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Securities code: 6517

June 6, 2018

To our shareholders:

Shoichi Shiratori  
President  
**Denyo Co., Ltd.**  
2-8-5, Nihonbashi-horidomecho, Chuo-ku, Tokyo  
103-8566, Japan

## NOTICE OF THE 70TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 70th Ordinary General Meeting of Shareholders of Denyo Co., Ltd. (the “Company”), which will be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights by paper ballot or by electromagnetic means (via the Internet). Please exercise your voting rights after reviewing the attached Reference Documents for the General Meeting of Shareholders no later than 5:00 p.m., Wednesday, June 27, 2018 (Japan Standard Time).

**1. Date and Time:** Thursday, June 28, 2018 at 10:00 a.m. (Japan Standard Time)

**2. Venue:** Nakano Sunplaza 11F Banquet Room  
4-1-1, Nakano, Nakano-ku, Tokyo

### **3. Purposes:**

#### **Items to be reported:**

1. Business Report and Consolidated Financial Statements for the 70th Term (from April 1, 2017 to March 31, 2018), as well as the results of audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
2. Non-Consolidated Financial Statements for the 70th Term (from April 1, 2017 to March 31, 2018)

#### **Items to be resolved:**

- Proposal 1:** Election of Eight (8) Directors
- Proposal 2:** Renewal of Countermeasures to Large-Scale Acquisitions of the Company Shares (Takeover Defense Measures)

### **4. Regarding Exercising Your Voting Rights if You Are Unable to Attend the Meeting:**

A simple explanation is provided here in English but the paper ballot, website, and the “Guide to Exercising Voting Rights by Electromagnetic Means” are available only in Japanese. We apologize for any inconvenience this may cause.

- (1) Exercising your voting rights by paper ballot

After marking your agreement/disagreement to the proposals on the enclosed proxy form, please return it so it arrives no later than the voting deadline printed on the above.

- (2) Exercising your voting rights by electromagnetic means

If you exercise your voting rights by electromagnetic means, please refer to the “Guide to Exercising Voting Rights by Electromagnetic Means” on page 3 of the Japanese version, and then indicate your agreement/disagreement no later than the voting deadline printed on the above.

### **5. Matters Decided for Convocation:**

- (1) If you exercise your voting rights several times by electromagnetic means, the last vote will be upheld as valid. If your voting rights are duplicated on paper due to the re-issue of the proxy form, the same will apply.

However, if you exercise multiple voting rights both by paper and by electromagnetic means, the electromagnetic exercise will be upheld as valid.

- (2) If you exercise voting rights diversely on the same proposal, please notify us in writing of your intention to do so and the reason for this, by three days prior to the General Meeting of Shareholders.

## Reference Documents for the General Meeting of Shareholders

**Proposal 1:** Election of Eight (8) Directors

The term of office for all eight (8) members of the Board of Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Therefore, the Company proposes the election of eight (8) Directors.

The candidates for Directors are as follows.

| No.  | Name<br>(Date of birth)   | Career summary, position, responsibilities and significant<br>concurrent positions outside the Company   | Number of the<br>Company's shares<br>owned |
|--|---|--|--|
| 1  | Shoichi Shiratori<br>(May 26, 1956)<br><br>Reelection<br>Internal<br><br>Attendance at meetings of the<br>Board of Directors during the<br>year:<br>13/13 | Apr. 1980      Joined the Company<br>Apr. 2008      Executive Officer, General Manager, Planning<br>& Coordination Department of the Company<br>July 2009      Executive Officer, Deputy Chief Executive,<br>Administration Division, General Manager,<br>Planning & Coordination Department of the<br>Company<br>Apr. 2011      Executive Officer, Chief Executive,<br>Administration Division of the Company<br>June 2011      Director, Executive Officer, Chief Executive,<br>Administration Division of the Company<br>Apr. 2012      Director, Executive Officer,<br>Chief Executive, Administration Division,<br>General Manager, Information System<br>Department of the Company<br>Apr. 2013      Director, Managing Executive Officer,<br>Chief Executive, Administration Division,<br>General Manager, Information System<br>Department of the Company<br>Apr. 2015      Director, Managing Executive Officer,<br>Chief Executive, Administration Division of the<br>Company<br>Apr. 2016      President of the Company<br>(to the present) | 30,084 shares                              |
| [Reasons for nomination as candidate for Director]<br>Mr. Shoichi Shiratori has been engaged in management planning and in coordination and administration fields for many years and has thorough knowledge of the Company's business overall. Because of his broad knowledge of corporate management, we expect the decision making ability of the Board of Directors to be strengthened and the Company has nominated him to continue serving as a director.<br>[Special interests with the Company]<br>None |   |  |  |

| No.   | Name<br>(Date of birth)  | Career summary, position, responsibilities and significant concurrent positions outside the Company   | Number of the Company's shares owned |
|---|--|---|--------------------------------------|
| 2   | <p style="text-align: center;">Yoji Eto<br/>(October 31, 1954)</p> <p style="text-align: center;">Reelection<br/>Internal</p> <p>Attendance at meetings of the Board of Directors during the year:<br/>13/13</p> | <p>Apr. 1977      Joined the Company</p> <p>Apr. 2008      Executive Officer, General Manager, Sales Department I of the Company</p> <p>July 2009      Executive Officer, General Manager, Sales Department I, Domestic Sales Division of the Company</p> <p>Apr. 2011      Executive Officer, Chief Executive, Domestic Sales Division, General Manager, East Japan Sales Department of the Company</p> <p>Apr. 2012      Executive Officer, Chief Executive, Domestic Sales Division of the Company</p> <p>June 2012      Director, Executive Officer, Chief Executive, Domestic Sales Division of the Company</p> <p>Apr. 2014      Director, Managing Executive Officer, Chief Executive, Domestic Sales Division of the Company</p> <p>Apr. 2016      Representative Director, Executive Vice President, Executive Officer in charge of Sales, Administration, and Quality Management Divisions of the Company</p> <p>Apr. 2018      Representative Director, Executive Vice President, General Manager, Global Marketing Office, Executive Officer in charge of Sales, and Quality Management Divisions of the Company<br/>(to the present)</p> | 21,599 shares                        |
| <p>[Reasons for nomination as candidate for Director]<br/>Mr. Yoji Eto has been engaged in sales operations for many years and is well-trusted by customers. We expect the decision making ability of the Board of Directors to be strengthened by using his experience and the Company has nominated him to continue serving as a director.</p> <p>[Special interests with the Company]<br/>None</p> |  |   |                                      |

| No.  | Name<br>(Date of birth)   | Career summary, position, responsibilities and significant concurrent positions outside the Company   | Number of the Company's shares owned |
|--|---|---|--------------------------------------|
| 3  | <p>Hideaki Kuboyama<br/>(July 10, 1952)</p> <p>Reelection<br/>Internal</p> <p>Attendance at meetings of the Board of Directors during the year:<br/>12/13</p> | <p>Apr. 1975      Joined the Company</p> <p>Apr. 1985      General Manager, Product Planning Office of the Company</p> <p>June 1985      Director, General Manager, Product Planning Office of the Company</p> <p>June 1989      Managing Director, General Manager, Sales Administration Headquarters of the Company</p> <p>June 1994      Senior Managing Director, General Manager, Planning &amp; Coordination and Quality Control Department of the Company</p> <p>Apr. 1997      Senior Managing Director, Deputy General Manager, Production Division of the Company</p> <p>June 2000      Senior Managing Director, General Manager, Planning &amp; Coordination Office of the Company</p> <p>June 2002      President of the Company</p> <p>Apr. 2010      Chairman, CEO of the Company</p> <p>Apr. 2016      Director and Executive Advisor of the Company<br/>(to the present)</p>   | 198,629 shares                       |
| <p>[Reasons for nomination as candidate for Director]<br/>Mr. Hideaki Kuboyama has been managing the Company for many years. We expect the decision making ability of the Board of Directors to be strengthened by using his wealth of knowledge and experience and the Company has nominated him to continue serving as a director.</p> <p>[Special interests with the Company]<br/>None</p>    |   |   |                                      |
| 4  | <p>Teruo Yashiro<br/>(March 12, 1954)</p> <p>Reelection<br/>Internal</p> <p>Attendance at meetings of the Board of Directors during the year:<br/>13/13</p>   | <p>Apr. 1975      Joined the Company</p> <p>Apr. 2009      General Manager, Production Division of the Company</p> <p>July 2009      Executive Officer, General Manager, Production Management Department, Production Division of the Company</p> <p>Apr. 2011      Executive Officer, Chief Executive, Production Division, General Manager, Production Management Department of the Company</p> <p>Apr. 2012      Executive Officer, Chief Executive, Development Division of the Company</p> <p>June 2012      Director, Executive Officer, Chief Executive, Development Division of the Company</p> <p>Apr. 2013      Director, Executive Officer, Chief Executive, Production Division of the Company</p> <p>Apr. 2016      Director, Managing Executive Officer, Chief Executive, Production Division of the Company, and in charge of Overseas Manufacturing Subsidiaries.</p> <p>Apr. 2017      Director, Managing Executive Officer, and in charge of Production, Development Divisions of the Company, and Overseas Manufacturing Subsidiaries<br/>(to the present)</p> | 21,443 shares                        |
| <p>[Reasons for nomination as candidate for Director]<br/>Mr. Teruo Yashiro has been engaged in production and development operations. We expect the decision making ability of the Board of Directors to be strengthened by using his wealth of product knowledge and the Company has nominated him to continue serving as a director.</p> <p>[Special interests with the Company]<br/>None</p> |   |   |                                      |

