

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Securities Code: 7976

March 6, 2019

To our shareholders:

Eiichiro Suhara  
President and Representative Director  
**Mitsubishi Pencil Co., Ltd.**  
5-23-37, Higashi-ohi, Shinagawa-ku, Tokyo

## Notice of the 144th Annual General Meeting of Shareholders

You are cordially invited to attend the 144th Annual General Meeting of Shareholders of Mitsubishi Pencil Co., Ltd. (the “Company”), which will be held as indicated below.

If you are unable to attend the meeting in person, you may exercise your voting rights in writing or via the Internet. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:10 p.m. on Wednesday, March 27, 2019 (JST).

- 1. Date and Time:** Thursday, March 28, 2019 at 10:00 a.m. (The venue opens at 9:00 a.m.)
- 2. Venue:** Event Hall, 7F, Shinagawa General Culture Community Center (Curian)  
5-18-1, Higashi-ohi, Shinagawa-ku, Tokyo

### 3. Purpose of the Meeting

#### Matters to be reported:

1. Business Report and Consolidated Financial Statements for the 144th fiscal year (from January 1, 2018 to December 31, 2018), and the results of audits of the Consolidated Financial Statements by the Financial Auditor and the Audit & Supervisory Board
2. Non-consolidated Financial Statements for the 144th fiscal year (from January 1, 2018 to December 31, 2018)

#### Matters to be resolved:

- |                       |  |
|-----------------------|--|
| <b>Proposal No. 1</b> | Appropriation of Surplus   |
| <b>Proposal No. 2</b> | Partial Amendments to the Articles of Incorporation  |
| <b>Proposal No. 3</b> | Election of Nine (9) Directors   |
| <b>Proposal No. 4</b> | Election of One (1) Substitute Audit & Supervisory Board Member                                      |
| <b>Proposal No. 5</b> | Revision of Remuneration Amount for Directors  |
| <b>Proposal No. 6</b> | Renewal of Countermeasures to Large-Scale Acquisitions of Company Shares (Takeover Defense Measures) |

- Of the documents to be provided at the time of this notice, the Consolidated Statement of Changes in Equity and the Notes to Consolidated Financial Statements, and the Non-consolidated Statement of Changes in Equity and the Notes to the Non-consolidated Financial Statements are posted on our website below in accordance with relevant laws and regulations and the Company’s Articles of Incorporation, and are not stated in this notice. Note that the Consolidated Financial Statements and the Non-consolidated Financial Statements audited by Audit & Supervisory Board Members and the Financial Auditor include the above Consolidated Statement of Changes in Equity, the Notes to the Consolidated Financial Statements, the Non-consolidated Statement of Changes in Equity, and the Notes to the Non-consolidated Financial Statements.  
Company’s website: <https://www.mpuni.co.jp/ir/index.html>
- If there are any amendments made to the Business Report, Consolidated Financial Statements, Non-consolidated Financial Statements and Reference Documents for the General Meeting of Shareholders, we will post them on our website as noted above.

## Reference Documents for the General Meeting of Shareholders

### Proposal No. 1 Appropriation of Surplus

The Company proposes the appropriation of surplus as follows:

#### 1. Year-end dividends

The Company has given consideration to the business performance of the fiscal year and future business development, and it proposes to pay year-end dividends for the 144th fiscal year of 14 JPY for the regular dividend and an additional 1 JPY as a commemorative dividend to mark the 60th anniversary since the launch of the “uni” high-class pencil brand, one of the Company’s major products. The details are as follows.

##### (1) Type of dividend property

Cash

##### (2) Allotment of dividend property and the total amount

15 JPY per common share of the Company

(ordinary dividend of 14 JPY, commemorative dividend of 1 JPY)

In this event, the total dividends will be 892,624,275 JPY.

##### (3) Effective date of dividends of surplus

March 29, 2019

#### 2. Other appropriation of surplus

The Company proposes the following appropriation of surplus as for the retained earnings in order to strengthen the management foundation in preparation for aggressive business development in the future:

##### (1) Item of surplus to be decreased and amount of decrease

Retained earnings brought forward: 2,000,000,000 JPY

##### (2) Item of surplus to be increased and amount of increase

General reserve: 2,000,000,000 JPY

**Proposal No. 2**      Partial Amendments to the Articles of Incorporation

1. Reasons for the proposal

The Company will introduce an Executive Officer System after the conclusion of this General Meeting of Shareholders in order to speed up management decision-making and to implement flexible business execution by separating supervisory and business execution functions of management. In a related move, we hereby propose to reduce the maximum number of Directors stipulated in Article 20 of the current Articles of Incorporation from fifteen (15) to eleven (11) in order to further enhance the efficiency of the management system.

2. Details of the amendments

Details of the amendments to the Articles of Incorporation are as follows:

(Underlined parts represent amendments)

Current Articles of Incorporation	Amendment proposal
<p style="text-align: center;">Chapter 4 Directors and Board of Directors</p> <p>(Number of Directors) Article 20 The Company shall have not more than <u>fifteen (15)</u> Directors.</p>	<p style="text-align: center;">Chapter 4 Directors and Board of Directors</p> <p>(Number of Directors) Article 20 The Company shall have not more than <u>eleven (11)</u> Directors.</p>

**Proposal No. 3** Election of Nine (9) Directors

The terms of office of all twelve (12) Directors will expire at the conclusion of this meeting. Therefore, the Company proposes the election of nine (9) Directors, including three (3) Outside Directors, with the aim of speeding up management decision-making by reducing the number of Directors by three (3) and strengthening the supervisory function of the Board of Directors by increasing the ratio of Outside Directors in the Board of Directors. The candidates for Directors are as follows:

Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company (Important concurrent positions)	Number of the Company's shares owned
1	Eiichiro Suhara (July 19, 1948) <u>Reelection</u>	Aug. 1974      Joined the Company Mar. 1980      Director Mar. 1982      Managing Director Mar. 1985      Director and Vice President Mar. 1987      President and Representative Director (current position) June 2015      Outside Director of Eisai Co., Ltd. [Important concurrent positions] President and Representative Director of Yamagata Mitsubishi Pencil Precision Co., Ltd. Chairman of Mitsubishi Pencil Vietnam Co., Ltd.	274,650 shares
[Reasons for nomination as a candidate for Director] Ever since his appointment as President and Representative Director in 1987, Eiichiro Suhara has been leading the Company's business with strong leadership over all officers and employees by leveraging his wealth of experience and wide breadth of knowledge and insight. As he has played an extremely important role in efforts aimed at further strengthening the supervision function, such as by taking a big-picture view of the Group and revising the system for enhancing corporate governance, the Company proposes his reelection as Director.			
2	Shigehiko Suhara (February 11, 1979) <u>Reelection</u>	Apr. 2005      Joined the Company Apr. 2010      General Factory Manager of Gunma Factory Apr. 2012      General Manager of Sales Planning Department Mar. 2013      Director in charge of Corporate Planning Nov. 2015      Director in charge of Corporate Planning and General Manager of International Operations Planning Department Mar. 2016      Director in charge of Product Development and New Business Development Mar. 2017      Managing Director in charge of Writing Business, New Business Development, Product Development and Quality Assurance Mar. 2018      Director and Vice President (current position)	46,440 shares
[Reasons for nomination as a candidate for Director] Shigehiko Suhara has served as General Factory Manager of Gunma Factory and General Manager of Domestic and International Sales Planning, and has been in charge of Corporate Planning, Product Development, and New Business Development. He has diverse experience and knowledge ranging from production to sales in Japan and abroad and has exhibited superior management execution capabilities and leadership in each of the above positions. As he has played an important role in implementing flexible management decisions and swift business execution, the Company proposes his reelection as Director.			

Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company (Important concurrent positions)	Number of the Company's shares owned
3	Hiroshi Yokoishi (April 17, 1959) Reelection	<p>Oct. 1985    Joined the Company</p> <p>Apr. 1998    General Manager of International Business Department</p> <p>Mar. 2001    Director and General Manager of International Business Department</p> <p>Apr. 2005    Director and General Manager of International Operations Department</p> <p>Mar. 2017    Managing Director and General Manager of International Operations Department</p> <p>Mar. 2018    Managing Director in charge of International Affairs (current position)</p>	12,100 shares
<p>[Reasons for nomination as a candidate for Director]</p> <p>Hiroshi Yokoishi has been devoting efforts to cultivate new sales channels by leading International Operations Department with his extensive management experience for a long time. We consider that his wide-ranging insight will be essential for us in further expanding our business in the global market. In addition, he has played an important role in management decision-making. Therefore, the Company proposes his reelection as Director.</p>			
4	Nobuyuki Nagasawa (April 3, 1957) Reelection	<p>Apr. 1980    Joined the Company</p> <p>Apr. 2001    General Manager, assistant to International Business Department</p> <p>Apr. 2003    General Manager of Financial Resources and Accounting Department</p> <p>Mar. 2006    Director and General Manager of Financial Resources and Accounting Department</p> <p>Jan. 2008    Director in charge of Financial Affairs, Legal Affairs and Information System</p> <p>Apr. 2010    Director in charge of Financial Affairs, Legal Affairs, Information System, and Internal Control</p> <p>Mar. 2016    Director in charge of Corporate Planning and Information System</p> <p>Mar. 2017    Managing Director in charge of Human Resources, Corporate Planning and Information System</p> <p>Mar. 2018    Managing Director in charge of Human Resources, General Affairs, Legal Affairs, and Compliance (current position)</p>	20,400 shares
<p>[Reasons for nomination as a candidate for Director]</p> <p>Nobuyuki Nagasawa has extensive knowledge and experience in managerial divisions, including accounting, finance, legal affairs, and information system, and his achievements include establishing a group-wide compliance system and risk management system. As he can grasp the Company's situation from a diversified perspective by leveraging his insights, and as he has played an important role in the strengthening of business execution supervising functions and in management decision-making, the Company proposes his reelection as Director.</p>			

Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company (Important concurrent positions)	Number of the Company's shares owned	
5	Akira Fukai (January 3, 1959) <u>Reelection</u>	Apr. 1981	Joined the Company	6,800 shares
		Apr. 2005	General Manager of Production Engineering Department	
Apr. 2008	General Manager of Production Control Department and General Factory Manager of Yokohama Factory			
Mar. 2009	Director, General Manager of Production Control Department and General Factory Manager of Yokohama Factory			
Apr. 2010	Director and General Manager of Production Control Department			
Mar. 2011	Director in charge of Production			
Jan. 2012	Director in charge of Production and General Factory Manager of Yokohama Factory			
Mar. 2018	Managing Director in charge of Production and General Factory Manager of Yokohama Factory (current position)			
<p>[Reasons for nomination as a candidate for Director] Akira Fukai has extensive knowledge and experience in the production division and has promoted efficiency in domestic and overseas production systems. His insight and leadership in production site are essential in order to achieve cooperation among various divisions and further streamlining of production systems while taking into account changes in the environment. Additionally, he plays an important role in management decision-making. Therefore, the Company proposes his reelection as Director.</p>				
6	Kazuhisa Kirita (November 13, 1958) <u>Reelection</u>	Apr. 1981	Joined the Company	5,800 shares
		Apr. 2003	General Manager of Product Development Department	
Apr. 2007	General Manager of Gunma Research and Development Center			
Apr. 2011	General Manager of Product Development Department			
Mar. 2012	Director and General Manager of Product Development Department			
Mar. 2016	Director in charge of Technologies, Patent Administrations and Cosmetics			
Mar. 2018	Managing Director in charge of Technologies, Intellectual Property Rights, Cosmetics and New Business Development (current position)			
<p>[Reasons for nomination as a candidate for Director] Leveraging his experience in research and development, Kazuhisa Kirita has been involved in Product Development, Cosmetics, New Business Development, and other areas. Furthermore, he has made many achievements and accumulated much experience through commercialization based on the combination of technology and business. As we judged that his insight grounded on such extensive experience will contribute to the search and development of new business opportunities, and as he plays an important role in management decision-making, the Company proposes his reelection as Director.</p>				

Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company (Important concurrent positions)	Number of the Company's shares owned
7	Kenichiro Senoh (January 1, 1954) <u>Reelection</u> <u>Outside</u> <u>Independent Director</u>	Apr. 1976    Joined Fuji Photo Film Co., Ltd. (currently FUJIFILM Corporation) Dec. 1999    Representative Director and Vice President of Keio Academic Enterprise Co., Ltd. Apr. 2001    Professor at the Graduate School of Media and Governance, Keio University Apr. 2004    President of the Industry-Academia Collaboration Initiative Nonprofit Organization (current position) June 2012    Independent Outside Director of Teijin Limited Member of the Advisory Board of Teijin Limited Mar. 2017    Outside Director of the Company (current position) [Important concurrent positions] President of the Industry-Academia Collaboration Initiative Nonprofit Organization Director of the Intellectual Property Association of Japan	-
[Reasons for nomination as a candidate for Outside Director] Based on his diverse experience and knowledge of practical research that connects the both fields of technology and business, Kenichiro Senoh has actively made comments that have contributed to enhancing governance system from an objective, multi-pronged perspective. Therefore, the Company proposes his reelection as Outside Director. His term of office as Outside Director of the Company will be two (2) years at the conclusion of this General Meeting of Shareholders.			

Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company (Important concurrent positions)	Number of the Company's shares owned
8	<p style="text-align: center;">Tojiro Aoyama (August 29, 1951)  <span style="border: 1px solid black; padding: 2px;">New election</span>  <span style="border: 1px solid black; padding: 2px;">Outside</span>  <span style="border: 1px solid black; padding: 2px;">Independent Director</span></p>	<p>Mar. 1979 Ph.D. in Engineering at Keio University  Apr. 1988 Assistant Professor, Department of Mechanical Engineering, Faculty of Science and Technology, Keio University  Apr. 1995 Professor, Department of Mechanical Engineering, Faculty of Science and Technology, Keio University  Apr. 1996 Professor, Department of System Design Engineering, Faculty of Science and Technology, Keio University  July 2009 Dean of Faculty of Science and Technology and Dean of Graduate School of Science and Technology, Keio University  June 2015 Outside Director of DMG MORI CO., LTD. (current position)  Mar. 2016 President of the Japan Society for Precision Engineering  Mar. 2017 Outside Audit &amp; Supervisory Board Member of the Company (current position)  Apr. 2017 Professor Emeritus, Keio University  May 2017 Vice-President of Keio University (current position)</p> <p>[Important concurrent positions]  Vice-President of Keio University  Outside Director of DMG MORI CO., LTD.</p>	-
<p>[Reasons for nomination as a candidate for Outside Director]  Tojiro Aoyama has no prior experience in the management of a company except as an outside Director or outside Audit &amp; Supervisory Board Member, but has extensive knowledge and abundant experience in mechanical engineering, production engineering, and other fields. As we judged that getting beneficial opinions and frank suggestions from him regarding the Company's management based on his knowledge mentioned above and from a viewpoint that is not confined to the industry to which we belong will lead to improved soundness and transparency of management decision-making in the Company, the Company proposes his election as Outside Director. His term of office as Audit &amp; Supervisory Board Member of the Company will be two (2) years at the conclusion of this General Meeting of Shareholders.</p>			



Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company (Important concurrent positions)	Number of the Company's shares owned
9	Asako Yano (January 21, 1968) Female New election Outside Independent Director	<p>Apr. 1990      Joined Mercedes-Benz Japan Co., Ltd.</p> <p>Sept. 1997    Joined Boston Consulting Group Japan Co., Ltd.</p> <p>Mar. 2000     Joined Louis Vuitton Japan K.K.</p> <p>June 2002     COO of Celux Co., Ltd.</p> <p>Oct. 2008     Established Dramatic Co., Ltd.; Representative Director of Dramatic Co., Ltd.</p> <p>May 2014     Established ten to four inc.; Representative Director of ten to four inc. (current position)</p> <p>June 2015     Outside Director of Yaoko Co., Ltd. (current position)</p> <p>Aug. 2015     Director of Cogito Education and Management Inc.</p> <p>June 2018     Outside Director of Watabe Wedding Corporation (current position)</p> <p>[Important concurrent positions] Representative Director of ten to four inc. Outside Director of YAOKO Co., Ltd. Outside Director of WATABE WEDDING CORPORATION</p>	-
<p>[Reasons for nomination as a candidate for Outside Director] In addition to extensive experience and knowledge relating to business management and diversity management, Asako Yano possesses a wide breadth of knowledge and achievement about marketing and branding. Therefore, as we judged that getting diversified opinions on enhancing corporate governance, promoting diversity, and other matters from her from a standpoint which is independent of the management team will lead to further invigoration of the Company's Board of Directors, the Company proposes her election as Outside Director.</p>			

- Notes:
- Eiichiro Suhara concurrently serves as President and Representative Director of Yamagata Mitsubishi Pencil Precision Co., Ltd. The Company purchases its specified products from this company and is also leasing real estate to this company.
  - Eiichiro Suhara concurrently serves as Chairman of Mitsubishi Pencil Vietnam Co., Ltd. The Company purchases its specified products from this company.
  - Eiichiro Suhara concurrently serves as President and Representative Director of Ryoyu Trading Co., Ltd. The Company sells and purchases its specified products, etc. to and from this company and is also leasing real estate to this company.
  - There is no special interest between each candidate for Director other than those stated in 1. to 3. and the Company.
  - Kenichiro Senoh, Tojiro Aoyama, and Asako Yano are candidates for Outside Directors.
  - If the election of Tojiro Aoyama as Director is approved, he will resign as Audit & Supervisory Board Member at the conclusion of this meeting.
  - The outline of the contents of the limited liability agreements with candidates for Outside Directors is as follows.
    - Pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, the Company has entered into a limited liability agreement with Kenichiro Senoh to limit his liability for damages under Article 423, paragraph 1 of the Companies Act, on the condition that the requirements stipulated by laws and regulations are met. If his reelection is approved, the Company will continue the above-mentioned limited liability agreement with him. The maximum amount of liability for damages under this agreement is 5 million JPY or the minimum liability amount provided for under laws and regulations, whichever is the higher amount.
    - If the election of Tojiro Aoyama and Asako Yano is approved, pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, the Company plans to enter into a limited liability agreement with them to limit their liability for damages under Article 423, paragraph 1 of the Companies Act, on the condition that the requirements stipulated by laws and regulations are met. The maximum amount of liability for damages under this agreement will be 5 million JPY or the minimum liability amount provided for under laws and regulations, whichever is the higher amount.
  - The Company has designated Kenichiro Senoh as an Independent Director under the provisions of the Tokyo Stock Exchange and has notified to the Exchange and plans to continue to designate him as an Independent Director. In addition, the Company plans to designate Tojiro Aoyama and Asako Yano as Independent Directors under the provisions of the Tokyo Stock Exchange and notify to the Exchange.
  - Kenichiro Senoh, Tojiro Aoyama, and Asako Yano, who are candidates for Outside Directors, satisfy the "Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members" stipulated by the Company on page 11.
  - Asako Yano's registered name is Asako Saito.

**Proposal No. 4** Election of One (1) Substitute Audit & Supervisory Board Member

The Company requests approval for the election of one (1) substitute Audit & Supervisory Board Member to be ready to fill a vacant position should the number of Audit & Supervisory Board Members fall below the number required by laws and regulations. The consent of the Audit & Supervisory Board has been obtained for this proposal. The candidate for Substitute Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Career summary (Important concurrent positions)	Number of the Company's shares owned
Satoshi Sugano (December 17, 1965) New election Outside Independent Audit & Supervisory Board Member	Apr. 1994 Registered as an attorney at law; joined Naritomi & Partners (currently Marunouchi Minami Law Office) Oct. 2003 Partner of Naritomi & Partners June 2015 Established Nakadori Law Office; Representative Attorney at Law (current position) [Important concurrent positions] Representative Attorney at Law of Nakadori Law Office	-
[Reasons for nomination as a candidate for Substitute Outside Audit & Supervisory Board Member] Satoshi Sugano has no prior experience in the management of a company, but has advanced professional legal knowledge as an attorney at law. As we judged that his extensive knowledge could be reflected in the Company's supervisory system and that he could provide us with appropriate advice and suggestions for securing legal compliance from a standpoint which is independent from the management team, the Company proposes his election as Substitute Outside Audit & Supervisory Board Member.		

