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Securities Code: 3101

June 6, 2017

To our shareholders:

Seiji Narahara
Director, President
Toyobo Co., Ltd.
2-2-8 Dojima Hama, Kita-ku, Osaka

Notice of the 159th Annual General Meeting of Shareholders

You are cordially invited to attend the 159th Annual General Meeting of Shareholders of Toyobo Co., Ltd. (the "Company"), which will be held as follows.

Note that if you are unable to attend on the day of the event, your voting right can be exercised in writing or over the internet. In that case, please consider the subsequent Reference Documents for General Meeting of Shareholders, exercise your voting right by the end of business hours at 5:30 p.m. on Tuesday, June 27, 2017 (JST).

1. Date and Time: Wednesday, June 28, 2017, at 10:00 a.m. (JST) (Reception will begin at 9:00 a.m.)

2. Venue: 12th Floor Main Hall, Head Office
2-2-8 Dojima Hama, Kita-ku, Osaka

3. Purpose of the Meeting

Matters to be reported:

1. Business Report, Consolidated Financial Statements for the 159th term (April 1, 2016 to March 31, 2017), and audit results of the Consolidated Financial Statements by the Financial Auditor and the Board of Corporate Auditors
2. Non-consolidated Financial Statements for the 159th term (April 1, 2016 to March 31, 2017)

Matters to be resolved:

- | | |
|-----------------------|--|
| Proposal No. 1 | Appropriation of Surplus |
| Proposal No. 2 | Consolidation of Shares |
| Proposal No. 3 | Election of Nine Directors |
| Proposal No. 4 | Election of Three Corporate Auditors |
| Proposal No. 5 | Renewal of Countermeasures Against Large-Scale Purchases of the Company's Shares (Takeover Defense Measures) |

4. Matters Decided on Regarding the Convocation

If multiple votes are exercised in writing, over the internet, etc., the vote exercised over the internet, etc., will be counted as the valid vote. In addition, if multiple votes are exercised through the same method, the last vote exercised will be counted as the valid vote.

- Please bring the enclosed voting form for submission at reception desk when you attend on the day of the meeting.
- As the following items are posted on our website on the internet (<http://www.toyobo.co.jp/>), based on laws and regulations and the provisions of Article 18 of the Company's Articles of Incorporation, they are not described in the materials attached to this convocation notice.
 - 1) Consolidated Statements of Changes in Equity in the Consolidated Financial Statements
 - 2) Accompanying notes to the Consolidated Financial Statements
 - 3) Statements of Changes in Equity in the Non-consolidated Financial Statements
 - 4) Accompanying notes to the Non-consolidated Financial Statements

Accordingly, the Consolidated Financial Statements and the Non-consolidated Financial Statements that were audited when the Corporate Auditors prepared the audit report and the Financial Auditor prepared the independent audit report include both items described in the materials attached to this convocation notice and items posted on the Company's website.

- Note that if there are any modifications in the Business Report, the Consolidated Financial Statements, the Non-consolidated Financial Statements, or the Reference Documents for General Meeting of Shareholders, they will be posted on our website on the internet (<http://www.toyobo.co.jp/>).

Reference Documents for General Meeting of Shareholders

Proposals and reference items

Proposal No. 1 Appropriation of Surplus

The Company proposes the appropriation of surplus as follows:

Year-end dividends

The Company views the provision of appropriate profit returns to shareholders as one of the most important management issues, and dividends are determined through an overall judgment that takes into consideration matters such as profit levels, retained earnings for future investments, and improvements to our financial position, while setting the continuation of stable dividend as our basic policy, with a target total return ratio of 30%. In consideration of our business performance for the current fiscal year as stated in the business report, the year-end dividend for the current fiscal year is as follows.

- (1) Type of dividend property
Cash
- (2) Allotment of dividend property to shareholders and their aggregate amount
¥3.5 per common share for a total of ¥3,107,224,180
- (3) Effective date of dividends of surplus
June 29, 2017

Proposal No. 2 Consolidation of Shares

(1) Reasons for the proposal

Japanese stock exchanges are promoting the “Action Plan for Consolidating Trading Units,” which advocates that Japanese listed companies adopt standardized trading units (number of shares as a basic unit) of 100 shares of common stock, for the purpose of increasing the convenience of users of the stock exchange, such as investors. Accordingly, the Company proposes to change its number of shares as a basic unit from 1,000 shares to 100 shares.

Because of this, in order to maintain the price per unit of shares and ensure that there is no change to the number of voting rights held by shareholders after changing the number of shares as a basic unit, we will conduct a consolidation of shares as follows, and amend the total number of authorized shares in line with this consolidation.

Furthermore, the aforementioned change to the number of shares as a basic unit will come into effect as of October 1, 2017, assuming this proposal is approved and adopted as is.

(2) Consolidation ratio

10 shares will be consolidated to 1 share of common stock of the Company.

Furthermore, if shareholders are left holding a fraction that amounts to less than 1 share as a result of the consolidation of shares, the company will dispose of said fractions and pay compensation to the relevant shareholders in proportion to the portion of shares held in accordance with the provisions of the Companies Act.

(3) Date on which the consolidation of shares comes into effect (Effective Date)

October 1, 2017

(4) Total number of authorized shares on Effective Date

200,000,000 shares

Furthermore, the Articles of Incorporation will be deemed to have been amended in relation to the total number of authorized shares as of the Effective Date, due to this consolidation of shares, based on the stipulations of Article 182, Paragraph 2 of the Companies Act.

[Reference]

If this proposal is approved and adopted as is, the Company’s Articles of Incorporation will be partially amended as follows, as of October 1, 2017.

(The underlined sections indicate amendments.)

Current Articles of Incorporation	Amended Articles of Incorporation
Article 6 (Total Number of Shares) The total number of shares this Company is authorized to issue shall be <u>two billion (2,000,000,000)</u> shares.	Article 6 (Total Number of Shares) The total number of shares this Company is authorized to issue shall be <u>two hundred million (200,000,000)</u> shares.
Article 8 (Number of Shares as a Basic Unit) The number of shares as a basic unit of this Company shall be <u>one thousand (1,000)</u> shares.	Article 8 (Number of Shares as a Basic Unit) The number of shares as a basic unit of this Company shall be <u>one hundred (100)</u> shares.

Proposal No. 3 Election of Nine Directors

At the conclusion of this meeting, the terms of office of all nine Directors will expire. Therefore, the Company proposes the election of nine Directors (including two outside Directors).

The candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
1	Ryuzo Sakamoto (November 20, 1947) Reelection	Apr. 1972 Joined the Company June 2002 Director June 2005 Director, President and Chief Operating Officer Apr. 2014 Director and Chairman (current position)	213,196 shares
2	Seiji Narahara (October 17, 1956) Reelection	Jan. 1988 Joined the Company Apr. 2010 Corporate Officer June 2011 Director and Corporate Officer Apr. 2014 Director, President and Chief Operating Officer (current position) (Currently Controlling Supervisor of Internal Audit Department)	135,790 shares
3	Kazumasa Koyama (January 16, 1952) Reelection	Apr. 1974 Joined the Company Oct. 2004 Deputy Director and General Manager of Life and Industrial Materials Operating Department Apr. 2006 Deputy Director, General Manager of Functional NW Operating Department, and General Manager of Spunbond Operating Department Apr. 2008 Corporate Officer June 2009 Director and Corporate Officer Apr. 2012 Director and Corporate Executive Officer Apr. 2016 Director and Corporate Senior Executive Officer (current position) (Currently Head of Plastics Division, Fibers, Textiles & Functional Products Division, and Healthcare Division)	80,239 shares

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
4	Yuji Oita (July 7, 1955) Reelection	<p>Apr. 1980 Joined the Company</p> <p>Apr. 2002 General Manager of Textile Technology Department</p> <p>June 2003 General Manager of Textile Technology Department, General Manager of Textile Development Department, General Manager of Komatsushima Plant, General Manager of Fuchizaki Plant, and General Manager of Miyagi Plant</p> <p>Apr. 2006 General Manager of HR Labor Administration Department</p> <p>Apr. 2008 Deputy Director, General Manager of Functional NW Operating Department, and General Manager of Spunbond Operating Department</p> <p>Apr. 2009 Deputy Director and Head of Tsuruga Research and Production Center</p> <p>Oct. 2011 Deputy Director and Head of Research Center</p> <p>Apr. 2012 Corporate Officer</p> <p>Apr. 2016 Corporate Executive Officer</p> <p>June 2016 Director and Corporate Executive Officer (current position)</p> <p>(Currently Controlling Supervisor of Procurement & Logistics Department, Human Resources Department, Law Department, Compliance Department, General Administration Department, Real Estate Operating Department, Tokyo Branch, and Nagoya Branch)</p>	51,522 shares
5	Masaru Watanabe (December 24, 1956) Reelection	<p>Apr. 1979 Joined the Company</p> <p>Mar. 1999 Manager of Funds Management Department</p> <p>July 2007 General Manager of Plastics Management Office</p> <p>Oct. 2009 Deputy Director, General Manager of Plastics Operation Planning Office, and General Manager of Plastics Management Office</p> <p>Apr. 2014 Corporate Officer</p> <p>June 2016 Director and Corporate Officer</p> <p>Apr. 2017 Director and Corporate Executive Officer (current position)</p> <p>(Currently Controlling Supervisor of Finance Department, and Accounting and Control Department. Supervisor of Internal Audit Department)</p>	34,050 shares
6	Hiroyuki Sato (June 3, 1952) New election	<p>Apr. 1976 Joined the Company</p> <p>Apr. 2001 Manager of Sports & Clothing Textile Department</p> <p>Apr. 2007 General Manager of Biochemical Operating Department</p> <p>Oct. 2007 Deputy Director and General Manager of Biochemical Operating Department</p> <p>Oct. 2009 Deputy Director and General Manager of Functional Fiber Operating Department</p> <p>Apr. 2011 Corporate Officer</p> <p>Apr. 2016 Corporate Executive Officer (current position)</p> <p>(Currently Head of Membranes & Environment Division)</p>	24,800 shares

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
7	Shigeo Takenaka (October 16, 1958) New election	Apr. 1981 Joined the Company Sept. 2004 Manager of America Office July 2006 General Manager of Vylon Department Apr. 2010 Deputy Director and General Manager of Vylon Department Apr. 2012 Deputy Director, General Manager of Functional Polymers Operating Department, and General Manager of Functional Polymers Technology & Development Department Apr. 2013 Corporate Officer Apr. 2017 Corporate Executive Officer (current position) (Currently Head of Films Division. Head of Specialty Chemical Division. Controlling Supervisor of Tsuruga Research and Production Center)	25,288 shares
8	Taketoshi Oka (September 19, 1945) Reelection Outside Independent	Apr. 1974 Registered as an attorney at law Apr. 1996 Vice Chairman of Osaka Bar Association July 2003 Established Kinki Chuou Law Office; Representative Partner (current position) June 2015 Director of the Company (current position) [Significant concurrent positions outside the Company] Representative Partner of Kinki Chuou Law Office	0 shares
9	Masaru Nakamura (September 3, 1953) New election Outside Independent	Apr. 1977 Joined Sumitomo Corporation Apr. 2006 Corporate Officer Apr. 2008 Executive Officer Apr. 2010 Managing Executive Officer Apr. 2012 Senior Managing Executive Officer Apr. 2016 Adviser (current position)	0 shares

- Notes:
1. There is no special interest between any of the candidates and the Company.
 2. Both Taketoshi Oka and Masaru Nakamura are candidates for outside Director and satisfy the requirements of the Independence Standards for outside Officers stipulated by the Company.
 3. The Company has notified the Tokyo Stock Exchange of Taketoshi Oka's appointment as outside Officer as provided for by the aforementioned exchange. If the election of Masaru Nakamura is approved, the Company plans to notify the aforementioned exchange of his appointment as outside Officer.
 4. Taketoshi Oka served as a member of the Independence Committee prescribed in the Company's Takeover Defense Measures from June 2008 to June 2014.
 5. Remarks related to the candidates for outside Directors are as follows.
 - (1) Reasons for nomination as candidates for outside Director
We propose the nomination of Taketoshi Oka and Masaru Nakamura so that their abundant experience and broad insight as an attorney at lawyer and a manager, respectively, can be leveraged to provide advice from the perspective of transparency and fairness regarding the Company's management.
Note that while Taketoshi Oka has never in the past been involved in the management of a company except as an outside Director or outside Corporate Auditor, the Company judges that he will appropriately fulfill his duties as an outside Director based on the above reasons.
 - (2) Instances of breaches of the law or the Articles of Incorporation and other instances of improper execution of business at the Company, and outline of preventive measures and responses following occurrence implemented by the candidate, during the most recent term of appointment in which this candidate for outside Director has already served as an outside Director of the Company
In October 2016, the Company confirmed that funds were generated through fictitious orders of materials, etc. placed by a former employee of the Company, and that said funds were used for personal purposes. Taketoshi Oka was not aware of this matter until it was brought to light; however, prior to this, he had provided advice and admonitions relating to the importance of compliance as necessary and from time to time at meetings of the Board of Directors. Furthermore, after this matter was brought to light, he fulfilled his responsibilities, such as by offering suggestions aimed at prevention of recurrence, including enhancing the internal management system, from an independent standpoint.