| No.   | Name<br>(Date of birth)   | Career summary, position, responsibilities and significant concurrent positions outside the Company  | Number of the Company's shares owned |
|---|---|--|--------------------------------------|
| 5   | <p data-bbox="331 689 539 745">Yasuo Mizuno<br/>(December 20, 1955)</p> <p data-bbox="384 786 486 842">Reelection<br/>Internal</p> <p data-bbox="288 882 580 999">Attendance at meetings of the Board of Directors during the year:<br/>13/13</p> | <p data-bbox="611 264 1230 1330"> Apr. 1979      Joined the Company<br/> Apr. 2008      General Manager, Sales Department III of the Company<br/> July 2009      Executive Officer, General Manager, Sales Department III, Domestic Sales Division of the Company<br/> Apr. 2011      Executive Officer, Chief Executive, International Sales Division, General Manager, International Sales Department IV of the Company<br/> July 2011      Executive Officer, Chief Executive, International Sales Division of the Company<br/> Aug. 2011      Executive Officer, Chief Executive, International Sales Division, General Manager, International Sales Department IV of the Company<br/> June 2012      Director, Executive Officer, Chief Executive, International Sales Division, General Manager, International Sales Department IV of the Company<br/> Feb. 2014      Director, Executive Officer, Chief Executive, International Sales Division, General Manager, International Sales Department I and International Sales Department IV of the Company<br/> Apr. 2014      Director, Executive Officer, Chief Executive, International Sales Division, General Manager, International Sales Department III of the Company<br/> Apr. 2016      Director, Managing Executive Officer, Chief Executive, Sales Division of the Company, and in charge of Overseas Sales Subsidiaries (to the present) </p> <p data-bbox="611 1339 1150 1420"> [Significant concurrent positions outside the Company]<br/> President, Denyo America Corporation,<br/> President, Denyo Europe B.V. </p> | 18,843 shares                        |
| <p data-bbox="272 1435 767 1462">[Reasons for nomination as candidate for Director]</p> <p data-bbox="272 1467 1422 1559">Mr. Yasuo Mizuno has been engaged in domestic sales and international sales operations. We expect the decision making ability of the Board of Directors to be strengthened by his global perspective and the Company has nominated him to continue serving as a director.</p> <p data-bbox="272 1563 635 1590">[Special interests with the Company]</p> <p data-bbox="272 1594 331 1621">None</p> |   |  |                                      |

| No.  | Name<br>(Date of birth)  | Career summary, position, responsibilities and significant concurrent positions outside the Company  | Number of the Company's shares owned |
|--|--|--|--------------------------------------|
| 6  | <p style="text-align: center;">Toshiya Tozawa<br/>(August 22, 1959)</p> <p style="text-align: center;">New election<br/>Internal</p>   | <p>Apr. 1982      Joined The Dai-ichi Kangyo Bank, Ltd.</p> <p>Apr. 2008      General Manager, International Trade Business Operations Department, Mizuho Corporate Bank, Ltd.</p> <p>Mar. 2011      General Manager, Planning &amp; Coordination Department, Administration Division of the Company</p> <p>Apr. 2011      Executive Officer, General Manager, Planning &amp; Coordination Department, Administration Division of the Company</p> <p>Apr. 2012      Executive Officer, General Manager, Planning &amp; Coordination Office of the Company</p> <p>Apr. 2016      Senior Executive Officer, Chief Executive, Administration Division of the Company (to the present)</p>   | 9,700 shares                         |
| <p>[Reasons for nomination as candidate for Director]<br/>Mr. Toshiya Tozawa has been engaged in management planning and in coordination and administration fields for seven years in the Company and has thorough knowledge of the Company's business overall. Therefore, we expect the decision making ability of the Board of Directors to be strengthened by using his broad knowledge of corporate management and the Company has nominated him to serve as a director.</p> <p>[Special interests with the Company]<br/>None</p>  |  |  |                                      |
| 7  | <p style="text-align: center;">Haruhito Takada<br/>(October 14, 1965)</p> <p style="text-align: center;">Reelection<br/>Outside<br/>Independent</p> <p style="text-align: center;">Attendance at meetings of the Board of Directors during the year:<br/>13/13</p> | <p>Apr. 1995      Full-time Lecturer, Faculty of Law, Keio University</p> <p>Apr. 1998      Assistant Professor, Faculty of Law, Keio University</p> <p>Apr. 2005      Visiting Researcher, Faculty of Law, Humboldt University of Berlin</p> <p>Apr. 2007      Instructor, Graduate School of Law, Keio University</p> <p>Apr. 2008      Professor, Faculty of Law, Keio University</p> <p>Apr. 2009      A Member of the Committee, Graduate School of Law, Keio University</p> <p>June 2009      A Member of the independent committee established in line with the Company's takeover defense measures of the Company (current post)</p> <p>Apr. 2011      Professor, Graduate School of Law, Keio University (current post)</p> <p>June 2013      Outside Director of the Company (to the present)</p> <p>[Significant concurrent positions outside the Company]<br/>Professor, Graduate School of Law, Keio University</p> | 0 shares                             |
| <p>[Reasons for nomination as candidate for Outside Director]<br/>Mr. Haruhito Takada is a candidate for Outside Director because we determined that he could appropriately carry out its duties due to consideration of his broad insight and specialist's viewpoint as a graduate school professor. While he does not have experience in corporate management other than as an Outside Director, he is independent from the management which undertakes business operations and there is no risk that a conflict of interest will arise with the shareholders. The Company would like to use his knowledge and experience in the supervision of management from here on and so selected him as a nominee for Outside Director. Currently, he is an Outside Director of the Company and his term as an Outside Director at the conclusion of this Ordinary General Meeting of Shareholders will be five (5) years. There are no contributions or donations made to Graduate School of Law, Keio University, where he holds concurrent position as a professor (outside the Company).</p> <p>[Special interests with the Company]<br/>None</p> |  |  |                                      |

| No.   | Name<br>(Date of birth)  | Career summary, position, responsibilities and significant concurrent positions outside the Company  | Number of the Company's shares owned |
|---|--|--|--------------------------------------|
| 8   | <p>Reiko Asahina<br/>(June 2, 1948)</p> <p>Reelection<br/>Outside<br/>Independent</p> <p>Attendance at meetings of the Board of Directors during the year:<br/>13/13</p> | <p>Apr. 1967      Joined the National Tax Agency</p> <p>July 1992      Senior Examiner, Second Large Enterprise Examination Department, the Tokyo Regional Taxation Bureau</p> <p>July 1995      Chief Examiner, the Shibuya Tax Office</p> <p>July 2001      Special Officer (International Taxation), the Nihonbashi Tax Office</p> <p>July 2004      Special Examiner, the Shinjuku Tax Office</p> <p>July 2007      Special Examiner, the Kyobashi Tax Office</p> <p>July 2008      Retired from office</p> <p>Sept. 2008     Established Asahina Tax Accountant Office, Representative, the Office (current post)</p> <p>June 2016     Outside Director of the Company (to the present)</p> <p>[Significant concurrent positions outside the Company]<br/>Representative, the Asahina Tax Accountant Office</p> | 0 shares                             |
| <p>[Reasons for nomination as candidate for Outside Director]<br/>Ms. Reiko Asahina is a candidate for Outside Director due to consideration of her broad insight and specialist's viewpoint as a licensed tax accountant and because we determined that she could appropriately carry out those duties. While she does not have experience in corporate management other than as an Outside Director, she is independent from the management which undertakes business operations and there is no risk that a conflict of interest will arise with the shareholders. The Company would like to use her knowledge and experience in the supervision of management from here on and so selected her as a nominee for Outside Director. Currently, she is an Outside Director of the Company and her term as an Outside Director at the conclusion of this Ordinary General Meeting of Shareholders will be two (2) years. No advisory contracts have been signed with Asahina Tax Accountant Office, where she holds concurrent position as the representative (outside the Company).</p> <p>[Special interests with the Company]<br/>None</p> |  |  |                                      |

- Notes:
1. There are no special interests between the candidates and the Company.
  2. Mr. Haruhito Takada and Ms. Reiko Asahina are candidates for Outside Director.
  3. The Company has entered into agreements with Mr. Haruhito Takada and Ms. Reiko Asahina that limit their liabilities for damages under Article 423, paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, paragraph 1 of the same Act. The limit of liability for damages under this agreement is the minimum amount provided for in Article 425, paragraph 1 of the same Act. If this Proposal is approved as proposed, the Company intends to continue the aforementioned agreement.
  4. Mr. Haruhito Takada and Ms. Reiko Asahina satisfy the requirements for independent officers as provided for by Tokyo Stock Exchange, Inc., and the Company has submitted notification to the aforementioned exchange concerning their appointment as independent officers.

**Proposal 2:** Renewal of Countermeasures to Large-Scale Acquisitions of the Company Shares (Takeover Defense Measures)

The Company obtained the shareholders' approval to introduce a "plan for countermeasures to large-scale acquisitions of the shares in the Company (takeover defense measures)" at the ordinary general meeting of shareholders of the Company for the 61st business year held on June 26, 2009, and then obtained the shareholders' approval to renew the plan for countermeasures at the ordinary general meeting of shareholders for the 64th business year held on June 28, 2012 and the ordinary general meeting of shareholders for the 67th business year held on June 26, 2015, respectively (the plan for countermeasures after the renewal at the ordinary general meeting of shareholders for the 67th business year held on June 26, 2015 is hereinafter referred to as the "Former Plan").

The effective period of the Former Plan will expire at the conclusion of the ordinary general meeting of shareholders of the Company for the 70th business year to be held on June 28, 2018 (this "Ordinary General Meeting of Shareholders").

Accordingly, the Company would like to renew the Former Plan as set out in III.2. below (the "plan for countermeasures to large-scale acquisitions of the shares in the Company (takeover defense measures)" after the renewal is hereinafter referred to as the "Plan") as a measure to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate (Article 118, Item 3(b)(ii) of the Enforcement Regulations of the Companies Act) under the "basic policy regarding the persons who control decisions on the Company's financial and business policies" (as provided in Article 118, Item 3 of the Enforcement Regulations of the Companies Act; the "Basic Policy") in order to continue to ensure and enhance the corporate value of the Company and the common interests of its shareholders, and therefore the Company is seeking the shareholders' approval for the renewal. Although certain formal revisions to the wording of the Former Plan are to be made upon its renewal by adopting the Plan, the basic contents of the Plan are the same as those of the Former Plan.

**I. Basic Policy Regarding the Persons Who Control Decisions on the Company's Financial and Business Policies**

The Company believes that shareholders of the Company should be decided through free market transactions, and, accordingly, a decision on whether or not to accept a proposal to acquire a sufficient number of shares to control decisions on the Company's financial and business policies must ultimately be left to the discretion of each shareholder. Also, the Company would not reject a large-scale acquisition if it would contribute to the corporate value of the Company and the common interests of its shareholders.

Nonetheless, there are some forms of large-scale acquisitions of shares that do not ensure or enhance the corporate value of the target company or the common interests of its shareholders, including, without limitation: (i) those that threaten to cause obvious harm to the corporate value of the target company and the common interests of its shareholders in light of matters such as the purpose of and the management policies after the acquisition; (ii) those that threaten to effectively coerce shareholders into selling their shares; and (iii) those that do not provide sufficient time or information for the target company's board of directors and shareholders to consider the conditions and other details of the acquisition or for the target company's board of directors to make an alternative proposal.

Therefore, the Company believes that persons who would make a large-scale acquisition of the shares in the Company in an inappropriate manner as described above would not be appropriate as persons who control decisions on the Company's financial and business policies, and it is necessary to ensure the corporate value of the Company and the common interests of its shareholders by taking the necessary and reasonable measures against large-scale acquisitions by such persons.



