

1. This document is a translation of the official Japanese Notice Concerning Renewal of Countermeasures Against a Large-scale Purchase of Shares of Nissha Printing Co., Ltd. (Takeover Defense Measures).
2. This translation is provided only as a reference to assist shareholders in their voting and does not constitute an official document.
3. In the event of any discrepancies between this translated document and the Japanese original, the original shall prevail.

May 12, 2016

To whom it may concern,

Name of Company  
Nissha Printing Co., Ltd.

Name of Representative  
Junya Suzuki, President & CEO, Representative Director  
of the Board  
(Code Number 7915; 1<sup>st</sup> Section of the Tokyo Stock  
Exchange)

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## Notice Concerning Renewal of Countermeasures Against a Large-scale Purchase of Shares of Nissha Printing Co., Ltd. (Takeover Defense Measures)

Nissha Printing Co., Ltd. (the “Company”) introduced countermeasures against a large-scale purchase of shares of the Company (the “Former Plan”) for the purpose of further protecting and enhancing the corporate value of the Company and the common interests of shareholders. The effective period of the Former Plan will end at the close of the ordinary general meeting of shareholders scheduled for June 17, 2016 (the “Ordinary General Meeting of Shareholders”).

The Company has, after the introduction of the Former Plan, continued to consider the situation including the pros and cons of continuing the Former Plan, from the point of view of continually providing information to its shareholders and giving them time to make a decision, while taking into account changes in the social and economic situation and trends in the debate on takeover countermeasures, as part of an effort to protect the Company’s corporate value and the common interests of its shareholders.

As a result, the Company is pleased to announce that at a meeting of its Board of Directors on May 12, 2016 (the “Meeting of the Board of Directors”) it was decided, subject to the approval of shareholders to be obtained at the Ordinary General Meeting of Shareholders, to make, as set forth below, partial revisions to and renew the Former Plan (the revised countermeasures against a large-scale acquisition of shares of the Company; the “Plan”, and such renewal, the “Renewal”).

The Plan builds on the Former Plan in that it ① shortens the deadline for the Board of Directors to provide information on request by the Independent Committee from 60 to 30 days, in order to speed up the process of deliberation by the Independent Committee, and ② clarifies the maximum number of days both for the Board of Directors to provide information on request by the Independent Committee and for the Independent Committee to make such deliberation, in order to ensure the precise execution of the Plan. With this renewal adjustments have also been made to clarify the conditions under which the Plan will be set in motion.

All of the Company's audit & supervisory board members including independent audit & supervisory board members attended the Meeting of the Board of Directors, and all expressed their intent to agree to the Renewal of the Plan provided that the Plan is specifically put into practice in an appropriate manner. Approval on the Renewal of the Plan has been obtained from all members of the Independent Committee for the Former Plan.

Please be informed that as of this date, there has been no sounding out or request whatsoever concerning any large-scale purchase of the shares of the Company.

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## **I. Basic Policy Regarding Parties Who Hold Control Over the Determination of the Company's Financial Matters and Business Policies**

Given that the shares of the Company, being a listed, public company, may be traded freely, the Company believes that a decision on whether to accept or reject any proposal for a large-scale purchase of shares or any acts similar thereto involving the transfer of control of the Company, must ultimately be based on the will of its shareholders. Consequently, the Company will not reject outright even proposals for a large-scale purchase of shares if they contribute to the Company's corporate value and the common interests of its shareholders.

The Company believes that in order to protect and enhance its corporate value and the common interests of its shareholders, it is essential that the Company contributes to society by continually providing valuable products and services, based on the Company's corporate mission as a forward-looking company.

Specifically, the Company believes that capturing share in a growth market share on a global level and continuing to provide high value-added products and services unique to itself through manufacturing unmatched by other companies, as well as disrupting the established concept of printing technology through unceasing R&D and technology development, will lead to ensuring and improving the Company's corporate value and the common interests of its shareholders.

The Company believes that parties who hold control over the determination of the Company's financial matters and business policies must fully understand the said basic views described above, in order to secure and enhance the corporate value of the Company and the common interests of its shareholders with medium-term and long-term points of view.

Therefore, the Company believes that any party that, without adequately understanding the basic views described above, proposes any inappropriate large-scale purchase of shares or any acts similar thereto that do not benefit the corporate value of the Company and the common interests of shareholders, should be considered inappropriate to have control over the determination of the Company's financial matters and business policies, and that there must be measures to prevent any large-scale purchase of the shares of the Company by such parties.

## **II. Special Initiatives Including the Effective Use of the Company's Assets and Formation of Appropriate Corporate Entity to Realize the Basic Policy**

The Company, as a special initiative towards realizing the basic policy described in I above, has implemented the initiatives described in 2. below which will lead to the protection and enhancement of its corporate value and the common interests of its shareholders, by leveraging the "Sources of the Company's Corporate Value" described in 1. below.

### **1. Sources of the Company's Corporate Value**

#### **(1) A Spirit of Pursuing Manufacturing Unmatched by Other Companies**

When in 1929 the Company's founder Naoki Suzuki began a printing business, he made up his mind that since anyone could do typography, he would do the kind of high-quality printing that other companies could not. This is the spirit of the Company – an attitude and passion of pursuing manufacturing unmatched by other companies, which continues to this day.

#### **(2) Technological Skill Which Expands Our Business Field**

Since the 1960s, the Company has given birth to high value-added products which apply printing technology, and has expanded into new business fields such as Industrial Materials and Devices. At present, the Company is accelerating initiatives to both dig deep into the printing technology which it has cultivated so far, and also to acquire and combine new core technologies to expand its technical base and create a new family of products, with a view to achieving continuous growth.

Expanding the Company's technical base will require both creating a blueprint of what it is to become, and the ability to systematically grasp the technology which is accumulated in the Company, and to discern what new technology it should be combined with. It can also be said that production techniques and quality management for realizing manufacturing unmatched by other companies are also indispensable for the Company.

#### **(3) Relationships of Trust with Stakeholders**

The Company expands its business activities under the Corporate Mission of "We are committed to pursuing a mutually trustful Co-existence with society through our business activities utilizing a unique technology development, based on Printing as a core.". Furthermore, the Company holds as its Brand Statement "Empowering Your Vision" expressing its desire to create a valuable future together with the stakeholders which surround it including its customers, shareholders, employees, suppliers and society. The Company's relationships of trust with stakeholders, which have been constructed through firm management, are the cornerstone of its business activities.

### **2. Initiatives to Increase Corporate Value**

#### **(1) Expansion of Business Scale by Applying Printing Technology**

The Company was founded in the Kyoto region in 1929 with the intention of going into high-quality art printing. It built a strong brand in high-quality printing technology known as "Nissha – The High-Quality Art Printers". On the other hand, since the 1960s the Company, feeling a sense of crisis that there was a limit to how far it could grow with printing on paper alone, made the firm decision to "print on anything other than water and air" and strove to expand its business fields, and developed Heat Transfer Foil (currently

the main product in the Industrial Materials business) which applied photogravure platemaking and rotogravure printing technology to curved surface printing, and also touch panels (currently the main product in the Devices business) which applied high-definition patterning technology to the field of electronic components. Since the latter half of the 1990s, industries involved in consumer electronics achieved high growth at a global scale, into which the Company poured its management resources and it realized the expansion of its business.

However, since the global financial crisis of 2008, the market growth rate of the consumer electronics industry has stagnated, and competition has intensified such as due to companies from developing countries gaining ground. Sudden fluctuations in product demand and the commoditization of products and services have become the norm.

**(2) Reorganization of Business Portfolio Through the Fifth Medium-term Business Plan**

The Company has in its Fifth Medium-term Business Plan, a three-year plan (from April 1, 2015 through March 31, 2018) which commenced operation in the 2015 fiscal year, the medium-term vision to “obtain and combine new core printing technologies, and complete the reorganization of the business portfolio in global markets”, and has begun to implement this “reorganization” strategy by correcting its excessive dependence on the consumer electronics market and reconstructing a more balanced business and product portfolio.

The Company considers M&A to be an effective method for rapidly executing the reorganization of its business and product portfolio, and has allocated a budget of JPY35 billion therefor in its Fifth Medium-term Business Plan. In August 2015, it acquired 100% of the AR Metallizing Group, the world’s largest maker of metallized paper, and both incorporated metallized paper into the Company group’s product portfolio as an adjacent area to printing, and also acquired market share at a global level in food products, beverages and household items.

On the other hand, the Information and Communication business, which faces the issue of improving its operating profitability, has both raised its self-running capacity by spinning off into a separate company in July 2015, and since April 2016 has been advancing efforts to reform its cost structure through production partnerships with other companies in the same industry.

The Company adopts ROE and ROIC as management indicators to keep track of progress with the. Fifth Medium-term Business Plan In the Fifth Medium-term Business Plan an ROE and ROIC are targeted of at least 10% and 8% respectively.

