[Translation]

This document has been translated from the Japanese original for the convenience of non-Japanese shareholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

Securities code: 3106
June 7, 2016

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 208th ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 208th 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 and exercise your voting rights by 6:00 p.m., Tuesday, June 28, 2016 (Japan Standard Time) by either of the following methods.

[Exercising voting rights by mail]
Please indicate your vote of approval or disapproval of each proposal on the enclosed voting form, and return the form to us so that it arrives before the above deadline.
[Exercising voting rights via the Internet]
Please read "Instruction for Exercise of Voting Rights via the Internet" on pages 4 to 5, and indicate your vote of approval or disapproval of each proposal before the above deadline.

Meeting Details

1. Date and Time: Wednesday, June 29, 2016 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 208th fiscal year (from April 1, 2015 to March 31, 2016) and Reports of Audit on the Consolidated Financial Statements by the Accounting Auditor and the Board of Auditors
2. Non-Consolidated Financial Statements for the 208th fiscal year (from April 1, 2015 to March 31, 2016)

Items to be resolved:

Proposal 1: Appropriation of Surplus for the 208th Fiscal Year
Proposal 2: Partial Amendments to the Articles of Incorporation
Proposal 3: Election of Seven (7) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)
Proposal 4: Election of Four (4) Directors Who Are Audit and Supervisory Committee Members

Proposal 5:	Election of One (1) Substitute Director Who Is an Audit and Supervisory Committee Member
Proposal 6:	Determination of Remuneration Amount for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)
Proposal 7:	Determination of Remuneration Amount for Directors Who Are Audit and Supervisory Committee Members
Proposal 8:	Continuation of the Measures to Respond to a Large-Scale Purchase of Kurabo Shares, etc. (Takeover Defense Measures)
Proposal 9:	Election of Eight (8) Directors
Proposal 10:	Election of One (1) Auditor
Proposal 11:	Election of One (1) Substitute Auditor

4. Supplementary Explanation of the Items to Be Resolved

If Proposal 2 "Partial Amendments to the Articles of Incorporation" proposed for the transition to a company with audit and supervisory committee is not approved, the numbers of Directors and Auditors will be less than those prescribed by laws and regulations due to the expiration of the term of office, etc. In order to avoid a situation in which the business execution and audit activities of the Company are disrupted, in such a circumstance, Proposals 9 through 11 are proposed.

Accordingly, if Proposal 2 "Partial Amendments to the Articles of Incorporation" is not approved, Proposals 9 through 11 will be deliberated and voted on. Therefore, for those who are not able to attend the Meeting in person, please exercise your voting rights by either of the methods described above also for Proposals 9 through 11 regardless of your vote on Proposal 2.

Please note also that if Proposal 2 "Partial Amendments to the Articles of Incorporation" is approved, there will be no deliberation and voting on Proposals 9 through 11.

5. 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 (http://www.kurabo.co.jp).

[Translation]

Instruction for Exercise of Voting Rights via the Internet

If you wish to exercise voting rights via the Internet, please read carefully the following explanation and exercise your voting rights.

If you attend the meeting, you do not need to mail the voting form or exercise voting rights via the Internet.

1. Website for exercising voting rights

(1) The exercise of voting rights is available to you only by accessing the website designated by the Company (http://www.evote.jp/) from a PC, smartphone or mobile phone (i-mode, EZweb or Yahoo! Keitai)*. (The voting rights exercise service is suspended 2 a.m.–5 a.m., everyday.)

* i-mode, EZweb and Yahoo! are trademarks or registered trademarks of NTT DOCOMO, INC., KDDI Corporation and Yahoo, Inc. U.S., respectively.

(2) Please be aware that, depending on your Internet usage environment, you may not be able to use your PC or smartphone to exercise your voting rights via the said website (e.g. if you connect to the Internet via a firewall, have anti-virus software installed, use a proxy server, or are not using TLS encrypted communication).

(3) To exercise your voting rights via a mobile phone, please use one of the following services: i-mode, EZweb or Yahoo! Keitai. For security reasons, the website is only compatible with mobile phones capable of TSL encrypted communication and transmission of mobile phone information.

(4) Voting via the Internet is accepted until 6:00 p.m. on Tuesday, June 28, 2016 in Japan Standard Time. However, we respectfully request that you exercise your voting rights at your earliest convenience. If you have any questions, please contact the help desk.

2. Exercising voting rights via the Internet

(1) On the aforementioned voting rights website, you will be required to input the login ID and the temporary password assigned to you. These are shown on the enclosed voting form.

