

# Kewpie Corporation

1-4-13 Shibuya, Shibuya-ku, Tokyo 150-0002, Japan Tel:03-3486-3331



(Translation)

December 26, 2019

Dear Sirs:

Name of the Company: Kewpie Corporation  
Representative: Osamu Chonan,  
Representative Director, President  
and Chief Executive Corporate  
Officer

(Code No. 2809; the first section of the Tokyo Stock Exchange)

Person to contact: Toshihiro Kaneko,  
Senior General Manager of  
Management Promotion Division

## **Notice of Continuation of the Defense Plan Against Large Purchase Actions of the Shares of the Company (Takeover Defense Plan)**

Kewpie Corporation (the "Company"), at the meeting of its Board of Directors held on January 11, 2008, adopted a resolution on a "fundamental policy on what the person(s) should be like to control the determination of the financial and business policy of the Company" (the "Fundamental Policy") and determined to adopt a "defense plan against large purchase actions of the shares of the Company (takeover defense plan)" as measures to prevent the determination of the financial and business policy of the Company from being controlled by any inadequate person in consideration of the Fundamental Policy, which was approved by the shareholders at the 95th Ordinary General Meeting of Shareholders of the Company held on February 22, 2008. Thereafter, at the 98th, the 101st and the 104th Ordinary General Meeting of Shareholders of the Company in line with the effective period of the takeover defense plan (three years), the continuation of the takeover defense plan, as adequately revised, was approved and remains in effect (the takeover defense plan, as revised, will hereinafter be referred to as the "Former Defense Plan").

As the Former Defense Plan is stipulated to expire upon the close of the 107th Ordinary General Meeting of Shareholders to be held no later than February 29, 2020, the Company has continued discussions on what it should be like, including whether or not to continue it, from the perspective of the enhancement of its corporate value and the common interests of its shareholders while taking into consideration the amendments to related laws and ordinances, changes in social and economic conditions and other factors. As a result of such discussions, notice is hereby given that the Company, at the meeting of its Board of

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Directors held on December 26, 2019, confirmed that it maintains the Fundamental Policy with minor changes, and determined to make some revision to the Former Defense Plan and then continue a "defense plan against large purchase actions of the shares of the Company (takeover defense plan)" (the takeover defense plan, as revised, will hereinafter be referred to as the "Defense Plan") for the period from February 27, 2020 to the close of the 110th Ordinary General Meeting of Shareholders to be held no later than February 28, 2023, subject to approval of the shareholders at the 107th Ordinary General Meeting of Shareholders to be held on February 27, 2020.

The major points of the revisions are as set forth below:

- Members of the Independent Committee shall be appointed from among outside Directors or outside Corporate Auditors of the Company who are registered as Independent Officers with the Tokyo Stock Exchange;
- It is specified that the triggering of defense measures against a large purchase action will be allowed only if the Independent Committee reports that such triggering is advisable;
- It is specified that the Board of Directors may trigger a defense measure by its resolution only if a large purchase action falls under the so-called Four Types of hostile takeovers cited by the High Court or a two-tiered coercive purchase and is obviously inappropriate from the perspective of public order, and if a large purchaser does not comply with our Large Purchase Rules; and
- Dates and phrases are revised and some wordings are modified.

As to the particulars of the Fundamental Policy and the Defense Plan, please refer to the attachment hereto.

At the meeting of the Board of Directors at which the continuation of the Defense Plan was resolved, the Corporate Auditors of the Company, four in all, including two outside Corporate Auditors, were present and have expressed the opinion that they have no objection to the continuation of the Defense Plan on condition that the plan should be implemented properly.

As of the date hereof, no approach or offer has been made for a large purchase of the shares of the Company and the Company does not know any imminent threat of such purchase.

- END -

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(Attachment)

I. Fundamental policy on what the person(s) should be like to control the determination of the financial and business policy of the Company

1. Source of the corporate value of the Company

(1) Management philosophy

The Company has advocated the following corporate motto and corporate principles as its spirit of foundation and provided in its Articles of Incorporation for the continuance of contributing to the people's healthy dietary life by placing first priority on security and safety as a fundamental principle in its business activities:

Corporate motto: RAKU-GYOU-KAI-ETSU (Share the joy of endeavors)

Corporate principles: Act on moral principles;  
Strive for originality and ingenuity; and  
Look after parent's well being

The Group, aiming to be a group contributing to the food culture and health of the world through "great taste, empathy and uniqueness," has engaged in: (i) Condiments and Processed Foods business, (ii) Salad and Delicatessen business, (iii) Egg business, (iv) Fruit Solution business, (v) Fine Chemicals business, (vi) Distribution business and (vii) Common Business Operations.

(2) Actions based on the management philosophy

The Group has stipulated and published the Group policies to ensure that all officers and employees take actions in compliance with our management philosophy, including values we respect and behaviors to be expected. The Group has maintained its attitude of giving first priority to quality since its foundation and engaged all officers and employees of the Group in providing its peculiar products and services wholeheartedly, to enhance its corporate value.

(3) Strength of business development

Since the launch of the nation's first mayonnaise in 1925, the Company has exerted its all-time efforts to cultivate and expand the market of salad condiments through commercialization of dressings, among others and has maintained a large brand share as a leading maker. In addition, the Company sells jams and pasta sauces, as well as baby foods

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and health foods. In 1998, the Company launched universal-design foods (or foods for the sick and aged). As stated above, the Company, as a pioneer in the food industry, has always taken the initiative in developing quality products according to various stages of diets, which we believe is the engine to cultivate the powers of its brand highly trusted by customers.

Since the launch of the nation's first mayonnaise, the Company has supplied eggs, main ingredients of mayonnaise, as liquid eggs, to process manufacturers. In 1955, the Company launched mayonnaise for industrial use and since the 1960s, has dealt in chilled products and prepared foods and sold cut vegetables. Thus, we also believe that the Group's strength lies in not only the quality and palatability of its products but its continued proposal of the joy of eating in the broad areas of home meal, home-meal replacement and eating-out.

Our overseas business began in 1982 by establishing a company which operates the condiments business in the United States, and since then we have expanded the business to China, Southeast Asia and Europe. By developing products and proposing menus that meet a variety of needs, we are expanding the market of mayonnaise and dressing and are increasing new categories of our products that incorporate technologies cultivated in Japan.

Since its formation in 1919, the Company has regarded the "insistence on high quality," "capabilities of developing products ahead of customer needs" and "seeking of synergies in each business development" as the source of its corporate value. Furthermore, as represented in its corporate motto "RAKU-GYOU-KAI-ETSU (share the joy of endeavors)," all officers and employees share the attitude of overcoming difficulties with originality and ingenuity to achieve their common targets in business activities and sharing their joys. We believe this attitude should be perpetuated as a corporate culture that may sustain the source of the Company's corporate value.

## 2. Details of the fundamental policy

The Company considers that in the event that its shares are to be purchased for the purpose of a large scale acquisition, it should be left to final judgment of the shareholders whether or not the Company will agree thereto, and does not deny any import or effect of vitalization of its corporate activities through a change in the controlling interest.

