



**Notice of the 150th Ordinary General Meeting of Shareholders
to be held in Kitakyushu City, Japan on June 29, 2016**

TOTO LTD.

2-1-1 Nakashima, Kokurakita-ku, Kitakyushu City, Japan

Notice:

This is an English translation of the Japanese original of the Notice of the 150th Ordinary General Meeting of Shareholders distributed to shareholders in Japan. This translation is prepared solely for the reference and convenience of foreign shareholders. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

June 7, 2016

To Our Shareholders

TOTO LTD.

Madoka Kitamura

President, Representative Director

2-1-1 Nakashima, Kokurakita-ku, Kitakyushu City

Notice of the 150th Ordinary General Meeting of Shareholders

I would like to express our deepest sympathies to the victims of the 2016 Kumamoto Earthquake and wish for their earliest possible recovery.

This is to inform you that TOTO LTD. (the "Company") will hold its 150th Ordinary General Meeting of Shareholders, as described below, which you are cordially invited to attend.

If you are unable to attend the Meeting, please exercise your voting rights in written form or electronically, after examining the attached reference documents for the General Meeting of Shareholders, no later than 5:10 p.m. on Tuesday, June 28, 2016, Japan time.

1. Time and Date: 10:00 a.m. on Wednesday, June 29, 2016, Japan time

2. Place: TOTO Museum Hall,
2-1-1 Nakashima, Kokurakita-ku, Kitakyushu City
(The location of meeting is different from the previous year. Please refer to the meeting location map at the end of this document.)

3. Purpose of the Meeting:

Matters to be reported:

- (1) Reporting of the substance of the business report, the consolidated financial statements and the non-consolidated financial statements for the 150th fiscal period (from April 1, 2015 to March 31, 2016)
- (2) Reporting the result of audit of consolidated financial statements by the Independent Accounting Auditors and the Audit & Supervisory Board

Matters to be resolved:

Proposal 1: Election of 13 Directors

Proposal 2: Revision of the Policy for Dealing with Large-Scale Acquisitions of the Company's Shares (Takeover Defense Measures)

The TOTO logo is displayed in a bold, blue, sans-serif font.

4. Matters Relating to Exercise of Voting Rights

(1) Exercise of voting rights in written form (by mail)

Please indicate your approval or disapproval on the enclosed voting form and return it for receipt by the Company by 5:10 p.m., Tuesday, June 28, 2016.

(2) Exercise of voting rights through the Internet

Please vote via the Internet by 5:10 p.m., Tuesday, June 28, 2016, with reference to the "Precautions required when exercising your voting rights using the Internet" on page 4.

(3) Treatment of multiple exercises of voting rights

In the event that any shareholder exercises voting rights in written form (by mail) as well as through the Internet, exercise of voting rights through the Internet shall supersede as the effective exercise of the voting rights. If any voting right is exercised more than once via the Internet, the latest exercise will be upheld as the valid exercise of the voting right. If any voting right is exercised by personal computer, smartphone, or cellular phone, the latest exercise will be upheld as the valid exercise of the voting right.

- The Consolidated Statements of Changes in Net Assets and the Notes to the Consolidated Financial Statements, as well as the Statements of Changes in Net Assets and the Notes to the Non-consolidated Financial Statements, are posted on the Company's website pursuant to laws and regulations and Article 11 of the Company's Articles of Incorporation.
- In the event of any change to the Reference Documents for the General Meeting of Shareholders, the Business Report, Non-consolidated Financial Statements, or Consolidated Financial Statements, such change will be posted in the Investor Relations section of the Company's website (<http://www.toto.co.jp/company/ir/>).
- If you plan to attend the Meeting, please submit the enclosed voting form to the receptionist at the Meeting. Please also bring this pamphlet with you, to help us conserve resources.
- In accordance with the Japanese government's "Cool Biz" summertime energy-saving campaign, we will be wearing light clothing at the Meeting. We recommend that you do the same.
- We will give you a gift at the Meeting. Please note that only one gift will be given to one shareholder attending the Meeting, regardless of the number of voting forms that each shareholder brings.

Exercise of Voting Rights

Voting rights at the General Meeting of Shareholders are important rights that enable you to participate in the Company's management. Please exercise your voting rights using one of the three methods below.

1 Attending the General Meeting of Shareholders



Submit your voting form to the receptionist at the Meeting.

