

August 8, 2018

Electric Power Development Co., Ltd.

## Notice on Plan to Commence a Tender Offer for ENERES Co., Ltd.

We hereby notify that Electric Power Development Co., Ltd. (hereafter, "J-POWER") and KDDI CORPORATION (hereafter, "KDDI"; J-POWER and KDDI collectively referred to as "tenderers"), have decided today to collectively acquire ordinary shares (hereafter, "target shares") and subscription rights to shares (hereafter, "subscription rights to target shares") of ENERES Co., Ltd. (hereafter, the "target company") by a tender offer (hereafter, the "tender offer").

Further, the commencement of the tender offer is predicated on fulfilling the following conditions: 1) implementing the tender offer does not materially constitute a breach of laws or regulations, or that it is not reasonably foreseeable that it constitutes a breach (including the situation that any process is not underway such as petitions or lawsuits by relevant authorities which request prohibiting or restricting the tender offer, or that there exists no decision by relevant authorities to prohibit or restrict the tender offer); 2) implementing the tender offer does not materially infringe upon permission or authorization nor that such infringements can be reasonably foreseen (including passage of waiting periods and/or judgment periods prescribed by anti-monopoly laws or similar laws in Japan and other countries as required to implement the tender offer); 3) the Board of Directors of the target company has made a resolution by consensus of all directors participating in the discussion and resolution that consents to the tender offer and recommends its shareholders to apply to the tender offer (limited to the target shares), and the resolution is not changed or withdrew; 4) circumstances have not come to light that materially impact negatively on implementing the tender offer or its economic conditions or otherwise render difficulty in achieving the objectives of the tender offer, and that such circumstances arising or coming to light cannot be reasonably foreseen. (Conditions 1) to 4) are collectively referred to as, the "preconditions.") Note that the tender offer is planned to be implemented promptly after the preconditions have been fulfilled, and as of today, the tenderers are aiming to commence the tender offer in early November 2018. However, it is difficult to predict the precise time period required for procedures at the competition authorities in and outside of Japan, so a detailed schedule for the tender offer will be announced promptly after it is decided.

### 1. Purpose of the Tender

#### (1) Summary of the tender offer

As of today, KDDI holds 14,501,000 shares (shareholding ratio\*1 29.99%) in target shares listed on the Mothers market operated by Tokyo Stock Exchange, and the target company is an affiliate company applicable to the equity method.

\*1 Shareholding ratio refers to the ratio of the target shares compared to 48,344,928 shares, which is the total number of shares issued as of June 30, 2018 (48,468,145 shares) minus the treasury shares (123,217 shares) as of June 30, 2018.

As of today, the tenderers have signed a shareholder's agreement on the tender offer, operation of the target company after the tender offer, and related matters (hereafter, the "shareholder's agreement"). As part of the string of transactions that will leave only the tenderers as shareholders of the target company aiming to allow tenderers join the operation of the target company promptly after the tender offer and make KDDI and J-POWER hold 59% and 41% of voting rights of the target company respectively after the target company is delisted (hereafter, the "transactions"), the tenderers have resolved to collectively implement the tender offer targeting all the target shares (exclusive of target shares held by KDDI and the treasury shares; this applies hereafter) and all the subscription rights to target shares assuming the preconditions have been met.

In the tender offer, the tenderers set the lower limit of the number of shares to be purchased as 10,021,800 shares\*2 (shareholding ratio: 20.73%) and where the total number of shares applied for sale in the tender offer (hereafter, "shares applied") does not meet the lower limit, the tenderers will not purchase any of the shares applied. On the other hand, the tenderers plan to delist the target company, and there is no upper limit to the number of shares to be purchased, so the tenderers will purchase all the shares applied for sale above the lower limit. Note that the tenderers aim to leave only the tenderers as shareholders of the target company and make KDDI and J-POWER hold 59% and 41% of voting rights of the target company respectively after the target company is delisted. Therefore, where the total number of shares applied is 18,020,300 shares\*3 (shareholding ratio 37.27%) or greater, KDDI will purchase 9,751,072 shares, and J-POWER will purchase the remaining shares of the total shares applied. Conversely, where the number of shares applied is under 18,020,300, the tenderers will not take procedures that make tenderers exclusive shareholders of target company, and intend to remain the target shares listed on the Mothers market. In this case, the ratio of voting rights to be held by KDDI and J-POWER will be adjusted to 59%: 41% taking into account of 14,501,000 shares already held by KDDI, in the means of J-POWER purchasing up to 10,076,967 shares of the total; for shares beyond 10,076,967 shares, KDDI purchasing 59% and J-POWER, 41%.