(3) Tenure as outside Director of the Company

At the conclusion of this meeting, Taketoshi Oka's tenure as outside Director of the Company will have been two years.

(4) Limited liability agreement with outside Directors

Article 28 of the Articles of Incorporation stipulates that the Company will enter an agreement with outside Directors limiting liability for damage for failure to perform duties, and the Company has entered into a limited liability agreement with Taketoshi Oka limiting liability to the limit stipulated by laws and regulations. If the election of Taketoshi Oka is approved, the Company plans to renew the aforementioned agreement with him. If the election of Masaru Nakamura is approved, the Company plans to enter into the same agreement with him.

Proposal No. 4 Election of Three Corporate Auditors

At the conclusion of this meeting, the terms of office of Corporate Auditors Morito Morita and Akio Ukai will expire and Corporate Auditor Yoshinori Sato will resign. Therefore, the Company proposes the new election of three Corporate Auditors.

In addition, the consent of the Board of Corporate Auditors has been obtained for this proposal.

The candidates for Corporate Auditor are as follows:

Candidate No.	Name (Date of birth)	Career summary, position in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
1	Taneaki Nagata (January 20, 1957) New election	Apr. 1980 Joined Shinko Sangyo Co., Ltd. Apr. 2009 Transferred to the Company as Senior Coordinator; seconded to Toyobo Specialties Trading Co., Ltd. (currently TOYOBO STC CO.,LTD.) Apr. 2010 Deputy Director of the Company; seconded to Toyobo Specialties Trading Co., Ltd. Apr. 2012 Deputy Director and General Manager of Global Business Planning Department Apr. 2014 Corporate Officer Apr. 2017 Advisor (current position)	35,974 shares
2	Shiro Takenaka (November 8, 1954) New election Outside Independent	Apr. 1979 Joined Osaka Gas Co., Ltd. June 2007 Corporate Officer Apr. 2011 Executive Officer Apr. 2012 Deputy Director June 2012 Audit & Supervisory Board Member June 2016 Outside Audit & Supervisory Board Member of OGIS-RI Co.,Ltd. (current position) [Significant concurrent positions outside the Company] Outside Audit & Supervisory Board Member of OGIS-RI Co.,Ltd.	0 shares
3	Hiroyuki Sugimoto (February 24, 1953) New election Outside Independent	Nov. 1975 Joined Asahi & Co. (currently KPMG AZSA LLC) Sept. 1979 Registered as certified public accountant May 2000 Representative Partner of Asahi & Co. (currently KPMG AZSA LLC) June 2008 Board Member of KPMG AZSA & Co. (currently KPMG AZSA LLC) Aug. 2010 Retired KPMG AZSA LLC Sept. 2010 Established Sugimoto Certified Public Accountant Office; Representative (current position) Mar. 2016 External Audit & Supervisory Board Member of SAKATA INX CORPORATION (current position) [Significant concurrent positions outside the Company] Representative of Sugimoto Certified Public Accountant Office External Audit & Supervisory Board Member of SAKATA INX CORPORATION	10,000 shares

- Notes:
1. There is no special interest between any of the candidates and the Company.
 2. Both Shiro Takenaka and Hiroyuki Sugimoto are candidates for outside Corporate Auditor and satisfy the requirements of the Independence Standards for outside Officers stipulated by the Company.
 3. If the elections of Shiro Takenaka and Hiroyuki Sugimoto are approved, the Company plans to notify the Tokyo Stock Exchange of their appointments as outside Officer as provided for by the aforementioned exchange.
 4. Remarks related to the candidates for outside Corporate Auditor are as follows.
 - (1) Reasons for nomination as candidates for outside Corporate Auditor

We propose the nomination of Shiro Takenaka and Hiroyuki Sugimoto so that their abundant experience of audit and insight as a corporate auditor at listed companies, etc. and a certified public accountant, respectively, can be used for the audit of the Company.

Note that while Hiroyuki Sugimoto has never in the past been involved in the management of a company except as an outside Director or outside Corporate Auditor, the Company judges that he will appropriately fulfill his duties as an outside Corporate Auditor based on the above reasons.

(2) Limited liability agreement with outside Corporate Auditors

Article 36 of the Articles of Incorporation stipulates that the Company will enter an agreement with outside Corporate Auditors limiting liability for damage for failure to perform duties. If the elections of Shiro Takenaka and Hiroyuki Sugimoto are approved, the Company plans to enter into limited liability agreements with them limiting liability to the limit stipulated by laws and regulations.

[Reference] Independence Standards for Outside Officers

The Company has deemed that if none of the attributes in the following items apply, the outside Director or outside Corporate Auditor (or the candidate for outside Director or outside Corporate Auditor) has a high degree of independence from the Company, and there are no concerns of conflicts of interest with general shareholders.

- (1) A major shareholder in the Company (refers to a shareholder with a voting rights ownership ratio of 10% or more; the same applies below) or an individual who executes business for the shareholder
- (2) An individual who executes business for a company of which the Company is a major shareholder
- (3) A business partner of the Company for which the Company is a major partner (refers to a party that provides products or services to the Company for which the average annual transaction amount for the past three fiscal years is over 2% of that business partner's annual gross sales) or an individual who executes business for that company
- (4) A major business partner of the Company (refers to a party that the Company provides products or services to for which the average annual transaction amount for the past three fiscal years is over 2% of the Company's annual gross sales) or an individual who executes business for that company
- (5) An individual who executes business as an employee of a financial institution that is a major lender to the Company (refers to a lender for which the loan balance amount is equivalent to over 2% of the Company's total assets)
- (6) An individual who obtains over ¥10 million per year in cash or other assets in profit from the Company as a specialist, such as a consultant, accountant, or attorney at law, other than officers' compensation (or an individual who belongs to a corporation, etc., that obtains over ¥100 million per year in this matter)
- (7) An individual for which any item in (1) to (6) above has applied within the past three years
- (8) A relation within the second degree of an individual for which any item in (1) to (7) above applies

Note: Even if none of the attributes above apply, in some cases it may be deemed that there is no independence in consideration of matters such as transaction volumes at a Group company of the Company or a Group company of a business partner.

Proposal No. 5 Renewal of Countermeasures Against Large-Scale Purchases of the Company's Shares (Takeover Defense Measures)

The Company adopted the measures against Large-scale Purchases (as defined below) of the shares and other equity securities in the Company ("Company Shares") (takeover defense measures) that are deemed to be against the enhancement of the Company's corporate value and in turn, its shareholders' common interests after obtaining approval of its shareholders at the 150th ordinary general shareholders' meeting held on June 27, 2008. Furthermore, the relevant measures were renewed with the approval of shareholders at the 156th ordinary general shareholders' meeting on June 27, 2014 (the Company's takeover defense measures after the 2nd renewal are hereinafter referred to as the "Former Plan").

The Former Plan expires at the conclusion of the ordinary general shareholders' meeting for the year ended March 31, 2017 ("Ordinary General Shareholders' Meeting"). It has been unanimously decided and approved at the meeting of the Board of Directors held on May 11, 2017, to amend and renew the Former Plan as described in III. below subject to the approval of the shareholders at the Ordinary General Shareholders' Meeting (the Company's takeover defense measures after the 3rd renewal are hereinafter referred to as the "Plan").

Accordingly, the Company hereby requests that the shareholders approve this Item of Business by an affirmative vote of the majority of participating shareholders in order to adequately reflect the shareholders' will for the Plan.

Please note that while the Plan has changed some wording in the Former Plan as a matter of form, no substantial changes have been made.

<Basic viewpoint concerning the Plan renewal>

As described in I. below, the Company believes that it is ultimately up to the shareholders to accept or reject any Large-scale Purchases that involve a transfer of control over the Company.

Under this basic policy, in order to allow the shareholders to properly decide whether or not a Large-scale Purchase contributes to the Company's corporate value and in turn, its shareholders' common interests, the Company believes that sufficient information and time for examination must be ensured, and that there is a need to undergo a process of adequate discussions with Large-scale Purchasers.

The effects of the renewal of the Plan based on the abovementioned viewpoint are as follows:

- If the Plan is not renewed, there is no need to provide any information prior to the commencement of the tender offer even if a tender offer bid (TOB) is applied. Furthermore, the Company is required to submit a position statement within ten business days from the public notice on the commencement of the tender offer. By contrast, if the Plan is renewed, a written purchase proposal as described in the Plan must be submitted prior to the commencement of the tender offer, and the Company may also request additional information. In addition, the Company is able to consider the contents thereof for 60 days or 90 days. As a result, the Company would be able to disclose sufficient information to its shareholders and thus, there would be enough time to consider whether to accept or reject the tender offer.
- In addition, a TOB does not apply to on-market purchases in principle, but if the Plan is renewed, the Plan will apply to all Large-scale Purchases in general and would enable the Company to also respond to any improper on-market purchases.

In light of the above reasons, the Company believes that the renewal of the Plan is necessary to enable its shareholders to properly determine whether to accept or reject any Large-scale Purchases.

I. Basic Policy on Ideal Person Who has Control Over Decisions on the Company's Financial and Business Policies

The Company believes that since the Company allows the Company Shares to be freely traded as a listed company, the decision on whether to accept or reject any Large-scale Purchases (as defined in III. 2. (3) (i) below; hereinafter the same) that involve a transfer of control over the Company should be ultimately decided based on the shareholders' will.

However, in recent years, there are Large-scale Purchases of shares and other equity securities ("Shares") in the Japanese capital markets in which such Purchases are unilaterally and forcibly conducted without approval of the current management. There are quite a number of Large-scale Purchases that significantly impair the Company's corporate value and in turn, its shareholders' common interests such as: (i) acquisitions that purport to demand a high-value acquisition against the target company, or acquisitions that seek the interests of the Large-scale Purchaser (as defined in III. 2. (3) (i) below; hereinafter the same) at the expense of the company such as through a cheap purchase of material assets, technical information and other similar assets; (ii) acquisitions that pose the risk of coercing the shareholders to sell their shares; (iii) acquisitions that fail to provide sufficient time to the shareholders to consider the matter or that are conducted without undergoing a process of sufficient discussion or agreement with the target company's management; or (iv) acquisitions that pose the risk of damaging the relationships with employees, business partners, customers and other stakeholders that are required to improve the target company's corporate value.

