

## **Continuance of Countermeasures Against Large-Scale Acquisitions of FANCL CORPORATION Shares (Takeover Defense Measures)**

**YOKOHAMA, May 17, 2016** — At a board meeting held on May 14, 2013, the directors of FANCL CORPORATION (the “Company”) resolved to adopt a basic policy regarding the persons who control the decisions on the Company’s financial and business policies (as provided in Article 118, Item 3 of the Ordinance for Enforcement of the Companies Act; hereinafter referred to as the “Basic Policy”) and to introduce a plan for countermeasures against large-scale acquisitions of the Company shares (takeover defense measures) (the “Former Plan”) as a measure to prevent decisions on the Company’s financial and business policies from being controlled by persons deemed as inappropriate pursuant to the Basic Policy (Article 118, Item 3 “ro” (2) of the Ordinance for Enforcement of the Companies Act) for the purpose of ensuring and enhancing the corporate value of the Company and the common interests of the shareholders. The introduction of the Former Plan was approved by the shareholders at the 33<sup>th</sup> annual general shareholders meeting of the Company held on June 15, 2013.

The effective period of the Former Plan is until the conclusion of the 36<sup>th</sup> annual general shareholders meeting of the Company scheduled to be held on June 25, 2016 (the “Shareholders Meeting”). The Company, at the board meeting held on May 17, 2016, has determined, upon confirming to maintain the Basic Policy, to continue with the countermeasures against large-scale acquisitions of the Company shares (takeover defense measures) as described below, as one of the Company’s measures to prevent decisions on the Company’s financial and business policies from being controlled by persons deemed as inappropriate pursuant to the Basic Policy (the revised plan shall hereinafter be referred to as the “Plan”).

In addition, at the board meeting mentioned above, the Company resolved through unanimous consent of all the directors to submit to the Shareholders Meeting an agenda seeking approval of the continuance of the takeover defense measures under the Plan.

The board meeting which resolved to continue the takeover defense measures under the Plan was attended by all the statutory auditors of the Company, including two (2) outside statutory auditors. They expressed their opinion that they have no objection to the Plan provided that it is properly implemented.

The Plan shall take effect subject to shareholder approval at the Shareholders Meeting of

the agenda seeking approval as mentioned above, and the Former Plan shall be abolished subject to the same.

As of today, the Company has not received any proposal by any specific third party to conduct an Acquisition (as defined in 4.(2) "Procedures for the Plan" below; the same hereinafter).

No revision is made to the structure of the Former Plan as takeover defense measures.

### **1. Basic Policy regarding the Persons who Control the Decisions on the Company's Financial and Business policies**

The Company believes that the one controlling the decisions of the Company's financial and business policies is required to understand the sources of corporate value of the Company and to be able to ensure and enhance the corporate value of the Company and, in turn, the common interests of its shareholders continuously and sustainably.

The Company does not reject a large-scale acquisition of the Company shares if such acquisition will contribute to the corporate value of the Company and the common interests of its shareholders. The Company believes that the final decision on acceptance of a large-scale acquisition of the Company shares that would result in the transfer of the right to control the Company should ultimately be made based on the shareholders' intent as a whole.

In many cases, however, large-scale acquisitions do not contribute to the corporate value of the target company and the common interests of its shareholders. For example, there exist cases where the purpose of the acquisition would obviously impair the corporate value of the target company and, in turn, the common interests of its shareholders, the shareholders would be effectively forced to sell their shares or no sufficient time and information are provided for the target company's board of directors or shareholders to examine the terms of the acquisition, or for the target company's board of directors to propose an alternative plan.

The Company believes that its development has been, and will be sustained by the strong relationship with its customers, which, in turn, will lead to the enhancement of the interests of its shareholders. The corporate value of the Company and the common interests of its shareholders would be impaired if the acquirer fails to ensure or enhance such strong relationship with the customers in the mid-to-long term.

The Company believes that a person who conducts such large-scale acquisition of the Company shares that does not contribute to the corporate value of the Company and, in

turn, the common interests of its shareholders is not appropriate to control the decisions on the Company's financial and business policies and that the Company must take necessary and reasonable countermeasures against large-scale acquisition of the Company shares by such person in order to ensure and enhance the corporate value of the Company and, in turn, the common interests of its shareholders.

## **2. Special Measures Contributing to the Realization of the Basic Policy**

### **(1) Corporate Missions and Basic Management Policies**

The Company has been making its management decisions based on the following missions:

- “Can Achieve More”
- We eliminate “negative” elements in the society and pursue safety, assurance and ease.
- We are always reminded of customers’ viewpoint and our absolute value lies on “customer satisfaction”.

Under the above missions, the Company has been endeavoring to eliminate “negative” elements with its originality and innovation free from the common sense and creating new markets and values such as the preservative-free cosmetics products. The society is filled with “negative” elements such as anxiety and dissatisfaction. The basic management policy of the Company is to create the system to eliminate such “negative” elements in the society based on the theme of “beauty” and “health”. The Company will continue to actively build this new business of eliminating the “negative” elements, which we believe to lead to the enhancement of the corporate value of the Company and, in turn, the long-term interests of its shareholders.

### **(2) Sources of the Corporate Value**

The Company has been endeavoring to develop a strong relationship with its customers since its foundation. The Company understands that the enhancement of its customer base is most important for a long-term sustainable growth of its interests. The Company started as a mail-order distributor and has expanded its distribution channel to retail stores and wholesale in order to broaden its customer base. The Company has also expanded the coverage of its products from cosmetics products to nutritional supplements, germinated rice and kale juice. Furthermore, the Company has been promoting its business from the viewpoint of the customers. For example, the Company offers a service to indicate the date of manufacture of the product for the purpose of appealing the freshness of its products to the customers and has

introduced a service enabling the customers to receive the products during absence by designating a storage as well as a system to indefinitely guarantee the return and exchange of the products.

From the customers' viewpoint, the Company will continue to create and provide "unparalleled quality = new value" exceeding customers' expectation in all respects of its products and services, which, in turn, will lead to build a long-term relationship with the customers. The Company believes that the development and retention of highly loyal customers would bring the enhancement of its corporate value.

### (3) Medium-Term Management Plan

Ever since its foundation, the Company has developed its business of preservative-free cosmetics, nutritional supplements, germinated rice and kale juice, setting forth its basic management policy "to establish a structure which eliminates negative elements".

Since the return of company founder Kenji Ikemori as Chairman in January 2013, the Company has focused on returning to its customer-focused roots while reforming the business structure through withdrawal from unprofitable operations, strengthening the wholesale channel, developing new store types in the retail network channel, shifting to a holding company structure, and other such measures.

Despite consumer reaction to the increase in consumption tax in 2014, these management initiatives have shown strong results, with sales of FANCL cosmetics K.K., a subsidiary of the Company which engages in cosmetics business, growing and a bottoming out of sales in the nutritional supplements business.

FANCL group is now building on these results with the start of a new medium-term plan (FY2016 to FY2018) aimed at achieving a higher level of growth, and is investing aggressively in marketing to achieve the Company's growth strategy.