- Notes:
1. There is no special interest between the candidate and the Company.
  2. Satoshi Sugano is a candidate for Substitute Outside Audit & Supervisory Board Member.
  3. If Satoshi Sugano has taken office of Audit & Supervisory Board Member, pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, the Company plans to enter into a limited liability agreement with him to limit his liability for damages under Article 423, paragraph 1 of the Companies Act, on the condition that the requirements stipulated by laws and regulations are met. The maximum amount of liability for damages under this agreement will be 1 million JPY or the minimum liability amount provided for under laws and regulations, whichever is the higher amount.
  4. If Satoshi Sugano has taken office of Audit & Supervisory Board Member, the Company plans to designate him as an Independent Audit & Supervisory Board Member under the provisions of Tokyo Stock Exchange and notify to the Exchange.
  5. Substitute Outside Audit & Supervisory Board Member candidate Satoshi Sugano satisfies the "Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members" stipulated by the Company on page 11.

**[Reference] Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members**

The Company deems that Outside Directors and Outside Audit & Supervisory Board Members (including candidates) who do not fall under any of the criteria of the following items possess independence with regard to the Company and do not pose a risk of conflict of interest with general shareholders.

1. Major shareholder  
Major shareholder of the Company or its executing person. “Major shareholder” means any of those who directly or indirectly hold 10% or more of voting rights at the end of the Company’s most recent fiscal year.
  2. Major business partner
    - (1) Our principal business partner or its executing person. “Our principal business partner” means any one of the following:
      - The amount of payment from the said business partner to the Company in the most recent business year exceeds 2% of the Company’s annual consolidated net sales.
      - A business partner who is indispensable in fund procurement of the Company and whom the Company relies on to the extent that there is no substitution.
    - (2) A party who considers the Company as a major business partner or its executing person. “A party who considers the Company as a major business partner” means the following party:
      - The amount of payment from the Company to the said party in the most recent business year exceeds 2% of the said party’s annual consolidated net sales.
  3. Professional service provider  
A legal expert such as an attorney at law, accounting or tax specialist such as a certified public accountant or tax accountant, consultant, corporate manager, university professor, etc. who obtains monetary or other property profit exceeding 10 million JPY per year other than executive remuneration from the Company. When such property is obtained by an organization such as a corporation or a partnership, this criterion applies to a person belonging to such organization.
  4. Donation/Grant  
A person who receives donation or grant exceeding 10 million JPY per year from the Company. When such donation or grant is obtained by an organization such as a corporation or a partnership, this criterion applies to an executing person of such organization.
  5. A person who has fallen under any of the above 1. to 4. in the past three (3) years.
  6. A spouse or a relative within second degree of kinship of a Director or an employee of the Company or the Company’s subsidiary.
- \* In these criteria, the term “executing person” means a person who executes business in an organization such as a corporation or a partnership regardless of his/her title or position name such as director, executive officer, employee, etc.

**Proposal No. 5**      Revision of Remuneration Amount for Directors

Regarding the remuneration amount for Directors of the Company, it was approved in the 143rd Annual General Meeting of Shareholders held on March 29, 2018 that the amount of monetary remuneration to Directors for each business year shall be up to 600 million JPY (including the amount up to 50 million JPY per year for Outside Directors), and it remains effective today. The Company intends to reduce the number of Directors to speed up management decision-making and to increase the number of Outside Directors in order to strengthen the supervisory function of the Board of Directors by increasing the ratio of Outside Directors in the Board of Directors. Therefore, the Company proposes that a change be made so that the amount of monetary remuneration to Directors for each business year shall be up to 500 million JPY (including the amount up to 60 million JPY per year for Outside Directors).

Moreover, as before, the Company requests that the amount of remuneration for Directors not include the employee salaries of Directors who serve concurrently as employees.

There are currently twelve (12) Directors (including two (2) Outside Directors); if Proposal No. 3 is approved and adopted in its original form, there will be nine (9) Directors (including three (3) Outside Directors).

**Proposal No. 6** Renewal of Countermeasures to Large-Scale Acquisitions of Company Shares (Takeover Defense Measures)

The Board of Directors of the Company decided at its meeting held on February 15, 2019 to renew the plan for countermeasures to large-scale acquisitions of the shares in the Company (takeover defense measures) and introduce a renewed 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 the main text of Article 118, Item 3 of the Enforcement Regulations of the Companies Act; the "Basic Policy") subject to the shareholders' approval at this General Meeting of Shareholders (in this Proposal, the plan for countermeasures to large-scale acquisitions of the shares in the Company (takeover defense measures) before the renewal is referred to as the "Former Plan," and the plan after the renewal is referred to as the "Plan"). This Proposal is made to request that shareholders approve the introduction of the Plan pursuant to Article 17, Paragraph 1 of the Company's Articles of Incorporation and the delegation to the Company's Board of Directors of the authority to decide matters regarding the gratis allotment of share options in accordance with the terms and conditions set out in the Plan pursuant to Article 17, Paragraphs 2 and 3 of the Company's Articles of Incorporation.

The Former Plan was approved by the shareholders at the 141st annual general meeting of shareholders held on March 30, 2016, and it will become invalid upon the expiration of its effective period at the conclusion of this General Meeting of Shareholders. The contents of the Plan are substantially the same as those of the Former Plan.

In addition, all of the Directors of the Company, including two Outside Directors, and all of the Audit & Supervisory Board Members of the Company, including three Outside Audit & Supervisory Board Members, agreed to the introduction of the Plan, and the Company obtained the unanimous approval of the members of the Independent Committee for the Former Plan for the introduction of the Plan.

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

The Company believes that the persons who control decisions on the Company's financial and business policies need to be persons who understand the source of the Company's corporate value and who will enable the Company to continually and persistently ensure and enhance the Company's corporate value and, in turn, the common interests of its shareholders. Also, the Company believes that the enhancement of the Company's corporate value will be achieved by (i) providing markets with the best quality writing instruments required by customers and (ii) pioneering new businesses by applying technologies cultivated through the writing instruments business and conducting integrated management by linking those businesses.

The Company believes that ultimately its shareholders as a whole must make the decision if a proposal for an acquisition that would involve a transfer of corporate control of the Company is made. Also, the Company would not reject a large-scale acquisition of the shares in the Company if it would contribute to ensuring and enhancing 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 benefit neither the corporate value of the target company of the large-scale acquisition nor the common interests of its shareholders including without limitation those with a purpose that would obviously harm the corporate value of the target company and the common interests of its shareholders; those that threaten to effectively coerce shareholders into selling their shares, those that do not provide sufficient time or information for the target company's board of directors and shareholders to consider the details of the large-scale acquisition or for the target company's board of directors to make an alternative proposal to shareholders and those that require the target company to negotiate with the acquirer in order to procure more favorable terms for shareholders than those presented by the acquirer.

Unless the acquirer in a proposed large-scale acquisition of the shares in the Company understands the source of the Company's corporate value described below, as well as the details of the financial and business affairs of the Company's group (the "Group"), and will ensure and enhance the source of the corporate value over the mid- to long-term, the corporate value of the Company and the common interests of its shareholders would be harmed.

The Company believes that persons who would make a large-scale acquisition of the shares in the Company in a manner that harms the corporate value of the Company and the common interests of its shareholders would be inappropriate as persons who make decisions on the Company's financial and business policies and that it is necessary to ensure the corporate value of the Company and, in turn, the common interests of its shareholders by taking the necessary and reasonable countermeasures to large-scale acquisitions of the shares in the Company by such persons.

## **II. The Source of the Company's Corporate Value and Special Measures to Realize the Basic Policy**

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

Since its establishment in 1887, the Company has carried out activities mainly in the area of the writing instruments business, always focusing on "writing and drawing." While carrying out these activities over a long period of time, "The Finest Quality Is the Best Service," the corporate motto since its establishment, has consistently been the foundation of the Company's business. Our mission is to "give pleasure to more customers by offering high-quality and high-value-added writing instruments" and, at the same time, this philosophy is the starting point when reconsidering the source of the Company's corporate value.

The Company's business started when Niroku Masaki, the founder of the Company, began selling an early type of pencil called "*hasami enpitsu*," one pencil at a time. Now, the writing instruments offered by the Company have grown into products that are used by customers in more than 100 countries all over the world, not only in Japan but also in other countries in Asia, as well as countries in other regions including Europe, North America, and the Middle and Near East, and the Company has widely expanded its business fields accordingly. Throughout every era, the writing instruments offered by the Company have been products closely familiar to people across a wide range of ages. Our writing instruments have been supporting customers' daily lives, from the time when children at a tender age first grip a colored pencil or felt-tip pen in their small hands to draw or color in pictures, then start using pencils and mechanical pencils, until, as the years go by, they begin using ballpoint pens to put into writing all the various facts, thoughts and memories from their lives. Our writing instruments have also been used as tools to generate innovative ideas and concepts or to create artworks admired by many. Over the 130 years of our history, our writing instruments have grown into products that are essential for people all over the world, and the Company believes that this is why it must focus on ensuring the "best quality" in order to provide as many people as possible with the opportunity and pleasure of using our writing instruments.

The Company recognizes that the concept of "corporate value" has several meanings, among which the focus tends to be placed on the figures of cash flow to be achieved in the future as economic and shareholder value (discounted to current value), as well as the market capitalization of shares. On the other hand, the Company believes that the term "corporate value" also means corporate activities carried out by a company with a firm determination to put on the market various products and services required by the public and to respond to the expectations of stakeholders surrounding the Company, including shareholders and customers, and that, above all, the source of the Company's corporate value lies in the technological and development capabilities that it has accumulated since its establishment and abundant experience, knowledge, and expertise of each of its individual employees, as well as its corporate climate and culture and management policy that foster and pass down these elements. The Company believes that what the source of corporate value will bring about is "something that blossoms forth" with the passage of time, and sophisticating and continuously improving the source of corporate value will continue to

create a sense of energy and vigor among the Company and its employees and, as a result, the Company's corporate value will increase, and this will in turn maximize the creation of value for all stakeholders surrounding the Company, including shareholders, customers, employees, trading partners, and the broader social community.