## **II. Measures to Realize the Basic Policy**

### **1. The Source of the Company's Corporate Value**

Since its establishment in 1948, the Company has been a pioneer in outdoor power sources, developing, manufacturing and selling many original products, including engine-driven generators, engine-driven welders and engine-driven air compressors. We now command high market shares for our main products, as demonstrated by an approximately 65% share and 55% share of the domestic market for engine-driven generators and engine-driven welders, respectively, providing our products to a large number of users. This is the result of our efforts to take on new R&D activities and develop new and original products in a proactive way under the basic policy that we should always possess a pioneering spirit and creativity in promoting our technical innovations without contenting ourselves with our market position or technical expertise. The Company believes that it is the Company's R&D activities and technical expertise described above, as well as our clients' trust in our products that results from such activities and expertise, in which our corporate value lies.

### **2. Measures for Enhancing Corporate Value**

The Company's group has established a management vision of "aiming to become the global No. 1 brand as a supplier of high-quality power sources through creativity and constant technical innovations," and, under that vision, has developed our business both in Japan and overseas aiming to expand and improve efficiency in the existing businesses and to develop new markets.

The Group has three main business areas, namely, Construction Related Business, Industry Equipment Business, and New Businesses and has been focusing on the development of overseas and new markets for each business area. In particular, by striving to develop and promote sales of not only products for construction, which depend on demand for construction, but also products for other purposes, such as stand-by generators for emergency equipment, the Group is shifting to a "demand creation" type of management. Accordingly, the Group continues to promote proactive R&D activities in every process from the research of new technologies and to the development of products.

In addition, in order to establish a profitable group structure, the Group is moving forward with the enhancement of efficiency in production systems and international materials procurement, as well as rationalization investment in both domestic and overseas plants.

Furthermore, the Group aims to build a vital corporate culture, which becomes a foundation of the Group for expanding business in new markets, by activating the organizational operation of the Group as a whole through its efforts to conduct flexible organizational operation as well as to clarify the authorities and responsibilities of each officer and employee, and, concurrently with these efforts, by promoting education of personnel who are capable of supporting international business development by the Group.

### **3. Measures for Corporate Governance**

The Board of Directors is currently composed of eight Directors, including two Outside Directors, and for the purpose of clarifying the responsibilities of Directors for each business year, as well as of establishing an agile management system that is able to promptly respond to changes in the management environment and timely reflecting shareholders' intent in the election and removal of Directors, the Company has set the term of office of each Director at one year.

In addition, the Company has introduced the executive officer system in order to promote agile responses to changes in the business environment and a more prompt decision-making process by separating the functions of management supervision and business execution. Also, the Company holds management meetings, attended by Directors, Audit & Supervisory Board Members and executive officers, in order to support the decision-making process by the Board of Directors and deliberate on important matters relating to the Company's management and business execution. Furthermore, Group management meetings are held, attended by the president of each

company of the Group, for smooth management of the Group.

The Company has adopted the audit & supervisory board system, and currently, two out of four Audit & Supervisory Board Members of the Company are Outside Audit & Supervisory Board Members, thereby ensuring the legality, fairness, and transparency of the Company's management. Also, as an effort to protect general investors, the Company has designated two Outside Directors and two Outside Audit & Supervisory Board Members as independent officers, and notified the Tokyo Stock Exchange to that effect.

Furthermore, as measures for internal control, the Company has developed internal rules and regulations for appropriately managing performance of operations and implements internal audits of operations by establishing the Internal Audit Office that is under the direct control of the President. Also, cooperation between the Audit & Supervisory Board Members and the Internal Audit Office is promoted by causing Full-time Audit & Supervisory Board Members to join audits conducted by the Internal Audit Office.

### **III. Measures to Prevent Decisions on the Company's Financial and Business Policies from Being Controlled by Persons Deemed Inappropriate Under the Basic Policy (the Plan)**

#### **1. Purpose of the Plan**

The renewal by adopting the Plan is for the purpose of ensuring and enhancing the corporate value of the Group and, in turn, the common interests of its shareholders in line with the Basic Policy set out in I. above.

The Board of Directors determined that it is essential to have in place a framework for restraining acts of large-scale acquisition that are contrary to the corporate value of the Company and the common interests of its shareholders on the occasion that the Company receives a large-scale acquisition proposal regarding the shares in the Company by securing necessary time and information for shareholders to decide whether or not to accept the large-scale acquisition or for the Board of Directors to present an alternative proposal to the shareholders, and enabling the Board of Directors to have discussions, negotiations, or the like with the acquirer for the benefit of the shareholders.

The Board of Directors therefore determined that it is necessary to renew the Former Plan by adopting the Plan subject to obtaining approval from the shareholders at this Ordinary General Meeting of Shareholders as part of measures to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate under the Basic Policy.

#### **2. Details of the Plan**

##### **(1) Plan Outline**

###### **(a) Purpose**

The Plan is for the purpose of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders on the occasion that an act of large-scale acquisition of the shares in the Company takes place by securing information and a period of time necessary and sufficient for shareholders to make appropriate decisions and opportunities for discussions, negotiations, or the like with the acquirer, etc. and taking other actions.

###### **(b) Prescribed Procedures**

The Plan sets out procedures necessary to achieve the purpose stated in (a) above such as requesting to a person who conducts an act of acquisition of the share certificates, etc. of the Company or any similar act, or a proposal for such act (an "Acquirer"; such act, an "Acquisition") to provide information regarding the Acquisition in advance, when such Acquisition is to take place (please see (2) 'Procedures for the Plan' below for details).

(c) Implementation of Gratis Allotment of Share Options

In cases such as where an Acquirer conducts an Acquisition of the Company's share certificates, etc. without following the procedures set out in the Plan, or an Acquisition threatens to cause obvious harm to the corporate value of the Company and the common interests of its shareholders (please see (3) 'Requirements for Implementation of Gratis Allotment of Share Options' below for the details of requirements for the implementation of measures), the Company will allot share options (the main terms of which are outlined in (4) 'Outline of Gratis Allotment of Share Options' below; "Share Options") with (a) an exercise condition that does not allow the Acquirer to exercise rights, and (b) an acquisition provision to the effect that the Company may acquire the share options in exchange for the Company's shares from persons other than the Acquirer by means of a gratis allotment of share options to all shareholders, except the Company, at that time.

If a gratis allotment of Share Options were to take place in accordance with the Plan and all shareholders other than the Acquirer received shares in the Company as a result of those shareholders exercising or the Company acquiring those Share Options, the ratio of voting rights pertaining to the Company's shares held by the Acquirer may be diluted by up to a third of all voting rights.

(d) Use of the Independent Committee

In order to eliminate arbitrary decisions by the Board of Directors on matters such as the implementation or non-implementation of the gratis allotment of Share Options in accordance with the Plan, the Board of Director has made it a rule to respect to the maximum extent recommendations made by the independent committee, which is composed of outside parties who are highly independent from the Company (the "Independent Committee") (please see (5) 'Establishment of the Independent Committee' below for details). In addition, in the course of these procedures, the Company will ensure the transparency of the procedures by disclosing information to shareholders.

(2) Procedures for the Plan

(a) Targeted Acquisitions

The Plan will be applied in cases where an Acquisition that falls under (i) or (ii) below takes place. The Acquirer will be required to follow the procedures prescribed in the Plan.

- (i) An acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariiai*) (Note 1) of a holder (*hoyuusha*) (Note 2) totaling at least 20% of the share certificates, etc. (*kabuken tou*) (Note 3) issued by the Company; or
- (ii) A tender offer (*koukai kaitsume*) (Note 4) that would result in the party conducting the tender offer's ownership ratio of share certificates, etc. (*kabuken tou shoyuu wariiai*) (Note 5) and the ownership ratio of share certificates, etc. of a specially related party (*tokubetsu kankei-sha*) (Note 6) totaling at least 20% of the share certificates, etc. (*kabuken tou*) (Note 7) issued by the Company.

(b) Request to the Acquirer for Provision of Information

An Acquirer who conducts an Acquisition set out in (a) above will be requested to submit to the Company before effecting the Acquisition a document that contains information set out in the items below ("Essential Information") and other matters such as an undertaking that the Acquirer will comply with the procedures set out in the Plan upon effecting the Acquisition (collectively, "Acquisition Document") in the form prescribed by the Company.

If the Board of Directors reasonably determines that the Acquisition Document does not contain sufficient Essential Information, it may set a reply period as necessary and request that the Acquirer submit additional Essential Information. In this case, the Acquirer must submit such additional Essential Information within the reply period. Acquisition Documents and Essential Information must be prepared only in Japanese.

- (i) Details (including name, capital composition, financial position, terms of any previous transactions which are similar to the Acquisition, results of these transactions, impacts of these past transactions on the corporate value of the target company) of the Acquirer and its group (including joint holders (Note 8), specially related parties, and (if the Acquirer is a fund) each partner and its members).
- (ii) The purpose, method and terms of the Acquisition (including information on the amount and type of consideration for the Acquisition, the timeframe of the Acquisition, the scheme of any related transactions, the legality of the Acquisition method, and the feasibility of the Acquisition).
- (iii) The basis for the calculation of the purchase price of the Acquisition (including facts and assumptions based on which the calculation has been made, calculation methods, numerical information used for the calculation, and the details of synergies that are expected to be brought about by a set of transactions relating to the Acquisition, and the details of those synergies that are to be allocated to minority shareholders).
- (iv) Financial support for the Acquisition (including the names of providers of funds (including all indirect providers of funds) for the Acquisition, financing methods and the terms of any related transactions, etc.).
- (v) Post-Acquisition management policy, business plan, and, capital and dividend policies for the Group.
- (vi) Post-Acquisition policies for treating and dealing with the Company's employees, business partners, and clients of the Company, and other stakeholders of the Company.
- (vii) Specific measures to avoid any conflict of interest with other shareholders in the Company if such conflict of interest were to arise.
- (viii) Any other information that the Board of Directors reasonably considers necessary.

If it is determined that the Acquirer has commenced the Acquisition in a manner that is not in compliance with the procedures set out in the Plan, the Board of Directors may immediately pass a resolution to implement a gratis allotment of Share Options, except if there are special circumstances based on which the Board of Directors is required to continue to request the Acquirer to submit Acquisition Documents and Essential Information and have discussions, negotiations, or the like with the Acquirer.