#### **Basic Approach**

**Make strategic investments in advertising and carry out a growth strategy with the aim of doubling sales in the 5 years from FY2016**

Reinforce the business foundation and invest strategically to grow sales

#### 1. Grow sales through strategic investment

- In the Beauty and Health business, invest in advertising at levels significantly

higher than usual to achieve higher brand awareness and sales

- Maximize advertising effects by improving the store network, investing aggressively to create a network of 350 directly managed while working to expand wholesale sales channels
  - Develop consistent advertising to publicize the Company's corporate stance and promote its philosophy
  - Grow sales by using heavily marketed star products to stimulate consumer purchases of complementary items
2. Reinforce business foundation
- Improve the capacity utilization of existing manufacturing equipment, and work to improve productivity and reduce unit costs
  - Make full use of the second R&D facility opening in FY2017 to strengthen R&D and increase the speed of product development

## **Business Strategy**

### **1. Beauty business strategy**

Reinforce the value of Mutenka anti-stress science as FANCL cosmetic's unique customer proposition, establishing a differentiated market position to grow customer numbers and raise brand loyalty

#### **<Product strategy>**

- Strengthen the facial cleansing product lineup and functionality to grow the customer base
- Progressively renew skin care products, appealing to customers who identify with the FANCL Mutenka philosophy
- Develop products and services for the promising anti-aging market that appeal to mature customers
- Enter new areas and create additional customer contacts points including developing personalized skin care solutions and other such services, while fostering FANCL's characteristic brands and technical capabilities

#### **<Marketing strategy>**

- Run concentrated campaigns promoting product features to increase penetration of wholesale store networks, increase per-store sales and capture new customers in direct marketing channels

- Develop new communication approaches through web and magazine media, appealing to the Mutenka value and brand philosophy to increase brand loyalty

#### <ATTENIR>

- To return to the founding values of the business, establish a declaration of “retaining product quality and luxury of a leading brand while offering the products at one-third of the market price or lower,” and further develop the business based around this declaration
- Build the business by developing further products that reflect the ATTENIR brand founding values of quality, value and tastefulness and brand statement of wrinkle-free beauty
- Restore sales growth by implementing large-scale campaigns and renewing core products
- Build the customer base by pursuing a new communication channel centered on internet media, and increase customer loyalty to achieve growth in new customers and a stronger repeat rate with existing customers.

## 2. Health business strategy

Aim to be a leading health support company in Japan, in the pursuit of lifelong health and the realization of “Good Aging”.

#### <Product strategy>

- Expand sales to middle-aged and senior customers with the development of highly differentiated products, developing business in the mature customer market
- Follow on from *Calorie Limit*, *Calorie Limit for the Mature Aged and Enkin* by fostering additional star products
- Respond to new functional food labeling regulations introduced in April 2015 and strengthen sales of functional foods by drawing on FANCL’s proprietary research outcomes
- Use FANCL’s advanced Inner Body Effectiveness Design technology, to pursue the development of products that are highly effective within the body
- Grow sales in the wholesale channel through the development of exclusive wholesale products and other such measures

### **< Marketing strategy >**

- Encourage the cross-selling of other products using our star products as leads, and maximally leverage the strengths of the full product line-up with the aim of increasing sales.
- Expand sales of health foods by increasing the number of wholesale channel stores handling our products and in FANCL's store sales channel renewing or opening more hybrid shops that have a high proportion of health food sales
- Improve specialized training for store and telephone sales staff and deploy employees with specialized knowledge
- Fully launch the preventative health domain, by establishing mail order sales and offering services (health promotion programs) to corporations and associations.

### **Strategy for each sales channel**

In domestic channels, reinforce the sales organization to optimize the effectiveness of investment in marketing.

#### **1. Directly managed store sales**

- Create an environment that makes it easy for customers to purchase products, approximately doubling the network to 350 stores
- Strengthen area marketing, using marketing channels matched to different regions to increase rebrand awareness and attract customers to directly managed stores

#### **2. Wholesale sales**

- Expand the number of stores handling our products through advertising-linked promotional campaigns, exclusive products and other such initiatives
- Direct customers to stores that sell the Company's products through wholesale channel promotions that are aligned with area marketing initiatives

#### **3. Internet sales**

- Based on analysis of customer purchasing behaviors, conduct web-based marketing activities closely aligned with individual customers' preferred items to create an omni-channel environment

#### **4. Overseas strategy**

- Pursue significant growth by increasing the number of stores handling FANCL's botanical skin care brand boschia promoted by FANCL INTERNATIONAL, INC., newly consolidated as a group company in FY2016

## **Reinforce business foundation**

### **1. Reduce unit costs**

- Make maximal use of existing manufacturing equipment and increase productivity while working to reduce unit costs

### **2. Develop personnel**

- Train the additional employees needed for the active expansion of the store network and develop people with the skills necessary for in-store sales and telephone sales, supporting higher customer satisfaction and loyalty.

### **3. Pursue R&D**

- Strengthen basic and foundational research by positioning FANCL's second R&D center, scheduled to open in FY2017, as an 'innovation research center' to research health food evidence and search for new materials for cosmetics and health foods

#### **(4) Enhancement of Corporate Governance**

The Company regards the enhancement of its corporate governance as one of its important management issues in gaining the trust of its shareholders and all the other stakeholders. The Company ensures the efficiency and transparency of its management through strict compliance with corporate ethics and applicable laws and enhancement of its internal control system, including risk management.

The Company adopts the statutory auditor system anchored by four (4) statutory auditors, two (2) of whom are from outside the Company. To enhance the effectiveness of the audit for management decision-making, the statutory auditors attend meetings of the Company's Board of Directors (the "Board"), the Group Management Conferences and other important meetings and express their opinions when appropriate. They also regularly exchange opinions with senior management to fairly monitor the management of the Company.

The Company introduced the executive officer system in June 1999 to ensure the separation of supervisory and executive functions of its management. In June 2004, the Company terminated the system of appointing directors to post with operational responsibilities (e.g. president (*shacho*), managing director (*senmu*) and executing director (*joumu*)) and introduced the system of appointing executive officers to serve in these posts. In June 2005, the term of office of directors was reduced to one (1) year from two (2) years in order to build an appropriate management system flexibly responding to changes in the management environment.

The Board consists of thirteen (13) directors, one (1) of which is an outside director.



The Board makes decisions on important management issues and other statutory matters and supervises the operations of the Company and its subsidiaries based on reports submitted by these companies.

The Group Management Conference consists of directors and executive officers and deliberates on matters to be resolved at the Board in advance as well as important management issues within the authority delegated by the Board.

### **3. Purpose and Necessity of the Plan**

The Company will continue with the Plan pursuant to the Basic Policy described in 1 above for the purpose of ensuring and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders.

As written in the Basic Policy, the Company believes that a person who conducts such large-scale acquisition of the Company shares that does not contribute to the corporate value of the Company and, in turn, the common interests of the shareholders is not appropriate to control the decisions on the Company's financial and business policies. As a result of consultations with experts and careful examinations, the Company has determined it necessary to continue with the Plan in order to ensure the interests of such individual investors and all the other shareholders of the Company in the event of a large-scale acquisition of the Company shares. Pursuant to such purpose, the Plan provides for a framework that ensures the Company to request the acquirer or the one who proposed the acquisition to deliver in advance the information on such large-scale acquisition necessary for the shareholders to decide whether or not to accept such proposal as well as the necessary time and information for the Board to propose an alternative plan, and that enables the Board to negotiate with the acquirer on behalf of the shareholders.

The situation concerning the major shareholders of the Company as of March 31, 2016 are as described in Exhibit 3, and approximately 37% of the number of total issued outstanding shares of the Company are held by the officers of the Company and persons related thereto. However, since the Company is a listed company, not only may the Company shares be transferred due to transactions based upon the free intent of the shareholders, but the range of the shareholders of the Company, who are mainly individual shareholders (individual shareholders constitute as much as 49.46% of the number of total issued outstanding shares of the Company with respect to the number of shares held, and 99.37% of the total number of shareholders with respect to the number of shareholders), is wide, and the possibility cannot be denied that the shares held thereby may be disseminated due to transfer of the Company shares or any other disposition in accordance with their

respective circumstances. We therefore consider that there is a possibility that a large-scale acquisition of shares may be conducted against the corporate values of the Company group or the common interests of the shareholders thereof.

Accordingly, the Company has determined that measures to prevent decisions on the Company's financial and business policies from being controlled by persons deemed as inappropriate pursuant to the Basic Policy would be continuously necessary, and has determined at the board meeting held today to continue with the Former Plan upon making partial amendments to the details thereof and subjecting it to the approval of the Shareholders Meeting.

#### **4. Particulars of the Plan (measures to prevent the Company's financial and business policies from being controlled by a person deemed as inappropriate pursuant to the Basic Policy)**

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

###### (a) Procedures for the Plan

The Plan provides for the procedures that enable the Company, in the event of an Acquisition of the Company shares, to present information such as the Company's management plan and any alternative plan to its shareholders and negotiate with the party intending to conduct an Acquisition (the "Acquirer" as defined in (2)(a) below) upon requesting the Acquirer to provide information relating to the Acquisition in advance and ensuring time to collect information on and evaluate the Acquisition.