The Company believes that a person who has control over decisions on its financial and business policies must be someone who has a sufficient understanding of the Company's finances, basic philosophy, business activities and core technologies, and who aims to enhance the Company's corporate value and in turn, its shareholders' common interests in the long run. Accordingly, anyone who conducts such inappropriate Large-scale Purchases or any other similar conduct that may impair the Company's corporate value and in turn, its shareholders' common interests as described above is inappropriate as a person who has control over decisions on the Company's financial and business policies. Thus, the Company believes that it is indispensable to have a framework to prevent such Large-scale Purchases and similar conduct.

II. Special Efforts for Realization of the Basic Policy

1. Efforts contributing to the enhancement of corporate value

(1) Ideal position sought by the Company

The Company aims to become a "category leader, continuing to create new value that contributes to the society in the environment, healthcare and high-function product fields," and to provide distinctive products in both domestic and overseas markets. It also seeks to expand business growth. A "category leader" is a business that overwhelmingly dominates in a specific market or field as a result of a company's unique technology and expertise. In terms of business evolution, the Company will not only seek expansion of scale, but will adopt a basic strategy of offering high value-added products by leveraging its technologies which are advantageous in niche markets. In addition, "constant portfolio reform" is named as one of its management policies, pursuant to which the Company purports to maintain and expand its business by decreasing and terminating products and businesses that have become irrelevant in the contemporary world, and by marketing new products that contribute to the society. This, in other words, means to proactively change the content of the Company's business and to ensure a collection of highly profitable products.

In the medium-term management plan prepared in 2014 (encompassing the four years ending in FY 2017; hereinafter "2014 Medium-term Plan"), the Company envisioned record "net sales of JPY 500 billion and an operating income of JPY 50 billion" as its "targets for the future." With the ultimate goal clearly set, the Company will establish milestones to reach such goal and achieve authentic growth.

(2) To achieve growth by "constant portfolio reform"

The Company was founded as a cotton spinning business, and thereafter expanded its business to chemical textiles and synthetic fibers. The Company later entered into the markets of films, functional polymers, ultrahigh strength polyethylene fiber, functional membranes and enzymes for diagnostics, and has continued to expand its specialty businesses as represented by these products.

The clothing fiber business which had a high component ratio in FY 1995 dramatically decreased by FY 2015. By contrast, films and functional polymers and other specialty businesses widely expanded their component ratios.

While specialty businesses were expanded, the structural reorganization of the clothing fiber business was also conducted in parallel, and expenses associated therewith temporarily oppressed income. However, the structural reorganization was "closed" by the end of FY 2008, and the Company has advanced to a stage of growth. Our net profits have steadily increased from FY 2009 onwards.

The Company will continue to engage in "constant portfolio reform" and seek stable profitability and growth.

(3) Four core technologies and source of competitiveness

- Unique business model responding to meticulous demands of customers -

In the course of its more than 130 years of history, the Company has nurtured and developed its four core technologies, namely, "Polymerization," "Modification," "Processing," and "Biotechnology." The Company has established a "business model that responds to meticulous demands of customers with an integrated development, production and marketing segment based on its core technologies." The Company's strategy is to respond to the meticulous demands of customers and provide customized products to customers, so as to differentiate itself from other competitors. This unique business model has allowed the Company to widely win customers' trust in a number of businesses but mainly in films and functional polymers. It also has been a source of the Company's unique competitiveness.

(4) "Corporate value" in terms of economic value

- ROA, D/E ratio, ROE, total return ratio -

The Company believes that "corporate value" consists of economic value and social value.

Economic value is mainly comprised of profit, cash flow, asset efficiency, financial standing and shareholder return.

The Company has emphasized the importance of a "return on assets (ROA)" that indicates asset efficiency and profitability, and a "ratio of total liabilities and net assets (excluding minority shareholders' equity) (D/E Ratio)," which is a ratio that indicates the stability of finance.

Also in 2015, given the improvement of profitability, a goal for return on equity (ROE), a profitability index based on shareholders' equity, has also been set.

Furthermore, the Company acknowledges that shareholder return is one of the most crucial items to be achieved by companies. Shareholder return is based on ongoing stable dividends, and is determined by comprehensively taking into account the income level, internal reserves for future investments, and financial standing of the Company. Henceforth, the Company will ensure shareholder return including purchase of treasury shares with a total return ratio (*) of 30% as a standard.

(Note) $\text{Total return ratio} = (\text{Total dividends} + \text{Total amount of acquisition of treasury shares} / \text{net income attributable to parent company shareholders})$

(5) "Corporate value" in terms of social value

- Complying with rules as a member of society and meeting social expectations -

A company's social values are comprised of the provision of products and services that contribute to society, and trust and evaluation from stakeholders. "Stakeholders" mentioned herein mean customers, shareholders, investors, business partners, local communities, employees and the global environment.

The Company regards corporate social responsibility (CSR) as the cornerstone for its business activities. The Company has established the CSR Committee, chaired by the President, which provides a framework for the unified management and oversight of the Company's relationship with all stakeholders. In addition, "Jun-Ri-Soku-Yu," which was one of the personal maxims of the Company's founder Eiichi Shibusawa, is set forth as the Company's corporate philosophy. This maxim means "adhering to reason leads to prosperity," and is also linked to corporate governance and compliance which are grounds for the enhancement of corporate value.

By contrast, misconduct that impaired the Company's corporate value occurred in 2016 despite the abovementioned efforts. The Company took this matter seriously and established the Compliance Department in January 2017, in order to reinforce its internal system to prevent any recurrence. Hereinafter, the Company is committed to continuing its efforts to reform the employees' awareness and internal culture mainly based on the activities of the Compliance Department.

Under Jun-Ri-Soku-Yu, the Company will proactively fulfill its social responsibility in order to remain a trustworthy company based on its awareness that companies are members of society. Moreover, the Company will contribute to the creation of a sound and sustainable society through its products and services that serve the society.

2. Efforts to resolve medium-term management issues

Net sales of JPY 500 billion and an operating income of JPY 50 billion are the Company's targets for the future. 2014 Medium-term Plan is regarded as the medium-term plan leading to a path of growth. The following five objectives are set forth as action plans:

- (1) Accelerating overseas business development;
- (2) Developing new products and creating new businesses;
- (3) Strengthening competitiveness in domestic businesses;
- (4) Improving asset efficiency; and
- (5) Strengthening global group management.

All of these objectives are included in the overall management actions plans and in the action plans of each business segment. All the member companies are working together to attain the goals and realize growth. The specific efforts and their progress are as follows:

(1) Accelerating overseas business development

At present, overseas sales of the Company Group only account for approximately 30% of total sales, and expansion of overseas businesses is a challenge. Hereafter, the Company will increase the marketing of characteristic products and products that meet local needs mainly in the growing markets of developing countries by using its business infrastructure at overseas locations and combining alliances and M&A.

As a specific example, the engineering plastic business for automobiles is expanding mainly in North America, and a sales site was established in Mexico in 2016. It was also decided in 2017 that a sales site will be established in India. In the airbag fabrics business, the Company aims to become a global manufacturer with integrated global supply systems from yarn to fabric, and it will accelerate overseas business development beginning with its capacity increase in Thailand.

Additionally, the Company is aware that engaging and educating human resources who support overseas business development are also crucial challenges. Thus, the Company will strengthen engagement and education of local staffs in its overseas locations, and will proactively implement human resources strategies that widely adopt various types of human resources.

(2) Developing new products and creating new businesses

In the development of new products, our growth expectant new products, mainly "COSMOSHINE SRF," which was adopted by a major polarizer manufacturer for liquid crystal display televisions, will be expanded as planned in order to develop them as genuine growth drivers.

Furthermore, "regeneration-inducing materials," "overseas rollout of film-based products" and "separation membranes" are identified as three core growth fields. The Company will proactively engage in business development in these fields. In order to accelerate the development of new products, open innovation based on collaboration with outside entities has become increasingly important as product life cycles shorten. The Company has a track record of cases where a road for commercialization is underway and results can be expected from collaboration with universities such as in bone regeneration-inducing material.

In 2016, the Company established the "MIRAI" New Business Planning Group, an organization within the Corporate Planning Department that aims to promote new product development. The Company will continue to advance open innovation and accelerate new product developments.

(3) Strengthening competitiveness in domestic businesses

Cost-competitiveness is the source of corporate competitiveness, and the Company should work constantly to reduce costs as this is a conventional measure to be taken by management. Along with reforms in the materials procuring chain, the Company is proceeding with structural reforms in its domestic business locations, including the realignment of its machinery and equipment and the attraction of businesses to use its idle land resources. In addition, in both the Company's business lines and staff departments, it has set goals and measures for cost reduction and is thoroughly monitoring plan progress. Through these and other activities, the Company is endeavoring to strongly strengthen competitiveness in its domestic businesses.

Specifically, the Company reformed its polyester chain in FY 2014 and closed its bottle plastic and polyester raw material businesses.

In the film business, the Company began operating multi-purpose major film manufacturing facilities that manufacture both packaging films and industrial films. The Company attained highly efficient manufacturing and also strengthened its competitiveness in the film business.

(4) Improving asset efficiency

In the textiles and apparel business, the Company has not hesitated to reduce the size of and close certain facilities for the purpose of structural reform in order to improve the efficiency of its assets. In addition, even in its specialties businesses, the Company is reviewing businesses where profitability has declined along with changes in the business environment.

Specifically, the Company shut-down its Brazilian textile business in 2016. Looking ahead, the Company will proceed with thorough reforms at all business levels from a portfolio reform perspective. It will work seamlessly with all group companies and continue to manage with an emphasis on asset efficiency.

(5) Strengthening global group management

In order to accelerate overseas business development and expand the Company's business operations, the strengthening of global management functions will be an important issue. Specifically, the Company will proceed with a review of its organizational operations (for example, strengthening its global system of performance management), and upgrade its IT platforms. In addition, the Company will implement reforms in its human resources development systems for acquiring and training global human resources.

During implementation of the above five action plans and the pursuit of growth expansion, there were times where profitability in bug filter fabric or acryl fabric and other certain existing businesses decreased and caused the Company's profit results to suffer. The Company has taken such incidents seriously. Hereafter, the Company will draw plans based on an analysis of market opportunities and risks with better accuracy and sufficient assumption of risks. It will develop a system that can speedily respond to changes, so that the Company can become a "strong company" with a capacity for growth and stability that can contribute to the global society and continue to create new technologies and products.

3. Strict compliance with corporate governance system

In order to respond to the changing times and to enhance sustainable corporate value, the Company has established its governance system based on policies (i) ensuring timeliness and accuracy in decision-making, (ii) ensuring transparency in management, and (iii) emphasizing fairness.

The Company has adopted the Executive Officer System in order to clearly separate the decision-making and oversight functions of the Board of Directors and business execution by the executive officers for prompt and accurate decision-making. The Company has elected several outside directors to enhance management transparency and fairness.