(2) Please be aware that, in order to prevent illegal online access (spoofing) and alteration of voting by non-shareholders, you will be requested to change your temporary password on the voting rights website.

(3) You will be notified of a new login ID and the temporary password every time a General Meeting of Shareholders is convened.

3. Handling of voting rights when they are exercised more than once

(1) If you exercise your voting rights both by mail and via the Internet, the one exercised via the Internet will be deemed valid.

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

4. Fees incurred when accessing the voting rights website

Any fees (connection fees to Internet providers, etc.) incurred when accessing the voting rights website shall be borne by shareholders. Similarly, if voting via a mobile phone, etc., any connection charges or other fees arising from the use of the mobile phone, etc. shall be borne by shareholders.

For inquiries about the system for exercising voting rights
via the Internet and other matters, please contact:
Stock Transfer Agency (Help Desk), Mitsubishi UFJ Trust and Banking Corporation
Phone: 0120-173-027 (9:00 to 21:00; toll free)

[Information]

Institutional investors may use the "Electronic Platform to Exercise Voting Rights" operated by ICJ, Inc.

Reference Documents for the Ordinary General Meeting of Shareholders

Proposals and Reference Matters

Proposal 1: Appropriation of Surplus for the 208th 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 208th 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:
¥5.00 per share of common stock of the Company
Total amount: ¥1,133,200,930
iii) Effective date of dividends from surplus:
June 30, 2016

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the proposal

(1) The Company intends to make a transition to a company with audit and supervisory committee in order to further strengthen the supervisory function of the Board of Directors and further enhance corporate governance by establishing an Audit and Supervisory Committee, a majority of which consists of Outside Directors. In conjunction with the transition to a company with audit and supervisory committee, the Company proposes to make necessary changes such as the addition of the provisions concerning the Audit and Supervisory Committee and Directors who are Audit and Supervisory Committee Members, the deletion of the existing provisions concerning Auditors and the Board of Auditors, and the addition of the provisions concerning the delegation of important business execution decisions to Directors.

(2) In response to the expansion of the scope of directors who are eligible to enter into a liability limitation agreement under the "Act for Partial Revision of the Companies Act" (Act No. 90 of 2014) promulgated on May 1, 2015, the Company proposes to amend part of the provisions concerning liability limitation agreements so that Directors who do not execute business can play their expected roles adequately. For this amendment, the Company has already obtained the consent of each Auditor in advance.

(3) In addition, the Company proposes to make necessary adjustments in article numbers, etc. in conjunction with the proposed additions and deletions of provisions.

2. Details of the amendments

Details of amendments are as follows:

(Underlined parts are amended.)

Current Articles of Incorporation	Proposed amendments
CHAPTER 1. General Provisions	CHAPTER 1. General Provisions
Article 4. (Organization) The Company shall have the following organization other than the General Meeting of Shareholders and the Director: (1) the Board of Directors (2) the Company Auditor (3) the Board of Company Auditors (4) the Accounting Auditor	Article 4. (Organization) The Company shall have the following organization other than the General Meeting of Shareholders and the Director: (1) the Board of Directors <Deleted> (2) the Audit and Supervisory Committee (3) the Accounting Auditor
CHAPTER 4. Directors and the Board of Directors	CHAPTER 4. Directors, the Board of Directors and the Audit and Supervisory Committee
Article 19. (Number of Directors) The number of Directors of the Company shall be no more than twelve (12).	Article 19. (Number of Directors) 1. The number of Directors of the Company (excluding Directors who are Audit and Supervisory Committee Members) shall be no more than twelve (12).
<Newly established>	2. The number of Directors of the Company who are Audit and Supervisory Committee Members ("Audit and Supervisory Committee Members") shall be no more than five (5).
Article 20. (Elections of Directors) 1. Directors shall be elected at the General Meeting of Shareholders.	Article 20. (Elections of Directors) 1. Directors shall be elected at the General Meeting of Shareholders separately for Directors who are Audit and Supervisory Committee Members and those