- (c) Consideration of Acquisition Terms, Negotiation with the Acquirer, and Formulation of an Alternative Proposal by the Board of Directors
  - (i) Setting of Board of Directors Consideration Period, and Consideration, Negotiation, and Formulation of an Alternative Proposal by the Board of Directors

If the Board of Directors deems that the information, materials, or the like (including those additionally requested) provided by the Acquirer is sufficient, it will, as a general rule, set a consideration period of up to 60 days (if the Acquisition is an acquisition of all of the shares in the Company through a tender offer solely in exchange for money (Japanese yen) as consideration, or a period of up to 90 days (in the event of other Acquisitions) (the "Board of Directors Consideration Period"). However, in each case, the Board of Directors may, if it determines necessary, extend the Board of Directors Consideration Period to a reasonable extent necessary (but not exceeding 30 days) for taking actions such as the consideration of the terms of the Acquisition, discussion and negotiation with the Acquirer, and formulation of an alternative proposal.

During the Board of Directors Consideration Period, the Board of Directors, while obtaining advice from financial advisors, certified public accountants, lawyers, consultants, and other experts ("Outside Experts") as necessary, will consider the terms of the Acquisition by the Acquirer, compare and examine management plans, business plans, and other policies for management by the Acquirer and the Board of Directors, formulate an alternative plan to be presented by the Board of Directors, and conduct other actions from the standpoint of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders. Further, if it is necessary in order to improve the terms of the Acquisition from the standpoint of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders, the Board of Directors will discuss

and negotiate with the Acquirer or present the alternative plan formulated by the Board of Directors to the Company's shareholders, or conduct similar actions.

If the Board of Directors requests the Acquirer to provide materials for consideration or any other information, discuss and negotiate with the Board of Directors, or conduct other actions, the Acquirer must promptly respond to such request.

(ii) Information Disclosure to Shareholders

The Company will promptly disclose information to shareholders on the fact that an Acquirer has emerged, the fact that an Acquisition Document has been submitted by the Acquirer, the fact that the Board of Directors Consideration Period has commenced, the fact that the Board of Director Consideration Period has been extended (if applicable), the details of an alternative plan formulated and presented by the Board of Directors (if any), an outline of Essential Information, and other matters that the Board of Directors determines appropriate.

(d) Consultation with the Independent Committee and Recommendations by the Independent Committee

During the Board of Directors Consideration Period, the Board of Directors shall consult with the Independent Committee on whether it is appropriate to implement or not to implement a gratis allotment of Share Options concurrently with its actions such as the consideration of the terms of the Acquisition, discussion and negotiation with the Acquirer, and formulation of an alternative proposal described in (c) above. The Independent Committee will, if it is consulted by the Board of Directors, request the Board of Directors to provide any information necessary for its consideration, and the Board of Directors shall promptly respond to that request.

In order to ensure that the Independent Committee's decision contributes to the Company's corporate value and the common interests of its shareholders, the Independent Committee may, at the cost of the Company, obtain advice from independent Outside Experts.

If the Independent Committee makes a recommendation set out in (i) or (ii) below to the Board of Directors, the Company will promptly disclose information on the fact that such recommendation has been made, the outline of the recommendation, and other matters that the Board of Directors determines appropriate.

(i) If implementation of gratis allotment of Share Options is recommended

If the Acquirer does not comply with the procedures set out in the Plan or if, as a result of the consideration of the terms of the Acquisition by the Acquirer, the Independent Committee determines that the Acquisition by the Acquirer falls under any of the requirements set out in (3) 'Requirements for Implementation of Gratis Allotment of Share Options' below and it is reasonable to implement a gratis allotment of Share Options, the Independent Committee will recommend the implementation of a gratis allotment of Share Options to the Board of Directors.

However, even after the Independent Committee has already made a recommendation for the implementation of the gratis allotment of Share Options, if the Independent Committee determines that either of the events in (A) or (B) below applies, it may, during the period until the day immediately prior to the Exercise Period Commencement Date for the Share Options (defined in (f) of (4) 'Outline of Gratis Allotment of Share Options' below; the same applies hereinafter), cancel the gratis allotment of Share Options (if it is before the gratis allotment becoming effective) or make a new recommendation that the Company will acquire the Share Options for no consideration (if it is after the gratis allotment becoming effective).

- (A) The Acquirer withdraws the Acquisition or the Acquisition otherwise ceases to exist after the recommendation.
- (B) There has been a change or the like in the facts or other matters on which the recommendation decision was made, and the Acquisition by the Acquirer does not fall under any of the requirements set out in (3) 'Requirements for Implementation of Gratis Allotment of Share Options' below or, even if it does, it is not reasonable to implement a gratis allotment of Share Options or accept exercise of Share Options.

Even if the Independent Committee determines that it is reasonable to implement a gratis allotment of Share Options, if it also determines that it is reasonable to ask the shareholders to pass a resolution for the implementation of a gratis allotment of Share Options at a general meeting of shareholders, it shall recommend that the Board of Directors convene a general meeting of shareholders and refer a proposal for the implementation of the gratis allotment of Share Options to the meeting.

(ii) If non-implementation of gratis allotment of Share Options is recommended

If the Independent Committee, as a result of the consideration of the terms of the Acquisition by the Acquirer, determines that the Acquisition by the Acquirer does not fall under any of the requirements set out in (3) 'Requirements for Implementation of Gratis Allotment of Share Options' below or, even if it does, it is not reasonable to implement a gratis allotment of Share Options, the Independent Committee will recommend the non-implementation of the gratis allotment of Share Options to the Board of Directors.

However, even after the Independent Committee has already made a recommendation for the non-implementation of the gratis allotment of Share Options, if there is a change in the facts or other matters on which the decision on the recommendation was made and the Independent Committee determines that the Acquisition by the Acquirer falls under any of the requirements set out in (3) 'Requirements for Implementation of Gratis Allotment of Share Options' below and it is reasonable to implement a gratis allotment of Share Options, the Independent Committee may make a new decision, including a new recommendation that the Company should implement the gratis allotment of Share Options, and make that recommendation to the Board of Directors.

(e) Resolutions by the Board of Directors and Holding of General Meeting of Shareholders

The Board of Directors will promptly pass a resolution as an organization under the Companies Act relating to the implementation or non-implementation of a gratis allotment of Share Options (including cancellation of a gratis allotment of Share Options) respecting to the maximum extent any recommendation made by the Independent Committee set out in (2)(d) 'Consultation with the Independent Committee and Recommendations by the Independent Committee' above.

In addition, if the Board of Directors receives a recommendation from the Independent Committee that the Board of Directors should convene a general meeting of shareholders to confirm the intent of shareholders regarding the implementation of a gratis allotment of Share Options, the Board of Directors shall promptly convene a general meeting of shareholders and refer a proposal for the implementation of the gratis allotment of Share Options to the meeting so that it is able to hold a general meeting of shareholders in the shortest period practically possible unless it is in practice extremely difficult to hold a general meeting of shareholders. If the proposal for the implementation of the gratis allotment of Share Options is approved at the general meeting of shareholders, the Board of Directors shall promptly pass a resolution for the implementation of the gratis allotment of Share Options, and if the proposal for the implementation of the gratis allotment of Share Options is rejected at the general meeting of shareholders, the Board of Directors shall promptly pass a resolution for the non-implementation of the gratis allotment of Share Options.

The Acquirer shall not effect the Acquisition until the Board of Directors passes a resolution for the implementation or non-implementation of the gratis allotment of Share Options after the commencement of the procedures under the Plan.

If the Board of Directors passes a resolution for the implementation or non-implementation of the gratis allotment of Share Options or a resolution to convene a general meeting of shareholders described above, or the general meeting of shareholders passes a resolution for the implementation of the gratis allotment of Share Options, the Board of Directors will promptly disclose information on an outline of the resolutions and other matters that the Board of Directors considers appropriate.

(3) Requirements for Implementation of Gratis Allotment of Share Options

The Company plans to implement a gratis allotment of Share Options if an Acquisition by an Acquirer falls

under any of the requirements set out below and it is determined reasonable to implement a gratis allotment of Share Options, based on the resolution by the Board of Directors set out in (e) of (2) 'Procedures for the Plan' above. As set out in (d) of (2) 'Procedures for the Plan' above, a determination as to whether any of the following requirements applies to an Acquisition and whether it is reasonable to implement a gratis allotment of Share Options must be made through a recommendation by the Independent Committee.

- (a) The Acquisition is not in compliance with the procedures for providing information set out in (b) of (2) 'Procedures for the Plan' above or for securing the Board of Directors Consideration Period, or other procedures set out in the Plan.
  - (b) The Acquisition threatens to cause obvious harm to the corporate value of the Company and the common interests of its shareholders through any of the following acts or similar acts:
    - (i) A buyout of share certificates, etc. to require such share certificates, etc. to be compulsorily purchased by the Company at a high price.
    - (ii) Management that achieves an advantage for the Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company's material assets.
    - (iii) Diversion of the Company's assets to secure or repay debts of the Acquirer or its group company.
    - (iv) Temporary control of the Company's management to bring about the disposal of high-value assets that have no current relevance to the Company's business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price taking advantage of the opportunity afforded by the sudden rise in share price created by the temporarily high dividends.
    - (v) An act such as an acquisition of the shares in the Company solely for the purpose of inflating the share price and forcing the Company's stakeholders, etc. to buy the shares at a high price even though the Acquirer does not actually intend to participate in the Company's management.
  - (c) The Acquisition threatens to effectively coerce shareholders into selling shares, such as a coercive two-tiered tender offer (meaning an acquisition of shares including tender offers, in which no offer is made to acquire all shares in the initial acquisition, and acquisition terms for the second stage are set that are unfavorable for shareholders or unclear).
  - (d) The Acquisition is to be conducted without providing a period that is reasonably necessary for the Board of Directors to present an alternative proposal to the Acquisition.
  - (e) The Acquisition is to be conducted without providing the shareholders of the Company with sufficient Essential Information or other information that is reasonably necessary for making a decision regarding the terms of the Acquisitions.
  - (f) The terms of the Acquisition (including the amount and type of consideration, timeframe of the Acquisition, legality of the Acquisition method, feasibility of the Acquisition being effected, post-Acquisition management policy and business plan, and policies for treating the Company's other shareholders, employees, clients, business partners, and other stakeholders of the Company after the Acquisition) are inadequate or inappropriate in light of the Company's intrinsic value.
  - (g) The Acquisition materially threatens to oppose the corporate value of the Company or the common interests of shareholders, by ways such as damaging the Company's technological development capabilities, social credibility, or brand value, which are indispensable to the generation of the Company's corporate value.
- (4) Outline of Gratis Allotment of Share Options

The following is an outline of the gratis allotment of Share Options to be implemented under the Plan.

(Please see Attachment 1 ‘Terms and Conditions for Gratis Allotment of Share Options’ for the details of Share Options.)

(a) Number of Share Options

The number of Share Options to be allotted upon implementation of a gratis allotment of Share Options is a number to be separately determined in a resolution by the Board of Directors to the effect that it will implement the gratis allotment of Share Options (the “Gratis Allotment Resolution”), which must not exceed the number equivalent to twice as many as the most recent total number of issued shares in the Company (excluding the number of shares in the Company held by the Company at that time) on an allotment date (the “Allotment Date”) that is separately determined in the Gratis Allotment Resolution.