With respect to risk management, the Company has established the CSR Committee, a committee engaged in overall risk management which is chaired by the President of the Board of Directors. Subcommittees under this CSR Committee consist of the Global Environment and Safety Committee, the Product Liability Prevention/Quality Assurance Committee, the Compliance Committee, the Export Reviewing Committee, the Internal Control Committee, the Information Committee, the Research and Development Committee, and the Intellectual Property Committee as a risk handling system. In order to use this structure and ensure actual action, the Company conducts systematic employee education and accident training. Moreover, the Company endeavors to implement activities to encourage highly-aware employees and to build a system that does not cause accidents. This is because the Company believes that the build-up of a safe work site is a basic premise in the manufacturing business.

III. Measures to Prevent Decisions on the Company's Financial and Business Policies from Being Controlled by Persons Deemed Inappropriate under the Basic Policy

1. Enhancement of corporate values and consequent realization of shareholders' common interests

(1) Existence of Large-scale Purchases of Shares that run counter to the enhancement of corporate values and consequent realization of shareholders' common interests

As described above, the Company is committed to making every effort to enhance its corporate value and consequent realization of its shareholders' common interests. Meanwhile, in recent years, we have seen some parties suddenly and forcibly making Large-scale Purchases of Shares in the capital markets without providing the existing shareholders of the target companies with sufficient time for consideration and without going through processes such as fully consulting or seeking agreement with the management of the target companies.

The Company certainly believes that there is no reason to deny any Large-scale Purchase of Shares which will enhance the corporate value of the target company and consequent realization of its

shareholders' common interests, even if the management of the target company does not assent to such a purchase.

However, we cannot deny the possibility that such Large-scale Purchases may include so-called "abusive takeovers" which will certainly cause severe damage to the company's corporate value, and in turn, to the shareholders' common interests. An example of this is greenmailing by parties that solely seek to elevate the price of the targets' Shares and to sell back their Shares to the targets or their related parties at inflated prices without any real intention of participating in the targets' management.

The Company is confident that the maintenance and development of long-standing relationships of trust with customers and remaining on good terms with various stakeholders will lead to the enhancement of the Company's mid to long-term corporate value and the interest of its shareholders. If any Large-scale Purchaser of the Company Shares does not understand such perspective and has no intention of ensuring and advancing such value and interests over a mid to long period of time, the acquisition by such a person will significantly damage the Company's corporate value and in turn, its shareholders' common interests.

(2) Need for renewal of the Plan

In principle, the Company Shares are freely transferrable and have been freely traded by a number of investors on stock markets. Accordingly, whether to accept a proposal for a Large-scale Purchase of the Company Shares should be ultimately left to the shareholders.

The Company believes that in order for the shareholders to appropriately judge whether any Large-scale Purchase made under circumstances as described in (1) above would contribute to improvement of the Company's corporate value and consequent realization of shareholders' common interests and to determine whether to accept a proposal for such Large-scale Purchase of the Company Shares, it is essential that both the Large-scale Purchaser and the Board of Directors provide them with appropriate and adequate information and ensure sufficient time for consideration. In addition, the Board of Directors believes that if it determines that a change or improvement in the methods and conditions of the Large-scale Purchase is needed from the viewpoint of securing or enhancing the Company's corporate value and its shareholders' common interests, the Board of Directors needs to negotiate with the Large-scale Purchaser about the methods and conditions of the Large-scale Purchase and to propose a substitute plan to the shareholders of the Company, among other actions. The time necessary for such negotiations or proposals should also be secured.

From the viewpoint as explained above, the Company has decided to renew the Former Plan with some necessary amendments and to propose the Plan as described below. The Plan requires the Large-scale Purchasers to comply with the Plan, and provides countermeasures to be applied if any Large-scale Purchaser does not comply with the Plan and where any Large-scale Purchase is determined to significantly damage the Company's corporate value and in turn, its shareholders' common interests.

To date, the Company has not received any proposal for a Large-scale Purchase.

2. Description of the Plan

(1) Outline of the Plan

The Plan requires each Large-scale Purchaser to comply with the prescribed procedures in making a Large-scale Purchase. The Plan also provides for, as a general rule, a gratis allotment of stock acquisition rights to the shareholders if the Large-scale Purchase is not in compliance with such procedures, and where the relevant Large-scale Purchase, even if in compliance with such procedures, is determined to severely damage the Company's corporate value and in turn, its shareholders' common interests, as a countermeasure against such a Large-scale Purchase. Furthermore, if it is determined appropriate to

trigger other countermeasures permitted under the Companies Act and other laws or the Articles of Incorporation of the Company, the Company may take such other countermeasures.

The stock acquisition rights to be allotted under the Plan (the "Stock Acquisition Rights") are expected to be issued with, among other things, (i) exercise conditions which prohibit the Large-scale Purchasers and their related parties from exercising the Stock Acquisition Rights and (ii) a call option which allows the Company to deliver shares of the Company's common stock to shareholders other than the Large-scale Purchasers and their related parties in exchange for the acquisition of their Stock Acquisition Rights.

If a gratis allotment of the Stock Acquisition Rights is effected, the ratio of the voting rights held by the relevant Large-scale Purchaser and its related parties to the Company's total voting rights may be substantially diluted owing to such exercise conditions or call options.

(2) Procedures for renewal of the Plan – approval at the Ordinary General Shareholders' Meeting

The Former Plan was approved by the 156th ordinary general shareholders' meeting held on June 27, 2014, pursuant to Article 16 of the current Articles of Incorporation of the Company, which had been established with the approval of the 150th ordinary general shareholders' meeting held on June 27, 2008. Pursuant to the provisions of said Article, we hereby ask for the approval of the proposed renewal of the Plan by a resolution of the Ordinary General Shareholders' Meeting in order to appropriately reflect the shareholders' intentions.

(3) Procedures for implementing the Plan

(i) Subject Large-scale Purchases

The acts subject to the Plan shall be a purchase or another type of acceptance of transfer for value of the Company Shares or any similar acts or a proposal for the same by any person (the "Specified Holder") for whom i. or ii. below will become 20% or more as a result of such purchase or another type of acceptance of transfer for value of no less than a certain number of the Company Shares:

- i. The total holding ratio¹ of the Company Shares held² by the holder³ of the Company Shares⁴; or
- ii. The total ownership ratio⁵ of the Company Shares owned⁶ or to be owned by the person making a purchase or another type of acceptance of transfer for value of the Company Shares⁷ or any similar acts and the Company Shares owned by the persons in special relationship⁸ with such person.

(provided, however, that any such acts that have been approved by the Board of Directors in advance shall be excluded; such purchase and similar acts are hereinafter referred to as the "Large-scale Purchases" and any person who makes or intends to make a Large-scale Purchase is hereinafter referred to as the "Large-scale Purchaser").

1. Meaning the "Holding Ratio of Share Certificates, etc." as defined in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act; hereinafter the same.
2. Meaning the "holding" as specified in the Financial Instruments and Exchange Act Article 27-23, Paragraph 4; hereinafter the same.
3. Meaning the "holder" as specified in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act, including persons deemed as holders under Paragraph 3 of the said Article; hereinafter the same.
4. Meaning the "Share Certificates, etc." as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act; hereinafter the same unless otherwise specified.
5. Meaning the "Share Certificates, etc. Holding Ratio" as defined in Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Act; hereinafter the same.
6. Meaning the "holding" as specified in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act; hereinafter the same.

7. Meaning the "Share Certificates, etc." as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act; hereinafter the same in this ii.
8. Meaning the "Persons in Special Relationship" as defined in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act. Provided, however, that with respect to the persons specified in Item 1 of the said Paragraph, excluding persons provided for in Article 3, Paragraph 2 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc. by Person Other than Issuer; hereinafter the same.

(ii) Disclosure of the Plan and request to the Large-scale Purchaser for the provision of information

Pursuant to the rules established by Tokyo Stock Exchange, Inc., the Company has made timely disclosure of the Plan and posted the Plan on the Company's website (<http://www.toyobo.co.jp/>).

Unless otherwise specified by the Board of Directors, prior to making a Large-scale Purchase, a Large-scale Purchaser is required to submit to the Board of Directors a written purchase proposal containing the information necessary for considering the details of the Large-scale Purchase as set forth in the items i. through x. below (the "Necessary Information") written in Japanese and the Large-scale Purchaser's statement of intention to comply with the procedures prescribed in the Plan. The written purchase proposal must be accompanied by a certificate of the registered matters, a copy of its articles of incorporation and other documents certifying the existence of the Large-scale Purchaser.

Upon receipt of the above-mentioned written purchase proposal, the Board of Directors shall promptly forward the same to the Independent Committee provided for in (iv) below. If the Board of Directors reasonably determines that in light of the terms, manner and other conditions of the relevant Large-scale Purchase, the information provided by the Large-scale Purchaser is insufficient for the shareholders to make an informed judgment and for the Board of Directors to evaluate and consider the proposal, the Large-scale Purchaser will be requested to submit, in the Japanese language, any additional information that the Board of Directors separately requires (Provided, however, that the Board of Directors shall not require the provision of additional information which is not necessary for the shareholders to make an appropriate judgment on the pros and cons of the acquisition and for the Board of Directors to evaluate and consider the proposal in view of the attributes of the Large-scale Purchaser, the terms of the Large-scale Purchase proposed by the Large-scale Purchaser, the contents and nature of the Necessary Information, among other factors).

Such a request for the provision of additional information must be made within ten business days after the receipt of the above-mentioned written purchase proposal or after any subsequent receipt of additional information, setting the due date for reply as appropriate (in principle, the maximum reply period shall be 30 days).

- i. Details about the Large-scale Purchaser and its group (including joint holders, persons in special relationship and (in the case of a fund,) partners and other members (including their specific names, capital structure, description of businesses, financial conditions and experiences in the businesses similar to those of the Company and the Company Group));
- ii. The number of the Company Shares currently held by the Large-scale Purchaser and its group, and the status of the trading of the Company Shares by the Large-scale Purchaser during the 60 days preceding the date of submission of the written purchase proposal;
- iii. The purpose of the Large-scale Purchase (such as the acquisition of control or participation in management, pure investment or investment for business relationships, or transfer of the Company Shares to third parties following the Large-scale Purchase; or if the purpose is to make an important suggestion or proposal (which means the "Act of Making Important Suggestion" as specified in Article 27-26, Paragraph 1 of the Financial Instruments and Exchange Act, Article 14-8-2, Paragraph 1 of the Order for Enforcement of the said Act, and Article 16 of the Cabinet Office Ordinance on Disclosure of the Status of Large-volume Holdings in Share Certificate, etc.) or otherwise, including a description to that effect and an

- outline of the relevant suggestion, proposal or otherwise; if there are two or more purposes, all of them must be described), and the method and terms of the Large-scale Purchase (including the class and number of the Company Shares intended to be acquired through the Large-scale Purchase, the amount and type of the consideration for the Large-scale Purchase, the timing of the Large-scale Purchase, the scheme of the related transactions, the legality of the method of the Large-scale Purchase and the feasibility of the Large-scale Purchase);
- iv. Outline of the basis of the calculation of the price for the Large-scale Purchase (including the facts and assumptions underlying the calculation, the calculation method, numerical information used for the calculation, and the expected amount of synergy of a series of transactions relevant to the Large-scale Purchase and the basis of the calculation of such an amount);
 - v. Financial support for the Large-scale Purchase (including the specific names of the financing providers (including substantial providers), financing methods and the terms of the related transactions);
 - vi. Management policy, manager candidates (including information on their experiences in businesses similar to those of the Company and the Company Group), business plan, financial plan, capital policy, dividend policy and asset utilization plans of the Company and the Company Group after the Large-scale Purchase (provided, however, that if the acquisition proposal by the Large-scale Purchaser is a cash-only acquisition involving no remaining minority shareholder, only a summary of the information under this Item will suffice);
 - vii. Policies on treatment after the Large-scale Purchase of the Company's and the Company Group's employees, business partners and customers and other stakeholders of the Company Group;
 - viii. Policies on recovery of the capital invested in the Large-scale Purchase;
 - ix. Existence or non-existence of any association with anti-social forces (whether direct or indirect), and the nature of the association, if any; and
 - x. Such other information as may be reasonably deemed necessary by the Board of Directors.