	who are not Audit and Supervisory Committee Members.
2. <Omitted>	2. <Unchanged>
3. <Omitted>	3. <Unchanged>
Article 21. (Term of Office of Directors)	Article 21. (Term of Office of Directors)
The Directors' term of office shall expire at the conclusion of the ordinary General Meeting of Shareholders held for the latest closing of accounts within two (2) years after their election.	1. The term of office of Directors (excluding Audit and Supervisory Committee Members) shall expire at the conclusion of the ordinary General Meeting of Shareholders held for the latest closing of accounts within one (1) year after their election.
<Newly established>	2. The term of office of Audit and Supervisory Committee Members shall expire at the conclusion of the ordinary General Meeting of Shareholders held for the latest closing of accounts within two (2) years after their election.
<Newly established>	3. The term of office of an Audit and Supervisory Committee Member who is elected as a substitute for an Audit and Supervisory Committee Member resigning from office before the expiration of his/her term shall be the remaining term of his/her predecessor.
<Newly established>	4. The resolution concerning the election of a substitute Audit and Supervisory Committee Member elected pursuant to Article 329 (3) of the Companies Act shall continue to be effective until the start of the first ordinary General Meeting of Shareholders held after his/her election.
Article 25. (Notice of a Meeting of Board of Directors)	Article 25. (Notice of a Meeting of Board of Directors)
A notice to convene a meeting of the Board of Directors shall be dispatched to each Director and to each Auditor at least three (3) days prior to the day for the meeting. In case of emergency, however, such period may be shortened.	A notice to convene a meeting of the Board of Directors shall be dispatched to each Director at least three (3) days prior to the day for the meeting. In case of emergency, however, such period may be shortened.
<Newly established>	Article 27. (Delegation of Important Business Execution Decisions) The Company may, pursuant to the provisions of Article 399-13 (6) of the Companies Act, delegate the whole or part of important business execution decisions (excluding those on the matters listed in the items of paragraph 5 of the same Article) to Directors by a resolution of the Board of Directors.
Article 27. (Exemption from Liability of Directors)	Article 28. (Exemption from Liability of Directors)
1. <Omitted>	1. <Unchanged>
2. The Company may enter into contracts with Outside Directors to the effect that the liability of the Outside Directors under Article 423 (1) of the Companies Act is limited in accordance with Article 427 (1) of the Companies Act, provided that the limited liability amount to be stipulated in such contracts shall be the minimum liability amount under the applicable laws and regulations.	2. The Company may enter into contracts with Directors (excluding Directors who execute business, etc.) to the effect that the liability of the Directors under Article 423 (1) of the Companies Act is limited in accordance with Article 427 (1) of the Companies Act, provided that the limited liability amount to be stipulated in such contracts shall be the minimum liability amount under the applicable laws and regulations.
<Newly established>	Article 29. (Notice of a Meeting of the Audit and Supervisory Committee) A notice to convene a meeting of the Audit and Supervisory Committee shall be dispatched to each Audit and Supervisory Committee Member at least three (3) days prior to the day for the meeting. In case of emergency, however, such period may be shortened.

CHAPTER 5. Company Auditors and the Board of Company Auditors	<Deleted>
Article 28. (Number of Company Auditors) The number of Company Auditors of the Company shall be no more than five (5).	<Deleted>
Article 29. (Elections of Company Auditors) 1. Company Auditors shall be elected at the General Meeting of Shareholders. 2. In the election of Company Auditors, shareholders holding more than one-third (1/3) of total number of shareholder voting rights shall be present or represented by proxy.	<Deleted>
Article 30. (Term of Office of Company Auditors) The Company Auditors' term of office shall expire at the conclusion of the ordinary General Meeting of Shareholders held for the latest closing of accounts within four (4) years after their election.	<Deleted>
Article 31. (Notice of a Meeting of the Board of Company Auditors) A notice to convene a meeting of the Board of Company Auditors shall be dispatched to each Company Auditor at least three (3) days prior to the day set for the meeting. In case of emergency, however, such period may be shortened.	<Deleted>
Article 32. (Substitute Company Auditors) 1. Substitute Company Auditors may be elected at the General Meeting of Shareholders against the cases where there is a vacancy which results in a shortfall in the number of Company Auditors prescribed in the applicable laws and regulations. 2. The provision of Article 29 hereof shall be applied mutatis mutandis to the quorum for the resolution of election of substitute Company Auditors. 3. When the substitute Company Auditor elected under 1st paragraph in this Article assumes the office of Company Auditor, the Company Auditor's term of office shall continue until the time the term of office of the immediate predecessor substituted for by such Company Auditor expires. 4. The effectiveness of the resolution for the election of such substitute Company Auditors shall continue until the time of commencement of the first annual General Meeting of Shareholders held immediately after such election.	<Deleted>
Article 33. (Exemption from Liability of Company Auditors) 1. The Company may give an exemption from liability of Company Auditors (including former Company Auditors) under Article 423 (1) of the Companies Act to the extent of the amount prescribed in the applicable laws and regulations in accordance with Article 426 (1) of the Companies Act. 2. The Company may enter into contracts with Outside Company Auditors to the effect that the liability of the Outside Company Auditors under Article 423 (1) of the Companies Act is limited in accordance with Article 427 (1) of the Companies Act, provided that the limited liability amount to be stipulated in such contracts shall be the minimum liability amount under the applicable laws and regulations.	<Deleted>