However, for the management of the Company and the Group, it is essential to have a good understanding of a broad range of know-how and accumulated experience, as well as the relationships fostered with its stakeholders, including customers, trading partners and employees, among others. Without such good understanding, it would be impossible to properly judge the shareholder value that may be raised in the future. We, who are responsible for management as entrusted by the shareholders, have focused our efforts on IR activities to get the fair value of the shares of the Company understood by the shareholders

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and investors. However, in the event of a sudden large purchase action of the shares, for the shareholders who are required to properly judge whether the price for the acquisition offered by the purchaser is adequate or not in a short period, we consider it vital to be provided with adequate and sufficient information from both the purchaser and the Board of Directors of the Company. Additionally, for the shareholders to consider whether or not to continue holding the shares of the Company, we believe that such information as the impact of the acquisition on the Company, the details of the management policy and business plans and past investing activities of the purchaser when the purchaser proposes to participate in the management of the Company and the opinion of the Board of Directors as to the acquisition will be important for making a decision.

In this regard, while there is a certain disclosure mechanism for providing information in takeover bid (TOB) regulations under the Financial Instruments and Exchange Act, such TOB disclosure system does not work for a large purchase action conducted in the market since such market transactions are not subject to the TOB regulations. Even if a large purchase action is subject to the TOB regulations, the chance for asking questions to the acquiring company by means of the target company's Position Statement shall be only once. Further, the acquiring company is not obliged to answer sufficiently or is even able to avoid answering at all so long as the reason for not answering questions is provided in detail. As a consequence, we should anticipate such situation that we cannot provide sufficient information to the shareholders even in the case of a large purchase action subject to the TOB regulations and we might be forced to determine whether or not to accept the tender offer before ensuring sufficient time for the shareholders to consider the proposals.

In consideration of these factors, we have judged that any prospective acquiring company for the purpose of a large purchase action should be required (i) to provide with the Board of Directors in advance such necessary and sufficient information in order to allow the shareholders to consider the acquisition proposal in accordance with a certain reasonable disclosure rules prescribed by the Company and publicized in advance, and (ii) to commence the acquisition only after the lapse of a certain period for the evaluation of the acquisition proposal by the Board of Directors.

In fact, a certain large purchase actions might cause irreparable damages to the Company and significantly impair its corporate value and the common interests of its shareholders. We, responsible for the management of the Company, recognize that it is our responsibility to protect our fundamental philosophy and brands of the Company, and the interests of its shareholders and stakeholders against such large purchase actions.

To fulfill such responsibility, the Board of Directors recognizes that with regard to any share acquisition (or any acquisition plan) for the purpose of a large purchase action, it is

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necessary to carefully investigate and judge the effect of such acquisition (or such acquisition plan) that may have an influence on the corporate value of the Company and the common interests of its shareholders, in consideration of the nature of business, future business plans and past investing activities of the acquiring company, among other factors.

Hence, we believe that in order to protect the corporate value of the Company and the common interests of its shareholders, it is necessary for the Board of Directors to take measures against the large purchase action that it considers adequate in accordance with some reasonable rules prescribed by the Company and publicized in advance.

The aforementioned fundamental policy on what the person(s) should be like to control the determination of the financial and business policy of the Company will be referred to as the "Fundamental Policy" hereinafter.

The status of principal shareholders as of November 30, 2019 is as described in Material 1. The Company has business, including purchase of products and lease of offices, with Nakashimato Co., Ltd. and Touka Co., Ltd., which are among the principal shareholders described in Material 1. However, the Company and these shareholders have independent relationship each other in determining their respective financial and business policies. While such principal shareholders exist, there is no denying the possibility of a large purchase action that may materially impair the corporate value of the Company and the common interests of its shareholders. Hence, the Company considers it necessary to devise and maintain some rational rules against large purchase actions in accordance with the Fundamental Policy.

## II. Special measures to facilitate the implementation of the Company's Fundamental Policy

To encourage many investors to invest in the Company on a continued, long-term basis, it has implemented the following measures to facilitate the enhancement of its corporate value and the common interests of its shareholders. We believe these measures will facilitate the implementation of the Company's Fundamental Policy.

### 1. Institution of the Group's long-term vision and medium-term business plan

The Group has formulated a long-term vision "Kewpie Group 2030 Vision" to further enhance its corporate value by making the most use of the corporate value set forth in Chapter I, Section 1 "Source of the corporate value of the Company" above. Under the vision, the Group embraces a single common purpose and broadly evokes a sense of empathy by extending the area in which we can contribute to the world and engaging in initiatives aimed



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at solving social issues.

In a medium-term business plan for three years commencing from the fiscal year ended November 30, 2019, our major initiatives for maintaining growth in Japan and accelerating growth overseas are "promoting our products, centering on three businesses, as integral parts of people's daily meals in Japan," "accelerating overseas business expansion, particularly in China and Southeast Asia" and "strengthen the business foundation for better adaptability to changes to the business environment."

To put the medium-term business plan and "Kewpie Group 2030 Vision" into action, the Group aims to make aggressive business and equipment investment to strengthen its revenue-generating base and enhance asset efficiency in each business division round upon the above-mentioned management policies, which we believe will facilitate the enhancement of its corporate value and the common interests of its shareholders.

## 2. Upgrading of corporate governance

To continuously increase its corporate value and the common interests of its shareholders through efficient and sound management, the Group regards the upgrading of its organizations, schemes and systems of management and timely and proper implementation of necessary measures as one of the most important management challenges.

To more clearly define the management responsibility for each fiscal year and establish a management structure that can respond to changes in the business environments with agility, the Company has set the term of office of Directors and Corporate Officers to one year. Additionally, to further strengthen its audit system, the Company has employed a system of four Corporate Auditors, including two outside Corporate Auditors.

In August 2018, we newly established the Nomination and Remuneration Committee as an advisory body to the Board of Directors with the aim of enhancing objectivity, adequacy and transparency regarding factors such as the composition of the Board of Directors and means of nominating and compensating directors and others. The Nomination and Remuneration Committee shall consist of five or more members and at least half of the members shall be outside Corporate Officers who meet the Company's Independence Criteria. In addition, the chairman of the Remuneration Committee shall be selected from its members who are outside Directors.

The Company has also established a Management Advisory Board, consisting of outside experts, as an advisory body to President and Chief Executive Corporate Officer of the Company, with the aim of obtaining advice and recommendations from outside experts to

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improve soundness, fairness and transparency of the Group's management and contribute better to society and our customers.

- III. Measures to prevent the determination of the financial and business policy of the Company from being controlled by any inadequate person in consideration of the Fundamental Policy (a defense plan against large purchase actions of the shares of the Company (takeover defense plan))

The Company will institute the rules (the "Large Purchase Rules"), as described below, as measures to prevent the determination of the financial and business policy of the Company from being controlled by any inadequate person in consideration of the Fundamental Policy.

The defense plan against a large purchase action of the shares of the Company (takeover defense plan) described in Chapter III, Sections 1 through 5 will be referred to as the "Defense Plan" hereinafter.

The Defense Plan satisfies all of the three principles provided in the "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005, namely, (i) securing the corporate value and shareholders' common interests, (ii) prior disclosure and the principle of upholding the shareholders' intent, and (iii) necessity and suitability principle. Additionally, adequate consideration has been given to the content of the "Appropriate Takeover Defense Measures in Consideration of Recent Environmental Changes" publicized on June 30, 2008 by the Corporate Value Study Group established by the Ministry of Economy, Trade and Industry.

For a summary of the Defense Plan (flowchart), please refer to Material 2.