**(3) Strengthening of Corporate Governance**

As previously mentioned, the Company has since its founding implemented a strategy based on strong management leadership which meets and adapts to changes in the management environment. The Company believes that strengthening corporate governance based on this strong leadership will promote rapid and decisive decision making, as well as ensuring management transparency and fairness, and is aware that corporate governance is a key management issue.

In 2008, the Company introduced the corporate officer system, and made efforts to separate the strategic planning and management oversight functions for which the Board of Directors is responsible from the executive functions for which corporate officers are responsible. Additionally, in order to promote diversity in the Board of Directors, an

independent director, member of the board was appointed in 2007, and in 2008, a system was established of having two such directors. In 2014, a new female independent director was appointed, and the current Board of Directors consists of seven directors including three independent directors with a high degree of independence (making for an independent director, member of the board ratio of 42.9%). The independent directors, member of the board provide useful insight and opinions from their corporate management experience at other companies and knowledge of corporate governance and management strategy as researchers, which is stimulating active debate within the Board of Directors. Additionally, should shareholders approve the motion at the Ordinary General Meeting of Shareholders, it is planned to increase the number of independent directors, member of the board to four so that there are eight directors with an independent director ratio of 50%.

In October 2015, the Company established a Basic Corporate Governance Policy. The Policy provided for a Nominations and Remuneration Committee to be newly established which would make use of independent directors' knowledge to ensure objectivity and fairness in appointing officers and setting compensation, and also for the effectiveness of the Board of Directors to be assessed once a year in order to help it function better.

The Company believes it can protect and enhance the Company's corporate value and the common interests of its shareholders by continuing to implement the aforementioned measures.

### **III. Initiatives in Light of the Basic Policy to Prevent Determination of the Company's Financial and Business Policies by an Inappropriate Party**

#### **1. Contents of the Plan**

##### **(1) Outline of the Plan**

###### **(a) Objective**

The Plan aims to both ensure that before a Purchase (as defined in (2) (a) below, and the same applies hereinafter) of the Company's shares is made, there is sufficient information and time for the shareholders to decide on whether or not to accept such Purchase, or for the Company's Board of Directors to make an alternative proposal, and also to make it possible to negotiate with the Purchaser (as defined in (2) (a) below, and the same applies hereinafter) on behalf of the shareholders. Furthermore, we believe it is important to deter inappropriate acquisitions through the Plan, in order to protect and enhance the corporate value of the Company and the common interests of the shareholders, by devoting all management resources to achieving the strategy of reorganizing the Company's business portfolio as set out in the Fifth Medium-term Business Plan.

###### **(b) Establishment of Procedures Concerning Purchases**

Under the Plan, procedures are set out (please see (2) below for details) which are necessary for achieving the objective set out in (a) above, such as requiring a Purchaser to provide information on a Purchase of the Company's shares before carrying it out.

###### **(c) Gratuitous Allotment of Stock Acquisition Rights or Use of Other Countermeasures**

In case a Purchaser, pursuing a Purchase without complying with the procedures prescribed in the Plan, or in case a Purchase by a Purchaser is judged to severely damage

the corporate value of the company and the common interests of shareholders (refer to (3) below for details), the Company may allot stock acquisition rights with (a) an exercise condition that the Specified Purchasers (defined separately in Attachment 3; the same applies hereinafter) are not permitted to exercise the right; and (b) a provision to the effect that the Company, in exchange for the acquisition of Stock Acquisition Rights, shall issue shares of the Company to all shareholders other than the Specified Purchasers, etc. (“Stock Acquisition Rights;” refer to Attachment 3 for details) by the method of gratuitous allotment (provided for in Article 277 and thereafter of the Companies Act) to all shareholders at the time.

It is possible, however, that in case it is deemed appropriate to activate countermeasures other than gratuitous allotment of Stock Acquisition Rights permitted under the Companies Act, other laws and ordinances, and the Articles of Incorporation of the Company (“Other Countermeasures”), the Company may decide to adopt such Other Countermeasures.

(d) Use of Independent Committee and Confirmation of Shareholders’ Will to Eliminate Arbitrary Judgment of Board of Directors

The Plan provides that, to eliminate any arbitrary judgment of the Board of Directors of the Company, a judgment on the execution or non-execution of gratuitous allotment of Stock Acquisition Rights or Other Countermeasures, acquisition of Stock Acquisition Rights, or others shall be made after obtaining an advice by the independent committee, in accordance with the Rules of the Independent Committee (refer to Attachment 4 for the outline of Rules), comprising only persons who are (i) independent director, member of the board of the Company, (ii) independent audit & supervisory board member of the Company, or (iii) independent expert (experienced management of a company, expert in investment banking business, certified public accountant, attorney, or researcher or any other persons engaged primarily in the research of the Companies Act, etc.), and independent of the management team responsible for executing the business of the Company (the “Independent Committee”), and that timely disclosure of information be made to shareholders to ensure transparency. The Independent Committee at the time of the Renewal shall consist of Sawako Nohara, Kazuhito Osugi and Yusuke Nakano (refer to Attachment 5 for a brief personal history of each member).

Furthermore, the Board of Directors of the Company, in addition to the above, may, with respect to a judgment on execution or non-execution of gratuitous allotment of Stock Acquisition Rights or Other Countermeasures under circumstances provided for in the Plan, initiate the procedure to confirm the will of shareholders by convening a general meeting for confirming the will of shareholders or by written ballot (refer to (2) (e) for details of the procedure).

(e) Exercise of Stock Acquisition Rights and the Company’s Acquisition of Stock Acquisition Rights

Assuming that gratuitous allotment of Stock Acquisition Rights is executed in accordance with the Plan, in case shareholders other than the Specified Purchaser exercise Stock Acquisition Rights, or shares of the Company are issued to shareholders other than the Specified Purchaser in exchange for the acquisition of Stock Acquisition Rights by the Company, it is possible that the ratio of voting rights for shares of the Company held by the Specified Purchaser may be diluted to as much as approximately 50%.



**(2) Procedures Concerning Purchases**

(a) Applicable Purchases

The Plan is applicable to any and all parties performing or seeking to perform (the “Purchaser”) any acts of purchase specified in (i) or (ii) below or any acts similar thereto (each such act, a “Purchase”), excluding, however, cases in which the Board of Directors of the Company acknowledges that the Purchase pursued by the Purchaser does not damage the corporate value of the Company and the common interests of shareholders.

- (i) Any purchase of stock certificates, etc.,<sup>1</sup> issued by the Company that results in the holder's<sup>2</sup> shareholding ratio<sup>3</sup> becoming 20% or above.
- (ii) With respect to stock certificates, etc.,<sup>4</sup> issued by the Company, a public tender offer<sup>5</sup> that results in the total shareholding ratio<sup>6</sup> of the Purchasers of such public tender offer and specially related parties<sup>7</sup> becoming 20% or above.

(b) Request to Purchaser for Provision of Information

The Purchaser pursuing the Purchase prescribed in (a) above, unless the Board of Directors of the Company acknowledges that Purchase pursued by the Purchaser does not damage the corporate value of the Company and common interests of shareholders of the Company, will be requested to submit, prior to performing the Purchase, in the format prescribed by the Company, a document in Japanese language containing the information defined in each of the following items, which are necessary for the shareholders, the Board of Directors of the Company, and the Independent Committee to examine the contents of the Purchase (the "Required Information") and the contractual clauses and other provisions stating to the effect that the Purchaser shall comply with the procedures set forth in the Plan when executing the Purchase (the "Purchase Document").

The Independent Committee, if judging that the information provided in the Purchase Document submitted as the Required Information is inadequate, may request the Purchaser, upon setting a deadline for a response, to additionally submit sufficient information in writing as the Required Information either directly or through the Board of Directors of the Company, etc. In such a case, the Purchaser shall additionally submit, by the specified deadline for a response, the Required Information in writing.

- (i) Details of the Purchaser and its group (including joint holders<sup>8</sup>, special related parties, and (in case of a fund) each member and other constituent members): (including for each party; name, location, name of representative, purpose of company, etc., and contents of business, history, personal history of directors, capital composition, financial status in the latest three business terms, and governing law for establishment, etc.)
- (ii) Purpose, method, and contents of Purchase (including the price and type of consideration, timing of Purchase, structure of related transaction, legality of the

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<sup>1</sup> Defined in Paragraph 1 of Article 27-23 of the Financial Instruments and Exchange Act; the same applies hereinafter unless otherwise specified.

<sup>2</sup> Holders prescribed in Paragraph 1 of Article 27-23 of the Financial Instruments and Exchange Act and including parties corresponding hereto as defined in Paragraph 3 of the said Article.

<sup>3</sup> Defined in Paragraph 4 of Article 27-23 of the Financial Instruments and Exchange Act.

<sup>4</sup> Defined in Paragraph 1 of Article 27-2 of the Financial Instruments and Exchange Act; the same applies hereinafter in (ii).