(b) Shareholders Eligible for Allotment

The Company will allot the Share Options for no consideration to shareholders, other than the Company, who are stated or recorded in the Company’s most recent register of shareholders on the Allotment Date, at the ratio of up to two Share Options, as separately determined in the Gratis Allotment Resolution, for each share in the Company held.

(c) Effective Date of Gratis Allotment of Share Options

The effective date of the gratis allotment of Share Options will be separately determined in the Gratis Allotment Resolution.

(d) Number of Shares to be Acquired upon Exercise of Share Options

The number of shares in the Company to be acquired upon exercise of each Share Option (Note 9) (these shares constitute “book-entry transfer shares” provided for in Article 128.1 of the Act on Book-Entry Transfer of Corporate Bonds and Shares, to which the provisions of the same Act apply) (the “Applicable Number of Shares”) shall be one share, unless otherwise adjusted.

(e) Amount to be Contributed upon Exercise of Share Options

Contributions upon exercise of the Share Options are to be in cash, and the amount per share in the Company to be contributed upon exercise of the Share Options will be an amount to be separately determined in the Gratis Allotment Resolution, which must be within the range of no less than one yen and no more than an amount equivalent to half the market value per share in the Company. “Market value” means the average closing price (including quotations) of the Company’s shares in regular trading on the Tokyo Stock Exchange over a 90-day period (excluding dates on which no closing price exists) until the day immediately prior to the Gratis Allotment Resolution, and any fraction less than one yen will be rounded up to the nearest whole yen.

(f) Exercise Period of Share Options

The commencement date of the exercise period will be a date separately determined in the Gratis Allotment Resolution (this commencement date of the exercise period is hereinafter referred to as the “Exercise Period Commencement Date”), and the period will be a period from one month to three months long as separately determined in the Gratis Allotment Resolution. However, if the Company acquires Share Options in accordance with the provisions of (i)(ii) below, the exercise period of the Share Options so acquired will be until the business day immediately prior to the acquisition date. In addition, if the last day of the exercise period is a non-business day of the institution that handles payment of money to be paid upon the exercise of the Share Options, the previous business day will be the last day of the exercise period.

(g) Conditions for Exercise of Share Options

As a general rule, the following parties may not exercise the Share Options (the parties falling under (I) through (VI) below shall collectively be referred to as “Non-Qualified Parties”):

- (I) Specified Large Holders (Note 10);
- (II) Joint holders of Specified Large Holders;
- (III) Specified Large Purchasers (Note 11);



- (IV) Specially related parties of Specified Large Purchasers;
- (V) Any transferee of, or successor to, the Share Options of any party falling under (I) through (IV) without the approval of the Board of Directors; or
- (VI) Any Affiliated Party (Note 12) of any party falling under (I) through (V).

Further, nonresidents of Japan who are required to follow certain procedures under applicable foreign laws and ordinances to exercise the Share Options may not as a general rule exercise the Share Options (provided, however, that some of the nonresidents, such as persons to whom exemption provisions of the applicable foreign laws and ordinances apply, may exercise the Share Options, and the Share Options held by nonresidents will be subject to acquisition by the Company in exchange for shares in the Company as set out in (i)(ii) below). Please see Attachment 1 ‘Terms and Conditions for Gratis Allotment of Share Options’ for details.

(h) Assignment of Share Options

Any acquisition of the Share Options by assignment requires the approval of the Board of Directors.

(i) Acquisition of Share Options by the Company

- (i) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Board of Directors deems that it is appropriate for the Company to acquire the Share Options, the Company may, on a day separately determined by the Board of Directors, acquire all of the Share Options for no consideration.
- (ii) On a date separately determined by the Board of Directors, the Company may acquire all of the Share Options that have not been exercised before or on the business day immediately prior to such date determined by the Board of Directors, that are held by parties other than Non-Qualified Parties (if any) and, in exchange, deliver shares in the Company in the Applicable Number of Shares for each Share Option. In addition, if, on or after the date upon which the acquisition takes place, the Board of Directors recognizes the existence of any party holding Share Options other than Non-Qualified Parties, the Company may, on a date determined by the Board of Directors that falls after the date upon which the acquisition described above takes place, acquire all of the Share Options held by that party that have not been exercised by or on the day immediately prior to such date determined by the Board of Directors (if any) and, in exchange, deliver shares in the Company in the Applicable Number of Shares for each Share Option. The same will apply thereafter.

Please see Attachment 1 ‘Terms and Conditions for Gratis Allotment of Share Options’ for the definitions of the terms used above and details.

(5) Establishment of the Independent Committee

Upon the renewal by adopting the Plan, the Company will continue to have the Independent Committee that has been established for the purpose of eliminating arbitrary decisions by the Board of Directors on matters such as the implementation or non-implementation of a gratis allotment of Share Options under the Plan and as an organization that makes objective decisions on the operation of the Plan for shareholders. If the renewal by adopting the Plan is approved at this Ordinary General Meeting of Shareholders, the Independent Committee after the renewal will be composed of members who are highly independent from the Company’s executive management team: one Outside Director and two Outside Audit & Supervisory Board Members of the Company. Standards for the election of the members of the Independent Committee, requirements for resolutions and matters to be resolved at the meetings of the Independent Committee, and other related matters are described in Attachment 2 ‘Outline of the Rules of the Independent Committee,’ and the profiles of the persons who are scheduled to assume office as the members of the Independent Committee after the renewal by adopting the Plan are described in Attachment 3 ‘Names and Profiles of the Members of the Independent Committee.’

If any Acquisition were to be actually conducted, the Board of Directors shall pass a resolution as an organization under the Companies Act by taking into consideration a recommendation by the Independent Committee to the maximum extent as set out in (2) 'Procedures for the Plan' above.

(6) Effective Period and Abolition of and Amendment to the Plan

The effective period of the Plan (the "Effective Period") will be the period until the conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within three years after the conclusion of this Ordinary General Meeting of Shareholders.

However, if, before the expiration of the Effective Period, (i) a general meeting of shareholders of the Company resolves to abolish the Plan or (ii) the Board of Directors composed of Directors elected at a general meeting of shareholders of the Company resolves to abolish the Plan, the Plan will be abolished at that time.

Further, the Board of Directors may revise or amend the Plan even during the Effective Period of the Plan, in cases where the revision or amendment is not contrary to the purpose of the resolution of this Ordinary General Meeting of Shareholders such as cases where any law, ordinance, or regulation or rule of a financial instruments exchange or the like concerning the Plan is established, amended or abolished and it is appropriate to reflect such establishment, amendment or abolition in the Plan, cases where it is appropriate to revise the wording for reasons such as typographical errors and omissions, and cases where the revision or amendment does not cause any disadvantage to the Company's shareholders, and subject to the approval of the Independent Committee.

If the Plan is abolished, revised or amended, the Company will promptly disclose the fact that such abolition, revision or amendment has taken place, and (in the event of a revision or amendment) the details of the revision, amendment and any other matters.

(Reference)

The details of the Plan are set out in III.2. above, but the impacts to shareholders and other stakeholders upon the renewal by adopting the Plan and upon the gratis allotment of Share Options, and the decisions and reasoning by the Board of Directors regarding the Plan, are as follows. Shareholders are therefore requested to approve this Proposal after taking these matters into consideration.

**Impact on Shareholders and Other Stakeholders**

(1) Impact on Shareholders and Investors Upon Renewal by Adopting the Plan

Upon the renewal by adopting the Plan, there will be no direct or material impact on shareholders and investors because no actual gratis allotment of Share Options will be implemented.

(2) Impact on Shareholders and Investors at the Time of Gratis Allotment of Share Options

If the Board of Directors resolves to make a gratis allotment of Share Options, the Company will allot Share Options for no consideration to each shareholder as of the Allotment Date to be separately determined in the Gratis Allotment Resolution at the ratio of up to two Share Options, as separately determined in the Gratis Allotment Resolution, per share in the Company held by the shareholder. If any shareholder does not make payment of money or otherwise follow procedures for the exercise of Share Options detailed in (b) of (3) 'Procedures that are Required to be Followed by Shareholders Due to Gratis Allotment of Share Options' below within the exercise period of the Share Options, shares in the Company held by that shareholder will be diluted by the exercise of the Share Options by other shareholders. However, the Company may acquire Share Options from shareholders other than Non-Qualified Parties and, in exchange, deliver shares in the Company by the procedures set out in (c) of (3) 'Procedures that are Required to be Followed by Shareholders Due to Gratis Allotment of Share Options' below. If the Company follows this acquisition process, the shareholders other than the Non-Qualified Parties will receive shares in the Company without exercising the Share Options or making payment of the amount of money equivalent to the exercise price of the Share Options, and, in this case, although the value per share in the Company

held by each shareholder will be diluted, the economic value of the shares in the Company held by all shareholders as a whole will not be diluted as a general rule.

In addition, even after the Board of Directors resolves to make a gratis allotment of Share Options, the Company may, by respecting any recommendation of the Independent Committee described in (d)(i) of 2.(2) 'Procedures for the Plan' above to the maximum extent, (i) (on or before the effective date of the gratis allotment of Share Options) cancel the gratis allotment of Share Options, or (ii) (after the effective date of the gratis allotment of Share Options and until the day immediately prior to the Exercise Period Commencement Date of the Share Options) acquire Share Options for no consideration. In such cases, no dilution of the value per share in the Company will result, and it is possible that shareholders and investors who have sold, bought, or otherwise traded the shares in the Company expecting to see such a dilution in the value per share in the Company will suffer unexpected damage as a result of a fluctuation in the share price.

(3) Procedures that are Required to be Followed by Shareholders Due to Gratis Allotment of Share Options

(a) Procedures for Gratis Allotment of Share Options

If the Board of Directors resolves to implement a gratis allotment of Share Options, the Company will give a public notice regarding the Allotment Date for the gratis allotment of Share Options. In this case, shareholders who are stated or recorded in the Company's most recent register of shareholders will become share option holders as a matter of course on the effective date of the gratis allotment of Share Options, so no procedures, such as applying for such gratis allotment, will be necessary.