1. Coverage of the Defense Plan

The Defense Plan covers (i) a purchase of shares and other securities (see Note 3) of the Company to make the ratio of voting rights (see Note 2) of any specified shareholder group (see Note 1) 20% or more, or (ii) a purchase of shares and other securities of the Company resulting in making the ratio of voting rights of any specified shareholder group 20% or more (whether by market transactions, by TOB or otherwise; with regard to any TOB, upon public notice of the TOB commencement, it shall be regarded as a purchase), excepting any purchase agreed to by the Board of Directors in advance.

Any purchase action covered by the Defense Plan shall be referred to as a "Large



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Purchase Action" and any person engaging in a Large Purchase Action shall be referred to as a "Large Purchaser" hereinafter, respectively.

Note 1: A "specified shareholder group" means:

- (i) a holder(s) (including any person included in the holders under Article 27-23, paragraph 3 of the Financial Instruments and Exchange Act (hereinafter referred to as the "FIEA"); the same applies hereinafter) of shares and other securities (as defined in Article 27-23, paragraph 1 of the FIEA) of the Company and any joint holder(s) (as defined in Article 27-23, paragraph 5 of the FIEA and including any holder(s) deemed to be his/her/its joint holder(s) under paragraph 6 of the same Article thereof; the same applies hereinafter), or
- (ii) a person(s) conducting a purchase, etc. (as defined in Article 27-2, paragraph 1 of the FIEA and including any purchase conducted either by bidding or not, and on a securities market of any stock exchange) of shares and other securities (as defined in Article 27-2, paragraph 1 of the FIEA) of the Company and his/her/its affiliated person(s) (as defined in Article 27-2, paragraph 7 of the FIEA).

Note 2: "Ratio of voting rights" means:

- (i) in the case of Note 1 (i) above, the holder's holding ratio of shares and other securities (as defined in Article 27-23, paragraph 4 of the FIEA, in which case the number of shares held by the holder's joint holder (as defined under the same paragraph; the same applies hereinafter) shall be taken into account), or
- (ii) in the case of Note 1 (ii) above, the total of the Large Purchaser's and affiliated person's holding ratios of shares and other securities (as defined in Article 27-2, paragraph 8 of the FIEA).

For the purpose of calculating each holding ratio of shares and other securities, the total number of voting rights (as defined in Article 27-2, paragraph 8 of the FIEA) and the total number of issued shares (as defined in Article 27-23, paragraph 4 of the FIEA) may be referred to in the securities report, quarterly report or report on the purchase by the company of its own shares, whichever has most recently been filed.

Note 3: "Shares and other securities" mean those defined in Article 27-23, paragraph 1 of the FIEA.

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## 2. Particulars of the Large Purchase Rules

The Company will institute Large Purchase Rules under which any Large Purchaser can commence a large purchase action only after it provides the Board of Directors of the Company with necessary and sufficient information on the large purchase action in advance and a certain period for the evaluation of the large purchase action by the Board of Directors elapses.

With regard to the Large Purchase Rules, the Company will establish an Independent Committee as a supervisory body (which will be discussed in Chapter III, Section 2 (3) "Independent Committee" below) to ensure the Defense Plan to be implemented properly and prevent arbitrary judgments by the Board of Directors as far as possible and follow procedures for confirming the intention of the shareholders as the necessity arises from the perspective of respecting their intention.

The particulars of the Large Purchase Rules and the related procedures to be instituted by the Company are described below:

### (1) Provision of information

Any Large Purchaser must submit to the Representative Director of the Company a "declaration of intention", which shall state its name and address, the law under which it was organized, the name of its representative and its contact address in Japan, as well as the summary of the proposed large purchase action, together with a covenant to comply with the Large Purchase Rules, and provide the Board of Directors with necessary and sufficient information ("Necessary Information") to allow the shareholders to make judgments and the Board of Directors to formulate an opinion.

Within 10 business days after receipt of a declaration of intention from the Large Purchaser, the Board of Directors will deliver to the Large Purchaser a list of Necessary Information to initially be provided by the Large Purchaser and it must provide such information. If, then, the information provided by the Large Purchaser is found to be insufficient after the close investigation thereof, the Board of Directors will repeatedly request the Large Purchaser to provide such information as to make Necessary Information necessary and sufficient, subject to the receipt of a report to the same effect from the Independent Committee.

The specific content of the Necessary Information may vary according to the attribute of the Large Purchaser and the purpose and content of the large purchase action. However,

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some of the general items are as follows:

- (i) Outline of the Large Purchaser and its group (including its joint holders and affiliated persons) (including information on its business lines, capital composition, experience in businesses similar to those of the Company and the Group and past investment activities);
- (ii) Purpose and content of the large purchase action (including the price and kind of consideration of the purchase, the timing of the purchase, the scheme of related transactions, the validity of the method of the purchase and the feasibility of the purchase and related transactions);
- (iii) Basis of the calculation of the price for the acquisition of the shares of the Company and the source of financing of the acquisition (including the specific name of the financier(s) (including substantial financier(s)), the method of financing and the details of related transactions);
- (iv) Planned candidate management (including information on experience in businesses similar to those of the Company and the Group), management policy, business plan (including attitudes towards the development and cultivation of products in response to customers' preferences and proposals of new eating habits and menus, measures against changes in prices of major raw materials, measures against product accidents and issues of food safety and sanitation and measures for maintaining good relations with important trading partners), financing plan, capital policy, dividend policy and asset utilization measures after participation in management of the Company and the Group ("After-Purchase Management Plan"); and
- (v) Changes expected or not expected to occur in the relations of the Company and the Group with its/their stakeholders, including trading partners, customers and employees after the completion of the large purchase action.

In the event that the Board of Directors receives a declaration of intention from the Large Purchaser, sends a list of the Necessary Information to the Large Purchaser and the provision of the Necessary Information by the Large Purchaser is completed, the Board of Directors will promptly give public notice thereof, respectively. Additionally, the Board of Directors will disclose all or part of the Necessary Information to the shareholders and investors in the event that it considers it necessary to do so to allow the shareholders to make judgments, at such time as considered adequate by the Board of Directors.

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## (2) Period of evaluation by the Board of Directors

The Board of Directors considers that after the completion of the provision of the necessary and sufficient Necessary Information by the Large Purchaser to the Board of Directors, according to the degree of difficulty in the evaluation of the large purchase action, 60 days (in case of a purchase of all of the shares of the Company by a TOB the consideration of which is only cash (in the yen)) or 90 days (in cases of other large purchase actions) should be allowed to the Board of Directors as a period for the Board of Directors' evaluation, deliberation, negotiation, formulation of an opinion, preparation of an alternative proposal, determination of the necessity to follow procedures for confirming the intention of the shareholders and determination of whether or not to trigger the Defense Measure (the "Directors' Evaluation Period"). Any large purchase action may be commenced only after the lapse of the Directors' Evaluation Period.

During the Directors' Evaluation Period, the Board of Directors of the Company will fully evaluate and deliberate on the Necessary Information provided by the Large Purchaser while consulting with the Independent Committee and seeking advice from third-party experts whenever necessary, and carefully formulate an opinion of its own and publicize it. The Board of Directors will also negotiate with the Large Purchaser about any revision of the conditions of the large purchase action in its favor and/or present its alternative proposal on the management policy of the Group to the shareholders of the Company whenever necessary.

