of Target Company Financial Results and (ii) the number of the Target Company Shares held by the Company as of today (2,103,600 shares), from the total number of issued shares of the Target Company as of March 31, 2015 (3,905,100 shares) as set forth in the Summary of Target Company Financial Results, and (b) adding thereto the number of the Target Company Shares (127,900 shares) which are the object of the Stock Acquisition Rights as of March 31, 2015 (1,279 options) as set forth in the Summary of Target Company Financial Results.

(Note 2) The Tender Offer also targets the shares less than one unit. In the event that any shareholder exercises his/her right to demand purchase of shares less than one unit pursuant to the applicable provisions of the Companies Act, the Target Company may purchase its own shares during the tender offer period in accordance with the relevant procedures under the applicable laws and regulations.

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

(Note 4) While the Stock Acquisition Rights may be exercised before the last day of the tender offer period, the Tender Offer also targets the Target Company Shares to be issued or disposed upon such exercise.

(6) Changes in Ownership Ratio of Share Certificates, etc. through Tender Offer

Number of voting rights represented by share certificates, etc. held by Offeror before tender offer	21,036 units	(Ownership ratio of share certificates, etc. before tender offer 52.16%)
Number of voting rights represented by share certificates, etc. held by special related parties before tender offer	917 units	(Ownership ratio of share certificates, etc. before tender offer 2.27%)
Number of voting rights represented by share certificates, etc. held by Offeror after tender offer	40,327 units	(Ownership ratio of share certificates, etc. after tender offer 100.00%)
Number of voting rights represented by share certificates, etc. held by special related parties after tender offer	－units	(Ownership ratio of share certificates, etc. after tender offer －%)
Total number of voting rights of all shareholders of Target Company	39,045 units	

(Note 1) "Number of voting rights represented by share certificates, etc. held by special related parties before tender offer" is the total number of voting rights represented by the share certificates, etc. held by the special related parties (other than those excluded from being considered special related parties in accordance with Article 3, Paragraph 2, Item 1 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc. by Person Other than Issuer (Ordinance of the Ministry of Finance No. 38 of 1990, as amended; the "**Cabinet Ordinance**") with respect to the calculation of ownership ratio of shares certificates, etc. under each Item of Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the "**Act**")). Because the Tender Offer also targets the share certificates, etc. held by special related parties (excluding the treasury shares held by the Target Company), in calculating the "Ownership ratio of share certificates, etc. after tender offer," the "Number of voting rights represented by share certificates, etc. held by special related parties before tender offer" is not added to the numerator.

(Note 2) "Total number of voting rights of all shareholders of Target Company" is the number of voting rights of all shareholders as of September 30, 2014 indicated in the third quarterly report of the 27th business year filed by the Target Company on February 13, 2015 (described as the share unit number of the Target Company is 100 shares). However, because the Tender Offer also targets the shares less than one unit and the Target Company Shares that may be issued or disposed upon exercise of the Stock Acquisition Rights, for the purpose of calculation of "Ownership ratio of shares certificates, etc. before tender offer" and "Ownership ratio of shares certificates, etc. after tender offer", the number of voting rights (40,327 units) is used as the denominator which is equivalent to the number of the voting rights pertaining to the total number of shares (i.e., 4,032,792 shares) obtained by (a) deducting the number of treasury shares (208 shares) held by the Target Company from the total number of issued shares of the Target Company as of March 31, 2015 (3,905,100 shares) as set forth in the Summary of Target Company Financial Results and (b) adding thereto the number of the Target Company Shares (127,900 shares) which are the object of the Stock Acquisition Rights as of March 31, 2015 (1,279 options) as set forth in the Summary of Target Company Financial Results.

(Note 3) "Ownership ratio of shares before tender offer" and "Ownership ratio of shares after tender offer" are rounded off to two decimal places.