\*2 The lower limit of the number of shares to be purchased is the number of target shares (10,021,800 shares) equivalent to the number of voting rights (100,218 votes), derived

from 245,228 voting rights (a half of the voting rights (490,455 votes) granted for the number of shares which is calculated by the total number of shares issued as of June 30, 2018 (48,468,145 shares) minus the treasury shares as of June 30, 2018 (123,217 shares) plus target shares applicable to the first round of subscription rights to target shares (437,000 shares) plus target shares applicable to the second round of subscription rights to target shares (263,600 shares)) minus 145,010 voting rights granted for the number of target shares held by KDDI as of today (14,501,000 shares).

\*3 Hereafter, "nominal number of shares", which is the number of target shares (18,020,300 shares) equivalent to the number of voting rights (180,203 votes), derived from 325,213 voting rights (two-thirds of the voting rights (487,819 votes) granted for the number of shares which is calculated by the total number of shares issued as of June 30, 2018 (48,468,145 shares) minus the treasury shares as of June 30, 2018 (123,217 shares) plus target shares applicable to the first round of subscription rights to target shares (437,000 shares)) minus 145,010 voting rights granted for the number of target shares held by KDDI as of today (14,501,000 shares). Note that the nominal number of shares means the level at which the tenderers can secure two-thirds of the total voting rights of the target company after consideration of the potential shares.

Note that according to the press release issued today by the target company, the Board of Directors held today has resolved to express consent to the tender offer and recommend its shareholders to apply for the tender offer when the tender offer commences, as the current opinion of the target company. Additionally, the target company has resolved to issue another opinion statement at the commencement of the tender offer.

In case that all of target shares cannot be acquired in the tender offer, under the condition that the number of applied shares is equal to or greater than the nominal number of shares, the tenderers plan to commence a series of procedures to leave only the tenderers as shareholders of the target company.

Where the total number of applied shares in the tender offer does not meet the nominal number of shares, the target share is planned to remain listed on Mothers market.

(2) Background to the resolution to implement the tender offer, the purpose, the decision making process, and the management policy after the tender offer

The tenderers, in the process of discussing collaboration on the electric power business, have come to the recognition that combination of KDDI's sales force and J-POWER's know-how on procurement, including the target company (which is an equity method affiliate of KDDI and a major player as PPS\*4 that has the end-user as the customer and also holds ample know-how and experience on supply and demand management, as well as conducting supply

and demand management for KDDI's electric power business), will lead to strengthening electric power business for both companies, and conceived of a collaboration scheme by those three companies. The tenderers have been advancing the study on the premise that the tenderers will collectively implement the tender offer aiming for promptly joining the business operation of the target company after the tender offer. Finally, a common notion has been established that three companies (KDDI, which has strengths in customer touch-points and ICT technology, J-POWER, which holds ample power sources and know-how in the wholesale electric power business, and the target company as an axis, which has strengths in supply and demand management) are able to enhance the enterprise value of the target company by creating business opportunities through rapid response to changes and promoting innovation. The following effects can be expected.

(i) Further expansion of the customer base

KDDI has a broad customer base and has built a sales and marketing system encompassing all of Japan. By utilizing this customer base and system, the target company will be able to market its activities to more customers, and expects to broaden its customer base.