In any unavoidable circumstance where the Board of Directors fails to determine whether or not to trigger the Defense Measure during the Directors' Evaluation Period (such as circumstances where the Independent Committee fails to report the triggering of the Defense Measure during the Directors' Evaluation Period and procedures for confirming the intention of the shareholders are followed as set forth in Chapter III, Section 2 (4) "Procedures for confirming the intention of the shareholders" below), the Board of Directors may, upon report from the Independent Committee, extend the Directors' Evaluation Period as long as necessary but not exceeding 30 days (the period may be extended to follow procedures for confirming the intention of the shareholders as set forth in Chapter III, Section 2 (4) "Procedures for confirming the intention of the shareholders" below). In the event that the Board of Directors determines to extend the Directors' Evaluation Period, it will immediately disclose the extension period and the reason for the necessity of extension to the shareholders and investors pursuant to laws or ordinances and the rules of the financial instrument exchange.

## (3) Independent Committee

The Company will establish an Independent Committee as a checking function to

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ensure the Defense Plan to be implemented properly and prevent arbitrary judgments by the Board of Directors. The Independent Committee shall consist of at least three members, who shall be appointed from outside Directors of the Company and outside Corporate Auditors of the Company who are registered as Independent Officers with the Tokyo Stock Exchange (outside Directors and outside Corporate Auditors who are registered as Independent Officers are in a position to express impartial opinions, free of influence from persons in charge of execution of business), to enable them to make fair and indifferent judgments. When the continuation of the Defense Plan is approved at the 107th Ordinary General Meeting of Shareholders and it becomes effective, the names and profiles of the initial members of the Independent Committee after the continuation will be as described in Material 3. The outline of the Independent Committee will be as described in Material 4.

To make important judgments with regard to the Defense Plan, such as whether or not the Large Purchaser observes the Large Purchase Rules (see Chapter III, Section 3 (1) "In case the Large Purchaser observes the Large Purchase Rules" below), whether or not the Directors' Evaluation Period should be extended (see Chapter III, Section 2 (2) "Period of evaluation by the Board of Directors" above), whether or not the large purchase action is considered to significantly impair the corporate value of the Company and the common interests of its shareholders (see Chapter III, Section 3 (1) "In case the Large Purchaser observes the Large Purchase Rules" below) and whether or not to trigger the Defense Measure against a large purchase action, the Board of Directors shall consult with the Independent Committee without fail and respect its report to the maximum extent possible. In addition, the determination by the Company's Board of Directors to trigger the Defense Measure is approved only if the Independent Committee reports that the triggering of the Defense Measure is advisable.

The Independent Committee may receive advice from any third-party expert independent of the Board of Directors or the Independent Committee itself as the necessity arises. All cost defrayed in obtaining such advice shall be borne by the Company, barring exceptions considered specifically unreasonable.

Any resolution of the Independent Committee shall be adopted at a meeting of the Independent Committee at which all the members thereof then in office shall be present, by a majority of the members present thereat; provided, however, that if any member is unable to be present or in any other unavoidable circumstance, such resolution shall be adopted at a meeting of the Independent Committee at which a majority of the members then in office shall be present, by a majority of the members present thereat.

#### (4) Procedures for confirming the intention of the shareholders

In determining whether or not to trigger the Defense Measure against a large purchase

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action, the Board of Directors may request the shareholders to judge whether or not to trigger the Defense Measure against such large purchase action, from the perspective of respecting their intention. In the event that the Board of Directors considers it necessary and adequate to follow the procedures for confirming the intention of the shareholders by taking into consideration the details of the large purchase action proposed by the Large Purchaser, the Necessary Information provided by the Large Purchaser, the circumstance that requires the Board of Directors to determine whether or not to trigger the Defense Measure and costs required to follow the procedures for confirming the intention of the shareholders, the Board of Directors shall follow the procedures. Additionally, in the event that the Board of Directors receives a report that it should follow the procedures to confirm the intention of the shareholders from the Independent Committee, the Board of Directors shall respect such report to the maximum extent possible.

To confirm the intention of the shareholders, a resolution shall be adopted at a general meeting of shareholders (a "General Meeting of Shareholders") under the Companies Act of Japan. In the event that such General Meeting of Shareholders is held, the Board of Directors shall, pursuant to the resolution adopted thereat, trigger, or not trigger, the Defense Measure against the proposed large purchase action as the case may be. Whenever necessary, the Board of Directors shall promptly fix a record date ("Record Date") to determine the shareholders entitled to exercise their voting rights at the General Meeting of Shareholders and give notice thereof no later than two weeks prior to the Record Date by a method specified in the Articles of Incorporation of the Company. The date of the General Meeting of Shareholders shall be fixed within the initially fixed Directors' Evaluation Period, in principle. However, in any unavoidable circumstance where it takes time procedurally to convene a General Meeting of Shareholders or otherwise, the Board of Directors may extend the Directors' Evaluation Period for 30 days upon report from the Independent Committee.

- (i) The shareholders entitled to exercise their voting rights at the General Meeting of Shareholders shall be those recorded in the final register of shareholders as of the Record Date.
- (ii) Any resolution at the General Meeting of Shareholders shall, pursuant to laws or ordinances and the Articles of Incorporation of the Company, be adopted by a majority of the votes of the shareholders present thereat who shall be entitled to exercise their voting rights.
- (iii) In the event that there occurs any material change in the information (such as the revocation by the Large Purchaser of the large purchase action) for the shareholders to make judgments at the General Meeting of Shareholders, the Board of Directors may change the Record Date even after such Record Date is fixed for the General Meeting of Shareholders, or postpone or cancel the



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## General Meeting of Shareholders.

### 3. Defense Measure when a large purchase action is taken

#### (1) In case the Large Purchaser observes the Large Purchase Rules

In case the Large Purchaser observes the Large Purchase Rules, the Board of Directors will not trigger the Defense Measure against the large purchase action, in principle. Whether or not to agree to the purchase proposal by the Large Purchaser will be left to the judgment of the respective shareholders.

However, if the Large Purchaser is considered not to seriously aim for reasonable management but the large purchase action of the Large Purchaser is considered to cause permanent damage to the Company, whereby significantly impairing its corporate value and the common interests of its shareholders, the Board of Directors may exceptionally implement any appropriate measure to protect the interests of its shareholders. The following cases may be judged to significantly impair the corporate value of the Company and the common interests of its shareholders:

- (i) The Large Purchaser takes a large purchase action as set forth in items i) through iv) below:
  - i) The Large Purchaser has no true intention to participate in the management of the target company but engages in the purchase of shares for the purpose of raising the price of the shares and selling them at higher prices to the parties related to the target company;
  - ii) The Large Purchaser purchases the shares for the purpose of enabling the Large Purchaser to transfer a so-called "crown jewel," including intellectual property rights, know-how, trade secrets, principal trading partners and customers, etc. of the target company and its group under its temporary management to the Large Purchaser and/or its group companies (scorched earth policy);
  - iii) The Large Purchaser purchases the shares for the purpose of diverting assets of the target company and its group to mortgages and/or repayments of liabilities incurred by the Large Purchaser and its group companies, etc. after it gains control of management of the target company; and
  - iv) The Large Purchaser purchases the shares for the purpose of enabling the

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Large Purchaser to cause the target company and its group under its temporary management to pay temporarily high returns to the shareholders with proceeds from sales of the real estate, securities and expensive assets, etc. not relevant to the current business of the target company and its group or to sell out the target company's shares at such higher prices arising from the sharp rise of the target company's shares due to a temporary high return, etc. to the shareholders.