CHAPTER 6. Accounts	CHAPTER 5. Accounts
Article 34. to 37. <Omitted>	Article 30. to 33. <Unchanged>
<Newly established>	<Supplementary provisions> Article 1. The Company may give exemption from liability of Directors (including former Directors) under Article 423 (1) of the Companies Act concerning their acts before the conclusion of the 208th ordinary General Meeting of Shareholders by a resolution of the Board of Directors after obtaining the consent of each Audit and Supervisory Committee Member to the extent of the amount prescribed in the applicable laws and regulations.
<Newly established>	Article 2. 1. The Company may give exemption from liability of Auditors (including former Auditors) under Article 423 (1) of the Companies Act concerning their acts before the conclusion of the 208th ordinary General Meeting of Shareholders by a resolution of the Board of Directors to the extent of the amount prescribed in the applicable laws and regulations.
<Newly established>	2. Agreements to limit the liability of Outside Auditors (including former Outside Auditors) under Article 423 (1) of the Companies Act concerning their acts before the conclusion of the 208th ordinary General Meeting of Shareholders shall continue to be governed by Article 33, paragraph 2 of the Articles of Incorporation before the amendment pursuant to the resolution at the same ordinary General Meeting of Shareholders.

(Note) Some underlining does not coincide with the Japanese version because of translation adjustments.

Proposal 3: Election of Seven (7) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

Subject to the approval and adoption of Proposal 2 "Partial Amendments to the Articles of Incorporation," the Company will make the transition to a company with audit and supervisory committee. Therefore, the Company proposes to elect seven (7) Directors (excluding Directors who are Audit and Supervisory Committee Members; the same shall apply hereinafter in this proposal).

The candidates for Director are as follows:

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions	Number of the Company's shares held
1	Haruya Fujita (July 26, 1958)	Apr. 1983 Joined the Company 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)	93,000
2	Haruo Kitagawa (February 3, 1951)	Apr. 1974 Joined the Company Jun. 2007 Director of the Company Jun. 2011 Senior Executive Officer Retired as Director of the Company in accordance with the introduction of the executive officer system Jun. 2012 Director, Managing Executive Officer of the Company Jun. 2014 Representative Director, Senior Managing Executive Officer of the Company (to present) (General Manager, Advanced Technology Division)	52,000
3	Atsushi Kitabatake (January 11. 1960)	Apr. 1982 Joined the Company Apr. 2006 Manager, Textile Materials Sales Department Jun. 2013 Executive Officer of the Company Jun. 2014 Director, Executive Officer of the Company (to present) (General Manager, Textile Business Division and the Overseas Business Development) [Important concurrent positions] Representative Director and President of ARAMIS INTERNATIONAL CO., LTD.	27,000
4	Toshio Baba (June 9, 1959)	Apr. 1982 Joined the Company Oct. 2004 Manager, Industrial Materials Sales Department Jun. 2012 Executive Officer of the Company Jun. 2014 Director, Executive Officer of the Company (to present) (General Manager, Chemical Products Division)	22,000
5	Katsuhide Honda (December 20, 1956)	Apr. 1981 Joined the Company 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 and Estate Promotion Department; Manager, General Administration Department; and Director, KURABO Memorial Hall)	27,000

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions	Number of the Company's shares held
6	Susumu Inaoka (June 3, 1960)	Apr. 1983 Joined the Company 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, Finance & Accounting Department, System & EDP Department, Personnel Department, Human Power Development Department, and Technical Research Laboratory and Manager, Managerial Planning Department)	30,000
7	* Hiroshi Fujii (September 22, 1960)	Apr. 1983 Joined the Company Apr. 2011 Manager, Finance & Accounting Department Jun. 2013 Executive Officer (to present) (Manager, Finance & Accounting Department)	26,000

Notes: 1. Candidate Mr. Atsushi Kitabatake has a concurrent position as Representative Director and President of ARAMIS INTERNATIONAL CO., LTD. The Company has commercial relationships with the said company including the licensing of a trademark for a fee and the leasing of a building. There is no special interest between any of the other candidates and the Company.
2. An asterisk (*) indicates a new candidate for Director.

