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In the event of any discrepancy between this document and the Japanese original, the original shall prevail.*

Securities code: 3106

June 5, 2019

To our shareholders:

Haruya Fujita
President

KURABO INDUSTRIES LTD.

7-1, Honmachi, Kurashiki, Okayama

(Osaka Head Office: 4-31, 2-chome, Kyutaro-machi, Chuo-ku, Osaka)

NOTICE OF THE 211th ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 211th Ordinary General Meeting of Shareholders of KURABO INDUSTRIES LTD. (the “Company”), which will be held as indicated below. If you are unable to attend the meeting in person, we ask you to review the attached Reference Documents for the Ordinary General Meeting of Shareholders, read the instruction on pages 3 to 4, and exercise your voting rights by 6:00 p.m., Wednesday, June 26, 2019 (Japan Standard Time) in writing or via the Internet.

Meeting Details

1. Date and Time: Thursday, June 27, 2019 at 10:00 a.m. (Japan Standard Time)

2. Venue: KURASHIKI IVY SQUARE
7-2, Honmachi, Kurashiki, Okayama

3. Purposes:

Items to be reported:

1. Business Report and Consolidated Financial Statements for the 211th fiscal year (from April 1, 2018 to March 31, 2019) and Reports of Audit on the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee
2. Non-Consolidated Financial Statements for the 211th fiscal year (from April 1, 2018 to March 31, 2019)

Items to be resolved:

- Proposal 1:** Appropriation of Surplus for the 211th Fiscal Year
- Proposal 2:** Election of Seven (7) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)
- Proposal 3:** Election of One (1) Director Who Is an Audit and Supervisory Committee Member
- Proposal 4:** Determination of Amount and Other Details of Performance-linked Share-based Remuneration for Directors
- Proposal 5:** Continuation of the Measures to Respond to a Large-Scale Purchase of Kurabo Shares, etc. (Takeover Defense Measures)

4. Other Matters Concerning the Meeting:

- (1) If you do not indicate your approval or disapproval of the proposals in your vote, the Company will assume that you have voted in favor of the proposals.
- (2) If you exercise your voting rights more than once via the Internet, the last exercise will be deemed valid.
- (3) If you exercise your voting rights both by mail and via the Internet, the one exercised via the Internet will be deemed valid.
- (4) In the event that you exercise your voting rights diversely, you are required to send notice providing the details and reasons in writing. Please note that you must ensure the notice arrives three days prior to the day of the Ordinary General Meeting of Shareholders.

* For those attending, please present the enclosed voting form at the reception desk on arrival at the meeting.

* If circumstances are generated whereby revisions should be made to the content of the Reference Documents for the Ordinary General Meeting of Shareholders, such notification shall be published on the Company's website (<https://www.kurabo.co.jp>).

Instructions for exercising voting rights
in the event that you do not attend the General Meeting
of Shareholders

To institutional investors
Institutional investors may use the
“Electronic Platform to Exercise Voting
Rights” operated by ICJ, Inc.

Exercising voting rights by mail

Deadline: Votes to be received by 6:00 p.m., Wednesday, June 26, 2019 (Japan Standard Time)

Please indicate your vote of approval or disapproval of each proposal on the enclosed voting form, and return the form to us.

If you do not indicate your approval or disapproval of the proposals, the Company will assume that you have voted in favor of the proposals.

Exercising voting rights via the Internet

Deadline: 6:00 p.m., Wednesday, June 26, 2019 (Japan Standard Time)

Please read the following page and indicate your vote of approval or disapproval of each proposal through the voting rights website.

If you exercise your voting rights more than once via the Internet, using a PC, a smartphone and a mobile phone, the last vote will be deemed valid.

- If you exercise your voting rights both by mail and via the Internet, the one exercised via the Internet will be deemed valid.
- In the event that you exercise your voting rights diversely, you are required to send notice providing the details and reasons in writing. Please note that you must ensure the notice arrives three days prior to the day of the Ordinary General Meeting of Shareholders.

Instruction for Exercise of Voting Rights via the Internet

Scanning QR code

You can simply login to the website for exercising voting rights without entering your login ID and temporary password printed on the Voting Form.

1. Please scan the QR code located on the right side of the Voting Form.

* “QR code” is a registered trademark of DENSO WAVE INCORPORATED.

2. Indicate your approval or disapproval by following the instructions on the screen.

Note that you can login to the website only once by using QR code.

If you wish to redo your vote or exercise your voting rights without using QR code, please refer to the “Entering login ID and temporary password” on the right.

Entering login ID and temporary password

Voting Website:
<https://evote.tr.mufg.jp/>

1. Please access the Voting Website.

2. Enter your “login ID” and “temporary password” printed on the Voting Instructions Form.

3. Please register a new password.

4. Indicate your approval or disapproval by following the instructions on the screen.

In case you need instructions for how to operate your personal computer/smartphone/mobile phone in order to exercise your voting rights via the Internet, please contact:

Stock Transfer Agency (Help Desk), Mitsubishi UFJ Trust and Banking Corporation

Tel: 0120-173-027

(Toll free only from Japan / Hours: 9:00 a.m. to 9:00 p.m. JST)

Reference Documents for the Ordinary General Meeting of Shareholders

Proposals and Reference Matters

Proposal 1: Appropriation of Surplus for the 211th Fiscal Year

The Company regards the return of profits to its shareholders as one of its key priorities, and continuous and stable distribution of dividend is basic policy. In order to determine a specific amount of the dividend, the Company takes into account comprehensively profit conditions, corporate strength and dividend payout ratio, etc. from medium to long term perspective. In consideration of the severe business environment during the fiscal year under review, the year-end dividend for the 211th fiscal year is proposed as follows:

Matters concerning year-end dividend

- i) Type of dividend property:
CASH
- ii) Allocation of dividend assets to be paid to shareholders and total dividend amount:
¥60.00 per share of common stock of the Company
Total amount: ¥ 1,289,536,560
Note: The Company conducted a consolidation of common shares on a 10 for 1 basis (ratio of 1 new share for every 10 old shares) with an effective date of October 1, 2018. When calculated based on the number of shares existing after the share consolidation, the year-end dividend (excluding the commemorative dividend) for the previous fiscal year is equivalent to ¥60 per share, which is substantially the same amount as the previous fiscal year.
- iii) Effective date of dividends from surplus:
June 28, 2019

Proposal 2: Election of Seven (7) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

As the term of office of all seven (7) Directors (excluding Directors who are Audit and Supervisory Committee Members; the same shall apply hereinafter in this proposal) is to expire at the conclusion of this Ordinary General Meeting of Shareholders, the Company proposes to elect seven (7) Directors.

The candidates for Director are as follows:

Also, in regard to this proposal, the Company's Audit and Supervisory Committee has expressed the opinion that all of the candidates for Director are qualified.

No.	Name	Current positions and areas of responsibility in the Company
1	Reelection Haruya Fujita	Representative Director, President
2	Reelection Atsushi Kitabatake	Representative Director, Managing Executive Officer Responsibility General Manager, Textile Business Division
3	Reelection Toshio Baba	Representative Director, Managing Executive Officer Responsibility General Manager, Chemical Products Division
4	Reelection Katsuhide Honda	Director, Executive Officer Responsibility Officer in charge of General Administration Department, Estate Promotion Department and Environment & Construction Department
5	Reelection Susumu Inaoka	Director, Executive Officer Responsibility Officer in charge of Managerial Planning Department, Personnel Department, Intellectual Property Department, and Technical Research Laboratory
6	Reelection Hiroshi Fujii	Director, Executive Officer Responsibility Officer in charge of Finance & Accounting Department and System & EDP Department, and Manager, Finance & Accounting Department
7	Reelection Kenshi Kawano	Director, Executive Officer Responsibility General Manager, Advanced Technology Division

1 Haruya Fujita		Date of birth: July 26, 1958	Reelection
Number of the Company's shares held	Special interest with the Company	Important concurrent positions	Board of Directors Meeting Attendance
12,100 shares	None	None	14/14

<u>Career summary</u> <u>(positions and areas of responsibility in the Company)</u>		Reasons for appointing as a candidate for Director
Apr. 1983	Joined the Company	Mr. Haruya Fujita assumed the position of Director of the Company in June 2012, and as Representative Director and President since June 2014 he has demonstrated outstanding management capability, facilitating the enhancement of corporate value. The Company has appointed Mr. Fujita as a candidate for Director, judging that he is a talented individual who is capable of continuing to manage the whole Group appropriately as a Director to contribute to the further enhancement of corporate value by promoting the "Creation '21" medium-term corporate business plan.
Jun. 2012	Director, Executive Officer of the Company	
Jun. 2013	Director, Managing Executive Officer of the Company	
Jun. 2014	Representative Director, President of the Company (to present)	

2 Atsushi Kitabatake		Date of birth: January 11, 1960	Reelection
Number of the Company's shares held	Special interest with the Company	Important concurrent positions	Board of Directors Meeting Attendance
3,900 shares	None	None	14/14

<u>Career summary</u> <u>(positions and areas of responsibility in the Company)</u>		Reasons for appointing as a candidate for Director
Apr. 1982	Joined the Company	Mr. Atsushi Kitabatake assumed the position of Director of the Company in June 2014 and Representative Director in June 2017, he has drawn on his wealth of experience and knowledge in all aspects of textile business as the Director in charge of the textile business, facilitating the enhancement of corporate value. The Company has appointed Mr. Kitabatake as a candidate for Director, judging that he is a talented individual who is capable of continuing to manage the whole Group appropriately as a Director to contribute to the further enhancement of corporate value by promoting the "Creation '21" medium-term corporate business plan.
Apr. 2006	Manager, Textile Materials Sales Department	
Jun. 2013	Executive Officer of the Company	
Jun. 2014	Director, Executive Officer of the Company	
Jun. 2017	Representative Director, Managing Executive Officer of the Company (to present)	
(General Manager, Textile Business Division)		