Upon becoming aware of the emergence of any Large-scale Purchaser, or upon receipt of a written purchase proposal or additional information, the Board of Directors shall promptly disclose to the shareholders the fact of such emergence or receipt. The Board of Directors shall disclose to the shareholders all or any part of the substance or other details of the information provided by the Large-scale Purchaser to the Board of Directors at a time deemed necessary by the Board of Directors for the shareholders' judgment.

(iii) Procedures for the Board of Directors' consideration

If the Board of Directors determines that the Necessary Information included in the written purchase proposal submitted by the Large-scale Purchaser meets the level necessary for the shareholders to make an appropriate judgment on the pros and cons of the proposed acquisition and for the Board of Directors to evaluate and consider the proposal (including the case where, as a result of the submission of the Necessary Information additionally required by the Board of Directors due to the insufficiency of the information originally provided by the Large-scale Purchaser, the Board of Directors determines that it has received, together with the written purchase proposal, information which is sufficient as the Necessary Information), the Board of Directors shall promptly give the Large-scale Purchaser and the Independent Committee a notice stating that fact as well as the start and end dates of the Board Evaluation Period (as defined below). The Board of Directors shall also make a timely and appropriate disclosure to the shareholders. The Board of Directors shall carefully formulate an opinion of the Board of Directors concerning the Large-scale Purchase and notify the Large-scale Purchaser of such opinion within 60 days from the day following the date of dispatch of said notice to the Large-scale Purchaser if the Large-scale Purchase by the relevant Large-scale Purchaser is to be a purchase and the like of all Company Shares for a cash-only consideration (in the Japanese currency), or within 90 days from the day following the date of dispatch in the case where the Large-scale Purchase is to be made in any other method (the "Board Evaluation Period").

In formulating such opinion, the Board of Directors shall receive advice from third parties independent of the Company (including investment banks, securities firms, financial advisers, attorneys-at-law, certified public accountants and other professionals), as necessary. The Board of Directors shall fully evaluate and examine the Necessary Information provided to the Board and respect to the maximum extent the Independent Committee's recommendations as set forth in (iv) below. The Board of Directors shall also make a timely and appropriate disclosure to the shareholders. If necessary, the Board of Directors will negotiate with the Large-scale Purchaser the terms and method of the Large-scale Purchase and may present a substitute proposal to the shareholders.

The Large-scale Purchaser may start the Large-scale Purchase after the lapse of the Board Evaluation Period, or if the Board of Directors has determined to convene a shareholders' meeting as set forth in (vi)-iii below, only after the close of the relevant shareholders' meeting. Provided, however, that upon receipt of the Non-implementation Notice as set forth in (vii) below, the Large-scale Purchaser may start the Large-scale Purchase from the business day following the date of the receipt of such notice.

(iv) Establishment of the Independent Committee

The Board of Directors ultimately determines whether a series of procedures have been performed in accordance with the rules set forth in the Plan, and if the rules set forth in the Plan have been observed, whether or not to implement certain countermeasures that are considered necessary and reasonable to secure or improve the Company's corporate value and in turn, its shareholders' common interests. In order to ensure the reasonableness and fairness of such determinations, the Company shall establish the Independent Committee as a body independent of the Board of Directors. The Independent Committee shall consist of no less than three and no more than five members, who shall be designated by the Board of Directors from among the outside directors, outside corporate auditors, attorneys-at-law, tax accountants, certified public accountants, academics, persons knowledgeable about the investment banking business and those outside the Company with experience serving as directors or executive officers (*shikkoyaku*) of other companies. At the time of the renewal of the Plan, three members of the Independent Committee are expected to be appointed. The name and career highlights of each proposed member of the Independent Committee are described in Exhibit 1 ("Names and Career Highlights of the Independent Committee Members"). The outline of the rules of the Independent Committee is set out in Exhibit 2 ("Outline of the Independent Committee Rules").

The Board of Directors will also make a timely and appropriate disclosure of a summary of the Independent Committee's decisions to the shareholders.

(v) Procedures for implementing the countermeasures

In determining whether to implement the countermeasures, the Board of Directors shall follow the procedures described below to ensure the reasonableness and fairness of such determinations.

Prior to implementing any countermeasures, the Board of Directors shall consult with the Independent Committee about whether to implement the countermeasures. Based on this consultation, the Independent Committee shall give the Board of Directors a recommendation on whether to implement the countermeasures after receiving, at the Company's expense, advice of third parties independent of the Company (including investment banks, securities firms, financial advisers, attorneys-at-law, certified public accountants and other professionals), if necessary. In determining whether or not to trigger the countermeasures, the Board of Directors will respect the Independent Committee's recommendations to the fullest extent.

In addition, in implementing the countermeasures, a resolution on implementation shall be unanimously adopted by all directors of the Company with the assent of all corporate auditors of the Company including all outside corporate auditors. Upon adopting such resolution, the Board of Directors shall promptly disclose to the shareholders a summary of the relevant resolution and such other matters as may be deemed appropriate by the Board of Directors.

The Board of Directors shall determine whether to implement the countermeasures after evaluating and considering, among other things, the nature of the relevant Large-scale Purchaser and the specific substance of the relevant Large-scale Purchase as well as the potential impact of the relevant Large-scale Purchase on the Company's corporate value and in turn, to its shareholders' common interests. The Board of Directors' evaluation and consideration shall be based on the Necessary Information provided by the Large-scale Purchaser, in addition to the above-mentioned consultation with the Independent Committee, and advice from third parties independent of the Company (including investment banks, securities firms, financial advisers, attorneys-at-law, certified public accountants and other professionals), as necessary.

Furthermore, in the case of (vi)-ii below, if the Board of Directors finds, in determining whether to implement the countermeasures against the Large-scale Purchase, that it is practically appropriate to directly confirm the shareholders' intentions, the Board may convene a shareholders' meeting to confirm the shareholders' intentions as to whether to implement the countermeasures against the relevant Large-scale Purchase, as set forth in (vi)-iii below.

vi. Conditions for implementing the countermeasures

- i. When a Large-scale Purchaser makes or is to make a Large-scale Purchase without complying with the procedures prescribed in the Plan

If any Large-scale Purchaser makes or is to make a Large-scale Purchase without complying with the procedures prescribed in the Plan, the Board of Directors shall deem the relevant Large-scale Purchase to cause severe damage to the Company's corporate value and in turn, to its shareholders' common interests, irrespective of the specific conditions and method of the Large-scale Purchase or other details. The Board of Directors then shall implement the necessary and substantial countermeasures to secure or improve the Company's corporate value and in turn, its shareholders' common interests, while respecting the Independent Committee's recommendation to the utmost extent.

- ii. When a Large-scale Purchaser makes or is to make a Large-scale Purchase in compliance with the procedures prescribed in the Plan

If any Large-scale Purchaser makes or is to make a Large-scale Purchase in compliance with the procedures prescribed in the Plan, the Board of Directors shall not, in principle, implement any countermeasure against the relevant Large-scale Purchase even if the Board of Directors opposes the relevant Large-scale Purchase and plans to express its dissenting opinion or to present a substitute proposal and provide explanation to the shareholders. Therefore, the shareholders will make a judgment on whether or not to accept the Large-scale Purchaser's proposal for the Large-scale Purchase of the Company Shares based on the Necessary Information concerning the relevant Large-scale Purchase and the Board of Directors' opinion on such information and its substitute proposals, among other factors.

However, even in the case where the Large-scale Purchaser makes or is to make a Large-scale Purchase in compliance with the procedures prescribed in the Plan, if the Board of Directors finds, as a result of the consideration of the terms of the Large-scale Purchase by the Large-scale Purchaser and consultations, negotiations or other dealings with the Large-scale Purchaser, that the Large-scale Purchase under the relevant Large-scale Purchaser's purchase

proposal would significantly damage the Company's corporate value and in turn, its shareholders' common interests, the Board of Directors may implement, irrespective of whether or not the Board Evaluation Period has started or expired, the necessary and substantial countermeasures to secure or improve the Company's corporate value and in turn, its shareholders' common interests, with the utmost respect for the Independent Committee's recommendations. Specifically, as a rule, if any Large-scale Purchase is found to fall under any of the categories listed below, the Board of Directors considers the Large-scale Purchase under such purchase proposal to constitute a purchase that is significantly detrimental to the Company's corporate value and in turn, to its shareholders' common interests.

- (i) An acquisition of the Company Shares in an attempt to force the Company or its related parties to buy back the shares at an inflated price;
- (ii) An acquisition in an attempt to realize the Large-scale Purchaser's profits at the expense of the Company, including that with the purpose of acquiring the Company's important assets, technical information or other properties at a low price;
- (iii) An acquisition, which will cause clear damage to the Company's corporate value and in turn, to its shareholders' common interests, by using the Company's assets as security for, or a source of repayment of the Large-scale Purchaser's debts;
- (iv) An acquisition which will cause clear damage to the Company's corporate value and in turn, to its shareholders' common interests by having the Company dispose of its valuable assets and temporarily pay out large dividends against the profits gained from such disposition, or by selling shares in the Company at a higher price, capitalizing on a surge in the stock price by virtue of the temporary payment of large dividends;
- (v) An acquisition of the Company Shares whose terms are substantially inadequate or inappropriate in light of the Company's corporate value;
- (vi) An acquisition which is likely to virtually force the existing shareholders to sell their Shares, including a two-tier takeover bid wherein the bidder does not solicit the tendering of all Shares in the first-tier purchase and sets the terms for the second-tier purchase less favorable than those for the first-tier purchase, or does not clarify the terms for the second-tier purchase;
- (vii) Where the Company's corporate value after the Large-scale Purchaser's acquisition of control would be significantly lower than the Company's expected corporate value without acquisition of control by the relevant Large-scale Purchaser in terms of comparison of mid to long-term corporate values in the future;
- (viii) Where the Large-scale Purchaser is grossly inappropriate as the Company's controlling shareholder from a perspective of public policy, including where the Large-scale Purchaser is an anti-social force; or
- (ix) In addition to the cases listed in the preceding items, an acquisition that meets both of the following conditions:
 - a. Where it is objectively and reasonably presumed that the relevant acquisition would significantly damage the Company's corporate value, including the interests of customers, employees and other stakeholders, and in turn, its shareholders' common interests; and
 - b. Where it is, or is likely to be impossible to prevent significant damage to the Company's corporate value and consequent material harm to its shareholders' common interests without implementing the countermeasures at the relevant point in time.

iii. Holding of a shareholders' meeting

As a general rule, if a Large-scale Purchaser makes or is to make a Large-scale Purchase in accordance with the procedures prescribed in the Plan, the Board of Directors resolves whether or not to implement the countermeasures against the Large-scale Purchase with the highest respect for the Independent Committee's recommendations as described in ii. above. However,

if the Board of Directors determines that it is practically appropriate to directly confirm the shareholders' intentions, in consideration of the terms of the Large-scale Purchase by the Large-scale Purchaser, the time needed to hold a shareholders' meeting and various other circumstances, and in light of the laws and regulations, the Directors' duty of due care and other factors, and consultation with the Independent Committee, the Board of Directors may convene a shareholders' meeting and confirm the shareholders' intentions as to the implementation of the countermeasures. Upon deciding on the convocation of a shareholders' meeting, the Board of Directors shall promptly disclose to the shareholders that fact and the reasons therefor, and shall promptly convene a shareholders' meeting to the extent practically possible.