(7) Purchase Price 3,767,015,100 yen

(Note) The purchase price indicated above is the total amount of (i) the amount calculated by multiplying the number of shares (1,863,292 shares) equal to the number of shares to be purchased (1,929,192 shares) less the number of the Target Company Shares (65,900 shares) which are the object of the Stock Acquisition Rights (659 options) that is the total number of the Series No. 6 Stock Acquisition Rights (240 options), the Series No. 7 Stock Acquisition Rights (69 options) and the Series No. 8 Stock Acquisition Rights (350 options), out of the number of the Stock Acquisition Rights as of March 31, 2015 (1,279 options) as set forth in the Summary of Target Company Financial Results, of which the exercise periods will not begin during the tender offer period of the Tender Offer thus which will not able to be exercised during such period, by the Tender Offer Price (2,000 yen), and (ii) the amount calculated by multiplying the number of the Series No. 6 Stock Acquisition Rights (240 options) by the purchase price per such stock acquisition right (51,200 yen), the amount calculated by multiplying the number of the Series No. 7 Stock Acquisition Rights (69 options) by the purchase price per such stock acquisition right (199,900 yen) and the amount calculated by multiplying the number of the Series No. 8 Stock Acquisition Rights (350 options) by the purchase price per such stock acquisition right (41,000 yen).

(8) Method of Settlement

(i) Name and address of head office of financial instruments firms or bank in charge of settlement of tender offer

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

(ii) Commencement date of settlement

June 23, 2015 (Tuesday)

(iii) Method of settlement

A notice of purchase through the tender offer will be mailed to the address of the tendering shareholders, etc. (or to the address of their standing proxies for foreign shareholders) without delay after the expiration of the tender offer period. If electronic delivery of documents has been approved by tendering shareholders, etc. on Nomura Net & Call, the notice of purchase will be given to the shareholders electronically on Nomura Net & Call's website (https://netcall.nomura.co.jp/).

The purchase price will be paid in cash. Tendering shareholders, etc. may receive the sales proceeds from the tender offer without delay after the commencement date of settlement in the manner they designate, including by way of remittance (a remittance fee might be charged).

(iv) Method of returning share certificates, etc.

In the event that all or in part of the Tendered Share Certificates, Etc. are not purchased pursuant to the terms and conditions mentioned in "(ii) Existence of terms and conditions for withdrawal of tender offer, conditions detail and procedures for disclosing withdrawal" of "(9) Other Conditions and Procedures for Tender Offer" below, the share certificates, etc. to be returned will be promptly returned on and after the business day after the day immediately following the last day of the tender offer period (or the date of withdrawal, when the tender offer was withdrawn, etc.). Shares will be returned by restoring the record of the shares to its state prior to the tender in the tendering shareholder, etc. account with the tender offer agent (in the case of transfer of shares to tendering shareholder, etc. accounts opened with other financial instruments firms, the tendering shareholder, etc. should confirm with the head office or domestic branch office of the tender offer agent that accepted the shareholder's application to tender shares). Stock acquisition rights will be returned by delivering to the tendering shareholder, etc. in accordance with its instructions, or mailing to the address of the tendering shareholder, etc., the documents submitted upon the tender of stock acquisition rights.

(9) Other Conditions and Procedures for Tender Offer

(i) Terms and conditions set forth in each item of Article 27-13, Paragraph 4 of the Act

The Offeror has not set a maximum number or minimum number of shares to be purchased in the Tender Offer. Therefore, the Offeror will purchase all of the Tendered Share Certificates, Etc.

(ii) Existence of terms and conditions for withdrawal of tender offer, conditions detail and procedures for disclosing withdrawal

If any of the events listed in Article 14, Paragraph 1, Item 1.1 through 1.9 and 1.12 through 1.18, Item 3.1 through 3.8 and 3.10, and Article 14, Paragraph 2, Item 3 through 6 of the Enforcement Order of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965, as amended; the "**Enforcement Order**") occurs, the Offeror may withdraw the Tender Offer. In the Tender Offer, with respect to Article 14, Paragraph 1, Item 3.10 of the Enforcement Order, "an event equivalent to those listed in Items 3.1 through 3.9" refers to an event in which a statutory disclosure document 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, and the Offeror was not aware, or could not have been aware even with reasonable care, of such erroneous descriptions, etc. .