3 Toshio Baba		Date of birth: June 9, 1959		Reelection
Number of the Company's shares held	Special interest with the Company	Important concurrent positions	Board of Directors Meeting Attendance	
3,400 shares	None	None	14/14	
<u>Career summary</u> <u>(positions and areas of responsibility in the Company)</u>		Reasons for appointing as a candidate for Director		
Apr. 1982	Joined the Company	Mr. Toshio Baba assumed the position of Director of the Company in June 2014 and Representative Director in June 2017, he has drawn on his wealth of experience and knowledge in all aspects of chemical products business as the Director in charge of the chemical products business, facilitating the enhancement of corporate value. The Company has appointed Mr. Baba as a candidate for Director, judging that he is a talented individual who is capable of continuing to manage the whole Group appropriately as a Director to contribute to the further enhancement of corporate value by promoting the "Creation '21" medium-term corporate business plan.		
Oct. 2004	Manager, Industrial Materials Sales Department			
Jun. 2012	Executive Officer of the Company			
Jun. 2014	Director, Executive Officer of the Company			
Jun. 2017	Representative Director, Managing Executive Officer of the Company (to present)			
(General Manager, Chemical Products Division)				

4 Katsuhide Honda		Date of birth: December 20, 1956		Reelection
Number of the Company's shares held	Special interest with the Company	Important concurrent positions	Board of Directors Meeting Attendance	
3,900 shares	None	None	14/14	
<u>Career summary</u> <u>(positions and areas of responsibility in the Company)</u>		Reasons for appointing as a candidate for Director		
Apr. 1981	Joined the Company	Mr. Katsuhide Honda assumed the position of Director of the Company in June 2014, and since then he has drawn on his wealth of experience and knowledge in areas including legal affairs, risk management, and real estate services as the Director in charge of general administration, estate promotion business, etc., facilitating the enhancement of corporate value. The Company has appointed Mr. Honda as a candidate for Director, judging that he is a talented individual who is capable of continuing to manage the whole Group appropriately as a Director to contribute to the further enhancement of corporate value by promoting the "Creation '21" medium-term corporate business plan.		
Jun. 2009	Manager, General Administration Department and Director, KURABO Memorial Hall			
Jun. 2012	Executive Officer of the Company			
Jun. 2014	Director, Executive Officer of the Company (to present)			
(Officer in charge of General Administration Department, Estate Promotion Department and Environment & Construction Department)				

5 Susumu Inaoka		Date of birth: June 3, 1960		Reelection
Number of the Company's shares held	Special interest with the Company	Important concurrent positions	Board of Directors Meeting Attendance	
4,300 shares	None	None	14/14	
<u>Career summary</u> <u>(positions and areas of responsibility in the Company)</u>		Reasons for appointing as a candidate for Director		
Apr. 1983	Joined the Company	Mr. Susumu Inaoka assumed the position of Director of the Company in June 2014, and since then he has drawn on his wealth of experience and knowledge in managerial planning, personnel policy, intellectual property strategy and R&D as the Director in charge of managerial planning, personnel, intellectual property and the Technical Research Laboratory, facilitating the enhancement of corporate value. The Company has appointed Mr. Inaoka as a candidate for Director, judging that he is a talented individual who is capable of continuing to manage the whole Group appropriately as a Director to contribute to the further enhancement of corporate value by promoting the "Creation '21" medium-term corporate business plan.		
May 2007	Manager, Chemical Products Administration Department			
Jun. 2010	Standing Auditor of the Company			
Jun. 2014	Director, Executive Officer of the Company (to present)			
(Officer in charge of Managerial Planning Department, Personnel Department, Intellectual Property Department, and Technical Research Laboratory)				

6 Hiroshi Fujii		Date of birth: September 22, 1960		Reelection
Number of the Company's shares held	Special interest with the Company	Important concurrent positions	Board of Directors Meeting Attendance	
3,800 shares	None	None	14/14	
<u>Career summary</u> <u>(positions and areas of responsibility in the Company)</u>		Reasons for appointing as a candidate for Director		
Apr. 1983	Joined the Company	Mr. Hiroshi Fujii assumed the position of Director of the Company in June 2016, and since then he has drawn on his wealth of experience and knowledge in finance and accounting and systems services as the Director in charge of finance and accounting, and system & EDP, facilitating the enhancement of corporate value. The Company has appointed Mr. Fujii as a candidate for Director, judging that he is a talented individual who is capable of continuing to manage the whole Group appropriately as a Director to contribute to the further enhancement of corporate value by promoting the "Creation '21" medium-term corporate business plan.		
Apr. 2011	Manager, Finance & Accounting Department			
Jun. 2013	Executive Officer of the Company			
Jun. 2016	Director, Executive Officer of the Company (to present)			
(Officer in charge of Finance & Accounting Department and System & EDP Department and Manager, Finance & Accounting Department)				

7 Kenshi Kawano		Date of birth: March 19, 1962		Reelection
Number of the Company's shares held	Special interest with the Company	Important concurrent positions	Board of Directors Meeting Attendance	
2,400 shares	None	None	14/14	
<u>Career summary</u> <u>(positions and areas of responsibility in the Company)</u>		Reasons for appointing as a candidate for Director		
Apr. 1985	Joined the Company	Mr. Kenshi Kawano assumed the position of Director of the Company in June 2017, and since then he has drawn on his wealth of experience and knowledge in all aspects of advanced technology business as the Director in charge of advanced technology business, facilitating the enhancement of corporate value. The Company has appointed Mr. Kawano as a candidate for Director, judging that he is a talented individual who is capable of continuing to manage the whole Group appropriately as a Director to contribute to the further enhancement of corporate value by promoting the "Creation '21" medium-term corporate business plan.		
Apr. 2011	Manager, Hong Kong Branch and President of Kurabo Denim (HK) Limited			
Sep. 2013	Manager, Hong Kong Branch			
Apr. 2014	Assistant to Manager, Managerial Planning Department			
Jun. 2014	Executive Officer of the Company			
Jun. 2017	Director, Executive Officer of the Company (to present)			
(General Manager, Advanced Technology Division)				

Proposal 3: Election of One (1) Director Who Is an Audit and Supervisory Committee Member

The Company proposes to elect one (1) Director who is an Audit and Supervisory Committee Member, increasing the number of Directors by one (1) to further enhance the corporate governance.

The candidate for Director who is an Audit and Supervisory Committee Member is as follows: Prior to this proposal, the Company has already obtained the consent of the Audit and Supervisory Committee of the Company.

Concerning the ratio of Outside Directors on the Board of Directors, assuming the election of Misako Tanizawa, one-third of the Board of Directors shall be Outside Directors.

Misako Tanizawa	Date of birth: November 29, 1961	New election	Outside	Independence
Number of the Company's shares held		Special interest with the Company		
0 shares		None		
Important concurrent positions				
Representative of Tanizawa Certified Public Accountant Office Auditor of Hyogo University of Teacher Education				

<u>Career summary</u> <u>(positions and areas of responsibility)</u>		Reasons for appointing as a candidate for Director (Audit and Supervisory Committee Member)
Oct. 1992	Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)	Although in the past Mr. Misako Tanizawa has not been involved in the management of a company in a manner other than serving as an outside director or outside auditor, she has wealth of experience and high accounting knowledge as a certified public accountant. The Company has appointed Ms. Tanizawa as a candidate for Outside Director (Audit and Supervisory Committee Member), believing that she is capable of properly auditing and supervising the execution of duties by Directors from an objective and independent perspective as an Outside Director (Audit and Supervisory Committee Member), and also with the expectation that her female viewpoints and perspectives can be utilized to promote active involvement by personnel of diversity.
Jan. 1996	Registered as a certified public accountant	
Oct. 2004	Senior Manager of Deloitte Touche Tohmatsu LLC	
Apr. 2016	Auditor of Hyogo University of Teacher Education (to present)	
Feb. 2017	Retired from Deloitte Touche Tohmatsu LLC	
Mar. 2017	Established Tanizawa Certified Public Accountant Office	
Aug. 2018	Registered as a certified tax accountant	

Matters regarding the Independence

Ms. Misako Tanizawa meets the requirements of our internal regulation of "Criteria for Independence of Outside Directors" and of an Independent Director/Auditor pursuant to Article 436-2 of the Securities Listing Regulation of the Tokyo Stock Exchange. The Company has judged that she is an Outside Director who is unlikely to have a conflict of interest with general shareholders.

- Notes:
1. Matters regarding Outside Directors
Ms. Misako Tanizawa is a candidate for Outside Director.
If the election of Ms. Misako Tanizawa is approved, the Company will newly nominate her as an Independent Director/Auditor and report to the Tokyo Stock Exchange. Our regulation of "Criteria for Independence of Outside Directors" is provided on pages 38 to 39 of Reference Documents for the Ordinary General Meeting of Shareholders.
 2. Liability limitation agreement with Directors who do not execute business (Outside Directors)
If Ms. Misako Tanizawa takes office as an Outside Director, the Company will, pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, enter into an agreement with her to limit her liability for damages under Article 423, paragraph 1 of the same Act. The maximum amount of liability for damages under this agreement is the minimum liability amount provided for by the applicable laws and regulations.

Proposal 4: Determination of Amount and Other Details of Performance-linked Share-based Remuneration for Directors

1. Reasons for proposal and justification of the remuneration

Remuneration for Directors of the Company has been comprised only of “basic remuneration.” The Company would like to ask for approval for the introduction of new performance-linked share-based remuneration plan (hereinafter the “Plan”) for Directors of the Company (excluding Outside Directors, Directors who are Audit and Supervisory Committee Members, and non-residents of Japan; such Directors of the Company are hereinafter referred to just “Directors”). Please note that the Company would like to entrust the Board of Directors with specifics of the Plan within the scope in 2. below.

The Plan is intended to increase the motivation of Directors to contribute to improving corporate performance and enhancing corporate value over the medium to long term by further clarifying the linkage between the remuneration for Directors and the Company’s performance and share value, and by sharing both the benefits and risk of share price fluctuations by Directors and shareholders. Thus, the Company judges the remuneration plan is appropriate.