###### (b) Use of the Gratis Allotment of Stock Acquisition Rights and the Independent Committee

In cases where the Acquirer conducts an Acquisition without following the procedures prescribed in the Plan and the corporate value of the Company and the common interests of its shareholders would be impaired, the Company shall, as a countermeasure against such Acquisition (the "Countermeasure"), allot to all the shareholders at the time its stock acquisition rights with (i) an exercise condition that does not permit the Acquirer and a certain related parties (the "Unqualified Persons" as defined in (4)(g) below; the same hereinafter) to exercise such stock acquisition rights and (ii) an acquisition provision to the effect that the Company may acquire the stock acquisition rights from its shareholders other than the Unqualified Persons in exchange for the Company shares (the details of such stock acquisition rights are provided in (4) "Outline of Gratis Allotment of Stock Acquisition Rights" below and such stock acquisition rights are hereinafter referred to as the "Stock Acquisition Rights") by

means of a gratis allotment of stock acquisition rights (*shinkabu yoyakuken mushou wariate*) (as provided in Article 277 onwards of the Companies Act). In order to prevent arbitrary decisions by the Board or the directors on whether or not to implement the gratis allotment or acquisition of the Stock Acquisition Rights, such decisions shall be made through the judgment of a committee consisting solely of members who are highly independent from the management of the Company (the “Independent Committee”) pursuant to the Rules of the Independent Committee (please refer to Exhibit 1 for the outline of the rules) and the transparency shall be ensured by timely disclosure of information to the shareholders. The names and career summary of members of the Independent Committee scheduled at the time of the continuance of the Plan are described in Exhibit 2 (please refer to Exhibit 1 for the standards for appointment of members of, requirements for resolution of and matters to be resolved by the Independent Committee). In addition, in cases where prescribed in the Plan, the Board shall convene a shareholders meeting (the “Confirmation Meeting”) to confirm the shareholders’ intent with regard to the implementation of the gratis allotment of Stock Acquisition Rights.

The Company strongly believes that arbitrary triggering of the Plan by the Board or triggering which conflicts with shareholders’ interests may be avoided through the use of the Independent Committee consisting of experts who are highly independent from the management of the Company.

(c) Exercise of Stock Acquisition Rights and Acquisition of Stock Acquisition Rights by the Company

In cases where the Stock Acquisition Rights are allotted without contribution pursuant to the Plan and exercised by the shareholders other than the Unqualified Persons or the Company shares are delivered to the shareholders other than the Unqualified Persons in exchange for the acquisition of the Stock Acquisition Rights by the Company, the ratio of voting rights in the Company held by the Unqualified Persons may be diluted by up to 50%<sup>1</sup>.

(2) Procedures for the Plan

(a) Targeted Acquisitions

The Plan shall apply to an acquisition that falls under any of items (i) to (iii) below or

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<sup>1</sup> Such dilution ratio is based on the subject of one (1) Stock Acquisition Right being the maximum of one (1) share and may be reduced to a smaller number in cases where the subject of one (1) Stock Acquisition Right is smaller than one (1) share.

any similar action or proposal for such action<sup>2</sup> (excluding cases where the Board has approved in advance; the “Acquisition”). Any person who conducts or intends to conduct an Acquisition (the “Acquirer”) shall follow the procedures prescribed in the Plan.

- (i) An acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariai*)<sup>3</sup> of a holder (*hoyuusha*)<sup>4</sup> amounting to 20% or more of the share certificates, etc. (*kabuken tou*)<sup>5</sup> issued by the Company;
- (ii) A tender offer (*koukai kaitsuke*)<sup>6</sup> that would result in the ratio of ownership of share certificates, etc. (*kabuken tou shoyuu wariai*)<sup>7</sup> of the person conducting such tender offer and the ratio of ownership of share certificates, etc. of a person having a special relationship (*tokubetsu kankei-sha*)<sup>8</sup> totaling 20% or more of the share certificates, etc. (*kabuken tou*)<sup>9</sup> issued by the Company; or
- (iii) Notwithstanding whether or not the actions listed in (i) or (ii) above have been taken, the act<sup>10</sup> of a specific shareholder group of the Company<sup>11</sup> to establish such a relationship<sup>12</sup> between another shareholder (including the case in which

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<sup>2</sup> “Proposal” includes solicitation of a third party.

<sup>3</sup> Defined in Article 27-23 Paragraph 4 of the Financial Instrument and Exchange Law (the “FIEL”) and including the number of stock certificates, etc. held by joint holders of such holder (as defined in the same Paragraph) in calculation. The same shall apply throughout this document.

<sup>4</sup> Including persons described as a holder under Article 27-23 Paragraph 3 of the FIEL (including persons considered by the Board to fall under such provision). This definition shall be applied throughout this document.

<sup>5</sup> Defined in Article 27-23 Paragraph 1 of the FIEL. This definition shall be applied throughout this document unless otherwise provided.

<sup>6</sup> Defined in Article 27-2 Paragraph 6 of the FIEL. This definition shall be applied throughout this document.

<sup>7</sup> Defined in Article 27-2 Paragraph 8 of the FIEL. The same shall be applied throughout this document.

<sup>8</sup> Defined in Article 27-2 Paragraph 7 of the FIEL and including persons considered by the Board to fall under such provision; provided, however, that persons provided for in Article 3 Paragraph 2 of the Cabinet Office Regulations concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from persons described in Article 27-2 Paragraph 7 Item 1 of the FIEL. This definition shall be applied throughout this document.

<sup>9</sup> Defined in Article 27-2 Paragraph 1 of the FIEL.

<sup>10</sup> The determination of whether or not the act prescribed in (iii) above has been conducted shall be made by the Board in accordance with the recommendations given by the Independent Committee. The Board may request the shareholders of the Company to provide necessary information to the extent necessary to determine whether the requirements of (iii) above have been met.

<sup>11</sup> A specific shareholder group means, collectively, a group with (i) shareholders of the Company as well as the joint holders or persons in special relationship in relation thereto, and (ii) persons related to the persons referred to in (i) above (including, other than contracting financial institutions, etc., persons with interests substantially common to the persons referred to in (i) above, attorneys, accountants and other advisors of the persons referred to in (i) above, as well as those persons reasonably recognized by the Board, in accordance with the recommendations of the Independent Committee, as persons subject to the substantial control of such persons or persons acting jointly or in cooperation with such persons).

<sup>12</sup> The determination of whether or not either a relationship in which “either such specific shareholder group or such other shareholder(s) substantially controls the other, or both such specific shareholder group and such other shareholder(s) act in joint cooperation” has been established is made based upon factors such as the formation of a new investment relationship, business alliance relationship, transactional or contractual relationship, concurrent assumption of directorship, funding relationship, credit granting relationship, substantial interests in the share certificates, etc. of the Company through

such shareholders are multiple; the same hereinafter for the purposes of item (iii)) of the Company that either such specific shareholder group or such other shareholder(s) substantially controls the other, or both such specific shareholder group and such other shareholder(s) act in joint cooperation (limited, however, to the case in which the total holding ratio of the share certificates, etc. issued by the Company held by all the shareholders belonging to such specific group and such other shareholder(s) is no less than 20%).

(b) Submission of Acquirer's Statement

The Acquirer shall submit to the Company, in the form separately prescribed by the Company, a written undertaking that the Acquirer shall comply with the procedures prescribed in the Plan (signed by or affixed with the name and seal of the representative of the Acquirer) and a certificate of qualification of the representative who signed or affixed its name and seal to such written undertaking (collectively, the "Acquirer's Statement") before effecting the Acquisition. The Acquirer's Statement must include the name, address or location of headquarter or office, the governing law for incorporation, the name of the representative, contact information in Japan of the Acquirer and an outline of the intended Acquisition. The Acquirer's Statement and the Acquisition Document provided in (c) below must be written in Japanese.