Last year, one of these "best quality" products proudly offered by the Company, the "uni" pencil, marked the 60th anniversary since its release. As represented by the "uni" pencil, many of the writing instruments offered by the Company have long lives and lifecycles as products, and a number of long-standing products remain at the core of the Company's revenues. The Company believes that, rather than projecting its business from an excessively short-term perspective, working on management from a mid-to long-term perspective is preferable because the writing instruments offered by the Company are products that have been popular among people of all ages for a long time and are closely familiar to people in their daily lives. As shown by the example of "JETSTREAM," an oil-based ballpoint pen product of the Company that opened up the market for "oil-based ballpoint pens that offer a smooth writing experience" and now continues to enjoy the largest share of that market, not all writing instruments that later grow into major products achieve explosive sales at the time of their initial release. The Company will continue to communicate the attractive features and user experience of each product while supporting customers' lives with consideration for their living environment and senses of values, and will nurture each product as if planting a seed into the ground and nurturing it until it grows into a large tree with plentiful branches, so that each product may "slowly accumulate rings of growth."

As described above, the Company's business activities are based on the process through which "we create good products, nurture them as commercial products, and accumulate the trust of customers," and the Company believes that this also serves as a procedure necessary for enhancing the Company's corporate value.

The Company is also actively working on businesses other than writing instruments, such as the cosmetics business, making use of our advanced technology cultivated through the business of writing instruments. However, the Company understands that, in order for the Company to achieve sustainable growth going forward, it is essential for us to create the next business that will be able to supplement and be combined with the writing instruments business and to develop talent and to build strong organizations that promote regrowth of the writing instruments business while nurturing it. For this purpose, the Company is required to improve what we consider to be the source of corporate value and encourage the evolution of the source of corporate value further and, accordingly, the Company will aim for sustainable growth and further enhance the corporate value of the Company and, in turn, the common interests of its shareholders while performing our social responsibilities as a corporation.

## **2. Measures to Enhance Corporate Value**

In January 2019, the Company launched a mid-term three-year management plan for the period from 2019 to 2021 with the basic policy of "Daring to Evolve" as a foothold toward sustainable growth and as a measure for enhancing corporate value. The focus of the management plan is centered on the following three policies.

The first policy is "regrowth of the writing instruments business," and an outline of this policy is to develop new products and nurture the existing products, as well as to build a flexible production system in response to changes in the environment and advance into new markets. The second policy is to focus on the "creation and nurturing of a new core business" that will work in combination with the writing instruments business as an indispensable pillar of the Company's business and will be a driving force for the Company's further growth, and the objective of this policy is to find the next business opportunities that are able to supplement the writing instruments business and to build frameworks that support such businesses. The last policy is to "develop talent and build strong organizations in order to respond to changes in the environment," as it is these personnel and organizations who will push forward with the realization of the above two policies.

The Company believes that, in order for the Company to continuously enhance the Company's corporate value in the future, it is important to earnestly work on, improve, and further enrich what we consider to be the source of corporate value. And, the Company believes that, as the first step of such measures, to achieve the further strengthening of the competitiveness of the Company under the mid-term three-year plan as a matter of first priority will lead to the enhancement of the Company's corporate value and, in turn, the maximization of the interests of all stakeholders surrounding the Company, including its shareholders.

### **3. Strengthening of Corporate Governance**

The Company is a company with an audit and supervisory board, and the Company's Board of Directors and Audit & Supervisory Board supervise and audit the management of the Company. Also, the term of office of each Director of the Company is set at one year in order to clarify the responsibilities of each Director toward shareholders, and the Company elects two Outside Directors with an aim to strengthen the supervision of management from the perspective of independent third-parties.

On the other hand, the Company believes that corporate governance is to "build a system for organizing a better company" for all stakeholders surrounding the Company and has thus far had the view that, as an effective measure for corporate governance, it is important to enhance the transparency of management by further improving the framework for supervising management from an objective perspective, as well as to strengthen agile execution of business. Then, the Company resolved at the meeting of the Board of Directors held on February 15, 2019 to implement a reform of the Board of Directors with the following core measures: to introduce the executive officer system after the conclusion of this General Meeting of Shareholders for the purpose of accelerating the decision making process of management and realizing agile execution of business by separating management's supervisory functions and business execution functions; and to make a proposal to increase the number of Outside Directors by one in the proposal for the election of directors submitted to this General Meeting of Shareholders, thereby increasing the proportion of Outside Directors to a third of all members of the Board of Directors. If the proposal for the election of directors is approved and adopted as proposed, one Audit & Supervisory Board Member will resign and assume the office of Outside Director, but the Audit & Supervisory Board will continue to be composed of four Audit & Supervisory Board Members, including two Outside Audit & Supervisory Board Members, and they will continue to perform audit and supervision of the execution of duties by Directors.

The Company believes that it is necessary for us to continuously consider what are the best measures for all stakeholders surrounding the Company in order to strengthen corporate governance. To "organize a better corporation," the Company will continue to endeavor to further strengthen corporate governance.

## **III. Purpose and Details of the Plan**

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

The Plan will be introduced by renewing the Former Plan in line with the Basic Policy set out in section I above for the purpose of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders.

As set out in the Basic Policy, the Company's Board of Directors believes that persons who would propose a large-scale acquisition in a manner that does not contribute to the corporate value of the Company or the common interests of its shareholders would be inappropriate as persons who control decisions on the Company's financial and business policies. Based on this belief, the Company decided to introduce the Plan as a framework for enabling the Company's Board of Directors to present an alternative proposal to the shareholders or ensure necessary time and information for the shareholders to decide whether or not to accept the large-scale acquisition proposal and to negotiate for the benefit of the



shareholders on the occasion that the Company receives a large-scale acquisition proposal regarding the shares in the Company from an acquirer, for the purpose of preventing decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate and deterring large-scale acquisitions that are detrimental to the corporate value of the Company and the common interests of its shareholders.

Major shareholders of the Company as of December 31, 2018 are listed in the Schedule entitled "Major Shareholders of the Company." The Company has not received any notice or proposal of a large-scale acquisition to date from a specific third party.

## **2. Plan Outline**

The Plan sets out procedures necessary to achieve the purpose stated above, including requirements for acquirers to provide information in advance in the case that the acquirer intends to make an acquisition of 20% or more of the Company's share certificates or other equity securities.

The acquirer may effect a large-scale acquisition of the Company's share certificates or other equity securities if and only after the Company's Board of Directors or the Company's general meeting of shareholders determines that the Company should not trigger the Plan in accordance with the procedures for the Plan.

In cases such as where an acquirer does not follow the procedures set out in the Plan or a large-scale acquisition of the Company's share certificates or other equity securities could harm the corporate value of the Company and the common interests of its shareholders, and if the acquisition satisfies the triggering requirements set out in the Plan, the Company will implement a countermeasure by means such as allotting share options with (a) an exercise condition that does not allow the acquirer to exercise rights as a general rule, 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, in the form of a gratis allotment of share options to all shareholders, except the Company, at that time.

The Company's policy is that it will establish the Independent Committee, which is solely composed of Outside Directors and other outside parties who are independent from the management of the Company, and will obtain its objective determination with respect to matters such as the implementation, non-implementation, or cancellation of the gratis allotment of share options or other countermeasures permitted under laws and ordinances and the Company's Articles of Incorporation in accordance with the Plan in order to eliminate arbitrary decisions by Directors, and cause the Company's Board of Directors to make a careful determination with respect to these matters.

In addition, the Company's Board of Directors may hold a general meeting of shareholders in certain cases prescribed in the Plan and confirm the intent of the shareholders regarding the implementation of the gratis allotment of share options or other countermeasures permitted under laws and ordinances and the Company's Articles of Incorporation.

The Company will ensure the transparency of the above procedures by disclosing information to the Company's shareholders as appropriate in the course of those procedures.

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

#### 3.1 Procedures for Triggering the Plan

##### (a) Targeted Acquisitions

The Plan will be applied in cases where any purchase or other acquisition of share certificates, etc. of the Company that falls under (i) or (ii) below or any similar action or a proposal<sup>1</sup> for such action (except for such action as the Company's Board of Directors separately determines not to be subject to the Plan; the "Acquisition") takes place.

- (i) A purchase or other acquisition or an act of forming a relationship whereby a third party becomes a joint holder<sup>2</sup> of a holder (*hoyuusha*)<sup>3</sup> with respect to the share certificates, etc. (*kabuken tou*)<sup>4</sup> issued by the Company that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariai*)<sup>5</sup> of that holder totaling at least 20% of the share certificates, etc. issued by the Company; or
- (ii) A tender offer (*koukai kaitsuke*)<sup>6</sup> with respect to the share certificates, etc. (*kabuken tou*)<sup>7</sup> issued by the Company that would result in the ownership ratio of share certificates, etc. (*kabuken tou shoyuu wariai*)<sup>8</sup> of the party conducting the tender offer after the tender offer and the ownership ratio of share certificates, etc. of other persons in a special relationship with that party (*tokubetsu kankei-sha*)<sup>9</sup> totaling at least 20% of the share certificates, etc. issued by the Company.

The party intending to make the Acquisition (the "Acquirer") shall follow the procedures set out in the Plan, and the Acquirer must not commence or effect the Acquisition until and unless the Company's Board of Directors or the Company's general meeting of shareholders resolves not to implement the gratis allotment of share options or other countermeasures permitted under laws and ordinances and the Company's Articles of Incorporation in accordance with the Plan.

---

<sup>1</sup> "Proposal" includes solicitation of a third party for an Acquisition.

<sup>2</sup> Meaning a joint holder provided for 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 to fall under a joint holder by the Board of Directors of the Company). The same applies throughout this Proposal.

<sup>3</sup> 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 of the Company). The same applies throughout this Proposal.

<sup>4</sup> Defined in Article 27-23(1) of the Financial Instruments and Exchange Act. The same applies throughout this Proposal unless otherwise provided for.

<sup>5</sup> Defined in Article 27-23(4) of the Financial Instruments and Exchange Act. The same applies throughout this Proposal.

<sup>6</sup> Defined in Article 27-2(6) of the Financial Instruments and Exchange Act. The same applies throughout this Proposal.

<sup>7</sup> Defined in Article 27-2(1) of the Financial Instruments and Exchange Act.

<sup>8</sup> Defined in Article 27-2(8) of the Financial Instruments and Exchange Act. The same applies throughout this Proposal.