This proposal has been submitted to pay to Directors who remain in office for the period of three fiscal years beginning with the fiscal year ending March 31, 2020 and ending with the fiscal year ending March 31, 2022 (hereinafter the “Applicable Period”) the new performance-linked share-based remuneration that is separate from the limit of Directors’ remuneration that the shareholders approved at the 208th Ordinary General Meeting of Shareholders held on June 29, 2016 (within ¥25 million monthly; provided, however, that said limit does not include any employee salary portion).

Moreover, if Proposal 2 “Election of Seven (7) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)” is approved and adopted as originally proposed, the number of Directors eligible for the Plan will be seven.

Also, in regard to this proposal, the Company’s Audit and Supervisory Committee has expressed the opinion that the introduction of the Plan is appropriate in light of the purpose and details of the Plan.

* If this proposal is approved and adopted as originally proposed, the Company plans to introduce the similar share-based remuneration plan to the executive officers who have entered into a service agreement with the Company.

2. Amounts of remuneration etc. under the Plan and other details

(1) Outline of the Plan

The Plan is a share-based remuneration plan, under which a trust established and funded with money contributed by the Company (hereinafter the “Trust”), shall acquire shares of the Company, and a number of such shares, which shall correspond to the number of points granted to each Director by the Company, shall be delivered to each Director through the Trust.

Shares of the Company shall be delivered to each Director at the time of his/her retirement from office in principle.

1) Persons eligible for the Plan	The Company’s Directors (excluding Outside Directors, Directors who are Audit and Supervisory Committee Members, and non-residents of Japan)
2) Applicable Period	From the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2022
3) Maximum amount of money that the Company shall contribute as funds necessary to acquire shares of the Company to be delivered to Directors in the Applicable Period mentioned in “2).”	Total: ¥200 million
4) Method of acquisition of shares of the Company	Either by acquiring treasury shares disposed of or by purchasing shares on the exchange market (including in after-hours trading)
5) Upper limit for total number of points that the Company shall grant to Directors mentioned in “1).”	40,000 points for each fiscal year
6) Benchmark for granting points	Grant points of a number corresponding to the position and performance achievement level
7) Period for delivering the shares of the Company to Directors mentioned in “1).”	At the time of retirement from office in principle

(2) Maximum amount of money to be contributed by the Company

Initially the trust period of the Trust shall be approximately three years, and the Company shall establish the Trust for the benefit of Directors who meet certain beneficiary requirements, by contributing, during the Applicable Period, an amount not exceeding ¥200 million in total, as funds necessary for the Trust to acquire shares of the Company to be delivered to Directors under the Plan, as part of the remuneration for the Directors in office during the Applicable Period. The Trust shall acquire shares of the Company using the money entrusted by the Company, either from the Company in the form of disposal of its treasury shares or on the exchange market (including in after-hours trading).

Note: The monetary amount to be actually entrusted to the Trust by the Company shall be the amount including the estimated necessary expenses such as trust fees and payment for the trust administrator, etc. on top of the abovementioned funds for acquiring shares of the Company. Furthermore, if the Company introduces a similar share-based remuneration plan for the executive officers of the Company who have entered into a service agreement with the Company with details as described above, the Trust shall also be entrusted with funds necessary to acquire shares of the Company to be delivered to the executive officers.

Note that the Plan may be continued, by resolution of the Board of Directors of the Company, each time by extending the Applicable Period until any time within three fiscal years prescribed each time and, in line with this, extending the trust period of the Trust (including the case where the trust property of the Trust is transferred to a trust that has the

same purpose as that of the Trust established by the Company, effectively extending the trust period; the same shall apply hereinafter). In this instance, the Company will contribute additional money of the amount up to 67 million yen multiplied by the number of fiscal years of the extended Applicable Period as the funds necessary to acquire additional shares of the Company to be delivered to Directors under the Plan, and continue to grant points and deliver shares of the Company described in (3) below.

Furthermore, even in the event that the Company does not extend the Applicable Period as described above and does not continue the Plan, then if, upon the expiry of the Trust Period, there are still Directors who have already been granted points but not yet retired from office, the trust period of the Trust may be extended until said Directors retire from office and the delivery of shares of the Company to them has been completed.

(3) Calculation method and maximum number of shares of the Company to be delivered to Directors

1) Method of granting points to Directors

The Company shall, pursuant to the Share Grant Regulations established by its Board of Directors, grant to each Director the number of points in accordance with their position and performance achievement level at the date of granting points set forth in the Share Grant Regulations during the trust period.

However, the aggregate number of points to be granted by the Company to Directors shall be up to 40,000 points for each fiscal year.

2) Delivery of shares of the Company based on the number of points granted

Directors shall receive, in accordance with the procedure described in 3) below, the delivery of the number of shares of the Company corresponding to the number of points granted under 1) above.

One point shall correspond to one share of the Company; provided, however, that in the event of circumstances that can reasonably justify adjustment to the number of the shares of the Company to be delivered, such as share split or share consolidation, the Company shall make reasonable adjustment according to the ratio of such share split or share consolidation or other circumstances.

3) Delivery of shares of the Company to Directors

Delivery of shares of the Company to each Director as described in 2) above shall be done from the Trust, subject to the completion of the predetermined beneficiary verification procedures by each Director at the time of his/her retirement from office.

However, a certain portion of shares of the Company to be delivered may be sold/realized in the Trust first for the purpose of the Company to withhold funds to pay taxes such as withholding taxes, and delivered in the form of money in lieu of shares of the Company. In addition, in the event of realization of shares of the Company held in the Trust due to the settlement following the circumstances such as subscription to a tender offer for shares of the Company held in the Trust, the Trust may also effect the delivery in the form of money in lieu of shares of the Company.

(4) Exercise of voting rights

Pursuant to the instructions of the trust administrator who is independent from the Company and its officers, the voting rights associated with shares of the Company held in the Trust shall not be exercised without exception, which will assure the neutrality of the Company's

management in relation to exercise of voting rights of such shares.

(5) Handling of dividends

Dividends on shares of the Company held in the Trust shall be received by the Trust, and shall be appropriated towards payment for acquisition of shares of the Company, trust fees for the trustee associated with the Trust, etc.

(Reference)

For the basic framework of the Plan, please refer to the “Notice Regarding Introduction of Performance-linked Share-based Remuneration Plan for Officers” released on May 13, 2019.

Proposal 5: Continuation of the Measures to Respond to a Large-Scale Purchase of Kurabo Shares, etc. (Takeover Defense Measures)

The Company has passed a resolution approving the continuation of the “Measures to Respond to a Large-Scale Purchase of Kurabo Shares, etc.” (hereinafter the “Existing Plan”) at the meeting of its Board of Directors held on May 9, 2016 and it was also approved by the shareholders at the 208th Ordinary General Meeting of Shareholders of the Company held on June 29, 2016.

As the effective period of the Existing Plan expires at the conclusion of the Ordinary General Meeting of Shareholders scheduled to be held in June 2019 (hereinafter “this Ordinary General Meeting of Shareholders”), the Company has conducted a review of the Existing Plan including whether it should be continued from the perspective of protecting and enhancing corporate value and eventually the common interest of shareholders. As a result, at its meeting held on May 13, 2019, the Board of Directors of the Company decided to partially amend the Existing Plan as follows and continue it on the amended basis subject to the approval of the shareholders at this Ordinary General Meeting of Shareholders and the Company has announced to that effect (hereinafter the continued takeover defense measures are referred to as “this Plan”).

If this Plan is approved by the shareholders at this Ordinary General Meeting of Shareholders, the effective period of this Plan shall be through the conclusion of the Ordinary General Meeting of Shareholders of the Company scheduled to be held in June 2022.

The major changes in this Plan are as follows:

- 1) It has been clearly stated that when acquiring share acquisition rights from a purchaser, the Company shall not deliver economic benefits such as cash.
- 2) Other changes have also been made for clear use of terms and expressions to make this Plan easier to understand.

Measures to Respond to a Large-Scale Purchase of Kurabo Shares, etc. (Takeover Defense Measures)

I. Basic Policy on Persons Who Control Decisions on Financial and Business Policies of the Company

The Company, as a party whose shares are listed on a financial instruments exchange, respects free trading of shares of the Company in the market and does not unconditionally deny a large-scale purchase of shares, etc. of the Company by a particular party as long as it contributes to the protection and enhancement of the corporate value of the Company and its group companies (the “Group”) and eventually the common interest of shareholders. The Company also believes that whether to accept a proposal for a large-scale purchase of shares, etc. of the Company should ultimately be decided by our shareholders.

However, there may be a proposal for a large-scale purchase of shares, etc. of the Company that could undermine the corporate value of the Group and eventually the common interest of shareholders by, for example, potentially preventing the Company from maintaining a good relationship with our stakeholders, that does not sufficiently reflect the value of the Group, or that does not provide sufficient information that is necessary for our shareholders to make a final decision.

The Board of Directors of the Company believes that when such a proposal is made, it is the responsibility of the board as a body mandated by our shareholders to secure necessary time and information and to negotiate with the party submitting such a proposal on behalf of our shareholders.

II. Effective Use of the Property of the Company, Formation of an Appropriate Group of Enterprises, and Other Special Approaches to the Implementation of the Basic Policy

1. Source of corporate value of the Group

The Company was established in 1888 in Kurashiki, Okayama Prefecture as a spinning company. Since then, the Company has passed down the founding spirit of “Modesty bears profit.”¹ and “Be of one mind and make concerted efforts.”² for around 130 years and is currently operating, among others, textile business and chemical products business from the global perspective. Also, the Company adopted a management philosophy “We, the KURABO Group, contribute to building a better future of society through the creation of new value.” and, as a company providing new value to society, it aims to contribute to creating a better future society and increase its corporate value.

The Group consists of the Company and around 40 subsidiaries and affiliates in Japan and overseas and engages in the textile business, chemical products business, advanced technology business, food and service business, and real estate business.