(b) Procedures for Exercising Share Options

The Company will deliver, as a general rule, a written request for the exercise of the Share Options (in the form prescribed by the Company and containing necessary matters such as the terms and number of Share Options for exercise and the exercise date for the Share Options, an account for transferring book-entry transfer shares, as well as representations and warranties regarding matters such as that the shareholders are not Non-Qualified Parties, indemnity clauses and other covenants) and other documents necessary for the exercise of the Share Options to shareholders other than the Company who are stated or recorded in the Company's most recent register of shareholders on the Allotment Date. After the gratis allotment of Share Options, the shareholders will be issued, as a general rule, one share in the Company in exchange for each Share Option after (i) submitting the written request for the exercise of the Share Options and other necessary documents in the manner prescribed by the Company during the exercise period of Share Options and before the acquisition of the Share Options by the Company taking effect, (ii) these documents arriving at the location for accepting exercise requests for the Share Options, and (iii) paying, as a general rule, an amount of money equivalent to the exercise price to be separately determined in the Gratis Allotment Resolution, which must be within the range of no less than one yen and no more than half the market value per share in the Company, for each Share Option, at the location for accepting exercise requests for the Share Options.

(c) Procedures for Acquisition of Share Options by the Company

If the Board of Directors determines to acquire Share Options, the Company will acquire the Share Options in accordance with the statutory procedures on the date separately determined by the Board of Directors.

If, in this case, the Company acquires the Share Options from the shareholders other than Non-Qualified Parties and deliver shares in the Company in exchange for the Share Options, the shareholders concerned will come to receive one share in the Company in principle as consideration for the acquisition by the Company of those Share Options, without paying the amount equivalent to the exercise price. However, in such case, the shareholders concerned will be separately requested to submit, in the form prescribed by the Company, a document that contains necessary matters such as an account for transferring book-entry transfer shares, representations and warranties regarding matters such as the fact that they are not Non-Qualified Parties, indemnity clauses and other covenants.

In addition, the Company will disclose information to or notify all of its shareholders with respect to the particulars of the allotment method, exercise method and method for acquisition by the Company in relation to the

Share Options after these matters are determined in the Gratis Allotment Resolution, so we request that shareholders check these details at that time.

### **Decisions and Reasoning by the Board of Directors Regarding the Plan**

1. Decisions and Reasoning Regarding the Special Measures to Realize the Basic Policy (measures set out in II. above)

As set out in II. above, the Company has implemented such measures for enhancing the corporate value and measures for its corporate governance practices as specific measures to continually and persistently enhance the Company's corporate value and the common interests of the Company's shareholders, and these measures will contribute to the realization of the Basic Policy.

Therefore, these measures comply with the Basic Policy and are consistent with the common interests of the Company's shareholders, and are not implemented for the purpose of maintaining the positions of corporate officers of the Company.

2. Decisions and Reasoning Regarding the Measures to Prevent Decisions on the Company's Financial and Business Policies from being Controlled by a Person Viewed as Inappropriate under the Basic Policy (measures set out in III. above)

- (1) The Plan is in Line with the Basic Policy

The Plan is a mechanism to maintain the corporate value of the Company and the common interests of its shareholders by ensuring the necessary time and information is made available for the shareholders to decide whether or not to accept the Acquisition of share certificates, etc. of the Company and for the Board of Directors to present an alternative proposal to the shareholders, and by enabling the Board of Directors to have discussions, negotiations, or the like with the Acquirer for the benefit of the shareholders when the Acquisition is to be effected. As above, the Plan is in compliance with the Basic Policy.

- (2) The Measures are not Detrimental to Common Interests of Shareholders and do not Aim to Maintain Positions of Corporate Officers of the Company

For the following reasons, the Company believes that the measures to prevent control by a person viewed as inappropriate under the Basic Policy would not be detrimental to the common interests of the Company's shareholders, and that the measures have not been implemented for the purpose of maintaining the positions of corporate officers of the Company.

- (a) Fully Satisfying Requirements of the Guidelines for Takeover Defense Measures

The Plan fully satisfies all of the three principles set out in the Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

- (b) Placing High Value on Shareholders' Intent (Resolution at General Meeting of Shareholders and Sunset Clause)

The renewal by adopting the Plan will be effected subject to shareholder approval at this Ordinary General Meeting of Shareholders.

Further, as set out in III.2.(6) 'Effective Period and Abolition of and Amendment to the Plan' above, the Plan is subject to a so-called sunset clause setting the Effective Period of approximately three years and if, even before the expiration of the Effective Period of the Plan, (i) a general meeting of shareholders of the Company resolves to abolish the Plan or (ii) the Board of Directors composed of Directors elected at a general meeting of shareholders of the Company resolves to abolish the Plan, the Plan will be abolished at that time. In this regard, whether it is appropriate to continue to adopt the Plan depends on the intent of the Company's shareholders.

(c) Disclosure of Information and Emphasis on Decisions by Highly Independent Outside Parties

Upon the renewal by adopting the Plan, the Company will continue to have the Independent Committee in order to eliminate arbitrary decisions by the Board of Directors and as a consultative body for the Board of Directors, which should make objective decisions on the operation of the Plan for shareholders.

If an Acquisition of shares in the Company were to actually occur, the Independent Committee would, as set out in III.2.(2) 'Procedures for the Plan' above, and in accordance with the Rules of the Independent Committee, make recommendations to the Board of Directors after considering matters such as whether or not the Acquisition would have a detrimental effect on the corporate value of the Company and the common interests of its shareholders. Then, the Board of Directors would, by taking into consideration those recommendations to the maximum extent, pass a resolution as an organization under the Companies Act.

In this way, the Independent Committee will strictly monitor any arbitrary actions by the Board of Directors, and outlines of its decisions will be disclosed to the shareholders, thereby ensuring a structure under which the Plan is operated in a transparent way so that it contributes to the corporate value of the Company and the common interests of its shareholders.

If the renewal by adopting the Plan is approved by this Ordinary General Meeting of Shareholders, the Independent Committee after the renewal will be composed of members who are highly independent from the Company's executive management team: one Outside Director and two Outside Audit & Supervisory Board Members of the Company. Standards for the election of the members of the Independent Committee, requirements for resolutions and matters to be resolved at the meetings of the Independent Committee, and other related matters are described in Attachment 2 'Outline of the Rules of the Independent Committee,' and the profiles of the persons who are scheduled to assume office as the members of the Independent Committee after the renewal by adopting the Plan are described in Attachment 3 'Names and Profiles of the Members of the Independent Committee.'

(d) Establishment of Reasonable and Objective Requirements

As set out in III.2.(3) 'Requirements for Implementation of Gratis Allotment of Share Options' above, the Company believes that the Plan is established so that any gratis allotment of Share Options will not be implemented unless the prescribed reasonable and specific objective requirements have been satisfied, and ensures a structure to eliminate arbitrary implementation by the Board of Directors.

(e) Term of Office of the Company's Directors being Set at One Year

The Company has set the term of office of the Company's Directors at one year, and this enables the Company to reflect the intent of shareholders in the Plan through the annual election of the Company's Directors even during the effective period of the Plan.

(f) Obtaining Advice of Outside Experts

As set out in (d) of III.2.(2) 'Consultation with the Independent Committee and Recommendations by the Independent Committee' above, if an Acquirer emerges, the Independent Committee may obtain the advice of independent Outside Experts at the cost of the Company. This is a mechanism to even more securely enhance the objectivity and fairness of the decisions made by the Independent Committee.

(g) No Dead-Hand or Slow-Hand Takeover Defense Measures

As stated in III.2.(6) 'Effective Period and Abolition of and Amendment to the Plan' above, the Plan is designed with a framework under which it may be abolished by a person who acquires a large number of share certificates, etc. in the Company through the election at a general meeting of shareholders of Directors nominated by that person and through a resolution of the Board of Directors attended by the so-elected Directors. Therefore, the Plan is not a dead-hand takeover defense measure (a takeover defense measure in which even if a majority of the members of the Board of Directors are replaced, the triggering of the measure cannot be stopped). Also, as the Company has not adopted a system of staggered terms of office, the Plan is not a slow-hand takeover defense

measure either (a takeover defense measure in which triggering takes more time to stop due to the fact that all members of the Board of Directors cannot be replaced at once).

**Notes:**

- Note 1: Defined in Article 27-23.4 of the Financial Instruments and Exchange Act. The same applies throughout this Proposal.
- Note 2: Including persons described as a holder under Article 27-23.3 of the Financial Instruments and Exchange Act (including persons who are deemed to fall under the above by the Board of Directors). The same applies throughout this Proposal.
- Note 3: Defined in Article 27-23.1 of the Financial Instruments and Exchange Act. The same applies throughout this Proposal unless otherwise provided for.
- Note 4: Defined in Article 27-2.6 of the Financial Instruments and Exchange Act. The same applies throughout this Proposal.
- Note 5: Defined in Article 27-2.8 of the Financial Instruments and Exchange Act. The same applies throughout this Proposal.
- Note 6: Defined in Article 27-2.7 of the Financial Instruments and Exchange Act (including persons who are deemed to fall under the above by the Board of Directors); provided, however, that persons provided for in Article 3.2 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc. by Person other than Issuer are excluded from the persons described in Article 27-2.7(i) of the Financial Instruments and Exchange Act. The same applies throughout this Proposal.
- Note 7: Defined in Article 27-2.1 of the Financial Instruments and Exchange Act.
- Note 8: Defined in Article 27-23.5 of the Financial Instruments and Exchange Act, including persons regarded as a joint holder under Article 27-23.6 of the Financial Instruments and Exchange Act (including persons who are deemed a joint holder by the Board of Directors). The same applies throughout this Proposal.
- Note 9: Even if the Company becomes a “company with class shares” (Article 2, Item 13 of the Companies Act) in the future, (i) shares in the Company to be issued upon the exercise of Share Options and (ii) shares to be delivered in exchange for the acquisition of the Share Options are the same class of shares as those that the Company has actually issued at the time of holding this Ordinary General Meeting of Shareholders (i.e., shares of common stock).
- Note 10: “Specified Large Holder” means, in principle, a party who is deemed by the Board of Directors to be a holder of share certificates, etc. issued by the Company and whose holding ratio of share certificates, etc. in respect of such share certificates, etc. is at least 20%.
- Note 11: “Specified Large Purchaser” means, in principle, a person who is deemed by the Board of Directors to be a person who makes a public announcement of purchase, etc. (as defined in Article 27-2.1 of the Financial Instruments and Exchange Act; the same applies throughout this Note 11) of share certificates, etc. (as defined in Article 27-2.1 of the Financial Instruments and Exchange Act; the same applies throughout this Note 11) issued by the Company through a tender offer and whose ratio of ownership of share certificates, etc. in respect of such share certificates, etc. owned by such person after such purchase, etc. (including similar ownership as prescribed in Article 7.1 of the Order for Enforcement of the Financial Instruments and Exchange Act) is at least 20% when combined with the ratio of ownership of share certificates, etc. of a specially related party.