If the Offeror seeks to withdraw the Tender Offer, the Offeror will issue an electronic public notice and publish a statement to that effect in the Nihon Keizai Shimbun. However, if it is difficult to issue a public notice by the last day of the tender offer period, the Offeror will make an announcement pursuant to Article 20 of the Cabinet Ordinance and then immediately issue a public notice.

(iii) Existence of terms and conditions for reducing tender offer price, conditions detail and procedures for disclosing a reduction

In accordance with Article 27-6, Paragraph 1, Item 1 of the Act, if the Target Company performs any act listed in Article 13, Paragraph 1 of the Enforcement Order during the tender offer period, the Offeror may reduce the tender offer price pursuant to the standards set out in Article 19, Paragraph 1 of the Cabinet Ordinance. When reducing the tender offer price, the Offeror will issue an electronic public notice and publish a statement to that effect in the Nihon Keizai Shimbun. However, if it is difficult to issue a public notice by the last day of the tender offer period, the Offeror will make an announcement pursuant to Article 20 of the Cabinet Ordinance and then issue a public notice. If the tender offer price is reduced, the Offeror will purchase the Tendered Share Certificates, Etc. including those tendered on or before the day of the public notice at such reduced tender offer price.

(iv) Matters regarding tendering shareholders, etc.' right to cancel agreement

A tendering shareholder, etc. may cancel an agreement for the tender offer at any time during the tender offer period. To cancel an agreement, tendering shareholders, etc. must deliver or send a document specifying that they intend to cancel their agreement for the tender offer (the "**Cancellation Document**") to the head office or domestic branch office of the agent designated below that received the shareholder's application to tender shares, by 3:30 p.m. on the last day of the tender offer period. The Cancellation Document that is sent must arrive at the head office or domestic branch office of the agent by 3:30 p.m. of the last day of the tender offer period. To cancel an agreement made through Nomura Net & Call, the tendering shareholder, etc. must complete the cancellation procedures via Nomura Net & Call's website (https://netcall.nomura.co.jp/) or by sending the Cancellation Document. To cancel the agreement via Nomura Net & Call's website, the tendering shareholder, etc. must complete the cancellation procedures in the manner described on that website by 3:30 p.m. on the last day of the tender offer period. To cancel the agreement by sending the Cancellation Document, the tendering shareholder, etc. must request the form of the Cancellation Document in advance from Nomura Net & Call's customer support and then send the filled out format to Nomura Net & Call. The Cancellation Document that is sent must arrive at Nomura Net & Call by 3:30 p.m. of the last day of the tender offer period.

Agent with Authority to Receive Cancellation Document
Nomura Securities Co., Ltd. 1-9-1 Nihombashi, Chuo-ku, Tokyo
(and any other branch offices of Nomura Securities Co., Ltd. in Japan)

The Offeror will not make any claim for damages or penalty payment from the tendering shareholders, etc. in the case that tendering shareholders, etc. cancel any such agreement. Also, the Offeror will bear all costs related to returning Tendered Share Certificates, Etc.

(v) Procedures for disclosing amendments to tender offer terms and conditions

The Offeror may amend the tender offer terms or conditions during the tender offer period, except as prohibited under Article 27-6, Paragraph 1 of the Act and Article 13 of the Enforcement Order.

When amending any of the tender offer terms or conditions, the Offeror will issue an electronic public notice on the details of the amendment and publish a statement to that effect in the Nihon Keizai Shimbun. However, if it is difficult to issue a public notice by the last day of the tender offer period, the Offeror will make an announcement pursuant to Article 20 of the Cabinet Ordinance and then issue a public notice. If any of the tender offer terms or conditions is amended, the Offeror will purchase the Tendered Share Certificates, Etc. including those tendered on or before the day of the public notice on such amended terms and conditions.