If such a shareholders meeting is held, the Board of Directors shall defer to the shareholders' judgment made in the relevant shareholders' meeting with respect to the implementation of the countermeasures.

If the Board of Directors determines to convene a shareholders' meeting, the Large-scale Purchaser shall not start the Large-scale Purchase until the proposal regarding the implementation of the countermeasures is resolved at the relevant shareholders' meeting.

(vii) The Board of Directors' determination on whether or not to implement the countermeasures

The Board of Directors shall determine whether or not to implement the countermeasures with the utmost respect for the Independent Committee's recommendations in both of the cases (vi)-i and (vi)-ii above. In the case of (vi)-ii above, if, in addition to the consultation with the Independent Committee, a shareholders' meeting takes place to confirm the shareholders' intentions, the Board of Directors' determination shall be made in accordance with the shareholders' judgment formed in the relevant shareholders' meeting.

Upon making a decision as to whether or not to implement the countermeasures, the Board of Directors shall promptly notify the Large-scale Purchaser of the gist of the decision, a summary of the above-mentioned resolution of the shareholders' meeting and such other matters as may be deemed appropriate by the Board of Directors (the notice regarding the decision on non-implementation is hereinafter referred to as the "Non-implementation Notice"), and shall disclose the relevant information to the shareholders. The Large-scale Purchaser may start the Large-scale Purchase after the lapse of the Board Evaluation Period, or in the case where the Board of Directors determines to convene a shareholders' meeting as set forth in (vi)-iii above, only after the close of the relevant shareholders' meeting. Provided, however, that upon receipt of a Non-implementation Notice from the Board of Directors, the Large-scale Purchaser may start the Large-scale Purchase on the business day following the date of receipt of such notice.

(viii) Reconsideration by the Board of Directors

If, after a decision by the Board of Directors is made as to whether to implement the countermeasures, any change in the underlying facts of such decision occurs, including any change to the terms of the Large-scale Purchase made by the Large-scale Purchaser or the cessation of the Large-scale Purchase, the Board of Directors shall conduct another deliberation after again consulting with the Independent Committee and may make a renewed decision concerning the implementation or cancellation of the countermeasures, with the utmost respect for the Independent Committee's recommendations. In such case as well, if the Board of Directors determines that it is practically appropriate to directly confirm the shareholders' intentions, the Board may convene a shareholders' meeting to confirm the shareholders' intentions as to whether or not to implement the countermeasures against the relevant Large-scale Purchase.

Upon making a decision regarding the implementation or cancellation of the countermeasures, the Board of Directors shall promptly notify the Large-scale Purchaser of the gist of the relevant decision, a summary of the above-mentioned resolution of the shareholders meeting and such other matters as may be deemed appropriate by the Board of Directors, and shall disclose the relevant information to the shareholders.

(4) Outline of the countermeasures

As a rule, the countermeasures under the Plan to be implemented by the Board of Directors shall be a gratis allotment of the Stock Acquisition Rights in accordance with Exhibit 3 ("Terms of Stock Acquisition Rights"). The Stock Acquisition Rights shall be allotted to the shareholders (excluding the Company) listed or recorded in the latest register of shareholders as of a certain date determined by the Board of Directors in its resolution on the gratis allotment of the Stock Acquisition Rights (the "Allotment Date") at a ratio determined by the Board of Directors, which shall be no less than one Stock Acquisition Right for each share in the Company held by the relevant shareholder.

The amount of property (which shall be cash) to be contributed upon exercise of each stock acquisition right (the exercise price) shall be JPY 1. Upon the exercise of one Stock Acquisition Right, such number of shares of the common stock of the Company not exceeding one as shall be determined by the Board of Directors (if such number is adjusted, the number of shares after the adjustment) shall be delivered to the holder of the relevant Stock Acquisition Right (the "Stock Acquisition Right Holder").

Provided, however, that the Specified Holder and its related parties shall not be entitled to exercise the Stock Acquisition Rights.

In addition to the exercise of the Stock Acquisition Rights as a countermeasure, the Company may, pursuant to the call option attached to the Stock Acquisition Rights, acquire Stock Acquisition Rights from the Stock Acquisition Right Holders other than the Specified Holder and its related parties in exchange for shares of the common stock of the Company under certain conditions. The Company may acquire all of the Stock Acquisition Rights without charge under certain conditions.

Furthermore, the acquisition of the Stock Acquisition Rights by transfer shall be subject to the approval of the Board of Directors.

If the countermeasures under the Plan are implemented, the Board of Directors shall make a timely and appropriate disclosure to the shareholders of such matters as deemed appropriate by the Board of Directors.

(5) Effective period of the Plan; abolishment and amendment of the Plan

The effective period of the Plan shall be from the close of the Ordinary General Shareholders' Meeting to the close of the annual shareholders' meeting for the year ending March 31, 2020. Provided, however, that (i) if a resolution to abolish the Plan is adopted at a shareholders' meeting of the Company, or (ii) if a resolution to abolish the Plan is adopted at a meeting of the Board of Directors, the Plan shall be abolished at that time, even before the expiration of the effective period. In addition, the Board of Directors may, after obtaining the Independent Committee's opinion if needed, make technical amendments or modifications to the Plan, even during the effective period of the Plan, within the mandate given by the relevant resolution of the Ordinary General Shareholders' Meeting. The Plan is based on the provisions of laws and regulations applicable as of May 11, 2017. If, it becomes necessary to make any amendment to the provisions of the Plan as a result of the enactment, amendment, or abolishment of laws and regulations after the said date, the relevant text of the Plan shall be read by replacing it with appropriate text which is in line with the purpose of the relevant laws and regulations and does not conflict with the basic concept of the Plan.

If the Plan is abolished, amended or modified, the Board of Directors shall promptly make a disclosure to the shareholders of the fact of such abolishment, amendment or modification and such other matters as may be deemed appropriate by the Board of Directors.

Regarding the substance of the Plan after the close of the annual shareholders' meeting for the year ending March 31, 2020, the Board of Directors will review the Plan and then will confirm the shareholders' intentions on whether to continue or renew the Plan or whether to introduce a new plan, among other things.

3. Impact on shareholders and investors

(1) Impact on shareholders and investors upon renewal of the Plan

If and when renewed, the Plan will have no direct and specific impact on the legal rights or economic interests of the shareholders and investors because no countermeasure will be implemented then.

(2) Impact on shareholders and investors upon implementation of a gratis allotment of the Stock Acquisition Rights

The Stock Acquisition Rights will be allotted to the shareholders as of the Allotment Date without charge at a ratio determined by the Board of Directors, which shall be not less than one Stock Acquisition Right per share held. Accordingly, there will be no dilution of the value of the entire stock of the Company held by the shareholders on the assumption that the Stock Acquisition Rights will be exercised.

That said, if any shareholder fails to exercise the Stock Acquisition Rights during the exercise period of the Stock Acquisition Rights, such holder's shares in the Company will be diluted as a result of the exercise of the Stock Acquisition Rights by other shareholders. Provided, however, that the Company may, by determination of the Board of Directors, acquire Stock Acquisition Rights from the shareholders who are not prohibited from exercising their Stock Acquisition Rights under the Terms of the Stock Acquisition Rights and in exchange, deliver shares of the common stock of the Company to them, following the procedures described in (4) (ii) below. If the Company performs such procedures for the acquisition, the shareholders who are not prohibited from exercising their Stock Acquisition Rights under the Terms of the Stock Acquisition Rights will receive shares of the common stock of the Company without exercising the Stock Acquisition Rights and paying in the amount equivalent to the Exercise Price, and the value per share of the shares held by such holders will be diluted. However, there will be no dilution of the total value of the entire stock of the Company held by such shareholders.

If, after the determination of the shareholders entitled for the gratis allotment of the Stock Acquisition Rights, the Company cancels the gratis allotment of the Stock Acquisition Rights or acquires at no cost the Stock Acquisition Rights that have been allotted without charge, there will be no dilution of the value per share of the stock of the Company. In such case, investors who have traded in the stock of the Company on the assumption that there would be a dilution of the value per share of the stock of the Company may suffer commensurate losses due to fluctuations of the stock price.

(3) Impact on shareholders and investors upon the exercise or acquisition of the Stock Acquisition Rights after the implementation of a gratis allotment of the Stock Acquisition Rights

The exercise or acquisition of the Stock Acquisition Rights is to be subject to differential conditions and accordingly, the legal rights or financial interests of the Specified Holder and its related parties are expected to be diluted upon such exercise or acquisition. However, this is not expected to have any direct and specific impact on the legal rights or financial interests with respect to the shares in the Company owned by the shareholders and investors other than the Specified Holder and its related parties. That said, please note that due to the restriction on the transfer of the Stock Acquisition Rights, if shares of the common stock of the Company are delivered on the Allotment Date to a shareholder as a result of the

exercise of the Stock Acquisition Rights or the acquisition of the Stock Acquisition Rights by the Company, the recovery of the capital invested by way of transfer may be restricted until such shares of the common stock of the Company are recorded in the shareholder's book-entry account, but only with respect to the portion of the value of the shares in the Company held by the shareholder that is attributable to that holder's Stock Acquisition Rights.

(4) Procedures required of the shareholders upon a gratis allotment of the Stock Acquisition Rights

(i) Procedures for the exercise of the Stock Acquisition Rights

In principle, the Company shall send to each shareholder listed or recorded in the latest register of shareholders as of the Allotment Date a written form for requesting the exercise of the Stock Acquisition Rights (which shall be in the form prescribed by the Company and shall include the features and number of the Stock Acquisition Rights to be exercised, the date of exercise of the Stock Acquisition Rights, the book-entry account for recording the relevant holder's shares in the Company (excluding special accounts) and other necessary matters as well as the representations and warranties clause regarding, among other things, the satisfaction by the relevant shareholder of the conditions for the exercise of the Stock Acquisition Rights, the indemnification clause and other covenants) and other documents needed for the exercise of the Stock Acquisition Rights. After a gratis allotment of the Stock Acquisition Rights, each shareholder who has submitted these necessary documents and paid JPY 1 per Stock Acquisition Right to the place for payments during the exercise period will receive the delivery of shares of the common stock of the Company in such number as determined by the Board of Directors based on a ratio of not more than one share per Stock Acquisition Right (if such ratio is adjusted, the number of shares after the adjustment).

Please note that pursuant to the Act on Book-entry of Corporate Bonds and Shares, etc., the shares of the common stock of the Company delivered as a result of the exercise of the Stock Acquisition Rights cannot be recorded in a special account. Accordingly, a shareholder needs to have a book-entry account (such as a securities brokerage account) opened by the time such shareholder exercises the Stock Acquisition Rights.

(ii) Procedures for the acquisition of the Stock Acquisition Rights by the Company

If the Board of Directors decides to acquire the Stock Acquisition Rights, the Company shall acquire the Stock Acquisition Rights after having the Board of Directors adopt a resolution therefor (if two or more call options are attached, for each of such call options) and giving a public notice to the stock acquisition right holders, in accordance with the statutory procedures. If shares of the common stock of the Company are to be delivered to the shareholders in exchange for the acquisition of their Stock Acquisition Rights, the Company shall promptly make such delivery. Please note that in such case, each such shareholder may be requested to separately submit certain documents in a form prescribed by the Company, including the representations and warranties clause regarding, among other things, the fact that the relevant shareholder is not a Specified Holder or its related parties, the indemnification clause and other covenants.