<sup>5</sup> Defined in Paragraph 6 of Article 27-2 of the Financial Instruments and Exchange Act; the same applies hereinafter.

<sup>6</sup> Defined in Paragraph 8 of Article 27-2 of the Financial Instruments and Exchange Act; the same applies hereinafter.

<sup>7</sup> Defined in Paragraph 7 of Article 27-2 of the Financial Instruments and Exchange Act, provided however, the parties provided for in Item 1 of the said Paragraph exclude those defined in Paragraph 2 of Article 3 of the Cabinet Office Ordinance Concerning Disclosure of Public Tender Offer of Shares by Party Other than the Issuers; the same applies hereinafter.

<sup>8</sup> Joint holders defined in Paragraph 5 of Article 27-23 of the Financial Instruments and Exchange Act and including those considered joint holders based on Paragraph 6 of the said Article.

method of the Purchase, possibility of execution of the Purchase, and any possibility of shares of the Company being delisted after the Purchase and reasons therefor.)

- (iii) Underlying computation of the price of the Purchase (including facts and assumptions that form the basis of the computation, method of computation, quantitative data used for the computation, and contents of expected synergistic effects arising from transactions related to the Purchase, and such synergistic effects include that are distributed to minority shareholders.)
  - (iv) Background of funding for the Purchase (including the providers of funds (including all indirect providers) and their names, method of procurement, and contents of associated transactions.)
  - (v) Post-Purchase management policy, business plan, capital strategy and dividend policies, and other policies of the Company and Nissha Group for protecting and enhancing the corporate value and the common interests of shareholders.
  - (vi) Policy for the treatment of employees, business partners, and customers of the Company, and other interested parties related to the Company after the Purchase.
  - (vii) Any other information rationally determined as required by the Independent Committee.
- (c) Examination of Contents of Purchase and Presentation of Alternative Proposal by the Board of Directors of the Company

- (i) Request to the Board of Directors of the Company for the Provision of Information

In case the Purchase Document and the Required Information (if any), of which submission was additionally requested by the Independent Committee, have been submitted by the Purchaser, the Independent Committee, based on its rational judgment that the submission of the Purchase Document and the provision of the Required Information by the Purchaser have been completed, may also request the Board of Directors of the Company to present promptly, within 30 days from the time of said judgment, an opinion on the contents of the Purchase (including a comment to reserve issuing an opinion; the same applies hereinafter), materials supporting the opinion, alternative proposals (if any), and any other information and materials deemed necessary by the Independent Committee. Such a request aims to make a comparative review between the contents of said Purchase Document and Required Information, and the business plans of the Board of Directors of the Company and a valuation of the Purchaser's firm made by the Board of Directors, etc., from the viewpoint of protecting and enhancing the corporate value of the Company and common interests of shareholders.

- (ii) Deliberation by the Independent Committee

The Independent Committee shall set a period of deliberation of 60 days, at maximum, from when the Independent Committee rationally determines completion of the submission of information and materials (including those additionally requested) by the Purchaser and (if the Independent Committee requested the Board of Directors of the Company so to do, as described in (i) above, present information and materials) the Board of Directors of the Company (the "Independent Committee Deliberation Period"; provided, however, that in accordance with (d) below, the Independent Committee may, by a resolution, extend the Independent Committee Deliberation Period to the extent required for deliberating on the aforementioned information and materials up to a maximum of

30 days [from the next day of the resolution of extension]). The Independent Committee, during the Independent Committee Deliberation Period, shall, based on the information and materials submitted by the Purchaser and the Board of Directors of the Company, deliberate the contents of the Purchase, and alternative proposals made by the Board of Directors of the Company, and gather information and make comparisons regarding the business plans, etc., of the Purchaser and the Board of Directors from the perspective of protecting and enhancing the corporate value of the Company and common interests of shareholders. Furthermore, the Independent Committee, if necessary, shall advise the Board of Directors of the Company to present the shareholders an opinion on the contents of the Purchase, disclose alternative proposals, and take any other action. The Purchaser, if requested by the Independent Committee during the Independent Committee Deliberation Period either directly or through the Board of Directors of the Company, etc., to provide materials for examination along with any other information, shall promptly comply with such a request. The Purchaser shall not initiate the Purchase until the Board of Directors of the Company has passed a resolution on the execution or non-execution of gratuitous allotment of Stock Acquisition Rights or Other Countermeasures described in (f) below.

To ensure that the judgment of the Independent Committee contributes to protecting and enhancing the corporate value of the Company and common interests of shareholders, the Independent Committee may, at the expense of the Company, seek advice from a third party that is independent of the management team responsible for executing the business of the Company (such party including a financial adviser, certified public accountant, attorney, consultant, or any other specialist).

(iii) Information Disclosure to Shareholders

The Independent Committee shall, with respect to submission of the Purchase Document, full completion of submission of information and materials by the Purchaser and the Board of Directors of the Company, initiation of the Independent Committee Deliberation Period and completion of the Independent Committee Deliberation Period, and matters regarding the Required Information and other information deemed appropriate by the Independent Committee, disclose information to shareholders at the time deemed appropriate by the Independent Committee.

(d) Method of Judgment Adopted by the Independent Committee

The Independent Committee shall, upon the emergence of a Purchaser, issue an advice to the Board of Directors of the Company in accordance with the procedures defined hereafter. In case, by the end of the initial Independent Committee Deliberation Period, the Independent Committee cannot reach a conclusion to issue an advice on the execution or non-execution of the gratuitous allotment of Stock Acquisition Rights or Other Countermeasures, the Independent Committee shall pass a resolution to extend, within a necessary and reasonable scope, the Independent Committee Deliberation Period for examining information and materials submitted by the Purchaser and the Board of Directors of the Company, deliberation on the contents of the Purchase, review of any alternative proposals developed by the Board of Directors of the Company, and other tasks. In case the Independent Committee Deliberation Period is extended by the aforementioned resolution for an extension, the Independent Committee shall continue information gathering and deliberations, and make the utmost efforts to issue advice on the execution or non-execution of the gratuitous allotment of Stock Acquisition Rights or

Other Countermeasures by the end of the extension period.

In case the Independent Committee issues the advice prescribed below to the Board of Directors of the Company or in any other case whereby the Independent Committee deems it appropriate, the Independent Committee shall promptly disclose the fact of the subject advice and its summary and other matters the Independent Committee considers appropriate (disclosure includes, in case of pursuing a resolution to extend or re-extend the Independent Committee Deliberation Period, the action thereof, the period of extension or re-extension, and a summary of reasons for the extension or re-extension).

(i) When in Noncompliance with the Procedures of the Plan

In case the Purchaser does not comply with the procedures provided for in (b) or (c) above and such noncompliance is not corrected within five business days<sup>9</sup> after a request for correction is issued in writing by the Independent Committee to the Purchaser either directly or through the Board of Directors of the Company, the Independent Committee shall, as a general rule, advise the Board of Directors of the Company to execute the gratuitous allotment of Stock Acquisition Rights or Other Countermeasures except when it is evident that the gratuitous allotment of Stock Acquisition Rights or Other Countermeasures should not be executed for the sake of protecting and enhancing the corporate value of the Company and common interests of shareholders, or in case under certain other circumstances.

(ii) When in Compliance with the Procedures of the Plan

In case the Purchaser complies with the procedures set forth in (b) and (c) above, the Independent Committee shall, as a general rule, advise, regardless of whether or not the Independent Committee Deliberation Period has passed, the Board of Directors of the Company not to execute the gratuitous allotment of Stock Acquisition Rights or Other Countermeasures.

However, even in case the Purchaser complies with the procedures set forth in (b) and (c) above, the Independent Committee shall advise the Board of Directors of the Company to execute the gratuitous allotment of Stock Acquisition Rights or Other Countermeasures should the Independent Committee recognize that Purchase by the Purchaser applies to any of the cases defined in (3) below.

Furthermore, the Independent Committee may, even after having issued the advice on the execution or non-execution of the gratuitous allotment of Stock Acquisition Rights or Other Countermeasures, pursue a separate judgment regarding the execution or non-execution of the gratuitous allotment of Stock Acquisition Rights or Other Countermeasures, and issue advice based on the judgment should there be a change in the facts, etc., that supported the initial judgment made and advice given, and the Independent Committee reaches the decision that Purchase by the Purchaser applies or does not apply to any of the cases defined in (3) below.