In addition, there expected to be merits for J-POWER to diversify the sales channels indirectly, through ownership of the shares of the target company which sell electricity to the end-user.

(ii) Expanded utilization of supply and demand capabilities

The target company has conducted supply and demand management agency service since its inception and holds know-how and knowledge based on ample experience as a pioneer in supply and demand management service. In the electric power business, profitability is impacted by skill in supply and demand management, so the know-how of the target company, which holds ample data and results from years of experience, is expected to contribute to promoting smooth collaboration between the tenderers and the target company.

(iii) Enhanced procurement capabilities

J-POWER, based on its ample know-how and track record in the Japan Electric Power Exchange backed by its strengths in holding power plants throughout Japan, can provide optimal support to the target company in electricity procurement according to its supply and demand situation, that will lead to contribution to enhanced profitability.

(iv) Promotion of new business

The target company has been actively engaged in new business fields, including demand-side areas such as virtual power plants (VPP). J-POWER, which is an electricity utility and actively pursues research and development themed on efficient power

generation and electricity trading lead by its research and development arm, will be able to provide appropriate and timely support and collaboration. Also, the target company is expected to be able to promote new businesses by utilizing ICT technologies including cutting-edge IoT initiatives by KDDI.

The tenderers consider that the effects outlined in (i) through (iv) can be realized to some extent by their holding an equity of the target company even in the case that the number of shares applied does not meet the nominal number of shares and the total shareholding ratio of the tenderers is less than two-thirds. But the tenderers also consider that it is necessary to pursue the effects outlined in (i) through (iv) even more to respond to the severe business environment where business conditions quickly fluctuate, and that it is of vital importance to expand new business by delisting the target company and establishing a system that enables quick decision making, as well as flexibly introducing various management resources including the tenderers' knowledge and financial support. Therefore, the tenderers have concluded that the transaction is desirable.

\*4 PPS (Power Producer and Supplier) is an electricity retailer which entered the retail electricity business after its partial deregulation in March 2000. Large number of new retailers have entered the business after its full deregulation in April 2016.

(3) Material agreements related to application for the tender offer between the shareholders of the target company and the tenderers

There are no agreements related to application for the tender offer between the shareholders of the target company and the tenderers.

2. Summary of the Tender

(1) Overview of the target company

1) Name	ENERES Co., Ltd.
2) Address	Ochanomizu First Building, 2-5-1, Kanda-Surugadai, Chiyoda-ku, Tokyo
3) Name and Title of Representative	Masahiro Kobayashi (President, Representative Director)
4) Summary of Business	Provide a comprehensive range of services such as power development, power supply, agency services for PPS, energy management after introduction
5) Capital Stock	3,573,289 thousand yen (As of March 31, 2018)
6) Date of Establishment	December 24, 2004

7) Major Shareholders and their Shareholding Ratio (As of December 31, 2017)	KDDI CORPORATION	29.94%
	Motohide Ikeda	9.45%
	Nazuki Ikeda	9.45%
	BNY GCM CLIENT ACCOUNT JPRD	1.62%
	AC ISD (FE-AC) (Standing Proxy: MUFG Bank, Ltd.)	
	Japan Trustee Services Bank, Ltd.	1.57%
	Ken Watanabe	0.74%
	Daiwa Securities Co.Ltd.	0.56%
	SBI SECURITIES Co.,Ltd.	0.52%
	Rakuten Securities, Inc.	0.38%
Japan Securities Finance Co.,LTD	0.32%	
8) Relationship to the Listed Company		
Capital Relationship	As of today, KDDI holds 14,501,000 of the target shares (shareholding ratio 29.99%).	
Human Relationship	KDDI has seconded one President, Representative Director and one Director, Financial Supervisor to the target company.	
Trading Relationship	There are transactions between KDDI and the target company for retail electricity services of KDDI, including transactions regarding supply and demand management as well as power procurement transactions.	
Applicable Conditions of the Relevant Parties	The target company is an equity method affiliate of KDDI.	