- (ii) The purchase method of the shares of the Company proposed by the Large Purchaser falls under a two-tier coercive purchase proposal (i.e., at the first stage, the purchase of the entire Company's shares is not solicited but at the second stage, the purchase will be consummated at less favorable or unspecified conditions to the shareholders).
- (iii) A large purchase action is obviously inappropriate from the perspectives of public order (e.g. the Large Purchaser includes a related party of antisocial forces).

In determining whether or not to trigger the Defense Measure as described above, in order to ensure the objectivity and rationality of the determination, the Board of Directors will examine the specific contents of the Large Purchaser and the large purchase action and a prospective impact of the large purchase action on the corporate value of the Company and the common interests of its shareholders, based on the Necessary Information, including an After-Purchase Management Policy, provided by the Large Purchaser and by receiving advice from any third-party expert whenever necessary, and respect reports from the Independent Committee to the maximum extent possible. Further, the determination by the Company's Board of Directors to trigger the Defense Measure is approved only if the Independent Committee reports that the triggering of the Defense Measure is advisable. Additionally, as described in Chapter III, Section 2 (4) "Procedures for confirming the intention of the shareholders" above, a General Meeting of Shareholders may be held to seek the judgment of the shareholders.

The Board of Directors shall choose a specific defense measure that it judges as the most appropriate at the time of triggering the Defense Measure, by taking into consideration the necessity and adequacy of such measure. For that purpose, in the event that the Board of Directors selects the free allocation of stock acquisition rights as a vehicle for the Defense Measure, the summary thereof shall be as described in Material 5. It is not contemplated that any cash will be delivered as a consideration for the acquisition of the stock acquisition rights held by any person who is not entitled to exercise the stock acquisition rights.

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## (2) In case the Large Purchaser does not observe the Large Purchase Rules

In case the Large Purchaser does not observe the Large Purchase Rules, in order to protect the corporate value of the Company and the common interests of its shareholders, the Board of Directors may trigger the Defense Measure, including the issuance of stock acquisition rights, as authorized by the Companies Act and other laws or ordinances and the Articles of Incorporation of the Company, against the large purchase action by taking into consideration the necessity and adequacy thereof. The Board of Directors will determine whether or not the Large Purchaser observes the Large Purchase Rules and whether or not it is appropriate to trigger the Defense Measure, by reference to the opinions of third-party experts and by respecting reports from the Independent Committee to the maximum extent possible. Further, the determination by the Company's Board of Directors to trigger the Defense Measure is approved only if the Independent Committee reports that the triggering of the Defense Measure is advisable. Additionally, as described in Chapter III, Section 2 (4) "Procedures for confirming the intention of the shareholders" above, a General Meeting of Shareholders may be held to seek the judgment of the shareholders.

For the Defense Measure, the Board of Directors will select the most appropriate vehicle in its judgment then (As described in Chapter III, Section 2 (4) "Procedures for confirming the intention of the shareholders" above, a General Meeting of Shareholders may be held to seek the judgment of the shareholders. In such case, the Board of Directors will comply with any resolution of the General Meeting of Shareholders.). In the event that the Board of Directors selects the free allocation of stock acquisition rights as a vehicle for the Defense Measure, the summary thereof shall be as described in Material 5. It is not contemplated that any cash will be delivered as a consideration for the acquisition of the stock acquisition rights held by any person not having the right to exercise the stock acquisition rights.

## (3) Cessation of the triggering of the Defense Measure

Even after the determination to trigger the Defense Measure, in the event that the Large Purchaser revokes or changes the large purchase action or otherwise the Board of Directors judges it inappropriate to trigger the Defense Measure, it may change or cease the triggering of the Defense Measure by respecting reports from the Independent Committee to the maximum extent possible.

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For example, in the event that the Board of Directors makes a free allocation of stock acquisition rights as a vehicle for the Defense Measure, if, after the determination of the shareholders who will be allocated stock acquisition rights, the Large Purchaser revokes or changes the large purchase action or otherwise and consequently, the Board of Directors judges it inappropriate to trigger the Defense Measure, it may cease the triggering of the Defense Measure, as described below:

- (i) At any time prior to the day on which the free allocation of the stock acquisition rights shall become effective, the Board of Directors may cease the free allocation of the stock acquisition rights by respecting reports from the Independent Committee to the maximum extent possible.
- (ii) At any time on or after the day on which the free allocation of the stock acquisition rights shall become effective and prior to the commencement of the exercise period of the stock acquisition rights, the Board of Directors may acquire the stock acquisition rights without compensation by respecting reports from the Independent Committee to the maximum extent possible.

In the event that the Board of Directors ceases the triggering of the Defense Measure as described in item (i) or (ii) above, it will promptly disclose all necessary and sufficient information, including such matters as considered necessary by the Independent Committee, to the shareholders and investors.

With regard to the change of the triggering of the Defense Measure, in the event that the Large Purchaser changes the number of shares to be acquired through the large purchase action, the Board of Directors may change the number of shares to be issued or transferred for each stock acquisition right, for instance.

#### 4. Impacts on the shareholders and investors

##### (1) Impact of the Large Purchase Rules on the shareholders and investors

The Large Purchase Rules are intended to provide the shareholders of the Company with information necessary for them to judge whether or not to agree to a large purchase action and opinions of the Board of Directors who is entrusted by the shareholders to manage the Company and to secure an opportunity for the shareholders to receive any alternative proposal for management of the Company. We believe that the Large Purchase Rules will allow the shareholders, with sufficient information provided, to make appropriate judgments as to whether or not to agree to a large purchase action, which will result in the protection of the corporate value of the Company and the common interests of its shareholders. Thus, we

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believe that the institution of the Large Purchase Rules, which are intended to help the shareholders of the Company and the investors make appropriate investment judgments, will benefit the shareholders and investors.

As described in Chapter III, Section 3 "Defense Measure when a large purchase action is taken," defense policies of the Company on a large purchase action vary, depending on whether the Large Purchaser observes the Large Purchase Rules or not. Therefore, it is advisable for the shareholders of the Company and investors to pay attention to the action of the Large Purchaser.

## (2) Impact on the shareholders and investors when the Defense Measure is triggered

In case the Large Purchaser does not observe the Large Purchase Rules, the Board of Directors may trigger the Defense Measure, as authorized by the Companies Act and other laws or ordinances and the Articles of Incorporation of the Company, to protect the corporate value of the Company and the common interests of its shareholders. However, under the scheme of the Defense Measure, it is not assumed that the shareholders (excluding the Large Purchaser (including specified shareholder group) against which the Defense Measure is triggered) of the Company will incur any specific loss on their legal rights or economic interests. In the event that the Board of Directors determines to trigger the Defense Measure, it will make timely and proper disclosure pursuant to laws or ordinances and the rules of the financial instrument exchange. In the event that the Board of Directors ceases to issue stock acquisition rights or acquires the issued stock acquisition rights without consideration, the stock value per share will not be diluted. Hence, any shareholder or investor who trades in the shares, assuming that the stock value of the Company will be diluted on or after the ex date relating to the free allocation of stock acquisition rights, may incur an unexpected loss due to stock price movements.

## (3) Procedures to be followed by the shareholders when the Defense Measure is triggered

### (i) Procedures for the registration of transfers of shares

In the event that the Board of Directors determines to make a free allocation of stock acquisition rights as a vehicle for the Defense Measure, the Company will give public notice of the record date for the free allocation thereof. As the stock acquisition rights will be allocated free of charge to the shareholders recorded in the final register of shareholders of the Company as of the record date, the shareholders will have to be recorded in the final register of shareholders as of the record date.