(e) Confirmation of Will of Shareholders

In case the Purchaser complies with the procedures provided for in (b) and (c) above, the Board of Directors of the Company shall, when, based on advice given by the Independent Committee to the Board of Directors of the Company to execute the gratuitous allotment of Stock Acquisition Rights or Other Countermeasures, given that

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<sup>9</sup> A business day refers to days other than those provided in each of the items of Paragraph 1 of Article 1 of the Act Concerning Holidays on Administrative Organs; the same applies hereinafter.

the Purchase by the Purchaser is applicable under any of the cases defined in (3) below, executing the gratuitous allotment of Stock Acquisition Rights or Other Countermeasures in accordance with the Plan, and based on the Board of Directors' judgment that it is appropriate to confirm the will of shareholders in light of the obligation of due care, initiate procedures to confirm the will of shareholders, insofar as there is no difficulty in practically pursuing the procedure to confirm the will of shareholders described hereafter, by selecting as promptly as is practically possible, the method for confirming the will of shareholders either by a vote at a general meeting of shareholders or by written ballot, and implementing the selected process. The general meeting for confirming the will of shareholders may be held in conjunction with an ordinary general meeting of shareholders or an extraordinary general meeting of shareholders.

The Board of Directors of the Company shall determine the method for confirming the will of shareholders, i.e., either by holding a general meeting for confirming the will of shareholders or by written ballot, and the decision shall be disclosed promptly. Voting at a general meeting for confirming the will of shareholders or in writing ballot shall follow the regular resolution process adopted at an ordinary general meeting of shareholders of the Company, and shall determine whether shareholders are either for or against the resolution.

In case a general meeting for confirming the will of shareholders or written ballot is held, the Board of Directors of the Company shall promptly disclose information on the ballot outcome and other matters deemed appropriate by the Board of Directors of the Company.

(f) Resolution of Board of Directors

The Board of Directors of the Company shall, while paying the utmost respect to the advice of the Independent Committee, pass a resolution of the Company as an institution under the Companies Act regarding the execution or non-execution of the gratuitous allotment of Stock Acquisition Rights or Other Countermeasures (including termination of gratuitous allotment of Stock Acquisition Rights or Other Countermeasures).

In addition, the Board of Directors of the Company shall, when pursuing the procedures to confirm the will of shareholders described in (e) above, in accordance with the determination of the procedure for confirming the will of shareholders, pass a resolution on the execution or non-execution of the gratuitous allotment of Stock Acquisition Rights or Other Countermeasures.

The Board of Directors of the Company shall, upon passing the aforementioned resolution of the Board of Directors, promptly disclose information on the outline of the subject resolution and other matters deemed appropriate by the Board of Directors of the Company.

**(3) Conditions for Gratuitous Allotment of Stock Acquisition Rights or Other Countermeasures**

Even if the Purchaser complies with the procedures provided for in (2) (b) and (c) above, the Company may execute gratuitous allotment of Stock Acquisition Rights or Other Countermeasures by a resolution of the Board of Directors of the Company described in (2) (f) above, should the Purchase by the Purchaser come under any of a) through c) below. As described in (2) (d) above, the judgment as to whether or not the Purchase comes under any of the following conditions must take into account the advice

of the Independent Committee. In addition, the determination on whether or not to execute gratuitous allotment of Stock Acquisition Rights or Other Countermeasures shall, as described in (2) (e) above, be subject to the procedures for confirming the will of shareholders, if the Board of Directors reaches the judgment that confirming the will of shareholders is appropriate in light of the obligation of due care, even in case the Independent Committee had issued advice to the Board of Directors of the Company to execute the gratuitous allotment of Stock Acquisition Rights or Other Countermeasures, provided there is no difficulty performing the procedures.

- a) Types of Purchase involving any of the acts described below or any acts similar thereto, which if executed, pose a threat of clearly damaging the Company's corporate value and common interests of its shareholders:
  - i) Act of accumulating the shares, etc., of the Company and demanding that the Company or the related parties of the Company buy back the shares, etc., at an inflated price
  - ii) Act of taking temporary control of the management of the Company and running the Company in the interests of the Purchaser at the expense of the Company, such as acquiring the Company's important assets at low prices
  - iii) Act of diverting the assets of the Company as collateral for debts of the Purchaser or its group companies or using them to repay such debts
  - iv) Act of taking temporary control of the management of the Company, having the Company dispose of valuable assets not related at the time to the business of the Company and declaring temporarily high dividends with profits from the disposal, or selling off the shares at a high price by taking the opportunity of the sharp rise of the stock price as a result of temporarily high dividends
- b) Purchase such as coercive, two-tiered takeovers (takeovers that coerce shareholders into accepting a front-end tender offer by setting unfavorable terms or not specifically indicating the terms and conditions of the back end of the transaction, without offering to buy all shares at the front end) that pose a threat of actually forcing shareholders to sell shares.
- c) Terms of a Purchase (including the price and type of consideration, timing of Purchase, legality of Purchase method, feasibility of executing the Purchase, treatment policy for the Company's employees, business partners, customers and other stakeholders after the Purchase) do not sufficiently account for the source of the Company's corporate value (such as ① its spirit of pursuing manufacturing unmatched by other companies, ② technical ability which realizes the expansion of its business areas, and ③ relationships of trust with stakeholders), and are deemed to damage or reduce its long-term corporate value and the common interests of the shareholders.

**(4) Outline of Gratuitous Allotment of Stock Acquisition Rights**

An outline of gratuitous allotment of Stock Acquisition Rights according to the Plan, is provided in Attachment 3.

**(5) Commencement of Application and Effective Period of the Plan**

The Plan shall take effect, provided approval has been obtained from the shareholders at the Ordinary General Meeting of Shareholders. The effective period of the Plan shall begin at the close of the Ordinary General Meeting of Shareholders and end at

the close of the ordinary general meeting of shareholders of the Company scheduled for June 2019, and subsequently thereafter, the effective period of the Plan may be extended (including extension of the effective period after any partial revision is made), provided approval of shareholders to that effect is obtained at the ordinary general meeting of shareholders scheduled for June 2019. In case of pursuing the gratuitous allotment of Stock Acquisition Rights or Other Countermeasures in accordance with the Plan, the Board of Directors of the Company shall pass a resolution during this period.

**(6) Abolition and Revisions to the Plan**

Subsequent to the Renewal, even if before the end of the effective period, the Plan shall be terminated in the event and at the time (i) a resolution is passed at a general meeting of shareholders of the Company to terminate the Plan, or (ii) a resolution is passed by the Board of Directors comprising directors appointed by a general meeting of shareholders of the Company to terminate the Plan. Therefore, the Plan may be terminated in accordance with the will of the shareholders. In addition, the Board of Directors of the Company may, even during the effective period of the Plan, revise the Plan or introduce a separate takeover defense measure to the extent that such an action does not run contrary to the purport of the resolution passed at a general meeting of shareholders regarding approval on the Renewal, and based on the approval obtained from the Independent Committee.

In case the Plan is abolished, corrected, or amended, the Company shall promptly disclose the fact of such abolishment, correction, or amendment, (in case of correction and/or amendment) the contents of the correction and/or amendment, and any other information deemed appropriate by the Board of Directors of the Company or the Independent Committee.

The provisions of the laws and ordinances quoted in the Plan are applied on the assumption they are enforced as of this date, and if, as of this date and going forward, any laws and ordinances are newly enacted, revised, or abolished and the need arises in conjunction with such enforcements, the provisions, definitions of terms, and others quoted in the Plan shall, in consideration of the purport of such new enactment, revision, or abolishment, be replaced by the substantively succeeding provisions, definitions of terms, and others, within a reasonable scope except when otherwise specified by the Board of Directors of the Company.



## **2. Effects on Shareholders and Investors**

### **(1) Impact on Shareholders upon the Renewal**

As no gratuitous allotment of Stock Acquisition Rights or Other Countermeasures will be executed at the time of the Renewal, there is no direct impact on the rights and interests of shareholders and investors.

### **(2) Effects of Gratuitous Allotment of Stock Acquisition Rights on Shareholders**

#### **(a) Procedures for Gratuitous Allotment of Stock Acquisition Rights**

In case the Board of Directors of the Company passes a resolution regarding the gratuitous allotment of Stock Acquisition Rights (the “Resolution on Gratuitous Allotment of Stock Acquisition Rights”), the Company shall set the allotment date by the Resolution on Gratuitous Allotment of Stock Acquisition Rights and make a public disclosure on the allotment. In this case, Stock Acquisition Rights shall be gratuitously allotted to the shareholders recorded in the final register of shareholders as of the allotment date (the “Shareholders Entitled to Allotment”) at the ratio of one Stock Acquisition Right per share of the Company held. As the Shareholders Entitled to Allotment will naturally become holders of stock acquisition rights related to the Stock Acquisition Rights as of the date on which the gratuitous allotment of Stock Acquisition Rights takes effect, the application procedure need not be taken.