Proposal 4: Election of Four (4) Directors Who Are Audit and Supervisory Committee Members

Subject to the approval and adoption of Proposal 2 "Partial Amendments to the Articles of Incorporation," the Company will make the transition to a company with audit and supervisory committee. Accordingly, the Company proposes to elect four (4) Directors who are Audit and Supervisory Committee Members.

The candidates for the role of Director who is an Audit and Supervisory Committee Member are as follows:

Prior to this proposal, the Company has already obtained the consent of the Board of Auditors.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions	Number of the Company's shares held
1	* Osamu Okada (October 21, 1960)	Apr. 1984 Joined the Company Jun. 2010 Manager, Personnel Department Jun. 2012 Executive Officer (to present) (Manager, Personnel Department)	22,000
2	* Jiro Miya (April 5, 1957)	Oct. 1981 Joined Daiwa, Co., Ltd. May 1987 Director of Daiwa, Co., Ltd. May 1989 Managing Director of Daiwa, Co., Ltd. May 1993 Senior Managing Director of Daiwa, Co., Ltd. May 1997 Representative Director, Vice President of Daiwa, Co., Ltd. May 1999 Representative Director, President of Daiwa, Co., Ltd. (to present) Jun. 2011 Auditor of the Company (to present) [Important concurrent positions] Representative Director, President of Daiwa, Co., Ltd.	0
3	* Teppei Mogi (October 17, 1958)	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 (to present) Aug. 2014 Outside Auditor of NIITAKA Co., Ltd. Jun. 2015 Auditor of the Company (to present) Aug. 2015 Outside Director (Audit and Supervisory Committee Member) of NIITAKA Co., Ltd. (to present) [Important concurrent positions] Outside Director of Shionogi & Co., Ltd. Outside Director (Audit and Supervisory Committee Member) of NIITAKA Co., Ltd. Partner of Oh-Ebashi LPC & Partners Partner of Oh-Ebashi Law Firm	0

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions		Number of the Company's shares held
4	* Daisuke Shinkawa (April 28, 1964)	May 1991	Registered as a certified public accountant	0
		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)	
		[Important concurrent positions] Outside Corporate Auditor of SHIMA SEIKI MFG., LTD. Representative partner of Hokuto & Co.		

Notes:
1. There is no special interest between any of the candidates and the Company.
2. An asterisk (*) indicates a new candidate for Director.
3. Matters regarding Outside Director
   A. Mr. Jiro Miya, Mr. Teppei Mogi and Mr. Daisuke Shinkawa are candidates for Outside Director. Three candidates meet the requirements of our internal regulation of "Criteria for Independence of Outside Directors and Auditors" and of an Independent Auditor pursuant to Article 436-2 of the Securities Listing Regulation of the Tokyo Stock Exchange. If the election of Mr. Jiro Miya and Mr. Teppei Mogi is approved, they will continuously assume the Independent Directors. If the election of Mr. Daisuke Shinkawa is approved, the Company will nominate him as an Independent Director, and the Company reports to the said Exchange.
   Our regulation of "Criteria for Independence of Outside Directors and Auditors" is posted on the Company's website (http://www.kurabo.co.jp/finance/governance.html). (Japanese only)
   B. Reasons for appointing Mr. Jiro Miya as a candidate for Outside Director
   Mr. Jiro Miya has been engaged in the management for many years, the Company judged that his objective and independent perspective as Outside Director will audit and supervise Directors' duties properly.
   C. Reasons for appointing Mr. Teppei Mogi as a candidate for Outside Director
   Although Mr. Teppei Mogi has not been involved in the management of a company in a manner other than serving as an Outside Director or Outside Auditor in the past, he has been engaged in the corporate legal affairs for many years as a lawyer. Therefore, the Company believes that he is capable of properly auditing and supervising the execution of duties by Directors from a fair and impartial perspective.
   D. Reasons for appointing Mr. Daisuke Shinkawa as a candidate for Outside Director
   Although Mr. Daisuke Shinkawa has not been involved in the management of a company in a manner other than serving as an Outside Director or Outside Auditor in the past, he has abundant experience and strong accounting knowledge as a certified public accountant. Therefore, the Company believes that he is capable of properly auditing and supervising the execution of duties by Directors from a fair and impartial perspective.
   E. Outline of responses to inappropriate conduct
   During the term of office of Mr. Jiro Miya and Mr. Teppei Mogi as Outside Auditors of the Company, an inappropriate conduct came to light. Although both of them were unaware of such conduct until it came to light, they had regularly conducted audits of the execution of duties by Directors since the assumption of office from the perspective of legal compliance.
   Regarding the deficiency in product inspection records, they audited, among others, the results of internal investigation into the said facts as well as the development and implementation of the measures to prevent recurrence. Regarding the inappropriate conduct such as circular transactions, Mr. Teppei Mogi was appointed as the chairperson of the Special Investigation Committee and Mr. Jiro Miya as a member of the same Committee and they conducted an investigation into the said facts in their respective capacity. In addition, they actively provided advice, among others, on the proposal of measures to prevent recurrence, including the embezzlement case at a group company, from an independent standpoint. They also audited the development and implementation of measures to prevent recurrence.
   F. Mr. Jiro Miya and Mr. Teppei Mogi are incumbent Outside Auditors of the Company and the numbers of years since their assumption of office are as follows:
   Mr. Jiro Miya: 5 years
   Mr. Teppei Mogi: 1 year
4. Liability limitation agreement with Directors who do not execute business (Outside Directors)
   Pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, the Company has