We believe that the source of corporate value of the Group lies in the strong relationship of trust with our business partners. To increase such corporate value, the Group’s development, manufacturing and sales departments are making concerted efforts based on the technology and know-how that we have developed over many years and effectively using domestic and

¹ “Modesty bears profit.” means that people who are conceited invite trouble, while those who humbly work hard reap benefits. (It comes from a passage in the Confucian “Classic of History,” which is the oldest scripture in China.)

² “Be of one mind and make concerted efforts.” means, even if individual people have different working styles and talents, they should coordinate their thinking, combine their strengths, and cooperate to achieve their common goal. (This is a phrase in the history “Commentary of Zuo on the Spring and Autumn Annals” by Confucius.)

overseas business bases of the Group to carry out speedy development and provision of products to satisfy customer needs.

2. Initiatives to enhance corporate value and to protect common interest of shareholders
Such an accumulation of individual efforts made over a long-term period since its foundation forms the foundation of the Group as is now and it is our recognition that the Group can increase its value of existence in society only through the inheritance and expansion of the corporate culture of the Group. We believe that we can, as a result of this approach, enhance corporate value and maximize the common interest of the Group and all its stakeholders including our shareholders and business partners. Therefore, the Group is currently implementing the following initiatives looking to achieve further growth and development in the future.

- 1) Implementation of a medium-term corporate business plan

The Group has established a new three-year medium-term corporate business plan “Creation ’21” and the plan came into effect in April 2019. Under “Creation ’21,” the Group, going beyond preconceived notions, implements the following five priority measures under the basic policy of “earnings growth through innovation and enhancing corporate value:”

- Enhancing high value-added businesses
- Strengthening and enhancing overseas businesses
- Promoting R&D activities and creating new businesses
- Empowering diverse human resources to play active roles
- Increasing the Kurabo brand’s value and creating a trusted company

- 2) Return of profit to our shareholders

The Company considers the payment of dividends to shareholders to be one of the top-priority management issues. As such, it is the Company’s basic policy to return profit to shareholders on a stable and sustainable basis. Therefore, the Company will make continued efforts to create and maintain a strong financial structure and increase profit even more and will thereby strive to increase dividends so that our shareholders can continue to hold shares of the Company with peace of mind. The Company also believes in the effectiveness of the acquisition of treasury shares by resolution of the Board of Directors as a means to return profit to our shareholders and as part of an agile capital policy and therefore plans to implement it based on the comprehensive consideration of the financial status of the Company as well as the market conditions.

- 3) Fulfillment of social responsibility

The Group will, under the leadership of the Kurabo CSR Committee, carry out sincere and fair corporate activities by, for example, being environmentally conscious and complying with laws and regulations and other rules in accordance with the “Kurabo Group of Companies Code of Ethics,” our code of conduct for the fulfillment of social responsibility, and at the same time will provide original and truly valuable products, information and services aiming to create a rich and healthy living environment.

We believe that the Group can enhance its corporate value and protect the common interest of the Group and its stakeholders by steadily implementing these initiatives and thereby

becoming an enterprise whose value of existence is recognized by all its stakeholders and that is supported as one in which they can have confidence and sense of security.

III. Measures to Prevent Decisions on Financial and Business Policies of the Company from Being Controlled by Inappropriate Parties in the Context of Its Basic Policy on the Control of the Company (Takeover Defense Measures)

1. Purpose of the continuation of this Plan

The Board of Directors of the Company decided to continue this Plan for the purpose of clarifying the rules to be adhered to by a party intending to carry out a large-scale purchase of shares, etc. of the Company and securing information and time that are necessary and sufficient for shareholders and investors to make an appropriate decision as well as the opportunity to negotiate with the party intending to carry out such a large-scale purchase.

As outlined below, this Plan establishes rules to be adhered to by a party intending to carry out a large-scale purchase of shares, etc. of the Company, clarifies that in certain cases, the party intending to carry out a large-scale purchase may sustain a loss as the Company takes countermeasures, and thereby warns the party intending to carry out a large-scale purchase that will not contribute to the Company's corporate value and eventually the common interest of shareholders by appropriately disclosing such rules and clarifications.

The status of major shareholders of the Company as of March 31, 2019 is as shown in Appendix 1. As of the date of this document, the Company has not received any proposal for a large-scale purchase of shares, etc. of the Company.

2. Establishment of the Independent Committee

In exercising countermeasures under this Plan and taking other similar actions, the Company will, in accordance with the Independent Committee Regulations (for the outline of the Regulations, see Appendix 2), respect the recommendations of an independent committee consisting of Outside Directors of the Company or outside experts (senior corporate executives with proven track record, ex-government officials, attorneys at law, certified public accountants, persons with academic experience or persons equivalent thereto) who are independent from the senior executives in charge of business execution of the Company (hereinafter the "Independent Committee") to the maximum extent in order to preclude any arbitrary decision by its Board of Directors and ensure transparency through timely information disclosure to shareholders and investors. The Independent Committee members will be the four individuals who are specified in Appendix 3.

3. Content of this Plan

(1) Procedures for this Plan

1) Large-scale purchases and the like subject to this Plan

This Plan applies to purchases of shares, etc. of the Company that fall under either (i) or (ii) below or acts similar thereto (excluding those that are approved by the Board of Directors of the Company; hereinafter such acts are referred to as "Large-Scale Purchases"). A party who carries out or intends to carry out a Large-Scale Purchase (hereinafter "Purchaser") shall be required to preliminarily follow the procedures prescribed in this Plan.

- (i) A purchase as a result of which the ownership ratio of shares, etc.³ of the holder⁴ would become 20% or more with regard to the shares, etc.⁵ issued by the Company
- (ii) A tender offer as a result of which the aggregate sum of the ownership ratio of shares, etc.⁶ pertaining to the tender offer⁷ and the ownership ratio of shares, etc. of their specially related parties⁸ would become 20% or more with regard to the shares, etc.⁹ issued by the Company

2) Prior submission of a “Letter of Intent” to the Company

A Purchaser is required to submit to the Board of Directors of the Company a document containing, among others, a written pledge to the effect that the Purchaser will comply with the procedures prescribed in this Plan in relation to the proposed Large-Scale Purchase (hereinafter “Letter of Intent”) using a form prescribed by the Company before the execution of the Large-Scale Purchase.

More specifically, the Purchaser is required to state the following matters in the Letter of Intent in Japanese.

- (i) Summary description of the Purchaser
 - (a) Name and address or location
 - (b) Title and name of the representative
 - (c) Purpose of the company, etc. and content of business
 - (d) Summary description of major shareholders or equity holders (10 largest holders in terms of ownership ratio of shares or equity holding ratio)
 - (e) Contact address in Japan
 - (f) Law governing the incorporation

³ This term means “Ownership Ratio of Share Certificates, etc.” as defined in Article 27-23, paragraph 4 of the Financial Instruments and Exchange Act. The same shall apply hereinafter.

⁴ This term means “holders” as defined in Article 27-23, paragraph 1 of the Financial Instruments and Exchange Act and includes persons who are included in the category of “holders” pursuant to the provisions of paragraph 3 of that Article.

⁵ This term means “Share Certificates, etc.” as defined in Article 27-23, paragraph 1 of the Financial Instruments and Exchange Act. The same shall apply hereinafter unless otherwise prescribed. In the case of an amendment to any of the laws and regulations, etc. referred to in this Plan (including changes in the names of laws and regulations and the establishment of new laws and regulations, etc. that succeed old laws and regulations, etc.), any reference to the provisions of such laws and regulations, etc. in this Plan shall be deemed to be replaced with a reference to the provisions of amended laws and regulations, etc. that substantively succeed the old provisions unless otherwise prescribed by the Board of Directors of the Company.

⁶ This term means “Ownership Ratio of Share Certificates, etc.” as defined in Article 27-2, paragraph 8 of the Financial Instruments and Exchange Act. The same shall apply hereinafter.

⁷ This term is as defined in Article 27-2, paragraph 6 of the Financial Instruments and Exchange Act. The same shall apply hereinafter.

⁸ This term means “Specially Related Parties” as defined in Article 27-2, paragraph 7 of the Financial Instruments and Exchange Act. However, the parties set forth in item (i) of that paragraph shall exclude those who are prescribed 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. The same shall apply hereinafter.

⁹ This term means “Share Certificates, etc.” as defined in Article 27-2, paragraph 1 of the Financial Instruments and Exchange Act. The same shall apply hereinafter in (ii).

- (ii) The number of shares, etc. of the Company currently held by the Purchaser and the trading status of the Purchaser regarding the shares, etc. of the Company during the period of 60 days immediately preceding the date of submission of the Letter of Intent
- (iii) The outline of the Large-Scale Purchase proposed by the Purchaser (including the classes and the number of shares, etc. of the Company planned to be purchased by the Purchaser through the Large-Scale Purchase and the purpose of the Large-Scale Purchase (if the Purchaser's purposes include: the acquisition of control or the participation in management; pure investment or strategic investment; any transfer or similar transaction of shares, etc. of the Company to a third party after the completion of the Large-Scale Purchase; making a material proposal¹⁰; or other purposes, the Purchaser must describe that fact and specific description of them; if there are more than one purposes, the Purchaser is required to state all of them))

3) Provision of the "Necessary Information"

In cases where the Purchaser has submitted the Letter of Intent referred to in 2) above, the Purchaser is required to submit to the Company information that is necessary and sufficient for shareholders and investors to make a decision and for the Board of Directors of the Company to evaluate and examine the Large-Scale Purchase (hereinafter the "Necessary Information") in Japanese in accordance with the following procedure.

First, the Company will send to the Purchaser at the contact address in Japan specified in 2) (i) (e) above an "information list" specifying information to be initially submitted within 10 business days¹¹ (the first day not included) from the date of submission of the Letter of Intent. The Purchaser is required to provide sufficient information to the Company in accordance with the "information list."