(c) Request to the Acquirer for Provision of information

Within ten (10) business days (initial date excluded) from the receipt of the Acquirer's Statement, the Company shall deliver to the Acquirer the format for the Acquisition Document (defined below), including a list of information that the Acquirer should provide to the Company. The Acquirer shall provide the Company with the document (the "Acquisition Document") in the form prescribed by the Company, including the information described in each item below (the "Essential Information"), which is required and sufficient for the shareholders to judge and for the Independent Committee to evaluate and consider the intended Acquisition.

The Board shall promptly provide the Acquisition Document to the Independent Committee upon receipt. In cases where the Board and the Independent Committee determine that the information included in the Acquisition Document is insufficient as Essential Information, they may request the Acquirer directly or indirectly to provide additional Essential Information from time to time upon fixing a reasonable deadline for

response. In such cases, the Acquirer shall provide such additional Essential Information within the fixed deadline.

- (i) Outline of the Acquirer and its group (including joint holders<sup>13</sup>, persons in special relationship and (in the case of fund) partners or other constituent members) (including the specific names, capital structures and financial positions);
- (ii) The purpose, method and terms of the Acquisition (including the information on the amount and type of consideration for the Acquisition, the schedule of the Acquisition, the scheme of any related transactions and the legality of the Acquisition method);
- (iii) Details of the basis for calculation of the amount of consideration for the Acquisition;
- (iv) Financial support for the Acquisition (including the specific names of providers (including indirect providers) of the funds, financing methods and the terms of any related transactions);
- (v) Post-Acquisition management policies, business plans, capital and dividend policies of the Company and its other group companies (the “Group”);
- (vi) Post-Acquisition policies dealing with the shareholders, employees, business partners, customers and other stakeholders of the Company and the Group;
- (vii) Any other information that the Independent Committee reasonably determines necessary.

(d) Examination of Terms of the Acquisition, Negotiation with the Acquirer and Examination of Alternative Plan

(i) Request to the Board for Provision of Information

In cases where the Independent Committee received the Acquisition Document and the Essential Information from the Acquirer, it may request the Board to present its opinion on the terms of the Acquisition by the Acquirer (including an opinion to reserve the provision of such opinion; the same shall apply hereinafter) and supporting materials, an alternative plan (if any) and any other information or materials that the Independent Committee determines necessary from time to time upon fixing a reasonable deadline for response (up to sixty (60) days in principle given the size and nature of the Group’s business and its shareholding structure) in order to examine and compare, from the viewpoint of ensuring and enhancing the

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<sup>13</sup> Defined in Article 27-23 Paragraph 5 of the FIEL and including persons deemed as joint holders under Paragraph 6 of the same Article (including persons considered by the Board to fall under such provision). This definition shall be applied throughout this document.

corporate value of the Company and the common interests of its shareholders, the information contained in the Acquisition Document and the Essential Information with the business plan and corporate evaluation presented by the Board.

(ii) Examination by the Independent Committee

In cases where the Independent Committee determines that the information and materials (including those additionally requested) have been sufficiently provided by the Acquirer and the Board (if the Board is so required as provided in (i) above), during the period up to sixty (60) days, in principle, from the date on which the Independent Committee notified the Board of such determination (provided, however, that the Independent Committee may resolve to extend the period at its discretion pursuant to the procedures prescribed in (e)(iii) below) (the "Examination Period"), the Independent Committee shall examine the terms of the Acquisition by the Acquirer, collect, examine and compare the information with regard to the business plans and the related matters of the Acquirer and the Board and examine any alternative plan presented by the Board. If necessary to improve the terms of the Acquisition by the Acquirer from the viewpoint of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders, the Independent Committee shall consult and negotiate with the Acquirer directly or indirectly through the Board during the Examination Period and request the Board to present an alternative plan, etc. to the shareholders, etc.

In order to ensure that the judgment of the Independent Committee contributes to the corporate value of the Company and the common interests of its shareholders, the Independent Committee may, at the expense of the Company, obtain advice from independent third parties (including financial advisers, certified public accountants, lawyers, consultants and other experts).

In cases where the Independent Committee directly or indirectly requests the Acquirer to provide materials and other information or to consult and negotiate with the Independent Committee, the Acquirer must promptly respond to such request.

(iii) Disclosure of Information

The Company shall promptly disclose the facts that an Acquirer has emerged, the Acquirer submitted the Acquisition Document or the Examination Period commenced. The Company shall disclose the fact that the Board presented to the Independent Committee its opinion on the Acquisition or an alternative plan, the Essential Information or any other information that the Independent Committee

determines it appropriate to disclose in compliance with the listing rules of the Tokyo Stock Exchange.

(e) Procedures for Recommendations by the Independent Committee

In the event of the emergence of an Acquirer, the Independent Committee shall make recommendations to the Board pursuant to the following procedures. In cases where the Independent Committee made recommendations described in (i) through (iii) below or other resolution or determines it appropriate, the Company shall promptly disclose the outline of such recommendations and other matters that the Independent Committee determines it appropriate to disclose (in cases where the Examination Period is extended, including the period and reasons for such extension).

(i) Recommendations by the Independent Committee for Triggering of Countermeasures

In cases where, as a result of examination of the terms of the Acquisition by the Acquirer, the Independent Committee determines that the Acquisition by the Acquirer falls under any of the requirements provided in (3) "Requirements for Triggering of Countermeasures" ("the Requirements for Triggering of Countermeasures") and determines it reasonable to trigger the Countermeasures, the Independent Committee shall recommend the Board to implement the gratis allotment of Stock Acquisition Rights as a Countermeasure, regardless of whether or not the Examination Period has commenced or expired. The Plan assumes the gratis allotment of Stock Acquisition Rights as a Countermeasure as described above and below, however, in cases where other Countermeasures available under the Companies Act, other applicable laws or the Articles of Incorporation of the Company are determined to be appropriate, the Independent Committee may recommend the implementation of such other Countermeasures (the same shall apply to the description with regard to the Countermeasures hereinafter).

Provided, however, that even after the Independent Committee made recommendations for the implementation of the gratis allotment of Stock Acquisition Rights, if the Independent Committee determines that either event described in (A) or (B) below has occurred, it may make a new recommendation that (i) the Company shall suspend the gratis allotment of Stock Acquisition Rights on or before the second business day prior to the ex-rights date with respect to such allotment or (ii) the Company shall acquire the Stock Acquisition Rights without contribution during the period from the effective date of the gratis allotment



of Stock Acquisition Rights until the day immediately prior to the Exercise Period Commencement Date (defined in (f) of (4) “Outline of Gratis Allotment of Stock Acquisition Rights” below).

- (A) The Acquirer withdraws the Acquisition or the Acquisition otherwise ceases to exist after such recommendations.
- (B) The facts on which the decision on such recommendations was based change and the Acquisition by the Acquirer does not fall under any of the Requirements for Triggering of Countermeasures anymore or, even if the Acquisition by the Acquirer does fall under one of such requirements, it becomes inappropriate to implement the gratis allotment of or permit the shareholders to exercise the Stock Acquisition Rights.

The Independent Committee may request the Board to seek a prior approval at the shareholders meeting on the recommendation to implement the gratis allotment of Stock Acquisition Rights if the Independent Committee finds it difficult to judge whether or not to trigger the Countermeasure upon taking various circumstances into consideration such as whether or not the Acquisition complies with the procedures prescribed in the Plan, the degree of negative impact of the Acquisition on the corporate value of the Company and, in turn, the common interests of its shareholders and the time available to hold a shareholders meeting.

(ii) Recommendations by the Independent Committee for Non-triggering of Gratis Allotment of Stock Acquisition Rights

If, as a result of the examination of the terms of the Acquisition by the Acquirer, the Independent Committee determines that the Acquisition by the Acquirer does not fall under any of the Requirements for Triggering of Countermeasures or, even if the Acquisition by the Acquirer does fall under one of such requirements, it is not appropriate to trigger the Countermeasure, the Independent Committee shall recommend the Board not to implement the gratis allotment of Stock Acquisition Rights, regardless of whether or not the Examination Period has expired.

Provided, however, that even after the Independent Committee recommended not to implement the gratis allotment of Stock Acquisition Rights, in cases where the facts on which the decision on such recommendations was based have changed and the Acquisition by the Acquirer becomes to satisfy one of the Requirements for Triggering of Countermeasures, the Independent Committee may make a new judgment including a recommendation on the gratis allotment of Stock Acquisition Rights and recommend such judgment to the Board.