(2) Price of the tender

1) 700 yen for each ordinary share

2) Subscription rights to shares:

For first round subscription rights to shares: 1 yen per subscription right

For second round subscription rights to shares: 1 yen per subscription right

(Note) The tender price of 700 yen per ordinary share is an amount that adds a premium of 44.93% on the closing price of 483 yen in the Mothers market for the target company on the business day prior to today, August 7, 2018; a premium of 51.84% on the simple average closing price of 461 yen in the immediate five business days until August 7, 2018; a premium of 55.90% on the simple average closing price of 449 yen in the immediate one month until August 7, 2018; a premium of 56.25% on the simple average closing price of 448 yen in the immediate three months until August 7, 2018; and a premium of 47.37% on

the simple average closing price of 475 yen in the immediate six months until August 7, 2018.

(3) Number of shares to be purchased

Number of shares to be purchased	Lower limit to be purchased	Upper limit to be purchased
34,544,528 shares	10,021,800 shares	— shares

(Note 1) The number of shares to be purchased shows the maximum number of target shares to be acquired by the tenderers in the tender offer (34,544,528 shares) and this number is derived from the total number of shares issued as of June 30, 2018 (48,468,145 shares) plus the number of target shares applicable to the first round subscription rights to shares (437,000 shares) plus the number of target shares applicable to the second round subscription rights to shares (263,600 shares) minus the number of shares held by KDDI (14,501,000 shares) minus the treasury shares as of June 30, 2018 (123,217 shares).

(Note 2) There is no plan to acquire the treasury shares held by the target company through the tender offer.

(4) Total purchase price (planned) 23,997 million yen

(Note) The total purchase price is the total of the following amounts; i) the price of the tender (700 yen) is multiplied by the number of shares (34,280,928) that is derived from the number of shares to be purchased (34,544,528 shares) minus the number of shares applicable to the second round subscription rights to target shares (263,600 shares) of which exercise period will not come in the tender offer period, ii) the price of the tender (1 yen) is multiplied by the number of the second round subscription rights to target shares (2,636 rights).

**[Precedence of the Press Release in Japanese]**

This notice is a translation of the Japanese press release issued on August 8, 2018 for the convenience of investors; where differences arise, the content in the Japanese press release takes precedence. Also, matters stated in the Japanese press release take precedence even where it is not present in this notice.

**[Restriction on Solicitation]**

The purpose of this notice is publication of the tender offer to the general public, and is not written for the purpose of soliciting sale. On applying to sell, be sure to review the instructions of the tender offer related to this tender and apply based on the shareholder's own judgment. This notice is not a solicitation or application to sell securities, is not a solicitation for an application to purchase, nor does it constitute a part thereof. This notice (and any parts it contains) nor the fact of its distribution does not provide basis for a contract pertaining to this tender, nor does it constitute a conclusion of such contracts.

**[Prediction of the Future]**

The tenderers cannot promise that predictions implied or stated as "forward-looking statements" will turn out to be correct. "Forward-looking statements" in this document have been drafted upon information held by the tenderers as of the day of issue and excluding where obligated by law or regulation, the tenderers do not bear the duty of updating or correcting such statements to reflect future events or conditions.

**[US Regulations]**

Unless the tender offer can be implemented in compliance with applicable laws and various regulations in the United States, the tenderers will not proceed with the tender for the United States or to a United States person (within the meaning of "United States person" provided in Regulation S of the Securities Act of 1933. Hereinafter the same in this section). In this case, applications of shares of the target company related to the tender offer by any means, usage or method, nor through any facility, cannot be conducted from the United States, within the United States, or by those existing or residing in the United States, or by any person acting by calculation of a United States person or for the profit of a United States person.

**[Other Countries]**

Depending on the country or region, there may be legal restrictions on the distribution, issuance, or announcement of this notice. In such cases, please take note of such restrictions and comply with them. This does not constitute a solicitation of application to sell or purchase shares related to the tender and is simply deemed as distribution of material for information only.