If the information provided by the Purchaser in accordance with the "information list" mentioned above is reasonably determined by the Board of Directors of the Company or the Independent Committee to be insufficient for shareholders and investors to make a decision and for the evaluation, examination, etc., by the Board of Directors of the Company in view of the details and the form of the Large-Scale Purchase, the Purchaser will be required to provide additional information that is separately requested by the Board of Directors of the Company.

¹⁰ This term means "Material Proposal" as defined 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 Financial Instruments and Exchange Act, and Article 16 of the Cabinet Office Ordinance on Disclosure of the Status of Large Volume Holding of Share Certificates, etc.

¹¹ A business day means a day other than the days set forth in the items of Article 1, paragraph 1 of the Act on Holidays of Administrative Organs. The same shall apply hereinafter.

Regardless of the details and the form of the Large-Scale Purchase, the information listed in the following items shall, in principle, be included as part of the “information list.”

- (i) Details (including history, specific name, capital structure, business description, description of financial conditions, and names and career summary of officers) of the Purchaser and its group (including Joint Holders¹², specially related parties, and in the case of a fund, partners and other members)
- (ii) The purpose of the Large-Scale Purchase (details of the purpose disclosed in the Letter of Intent), the method and other details of the Large-Scale Purchase (including whether the Purchaser intends to participate in management of the Company, types and amounts of consideration for the Large-Scale Purchase, the timing of the Large-Scale Purchase, the structure of any related transactions, the number of shares, etc. planned to be purchased, the ownership ratio of shares, etc. after the execution of the Large-Scale Purchase, and the legal compliance of the method of the Large-Scale Purchase)
- (iii) The basis of calculation of the consideration for the Large-Scale Purchase (including the facts and assumptions of the calculation; the method of calculation; numerical information used in the calculation; the details of the synergy expected to arise from a series of transactions related to the Large-Scale Purchase; the name of a third party, if any, from whom an opinion is obtained in performing the calculation; the outline of such an opinion; and the process through which the amount is determined based on such an opinion)
- (iv) Supporting documents explaining the source of funds for the Large-Scale Purchase (including the specific name of the provider of the funds (including substantial providers of funds), funding methods, and the details of any related transactions)
- (v) Presence or absence of communication with a third party in conducting the Large-Scale Purchase and the details of the communication and the outline of the third party if such communication exists
- (vi) If, with regard to shares, etc. of the Company already held by the Purchaser, there are any lending agreement, hypothecation agreement, sell-back agreement, sales reservation agreement or other important contracts or arrangements (hereinafter “Hypothecation Agreements”), the type of the Hypothecation Agreements, the other party to the agreement, and the specific terms and conditions of the agreement such as the quantity of the shares, etc. that are the subject of the agreement
- (vii) If the Purchaser plans to enter into a Hypothecation Agreement or any other agreements with a third party with regard to the shares, etc. of the Company planned to be purchased by the Purchaser through the Large-Scale Purchase, the type of the agreement planned to be concluded, the other party to the agreement, and the specific terms and conditions of the agreement such as the quantity of the shares, etc. that are the subject of the agreement
- (viii) The management policy, business plan, capital policy, and dividend policy of the Company and the Group after the Large-Scale Purchase
- (ix) The policy on the treatment, etc. of the Company’s employees, labor union, business partners, customers, local communities, and other stakeholders of the Company after the Large-Scale Purchase

¹² This term means “Joint Holder” as defined in Article 27-23, paragraph 5 of the Financial Instruments and Exchange Act and includes persons who are determined by the Board of Directors of the Company to be deemed as “Joint Holder” pursuant to the provisions of paragraph 6 of that Article. The same shall apply hereinafter.

- (x) Specific measures to avoid any conflict of interest with other shareholders of the Company

When a Purchaser has proposed a Large-Scale Purchase, the Board of Directors of the Company promptly discloses that fact and the outline of the proposal. The Board of Directors of the Company also promptly discloses the outline of the Necessary Information and any other information that is determined by the Board of Directors of the Company and the Independent Committee as necessary for shareholders and investors to make a decision, if any.

When the Board of Directors of the Company determines that the Necessary Information has been sufficiently provided by the Purchaser, it promptly notifies the Purchaser to that effect (hereinafter “Information Provision Completion Notice”) and also promptly discloses to that effect.

4) Establishment of the Board of Directors’ Evaluation Period

After giving the Information Provision Completion Notice, the Board of Directors of the Company sets either of the periods listed in (i) or (ii) below starting on the day immediately following the date of the Information Provision Completion Notice, depending on such factors as the difficulty of evaluation of the Large-Scale Purchase, as a period for evaluation, examination, negotiation, opinion formation, and development of an alternative proposal by the Board of Directors of the Company (hereinafter the “Board of Directors’ Evaluation Period”) and discloses the said period:

- (i) in the case of a Large-Scale Purchase through a tender offer of all shares, etc. of the Company, the consideration for which consists only of cash (denominated in Japanese yen): a period of up to 60 days; or
- (ii) in the case of other Large-Scale Purchases: a period of up to 90 days.

During the Board of Directors’ Evaluation Period, the Board of Directors of the Company shall sufficiently evaluate and examine the Necessary Information provided by the Purchaser while obtaining the advice of external experts from time to time as necessary and shall thereby examine the details of the Large-Scale Purchase proposed by the Purchaser from the perspective of protecting and enhancing the corporate value of the Company and the common interest of shareholders. The Board of Directors of the Company will carefully form its opinion on the proposed Large-Scale Purchase through these examination, etc., and notify the Purchaser of it. It will also disclose its opinion in a timely and appropriate manner. The Board of Directors of the Company will also negotiate the terms and conditions and the method of the Large-Scale Purchase with the Purchaser as necessary and may present an alternative proposal to our shareholders.

5) Recommendations of the Independent Committee concerning the exercise of countermeasures

During the Board of Directors’ Evaluation Period, the Independent Committee shall, in parallel with the evaluation, examination, negotiation, opinion formation, and development of an alternative proposal by the Board of Directors of the Company outlined in 4) above, make recommendations to the Board of Directors of the Company on whether any countermeasures should be exercised, in accordance with the procedure outlined below. In doing so, the Independent Committee may, at the cost of the Company, obtain advice of third parties that are independent from the senior executives in charge of business execution of the Company (including investment banks, securities companies, financial advisors, certified public accountants, attorneys at law, consultants, and other experts) in order to ensure that the judgment of the Independent Committee is made in a manner to contribute to the protection and enhancement of the corporate value of the Company and

the common interest of shareholders. When the Independent Committee has made the following recommendations to the Board of Directors of the Company, the Board of Directors of the Company promptly discloses the fact that such recommendations have been made and the outline of the recommendations together with information about any other matters deemed appropriate by the Board of Directors of the Company and the Independent Committee.

- (i) In cases where the Purchaser has not complied with the procedures prescribed in this Plan

In cases where the Purchaser has not complied with the procedures prescribed in this Plan, the Independent Committee will conclude that the proposed Large-Scale Purchase is one that would significantly undermine the corporate value of the Company and the common interest of shareholders and, in principle, recommend the exercise of countermeasures to the Board of Directors of the Company.

- (ii) In cases where the Purchaser has complied with the procedures prescribed in this Plan

In cases where the Purchaser has complied with the procedures prescribed in this Plan, the Independent Committee will, in principle, recommend the non-exercise of countermeasures to the Board of Directors of the Company.

However, even in cases where the Purchaser has complied with the procedures prescribed in this Plan, the Independent Committee may still recommend the exercise of countermeasures to the Board of Directors of the Company as an exceptional case if the Independent Committee has concluded that any of the acts listed in Appendix 4 is intended; the proposed Large-Scale Purchase is one that would significantly undermine the corporate value of the Company and the common interest of shareholders; and the exercise of countermeasures is appropriate.

- 6) Resolution of the Board of Directors

The Board of Directors of the Company shall respect the recommendations of the Independent Committee prescribed in 5) above to the maximum extent and promptly pass a resolution approving the exercise or non-exercise of countermeasures after considering the necessity and the reasonableness of them in consideration of these recommendations and from the perspective of protecting and enhancing the corporate value of the Company and the common interest of shareholders.

When the Board of Directors of the Company has passed such a resolution, it shall promptly disclose the outline of the resolution together with information about any other matters deemed appropriate by the Board of Directors of the Company and the Independent Committee.

- 7) Discontinuation of countermeasures or revocation of the decision to exercise countermeasures

Even after the Board of Directors of the Company has passed a resolution approving the exercise of countermeasures in accordance with the procedure prescribed in 6) above or has started exercising countermeasures, if (i) the Purchaser has withdrawn the proposal for a Large-Scale Purchase or (ii) if there have been changes in the facts on which the judgment as to whether countermeasures should be exercised and it is no longer deemed appropriate to maintain the countermeasures that have been exercised from the perspective of protecting and enhancing the corporate value of the Company and the common interest of shareholders, the Board of Directors of the Company shall discontinue countermeasures or revoke the decision to exercise countermeasures based on, or regardless of the presence or absence of or the content of, the recommendations of the Independent Committee.

When the Board of Directors of the Company has passed such a resolution, it shall promptly disclose the outline of the resolution together with information about any other matters deemed appropriate by the Board of Directors of the Company and the Independent Committee.

8) Commencement of a Large-Scale Purchase

The Purchaser shall comply with the procedures prescribed in 1) through 6) above and cannot move forward with the Large-Scale Purchase unless the Board of Directors of the Company passes a resolution approving the exercise or non-exercise of countermeasures.

(2) Specific countermeasures to be exercised under this Plan

The countermeasures to be exercised by the Board of Directors of the Company based on its resolution as described in (1) 6) above shall be the allotment of share acquisition rights (hereinafter the “Share Acquisition Rights”) without contribution.

The outline of the allotment of the Share Acquisition Rights without contribution shall be as prescribed in Appendix 5.