### (ii) Procedures for exercise of stock acquisition rights

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In the event that the Board of Directors determines to make a free allocation of stock acquisition rights as a vehicle for the Defense Measure, the Company may send a form of exercise of stock acquisition rights (a form designated by the Company to include necessary matters, such as the content and number of the stock acquisition rights to be exercised, and the statement confirming that the shareholder does not belong to any specified shareholder group) and other documents necessary for the exercise of stock acquisition rights to each of the shareholders recorded in the final register of shareholders of the Company as of the record date. In that event, when, after the free allocation of the stock acquisition rights, any shareholder submits a form of exercise of stock acquisition rights and other necessary documents therefor and pays such price for each stock acquisition right no less than one yen as determined in the resolution for the free allocation of the stock acquisition rights adopted by the Board of Directors at any payment handling place during the exercise period of the stock acquisition rights, such number of shares of the Company as determined separately by the Board of Directors will be issued per stock acquisition right.

### (iii) Procedures for the acquisition by the Company of stock acquisition rights

In the event that the Board of Directors determines to acquire stock acquisition rights, the Company will acquire the stock acquisition rights as of the date separately designated by the Board of Directors, in accordance with the statutory procedures. In the event that the Board of Directors shall deliver the shares of the Company to the shareholders in exchange for the acquisition of their stock acquisition rights, it will do so promptly. In the event that the Board of Directors acquires the stock acquisition rights, each of the shareholders acquiring the shares in exchange for the stock acquisition rights may be requested to submit a form designated by the Company including the statement confirming that the shareholder does not belong to any specified shareholder group.

## 5. Effective period of the Defense Plan

In the event that the continuation of the Defense Plan is approved at the 107th Ordinary General Meeting of Shareholders and it becomes effective, the effective period of the Defense Plan shall be extended until the close of the 110th Ordinary General Meeting of Shareholders to be held no later than February 28, 2023 and in the event that the continuation of the Defense Plan is approved at the Ordinary General Meeting of Shareholders of the Company relating to the last fiscal year ending within three years thereafter, it shall be extended for three more years. In the event that the continuation of the Defense Plan is so approved, the Board of Directors will promptly give notice thereof.

Even in the event that the continuation of the Defense Plan is approved and it becomes



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effective, from the perspective of protecting the corporate value of the Company and the common interests of its shareholders, the Board of Directors will review the plan from time to time by taking into consideration the developments of related laws or ordinances and the listing policy devised by the Tokyo Stock Exchange and may change or abolish the Defense Plan upon approval of the General Meeting of Shareholders whenever necessary. In such case, the details thereof will be notified promptly.

IV. The Defense Plan's compliance with the Fundamental Policy, not impairing the common interests of the shareholders of the Company and not contemplated to maintain the position of the officers of the Company, and the reasons therefor

1. The Defense Plan's compliance with the Fundamental Policy

The Defense Plan stipulates the particulars of the Large Purchase Rules, the defense plan in case of a large purchase action, the establishment of an Independent Committee and the impacts on the shareholders and investors.

The Defense Plan requires any Large Purchaser to provide the Board of Directors with necessary and sufficient information on a large purchase action in advance and commence the large purchase action only after the lapse of the Directors' Evaluation Period and specifies that the Board of Directors may trigger any defense measure against the Large Purchaser not observing the Large Purchase Rules.

The Defense Plan also stipulates that even in the event that the Large Purchaser observes the Large Purchase Rules, if its large purchase action is considered by the Board of Directors to significantly impair the corporate value of the Company and the common interests of its shareholders, the Board of Directors may trigger any defense measure that is considered appropriate to protect the corporate value of the Company and the common interests of its shareholders.

Hence, we believe the Defense Plan complies with the Fundamental Policy.

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## 2. The Defense Plan's not impairing the common interests of the shareholders of the Company

As described above in "I. Fundamental policy on what the person(s) should be like to control the determination of the financial and business policy of the Company," the Fundamental Policy is based on respect for the corporate value of the Company and the common interests of its shareholders.

The Defense Plan, which is designed according to the philosophy of the Fundamental Policy, is intended to provide the shareholders of the Company with information necessary for them to judge whether or not to agree to a large purchase action and opinions of the Board of Directors and to secure an opportunity for the shareholders to receive any alternative proposal.

The Defense Plan will allow the shareholders of the Company and investors to make appropriate investment judgments. Thus, we believe that the Defense Plan will not impair the common interests of the shareholders of the Company but rather benefit their interests.

In addition, the effectiveness and continuation of the Defense Plan is subject to the approval of the shareholders. The Defense Plan has no "dead-hand clause" (a clause that prevents triggering a takeover defense measure if any member of the board of directors that adopted the measure is replaced) or "slow-hand clause" (a clause that prevents triggering a takeover defense measure for a certain period even if a majority of the members of the board of directors that adopted the measure are replaced) and consequently, the shareholders of the Company can abolish the Defense Plan whenever they wish to do. Thus, we believe that the Defense Plan gives assurance that the common interests of the shareholders of the Company will not be impaired.

## 3. The Defense Plan's not contemplated to maintain the position of the officers of the Company

Based on the principle of leaving the final judgment to the shareholders of the Company as to whether or not to agree to a large purchase action, the Defense Plan allows the Board of Directors to request compliance with the Large Purchase Rules and trigger a defense measure to the extent necessary to protect the corporate value of the Company and the common interests of its shareholders. The Defense Plan discloses the limited conditions on the triggering of defense measures by the Board of Directors in advance and in details and any defense measure by the Board of Directors shall be triggered in accordance with the provisions of the Defense Plan. The Board of Directors cannot effectuate or continue the Defense Plan by itself, but subject to the approval of the shareholders of the Company.

In addition, the Board of Directors shall seek advice from third-party experts

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whenever necessary in making any important decision on the Defense Policy, including whether or not to trigger the Defense Measure against a large purchase action, and consult with the Independent Committee consisting of the members independent of the management responsible for execution of business and respect reports from the Independent Committee to the maximum extent possible. Furthermore, the determination by the Company's Board of Directors to trigger the Defense Measure is approved only if the Independent Committee reports that the triggering of the Defense Measure is advisable. In addition, the Board of Directors can follow procedures for confirming the intention of the shareholders as the necessity arises from the perspective of respecting their intention.

The Defense Plan contains procedures to ensure the proper operation of the plan by the Board of Directors.

Thus, we believe that the Defense Plan clearly is not contemplated to maintain the position of the officers of the Company.

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## Material 1

### State of Principal Shareholders

The state of principal shareholders as of November 30, 2019:

Rank	Name	Number of shares held (thousand shares)	Ratio of shareholding (%)
1	NAKASHIMATO CO., LTD.	15,071	10.54
2	TOHKA CO., LTD.	8,122	5.68
3	Japan Trustee Service Bank, Ltd. (Trust Account)	7,477	5.23
4	The Master Trust Bank of Japan, Ltd. (Trust Account)	7,301	5.10
5	Kieikai Research Foundation	4,251	2.97
6	Sumitomo Mitsui Banking Corporation	3,208	2.24
7	Mizuho Trust&Banking Co.,Ltd.(Retirement Benefit Trust for Mizuho Bank, Ltd.)	3,157	2.21
8	Nippon Life Insurance Company	3,039	2.12
9	The Dai-ichi Life Insurance Company, Limited	3,012	2.11
10	Nakato Scholarship Foundation	2,494	1.74

- Notes:
1. The ratios of shareholding are calculated by excluding the shares of treasury stock (6,958,050 shares).
  2. The ratios are shown by rounding five or more in thousandth's place upward and the rest downward.