Note 12: An “Affiliated Party” of a given party means a person who is deemed by the Board of Directors to be a person who substantially controls, is controlled by, or is under common control with such given party (including any party who is deemed to fall under the above by the Board of Directors), or a party deemed by the Board of Directors to act in concert with such given party. “Control” means to “control the determination of the financial and business policies” (as defined in Article 3.3 of the Enforcement Regulations of the Companies Act) of other corporations or entities.

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## Attachment 1

### Terms and Conditions for Gratis Allotment of Share Options

#### **I. Decisions on Matters Relating to Gratis Allotment of Share Options**

(1) Details and Number of Share Options

The details of share options to be allotted to each shareholder (individually and collectively, “Share Options”) are based on the matters stated in II. below, and the number of Share Options to be allotted will be a number to be separately determined in a resolution by the Board of Directors to the effect that it will implement the gratis allotment of Share Options (the “Gratis Allotment Resolution”), which must not exceed a number equivalent to twice as many as the most recent total number of issued shares in the Company (excluding the number of shares in the Company held by the Company at that time) on an allotment date (the “Allotment Date”) that is separately determined in the Gratis Allotment Resolution.

(2) Shareholders Eligible for Allotment

The Company will allot Share Options for no consideration to each shareholder, other than the Company, who is stated or recorded in the Company’s latest register of shareholders on the Allotment Date, at the ratio of up to two Share Options, as separately determined in the Gratis Allotment Resolution, per share in the Company held by the shareholder.

(3) Effective Date of Gratis Allotment of Share Options

The effective date of the gratis allotment of Share Options will be separately determined in the Gratis Allotment Resolution.

#### **II. Details of Share Options**

(1) Number of Shares to be Acquired upon Exercise of Share Options

- 1) The number of shares to be acquired upon exercise of each Share Option (the “Applicable Number of Shares”) shall be one share. However, if the Company implements a share split or share consolidation, the Applicable Number of Shares will be adjusted in accordance with the following formula and any fraction less than one share resulting from the adjustment will be rounded down, and no adjustment by money shall be made.

Applicable Number of Shares after adjustment = Applicable Number of Shares before adjustment × ratio of share split or consolidation

- 2) The Applicable Number of Shares after the adjustment will apply: (i) in the event of a share split, from and after the day immediately following the record date for the share split; and (ii) in the event of a share consolidation, from and after the effective date of the share consolidation.
- 3) In addition to the provisions set out in 1) above, if the Company effects an act that causes or may cause a change in the total number of issued shares (excluding the number of shares in the Company held by the Company) such as a gratis allotment of shares, merger, or company split, and an adjustment of the Applicable Number of Shares is necessary, the Company will make a reasonable adjustment of the Applicable Number of Shares after taking into consideration the conditions for and other matters relating to the gratis allotment of shares, merger, company split, or other acts.

(2) Amount of Contributions upon Exercise of Share Options

- 1) Contributions upon exercise of the Share Options are to be in cash, and the amount is the Exercise Price (defined in 2) below) multiplied by the Applicable Number of Shares.



2) The amount per share in the Company to be contributed upon exercise of the Share Options (the “Exercise Price”) will be an amount separately determined in the Gratis Allotment Resolution, which must be within the range of no less than one yen and no more than an amount equivalent to half the market value per share in the Company. “Market value” means the average closing price (including quotations) of the Company’s shares in regular trading on the Tokyo Stock Exchange over a 90-day period (excluding dates on which no closing price exists) until the day immediately prior to the Gratis Allotment Resolution, and any fraction less than one yen will be rounded up to the nearest whole yen.

(3) Exercise Period of Share Options

The commencement date of the exercise period will be a date separately determined in the Gratis Allotment Resolution, and the period will be a period from one month to three months long as separately determined in the Gratis Allotment Resolution. However, if the Company acquires Share Options in accordance with the provisions of (7)2 below, the exercise period of the Share Options so acquired will be until the business day immediately prior to the acquisition date. In addition, if the last day of the exercise period is a non-business day of the institution that handles payment of money to be paid upon the exercise of the Share Options, the previous business day will be the last day of the exercise period.

(4) Conditions for Exercise of Share Options

1) The following parties may not exercise the Share Options (the parties falling under (i) through (vi) below are collectively referred to as “Non-Qualified Parties”):

- (i) Specified Large Holders;
- (ii) Joint holders of Specified Large Holders;
- (iii) Specified Large Purchasers;
- (iv) Specially related parties of Specified Large Purchasers;
- (v) Any transferee of, or successor to, the Share Options of any party falling under (i) through (iv) without the approval of the Board of Directors; or
- (vi) Any Affiliated Party of any party falling under (i) through (v).

The terms used above are defined as follows:

- (i) “Specified Large Holder” means, in principle, a party who is a holder (including a party who is included in holders under Article 27-23.3 the Financial Instruments and Exchange Act) of share certificates, etc. (as defined in Article 27-23.1 of the Financial Instruments and Exchange Act; the same applies hereinafter unless otherwise prescribed), issued by the Company and whose holding ratio of share certificates, etc. (as defined in Article 27-23.4 of the Financial Instruments and Exchange Act) in respect of such share certificates, etc. is considered to be at least 20% by the Board of Directors.
- (ii) “Joint holder” means, in principle, a joint holder as defined in Article 27-23.5 of the Financial Instruments and Exchange Act, including a party deemed a joint holder under Article 27-23.6 of the Financial Instruments and Exchange Act (including a party who is considered to fall under the above by the Board of Directors).
- (iii) “Specified Large Purchaser” means, in principle, a person who makes a public announcement of purchase, etc. (as defined in Article 27-2.1 of the Financial Instruments and Exchange Act; the same applies in this (iii)) of share certificates, etc. (as defined in Article 27-2.1 of the Financial Instruments and Exchange Act; the same applies throughout this (iii)) issued by the Company through a tender offer (as defined in Article 27-2.6 of the Financial Instruments and Exchange Act) and whose ratio of ownership of share certificates, etc. (as defined in Article 27-2.8 of the Financial Instruments and Exchange Act; the same applies hereinafter), in respect of such share certificates, etc., owned by such person after such purchase, etc., (including similar ownership as prescribed in Article 7.1 of the Order for Enforcement of the Financial Instruments and Exchange

- Act) is considered by the Board of Directors to be at least 20% when combined with the ratio of ownership of share certificates, etc., of a specially related party.
- (iv) “Specially related party” means, in principle, a specially related party as defined in Article 27-2.7 of the Financial Instruments and Exchange Act (including a party who is considered to fall under the above by the Board of Directors). However, parties provided for in Article 3.2 of the Cabinet Office Order on Disclosure Required for Tender Offer for Share Certificates, etc. by Person other than Issuer are excluded from the parties described in Article 27-2.7, Item (1) of the Financial Instruments and Exchange Act.
  - (v) An “Affiliated Party” of a given party means a person who is considered by the Board of Directors to substantially control, be controlled by, or be under common control with such given party, or a party deemed by the Board of Directors to act in concert with such given party. “Control” means to “control the determination of the financial and business policies” (as defined in Article 3.3 of the Ordinance for Enforcement of the Companies Act) of other corporations or entities.
- 2) Notwithstanding 1) above, the parties listed in (i) through (iv) below are not Specified Large Holder or Specified Large Purchaser:
- (i) the Company, its subsidiaries (as defined in Article 8.3 of the Regulations concerning Terminology, Forms and Method of Preparation of Financial Statements, etc.) or its affiliates (as defined in Article 8.5 of the Regulations concerning Terminology, Forms and Method of Preparation of Financial Statements, etc.);
  - (ii) a party that the Board of Directors recognizes as a party that became a Specified Large Holder as set forth in 1)(i) above with no intention to control the Company and that ceased to be a Specific Large Holder as set forth in 1)(i) above due to a disposal of the share certificates, etc. of the Company held within ten (10) days after becoming a Specific Large Holder as set forth in 1)(i) above (provided, however, that the ten (10) day period may be extended by the Board of Directors);
  - (iii) a party that the Board of Directors recognizes as a party that involuntarily became a Specific Large Holder as set forth in 1)(i) above by the Company acquiring treasury stock or for any other reason (excluding cases where the party thereafter newly acquires the Company’s share certificates, etc. at its own discretion); or
  - (iv) a party that the Board of Directors recognizes as a party whose acquisition or holding of share certificates, etc. of the Company is not contrary to the Company’s corporate value or the common interests of shareholders. (The Board of Directors may separately recognize that a party that it has recognized as a Non-Qualified Party is not contrary to the Company’s corporate value or the common interests of shareholders. If the Board of Directors determines that an acquisition or holding is not contrary to the Company’s corporate value or common interests of shareholders under certain conditions, such recognition will be effective to the extent that these conditions are satisfied).
- 3) Under the applicable foreign laws and ordinances, if a party located within a jurisdiction of such laws and ordinances is required for the purposes of exercising the Share Options to (i) perform certain procedures, (ii) satisfy certain conditions (including prohibition of exercise for a certain period of time or submission of specified documents), or (iii) both perform such procedures and satisfy such conditions (collectively, the “Governing Law Exercise Procedures and Conditions”), such party may exercise the Share Options only if the Board of Directors recognizes that it has fully performed or satisfied the Governing Law Exercise Procedures and Conditions, and such party may not exercise the Share Options if the Board of Directors does not recognize that it has performed or satisfied the Governing Law Exercise Procedures and Conditions. The Company shall bear no obligation to implement or satisfy any Governing Law Exercise Procedures and Conditions which are required in order for the party located in such jurisdiction to exercise the Share Options. In addition, if a party located in such jurisdiction is not permitted to exercise the Share Options under such laws and ordinances, the party located in such jurisdiction may not exercise the Share Options.
- 4) Notwithstanding 3) above, a party located in the United States may exercise the Share Options, only if

(i) such party represents and warrants that it is an accredited investor as defined in Rule 501(a) of the U.S. Securities Act of 1933, and (ii) such party covenants to resell the shares of the Company to be acquired upon exercise of the Share Options held by such party only through a regular transaction at the Tokyo Stock Exchange (not on the basis of any previous arrangements and without previous solicitation). In such case only, the Company shall perform or satisfy the Regulation D of the U.S. Securities Act of 1933 and the Governing Law Exercise Procedures and Conditions under applicable U.S. state laws that are required to be performed or satisfied by the Company for exercise of the Share Options by a party located in the United States. A party located in the United States shall not exercise the Share Options if the Board of Directors determines that such party is not permitted to legally exercise the Share Options under the U.S. Securities Act due to a change in the law of the United States or some other reason, even though such party satisfies the conditions as described in (i) and (ii) above.