As described in (1) 7) above, the Board of Directors of the Company may discontinue countermeasures or revoke the decision to exercise countermeasures even after it has passed a resolution approving the exercise of countermeasures or has started exercising countermeasures. For example, in the case where the Board of Directors of the Company had passed a resolution approving the allotment of the Share Acquisition Rights without contribution as countermeasures, if the Purchaser has withdrawn the proposal for the Large-Scale Purchase and the Board of Directors of the Company has passed a resolution described in (1) 7) above, the Board of Directors of the Company may discontinue the exercise of countermeasures by such way as aborting the allotment of the Share Acquisition Rights without contribution during the period until the day immediately preceding the ex-rights date pertaining to the record date set for the allotment of the Share Acquisition Rights without contribution and as the Company’s acquiring the Share Acquisition Rights without contribution during the period from the effective date of the allotment of the Share Acquisition Rights without contribution to the day immediately preceding the start date of the exercise period of the Share Acquisition Rights.

(3) Effective period, abolition, and change of this Plan

The effective period of this Plan shall be the period until the conclusion of the Ordinary General Meeting of Shareholders scheduled to be held in June 2022 subject to the approval of this Ordinary General Meeting of Shareholders.

However, if a resolution approving the abolition of this Plan is passed at a General Meeting of Shareholders of the Company anytime before the expiration of the said effective period, this Plan shall be abolished at that time pursuant to the resolution.

Similarly, if a resolution approving the abolition of this Plan is passed by the Board of Directors consisting of Directors elected at a General Meeting of Shareholders of the Company, this Plan shall be abolished at that time. If the Board of Directors of the Company determines that a formal change in this Plan is required due to a change in the Companies Act, the Financial Instruments and Exchange Act, other laws or regulations, rules of the financial instruments exchange, or a change in the interpretation or operation thereof; or a change in the taxation system or judicial precedents, etc.; it may amend or change this Plan as appropriate upon approval of the Independent Committee.

On the other hand, in cases where the Board of Directors of the Company intends to change this Plan in a manner that would substantively affect our shareholders, it shall propose such

a change to the General Meeting of Shareholders to be held at the earliest opportunity for the approval of the shareholders.

In cases where this Plan is abolished or changed, the Company shall disclose such a fact and, in the case of a change, the detail of the change together with information about any other matters deemed appropriate by the Board of Directors of the Company and the Independent Committee.

4. Impact on shareholders and investors

(1) Impact of the continuation of this Plan on shareholders and investors upon its taking effect

When the continuation of this Plan takes effect, none of the Share Acquisition Rights will be issued. Therefore, upon its taking effect, this Plan will not directly have any specific impact on the legal rights and economic benefits pertaining to shares, etc. of the Company held by shareholders.

As noted in 3. (1) above, depending on factors including whether the Purchaser complies with this Plan, the response policy of the Company to the proposed Large-Scale Purchase will be different. Therefore, shareholders and investors are advised to pay attention to any action that the Purchaser may or may not take.

(2) Impact on shareholders and investors at the time of allotment of the Share Acquisition Rights without contribution

In the case where the Board of Directors of the Company decides to exercise countermeasures and carry out allotment of the Share Acquisition Rights without contribution, the Share Acquisition Rights will be allotted without contribution to shareholders recorded in the last shareholder register as of the allotment date to be specified separately at the rate of up to three (3) Share Acquisition Rights per share held. Due to the nature of such a structure, while the allotment of the Share Acquisition Rights without contribution causes dilution of the value per share of the Company held by each shareholder, it causes no dilution of the total value of the shares of the Company held by each shareholder. As such, the allotment of the Share Acquisition Rights without contribution is not expected to directly have a specific impact on the legal rights and economic benefits pertaining to shares of the Company held by shareholders.

However, as a result of the exercise of these countermeasures, the Purchaser may eventually be subject to certain impact on its legal rights and economic benefits.

In cases where the Board of Directors of the Company has passed a resolution approving the allotment of the Share Acquisition Rights without contribution, but subsequently decides to discontinue countermeasures or revoke the decision to exercise countermeasures in accordance with the procedure and other details prescribed in 3. (1) 7) above, stock price of shares of the Company may fluctuate accordingly. For example, in cases where the Company aborts the exercise of countermeasures, after the shareholders to receive the allotment of the Share Acquisition Rights without contribution are determined, by acquiring the Share Acquisition Rights without contribution and not delivering new shares, no dilution of value per share of the Company held by each shareholder occurs. Accordingly, shareholders and investors who have traded shares of the Company based on the expectation that dilution of value per share of the Company would occur may be exposed to a loss due to share price fluctuation.

In cases where discriminatory conditions are attached in relation to the exercise or acquisition of the Share Acquisition Rights pursuant to the provisions of 7. and 8. of Appendix 5, while the legal rights and economic benefits of the Purchaser are expected to be affected with regard to the said exercise or acquisition, such conditions are not expected to

directly have a specific impact on the legal rights and economic benefits pertaining to shares of the Company held by shareholders other than the Purchaser.

(3) Procedures to be followed by shareholders in conjunction with the allotment of the Share Acquisition Rights without contribution

As those shareholders whose names are registered in the last shareholder register as of the date of the allotment of the Share Acquisition Rights without contribution would naturally become holders of share options as of the effective date of the said allotment of the Share Acquisition Rights without contribution, no application procedure needs to be followed by these shareholders.

Shareholders may need to exercise the Share Acquisition Rights within a prescribed period for the acquisition of new shares. In such cases, shareholders are required to pay a certain amount of money.

In cases where the Board of Directors decides to acquire the Share Acquisition Rights, the Company may, in accordance with the procedure prescribed by laws, acquire the Share Acquisition Rights from shareholders other than the Purchaser on the day separately determined by the Board of Directors and deliver shares of the Company in exchange for them. In this case, shareholders other than the Purchaser need not follow any payment or other procedures concerning the Share Acquisition Rights as they would receive shares of the Company without paying money equivalent to the exercise price of the Share Acquisition Rights.

In addition to the above, after the Board of Directors passes a resolution approving the allotment of the Share Acquisition Rights without contribution, the allotment method, the exercise method, the method of acquisition by the Company and other details of the required procedures will be, based on the applicable laws and regulations and rules of the financial instruments exchange, disclosed or notified by the Company to shareholders in a timely and appropriate manner for their confirmation.

IV. Conclusion That This Plan Is Consistent with the Basic Policy on the Control of the Company, Does Not Undermine the Common Interest of Shareholders, and Is Not Intended to Protect the Positions of Directors of the Company, and the Basis of the Conclusion

As noted in III. above, the continuation of this Plan is proposed for the purpose of protecting and enhancing the corporate value of the Company and the common interest of shareholders in the case where a Large-Scale Purchase of shares, etc. of the Company is proposed by securing information and time necessary for our shareholders to decide whether to accept the proposal for the Large-Scale Purchase or for the Board of Directors of the Company to present an alternative proposal, as well as by enabling the Company to negotiate with the Purchaser on behalf of our shareholders or to take similar actions. As such, this Plan is consistent with the basic policy on persons who control decisions on financial and business policies of the Company, which is set forth in I.

Therefore, the Board of Directors of the Company considers it apparent that this Plan does not undermine the common interest of shareholders and is not intended to protect the positions of directors of the Company. The specific reasons therefor are as follows.

(1) This Plan satisfies the requirements of the guidelines on takeover defense measures.

This Plan satisfies all three principles prescribed in the “Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders’ Common Interests” jointly published by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005 and is also based on the “Takeover

Defense Measures in Light of Recent Environmental Changes” published by the Corporate Value Study Group on June 30, 2008.

(2) This Plan respects shareholders’ intention.

This Plan is to be continued after obtaining the consent of our shareholders at this Ordinary General Meeting of Shareholders. As stated in III. 3. (3) above, if a resolution approving the abolition or change of this Plan is passed at a General Meeting of Shareholders of the Company anytime after it is approved at this Ordinary General Meeting of Shareholders, this Plan will be abolished or changed pursuant to that resolution. Therefore, the intention of shareholders will adequately be reflected on this Plan through the procedure mentioned above.

(3) This Plan respects the judgment of highly independent outside parties and discloses information.

In order to eliminate any arbitrary decision by the Board of Directors of the Company, the Company has established the Independent Committee under this Plan as an advisory body to the Board of Directors that is in charge of making objective decisions and recommendations concerning the administration of this Plan including the exercise of countermeasures.

The Independent Committee consists of three (3) to five (5) committee members who are to be appointed from among Outside Directors of the Company and outside experts (senior corporate executives with proven track record, ex-government officials, attorneys at law, certified public accountants, persons with academic experience, or the like) who are independent from the senior executives in charge of business execution of the Company.

The Company will disclose information about the outline of the judgment made by the Independent Committee as necessary and has put in place a mechanism to ensure the transparent administration of this Plan in a manner to contribute to the protection and enhancement of the corporate value of the Company and the common interest of shareholders.

(4) Reasonable and objective requirements for the activation of this Plan

As stated in III. above, the Company has structured this Plan in a manner that it will not be activated unless reasonable and objective requirements for activation are satisfied and has put in place a mechanism to prevent the Board of Directors of the Company from arbitrarily activating it.

(5) This Plan is not a dead-hand type takeover defense plan.

As stated in III. 3. (3) above, this Plan may be abolished anytime by the Board of Directors consisting of Directors who are elected by the General Meeting of Shareholders of the Company. Therefore, this Plan is not a dead-hand type takeover defense plan (i.e. a takeover defense plan whose activation cannot be prevented even after replacing a majority of the members of the Board of Directors).

Status of Major Shareholders of the Company (as of March 31, 2019)

1. Total number of authorized shares
(in thousands of shares): 97,701
2. Total number of issued shares
(in thousands of shares): 23,156
3. Number of shareholders: 14,354
4. Major shareholders

Shareholder name	Number of shares held (In thousands of shares)	Shareholding percentage (%)
Sumitomo Mitsui Banking Corporation	1,058	4.92
Mizuho Bank, Ltd.	1,058	4.92
Nippon Life Insurance Company	920	4.28
Japan Trustee Services Bank, Ltd. (Trust Account)	754	3.50
The Master Trust Bank of Japan, Ltd. (Trust Account)	730	3.39
The Chugoku Bank, Limited	726	3.38
DFA INTL SMALL CAP VALUE PORTFOLIO	615	2.86
GOVERNMENT OF NORWAY	483	2.25
Sumitomo Mitsui Trust Bank, Limited	412	1.91
Japan Trustee Services Bank, Ltd. (Trust Account 5)	369	1.71

(Notes) 1. The Company holds 1,663 thousand shares of treasury shares, but is excluded from the list of major shareholders above.