Even upon passing the Resolution on Gratuitous Allotment of Stock Acquisition Rights, the Company may, upon paying the utmost respect to the advice of the Independent Committee described in 1. (2) (d) above, cancel the gratuitous allotment of Stock Acquisition Rights by the date the gratuitous allotment of Stock Acquisition Rights takes effect, or may acquire the Stock Acquisition Rights at no cost, after the gratuitous allotment of Stock Acquisition Rights takes effect and before the first day of the period for exercising Stock Acquisition Rights. In such cases, given that with respect to the shares of the Company held by shareholders and investors, neither economic value per share nor voting right shall be diluted, those investors who traded shares in expectation that the economic value per share of the Company’s stock and the voting right would be diluted, should be aware that they may possibly incur losses due to fluctuations of the stock price.

#### **(b) Procedures for Exercise of Stock Acquisition Rights**

The Company shall deliver to the Shareholders Entitled to Allotment, as a general rule, the request form for exercising Stock Acquisition Rights (in the form prescribed by the Company, which includes the contents and the number of Stock Acquisition Rights subject to the exercise, the exercise day of Stock Acquisition Rights, and other necessary matters, as well as provisions for declaration and certification to the effect that a shareholder satisfies the conditions for exercising the Stock Acquisition Right, Indemnification provisions, and other contractual clauses) and other documents necessary for exercising Stock Acquisition Rights. Once Stock Acquisition Rights are gratuitously allotted, shareholders shall submit the required documents during the period for exercising Stock Acquisition Rights and pay the amount corresponding to the exercise value determined by the Resolution on Gratuitous Allotment of Stock Acquisition Rights by the Board of Directors of the Company, which shall be not less than one yen (¥1) per Stock Acquisition Right, to receive, as a general rule, an issue of one share of the Company per Stock Acquisition Right.

Should any shareholders not exercise Stock Acquisition Rights and not pay the amount corresponding to the exercise value, the voting right and the economic value of the shares of the Company held by such shareholders shall be diluted, given the exercising of Stock Acquisition Rights by other shareholders.

The Company, however, may issue shares of the Company to shareholders other than the Specified Purchaser in exchange for the acquisition of Stock Acquisition Rights based on the circumstances described in (c) below. In case the Company pursues the procedure to execute such a acquisition, shareholders other than Specified Purchaser shall receive shares of the Company without having to exercise their Stock Acquisition Rights and pay the amount corresponding to the exercise value, and the voting right and the economic value of the shares of the Company held by the shareholders will not, in principle, be diluted.

(c) Procedure for Acquiring Stock Acquisition Rights by the Company

In case the Board of Directors of the Company reaches a decision to acquire Stock Acquisition Rights, the Company, in accordance with legal procedures, may acquire the Stock Acquisition Rights from shareholders on a date determined separately by the Board of Directors of the Company and issue shares of the Company to shareholders other than the Specified Purchaser. In such a case, the shareholders shall receive, without having to pay the amount corresponding to the exercise value and in exchange for the acquisition of Stock Acquisition Rights by the Company, as a general rule, one share of the Company per Stock Acquisition Right. In this case, the concerned shareholders may be asked to separately submit: a pledge document in the form prescribed by the Company, which includes declaration and certification provisions to the effect that the shareholder is not the Specified Purchaser; Indemnification provisions; and other contractual clauses.

In addition to the above, details of the allotment and exercise methods pertaining to the Stock Acquisition Rights and of the method of acquisition by the Company shall be publicly disclosed or notified to shareholders after the Resolution on Gratuitous Allotment of Stock Acquisition Rights. The Company asks that shareholders confirm such details.

### **3. Reasonableness of the Plan**

#### **(1) Fulfillment of Requirements under Guidelines for Takeover Defense Measures and Other Rules**

The Plan satisfies the three principles provided for under the “Guidelines Regarding Takeover Defense for the Purpose of Protection and Enhancement of Corporate Value and Shareholders’ Common Interests” issued by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005 (which are the principle of protecting and enhancing the corporate value and shareholders’ common interests, the principle of prior disclosure and shareholders’ will, and the principle of ensuring necessity and reasonableness). The Plan is also designed by taking into account the report entitled “Takeover Defense Measures in Light of Recent Environmental Changes” released on June 30, 2008, by the Corporate Value Study Group, which was established by the Ministry of Economy, Trade and Industry.

#### **(2) Introduction for the Purpose of Protecting and Enhancing Shareholders’ Common Interests**

As stated in 1. (1) (a) above, the Plan is adopted for the purpose of securing and enhancing the corporate value of the Company and the common interests of shareholders, which shall be carried out, in the event when Purchase of shares of the Company is pursued in a manner that enables the shareholders to determine whether or not to accept the Purchase, and the Board of Directors of the Company to ensure that necessary information and adequate time are secured for presenting an alternative proposal or to negotiate with the Purchaser on behalf of shareholders.

#### **(3) Respect for Shareholders’ Will**

The Company decided at the Meeting of the Board of Directors on the Renewal, provided that approval is granted by shareholders at the Ordinary General Meeting of Shareholders. As described in 1. (5) above, the effective period of the Plan shall begin at the close of the Ordinary General Meeting of Shareholders and end at the close of the ordinary general meeting of shareholders of the Company scheduled for June 2019. After that, the effective period of the Plan may be extended (including extension of the effective period after any partial revision is made), provided that approval of shareholders is obtained at the ordinary general meeting of shareholders of the Company scheduled for June 2019.

The Plan, should a resolution for its abolition be passed by the Board of Directors, shall be abolished as of that time. The term of office of directors of the Company is one year, and the Board of Directors comprising directors appointed at the annual ordinary general meeting of shareholders of the Company shall determine whether or not to continue with the Plan.

In this manner, the Company secures a structure whereby the will of its Shareholders is fully reflected in connection with adoption, amendment, and abolition of the Plan.

Furthermore, as described in 1. (2) (e) above, the Board of Directors of the Company shall, with respect to the execution or non-execution of the gratuitous allotment of Stock Acquisition Rights or Other Countermeasures defined in the Plan, pursue procedures for confirming the will of shareholders, and directly verify the will of shareholders, in certain cases.

**(4) Respect for Judgment Decisions of Independent Outside Specialists and Information Disclosure**

The Company, for the purpose of eliminating arbitrary decisions of its Board of Directors, established the Independent Committee as an organ to objectively make substantial judgments on the operation of the Plan for shareholders.

The Independent Committee comprises three or more members who are independent of the management team responsible for executing the business of the Company, i.e., individuals who are any of the following mentioned: (i) independent director, member of the board of the Company, (ii) independent audit & supervisory board member corporate auditor of the Company, or (iii) independent expert (as stated in 1. (1) (d) above, the Independent Committee at the time of the Renewal shall consist of Sawako Nohara, Kazuhito Osugi and Yusuke Nakano).

As described in 1. (2) above, in case an Purchase of shares of the Company is proposed, the Independent Committee shall, in accordance with the Independent Committee Rules, make substantial judgments on whether or not the Purchase may impair the Company's corporate value and common interests of shareholders, and the Board of Directors of the Company shall pass a resolution as an institution under the Companies Act while paying the utmost respect to the judgments of the Independent Committee.

In this manner, the Independent Committee shall exercise strict supervision so that the Board of Directors does not arbitrarily operate the Plan, and a summary of judgments made by the Independent Committee shall be disclosed to the shareholders as part of the structure established to ensure transparent operation of the Plan for protecting the Company's corporate value and the common interests of shareholders.

**(5) Design for Ensuring Reasonable, Objective Prerequisites for Activation**

As described in 1. (2) (d) and (e) and in (3) above, the Plan has been designed so that it is not activated unless the rational and detailed objective prerequisites defined up front are satisfied, and as such, there is a structure in place to prevent any arbitrary activation of the Plan by the Board of Directors of the Company.

**(6) Receipt of Comments of Third-party Experts**

As described in 1. (2) (c) above, the Independent Committee, at the expense of the Company, may seek advice from a third party who is independent of the management team responsible for executing the business of the Company (such party including financial adviser, certified public accountant, attorney, consultant, or other specialists). As such, there is a structure in place to firmly guarantee the fairness and objectivity of judgments reached by the Independent Committee.

**(7) No Dead-hand or Slow-hand Takeover Defense Measures**

As described in 1. (6) above, the Plan may be abolished by a resolution of the Board of Directors comprising directors appointed at a general meeting of shareholders of the Company. Hence, it is possible for the party pursuing a large-scale purchase of shares, etc., of the Company to appoint directors at the general meeting of shareholders of the Company, and for the Board of Directors comprising such directors to pass a resolution to abolish the Plan.

Therefore, the Plan is not a dead-hand takeover defense measure (a type of takeover defense measure, the activation of which cannot be prevented even by replacing the majority of members of the Board of Directors).

Further, as the Company does not adopt a staggered board system, the Plan is not a slow-hand takeover defense measure (a type of takeover defense measure, the activation of which requires time as members constituting the Board of Directors cannot be replaced at once).