- 5) A holder of the Share Options may exercise the Share Options only if the holder submits to the Company a written statement in which the holder undertakes representations and warranties, including, but not limited to, the fact that the holder is not a Non-Qualified Party, nor a party that has any intention to exercise the Share Options on behalf of a Non-Qualified Party and that the holder has satisfied the conditions for the exercise of the Share Options, provisions for indemnification and other matters prescribed by the Company and any written statement required under the laws and ordinances.
- 6) Even if a holder of the Share Options is unable to exercise the Share Options in accordance with the provisions of this section (4), the Company shall not be liable to such holder of the Share Options for damages or any other obligations.

(5) Capital and Capital Reserve to Be Increased Upon Issuance of Shares by Exercise of Share Options  
The capital and capital reserve to be increased upon issuance of shares by exercise of the Share Options shall be the amount separately determined in the Gratis Allotment Resolution.

(6) Restriction on Assignment of Share Options

- 1) Any acquisition of the Share Options by assignment requires the approval of the Board of Directors.
- 2) If a party who intends to assign the Share Options is located outside Japan and is unable to exercise the Share Options in accordance with the provisions of sections (4)3) and (4)4) (excluding a Non-Qualified Party), then the Board of Directors shall determine if it gives such approval as described in section (1) above considering the following matters:
  - (i) whether or not a written undertaking prepared and signed or sealed by the transferor and transferee (including provisions for representations and warranties with respect to the matters described in (ii), (iii) and (iv), provisions for indemnification, and provisions for penalties) is submitted with respect to the acquisition by assignment of all or part of the Share Options by a person located in such jurisdiction;
  - (ii) whether or not it is clear that the transferor and transferee are not Non-Qualified Parties;
  - (iii) whether or not it is clear that the transferee is not located in such jurisdiction and does not intend to accept the Share Options for a party located in such jurisdiction;
  - (iv) whether or not it is clear that the transferee does not intend to accept the Share Options for a Non-Qualified Party.

(7) Acquisition of Share Options by the Company

- 1) At any time on or before the date immediately prior to the first date of the exercise period of Share Options, if the Board of Directors deems that it is appropriate for the Company to acquire the Share Options, the Company may, on a date separately determined by the Board of Directors, acquire all of the Share Options for no consideration.
- 2) On a date separately determined by the Board of Directors, the Company may acquire all of the Share Options that are held by parties other than Non-Qualified Parties that have not been exercised by the

business day immediately prior to that date determined by the Board of Directors and, in exchange, deliver shares in the Company in the number equivalent to the Applicable Number of Shares for each Share Option. Further, if, on or after the date upon which the acquisition takes place, the Board of Directors recognizes the existence of a party who is a holder of the Share Options and who is a party other than a Non-Qualified Party, the Company may, on a date that is after the date upon which the acquisition described above takes place and is determined by the Board of Directors, acquire all of the Share Options held by that party that have not been exercised by the day immediately prior to that date determined by the Board of Directors and, in exchange, deliver shares of the Company in the number of the Applicable Number of Shares for every one Share Option. The same will apply thereafter.

- (8) Delivery of the Share Options and the Conditions Thereof in the Case of Merger (Only in the Case Where the Company is Extinguished by the Merger), Absorption-Type Company Split, Incorporation-Type Company Split, Share Exchange, or Share Transfer

The delivery of the Share Options and the conditions thereof in the case of merger (only in the case where the Company is extinguished by the merger), absorption-type company split, incorporation-type company split, share exchange, or share transfer will be separately determined in the Gratis Allotment Resolution.

- (9) Issuance of Certificates of Share Options

No certificates of Share Options will be issued.

- (10) Revision Due to Amendment to Laws and Ordinances

The provisions of the laws and ordinances referred to above are those in force as of May 10, 2018. If the meanings of the provisions or terms as set forth in each item above require revision due to the enactment, amendment or abolishment of laws and ordinances after May 10, 2018, the Board of Directors may differently read the meanings of the provisions or terms as set forth in each item above to the reasonable extent as required, taking into consideration the purposes of such enactment, amendment or abolishment.

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## Attachment 2

### Outline of the Rules of the Independent Committee

- The Independent Committee shall be established by resolution of the Board of Directors.
- There shall be no less than three members of the Independent Committee who are (i) Outside Directors of the Company, (ii) Outside Audit & Supervisory Board Member of the Company or (iii) other outside experts elected by the Board of Directors and independent from the management that executes the business of the Company. However, such experts must be experienced corporate managers, parties with knowledge of the investment banking industry or the business areas engaged in by the Company, lawyers, certified public accountants, researchers whose research focuses on the Companies Act or the like, or parties of similar qualifications, and must have executed with the Company an agreement separately specified by the Board of Directors that contains a provision obligating them to exercise the duty of care of a good manager or similar provision.
- Unless otherwise determined by a resolution of the Board of Directors, the term of office of members of the Independent Committee will be until the conclusion of the ordinary general meeting of shareholders relating to the final fiscal year ending within three years after the conclusion of this Ordinary General Meeting of Shareholders. If a member of the Independent Committee who is an Outside Director or Outside Audit & Supervisory Board Member ceases to be a Director or an Audit & Supervisory Board Member (excluding the case where such member is reappointed as a Director or an Audit & Supervisory Board Member), his or her term of office as a member of the Independent Committee will expire at the same time.
- The Independent Committee shall make decisions on the matters listed below and make recommendations to the Board of Directors containing the details of and reasons for the recommendation. Respecting such recommendations of the Independent Committee to the maximum extent, the Board of Directors shall make resolutions on the implementation or non-implementation of the gratis allotment of Share Options as an organization under the Companies Act (however, if the proposal regarding the implementation of the gratis allotment of Share Options is submitted to the Company's shareholders meeting, the Board of Directors shall be subject to the resolution of such shareholders meeting). Each member of the Independent Committee and each Director of the Company must make such decisions solely with a view to whether or not the corporate value of the Company and the common interests of its shareholders will be enhanced, and they must not serve the purpose of their own interests or those of the management of the Company.
  - (a) The implementation or non-implementation of the gratis allotment of Share Options (including submission of a proposal regarding the implementation of the gratis allotment of Share Options to the Company's shareholders meeting).
  - (b) The cancellation of the gratis allotment of Share Options or the gratis acquisition of Share Options.
  - (c) Any other matters that are for determination by the Board of Directors in respect to which it has consulted the Independent Committee.
- In addition to the matters prescribed above, the Independent Committee shall conduct the matters listed below.
  - (a) Collection of the information necessary for the determination as described above, and requests to the Board of Directors for relevant materials.
  - (b) Examination and consideration of the terms of the Acquirer's Acquisitions.
  - (c) Approval of revision or amendment of the Plan.
  - (d) Any other matters that the Plan prescribes that the Independent Committee may conduct.
  - (e) Any matters that the Board of Directors separately determines that the Independent Committee may conduct.
- The Independent Committee may, in order to collect necessary information, request the Company's Directors, Audit & Supervisory Board Members, employees or other persons whom the Independent Committee considers necessary, to attend a meeting of the Independent Committee, and to explain the matters requested by the Independent Committee.
- The Independent Committee may, at the Company's expense, obtain the advice of independent third

parties (including financial advisers, certified public accountants, lawyers, consultants and other experts) and conduct similar actions.

- Each member of the Independent Committee may convene a meeting of the Independent Committee at the time of the Acquisition or at any other times.
- A resolution may pass with a majority of the members present provided that a majority of the members of the Independent Committee are in attendance.

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### Attachment 3

#### Names and Profiles of the Members of the Independent Committee

The following three persons will be the initial members of the Independent Committee after the renewal by adopting the Plan.

Name: Haruhito Takada  
(Outside Director of the Company)

Career summary: April 1995 Full-time Lecturer, Faculty of Law, Keio University  
April 1998 Assistant Professor, Faculty of Law, Keio University  
April 2005 Visiting Researcher, Faculty of Law, Humboldt University of Berlin  
April 2007 Instructor, Graduate School of Law, Keio University  
April 2008 Professor, Faculty of Law, Keio University  
April 2009 A Member of the Committee, Graduate School of Law, Keio University  
June 2009 A Member of the independent committee established in line with the Company's takeover defense measures, the Company (current post)  
April 2011 Professor, Graduate School of Law, Keio University (current post)  
June 2013 Outside Director of the Company (to the present)

The Company has submitted notification to Tokyo Stock Exchange concerning appointment of Mr. Takada as an independent officer.

Name: Akira Yamada  
(Outside Audit & Supervisory Board Member of the Company)

Career summary: April 1986 Admitted to the Japanese bar; joined Miyake, Hatasawa & Yamazaki  
September 1990 Joined Winthrop, Stimson, Putnam & Roberts  
June 1991 Admitted to the New York bar  
January 1992 Partner, Miyake & Yamazaki  
March 1994 Resident Partner, Bangkok Office of Miyake & Yamazaki  
August 1997 Miyake & Yamazaki, Tokyo  
November 2009 Outside Audit & Supervisory Board Member, Solar Frontier K.K. (current post)  
June 2015 Outside Audit & Supervisory Board Member of the Company (to the present)  
December 2015 Representative Member of Three Fields Limited Liability Company (current post)  
January 2017 Of Counsel, Miyake, Ushijima & Imamura (current post)

The Company has submitted notification to Tokyo Stock Exchange concerning appointment of Mr. Yamada as an independent officer.

Name: Yoshio Takeyama  
(Outside Audit & Supervisory Board Member of the Company)

Career summary:

|            |  |
|------------|--|
| April 1977 | Joined The Dai-ichi Mutual Life Insurance Company (currently The Dai-ichi Life Insurance Company, Limited)       |
| April 2007 | Executive Officer, IT Planning Department Manager of The Dai-ichi Mutual Life Insurance Company                  |
| April 2009 | Managing Executive Officer, IT Planning Department Manager of The Dai-ichi Mutual Life Insurance Company         |
| June 2009  | Director, Managing Executive Officer of The Dai-ichi Mutual Life Insurance Company                               |
| July 2010  | Director, Managing Executive Officer, Insurance Claim Department of The Dai-ichi Life Insurance Company, Limited |
| April 2011 | Director, Managing Executive Officer of The Dai-ichi Life Insurance Company, Limited                             |
| April 2013 | Managing Executive Officer of The Dai-ichi Life Insurance Company, Limited                                       |
| June 2013  | President and Representative Director of The Dai-ichi Life Information Systems Co., Ltd.                         |
| March 2015 | Retired from Managing Executive Officer of The Dai-ichi Life Insurance Company, Limited                          |
| April 2015 | Chairman and Representative Director of The Dai-ichi Life Information Systems Co., Ltd. (current post)           |
| June 2015  | Outside Audit & Supervisory Board Member of the Company (to the present)   |

The Company has submitted notification to Tokyo Stock Exchange concerning appointment of Mr. Takeyama as an independent officer.

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