(iii) Extension of the Examination Period by the Independent Committee

In cases where the Independent Committee did not make a recommendation on whether or not to implement the gratis allotment of Stock Acquisition Rights by the expiration of the initial Examination Period due to justifiable reasons such as not having sufficient time to evaluate the terms of the Acquisition by the Acquirer, the Independent Committee may, to the reasonable extent necessary for examination of the terms of the Acquisition by the Acquirer and alternative plan, resolve to extend the Examination Period for up to thirty (30) days.

In cases where the Examination Period is extended upon resolution described above, the Independent Committee shall continue to collect and examine information and make its best efforts to make recommendations described in (i) or (ii) above within the extended period.

(f) Board Resolution/Convocation of Confirmation Meeting

The Board shall, in exercising its role under the Companies Act, resolve the matters concerning whether or not to implement the gratis allotment of Stock Acquisition Rights as a Countermeasure upon examining the recommendations made by the Independent Committee pursuant to the procedures provided in (e) above, respecting such recommendations to the maximum extent. The Board shall promptly disclose the outline of such resolution and other matters that the Board determines it appropriate to disclose upon such resolution.

Provided, however, that in cases where (i) the Independent Committee finds it difficult to judge whether or not to trigger the Countermeasures and requests the Board to seek a prior approval at the shareholders meeting or (ii) whether or not the Acquisition falls under any of (b) through (e) of (3) "Requirements for Triggering of Countermeasures" becomes an issue and the Board determines it appropriate to confirm the shareholders' intent on the Acquisition in light of director's duty of care upon considering matters such as the time required to convene a shareholders' meeting, the Board shall convene the Confirmation Meeting as soon as practicably possible to confirm the shareholders' intent on the implementation of the gratis allotment of Stock Acquisition Rights pursuant to the Plan (provided, however, that this shall not apply in cases of (i) where it is extremely difficult to hold a shareholders meeting in practice).

The Acquirer must not effect the Acquisition during the period from the commencement of the procedures prescribed in the Plan until (i) the Board resolves not to implement the gratis allotment of Stock Acquisition Rights or (ii) in cases where the Confirmation

Meeting is held, the proposal of gratis allotment of Stock Acquisition Rights is disapproved at the Confirmation Meeting.

(3) Requirements for Triggering of Countermeasures

In cases where the Acquisition by the Acquirer falls under any of the items described in (a) through (e) below and the implementation of the gratis allotment of Stock Acquisition Rights is determined to be reasonable, the Company shall implement the gratis allotment of Stock Acquisition Rights as a Countermeasure pursuant to (f) of (2) "Procedures for the Plan" above. As provided in (e) of (2) "Procedures for the Plan" above, whether or not it is appropriate to trigger the Countermeasures must be determined through recommendations of the Independent Committee.

- (a) The Acquisition is not in compliance with the procedures prescribed in the Plan;
- (b) The Acquisition would cause an obvious harm to the corporate value of the Company and, in turn, the common interests of its shareholders through actions described in (i) through (iv) below or any similar action:
  - (i) To buyout share certificates, etc. to request the Company or its related parties to compulsory purchase them at an inflated price;
  - (ii) To temporarily control the management of the Company to benefit the Acquirer to the detriment of the Company by actions such as the low-cost acquisition of the Company's material assets by the Acquirer;
  - (iii) To divert the Group's assets to secure or repay debts of the Acquirer or its group companies;
  - (iv) To temporarily control the management of the Company to dispose of high-value assets unrelated to the business of the Company and pay temporarily high dividends from the profits of the disposal or sell the Company shares at a high price taking advantage of the opportunity afforded by the sharp rise in the share price triggered by the temporarily high dividends.
- (c) Acquisitions that would have the effect of forcing shareholders into selling shares, such as coercive two-tiered tender offers (i.e., acquisition of shares including tender offers that do not offer to acquire all shares in the initial acquisition, and set acquisition terms unfavorable to the shareholders or do not set clear terms for the second stage).
- (d) The terms of the Acquisition (including the amount and type of consideration, the schedule, the legality of the Acquisition method, the probability of the Acquisition being effected and post-Acquisition management policies and business plans) would be inadequate or inappropriate in light of the Company's intrinsic value.

- (e) The Acquisition would significantly impair the corporate value of the Company and, in turn, the common interests of its shareholders by destroying the relationship of the Company with its shareholders, employees, customers, business partners and the like or other sources of the corporate value of the Company, which are indispensable to generate the corporate value of the Company.

(4) Outline of Gratis Allotment of Stock Acquisition Rights

The outline of the gratis allotment of Stock Acquisition Rights as a Countermeasure under the Plan is as follows.

(a) Number of Stock Acquisition Rights

The number of the Stock Acquisition Rights shall be the same as the final number of the total issued outstanding shares of the Company on a certain date (the "Allotment Date") that is separately determined by the resolution of the Board relating to the gratis allotment of Stock Acquisition Rights (the "Gratis Allotment Resolution") (excluding the number of the Company shares held by the Company on the Allotment Date).

(b) Shareholders Eligible for Allotment

The Company shall allot the Stock Acquisition Rights without contribution to those shareholders other than the Company who are recorded in the Company's final register of shareholders as of the Allotment Date at a ratio of one (1) Stock Acquisition Right for every one (1) Company share held.

(c) Effective Date of Gratis Allotment of Stock Acquisition Rights

The effective date of the gratis allotment of Stock Acquisition Rights shall be separately determined by the Board in the Gratis Allotment Resolution.

(d) Type and Number of Shares to be Acquired upon Exercise of the Stock Acquisition Rights

The total number of shares to be acquired upon exercise of all the Stock Acquisition Rights shall be up to the number of the total issuable shares of the Company subtracted by the number of the total issued outstanding shares of the Company (excluding the Company shares held by the Company) as of the Allotment Date<sup>14</sup>.

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<sup>14</sup> The number of the total issuable shares and the number of the total issued outstanding shares of the Company are 233,838,000 and 65,176,600, respectively, as of May 17, 2016, the date of the decision for continuation of the Plan.

The number of shares<sup>15</sup> to be acquired upon exercise of one (1) Stock Acquisition Right (the “Applicable Number of Shares”) shall be one (1) share<sup>16</sup> except as separately adjusted. Any fraction of less than one (1) share in the number of shares delivered to the person exercising the Stock Acquisition Rights shall be treated pursuant to the applicable laws.

(e) Amount to be Contributed upon Exercise of the Stock Acquisition Rights

Contributions upon exercise of the Stock Acquisition Rights shall be made in cash and the amount per share to be contributed upon exercise of the Stock Acquisition Rights shall be separately determined by the Board in the Gratis Allotment Resolution within the range between one (1) yen and the amount equivalent to one-half (1/2) of the fair market value of one (1) share of the Company.

(f) Exercise Period of the Stock Acquisition Rights

The Stock Acquisition rights shall be exercisable from a date separately determined by the Board in the Gratis Allotment Resolution (the “Exercise Period Commencement Date”) for a period separately determined by the Board in the Gratis Allotment Resolution; provided, however, that in cases where the Company acquires the Stock Acquisition Rights pursuant to (i)(ii) below, such Stock Acquisition Rights are exercisable until the business day immediately prior to the date of such acquisition. In cases where the place handling the payment of the contribution is not open on the last date of the exercise period, the business day immediately prior to such date shall be the last day of the exercise period.

(g) Conditions for the Exercise of Stock Acquisition Rights

The following parties may not exercise the Stock Acquisition Rights in principle (the parties falling under (i) through (vi) below shall collectively be referred to as the “Non-qualified Persons”):

- (i) Specified large holders<sup>17</sup>;

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<sup>15</sup> In case where the Company becomes a company that issues class shares (Article 2 Item 13 of the Companies Act) in the future, (i) the Company shares delivered upon exercise of the Stock Acquisition Rights and (ii) the Company shares delivered upon exchange for the acquisition of the Stock Acquisition Rights are deemed to be the same type of shares that have already been issued (i.e. the ordinary shares) at the time of the Shareholders Meeting.