END

## Status of Shares of the Company (As of March 31, 2016)

1. Total number of shares authorized 180,000,000 shares
2. Total number of common shares issued 45,029,493 shares (including 2,117,034 shares of treasury stock)
3. Number of shareholders 8,048
4. Major shareholders (Top 10)

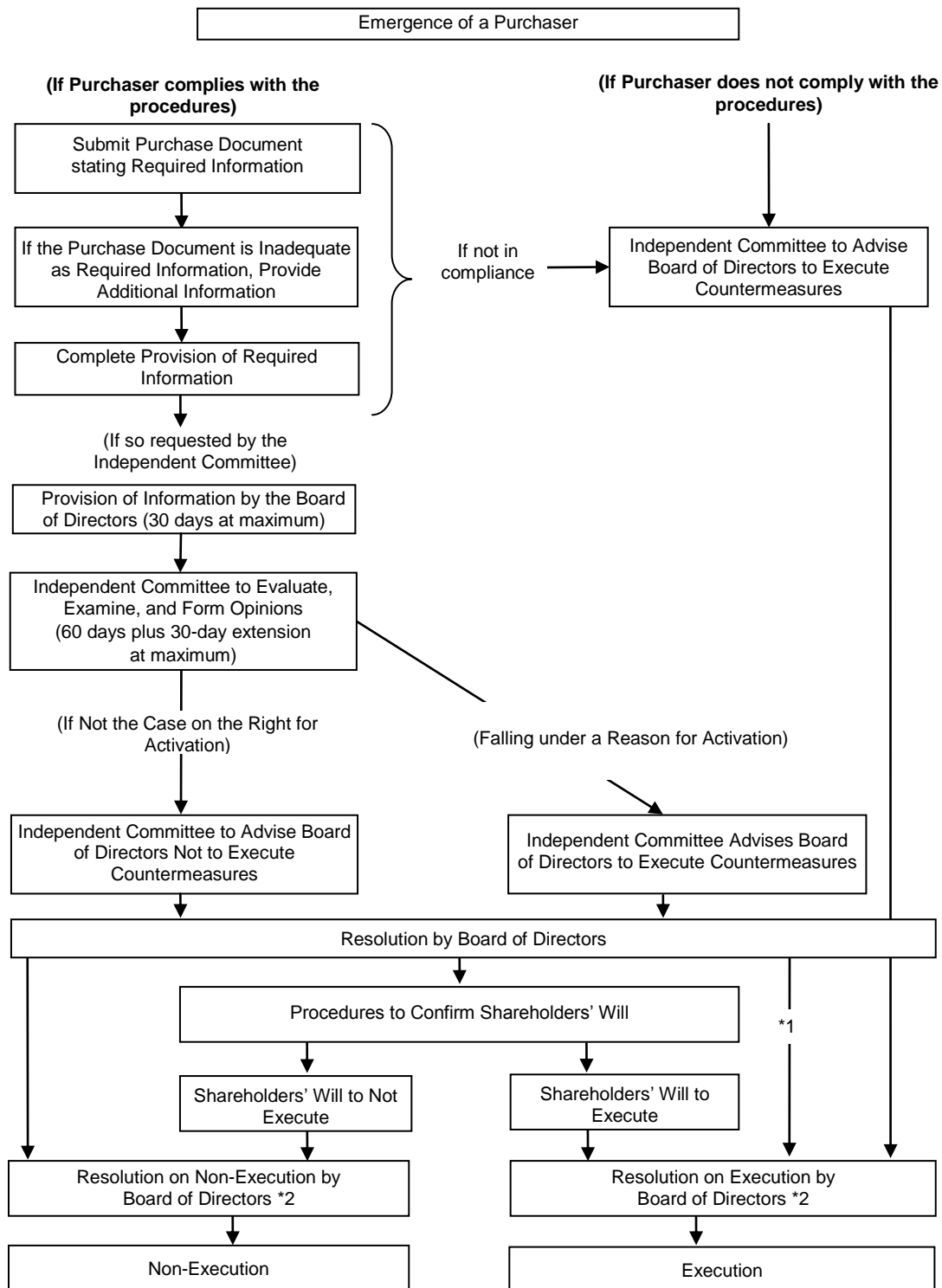
Name	No. of Shares Held (thousand shares)	Shareholding Ratio (%)
Taiyo Fund, L.P.	3,079	7.17
Suzuki Kosan Co., Ltd.	2,563	5.97
Meiji Yasuda Life Insurance Company	2,341	5.45
Mizuho Bank, Ltd.	2,076	4.83
The Bank of Kyoto, Ltd.	1,442	3.36
Nissha Kyoekai	1,045	2.43
DIC Corporation	905	2.10
Oji Holdings Co., Ltd.	894	2.08
Taiyo Hanei Fund, L.P.	877	2.04
State Street Bank and Trust Company 505019	795	1.85

## Notes:

1. The Company holds 2,117 thousand shares of treasury stock and is excluded from the list of principal shareholders above.
2. The shareholding ratio was computed after excluding shares of treasury stock from the total number of issued shares.
3. The shares held by Mizuho Bank, Ltd., mentioned above, are trust assets of a retirement benefit trust contributed by the bank (the name in the register of shareholders is Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Mizuho Bank Account Trustee Trust & Custody Services Bank, Ltd.).
4. Nissha Kyoekai is a supplier ownership association of the Company.
5. The shares held by DIC Corporation, mentioned above, are trust assets of a retirement benefit trust contributed by the company (the name in the register of shareholders is The Master Trust Bank of Japan, Ltd. (retirement benefit trust account/DIC Corporation account)).

END

Flowchart of Procedures under the Plan (In case Purchase is initiated)



\*1 In case the Board of Directors deems it appropriate to confirm the will of shareholders in light of the obligation of due care and there is practical difficulty in pursuing the procedure to confirm the will of shareholders

\*2 Decision by Board of Directors with utmost respect to advice of Independent Committee (the decision by the Board of Directors if the procedure to confirm the will of shareholders is pursued)

Note: This flowchart illustrates the summary of the Plan. Please make sure to refer to the main text of the Plan for details.

## Gist of Gratuitous Allotment of Stock Acquisition Rights

### 1. Determination of Matters Concerning Gratuitous Allotment of Stock Acquisition Rights

#### (1) Contents and Number of Stock Acquisition Rights

The contents of the stock acquisition rights allotted to shareholders (individually or collectively “Stock Acquisition Rights”) shall be based on the description provided in 2. below, and the number of Stock Acquisition Rights shall correspond to the final total number of shares of the Company issued (excluding shares of the Company held by the Company) as of the allotment date specified separately (the “Allotment Date”) by the resolution of the Board of Directors of the Company on gratuitous allotment of Stock Acquisition Rights (the “Resolution on Gratuitous Allotment of Stock Acquisition Rights”).

#### (2) The Shareholders Entitled to Allotment

Stock Acquisition Rights shall be gratuitously allotted to shareholders other than the Company recorded in the final register of shareholders of the Company as of the Allotment Date, at the ratio of one Stock Acquisition Right per one share of common stock held.

#### (3) Effective Date of the Gratuitous Allotment of Stock Acquisition Rights

The effective date shall be the date specified separately by the Resolution on Gratuitous Allotment of Stock Acquisition Rights, passed by the Board of Directors of the Company.

### 2. Contents of Stock Acquisition Rights

#### (1) Type and Number of Shares Entitled to Stock Acquisition Rights

- (a) The type of shares entitled to Stock Acquisition Rights shall be shares of common stock of the Company and the Number of Shares Entitled per one Stock Acquisition Right (the “Number of Shares Entitled”) shall be one (1) share. However, in case the Company intends to pursue a share split or a consolidation of shares, the Number of Shares Entitled shall be adjusted based on the following formula and any odd number of shares below one (1) share arising as a result of the adjustment shall be discarded and no adjustment with cash shall be made.

The Number of Shares Entitled after adjustment

$$= \text{The Number of Shares Entitled before adjustment} \times \text{Ratio of split or consolidation}$$

- (b) The Number of Shares Entitled after adjustment shall be applied, in case of a stock split, on the day following the record date or thereafter, and in case of a consolidation of shares, on the day following the effective date or thereafter.
- (c) In addition to (a) above, in case of pursuing gratuitous allotment of shares, merger, corporate split, or any other act that leads to a change or a possible change of the total number of issued shares (excluding shares of the Company held by the Company) and in case the Number of Shares Entitled must be changed, the adjustment to the Number of Shares Entitled shall be made in a reasonable manner taking into account the terms of the



gratuitous allotment of shares, merger, corporate split, and other such acts.

**(2) Value of Assets Invested in Exercise of Stock Acquisition Rights**

(a) The object of investment upon exercising Stock Acquisition Rights shall be monetary, and the value shall be derived by multiplying the exercise price (defined below in (b)) by the Number of Shares Entitled.

(b) The value per share of the Company as assets invested upon the exercising of Stock Acquisition Rights (the “Exercise Price”) shall be not less than one yen (¥1) and shall be the price specified separately by the Resolution on Gratuitous Allotment of Stock Acquisition Rights by the Board of Directors of the Company.