entered into an agreement with Outside Auditors Mr. Jiro Miya and Mr. Teppei Mogi to limit their 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. If the proposal for their election of as Outside Director is approved, the Company will enter into a liability limitation agreement with them under the same terms and conditions as the current agreement. If the proposal for the election of Mr. Daisuke Shinkawa is approved, the Company will enter into a similar liability limitation agreement with him.

Proposal 5: Election of One (1) Substitute Director Who Is an Audit and Supervisory Committee Member

Subject to the approval and adoption of Proposal 2 "Partial Amendments to the Articles of Incorporation," the Company will make the transition to a company with audit and supervisory committee. Accordingly, to provide for a case in which the number of Directors who are Audit and Supervisory Committee Members falls short of the number stipulated by laws and regulations, the Company proposes to elect one (1) substitute Director who is an Audit and Supervisory Committee Member.

The candidate for a substitute 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 Board of Auditors.

Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions		Number of the Company's shares held
Tetsuya Yamao (September 22, 1951)	Apr. 1984	Registered as an attorney at law (Osaka Bar Association)	0
		Joined Hanshin Law Office	
	Apr. 1991	Established Tokiwa Sogo Law Office	
	Apr. 2004	Established Yamao Law Office	
	Sep. 2015	Joined Umeda Shinmichi Law Office	
		Partner of Umeda Shinmichi Law Office (to present)	
	Mar. 2016	Outside Auditor of CYPRESSCLUB CO., LTD. (to present)	
	[Important concurrent positions] Outside Auditor of CYPRESSCLUB CO., LTD. Partner of Umeda Shinmichi Law Office		

Notes:
1. There is no special interest between Mr. Tetsuya Yamao and the Company.
2. Mr. Tetsuya Yamao is a candidate for a substitute Outside Director.
   He meets the requirements of our internal regulation of "Criteria for Independence of Outside Directors and Auditors" and of an Independent Auditor pursuant to Article 436-2 of the Securities Listing Regulation of the Tokyo Stock Exchange. Once the proposal of election is approved, the Company nominates him as an Independent Director, and reports to the said Exchange.
   Our regulation of "Criteria for Independence of Outside Directors and Auditors" is posted on the Company's website (http://www.kurabo.co.jp/finance/governance.html). (Japanese only)
3. Although Mr. Tetsuya Yamao has not been involved in the management of a company in a manner other than serving as an Outside Director or Outside Auditor in the past, he has been engaged in the corporate legal affairs for many years as a lawyer. Therefore, the Company believes that he is capable of properly auditing and supervising the execution of duties by Directors from a fair and impartial perspective.
4. If Mr. Tetsuya Yamao 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 him to limit his 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 6: Determination of Remuneration Amount for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

The maximum amount of remuneration of Directors of the Company is ¥25 million per month as per the resolution passed at the 174th Ordinary General Meeting of Shareholders held on July 21, 1982. Subject to the approval and adoption of Proposal 2 "Partial Amendments to the Articles of Incorporation," the Company will make the transition to a company with audit and supervisory committee. Given this change, the Company proposes to set the maximum amount of remuneration of Directors (excluding Directors who are Audit and Supervisory Committee Members) at ¥25 million per month, which is the same as the maximum amount of remuneration of Directors currently in effect.

The Company also proposes that the maximum amount of remuneration of Directors (excluding Directors who are Audit and Supervisory Committee Members) will not include the amount of salary for employees who concurrently serve as Directors. If Proposal 3 is approved as proposed, the number of Directors (excluding Directors who are Audit and Supervisory Committee Members) will be seven (7).