<sup>16</sup> The number shall be appropriately adjusted from time to time in cases where the Company divides or consolidates its shares.

<sup>17</sup> “Specified Large Holder” means, in principle, 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 those deemed so by the Board); provided, however, that a party that the Board deems as a party whose acquisition or holding of the share certificates, etc. of the Company is not detrimental to the

- (ii) Joint holders of specified large holders;
- (iii) Specified large purchasers<sup>18</sup>;
- (iv) Persons in special relationship with specified large purchasers; or
- (v) Any transferee of or successor to the Stock Acquisition Rights of any person falling under (i) through (iv) above without the approval of the Board; or
- (vi) Any affiliated party<sup>19</sup> of any person falling under (i) through (v) above.

Furthermore, non-residents of Japan who are required to follow certain procedures pursuant to foreign applicable laws in order to exercise the Stock Acquisition Rights may not exercise the Stock Acquisition Rights in principle (provided, however, that certain non-residents, including those who may use any exemption provision under such foreign applicable laws, may exercise the Stock Acquisition Rights and the Stock Acquisition Rights held by non-residents shall become subject to acquisition by the Company in exchange for the Company shares on condition of the compliance with the applicable laws as provided in (i) below).

(h) Restriction on Assignment of Stock Acquisition Rights

Any acquisition of the Stock Acquisition Rights by assignment shall require the approval of the Board.

(i) Acquisition of Stock Acquisition Rights by the Company

- (i) In cases where the Board determines it appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a date separately determined by the Board, acquire all of the Stock Acquisition Rights without contribution at any time on or before the date immediately prior to the Exercise

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corporate value of the Company or the common interests of its shareholders or certain other party that the Board determines in the Gratis Allotment Resolution is not a Specified Large Holder. The same shall apply throughout this document.

<sup>18</sup> "Specified Large Purchaser" means, in principle, a person who publicly announces the purchase, etc., of share certificates, etc., (as defined in Article 27-2 Paragraph 1 of the FIEL; the same shall apply throughout this Note) issued by the Company through a tender offer and whose ratio of ownership of share certificates, etc., in respect of such share certificates, etc., held by such person after such purchase, etc., (including similar cases as prescribed in Article 7 Paragraph 1 of the Order of the Enforcement of the FIEL) is at least 20% when combined with the ratio of ownership of share certificates, etc., of persons in special relationship with such person (including those deemed so by the Board); provided, however, that a party that the Board deems as a party whose acquisition or holding of share certificates, etc., of the Company is not detrimental to the corporate value of the Company or the common interests of its shareholders or certain other party that the Board determines in the Gratis Allotment Resolution is not a Specified Large Purchaser. The same shall apply throughout this document.

<sup>19</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 those deemed so by the Board), or a party deemed by the Board to act in concert with such given party. "Control" means to "control decisions on the financial and business policies" (as defined in Article 3 Paragraph 3 of the Ordinance for Enforcement of the Companies Act) of other corporations or entities.

Period Commencement Date.

- (ii) On a date separately determined by the Board, the Company may acquire all of the Stock Acquisition Rights held by parties other than the Non-qualified Persons that have not yet been exercised on or before the business day immediately prior to such date determined by the Board and, in exchange, deliver the Company shares in the number of the Applicable Number of Shares<sup>20</sup> for every one (1) Stock Acquisition Right.

In cases where the Board recognizes any persons other than the Non-qualified Persons holding the Stock Acquisition Rights after the date of such acquisition, on the date that the Board separately determines after the date of such acquisition, the Company shall acquire all the Stock Acquisition Rights held by such persons that have not yet been exercised by the business day immediately prior to such date determined by the Board in exchange for the Company shares in the Applicable Number of Shares per one (1) Stock Acquisition Right in principle. The same shall apply thereafter.

- (j) Others

In addition to the above, the terms of the Stock Acquisition Rights shall be separately determined by the Board in the Gratis Allotment Resolution.

- (5) Effective Period, Abolition and Amendment of the Plan

- (a) Effective Period of the Plan

The Plan shall take effect subject to the approval of the shareholders at the Shareholders Meeting of the agenda seeking approval of the continuance of the takeover defense measures under the Plan. The effective period thereof shall be from the passage at the Shareholders Meeting of the agenda seeking approval of the takeover defense measures under the Plan until the conclusion of the annual general shareholders meeting relating to the final fiscal year ending within three (3) years after the conclusion of the Shareholders Meeting.

- (b) Abolition and Amendment of the Plan

Even prior to the expiration of the effective period provided in (a) above, the Plan shall be abolished upon resolution by the shareholders meeting of the Company or the

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<sup>20</sup> The Company is scheduled to appropriately treat any fraction of less than one (1) share in the Applicable Number of Shares pursuant to the applicable laws and, in such cases, the number of the Company shares delivered per one (1) Stock Acquisition Right may be different from the Applicable Number of Shares.

Board consisting of directors appointed at the shareholders meeting of the Company to abolish the plan.

Furthermore, the Board may revise or amend the Plan even during the effective period of the Plan upon approval of the Independent Committee in cases where (i) any law, regulation, financial instruments exchange rule or the like applicable to the Plan is introduced, amended or abolished and it is appropriate to reflect such introduction, amendment or abolishment in the Plan, (ii) it is appropriate to revise the wording of the Plan for reasons such as typographical errors and omissions or (iii) such revision or amendment is not detrimental to the shareholders of the Company.

In cases where the Plan is abolished or amended, the Company shall promptly disclose the fact of such abolition or amendments, (in the event of the amendments) details of the amendments and any other matters as necessary.

#### **5. Grounds for the Plan Not Adversely Affecting the Common Interests of Shareholders of the Company or Not Aiming to Maintain the Positions of Officers of the Company**

- (1) Fully satisfying the requirements of the Guidelines for Takeover Defense Measures  
The Plan fully satisfies the three (3) principles (i.e., the “Principle of Ensuring and Enhancement of the Corporate Value and the Common Interests of the Shareholders”, “Principle of Prior Disclosure and Shareholders’ Intent” and “Principle of Necessity and Reasonableness”) provided in the “Guidelines Regarding Takeover Defense Measures for the Purposes of Ensuring and Enhancing Corporate Value and Shareholders’ Common Interests” released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27 2005. The Plan has also been developed in line with the report entitled “Takeover Defense Measures in Light of Recent Environmental Changes” published by the Corporate Value Study Group on June 30, 2008.
  
- (2) Purpose of the Plan to Ensure and Enhance Common Interests of Shareholders  
As described in 3 “Purpose and Necessity of the Plan” above, the purpose of the Plan is to ensure and enhance the corporate value of the Company and, in turn, the common interests of its shareholders in the event of an Acquisition by ensuring the information and time necessary for the shareholders to determine whether or not to accept the Acquisition or for the Board to propose an alternative plan and enabling the Board to negotiate with the Acquirer on behalf of the shareholders.
  
- (3) Emphasis on the Shareholders’ Intent



As provided in 4(5) "Effective Period, Abolition and Amendment of the Plan" above, the effective period of the Plan shall be from the passage at the Shareholders Meeting of the agenda seeking approval of the continuance of the takeover defense measures under the Plan until the conclusion of the annual general shareholders meeting relating to the final fiscal year ending within three (3) years after the conclusion of the Shareholders Meeting. The effective period thereof is only scheduled to be extended when an agenda is submitted to such annual general shareholders meeting and the shareholders approve such agenda, and the intent of the shareholders are to be reflected in such manner. The Plan shall be abolished even before the expiration of the effective period of the Plan upon resolution of the shareholders meeting of the Company or the meeting of the Board consisting of directors appointed at the shareholders meeting to abolish the Plan. In this regard, the continuance and abolition of the Plan are based on the intent of the shareholders of the Company.

(4) Emphasis on Decisions by Highly Independent Outside Experts and Disclosure of Information

At the introduction of the Plan, the Company has established the Independent Committee as an organization to eliminate arbitrary decisions by the Board or its directors and objectively make the substantive decisions on behalf of the shareholders for the triggering and suspension of the Countermeasures.