(vi) Procedures for disclosing filing of amendment registration statement

If the Offeror files an amendment registration statement with the director of the Kanto Local Finance Bureau, the Offeror will announce amendments contained in the amendment registration statement to which the matters contained in the public notice of the commencement of the tender offer relate, pursuant to Article 20 of the Cabinet Ordinance. The Offeror will amend the tender offer explanatory statement and deliver an amended tender offer explanatory statement to any tendering shareholder, etc. who has already received a tender offer explanatory statement. However, if amendments have only been made to a limited extent, the Offeror may prepare a document stating the reason for, and the details of, the amendment (both before and after the amendment), and deliver that document to the tendering shareholder, etc.

(vii) Procedure for disclosing result of Tender Offer

The Offeror will issue a public notice regarding the result of the Tender Offer on the day following the last day of the Tender Offer Period, pursuant to Article 9-4 of the Enforcement Order and Article 30-2 of the Cabinet Ordinance.

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

May 1, 2015 (Friday)

(11) Tender Offer Agent

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

3. Policy, etc. after Tender Offer and Future Outlook

(1) Policy, etc. after the Tender Offer

Please refer to “(2) Purpose of, Background to, and Decision-Making Process of, the Tender Offer and the Management Policies after the Completion of the Tender Offer” of “1. Purpose of Tender Offer” above for the policy, etc. after the Tender Offer.

(2) Outlook of impact on the Offeror’s future performance

It is expected that the Tender Offer will have a minor effect on the Company’s results forecast for the current business year (on a consolidated and non-consolidated basis).

4. Other Information

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

(i) Opinion in favor of the Tender Offer
According to the Target Company Press Release, the Target Company resolved at the meeting of its

Board of Directors held today to express an opinion in favor of the Tender Offer and to recommend the shareholders of the Target Company and the holders of the Stock Acquisition Rights tender their share certificates, etc. to the Tender Offer.

For the details of the background to the Target Company's decision-making on those matters, please refer to the Target Company Press Release and "(ii) Background of calculation" of "(4) Basis of Valuation of the Tender Offer Price" of "2. Outline of Offer" above.

(ii) Purpose of, Background to, and Decision-Making Process of, the Tender Offer and the Management Policies after the Completion of the Tender Offer

Please refer to "(2) Purpose of, Background to, and Decision-Making Process of, the Tender Offer and the Management Policies after the Completion of the Tender Offer" of "1. Purpose of Tender Offer" above.

(iii) Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest

Please refer to "(i) Basis of calculation" and "(ii) Background of calculation" of "(4) Basis of Valuation of the Tender Offer Price" of "2. Outline of Offer" above.

(2) Other Information Considered to be Necessary for Investors to Determine Whether to Tender Share Certificates, etc. in Tender Offer

(i) Revision to business performance forecast for the full business year ended March 2015

The Target Company announced the "Announcement Regarding Revision to Business Performance Forecast" on April 9, 2015. The revision to business performance forecast of the Target Company for the full business year ended March 2015 based on such announcement is as follows. The outline of the content of the announcement below is an excerpt from part of the content announced by the Target Company. For the details, please refer to the content of the announcement of the Target Company.

For the profits and losses, etc. of the Target Company for the full business year ended March 2015, please refer to "(ii) Announcement of 'Summary of Financial Results [Japanese Accounting Standards] (on a Non-consolidated Basis) for the Business Year Ended March 2015'" below and the "Announcement of 'Summary of Financial Results [Japanese Accounting Standards] (on a Non-consolidated Basis) for the Business Year Ended March 2015'" announced by the Target Company on April 30, 2015.

	Sales (million yen)	Operating profits (million yen)	Current profits (million yen)	Net profit (million yen)	Net profit per share (yen)
Forecast previously announced(A) (announced on April 23,2014)	14,700	310	130	50	12.81
Forecast revised(B)	14,744	280	122	14	3.66
Amount of increase or decrease(B-A)	44	(30)	(8)	(36)	
Ratio of increase or decrease(%)	0.3	(9.7)	(6.2)	(72.0)	
(Reference) Results for the business year ended March 2014	14,639	332	170	62	16.19

(ii) Announcement of "Summary of Financial Results [Japanese Accounting Standards] (on a Non-consolidated Basis) for the Business Year Ended March 2015"

The Target Company announced today its "Summary of Financial Results [Japanese Accounting Standards] (on a Non-consolidated Basis) for the Business Year Ended March 2015." Based on the announcement, the profits and losses, etc. of the Target Company for the relevant year are as set out below, which have not been audited by any audit corporation pursuant to Article 193-2, Paragraph 1 of the Act. The outline of the announcement set out below is excerpted from the text of the announcement. For the details, please refer to such announcement of the Target Company.