<sup>9</sup> 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 of the Company); 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.

(b) Submission of Acquirer's Statement

The Company will request the Acquirer to submit to the Company in the form separately prescribed by the Company a document that includes an undertaking such as that the Acquirer will comply with the procedures set out in the Plan (signed by or affixed with the name and seal of the representative of the Acquirer) and a qualification certificate of the person who signed or affixed its name and seal to that document (collectively, "Acquirer's Statement") before commencing or effecting the Acquisition. The Acquirer's Statement must include the name, address or location of headquarters, location of offices, governing law for establishment, name of the representative, contact information in Japan for the Acquirer and outline of the intended Acquisition. The Acquirer's Statement and the Acquisition Document set out in (c) below must be written in Japanese.

(c) Request to the Acquirer for the Provision of Information

The Company will provide the Acquirer the format for the Acquisition Document (defined below), including a list of information that the Acquirer should provide to the Company, no later than 10 business days(\*) after receiving the Acquirer's Statement. The Acquirer must provide the Company's Board of Directors with the document in the form provided by the Company (collectively, the "Acquisition Document"), which includes the information described in each item of the list below ("Essential Information").

\* "Business day" means any day other than days listed in the items of Article 1(1) of the Act on Holidays of Administrative Organs.

- (i) Details (including name, capital relationship, financial position, operation results, details of violation of laws or ordinances in the past (if any), and terms of any previous transactions which are similar to the Acquisition by the Acquirer) of the Acquirer and its group (joint holders, persons in a special relationship and persons in a special relationship with a person in relation to whom the Acquirer is the controlled juridical person, etc.<sup>10</sup>).<sup>11</sup>
- (ii) The purpose, method and specific terms of the Acquisition (including the amount and type of consideration, the timeframe, the scheme of any related transactions, the legality of the Acquisition method, and the feasibility of the Acquisition).
- (iii) The amount and basis for the calculation of the purchase price of the Acquisition.
- (iv) Information on any past acquisition of the share certificates, etc. of the Company by the Acquirer.
- (v) 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).
- (vi) Post-Acquisition management policy, business plan, and capital and dividend policies for the Group.
- (vii) Policies for the Company's shareholders (other than the Acquirer), employees, business partners, clients, and other stakeholders.
- (viii) Any other information that the Independent Committee reasonably considers necessary.

---

<sup>10</sup> Defined in Article 9(5) of the Order for Enforcement of the Financial Instruments and Exchange Act.

<sup>11</sup> If an Acquirer is a fund, information relating to the matters described in (i) about each partner and other constituent members is also required.

If the Company's Board of Directors receives the Acquisition Document, it will promptly send it to the Independent Committee (which will be established based on the resolution of the Company's Board of Directors; standards for appointing members, requirements for resolutions, resolution matters, and other matters concerning the Independent Committee are as described in Attachment 1 'Outline of the Rules of the Independent Committee' and business backgrounds and other matters of members of the Independent Committee at the time of the introduction of the Plan are as described in Attachment 2 'Profiles of the Members of the Independent Committee'). If the Independent Committee determines that the Acquisition Document does not contain sufficient Essential Information, it may set a reply period as appropriate (up to 60 days from the date on which the Company's Board of Directors receives the Acquisition Document) and request that the Acquirer provide additional information. In such case, the Acquirer should provide the additional information within the reply period.

(d) Consideration of Acquisition Terms, Negotiation with the Acquirer, and Consideration of an Alternative Proposal

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

If the Acquirer submits the Acquisition Document and any additional information that the Independent Committee requests, the Independent Committee may set a reply period as appropriate and request that the Company's Board of Directors present an opinion (including an opinion to refrain from giving such opinion; hereinafter the same) on the Acquirer's Acquisition terms, materials supporting such opinion, an alternative proposal (if any), and any other information that the Independent Committee considers necessary.

(ii) Independent Committee Consideration

The Independent Committee will conduct its consideration of the Acquisition terms, collection of information such as the management plans and business plans of the Acquirer and the Company's Board of Directors and comparison thereof, and consideration of any alternative plan presented by the Company's Board of Directors, and the like for, as a general rule, a period of up to 90 days after it receives the Acquisition Document submitted by the Acquirer (however, if the Independent Committee requests the Acquirer to provide additional information after setting a reply period, then a period of up to 90 days from the day following the last day of the reply period) (or, for a period of up to 60 days in the case of an Acquisition through a tender offer in consideration for cash (JPY) and in which the maximum number to be purchased is not set) (such period required for the collection of information and consideration by the Independent Committee is hereinafter referred to as the "Independent Committee Consideration Period"). 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 Independent Committee will directly or indirectly discuss and negotiate with the Acquirer.

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 third parties (including financial advisers, certified public accountants, attorneys, certified public tax accountants, consultants or any other experts). If the Independent Committee directly or indirectly requests the Acquirer to provide materials for consideration or any other information, or to discuss and negotiate with the Independent Committee, the Acquirer must promptly respond to such request.

(e) Recommendations by the Independent Committee

Based on the abovementioned procedures, the Independent Committee will make recommendations or the like to the Company's Board of Directors in the manner described below.

(i) If triggering of the Plan is recommended:

If the Independent Committee determines that the Acquisition falls under any of the trigger events set out below in 3.2, 'Requirements for Implementation of the Countermeasures' (collectively, "Trigger Events"), the Independent Committee will recommend the implementation of the gratis allotment of share options (whose principal terms are set out below in 3.3 'Outline of the Countermeasures'; such share options hereinafter referred to as "Share Options") or of other countermeasures permitted under laws and ordinances and the Company's Articles of Incorporations (collectively, the "Countermeasures") to the Company's Board of Directors except in any specific case where further provision of information by the Acquirer or negotiation, discussion, or the like with the Acquirer is necessary. If there is a concern that an Acquisition may fall under the second Trigger Event ("Trigger Event (2)") set out below in 3.2 'Requirements for Implementation of the Countermeasures,' the Independent Committee may recommend the implementation of the Countermeasures subject to obtaining an approval at a general meeting of shareholders regarding the implementation in advance.

Notwithstanding the above, even after the Independent Committee has already made a recommendation for the implementation of the Countermeasures, if the Independent Committee determines that either of the events in (A) or (B) below applies, it may make a new recommendation that (i) (on or before the second business day prior to the ex-rights date with respect to the gratis allotment of Share Options) the Company should cancel the gratis allotment of Share Options, or (ii) (from the effective date of the gratis allotment of Share Options and until the day immediately prior to the commencement date of the exercise period of the Share Options) the Company should acquire the Share Options for no consideration, cancel the implementation of the Countermeasures, or take other actions.

(A) The Acquirer withdraws the Acquisition or the Acquisition otherwise ceases to exist after the recommendation for the implementation of the Countermeasures.

(B) There is no longer any Trigger Event due to a change or the like in the facts or other matters on which the decision of the recommendation for the implementation of the Countermeasures was made.

(ii) If non-triggering of the Plan is recommended:

If the Independent Committee determines that no Trigger Events exist with respect to the Acquisition, the Independent Committee will recommend the non-implementation of the Countermeasures to the Company's Board of Directors regardless of whether or not the Independent Committee Consideration Period has ended.

Notwithstanding the foregoing, even after the Independent Committee has already made a recommendation for the non-triggering of the Countermeasures, if there is a change in the facts or other matters on which the decision for the recommendation was made and Trigger Events arise, the Independent Committee may make a new recommendation that the Company should implement the Countermeasures.

(iii) If the Independent Committee Consideration Period is extended:

If the Independent Committee does not reach a recommendation for the implementation or non-implementation of the Countermeasures during the initial Independent Committee

Consideration Period, the Independent Committee may, to the reasonable extent that it is considered necessary for actions such as consideration of the terms of the Acquirer's Acquisition, consideration of an alternative proposal and negotiation with the Acquirer, extend the Independent Committee Consideration Period (up to 30 days as a general rule). If the Independent Committee Consideration Period is extended, the Independent Committee will continue to collect information, deliberate, and perform similar activities, and use its best efforts to make a recommendation for the implementation or non-implementation of the Countermeasures within the extended period.

(f) Resolutions by the Board of Directors

In case the Independent Committee makes any recommendation stated above, the Company's Board of Directors, in exercising their role as an organization under the Companies Act, will pass a resolution relating to the implementation or non-implementation of the Countermeasures while respecting the recommendation to the maximum extent and carefully considering matters such as whether the Acquisition opposes the corporate value of the Company and the common interests of its shareholders.

However, if a general meeting of shareholders is held pursuant to (g) below, the Company's Board of Directors shall follow the resolution of that general meeting of shareholders.

The Company's Board of Directors will not implement the Countermeasures if the Independent Committee recommends the non-implementation of the Countermeasures or a general meeting of shareholders resolves to reject the proposal for the implementation of the Countermeasures.

(g) Convocation of a General Meeting of Shareholders

When implementing the Countermeasures in accordance with the Plan, if (i) the Independent Committee recommends the implementation of the Countermeasures subject to obtaining an approval at a general meeting of shareholders in advance in accordance with (e)(i) above or (ii) if there is a concern that an Acquisition may fall under Trigger Event (2) and the Board of Directors determines that it is appropriate to refer the matter to a general meeting of shareholders pursuant to the duty of care of a good manager after taking into account the time required for holding a general meeting of shareholders and other relevant matters, it may convene a general meeting of shareholders and present a proposal regarding the implementation of the Countermeasures on the agenda at the general meeting of shareholders.

(h) Information Disclosure

When operating the Plan, the Company will disclose, in a timely manner, information on the progress of each procedure set out in the Plan (including the fact that the Acquirer's Statement and Acquisition Document have been submitted, the fact the Independent Committee Consideration Period has commenced, and the fact that the Independent Committee Consideration Period has been extended, as well as the specific extended period and the reason for the extension), or an outline of recommendations made by the Independent Committee, an outline of resolutions by the Company's Board of Directors, and other matters that the Independent Committee or the Company's Board of Directors considers appropriate, in accordance with the applicable laws and ordinances or the applicable regulations, etc. of the financial instruments exchange.