In the event of the actual emergence of an Acquirer, the Independent Committee shall, as provided in 4(2) "Procedures for the Plan" above and in accordance with the Rules of the Independent Committee, make substantive decision as to whether or not the Acquisition would impair the corporate value of the Company and the common interests of its shareholders. Upon examining such decision, the Board shall resolve pursuant to the Companies Act on whether or not to implement the gratis allotment of Stock Acquisition Rights as a Countermeasure, respecting such decision to the maximum extent.

In this way, the Independent Committee shall prevent any arbitrary decisions by the Board or the directors of the Company and disclose outlines of their decisions to the shareholders, thus ensure the transparent operation of the Plan to the extent contributing to the corporate value of the Company and the common interests of its shareholders.

(5) Establishment of Reasonably Objective Requirements

As provided in 4(2)(e) "Procedures for Recommendations by the Independent

Committee” and 4(3) “Requirements for Triggering of Countermeasures” above, the Countermeasures under the Plan are designed not to be triggered unless reasonable and objective requirements have been satisfied and the Plan ensures a structure to prevent the Countermeasures from being triggered arbitrarily by the Board.

(6) Obtaining Advice of Outside Experts

In the event of the emergence of an Acquirer, the Independent Committee may obtain advice from independent third parties (including financial advisors, certified public accountants, lawyers, consultants and other experts) at the expense of the Company. This is a mechanism to further enhance the fairness and objectivity of decisions made by the Independent Committee.

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

As described in 4(5) “Effective Period, Abolition and Amendment of the Plan” above, in cases where the Acquirer conducted a large-scale acquisition of share certificates, etc. of the Company, the Plan may be abolished upon resolution of the shareholders meeting or the Board consisting of directors appointed by the Acquirer and approved at the shareholders meeting. Therefore, the Plan is not a dead-hand takeover defense measure (i.e., 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).

Moreover, since the Company does not adopt a staggered board, the Plan is not a slow-hand takeover defense measure (i.e., a takeover defense measure in which triggering takes more time to stop due to the fact that the directors cannot be replaced all at once) either.

**6. Impact on Shareholders, etc.**

(1) Impact on Shareholders and Investors at the time of Continuance of the Plan

The Plan shall have no direct material impact on the shareholders and investors at the time of its continuance since no actual gratis allotment of Stock Acquisition Rights shall be implemented.

(2) Impact of Gratis Allotment of Stock Acquisition Rights on Shareholders and Investors

The Company shall allot the Stock Acquisition Rights without contribution to its shareholders recorded in its final register of shareholders as of the Allotment Date that is separately determined in the Gratis Allotment Resolution, at a ratio of one (1) Stock

Acquisition Right for every one (1) share of the Company in principle. If certain shareholders do not pay the amount equivalent to the exercise price or take procedures for exercising the Stock Acquisition Rights described in detail in (b) of (3) "Procedures to be Taken by Shareholders upon Gratis Allotment of Stock Acquisition Rights" below within the exercise period, the Company shares held by such shareholders shall be diluted by the exercise of the Stock Acquisition Rights by other shareholders; provided, however, that the Company may acquire the Stock Acquisition Rights of all the shareholders other than the Non-qualified Persons in exchange for the delivery of the Company shares pursuant to the procedures provided in (i) of 4(4) "Outline of Gratis Allotment of Stock Acquisition Rights" above. In cases where the Company takes such procedures for acquisition, all the shareholders other than the Non-qualified Persons shall receive the Company shares without exercising their Stock Acquisition Rights or paying the amount equivalent to the exercise price. As a result, the value per one (1) Company share held by such shareholders shall be diluted, however, the entire value of the Company shares held by such shareholders shall not be economically diluted in principle.

Any fraction of less than one (1) share in the number of the Company shares delivered upon exercise of the Stock Acquisition Rights or in exchange for the acquisition of the Stock Acquisition Rights by the Company may be monetarily treated by the Company pursuant to the applicable laws. As a result, the Company shares held by the shareholders may be diluted, however, shall not be economically diluted in principle.

Even after the Gratis Allotment Resolution is passed, due to the circumstances such as the withdrawal of the Acquisition by the Acquirer, the Company may suspend the gratis allotment of Stock Acquisition Rights on or before the second business day prior to the ex-rights date with respect to the Stock Acquisition Rights or acquire all of the Stock Acquisition Rights without contribution during the period from the effective date of the gratis allotment of Stock Acquisition Rights until the Exercise Period Commencement Date. In such cases, the value per share shall not be diluted and therefore any investors who have sold or bought the Company shares with expectation for such dilution may incur significant loss as a result of a fluctuation in the Company share price.

- (3) Procedures to be Taken by Shareholders upon Gratis Allotment of Stock Acquisition Rights
  - (a) Procedures for Gratis Allotment of Stock Acquisition Rights

In cases where the Board passes the Gratis Allotment Resolution, the Company shall publicly announce the Allotment Date with regard to the gratis allotment of Stock Acquisition Rights. In this case, the Company shall allot the Stock Acquisition Rights without contribution to the shareholders recorded in the Company's final register of shareholders as of the Allotment Date and such shareholders shall automatically become holders of Stock Acquisition Rights on the effective date of the gratis allotment of Stock Acquisition Rights.

(b) Procedures for Exercise of Stock Acquisition Rights

In principle, the Company shall deliver to all the shareholders recorded in its final register of shareholders as of the Allotment Date a request form for exercise of the Stock Acquisition Rights (in a form prescribed by the Company and containing necessary matters such as the terms and number of the Stock Acquisition Rights for exercise and the exercise date of the Stock Acquisition Rights as well as representations and warranties regarding the matters including the fact that the shareholders are not the Non-qualified Persons, indemnity clauses and other covenants) and other documents required for the exercise of the Stock Acquisition Rights. After the gratis allotment of Stock Acquisition Rights, the Company shall issue one (1) share per one (1) Stock Acquisition Right in principle to the shareholders upon receipt of these necessary documents during the exercise period and payment of the amount of contribution for exercise of the Stock Acquisition Right to the place handling such payments. Fraction of less than one (1) share in the number of the Company shares delivered to those who exercised the Stock Acquisition Rights may be adjusted in advance by a certain method such as share split by the Exercise Period Commencement Date or be treated monetarily pursuant to the applicable laws.

(c) Procedures for Acquisition of Stock Acquisition Rights by the Company

In cases where the Board determines to acquire the Stock Acquisition Rights, the Company shall acquire the Stock Acquisition Rights pursuant to the statutory procedures from the shareholders other than the Non-qualified Persons in exchange for delivery of the Company shares on the date separately determined by the Board. In such cases, the shareholders concerned shall receive one (1) Company share per one (1) Stock Acquisition Right as consideration for the acquisition of the Stock Acquisition Rights by the Company without paying the amount equivalent to the exercise price. Any fraction of less than one (1) share in the number of shares delivered may be treated monetarily pursuant to the applicable laws. The

shareholders concerned may be separately requested to submit a written undertaking in the form prescribed by the Company containing representations and warranties regarding matters such as the fact that they are not Non-qualified Persons, indemnity clauses and other covenants.

In addition to the above, the Company shall disclose to or notify all the shareholders the details of the methods of allotment and exercise of the Stock Acquisition Rights and the method of acquisition of the Stock Acquisition Rights by the Company after the Gratis Allotment Resolution. Shareholders are requested to check these details at that time.

## Exhibit 1

### Outline of the Rules of the Independent Committee

#### 1. (Establishment of the Independent Committee)

The Independent Committee shall be established upon resolution of the Board of Directors of the Company (the "Board").

#### 2. (Appointment of Members of the Independent Committee)

There shall be no less than three (3) members in the Independent Committee. The Board shall appoint the members of the Independent Committee from (i) outside directors of the Company, (ii) outside statutory auditors of the Company and (iii) other outside experts, who are independent from the management that executes the business of the Company. Such outside experts must be experienced corporate managers, persons with profound knowledge of the investment banking business or the business field of the Company, lawyers, certified public accountants, researchers whose research focuses on the Companies Act of Japan or the like or persons of similar qualifications, and must have executed with the Company an agreement separately specified by the Board that includes a provision on the duty of care of such outside expert against the Company.