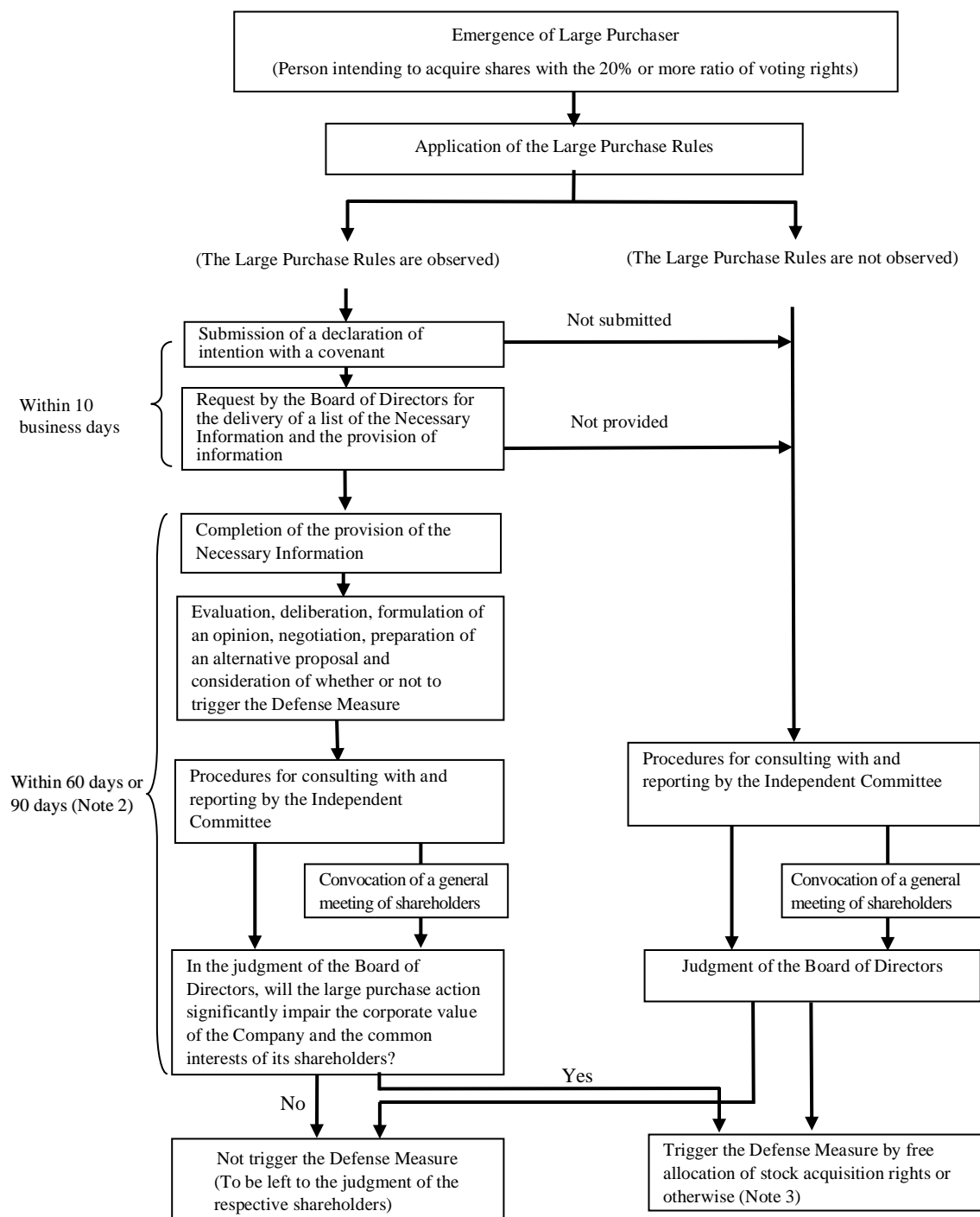
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## Material 2

### Overall flow of the Defense Plan in the event of a large purchase action



- Notes:
1. The above chart is a reference material to facilitate the comprehension of the Defense Plan. For further details of the plan, please refer to the body text hereof.
  2. In the event of the convocation of a general meeting of shareholders, in unavoidable circumstances where the Directors' Evaluation Period must be extended, the period may be within 90 days or 120 days, respectively.
  3. The triggering of Defense Measures will be allowed only if the Independent Committee reports that such triggering is advisable.

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## Material 3

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

#### **Kazumine Terawaki** (Date of birth: April 13, 1954)

April 1980	Appointed as Public Prosecutor
April 1998	Deputy Chief, General Affairs and Planning Department, the Research and Training Institute of the Ministry of Justice
September 2003	Director-General, Criminal Affairs Division, the Nagoya District Public Prosecutors Office
June 2007	Chief Public Prosecutor, the Fukui District Public Prosecutors Office
July 2008	Deputy Superintending Prosecutor, the Sendai High Public Prosecutors Office
January 2014	Director-General, Public Security Intelligence Agency
January 2015	Superintendent Public Prosecutor, the Sendai High Public Prosecutors Office
September 2016	Superintendent Public Prosecutor, the Osaka High Public Prosecutors Office
June 2017	Admitted as attorney at law (Tokyo Bar Association), to this date
February 2018	
June 2018	External Audit & Supervisory Board Member of Shoko Chukin Bank, Ltd.
June 2019	Outside Director of TOSHIBA MACHINE CO., LTD. Outside Audit & Supervisory Board Member of Kajima Corporation

\* Mr. Terawaki and the Company have no special interest in each other.

#### **Kazunari Uchida** (Date of birth: October 31, 1951)

January 1985	Joined Boston Consulting Group
November 1999	Senior Vice President of Boston Consulting Group
June 2000	Japan Representative and President of Boston Consulting Group
March 2006	External Auditor of Suntory, Ltd. (currently, Suntory Holdings Limited)
April 2006	Professor of Graduate School of Commerce at Waseda University, to this date
February 2012	Outside Corporate Auditor of the Company
June 2012	Outside Director of LIFENET INSURANCE COMPANY
August 2012	Outside Director of Japan ERI Co., Ltd.
December 2013	Outside Director of ERI Holdings Co., Ltd.



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October 2014 External Director of MITSUI-SOKO HOLDINGS Co., Ltd.

February 2015 Outside Director of the Company, to this date

March 2016 External Director of Lion Corporation, to this date

\* Mr. Uchida and the Company have no special interest in each other.

**Shihoko Urushi** (Date of birth: April 4, 1961)

April 1986 Worked at a combined private junior high and high school for girls in Tokyo

April 1989 Worked at Shinagawa Joshi Gakuin

April 2006 Principal of Shinagawa Joshi Gakuin

September 2014 Member of the Education Rebuilding Implementation Council (Cabinet Office), to this date

February 2016 Outside Director of the Company, to this date

April 2017 President of Shinagawa Joshi Gakuin, to this date

President of Shinagawa Joshi Gakuin Junior High School

April 2018 Outside Director of Culture Convenience Club Co., Ltd., to this date

June 2019 Outside Director of Nisshin Fire & Marine Insurance Co., Ltd.