### 3.2 Requirements for Implementation of the Countermeasures

The requirements to trigger the Plan to implement the Countermeasures are as follows. As described above in (e) of 3.1, 'Procedures for Triggering the Plan,' the Company's Board of Directors will make a determination as to whether any of the following requirements applies to an Acquisition only after the recommendation by the Independent Committee is obtained.

### Trigger Event (1)

The Acquisition does not follow the procedures prescribed in the Plan (including cases where reasonable time and information necessary to consider the details of the Acquisition is not offered) and it is reasonable to implement the Countermeasures.

### Trigger Event (2)

The Acquisition falls under any of the items below and it is reasonable to implement the Countermeasures.

- (a) An Acquisition that threatens to cause obvious harm to the corporate value of the Company and the common interests of its shareholders through any of the following actions:
  - (i) A buyout of share certificates, etc. to require such share certificates, etc. to be compulsorily purchased by the Company side 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 prices created by the temporarily high dividends.
- (b) Certain Acquisitions that threaten to effectively coerce shareholders into selling shares, such as coercive two-tiered tender offers (meaning acquisitions 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 or unclear).
- (c) Acquisitions to which the economic terms (including the amount and type of consideration and the payment date and method of consideration) are inadequate or inappropriate in light of the Company's intrinsic value.
- (d) The terms of a proposed Acquisition (including the economic terms of the Acquisition, as well as the legality and feasibility of the Acquisition, post-Acquisition management policy and business plan, and post-Acquisition policies dealing with the Company's shareholders (other than the Acquirer), employees, business partners, clients, and other stakeholders of the Company) materially threaten to oppose the corporate value of the Company or the common interests of shareholders, by damaging relationships with the Group's employees, business partners, clients, and other stakeholders and the brand strength of the Group, which are indispensable to the generation of the Company's corporate value.

### 3.3 Outline of the Countermeasures

The countermeasure to an Acquisition that is triggered by the Company in accordance with the Plan is, as a general rule, a gratis allotment of share options. However, there is also a possibility that the Company will use other countermeasures permitted under laws and ordinances and the Company's Articles of Incorporation if it is determined appropriate to trigger those countermeasures.

If a gratis allotment of share options is implemented as a countermeasure under the Plan, the outline of the implementation is as follows.

(a) Number of Share Options

The number of Share Options to be allotted upon implementation of a gratis allotment of Share Options is the same 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 a certain date (the “Allotment Date”) that is separately determined in a resolution by the Company’s Board of Directors relating to the gratis allotment of Share Options (the “Gratis Allotment Resolution”).

(b) Shareholders Eligible for Allotment

The Company will allot the Share Options to shareholders, other than the Company, who are recorded in the Company’s most recent register of shareholders on the Allotment Date, at a ratio of one Share Option for each share in the Company held as a general rule.

(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 the Share Options

The number of shares in the Company to be acquired upon exercise of each Share Option (the “Number of Subject Shares”) shall be a number to be separately determined in the Gratis Allotment Resolution.

(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 one yen.

(f) Exercise Period of the 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, in principle, be a period from one month to six months long as separately determined in the Gratis Allotment Resolution.

(g) Conditions for Exercise of Share Options

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

(I) Specified Large Holders;<sup>12</sup>

(II) Joint holders of Specified Large Holders;

---

<sup>12</sup> “Specified Large Holder” means, in principle, a party who is 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% (including any party who is deemed applicable to the above by the Company’s Board of Directors); provided, however, that a party that the Company’s Board of Directors recognizes as a party who, without its own intention, becomes applicable to the above as a result of the acquisition of own shares by the Company or for any other reason (except if that party subsequently newly acquires the share certificates, etc. of the Company of its own will), a party that the Company’s 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 or a certain other party that the Board of Directors determines in the Gratis Allotment Resolution is not a Specified Large Holder. The same applies throughout this Proposal.



- (III) Specified Large Purchasers;<sup>13</sup>
- (IV) Persons in a special relationship with 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 Company's Board of Directors; or
- (VI) Any Affiliated Party<sup>14</sup> 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 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 (ii) of (i), 'Acquisition of Share Options by the Company' below, on the condition that it is confirmed that the relevant acquisition by the Company does not infringe any applicable law or ordinance). In addition, anyone who fails to submit a written undertaking, in the form prescribed by the Company and containing representations and warranties regarding matters such as the fact that he/she/it satisfies the exercise conditions of the Share Options, indemnity clauses and other covenants, may not exercise the Share Options.

(h) Assignment of Share Options

Any acquisition of the Share Options by assignment requires the approval of the Company's 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 Company's 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 Company's Board of Directors, acquire all of the Share Options for no consideration.
- (ii) On a date separately determined by the Company's Board of Directors, the Company may acquire all of the Share Options that have not been exercised before or on the day immediately prior to such date determined by the Company's Board of Directors, that are

---

<sup>13</sup> "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 throughout this Footnote) of share certificates, etc. (as defined in Article 27-2(1) of the Financial Instruments and Exchange Act; the same applies throughout this Footnote) 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 person in a special relationship (including any party who is deemed to fall under the above by the Company's Board of Directors); provided, however, that a party that the Company's 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 or a certain other party that the Company's Board of Directors determines in the Gratis Allotment Resolution is not a Specified Large Purchaser. The same applies throughout this Proposal.

<sup>14</sup> An "Affiliated Party" of a given party means 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 Company's Board of Directors), or a party deemed by the Company's 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.

held by parties other than Non-Qualified Parties (if any) and, in exchange, deliver shares in the Company in the number equivalent to the Number of Subject Shares for each Share Option. In addition, if, on or after the date upon which the acquisition takes place, the Company's 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 Company's 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 Company's Board of Directors (if any) and, in exchange, deliver shares in the Company in the number equivalent to the number of the Number of Subject Shares for each Share Option. The same will apply thereafter.

- (j) Delivery of Share Options in Case of Merger, Absorption-type Company Split (*kyushu bunkatsu*), Incorporation-type Company Split (*shinsetsu bunkatsu*), Share Exchange (*kabushiki koukan*), and Share Transfer (*kabushiki iten*)

These matters will be separately determined in the Gratis Allotment Resolution.

- (k) Issuance of Certificates Representing the Share Options

Certificates representing the Share Options will not be issued.

- (l) Other

In addition, the details of the Share Options will be separately determined in the Gratis Allotment Resolution.

### 3.4 Procedures for the Introduction of the Plan

With regard to the Plan, the Company will request that the shareholders approve the introduction of the Plan by renewing the Former Plan and delegate to the Company's Board of Directors the authority to decide matters regarding the gratis allotment of Share Options in accordance with the terms and conditions set out in the Plan by resolutions at this General Meeting of Shareholders in accordance with Article 17 of the Company's Articles of Incorporation.

### 3.5 Effective Period, and Abolition and Amendment of the Plan

The effective period of the Plan will be the period of delegation of authority to decide matters regarding the gratis allotment of Share Options under the Plan, for which a resolution is passed at this General Meeting of Shareholders, and the period of delegation will be until the conclusion of the annual general meeting of shareholders relating to the last fiscal year ending within three years after the conclusion of this General Meeting of Shareholders.

However, if, 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 to withdraw the above delegation to the Board of Directors of the authority to decide matters regarding the gratis allotment of Share Options under the Plan or (ii) the Company's Board of Directors resolves to abolish the Plan, the Plan will be abolished at that time.

Further, the Company's 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 General Meeting of Shareholders such as cases where any law, ordinance, or regulation, etc. 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.

### 3.6 Revision Due to Amendment to Laws and Ordinances

The provisions of laws and ordinances referred to under the Plan are subject to the prevailing provisions as of February 15, 2019. If it becomes necessary after such date to revise the terms and conditions or definitions of terms set out in the paragraphs above due to the establishment, amendment or abolishment of laws and ordinances, the terms and conditions or definitions of terms set out in the paragraphs above will be read accordingly as required to a reasonable extent, taking into consideration the purposes of such establishment, amendment or abolishment.

## 4. Impact on Shareholders and Investors

### 4.1 Impact on Shareholders and Investors Upon Introduction of the Plan

Upon introduction, the Plan will have no direct or specific impact on shareholders and investors because no actual Countermeasures, including gratis allotment of Share Options, will be implemented.

### 4.2 Impact on Shareholders and Investors at the Time of Implementation of the Countermeasures

Even upon implementation of the Countermeasures, it is not assumed that the Plan would cause a situation that results in particular losses to the Company's shareholders (excluding Non-Qualified Parties) in terms of legal rights or economic aspects. If the Countermeasures are taken, the Company will disclose information in a timely and appropriate manner in accordance with laws and ordinances and the rules of the financial instruments exchange.

The impact on shareholders and investors at the time a gratis allotment of Share Options is implemented as the Countermeasures would be as follows.

#### (i) Procedures for Gratis Allotment of Share Options

If the Company's Board of Directors resolves to make a gratis allotment of Share Options, it will also decide the Allotment Date in the same resolution and give public notice of this Allotment Date. In this case, the Company will make a gratis allotment of Share Options to shareholders, other than the Company, who are recorded in the Company's most recent register of shareholders on the Allotment Date (the "Entitled Shareholders") for one Share Option per share in the Company held by the Entitled Shareholders, as a general rule. All Entitled Shareholders will automatically become Share Option holders on the effective date of the gratis allotment of Share Options, and no further procedures, such as applying for such gratis allotment, will be necessary.

In addition, even after the Company's Board of Directors resolves to make a gratis allotment of Share Options, the Company may, by respecting any recommendation of the Independent Committee described above in section (e)(i) of 3.1, 'Procedures for Triggering the Plan,' to the maximum extent, (i) (on or before the second business day prior to the ex-rights date with respect to the gratis allotment of Share Options) cancel the gratis allotment of Share Options, or (ii) (from the effective date of the gratis allotment of Share Options and until the day immediately prior to the commencement date of the exercise period) acquire Share Options for no consideration. In such cases, no dilution of the value per share in the Company held by the shareholders will result, and it is possible that investors who have sold or bought the

shares in the Company expecting to see such a dilution will suffer unexpected damage as a result of a fluctuation in the share price.