2. Shareholding percentage is calculated after deducting treasury shares.

Outline of the Independent Committee Regulations

1. The Independent Committee is established by resolution of the Board of Directors as an advisory body to the Board of Directors for the purpose of precluding any arbitrary decision of the Board of Directors concerning, among others, the exercise of countermeasures against a Large-Scale Purchase and securing the objectivity and reasonableness of the decisions and responses of the Board of Directors.
2. The Independent Committee shall consist of three (3) to five (5) committee members. The Independent Committee members shall be appointed, by resolution of the Board of Directors of the Company, from among persons who are either of Outside Directors of the Company and outside experts (senior corporate executives with proven track record, ex-government officials, attorneys at law, certified public accountants, persons with academic experience or persons equivalent thereto) and who are independent from the senior executives in charge of business execution of the Company. The Company shall enter into a certain agreement with the Independent Committee members that contains provisions concerning the duty of due care of a prudent manager and confidentiality obligations.
3. The term of office of an Independent Committee member shall be the period from the day on which he or she is appointed to the conclusion of the Ordinary General Meeting of Shareholders scheduled to be held in June 2022 or another day separately agreed between the Company and the said member, unless otherwise prescribed by resolution of the Board of Directors of the Company.
4. The Independent Committee shall be convened by a Representative Director of the Company or any of the Independent Committee members.
5. The chairperson of the Independent Committee shall be elected among the Independent Committee members by a vote of the members.
6. A resolution of the Independent Committee shall be passed by a majority of the votes of the Independent Committee members present at the meeting, provided that all Independent Committee members are present. However, a member who has a special interest in a resolution shall not participate in the vote on the resolution.
In the case of an accident or any other unavoidable circumstances that prevent an Independent Committee member from voting on a resolution, a resolution of the Independent Committee shall be passed by a majority of the votes of the Independent Committee members present at the meeting, provided that all other Independent Committee members are present. In the case of a tie vote, the final decision shall be made by the chairperson.
7. The Independent Committee shall deliberate and make decisions on the matters listed in the following items and recommend its decisions to the Board of Directors of the Company clarifying the basis of the decisions:
 - (1) whether countermeasures under this Plan should be exercised;
 - (2) whether countermeasures under this Plan should be discontinued or aborted;
 - (3) whether this Plan should be abolished or changed; and
 - (4) any other matters on which the Board of Directors of the Company from time to time seeks advice in relation to this Plan.

In deliberating and passing resolutions at the Independent Committee, the Independent Committee members shall do so solely from the perspective of whether the matter in question contributes to the protection and enhancement of the corporate value of the

Company and the common interest of shareholders and shall not do so for the purpose of seeking personal benefits for themselves or senior executives of the Company.

8. The Independent Committee may have a Director, Executive Officer, employee or any other persons deemed necessary of the Company attend its meeting and request their opinion or explanation about the matters specified by the Independent Committee.
9. In performing its duties, the Independent Committee may, at the cost of the Company, obtain advice of external experts that are independent from the senior executives who are in charge of business execution of the Company (including investment banks, securities companies, financial advisors, certified public accountants, attorneys at law, consultants, and other experts).

Career Summary of Independent Committee Members

Teppei Mogi

Apr. 1983 Joined ITOCHU Corporation
Mar. 1986 Resigned ITOCHU Corporation
Apr. 1989 Registered as an attorney at law (Osaka Bar Association)
 Joined Oh-Ebashi Law Firm
Jul. 1992 Service at Brussels Office of Cleary, Gottlieb, Steen & Hamilton LLP
Jan. 1993 Service at Rotterdam Office of De Brauw Blackstone Westbroek
Apr. 1994 Partner of Oh-Ebashi Law Firm (to present)
Aug. 2002 Partner of Oh-Ebashi LPC & Partners (to present)
Apr. 2004 Professor of Kwansei Gakuin University Law School
Jun. 2009 Outside Director of Shionogi & Co., Ltd. (to present)
Apr. 2010 Part-time lecturer of Kwansei Gakuin University Law School
Aug. 2014 Outside Auditor of NIITAKA Co., Ltd.
Jun. 2015 Auditor of the Company
Aug. 2015 Outside Director (Audit and Supervisory Committee Member) of NIITAKA Co., Ltd. (to present)
Jun. 2016 Director (Audit and Supervisory Committee Member of the Company) (to present)

Daisuke Shinkawa

May 1991 Registered as a certified public accountant
Aug. 1991 Registered as a certified tax accountant
Apr. 2002 Established Hokuto & Co.
 Partner of Hokuto & Co.
Jan. 2003 Representative partner of Hokuto & Co. (to present)
Jun. 2012 Outside Corporate Auditor of SHIMA SEIKI MFG., LTD. (to present)
Jun. 2016 Director (Audit and Supervisory Committee Member of the Company) (to present)

Motohide Nishimura

- Apr. 1978 Joined Okasan Securities Co., Ltd.
- Aug. 1995 Advisor of SENSHU ELECTRIC CO., LTD.
- Jan. 1996 Director,
Deputy General Manager of Marketing Div. and International Div. of
SENSHU ELECTRIC CO., LTD.
- Jan. 1997 Managing Director,
Deputy General Manager of Administration Div. of SENSHU ELECTRIC
CO., LTD.
- Jan. 1998 Senior Managing Director,
General Manager of Marketing Div. and Marketing Administration Div. of
SENSHU ELECTRIC CO., LTD.
- Jan. 2000 Representative Director, President of SENSHU ELECTRIC CO., LTD. (to
present)
- Jun. 2018 Director (Audit and Supervisory Committee Member of the Company) (to
present)

Misako Tanizawa

For career summary of Ms. Misako Tanizawa, please refer to Proposal 3.

- *1. There is no special interest between the above four members and the Company.
- 2. Mr. Teppei Mogi, Mr. Daisuke Shinkawa and Mr. Motohide Nishimura are Outside Directors as defined in Article 2, item 15 of the Companies Act. Three members meet the requirements of our internal regulation of “Criteria for Independence of Outside Directors” and are Independent Directors/Auditors pursuant to Article 436-2 of the Securities Listing Regulation of the Tokyo Stock Exchange.
Although Mr. Teppei Mogi has worked as an employee at ITOCHU Corporation, our major client, during the period from April 1983 to March 1986, he is unlikely to be affected by the concerned company since considerable years have passed after his resignation from the company. Furthermore, the Company has not entered into an advisory agreement with Oh-Ebashi LPC & Partners where Mr. Mogi is a partner or with Oh-Ebashi Law Firm where Mr. Mogi is also a partner. While the Company receives advice on individual deals based on the expert knowledge of said law firms, an attorney at law other than Mr. Mogi is in charge of the Company. Moreover, the ratio of the total remuneration amount that said law firms receive to the Company’s average payment amount in the last three fiscal years is less than 0.2% of the law firms’ annual received remuneration in each fiscal year. Accordingly, in view of our internal regulation of “Criteria for Independence of Outside Directors,” these relations will have no effect on his independence.
- 3. Ms. Misako Tanizawa is a candidate for Outside Director.
The candidate meets the requirements of our internal regulation of “Criteria for Independence of Outside Directors” and of Independent Directors/Auditors pursuant to Article 436-2 of the Securities Listing Regulation of the Tokyo Stock Exchange. If the election of Ms. Misako Tanizawa is approved, the Company will newly nominate her as an Independent Director/Auditor and report to the said Exchange.

Types of Large-Scale Purchase Proposals That Are Considered to Significantly Undermine the Corporate Value of the Company and the Common Interest of Shareholders

1. Cases where the Purchaser is found to be a party who does not have any intention to participate in corporate management and is acquiring or intends to acquire shares, etc. of the Company only for the purpose of selling the shares, etc. of the Company to the Company or a related party of the Company at a high price after driving the share price higher (so-called greenmailer)
2. Cases where the Purchaser is found to be acquiring shares, etc. of the Company for the purpose of transferring such assets of the Company or its group companies (hereinafter collectively referred to as the “Group”) as intellectual property rights, know-how, corporate secrets, major business partners, and customers that are necessary for the business operation of the Company to the Purchaser or its group company, etc. by temporarily gaining control over the corporate management of the Company
3. Cases where the Purchaser is found to be acquiring shares, etc. of the Company for the purpose of using the assets of the Group as collateral for or the source of funds to repay debts of the Purchaser or its group company, etc. after acquiring the control over the corporate management of the Company
4. Cases where the Purchaser is found to be acquiring shares, etc. of the Company for the purpose of disposing of real estate, securities and other high-value assets that are not currently related to the business of the Group and temporarily paying higher dividends from the disposition proceeds or deliberately selling the shares, etc. of the Company at a high price as the share price surges during the period of the said temporarily higher dividends
5. Cases where the method of purchase of shares, etc. of the Company proposed by the Purchaser is found to impose restrictions on the opportunity or freedom of shareholders to make a decision by way of so-called coercive two-tier tender offer¹³ and shareholders could be effectively forced to sell the shares, etc. of the Company

¹³ The method of carrying out a tender offer in two steps where the Purchaser does not solicit the sale of all shares, etc. of the Company in the first stage while specifying unfavorable terms and conditions for purchase in the second stage or not clarifying the terms and conditions for purchase in the second stage.