\* Ms. Urushi and the Company have no special interest in each other.

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## Material 4

### Outline of the Independent Committee

#### 1. Establishment

An Independent Committee shall be established by resolution of the Board of Directors of the Company.

#### 2. Members

The Independent Committee shall consist of at least three members from among outside Directors of the Company or outside Corporate Auditors of the Company who are registered as Independent Officer with the Tokyo Stock Exchange. In the event that the continuation of the Defense Plan is approved at the 107th Ordinary General Meeting of Shareholders, the members expected to assume office after the continuation thereof will be Messrs. Kazumine Terawaki and Kazunari Uchida, and Ms. Shihoko Urushi.

#### 3. Term of office

The term of office of the members of the Independent Committee shall expire at the close of the ordinary general meeting of shareholders relating to the last fiscal year ending within three years from their appointment as the member of the Independent Committee; provided, however, that the members of the Independent Committee shall be reappointed by resolution of the Board of Directors. Additionally, in the event that any member of the Independent Committee ceases to be outside Director of the Company or outside Corporate Auditor of the Company registered as Independent Officers with the Tokyo Stock Exchange, the term of office as the member of the Independent Committee shall expire simultaneously.

In the event of any vacancy in the number of the members of the Independent Committee, a new member shall be appointed by resolution of the Board of Directors from among outside Directors of the Company or outside Corporate Auditors of the Company who are registered as Independent Officers with the Tokyo Stock Exchange. The term of office of the newly appointed member shall be the remaining term of office of the member who caused such vacancy.

#### 4. Requirements for resolutions

Any resolution of the Independent Committee shall be adopted at a meeting of the Independent Committee at which all the members thereof then in office shall be present, by a majority of the members present thereat, in principle; provided, however, that if any member is unable to be present or in any other unavoidable circumstance, such resolution shall be

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adopted at a meeting of the Independent Committee at which a majority of the members then in office shall be present, by a majority of the members present thereat.

In the event that no resolution was passed or adopted, the chairman of the Independent Committee (who shall be elected by mutual vote from among the members of the Independent Committee) shall give report to that effect to the Board of Directors.

## 5. Matters to be resolved

In the event that the Board of Directors consults with the Independent Committee, it shall deliberate on the matters set forth in the following items according to such consultation and by its resolution, determine the result of deliberations. In the event that the Independent Committee adopts a resolution, it shall report the resolution, together with the reason therefor, to the Board of Directors. In performing their duties, the members of the Independent Committee must do so from the perspective of benefiting the corporate value of the Company and the common interests of its shareholders, but not for the purpose of benefiting themselves or any third party (including the management of the Company).

- (i) Whether or not the relevant action falls under any large purchase action under the Large Purchase Rules;
- (ii) Necessary Information to be provided by the Large Purchaser to the Board of Directors and the deadline for submission thereof;
- (iii) Assessment regarding the Necessary Information provided by the Large Purchaser and necessity for any additional information;
- (iv) The details of the large purchase action of the Large Purchaser;
- (v) Whether or not the large purchase action will significantly impair the corporate value of the Company and the common interests of its shareholders;

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- (vi) Whether or not the Large Purchaser observes the Large Purchase Rules;
- (vii) Whether or not to extend the Directors' Evaluation Period (and the length of period, if extended);
- (viii) Whether or not to consult with the general meeting of shareholders as to whether or not to trigger the Defense Measure;
- (ix) Whether or not to trigger, change or cease the Defense Measure;
- (x) Necessity for the continuation, change and cessation of the Large Purchase Rules; and
- (xi) Other matters which have been deemed necessary and put on consultation with the Independent Committee by the Board of Directors.

To ensure that the Independent Committee will make appropriate decisions, it must endeavor to collect necessary and sufficient information in deliberating on any of the matters listed above and may, at the expense of the Company (unless considered specifically unreasonable), receive advice from any third-party expert (including any financial advisor, certified public accountant, attorney, consultant and other professional).

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## Material 5

### Summary of Stock Acquisition Rights

1. Shareholders qualified for stock acquisition rights and the condition for the allocation thereof

To the shareholders recorded in the final register of shareholders as of the record date for the allocation of stock acquisition rights fixed by the Board of Directors, the Company will allocate such number of stock acquisition rights for each of their shares of common stock of the Company (excluding those held by the Company) as shall be determined separately by the Board of Directors, without payments therefor.

2. Class and number of shares to be issued or transferred upon exercise of stock acquisition rights

The shares to be issued or transferred upon exercise of stock acquisition rights shall be shares of common stock of the Company. The total number of shares to be issued or transferred upon exercise of stock acquisition rights shall not exceed the number obtained by deducting the total number of issued shares of common stock of the Company (excluding those held by the Company) from the total number of shares authorized to be issued by the Company as of the record date for the allocation thereof fixed by the Board of Directors.

3. Total number of stock acquisition rights to be allocated

The total number of stock acquisition rights to be allocated shall be the number to be determined separately by the Board of Directors. The Board of Directors may allocate stock acquisition rights in two or more series.

4. Amount of property to be contributed upon exercise of each stock acquisition right

The amount of property to be contributed (the amount to be paid in) upon exercise of each stock acquisition right shall be no less than one yen, as shall be determined by the Board of Directors.

5. Restriction on transfer of stock acquisition rights

The acquisition of stock acquisition rights by any transfer thereof shall be subject to approval of the Board of Directors.

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## 6. Conditions for exercise of stock acquisition rights

Conditions for exercise of stock acquisition rights, such as the denial of the exercise thereof by any person belonging to any specified shareholder group with the 20% or more ratio of voting rights, shall be established. The particulars of the conditions for exercise of stock acquisition rights shall be established separately by the Board of Directors.

## 7. Exercise period, reasons for the acquisition, and conditions for the acquisition of, stock acquisition rights and other necessary matters

The exercise period, reasons for the acquisition, and conditions for the acquisition of, stock acquisition rights and other necessary matters shall be determined separately by the Board of Directors. In the event that shares of common stock are delivered in consideration of the acquisition by the Company of stock acquisition rights, the maximum number of such shares of common stock shall be the number obtained by deducting the total number of issued shares of common stock of the Company (excluding those held by the Company) from the total number of shares authorized to be issued by the Company as of the date of the acquisition of stock acquisition rights.

Even after the determination to trigger the Defense Measure, in the event that the Large Purchaser revokes or changes the large purchase action or otherwise the Board of Directors judges it inappropriate to trigger the Defense Measure, it may cease the triggering of the Defense Measure. On or after the day on which the free allocation of the stock acquisition rights shall become effective and prior to the commencement of the exercise period of the stock acquisition rights, the Board of Directors may acquire the stock acquisition rights without compensation by respecting reports from the Independent Committee to the maximum extent possible.

The stock acquisition rights may be attached with terms of the acquisition thereof. Such terms of the acquisition of the stock acquisition rights and the content of property to be delivered in exchange for the acquisition thereof may vary with regard to (i) the stock acquisition rights to be acquired and (ii) the property to be delivered in consideration of the acquisition thereof, according to whether or not an allocatee of the stock acquisition rights belongs to a specified shareholder group with the 20% or more ratio of voting rights. It is not contemplated that any cash will be delivered as a consideration for the acquisition of the stock acquisition rights held by any person not having the right to exercise the stock acquisition rights.