(ii) Procedures for Exercising Share Options

The Company will deliver, as a general rule, a document to be submitted upon 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, as well as representations and warranties regarding matters such as that the shareholders themselves satisfy the exercise conditions of the Share Options, indemnity clauses and other covenants, and information necessary to record shares in the Company to be delivered to the account of the Entitled Shareholders) and other documents necessary for the exercise of the Share Options to the Entitled Shareholders. After the gratis allotment of Share Options, the shareholders will be issued shares in the Company in a number equivalent to the Number of Subject Shares in exchange for each Share Option upon submitting these necessary documents during the exercise period of Share Options and by paying in the prescribed manner one yen per share for the Number of Subject Shares of the Share Options, as a general rule. The Non-Qualified Parties intending to exercise Share Options must follow the Company's separate determination in accordance with (g) of 3.3, 'Outline of the Countermeasures.'

If the Company's shareholders do not exercise their Share Options or pay the amount equivalent to the exercise price, the shares they hold in the Company will be diluted by the exercise of Share Options by other shareholders.

However, it is also possible for the Company to acquire the Share Options of all shareholders other than Non-Qualified Parties and, in exchange, deliver shares in the Company, in accordance with the procedures set out in (iii) below. If the Company carries out such acquisition procedures, all shareholders other than Non-Qualified Parties will come to receive shares and the like in the Company without exercising their Share Options or paying an amount equivalent to the exercise price and, in principle, there will be no subsequent dilution of the shares in the Company they hold.

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

If the Company's Board of Directors determines to acquire the Share Options, the Company will acquire the Share Options in accordance with the statutory procedures from the shareholders other than Non-Qualified Parties, on the date separately determined by the Company's Board of Directors and deliver shares in the Company in exchange for the Share Options. In this case, the shareholders concerned will come to receive shares in the Company in a number equivalent to the Number of Subject Shares 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 provide information necessary to record shares in the Company to be delivered to the account of the Entitled Shareholders and submit, in the form prescribed by the Company, a written undertaking including representations and warranties regarding matters such as the fact that they are not Non-Qualified Parties, indemnity clauses and other covenants.

If the Gratis Allotment Resolution provides for the matters relating to acquisition, including acquisition of the Share Options from the Non-Qualified Parties, the Company may take procedures in accordance with the provisions of the Gratis Allotment Resolution.

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 after these matters are determined in the Gratis Allotment Resolution. We request that shareholders check these details at that time.

#### **IV. Decisions and Reasoning by the Company's Board of Directors regarding Above Measures**

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

As set out in section II above, the Company has implemented such measures for enhancing the corporate value and such policies for strengthening its corporate governance practices, including the mid-term three-year management plan, as specific measures to continually and persistently enhance the Company's corporate value and the common interests of the Company's shareholders. These measures will indisputably 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 the Directors and the Audit & Supervisory Board Members 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 Deemed Inappropriate under the Basic Policy (measures set out in III above)**

###### **2.1 The Plan Satisfies the Basic Policy**

The Plan is a mechanism to maintain the corporate value of the Company and, in turn, 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 Company's Board of Directors to present an alternative proposal to the shareholders, and by enabling the Board of Directors to negotiate with the Acquirer for the benefit of the shareholders when such Acquisition is made. As above, the Plan is in compliance with the Basic Policy.

###### **2.2 The Plan is not Detrimental to the Common Interests of the Shareholders and does not Aim to Maintain the Positions of Directors and Audit & Supervisory Board Members of the Company**

For the following reasons, the Company believes that the Plan is not detrimental to the common interests of the Company's shareholders, and that it does not aim to maintain the positions of the Directors and the Audit & Supervisory Board Members of the Company.

###### **(a) Satisfying the Requirements of the Guidelines for Takeover Defense Measures, Etc.**

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

- ensuring and enhancing the corporate value and shareholders' common interests;
- prior disclosure and respect for shareholders' intent; and
- ensuring necessity and reasonableness.

The Plan has also introduced details based on "Takeover Defense Measures in Light of Recent Environmental Changes" published on June 30, 2008 by the Corporate Value Study Group established under the Ministry of Economy, Trade and Industry, and other practice and discussion related to takeover defense measures, and in this way it is considered that the Plan is reasonable.

###### **(b) Placing High Value on the Intent of Shareholders**

The Company intends to ask for shareholders' approval at this General Meeting of Shareholders regarding adoption of the Plan in order to reflect the intent of the shareholders, as

set out above in III.3.4, 'Procedures for the Introduction of the Plan.'

Further, as set out above in (g) of III.3.1, 'Procedures for Triggering the Plan,' the Company's Board of Directors may, in certain cases, confirm the intent of the shareholders regarding implementation of the Countermeasures at a general meeting of shareholders.

In addition, the Plan is subject to a so-called sunset clause setting the effective period of approximately three years after implementation and if, even before the expiration of the effective period of the Plan, the general meeting of shareholders or the Board of Directors of the Company resolves to abolish the Plan, the Plan will be abolished in accordance with that resolution. In this regard, the life of the Plan depends on the intent of the Company's shareholders.

(c) Information Disclosure

When operating the Plan, the Company will disclose information in a timely manner on matters that the Independent Committee or the Company's Board of Directors considers appropriate including the progress of each procedure set out in the Plan (including the fact that the Acquirer's Statement and Acquisition Document have been submitted, that the Independent Committee Consideration Period has commenced, and that the Independent Committee Consideration Period has been extended), an outline of recommendations made by the Independent Committee, and an outline of resolutions by the Company's Board of Directors, in accordance with the applicable laws and ordinances or the rules of the financial instruments exchange. In this way, the Company ensures a structure under which the Plan is operated in a transparent way for the benefit of the corporate value of the Company and the common interests of its shareholders.

(d) Emphasis on the Decisions of Independent Parties Such As Outside Directors and Obtaining the Advice of Third-Party Experts

The Company must obtain a recommendation from the Independent Committee, composed only of members who are independent such as Outside Directors, when making decisions for triggering the Plan.

Further, the Independent Committee may obtain advice from independent third-party experts at the Company's expense, which is a mechanism to even more securely enhance the fairness and objectivity of the decisions made by the Independent Committee.

(e) Establishment of Reasonable and Objective Requirements

As set out above at section (e) of III.3.1, 'Procedures for Triggering the Plan,' and section III.3.2, 'Requirements for Implementation of the Countermeasures,' the Company believes that the Plan is established so that it will not be triggered unless reasonable and objective requirements have been satisfied, and ensures a structure to eliminate arbitrary triggering by the Company's Board of Directors.

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

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) because the Plan may be abolished through a resolution of the Board of Directors attended by the Directors elected at a general meeting of shareholders of the Company. Also, as the term of office of the Company's Directors is one year and 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).

---End---

## Attachment 1

### Outline of the Rules of the Independent Committee

- The Independent Committee shall be established by resolution of the Company's Board of Directors.
- There shall be no less than three members of the Independent Committee, and the Company's Board of Directors shall elect the members from (i) Outside Directors of the Company, (ii) Outside Audit & Supervisory Board Members of the Company and (iii) other experts who are independent from the management that executes the business of the Company. Such experts must be experienced corporate managers, parties with knowledge of the investment banking industry, 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 Company's 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 Company's Board of Directors, the term of office of members of the Independent Committee will be until the conclusion of the annual general meeting of shareholders relating to the final fiscal year ending within three years after the conclusion of this General Meeting of Shareholders. Further, the term of office of any member of the Independent Committee who is an Outside Director or Outside Audit & Supervisory Board Member of the Company shall end at the same time that person loses his or her position as an Outside Director or Outside Audit & Supervisory Board Member (except in the case of their re-appointment).
- The Independent Committee shall make decisions on the matters listed below and make recommendations to the Company's Board of Directors containing the details of and reasons for the determination. Respecting such recommendations of the Independent Committee to the maximum extent, the Company's Board of Directors shall carefully consider matters such as whether or not the Acquisition is detrimental to the corporate value of the Company or the common interests of shareholders and make decisions on implementation or non-implementation of the Countermeasures as an organization under the Companies Act (however, if a resolution is otherwise adopted at a general meeting of shareholders with respect to implementation or non-implementation of the Countermeasures as set out in (i), the Board of Directors shall follow that resolution). Each member of the Independent Committee and each Director of the Company must make such decisions 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 solely serve the purpose of their own interests or those of the management of the Company.
  - (i) The implementation or non-implementation of the Countermeasures.
  - (ii) The cancellation of the Countermeasures or acquisition of Share Options for no consideration.
  - (iii) Any other matters that are for determination by the Company's Board of Directors in respect to which it has consulted the Independent Committee.
- In addition to the matters prescribed above, the Independent Committee may conduct the matters listed below.
  - (i) Determining whether the Acquisitions should be made subject to the Plan.
  - (ii) Determining the information that the Acquirer and the Company's Board of Directors should provide to the Independent Committee, and the deadline for the provision of that information.
  - (iii) Examination and consideration of the terms of the Acquirer's Acquisitions.
  - (iv) Discussion and negotiation with the Acquirer.
  - (v) Request for an alternative proposal to the Company's Board of Directors and consideration of the alternative proposal.
  - (vi) Determination for extension of the Independent Committee Consideration Period.
  - (vii) Approval of revision or amendment of the Plan.
  - (viii) Determination whether or not takeover defense measures other than the Plan should be introduced.
  - (ix) Any other matters that the Plan prescribes that the Independent Committee may conduct.
  - (x) Any matters that the Company's Board of Directors separately determines that the Independent Committee may conduct.
- If the Independent Committee decides that the details stated in the Acquisition Document are inadequate as Essential Information, it will request that the Acquirer submit additional information. Further, if the Independent Committee receives from the Acquirer the Acquisition Document and any additional information that it requests, it may request that the Company's Board of Directors provide within a certain period an opinion regarding the

terms of the Acquisition by the Acquirer and materials supporting that opinion, an alternative proposal (if any), any other information and the like that the Independent Committee may consider necessary.