**(3) Exercise Period of Stock Acquisition Rights**

The exercise period shall be defined separately by the Resolution on Gratuitous Allotment of Stock Acquisition Rights passed by the Board of Directors of the Company within not less than one month and not more than two months, and the commencement date of the exercise period shall be the effective date of the gratuitous allotment of Stock Acquisition Rights or the date defined separately by the Resolution on Gratuitous Allotment of Stock Acquisition Rights by the Board of Directors of the Company. However, in case the Company acquires the Stock Acquisition Rights based on the provisions in (7) (b) below, the exercise period of the Stock Acquisition Rights pertaining to the said acquisition shall be up to one business day prior to the date of the said acquisition (the day other than the date provided in each item of Paragraph 1 of Article 1 of the Act on Holidays of Administrative Organs; the same applies hereinafter). In case the final date of the exercise period falls on a holiday of the institution handling the money paid upon exercise, the following business day shall be the final date.

**(4) Conditions for Exercise of Stock Acquisition Rights**

- (a) A (i) specified large-scale holder, (ii) joint holder of specified large-scale holder, (iii) specified large-scale purchaser, (iv) special related party of specified large-scale purchaser, or (v) any party that has received or succeeded the Stock Acquisition Rights without the approval from the Board of Directors of the Company from a party corresponding to the afore mentioned (i) through (iv), or (vi) a related party from the party described in (i) through (v) (parties applicable to (i) through (vi); collectively “Specified Purchaser”) cannot exercise Stock Acquisition Rights.

The terms used in the above are defined as follows.

- (i) A “specified large-scale holder” is defined as the holder (the holder provided in Paragraph 1 of Article 27-23 of the Financial Instruments and Exchange Act, including any party included as a holder based on the provisions of Paragraph 3 of the said Article) of stock certificates, etc., issued by the Company (as defined in Paragraph 1 of Article 27-23 the said Act; the same applies hereinafter unless otherwise specified), and whose share-holding ratio pertaining to the subject stock certificates, etc. (defined under Paragraph 4 of Article 27-23 of the said Law) is acknowledged by the Board of Directors of the Company as being 20% or more. However, any party acquiring or holding stock certificates, etc., of the Company recognized by the Board of Directors of the Company not to damage the corporate value of the Company and the common interests of shareholders, or a party defined separately under the Resolution on Gratuitous Allotment of Stock Acquisition Rights by the Board of Directors, shall not be considered as a specified large-scale holder.

- (ii) A “joint holder” is the joint holder defined in Paragraph 5 of Article 27-23 of the Financial Instruments and Exchange Act and includes any party considered to be a joint holder under the provisions of Paragraph 6 of the said Article.
  - (iii) A “specified large-scale purchaser” is a party that has publicly announced that it is pursuing the purchase (as defined under Paragraph 1 of Article 27-2 of the Financial Instruments and Exchange Act; the same applies hereinafter in (iii)) of stock certificates, etc., issued by the Company (as defined under Paragraph 1 of Article 27-2 of the said Act; the same applies hereinafter in (iii)) under a public tender offer (as defined under Paragraph 6 of Article 27-2 of the said Act) and the party for which the holding ratio of stock certificates, etc. (as defined under Paragraph 8 of Article 27-2 of the said Act; the same applies hereafter) pertaining to the holding of the party after the said purchase (including any holding that corresponds to cases provided for in Paragraph 1 of Article 7 of Order for Enforcement of the Financial Instruments and Exchange Act) combined with the share-holding ratio of the special related party of the party amounts to 20% or more, as recognized by the Board of Directors of the Company. However, any party acquiring or holding stock certificates, etc., of the Company which is recognized by the Board of Directors of the Company not to damage the corporate value of the Company and the common interests of shareholders, or a party defined separately by the Resolution on Gratuitous Allotment of Stock Acquisition Rights by the Board of Directors, shall not be considered a specified large-scale purchaser.
  - (iv) A “special related party” is the special related party defined under Paragraph 7 of Article 27-2 of the Financial Instruments and Exchange Act. However, the party provided for in Item 1 of the said Paragraph shall exclude a party defined in Paragraph 2 of Article 3 of the Cabinet Office Ordinance Regarding Disclosure of Tender Offers for Shares, etc., by Entities Other than the Issuers.
  - (v) A “related party” of a given party is a party that has been recognized by the Board of Directors of the Company as having substantial control of the given party, is controlled by the given party, or is under the same control as the given party, or who has been recognized by the Board of Directors of the Company as an individual pursuing activities in collaboration with the given party. “Control” refers to “having control over the determination of financial matters and business policies” of another company etc. (as defined under Paragraph 3 of Article 3 of the Enforcement Regulations of the Companies Act).
- (b) Notwithstanding the descriptions in (a) above, any party provided for in each of the following Items (i) through (iv) shall not be a specified large-scale holder or a specified large-scale purchaser.
- (i) The Company, or a subsidiary of the Company (as defined under Paragraph 3 of Article 8 of the Regulation for Terminology, Forms and Preparation of Financial Statements), or an affiliate of the Company (as defined in Paragraph 5 of the said Article).
  - (ii) A party recognized by the Board of Directors of the Company as a party that has come to be a specified large-scale holder in (a) (i) above without having the intention of taking control of the Company and subsequently within ten days after having been recognized as a specified large-scale holder (provided however that this period of ten days may be extended by the Board of Directors of the Company) ceased to be a specified large-scale holder as stock certificates, etc., of the Company held by the party were divested, etc.
  - (iii) A party recognized by the Board of Directors of the Company as a specified large-scale holder provided in (a) (i) above as a result of the acquisition of treasury

shares by the Company or other reasons that are not of the party's intent (except, however, in case the party subsequently acquires the stock certificates, etc., of the Company on the party's own will to once again be considered as a specified large-scale holder.)

- (iv) A party whose acquisition and holding of stock certificates, etc., of the Company is considered by the Board of Directors of the Company not to impair the corporate value of the Company and common interests of shareholders (The Board of Directors of the Company may acknowledge separately that the Company's corporate value and shareholders' common interests will not be damaged even by a party that has been recognized to be the Specified Purchaser; provided, however, that in case the Board of Directors of the Company has acknowledged that the Company's corporate value and shareholders' common interests will not be damaged under certain conditions, the subject conditions must be fully satisfied.)
- (c) In case a party residing at a location that falls under the jurisdiction of foreign laws and regulations as provided for in such laws and regulations (the "Region of Jurisdiction under Foreign Laws and Regulations") exercises Stock Acquisition Rights, there is a need to (i) execute the prescribed procedures or (ii) fulfill the prescribed conditions (including prohibition of exercise within a certain period and submission of prescribed documents), or (iii) comply with both (i) and (ii) (the "Legally Required Exercise Procedures and Conditions"). In such a case, the party residing in the Region of Jurisdiction under Foreign Laws and Regulations may exercise Stock Acquisition Rights only if the Board of Directors of the Company has recognized that the Legally Required Exercise Procedures and Conditions have been fully executed or fulfilled, and in case the Board of Directors of the Company does not recognize fulfillment, the party cannot exercise the Stock Acquisition Rights. With respect to the Legally Required Exercise Procedures and Conditions that are required to be executed or fulfilled by the Company when a party residing in a Region of Jurisdiction under Foreign Laws and Regulations exercises Stock Acquisition Rights, the Board of Directors of the Company shall not bear any obligation to pursue execution or fulfillment. Further, in case the exercising of Stock Acquisition Rights by a party residing in the Region of Jurisdiction under Foreign Laws and Regulations is prohibited under the laws and regulations of the subject region, the party residing in the Region of Jurisdiction under Foreign Laws and Regulations cannot exercise Stock Acquisition Rights.
- (d) Parties holding Stock Acquisition Rights may exercise Stock Acquisition Rights only after submitting to the Company a pledge document that includes provisions for declaration and certification stating that the party is not a Specified Purchaser and does not have the intention of exercising Stock Acquisition Rights to become a Specified Purchaser and that the conditions for exercising Stock Acquisition Rights are satisfied and, Indemnification provisions and other matters defined by the Company along with other documents required under laws and regulations.
- (e) Even in case a party holding Stock Acquisition Rights cannot, based on the provisions of (4) herein, exercise Stock Acquisition Rights, the Company shall not be held liable for compensating for any damages or for any other liability whatsoever.

**(5) Increase of Capital and Capital Reserves in Case of Issuing Shares through Exercising of Stock Acquisition Rights**

An increase of capital and capital reserve shall be defined separately by the Resolution on Gratuitous Allotment of Stock Acquisition Rights by the Board of Directors of the Company.