In addition to the above, after determining the implementation of a gratis allotment of the Stock Acquisition Rights, the Board of Directors will make a disclosure or give a notice to the shareholders regarding the method of allotment, the method of exercise, the method of acquisition of the Stock Acquisition Rights by the Company and other details, which the shareholders are requested to note.

IV. Reasonableness of the Plan (Plan conforms to the basic policy, does not impair the Company shareholders' common interests, is not aimed at maintaining the position of the Company's officers and reasons therefor)

The Board of Directors believes that the Plan conforms to the realization of the basic policy described in I. above, does not impair the Company shareholders' common interests and is not aimed at maintaining the position of the Company's officers due to the following reasons:

1. The fact that the Plan completely meets the criteria of the Guidelines Regarding Takeover Defense

The Plan fully conforms to the three principles prescribed in the "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" announced by the Ministry of Economy, Trade and Industry (METI) and the Ministry of Justice on May 27, 2005, namely: "the principle of protecting and enhancing corporate value and shareholders' common interests"; "the principle of prior disclosure and shareholders' will"; and "the principle of ensuring the necessity and reasonableness." The Plan also conforms to the various rules and regulations concerning the introduction of takeover defense measures established by the Tokyo Stock Exchange, Inc. The Plan also takes accounts for the content of the report titled "Takeover Defense Measures in Light of Recent Environmental Changes" issued on June 30, 2008, by the Corporate Value Study Group established within the METI.

2. The fact that the Plan is renewed with the aim of protecting and enhancing corporate value, and in turn, shareholders' common interests

As described in III. above, the Plan will be renewed with the aim of protecting and enhancing the Company's corporate value, and in turn, its shareholders' common interests by securing sufficient information and time for our shareholders to determine whether to accept or reject proposals for Large-scale Purchases of the Company Shares if such proposals are made, and for the Board of Directors to present an alternative proposal on behalf of the shareholders and negotiate with the Large-scale Purchaser.

3. The fact that the Plan values the shareholders' will

The Plan will be renewed subject to the approval of shareholders at the Ordinary General Shareholders' Meeting in order to ensure the reflection of the shareholders' will upon renewal. As described in III. 2. (2) above, if this item of business is proposed at the Ordinary General Shareholders' Meeting but is not approved thereat, the Plan will not be renewed. Furthermore, if a general shareholders' meeting of the Company resolved to abolish the Plan even before the expiry of the Plan, the Plan will be abolished upon such resolution. In such context, the shareholders' will is reflected not only on the renewal but also on the survival of the Plan.

In addition, the Plan specifically establishes the conditions for implementing any countermeasures under the Plan for each case and presents the same to the shareholders as a condition for the shareholders to entrust the Board of Directors to determine whether or not to implement the relevant countermeasures. Moreover, as described in III. 2. (3) (vi) iii. above, if the Board of Directors deems that it is practically appropriate to directly confirm the shareholders' will in addition to seeking advice of the Independent Committee upon the resolution for implementing the countermeasures in accordance with the Plan, the Board of Directors may convene a general shareholders' meeting to confirm the shareholders' will. Accordingly, the shareholders' will is also reflected in the implementing of the countermeasures under the Plan.

4. Importance placed on outsiders with a high degree of independence

As described in III. 2.(3) (iv) above, the Company has established the Independent Committee as an institution independent from the Board of Directors in order to secure the rationality and fairness of the decision of the Board of Directors upon the renewal of the Plan.

The Plan prevents the Board of Directors from implementing countermeasures under the Plan in an arbitrary manner by having the Board of Directors pay the utmost due respect to the Independent Committee's recommendation and requiring an outline of the Independent Committee's decisions to be timely and duly

disclosed to shareholders. Thus, the Plan is structured to ensure that it is executed so as to protect the Company's corporate value and in turn, its shareholders' common interests.

5. The fact that the Plan imposes reasonable and objective requirements

As described in III. 2. (3) above, the Plan is designed so that it shall not be implemented unless reasonable and objective requirements prescribed in advance are satisfied. Thus, a framework to prevent the Board of Directors from arbitrarily implementing the Plan is in place.

6. Advice can be obtained from third party independent professionals

As described in III. 2. (3) (iii) and (v) above, pursuant to the Plan, if a Large-scale Purchaser appears, the Board of Directors and the Independent Committee may seek advice from third parties independent of the Company (including investment banks, securities firms, financial advisors, attorneys-at-law, certified public accountants and other professionals) at the Company's expense. This provides further security to ensure the fairness and rationality of the decisions made by the Board of Directors and the Independent Committee.

7. The fact that the Plan is not a dead-hand or slow-hand takeover defense measure

As described in III. 2. (5) above, the Plan may be abolished at any time by a resolution of the Board of Directors consisting of directors who were elected at the ordinary general shareholders' meeting of the Company. Accordingly, the Plan is not a so-called dead-hand takeover defense measure where its implementation cannot be deterred even by replacing the majority of the members of the Board of Directors.

Additionally, since the term of office of the Company's directors is one year and the Company does not adopt a staggered board system, the Plan is not a so-called slow-hand takeover defense measure where time is needed for its implementation to be deterred since the members of the Board of Directors cannot be replaced at once.

(Exhibit 1)

Names and Career Highlights of Independent Committee Members

We plan to appoint the below three persons as members of the Independent Committee, at the renewal of the Plan.

Masaaki Harima (Born December 9, 1950) Representative Attorney of Fushimimachi Law Firm

Career Highlights:

April 1977	Assistant Judge at Osaka District Court
May 1981	joined Osaka Bar Association
September 1987	founded Harima Law Office (currently Fushimimachi Law Firm)
April 2002	Vice-Chairman of Osaka Bar Association
June 2011	Outside Corporate Auditor of ISHIHARA SANGYO KAISHA, LTD. (to present)

Masaru Nakamura (Born September 3, 1953)

Career Highlights:

April 1977	joined Sumitomo Corporation
April 2006	Trustee, Sumitomo Corporation
April 2008	Executive Officer, Sumitomo Corporation
April 2010	Managing Executive Officer, Sumitomo Corporation
April 2012	Senior Managing Executive Officer, Sumitomo Corporation
April 2016	Corporate Advisor, Sumitomo Corporation (to present)

Shiro Takenaka (Born November 8, 1954)

Career Highlights:

April 1979	joined Osaka Gas Co., Ltd.
June 2007	Trustee, Osaka Gas Co., Ltd.
April 2011	Executive Officer, Osaka Gas Co., Ltd.
April 2012	Counselor, Osaka Gas Co., Ltd.
June 2012	Corporate Auditor, Osaka Gas Co., Ltd.
June 2014	Outside Corporate Auditor of OGIS-RI Co.,Ltd. (to present)

*There are no relationships of special interests between the above candidates for the Independent Committee Members and the Company.

(Exhibit 2)

Outline of the Independent Committee Rules

1. Upon introduction and renewal of the countermeasures for Large-scale Purchases of the Company Shares (takeover defense measures; hereinafter "Plan"), the Company will establish the Independent Committee. The Independent Committee shall offer recommendations concerning implementing or not implementing the countermeasures under the Plan when such recommendations are sought by the Board of Directors, so that the fairness and neutrality of the Board of Directors can be ensured.
- 2.(1) The Independent Committee shall consist of three or more, but less than five members who shall be elected from those who satisfy the conditions listed below. Upon assuming office, the elected member shall enter into an agreement with the Company that is inclusive of a clause concerning his/her exercise of due care as a good manager of the Company:
 - (i) a person who is/was not a director (excluding outside director; hereinafter the same) or corporate auditor (excluding outside corporate auditor; hereinafter the same) of the Company or its subsidiaries and affiliates (collectively, "Company and its Affiliates");
 - (ii) a person who is not a family member of a certain degree of any current or past director or corporate auditor of the Company and its Affiliates;
 - (iii) a person who has not been a director or corporate auditor for the past three years at any financial institution currently transacting with the Company and its Affiliates;
 - (iv) a person who has not been a director or corporate auditor for the past three years at any business partner engaging in certain amounts of transactions with the Company and its Affiliates;
 - (v) a person who is not a business partner of the Company and its Affiliates, and has no special interests with the Company and its Affiliates; and
 - (vi) a person with certain managerial experience, a professional, or an outside expert (i.e., a company manager with distinctive managerial experience, a person who is well-versed in investment banking operations, an attorney-at-law, a certified public accountant, an academic expert whose principal field of research is the Company Act and other similar laws, or a person equivalent thereto).
- (2) Election and dismissal of members shall be resolved at the meeting of the Board of Directors; provided, however, that an approval of two thirds or more participating directors is required to dismiss any member.
- (3) Unless otherwise specified in the agreement set forth in the second sentence in Paragraph 2, Item 1 hereof, the term of office of the members shall commence from the conclusion of the ordinary general shareholders' meeting for the year ended March 31, 2017 (for any member elected during the term of the Plan, the time of such election) and end upon the conclusion of the ordinary general shareholders' meeting for the year ending March 31, 2020.
3. In principle, the Independent Committee shall discuss and resolve the following items, and recommend the details and reasons of the relevant resolution to the Board of Directors. The Board of Directors shall pay the utmost due respect to the recommendations of the Independent Committee.
 - (i) Whether the Large-scale Purchaser is in compliance with the procedures under the Plan;
 - (ii) Whether the purchase proposal significantly impairs the Company's corporate value, and in turn, its shareholders' common interests, and whether to implement the countermeasures or not;
 - (iii) Whether a general shareholders' meeting should be convened to confirm the shareholders' will concerning the implementation of the countermeasures;
 - (iv) Cancellation of the countermeasures;
 - (v) Any matters for which the Independent Committee is authorized to determine under the Plan in addition to those listed in items (i) to (iv) above;
 - (vi) Matters for which the Board of Directors sought the advice of the Independent Committee concerning the Plan; and
 - (vii) Matters that can be conducted by the Independent Committee as separately determined by the Board of Directors.

4. In principle, the resolutions of the Independent Committee shall be adopted with all members participating and with a majority vote of the participating members.
5. The Independent Committee may obtain advice from third parties independent of the Company (including investment banks, securities firms, financial advisors, attorneys-at-law, certified public accountants and other professionals) at the Company's expense.
6. The Board of Directors may resolve to convene the meeting of the Independent Committee.
7. If it is deemed necessary for the deliberations of the Independent Committee, the Board of Directors may request that the Independent Committee allow one director to attend the meeting of the Independent Committee and to provide an opportunity to explain any necessary items.
8. In accordance with the request of the Board of Directors, the Independent Committee shall explain the reasons and grounds for the recommendations given.

(Exhibit 3)

Terms of Stock Acquisition Rights

1. Shareholders entitled for allotment

Stock acquisition rights shall be allotted to the shareholders (excluding the Company) listed or recorded in the latest register of shareholders as of a certain date (the "Allotment Date") determined by the Board of Directors in its resolution on the gratis allotment of the stock acquisition rights as described in these Terms (the "Gratis Allotment Resolution"). The stock acquisition rights shall be allotted at a ratio determined by the Board of Directors, which shall be no less than one stock acquisition right for each share in the Company held by the relevant shareholder.

2. Total number of stock acquisition rights to be issued

A number determined by the Board of Directors, which shall be no less than the total number of issued shares of the common stock of the Company (excluding the number of common shares held by the Company) as of the Allotment Date.

3. Effective date of the gratis allotment of the stock acquisition rights

The date specified in the Gratis Allotment Resolution.

4. Class and number of shares underlying the stock acquisition rights

(i) Class of shares underlying the stock acquisition rights

The class of shares underlying the stock acquisition rights shall be the common stock of the Company.