(a) Profits and losses, etc.

Accounting Period	Business Year Ended March 2015
Sales	14,744,847 thousand yen
Cost of sales	12,807,250 thousand yen
Selling and general administrative expenses	1,657,159 thousand yen
Non-operating income	33,630 thousand yen
Non-operating expenses	191,154 thousand yen
Net profit	14,277 thousand yen

(b) Per-share data

Accounting Period	Business Year Ended March 2015
Net profit per share	3.66 yen
Dividend per share	3.00 yen
Net assets per share	1,246.99 yen

(iii) Interim Dividend (Non-Distribution) and Abolishment of Special Benefit Plans for Shareholders

According to the "Announcement Regarding Non-Distribution of Midterm Dividend for the Fiscal Year ending March 2016 and Abolishment of Shareholders Special Benefit Plans" announced today by the Target Company, the Target Company resolved at the meeting of its Board of Directors held today, to distribute no interim dividends for the business year ended March 2016 and to abolish the shareholders special benefit plans from the business year ended March 2016 on condition that the Tender Offer is successfully completed. For the details, please refer to such announcement of the Target Company.

End.

This press release is an announcement for the purpose of announcing the Tender Offer to the general public, and it was not prepared for the purpose of soliciting any sale of securities. In offering to sell any securities, please make sure to review the tender offer statement regarding the Tender Offer and offer to tender your shares by your own judgment. This press release does not constitute all or part of, any offer for, or a solicitation of, the sale, or solicitation of any offer of the purchase of, securities. This press release (or any part thereof) or the fact of its distribution shall not be grounds for any agreement regarding the Tender Offer, nor can it be relied upon in concluding any agreement.

The information in this press release may contain information regarding the future business of the Company and any other companies, etc. as well as forward-looking statements such as “expect,” “assume,” “intend,” “plan,” “believe” and “suppose.” Those statements are based on the business outlook of the Company at present, and may change depending on future conditions. With respect to the information in this press release, the Company shall not be liable to update the forward-looking statements to reflect actual business results or any changes in various circumstances or conditions.

In certain countries or regions, legal restrictions may be imposed on the announcement, publication, or the distribution of this press release. In such cases, please note and comply with such restrictions. This press release shall be deemed to be a distribution of materials for informational purposes only, and shall not constitute any offer for the purchase, etc., or any solicitation of offer for the sale, etc., of share certificates, etc. regarding the Tender Offer.

The Tender Offer will be implemented in compliance with the procedures prescribed in the Financial Instruments and Exchange Act and related disclosure standards; however, these procedures and standards are not necessarily identical to those in the United States of America. In particular, Section 13(e) or Section 14(d) of the U.S. Securities Exchange Act of 1934 and the Rules and Regulations thereunder shall not apply to the Tender Offer, and the Tender Offer may or may not comply with any procedure or standard thereunder.

Unless otherwise provided for, all of the procedures relating to the Tender Offer will be conducted entirely in the Japanese language. Even though some of the documents regarding the Tender Offer are prepared in the English language, if there is any inconsistency between the English-language documents and the Japanese-language documents, the Japanese-language documents will prevail.

The Offeror, each financial advisor to the Offeror and the Target Company and the Tender Offer Agent (including their affiliates) may, within their 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 (including any amendments thereafter), 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 Target Company for its own account or for its customer’s accounts by means other than pursuant to the Tender Offer. If any information concerning such purchases is disclosed in Japan, corresponding disclosure will be made on the English homepage of the Offeror, the financial advisor or the Tender Offer Agent (or through other public disclosure methods).