- If it is necessary in order to have the terms of the Acquirer's Acquisition improved from the standpoint of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders, the Independent Committee shall directly or indirectly discuss and negotiate with the Acquirer, or present to shareholders the alternative plan of the Company's Board of Directors or conduct any similar action.
- In order to collect the necessary information, the Independent Committee may request the attendance of a Director, Audit & Supervisory Board Member or employee of the Company, or any other party that the Independent Committee considers necessary, and may require explanation of any matter it requests.
- The Independent Committee may, at the Company's expense, obtain the advice of an independent third party (including financial advisers, certified public accountants, lawyers, certified public tax accountants, consultants and other experts) and conduct similar actions.
- Any member of the Independent Committee may convene a meeting of the Independent Committee when an Acquisition arises, or at any other time.
- As a general rule, resolutions of meetings of the Independent Committee shall pass with a majority when all of the members of the Independent Committee are in attendance (including attendance via video conference or telephone conference; hereinafter the same). However, in unavoidable circumstances a resolution may pass with a majority when a majority of the members of the Independent Committee are in attendance.

---End---



## Attachment 2

### Profiles of the Members of the Independent Committee

The following three (3) persons are scheduled to be the initial members of the Independent Committee upon introduction of the Plan.

Name:	Toshio Aoi Outside Audit & Supervisory Board Member of the Company	
Date of birth:	October 1, 1955	
Background:	Apr. 1978	Joined The Bank of Yokohama, Ltd.
	June 2009	Director and Managing Executive Officer in charge of Credit Department of The Bank of Yokohama, Ltd.
	Apr. 2010	Director, Managing Executive Officer, General Manager of Head Office and General Manager of Business Division Head Office in charge of Head Office Block, of The Bank of Yokohama, Ltd.
	May 2011	Director of The Bank of Yokohama, Ltd.
	June 2011	Senior Managing Director of The Yokohama Bankers' Association (current position)
	Mar. 2014	Outside Audit & Supervisory Board Member of the Company (current position)

\* Mr. Toshio Aoi is an Outside Audit & Supervisory Board Member of the Company as defined in Article 2, Item 16 of the Companies Act.

Mr. Aoi had served as an executive of The Bank of Yokohama, Ltd. until 2011. Although borrowing transactions are conducted between The Bank of Yokohama, Ltd. and the Company, the Company has determined, in light of the "Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members" prescribed by the Company, that Mr. Aoi is independent of the management team executing the Company's business and would be an appropriate member of the Independent Committee because (i) The Bank of Yokohama, Ltd. does not fall under the criteria of a "business partner who is indispensable in fund procurement of the Company and whom the Company relies on to the extent that there is no substitution," (ii) although The Bank of Yokohama is one of the major shareholders of the Company as of December 31, 2018, it does not fall under the criteria of "any of those who directly or indirectly hold 10% or more of voting rights at the end of the Company's most recent fiscal year" set out in the Criteria, and (iii) more than seven (7) years have passed since Mr. Aoi retired from his position as an executive of The Bank of Yokohama, Ltd.

Name:	Tojiro Aoyama Outside Audit & Supervisory Board Member of the Company	
Date of birth:	August 29, 1951	
Background:	Mar. 1979	Ph.D. in Engineering at Keio University
	Apr. 1988	Assistant Professor, Department of Mechanical Engineering, Faculty of Science and Technology, Keio University
	Apr. 1995	Professor, Department of Mechanical Engineering, Faculty of Science and Technology, Keio University
	Apr. 1996	Professor, Department of System Design Engineering, Faculty of Science and Technology, Keio University
	July 2009	Dean of Faculty of Science and Technology and Dean of Graduate School of Science and Technology, Keio University
	June 2015	Outside Director of DMG MORI CO., LTD. (current position)
	Mar. 2016	President of the Japan Society for Precision Engineering
	Mar. 2017	Outside Audit & Supervisory Board Member of the Company (current position)
	Apr. 2017	Professor Emeritus, Keio University
May 2017	Vice-President of Keio University (current position)	

\* Mr. Tojiro Aoyama is an Outside Audit & Supervisory Board Member of the Company as defined in Article 2, Item 16 of the Companies Act.

If the proposal for the appointment of the Directors in this General Meeting of Shareholders is approved and adopted in its current form, Mr. Aoyama will, on March 28, 2019, resign from his position as Outside Audit & Supervisory Board Member of the Company and assume office as Outside Director as defined in Article 2, Item 15 of the Companies Act.

Name: Toru Kajikawa  
Outside Audit & Supervisory Board Member of the Company

Date of birth: September 24, 1951

Background:

Oct. 1976	Joined Chuo Accounting Office
Sept. 1979	Registered as Certified Public Accountant
May 1990	Audit & Supervisory Board Member, Kakiyasu Honten Co., Ltd.
Sept. 1990	Representative Partner, Taiyo Audit Corporation (current Grant Thornton Taiyo LLC)
June 1997	Outside Audit & Supervisory Board Member, Kakiyasu Honten Co., Ltd. (current position)
July 2000	Managing Partner, Taiyo Audit Corporation
Apr. 2005	Professor, Graduate School, Aoyama Gakuin University
Apr. 2010	Visiting Professor, Graduate School, Aoyama Gakuin University (current position)
June 2014	Outside Audit & Supervisory Board Member, Kikkoman Corporation (current position)
July 2014	Chairman and Representative Partner, Grant Thornton Taiyo ASG LLC (current Grant Thornton Taiyo LLC) (current position)
Mar. 2017	Outside Audit & Supervisory Board Member of the Company (current position)

\* Mr. Toru Kajikawa is an Outside Audit & Supervisory Board Member of the Company as defined in Article 2, Item 16 of the Companies Act.

---End---

Schedule

Major Shareholders of the Company (as of December 31, 2018)

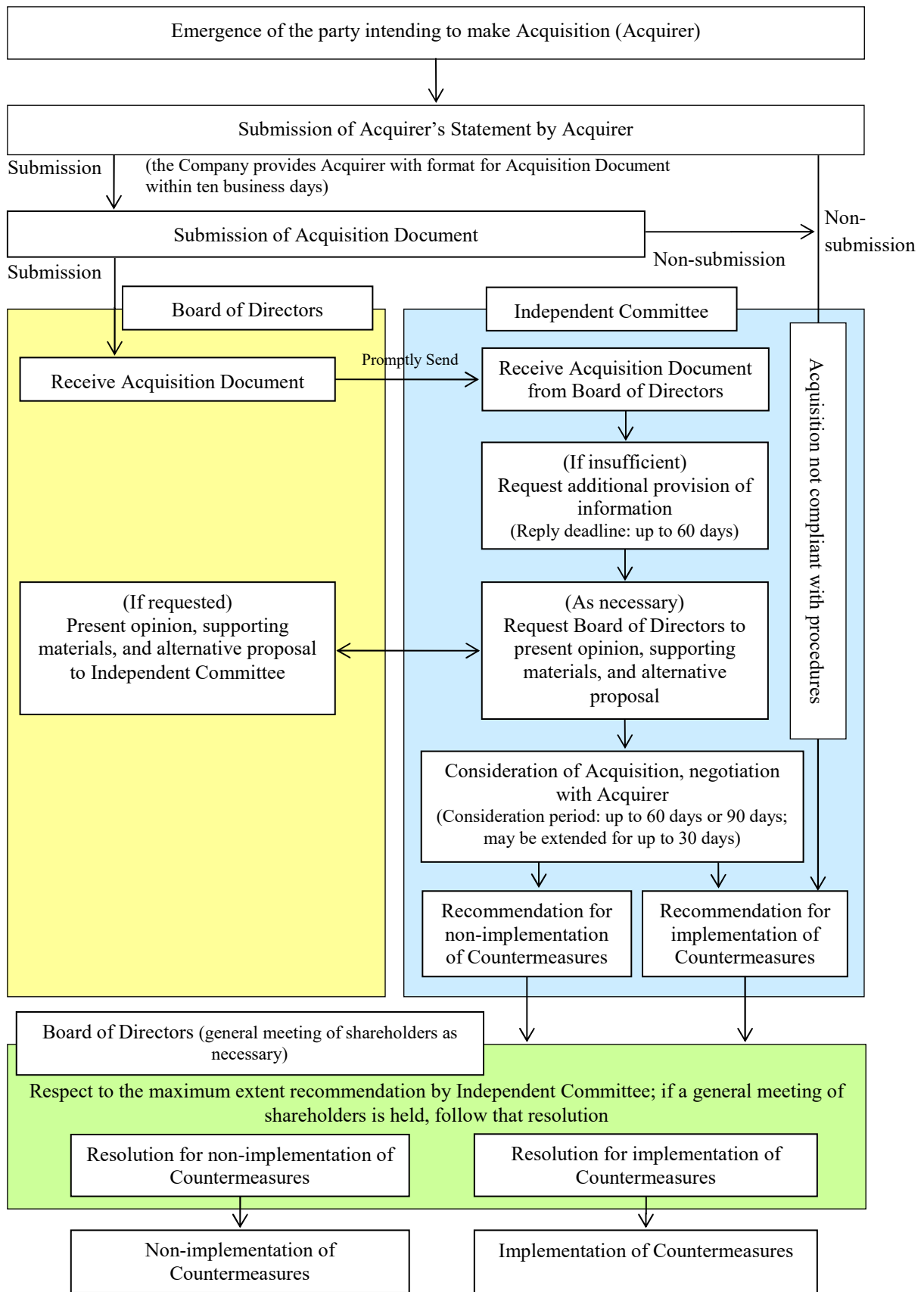
Name of Shareholders	Number of Shares Held	Percentage of Shares Held
The Bank of Yokohama, Ltd.	29,924 hundred shares	5.02 %
Japan Trustee Services Bank, Limited (Trust Account)	29,496	4.95
BBH FOR MATTHEWS ASIA DIVIDEND FUND	26,284	4.41
Sumitomo Mitsui Banking Corporation	25,337	4.25
Sumitomo Mitsui Trust Bank, Limited	25,000	4.20
Mitsubishi Pencil Business Association	24,228	4.07
Daido Life Insurance Company	23,440	3.93
Aioi Nissay Dowa Insurance Co., Ltd.	19,030	3.19
Mitsui Sumitomo Insurance Company, Limited	19,030	3.19
Meiji Yasuda Life Insurance Company	17,994	3.02

\* In addition to the above, the Company holds 47,780 hundred treasury shares. Also, "Percentage of Shares Held" described above is calculated after deducting the number of treasury shares held by the Company from the total number of outstanding shares.

---End---

Reference

**Outline of Procedures for Large-Scale Acquisitions of Shares in the Company**



Note: This chart states the outline of the procedures for the Plan. Please refer to the main text for further details.