Outline of the Allotment of Share Acquisition Rights Without Contribution

1. Total number of the Share Acquisition Rights to be allotted
The total number of the Share Acquisition Rights to be allotted shall be the number separately specified by the Board of Directors of the Company in the resolution approving the allotment of the Share Acquisition Rights without contribution (hereinafter “Resolution Approving the Allotment of the Share Acquisition Rights Without Contribution”) and this number shall not exceed the number equivalent to three (3) times the final total number of issued shares of the Company as of a certain day separately specified by the Board of Directors of the Company in the Resolution Approving the Allotment of the Share Acquisition Rights Without Contribution (hereinafter “Allotment Date”) (excluding the number of treasury shares of the Company as of the said date).
2. Shareholders entitled to the allotment
The Share Acquisition Rights shall be allotted without contribution to shareholders whose names are recorded in the last shareholder register as of the Allotment Date at the rate of up to three (3) Share Acquisition Rights per common share of the Company held by the said shareholders (excluding shares of the Company held by the Company as of the said date) that is separately specified by the Board of Directors of the Company in the Resolution Approving the Allotment of the Share Acquisition Rights Without Contribution.
3. Effective date of the allotment of the Share Acquisition Rights without contribution
The effective date shall be the day separately specified by the Board of Directors of the Company in the Resolution Approving the Allotment of the Share Acquisition Rights Without Contribution.
4. Class and number of shares that are the subject of the Share Acquisition Rights
The class of the shares that are the subject of the Share Acquisition Rights shall be common shares of the Company and the number of shares that are the subject of a Share Acquisition Right (hereinafter “Number of Subject Shares”) shall be the number separately specified by the Board of Directors of the Company in the Resolution Approving the Allotment of the Share Acquisition Rights Without Contribution provided that the Number of Subject Shares shall not exceed one (1). However, in cases where the Company carries out a share split or share consolidation, the Number of Subject Shares shall be subject to required adjustment.
5. Type and amount of assets to be contributed upon exercise of the Share Acquisition Rights
The type of assets to be contributed upon exercise of the Share Acquisition Rights shall be money and the amount of assets to be contributed upon exercise of the Share Acquisition Rights per common share of the Company shall be the amount separately specified by the Board of Directors of the Company in the Resolution Approving the Allotment of the Share Acquisition Rights Without Contribution provided that this amount shall not be less than one (1) yen.
6. Restrictions on the transfer of the Share Acquisition Rights
Any transfer of the Share Acquisition Rights shall be subject to the approval of the Board of Directors of the Company.

7. Exercise conditions of the Share Acquisition Rights

A party falling under any of the following categories (hereinafter collectively referred to as “non-qualified parties”) are not entitled to exercise the Share Acquisition Rights: (1) specified large volume holder¹⁴, (2) joint holder of a specified large volume holder, (3) specified large volume purchaser¹⁵, (4) specially related party of a specified large volume purchaser, (5) party who has received or succeeded the Share Acquisition Rights from any of the parties listed in (1) through (4) without obtaining the approval of the Board of Directors of the Company, or (6) related party¹⁶ of any of the parties falling under (1) through (5). The details of the exercise conditions of the Share Acquisition Rights shall be separately specified in the Resolution Approving the Allotment of the Share Acquisition Rights Without Contribution.

8. Acquisition of the Share Acquisition Rights by the Company

The Company may acquire the Share Acquisition Rights held by parties other than non-qualified parties and deliver common shares of the Company at the rate of the Number of Subject Shares per Share Acquisition Right in exchange for them on the day separately specified by the Board of Directors of the Company. In the case where the Company acquire the Share Acquisition Rights held by non-qualified parties, the Company shall not deliver money or other financial benefits as consideration therefor. The details of the acquisition conditions of the Share Acquisition Rights shall be separately specified in the Resolution Approving the Allotment of the Share Acquisition Rights Without Contribution.

¹⁴ Specified large volume holder refers to a holder of shares, etc. issued by the Company whose ownership ratio of shares pertaining to the said shares, etc. is 20% or more or a party who falls under the category of specified large volume holder as determined by the Board of Directors of the Company. However, such a party shall not fall under the category of specified large volume holder if the Board of Directors of the Company has determined that the said party’s acquiring or holding shares, etc. of the Company is not against the corporate value of the Company and the common interest of shareholders or if the said party is a party separately specified as such by the Board of Directors of the Company in the Resolution Approving the Allotment of the Share Acquisition Rights Without Contribution.

¹⁵ Specified large volume purchaser refers to a party who has given a public notice to the effect that it will carry out a purchase, etc. (meaning “purchase, etc.” as defined in Article 27-2, paragraph 1 of the Financial Instruments and Exchange Act; the same shall apply hereinafter in this note) of shares, etc. (meaning “Share Certificates, etc.” prescribed in Article 27-2, paragraph 1 of the Financial Instruments and Exchange Act; the same shall apply hereinafter in this note) issued by the Company through a tender offer and whose ownership ratio of shares, etc. pertaining to its ownership after the said purchase, etc. (including those prescribed by Article 7, paragraph 1 of the Order for Enforcement of the Financial Instruments and Exchange Act as to be equivalent thereto) as combined with the ownership ratio of shares, etc. of its specially related parties is 20% or more or a party who falls under the category of specified large volume purchaser as determined by the Board of Directors of the Company. However, such a party shall not fall under the category of specified large volume purchaser if the Board of Directors of the Company has determined that the said party’s acquiring or holding shares, etc. of the Company is not against the corporate value of the Company and the common interest of shareholders or if the said party is a party separately specified as such by the Board of Directors of the Company in the Resolution Approving the Allotment of the Share Acquisition Rights Without Contribution.

¹⁶ “Related party” means a party who substantively controls or is controlled by or is under the common control with the other party (including those who are determined by the Board of Directors of the Company to fall under the said definition) or a party who is determined by the Board of Directors of the Company to act in cooperation with the other party. “Control” means the “cases where a party controls decisions on financial and business policies” of other companies, etc. (meaning the cases defined in Article 3, paragraph 3 of the Ordinance for Enforcement of the Companies Act).

9. Acquisition without contribution in the case of abortion, etc. of the exercise of countermeasures

In cases where the Board of Directors of the Company has aborted the exercise of countermeasures or other cases separately specified by the Board of Directors of the Company in the Resolution Approving the Allotment of the Share Acquisition Rights Without Contribution, the Company may acquire all of the Share Acquisition Rights without contribution during the period from the effective date of the allotment of the Share Acquisition Rights without contribution to the day immediately preceding the start date of the exercise period of the Share Acquisition Rights.

10. Exercise period, etc. of the Share Acquisition Rights

The exercise period of the Share Acquisition Rights and other necessary matters shall be separately specified by the Board of Directors of the Company in the Resolution Approving the Allotment of the Share Acquisition Rights Without Contribution.

Criteria for Independence of Outside Directors (Reference)

The Company has established the Criteria for Independence of Outside Directors^[i] as follows to secure the objectivity and transparency needed to strengthen corporate governance. In the event that an Outside Director falls under any of the following, he/she will be deemed as not sufficiently independent.

1. An executive^[iii] of the Company or one of its subsidiaries (hereinafter, collectively referred to as the “Group”)
2. A current major shareholder^[iii] of the Company (in the event that the major shareholder is an organization that is a corporation, partnership, etc., an executive of said organization)
3. An executive of a corporation of which the Group is a major equity holder (a party that directly or indirectly holds 10% or more of the total voting rights)
4. A major client^[iv] of the Group, or an executive of a major client
5. A party whose major client is the Group^[v], or an executive of said party
6. A party belonging to the auditing firm that is the accounting auditor of the Group
7. An executive of the Company’s lead-manager securities company
8. A consultant, accountant, or legal professional who has been paid substantial amounts of money or other financial benefits^[vi] other than officers’ remuneration paid by the Group (in the event that the party being paid said financial benefits is an organization such as a law office, auditing firm, or consultant firm that is a corporation, partnership, etc., a party belonging to said organization)
9. A party who receives substantial donations^[vii] from the Group (in the event that the party who receives said substantial donations is an organization that is a corporation, partnership, etc., a party belonging to said organization)
10. A party whose close relative^[viii] falls under any of the above items from 1 to 9 (however, aside from the above item 1, this is limited to important person^[ix])
11. A party that has fallen under any of the above items from 2 to 9 in the last three years
For the above item 1, a party that has fallen under the item in the last ten years
12. Any other party for whom a conflict of interest is likely to arise with general shareholders, and whose circumstances are reasonably judged to prevent the party from performing duties as an independent Outside Director

- [i] “Outside Director” refers to an outside director as defined in Article 2, item 15 of the Companies Act.
- [ii] “Executive” refers to an executive director, executive, executive officer, other equivalent person, or other employee.
- [iii] “Major shareholder” refers to a shareholder that holds, in their name or another person’s name, 10% or more of voting rights at the end of the Company’s most recent fiscal year.
- [iv] “Major client” refers to one of the following:
 - (1) A client to which the Group is providing products, etc., and whose transaction amount has been more than 2% of the Company’s consolidated net sales in one of the Company’s last four fiscal years.
 - (2) A financial institution from which the Group is borrowing funds, and whose balance of loans is more than 2% of the Company’s consolidated total assets at the end of the Company’s most recent fiscal year.
- [v] “A party whose major client is the Group” refers to a party that provides products, etc., to the Group and for which the Company’s transaction amount has been more than 2% of the party’s consolidated net sales in one of its last four fiscal years.
- [vi] An amount is a “Substantial amounts of money or other financial benefits” in one of the following situations:
 - (1) In that event that said specialist is an individual and the total amount of said financial benefits, excluding officers’ remuneration, received from the Group is more than ¥10 million per year on average over the course of the Company’s last three fiscal years.
 - (2) In that event that said specialist is an organization that is a corporation, partnership, etc., and the total amount of said financial benefits received from the Group is more than 2% of said organization’s total annual revenues on average over the course of the Company’s last three fiscal years.
- [vii] “Substantial donations” refers to a donation from the Group that is more than ¥10 million per year on average over the course of the Company’s last three fiscal years.
- [viii] “Close relative” refers to a spouse or a relative who is within the second degree of kinship.
- [ix] “Important person” refers to an employee that holds a senior management position such as executive director, executive, executive officer, general manager or above.