(ii) Number of shares underlying the stock acquisition rights

The number of shares underlying each stock acquisition right (the "Number of Subject Shares") shall be such number not exceeding one as shall be determined by the Board of Directors.

Provided, however, that if the Number of Subject Shares is adjusted under Paragraph 5, the total number of shares underlying the stock acquisition rights shall be adjusted to the Number of Subject Shares after adjustment.

5. Adjustment of the number of shares underlying the stock acquisition rights

(i) If the Company is to conduct, after the Allotment Date, a stock split or reverse stock split of the stock of the Company, a merger or demerger, or any similar transaction, the Number of Subject Shares shall be adjusted appropriately with consideration given to the terms of such transaction, among other things.

(ii) If the Number of Subject Shares is to be adjusted, the Company shall give a prior written notice to each stock acquisition right holder or prior public notice in the manner prescribed by the Articles of Incorporation, stating the fact of such adjustment and reasons therefor, the Number of Subject Shares before adjustment, the Number of Subject Shares after adjustment, the date of application and other necessary matters. Provided, however, that if such an individual or public notice cannot be given by the day preceding the date of application, such notice shall be given on or promptly after the date of application.

6. Amount to be paid for the stock acquisition rights

There shall be no charge for the allotment of the stock acquisition rights.

7. Amount of property contributed upon exercise of the stock acquisition rights

The amount of property (which shall be cash) to be contributed upon exercise of each stock acquisition right (the "Exercise Price") shall be JPY 1.

8. Exercise period of the stock acquisition rights

The period specified in the Gratis Allotment Resolution starting on the day specified in the Gratis Allotment Resolution (the "Exercise Period Starting Day"). Provided, however, that if the Company acquires the stock acquisition rights pursuant to Paragraph 10, the stock acquisition rights may not be exercised during the period from the day on which the Company gives an individual or public notice of the relevant acquisition to the date of acquisition. If the last day of the exercise period is not a bank business day, the last day of the exercise period shall be the immediately following bank business day.

9. Conditions for the exercise of the stock acquisition rights

(i) As used in these Terms, the following terms shall have the meanings set forth below.

- a. "Specified Holder" means any person for whom I. or II. below will become 20% or more as a result of a purchase or another type of acceptance of transfer for value of the Company Shares:
 - I. The total holding ratio of the Shares in the Company held by the holder of the Company Shares; or
 - II. The total ownership ratio of the Company Shares owned or to be owned by the person making a purchase or another type of acceptance of transfer for value of the Company Shares or any similar acts and the Company Shares owned by the persons in special relationship with such person.
- b. As used in a-I above, "Shares" means the "Share Certificates, etc." as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act; hereinafter the same unless otherwise specified. As used in a-II above, "Shares" means the "Share Certificates, etc." as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act.
- c. "Holder" means the "holder" as specified in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act, including persons deemed as the holders under Paragraph 3 of the said Article.
- d. "Holding" means the holding as specified in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act.
- e. "Holding ratio" means the "Holding Ratio of Share Certificates, etc." as defined in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act.
- f. "Ownership" means the "holding" as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act.
- g. "Persons in special relationship" means the "Persons in Special Relationship" as defined in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act. Provided, however, that with respect to the persons specified in Item 1 of the said Paragraph, those persons provided for in Article 3, Paragraph 2 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc. by Person Other than Issuer are excluded.
- h. "Ownership ratio" means the "Share Certificates, etc. Holding Ratio" as defined in Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Act.

(ii) Persons not entitled to exercise the stock acquisition rights

The stock acquisition rights may not be exercised by Specified Holders, their joint holders (which means the Joint Holders as defined in Article 27-23, Paragraph 5 of the Financial Instruments and Exchange Act, including persons deemed to be Joint Holders under Paragraph 6 of the said Article) or persons in special relationship with any of them, or any person found by the Board of Directors to be substantially controlling, substantially controlled by, jointly controlled by or acting in concert with any of them (provided, however, that if the Board of Directors finds that the acquisition or holding of the Company Shares by any such person does not cause any damage to the Company's corporate value or any

consequent harm to the shareholders' common interests, such person shall be entitled to exercise the stock acquisition rights).

(iii) Even in the case where any stock acquisition right holder is not allowed to exercise such holder's stock acquisition rights under the provisions of (ii) above, the Company shall have no liability to the relevant stock acquisition right holder for damages or on any other grounds.

(iv) No partial exercise of the stock acquisition rights shall be allowed.

10. Acquisition of stock acquisition rights by the Company

(i) At any time during the period from the day following the effective date of the gratis allotment of the stock acquisition rights (or any other day in lieu of such date, if such other day is specified by the Board of Directors) to the day preceding the Exercise Period Starting Day, the Company may acquire all of the stock acquisition rights on a date determined by the Board of Directors at no cost if the Board of Directors determines that such acquisition is appropriate.

(ii) On a day determined by the Board of Directors that is earlier than the expiration of the exercise period of the stock acquisition rights under Paragraph 8, the Company may acquire the stock acquisition rights held by the persons entitled to exercise the stock acquisition rights under Paragraph 9 in exchange for delivery of shares of the common stock of the Company at the ratio of the Number of Subject Shares per stock acquisition right.

11. Exercise of voting rights at shareholders' meetings by shareholders who have newly acquired shares in the Company upon the exercise of their stock acquisition rights or the acquisition by the Company

Shareholders of the Company that have newly acquired shares in the Company after the record date determined by the Company upon the exercise of stock acquisition rights or the acquisition of stock acquisition rights by the Company may exercise their voting rights at shareholders' meetings.

12. Matters concerning transfer of stock acquisition rights

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

13. Delivery of stock acquisition rights in the case of merger, demerger, share exchange or share transfer and the conditions therefor

To be determined by the Board of Directors in the Gratis Allotment Resolution.

14. Non-issuance of certificates of stock acquisition rights

No certificate of stock acquisition right shall be issued.

15. Method of requesting exercise of stock acquisition rights and paying-in

A holder intending to exercise its/his/her stock acquisition rights shall complete and affix the holder's name and seal impression to the prescribed written exercise request (which shall be in the form prescribed by the Company and shall include the features and number of the stock acquisition rights to be exercised, the date of exercise of the stock acquisition rights, the book-entry account for recording the holder's shares in the Company (excluding special accounts) and other necessary matters as well as the representations and warranties clause regarding, among other things, the satisfaction by the relevant shareholder of the conditions for the exercise of the stock acquisition rights, the indemnification clause and other covenants), submit, within the period specified in Paragraph 8, such form to the place for the handling of payments together with the

documents required for the exercise of the stock acquisition rights to be separately designated as necessary, and other documents required from time to time under the Companies Act, the Financial Instruments and Exchange Act and their related laws (including regulations, rules and the like that are established by the Japan Securities Dealers Association or any financial instruments exchange in Japan) (the "Attachments"), and shall pay to the place for the handling of payments the money in the amount equivalent to the full Exercise Price of the stock acquisition rights to be exercised.

16. Effective time of the exercise of stock acquisition rights

The exercise of the stock acquisition rights shall become effective at the time when the written exercise request and the Attachments under Paragraph 15 reaches the place for the handling of payments and the money in the amount equivalent to the full Exercise Price of the stock acquisition rights to be exercised is paid in to the place for the handling of payments.

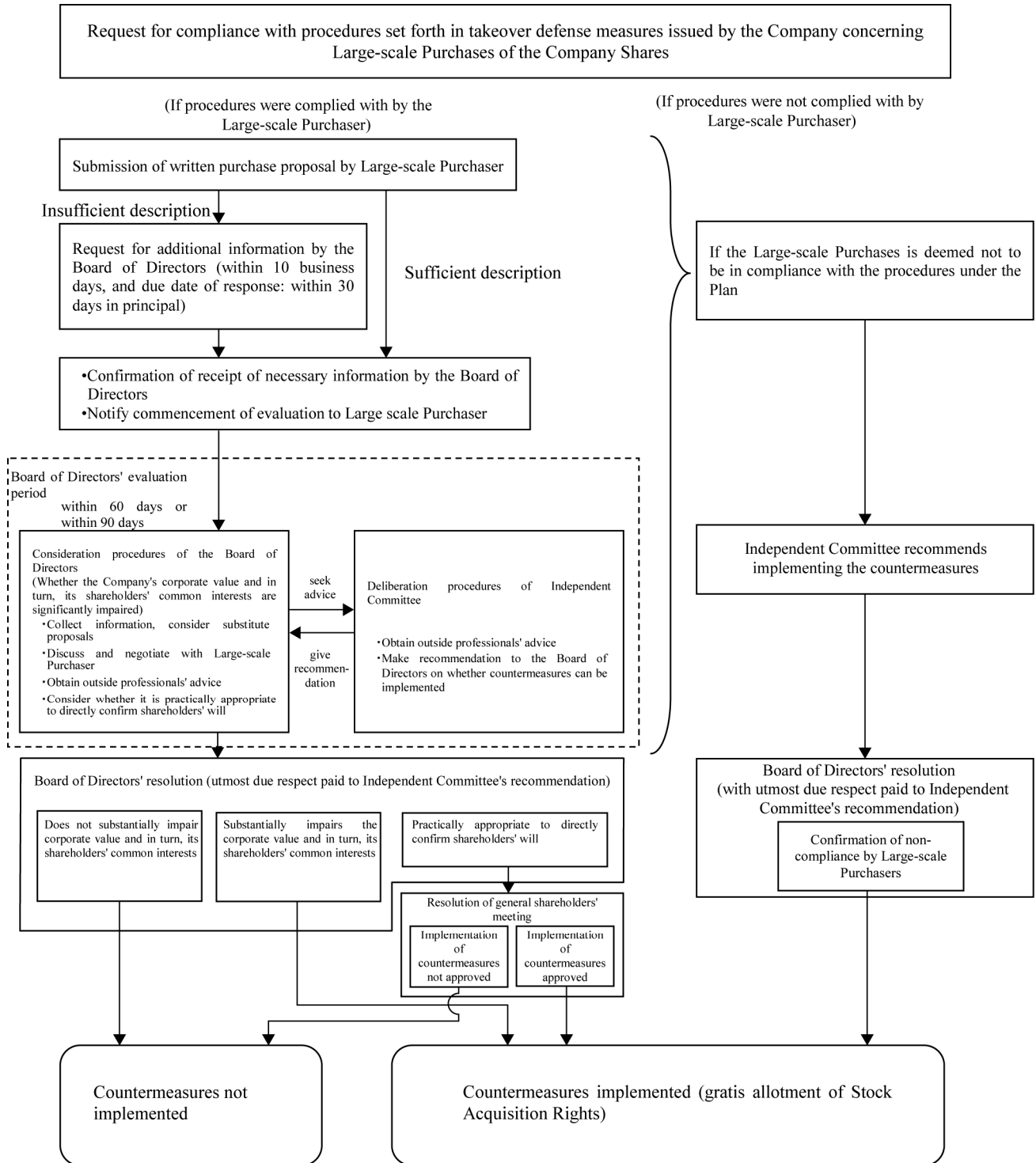
17. Amendments to laws and regulations

If any amendment to the provisions of these Terms is required because of the enactment, amendment or abolishment of laws and regulations after the gratis allotment of the stock acquisition rights, the relevant text of these Terms shall be read by reasonably replacing it with appropriate text with consideration given to the purpose and the wording of such enactment, amendment or abolishment.

END

(Reference)

Flow Chart When a Large-scale Purchase Is Commenced



(Note) This flow chart outlines the procedures under the Plan. See the main text for more details.