Proposal 7: Determination of Remuneration Amount for Directors Who Are Audit and Supervisory Committee Members

Subject to the approval and adoption of Proposal 2 "Partial Amendments to the Articles of Incorporation," the Company will make the transition to a company with audit and supervisory committee. Given this change, the Company proposes to set the maximum amount of remuneration of Directors who are Audit and Supervisory Committee Members at ¥5 million per month. If Proposal 4 is approved as proposed, the number of Directors who are Audit and Supervisory Committee Members will be four (4).

Proposal 8: 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 8, 2013 and it was also approved by the shareholders at the 205th Ordinary General Meeting of Shareholders of the Company held on June 27, 2013.

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 2016 (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 9, 2016, 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 2019.

Prior to the resolution approving this Plan, which was passed at a meeting of the Board of Directors of the Company, all three Auditors of the Company including two Outside Auditors expressed their opinions to the effect that this Plan is appropriate as measures to respond to a large-scale purchase of shares, etc. of the Company.

The major changes in this Plan are as follows:

1) Subject to the approval and adoption of Proposal 2 "Partial Amendments to the Articles of Incorporation" at this Ordinary General Meeting of Shareholders, necessary changes have been made in relation to the auditor system, which will be abolished as a result of a transition of the Company to a company with audit and supervisory committee. These changes will take effect on condition that the Company will become a company with audit and supervisory committee after being approved and adopted at this Ordinary General Meeting of Shareholders for Proposal 2 "Partial Amendments to the Articles of Incorporation."
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. The Company adopted a management philosophy "We at Kurabo are working to improve current living culture by creating new value." at its 100th anniversary in 1988 and aims to increase its corporate value as a company to provide a new value to society.

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

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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.)

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 "Advance '18" and the plan came into effect in April 2016. "Advance '18" sets forth the following six items as priority measures under the basic policy of "business transformation for earnings growth:"

- Enhancing and strengthening overseas businesses and restructuring domestic businesses in response to changes in the business environment
- Shifting to market-oriented businesses anticipating future markets
- Pursuing high value-added and highly-profitable businesses
- Realizing technological innovation and creating new businesses
- Securing and developing next-generation leaders
- Creating a trusted company

By implementing the priority measures listed above, the Group will build a business foundation that enables flexible responses to changes in the business environment and promote this medium-term corporate business plan with high aspiration to always be a leader in changing times.

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.

4) Improvement of corporate governance

Subject to the approval and adoption at this Ordinary General Meeting of Shareholders for the proposed partial amendments to the Articles of Incorporation, the Group will shift to a company with audit and supervisory committee in order to improve the transparency of management and strengthen the supervisory function of the Board of Directors. As a result, three new Outside Directors will be elected.

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, 2016 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 three 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 holder[4] would become 20% or more with regard to the shares, etc.[5] issued by the Company

(ii) A tender offer[6] as a result of which the aggregate sum of the ownership ratio of shares, etc.[7] pertaining to the tender offer and the ownership ratio of shares, etc. of their specially related parties[8] 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

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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. 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.

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.

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

7 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.

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).

(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

(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 proposal[10]; 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 days[11] (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.

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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 Holders[12], 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

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

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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.

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 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, such as in the case where any of the acts listed in Appendix 4 is intended.

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 2019 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 economic 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 economic 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).

[Translation]

Appendix 1

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

1. Total number of authorized shares (in thousands of shares): 977,011
2. Total number of issued shares (in thousands of shares): 246,939
3. Number of shareholders: 19,991
4. Major shareholders

Shareholder name	Number of shares held (In thousands of shares)	Shareholding percentage (%)
Sumitomo Mitsui Banking Corporation	11,180	4.93
Mizuho Bank, Ltd.	11,180	4.93
Nippon Life Insurance Company	9,200	4.05
The Chugoku Bank, Limited	7,265	3.20
Japan Trustee Services Bank, Ltd. (Trust Account)	7,158	3.15
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	6,068	2.67
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,548	2.00
Sumitomo Mitsui Trust Bank, Limited	4,120	1.81
RBC ISB S/A DUB NON RESIDENT/TREATY RATE UCITS-CLIENTS ACCOUNT	3,845	1.69
Mitsui Sumitomo Insurance Company, Limited	3,200	1.41

(Notes) 1. The Company holds 20,299 thousand shares of treasury shares, but is excluded from the list of major shareholders above.

2. Shareholding percentage is calculated after deducting treasury shares.

Appendix 2

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 2019 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).