#### 3. (Term of Office of Members of the Independent Committee)

Unless otherwise determined by a resolution of the Board, the term of office of members of the Independent Committee shall be until the conclusion of the annual general shareholders meeting relating to the final fiscal year ending within three (3) years after the appointment. The term of office of any member of the Independent Committee who is either outside director or outside statutory auditor of the Company shall terminate simultaneously in the event that he or she ceases to be a director or statutory auditor of the Company (except in the case of re-appointment).

#### 4. (Convocation of Meetings of the Independent Committee)

Any member of the Independent Committee may convene a meeting of the Independent Committee in the event of the emergence of an Acquirer or at any other time.

#### 5. (Requirements for Resolution)

Resolutions of meetings of the Independent Committee shall pass with a majority of the votes cast where at least two-thirds (2/3) of all the members of the Independent

Committee are in attendance.

6. (Matters to be Resolved and Responsibility)

The Independent Committee shall perform duties prescribed in the Plan and the Rules. The Independent Committee shall decide the matters described in each Item below and make recommendations to the Board by submitting the document describing the details of and reasons for such decision. Each member of the Independent Committee must make such decisions from the viewpoint of whether or not to contribute to the corporate value of the Company and the common interests of its shareholders and not for the purpose of benefitting him or herself or the management of the Company.

- (i) Whether or not to implement the gratis allotment of Stock Acquisition Rights
- (ii) Suspension of the gratis allotment of Stock Acquisition Rights or the acquisition of the Stock Acquisition Rights without contribution
- (iii) Any other matters that are to be determined by the Board, on which the Board has consulted the Independent Committee

7. (Collection of Information)

- (i) If the Independent Committee determines that the Acquisition Document and the information provided by the Acquirer are insufficient as Essential Information, it shall request the Acquirer to provide additional Essential Information. Furthermore, in cases where the Independent Committee receives the Acquisition Document and Essential Information from the Acquirer, it may request the Board to provide within a prescribed period an opinion with regard to the terms of the Acquisition by the Acquirer, materials supporting such opinion, an alternative plan (if any) and any other information and materials that the Independent Committee may determine necessary from time to time.
- (ii) In order to collect necessary information, the Independent Committee may request the attendance of a director, statutory auditor or employee of the Company or any other party that the Independent Committee may determine necessary and may request him or her to explain any matter that it requests.
- (iii) The Independent Committee may obtain advice from independent third parties (including financial advisers, certified public accountants, lawyers, consultants and other experts) at the expense of the Company.

## Exhibit 2

### Career Summary of Members of the Independent Committee

The members of the Independent Committee at the time of the continuance of the Plan are scheduled to be the following three (3) people:

Toshio Takano

[Career Summary]

April 1968	Public Prosecutor, the Sapporo District Public Prosecutors Office
March 1987	Deputy Public Prosecutor in the Special Investigation Department, the Tokyo District Public Prosecutors Office
April 1993	Chief Public Prosecutor in the Criminal Department, the Tokyo District Public Prosecutors Office
December 1994	Public Prosecutor, the Supreme Public Prosecutors Office
July 1995	Chief Public Prosecutor, the Kofu District Public Prosecutors Office
December 1999	Chief Public Prosecutor in the Criminal Department, the Supreme Public Prosecutors Office
November 2000	Chief Public Prosecutor, the Tokyo District Public Prosecutors Office
November 2001	Chief Public Prosecutor, the Sendai High Public Prosecutors Office
January 2004	Chief Public Prosecutor, the Nagoya High Public Prosecutors Office
April 2005	Admitted to the Japanese Bar, Director of Japan International Training Cooperation Organization
February 2006	Establish Takano Law Office
May 2007	Advisor, Broadcasting Ethics & Program Improvement Organization
July 2007	Acting Chairman, The Central Third-Party Committee to Check Pension Records
July 2011	Chairman, The Central Third-Party Committee to Check Pension Records (present post)
March 2016	Outside Director, The Public Interest Incorporated Foundation Nihon Sumo Kyokai (present post)

Mr. Takano is an outside statutory auditor of the Company.

There exists no relationship involving a special interest or transactional relationship between Mr. Takano and the Company.



Jiro Iwasaki

[Career Summary]

April 1974	Joined TDK Corporation
March 1989	CEO of TDK Malaysia
June 1992	General Manager of Corporate Strategies and Planning, TDK Corporation
June 1996	Director, General Manager of Human Resources, TDK Corporation
June 1998	Director & Senior Vice President, Executive Officer of Recording Media & Solutions Business Group, TDK Corporation
October 2001	Director & Senior Vice President, Executive Officer of Administration Group, TDK Corporation
June 2006	Director & Executive Vice President, Senior Executive Officer of Administration Group, TDK Corporation
March 2008	Outside Audit and Supervisory Board Member, GCA Savvian Group (Now GCA Savvian Corporation)
October 2008	Outside Director, JVC KENWOOD Holdings, Inc.
June 2009	Director & Senior Vice President & Executive Officer, Strategic Human Resources & Administration Division, JVC KENWOOD Holdings, Inc.
March 2011	Outside Audit and Supervisory Board Member, SBS Holdings, Inc.
April 2011	Professor, Faculty of Economics/Department of Business Administration, Teikyo University
March 2015	Outside Director (Current), SBS Holdings, Inc.
April 2015	Standing Audit and Supervisory Board Member (Current), GCA Savvian Corporation

There exists no relationship involving a special interest or transactional relationship between Mr. Iwasaki and the Company.

Mitsuaki Nakakubo

[Career Summary]

April 1995	Admitted to the Japanese Bar (Dai-ni Tokyo Bar Association)
April 1995	Asahi Law Offices
April 2001	Partner, Asahi Law Offices
October 2002	Partner, Asahi & Koma Law Offices
April 2004 - March 2006	Vice Chairman, Legal Training Committee, Dai-ni Tokyo Bar Association

June 2005 - August 2007	Member of the Independent Committee with regard to the Introduction of Takeover Defense Measures of Pentax Corporation (listed in the first section of the Tokyo Stock Exchange at the time)
April 2007	Partner, Asahi Law Offices (present post)
June 2007	Member of the Corporate Value Evaluation Committee with regard to the introduction of Takeover Defense Measures of GS Yuasa Corporation (listed in the first section of the Tokyo Stock Exchange) (present post)
April 2008- March 2009	Member of the House of Delegates, Dai-ni Tokyo Bar Association
April 2012	Contract Review Committee Member, Japan International Cooperation Agency (JICA) (present post)

There exists no relationship involving a special interest or transactional relationship between Mr. Nakakubo and the Company.

Exhibit 3

Major Shareholders of the Company (as of March 31, 2016)

1. Number of Total Issuable Shares

233,838,000 ordinary shares (100 shares per unit)

2. Number of Total Issued Outstanding Shares

65,176,600 ordinary shares

3. Number of Shareholders

92,605

4. Types of Shareholders

Type of Shareholders	Number of Shareholders	Number of Shares	Shareholding Ratio (%)
Financial Institutions	28	8,624,900	13.23
Financial Instruments	26	296,164	0.45
Business Operators			
Other Corporations	295	11,652,204	17.88
Foreign Corporations	230	9,813,168	15.06
Individuals and Others	92,025	32,236,787	49.46
Treasury Shares	1	2,553,377	3.92
Total	92,605	65,176,600	100.00

5. Major Shareholders

Name of Shareholder	Number of Shares	Shareholding Ratio (%)
KI Corporation	8,507,500	13.05
Kenji Ikemori	5,709,680	8.76
HSBC PRIVATE BANK ( SUISSE ) SA HONG KONG BRANCH A/C CMC HOLDINGS LIMITED	4,586,300	7.04
Fancl Corporation	2,553,377	3.92
Pillows Co., Ltd	2,422,000	3.72
Masaharu Ikemori	1,926,292	2.96

Akiko Miyajima	1,838,532	2.82
Hiromitsu Miyajima	1,797,260	2.76
Japan Trustee Services Bank, Ltd. (Trust Account)	1,734,300	2.66
Yukio Ikemori	1,376,780	2.11