**(6) Restrictions on Transfer of Stock Acquisition Rights**

- (a) Acquisition of Stock Acquisition Rights by transfer is subject to prior approval by the Board of Directors of the Company.
- (b) In case a party seeking to transfer Stock Acquisition Rights resides outside Japan and is a party not allowed to exercise Stock Acquisition Rights based on the provisions of (4) (c) above (excluding Specified Purchasers), the Board of Directors of the Company shall decide whether or not to grant the approval described in (a) above by taking into account the following circumstances:
  - (i) Whether with respect to acquisition by the full or partial transfer of Stock Acquisition Rights by the party residing in the Region of Jurisdiction under Foreign Laws and Regulations, a pledge document is prepared and signed or sealed with names of transferor and transferee (including provisions of declaration and certification concerning (ii) or (iv) below, Indemnification provisions and penalty clauses)
  - (ii) Whether it is evident that the transferor and transferee are not a Specified Purchaser
  - (iii) Whether it is evident that the transferee is a party that does not reside in the Region of Jurisdiction under Foreign Laws and Regulations, and does not intend to receive the transfer on behalf of a party residing in the Region of Jurisdiction under Foreign Laws and Regulations
  - (iv) Whether it is evident that the transferee is not a party having the intent to receive the transfer on behalf of a Specified Purchaser

**(7) Acquisition of Stock Acquisition Rights by the Company**

- (a) The Company, provided that the Board of Directors of the Company acknowledges that it is appropriate to acquire the Stock Acquisition Rights, may, at any time up to one day before the initial date of the period for exercising Stock Acquisition Rights acquire at no cost, all of the Stock Acquisition Rights upon the date specified separately by the Board of Directors.
- (b) The Company may, upon the date specified separately by the Board of Directors, acquire, of the Stock Acquisition Rights of all those that have not been exercised until one business day prior to the said date, and in exchange issue the number of shares of the Company entitled per Stock Acquisition Right. The Company may acquire such Stock Acquisition Rights more than once, provided, however, that the Stock Acquisition Rights held by a Specified Purchaser are considered not to be eligible for acquisition by the Resolution on Gratuitous Allotment of Stock Acquisition Rights by the Board of Directors of the Company.

**(8) Issuance of Stock Acquisition Rights and Conditions for Merger (only when the Company dissolves), Absorption-type Split, Incorporation-type Split, Share Exchange, and Share Transfer**

Issuance of Stock Acquisition Rights and conditions thereof shall be determined separately by the Resolution on Gratuitous Allotment of Stock Acquisition Rights by the Board of Directors of the Company.

**(9) Issuance of Warrants related to Stock Acquisition Rights**

Warrants related to Stock Acquisition Rights shall not be issued.

**(10) Revisions Due to Amendments of Laws and Regulations**

The provisions of laws and regulations quoted in the above are applied on the assumption that they are enforced as of this date, and if, as of this date and going forward, any laws and ordinances are newly enacted, revised, or abolished and the need arises in conjunction with such enforcements, the provisions, definitions of terms, and others specified in each of the paragraphs above may, in consideration of the purport of such new enactment, revision, or abolishment be replaced by the succeeding provisions, definitions of terms, and others within a reasonable scope, except when otherwise specified by the Board of Directors of the Company.

END

## Outline of Independent Committee Rules

1. The Independent Committee shall be established by a resolution of the Board of Directors of the Company.
2. The Independent Committee shall comprise at least three members to be appointed by the Board of Directors from among persons who fulfill any of the following requirements and who are independent of the management team responsible for executing the business of the Company.
  - (1) Independent Director, Member of the Board of the Company
  - (2) Independent Audit & Supervisory Board Member of the Company
  - (3) An individual having expertise of a certain level or higher of corporate management, etc. (experienced management of a company, expert in investment banking business, certified public accountant, attorney, researcher engaged primarily in the research of laws such as Companies Act, or any other party with similar expertise.)

Each member shall enter into, with the Company, an agreement specified separately by the Board of Directors of the Company that includes provisions obligation of due care and other clauses.
3. The term of office of the Independent Committee shall be until the close of the first ordinary general meeting of shareholders after the appointment of the members, but not limited thereto if otherwise specified by a resolution of the Board of Directors of the Company.
4. The Independent Committee shall decide matters with respect to each of the following items and advise the Board of Directors of the Company regarding its decisions along with underlying reasons. The Board of Directors of the Company shall, while paying the utmost respect to the advice of the Independent Committee, make the final decision. Each member of the Independent Committee and each director of the Company, when making the subject decisions must do so based on the perspective of whether the decisions contribute to protecting and enhancing the corporate value of the Company and the common interests of shareholders, and must not do so for the purpose of gaining personal benefits of their own or of the management team of the Company.
  - (1) Execution or non-execution of gratuitous allotment of Stock Acquisition Rights or Other Countermeasures under the Plan
  - (2) Termination of gratuitous allotment of Stock Acquisition Rights or Other Countermeasures, or acquisition of Stock Acquisition Rights under the Plan
  - (3) Extension of the Independent Committee Deliberation Period
  - (4) Abolition or revision to the Plan
  - (5) Approval for the adoption of takeover defense measures other than the Plan
  - (6) Of the matters to be determined by the Board of Directors of the Company, any other matters referred to the Independent Committee by the Board of Directors of the Company

In addition to (1) through (6) provided above, the Independent Committee shall perform the activities described in each of the following items.

- (7) Determine information to be submitted by the Purchaser and the Board of Directors of the Company to the Independent Committee
  - (8) Examine information and materials submitted by the Purchaser and the Board of Directors of the Company
  - (9) Deliberate upon and examine the contents of the Purchase
  - (10) In case an alternative proposal to the Purchase by the Purchaser is presented by the Board of Directors of the Company, deliberate upon and examine the alternative proposal.
  - (11) Other matters that may be executed by the Independent Committee as defined under the Plan
5. The Independent Committee shall, from the perspective of protecting and enhancing the corporate value of the Company and the common interests of shareholders, advise the Board of Directors of the Company, if deemed necessary, to present an opinion on the contents of the Purchase, disclose alternative proposals, or take any other action.
  6. The Independent Committee may, at the expense of the Company, seek advice from a third party that is independent of the management team responsible for executing the business of the Company (investment bank, securities company, financial adviser, certified public accountant, attorney, consultant, or any other specialist).
  7. Each member of the Independent Committee and the Board of the Directors of the Company may summon an Independent Committee when a Purchase is pursued, or at any time.
  8. A resolution of the Independent Committee, as a general rule, shall be passed with the attendance of all members of the Independent Committee and by a majority, provided, however, that under inevitable circumstances, a resolution may be passed by a majority with the attendance by more than half of the members of the Independent Committee.

END

## Brief Personal History of Independent Committee Members

○ Ms. Sawako Nohara

(Born on January 16, 1958)

<Brief personal history>

December	1988	Entered Living Science Institute, Inc.
July	1995	Entered InfoCom Research, Inc.
December	2001	Representative Director, President of IPSe Marketing Inc. (present post)
November	2009	Project Professor, Keio University Graduate School of Media and Governance (present post)
June	2013	Independent Director, Member of the Board at NKSJ Holdings (currently Sompo Japan Nipponkoa Holdings, Inc.) (present post)
June	2014	Independent Director, Member of the Board at the Company (present post)
June	2014	Independent Director , Member of the Board at Japan Post Bank Co., Ltd. (present post)

○ Mr. Kazuhito Osugi

(Born on July 31, 1953)

<Brief personal history>

April	1977	Entered the Bank of Japan
June	1999	General Manager, the Bank of Japan Matsumoto Branch
July	2005	Deputy Director- General,Head of Center for Advanced Financial Technology, the Bank of Japan Financial System and Bank Examination Department
May	2006	Director-General, the Bank of Japan Internal Auditors' Office
April	2007	Director-General, the Bank of Japan Secretariat of the Policy Board
September	2011	Auditor ,the Bank of Japan
October	2015	Counsel,Guarded Transportation Division, Nippon Express Co., Ltd. (present post)
June	2016	Independent Director, Member of the Board at the Company (planned)

○ Mr. Yusuke Nakano

Certified public accountant (Born on May 15, 1969)

<Brief personal history>

April	2002	Registered as a certified public accountant
April	2005	Representative of SEIYU AUDIT CORPORATION (present post)
April	2006	Visiting Associate Professor, Ritsumeikan University Management School
January	2010	General Manager, NAKANO C.P.A. OFFICE (present post)



June	2011	Independent Audit & Supervisory Board Member of FUJIX Ltd. (present post)
December	2014	Independent Audit & Supervisory Board Member of SK-Electronics Co., Ltd. (present post)
June	2015	Independent Audit & Supervisory Board Member of the Company (present post)

※No special interests exist between any of the Independent Committee members and the Company.

※The Tokyo Stock Exchange was notified of Ms. Sawako Nohara and Mr. Yusuke Nakano as independent officers of the Company. It will also be notified of Mr. Kazuhito Osugi as an independent officer if his election is approved at the Ordinary General Meeting of Shareholders.

END