Appendix 3

Career Summary of Independent Committee Members

Teppei Mogi

For the career summary of Mr. Teppei Mogi, please refer to Proposal 4 (candidate No. 3).

Jiro Miya

For the career summary of Mr. Jiro Miya, please refer to Proposal 4 (candidate No. 2).

Daisuke Shinkawa

For the career summary of Mr. Daisuke Shinkawa, please refer to Proposal 4 (candidate No. 4).

* Mr. Teppei Mogi, Mr. Jiro Miya and Mr. Daisuke Shinkawa are candidates for Outside Director.

Three candidates meet the requirements of our internal regulation of "Criteria for Independence of Outside Directors and Auditors" and of an Independent Auditor pursuant to Article 436-2 of the Securities Listing Regulation of the Tokyo Stock Exchange. If the election of Mr. Teppei Mogi and Mr. Jiro Miya is approved, they will continuously assume the Independent Auditors. If the election of Mr. Daisuke Shinkawa is approved, the Company will nominate him as an Independent Auditor, and the Company reports to the said Exchange.

Our regulation of "Criteria for Independence of Outside Directors and Auditors" is posted on the Company's website (http://www.kurabo.co.jp/finance/governance.html). (Japanese only)

Appendix 4

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 offer[13] 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

Appendix 5

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 shares of the Company held by 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 holder[14], (2) joint holder of a specified large volume holder, (3) specified large volume purchaser[15], (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 party[16] 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. 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.

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

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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).

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.

<Supplemental Explanation on Proposal 9 through Proposal 11>

Please refer to "4. Supplementary Explanation of the Items to Be Resolved" in the 208th Ordinary General Meeting of Shareholders on page 2.

Proposal 9: Election of Eight (8) Directors

As the terms of office of all seven (7) Directors excluding Mr. Akihiro Inoue will expire and Mr. Akihiro Inoue will resign at the conclusion of this Ordinary General Meeting of Shareholders, the Company proposes to elect eight (8) Directors.
The candidates for Director are the seven (7) candidates, as stated in Proposal 3 (the aforementioned candidates' candidate numbers for this proposal are the same as for Proposal 3), and Mr. Daisuke Shinkawa, as stated in Proposal 4 (in Proposal 4, Mr. Shinkawa's candidate number was 4, but his candidate number for this proposal is 8).

(Notes) 1. Candidate Mr. Atsushi Kitabatake has a concurrent position as Representative Director and President of ARAMIS INTERNATIONAL CO., LTD. The Company has commercial relationships with the said company including the licensing of a trademark for a fee and the leasing of a building. There is no special interest between any of the other candidates and the Company.

2. Mr. Daisuke Shinkawa is a new candidate for Outside Director.

3. For the career summary of each candidate, please refer to Proposal 3 and Proposal 4.

Proposal 10: Election of One (1) Auditor

As the term of office of Auditor Mr. Takeru Harada will resign at the conclusion of this Ordinary General Meeting of Shareholders, the Company proposes to elect one (1) Auditor.
The candidate for Auditor is Mr. Osamu Okada, as stated in Proposal 4 (candidate No. 1).
Prior to this proposal, the Company has already obtained the consent of the Board of Auditors.

(Notes) 1. The candidate is a newly appointed candidate for Auditor.

2. For the career summary of the candidate, please refer to Proposal 4.

Proposal 11: Election of One (1) Substitute Auditor

To provide for a case in which the number of Auditor falls short of the number stipulated by laws and regulations, the Company proposes to elect one (1) substitute Auditor.
The candidate for Substitute Auditor is Mr. Tetsuya Yamao, as stated in Proposal 5.
Prior to this proposal, the Company has already obtained the consent of the Board of Auditors.

(Notes) 1. Mr. Tetsuya Yamao is a candidate for a substitute Outside Auditor.
He meets the requirements of our internal regulation of "Criteria for Independence of Outside Directors and Auditors" and of an Independent Auditor pursuant to Article 436-2 the Securities Listing Regulation of the Tokyo Stock Exchange. Once the proposal of election is approved, the Company nominates him as an Independent Auditor, and reports to the said Exchange.
Our regulation of "Criteria for Independence of Outside Directors and Auditors" is posted on the Company's website (http://www.kurabo.co.jp/finance/governance.html). (Japanese only)

2. If Mr. Tetsuya Yamao is elected as an Outside Auditor, the Company will, pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, enter into an agreement with him to limit his 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.

3. For the career summary of Mr. Tetsuya Yamao, please refer to Proposal 5.