Date of the General Meeting of Shareholders
Wednesday, June 29, 2016
Start of reception: 9:00 a.m.
Opening of the Meeting: 10:00 a.m.

2 Sending your voting form by mail



Indicate your approval or disapproval of each proposal on the voting form and mail it back to us.

Voting Deadline
Tuesday, June 28, 2016
5:10 p.m.

3 Exercising your voting rights through the Internet



Indicate your approval or disapproval on the Company's Site for Exercising Voting Rights (<http://www.evotef.jp/>).

Voting Deadline
Tuesday, June 28, 2016
5:10 p.m.

To Institutional Investors

As an additional method for exercising your voting rights at the General Meeting of Shareholders, you may use the electronic voting platform for institutional investors operated by ICJ, Inc.

Precautions required when exercising your voting rights using the Internet

If you decide to use the Internet to exercise your voting rights, please read the following in advance. If you attend the Meeting, there is no need to follow the procedures for sending your voting form by mail or for exercising your voting rights through the Internet.

1. Site for Exercising Voting Rights

- (1) You may only exercise voting rights via the Internet by accessing the website for exercising voting rights designated by the Company (<http://www.evvote.jp/>) through a personal computer, smartphone, or cellular phone. Please note that you will not be able to access the above URL from 2:00 a.m. to 5:00 a.m. each day.
- (2) You might not be able to access the website for exercising voting rights via the Internet from your personal computer, smartphone, or cellular phone depending on your user environment and the type of your service or terminal. For details, please contact the help desk shown below.

2. Method of Exercising Voting Rights via the Internet

- (1) On the website for exercising voting rights (<http://evvote.jp/>), please enter your approval or disapproval for the proposals by using your "Login ID" and "Temporary Password" described in the voting form and by following the instructions on the screen.
- (2) Please note that if you wish to exercise your voting rights via the Internet, you will be requested to change your "Temporary Password" on the website for exercising voting rights in order to prevent unauthorized access or other acts by non-shareholders.

3. Costs arising from Access to the Website for Exercising Voting Rights

Internet connection fees, communication charges, etc. shall be borne by you.

For questions with respect to systems, etc.
Mitsubishi UFJ Trust and Banking Corporation
Stock Transfer Agency Department (help desk)
Telephone: 0120-173-027 (toll-free number)
Operating Hours: 9:00 a.m. to 9:00 p.m.

Reference Documents for General Meeting of Shareholders **(Agenda and References are as follows)**

Proposal 1: Election of 13 Directors

The term of office of the Company' Directors is one year.

The term of office of all 12 incumbent Directors will expire at the close of this Meeting. The Company asks for your approval of the following 13 Director candidates.

The Director candidates are listed below.

The size of the Board of Directors and the selection of Director candidates are determined after consultations with the Nominating Advisory Committee* to ensure that the Company' Board of Directors consists of Directors who have the expertise and experience necessary to contribute to the improvement of the corporate value of the Company' group and that it consists of the most appropriate personnel at the present time.

There is no special conflict of interests between each Director candidate and the Company.

* The Nominating Advisory Committee has been established to help ensure the objectivity and transparency of the Company's management through activities such as deliberation on and confirmation of the appointment of the Company's Board of Directors and Audit & Supervisory Board members. The Committee shall make reports to the Board of Directors on proposals to the Shareholders' Meeting related to the appointment and dismissal of directors and Audit & Supervisory Board members, including outside directors and outside member of Audit & Supervisory Board.

The half or more of Committee members shall be outside members, and the chairperson and members have been appointed by the Board of Directors. The Committee members consist of four Independent Directors/Audit & Supervisory Board Members as outside members and representative directors as internal members, and the chairperson shall be the President and Representative Director of the Company.

Candidates:

Candidate number: 1 Re-nominated		Nominating Advisory Committee Member Kunio Harimoto ● Date of birth: Mar. 19, 1951 ● Number of the Company' shares held: 44,200 shares
Brief Career History: Title, Status and Significant Concurrent Positions		
Apr. 1973 Joined the Company Jun. 2003 Director, Executive Officer Director, Sales Promotion Group of the Company Jun. 2005 Director, Managing Executive Officer In charge of the Marketing & Communication Group of the Company, and Director, Sales Promotion Group of the Company Jun. 2006 Director, Senior Managing Executive Officer In charge of the Marketing Group and the Sales Promotion Group of the Company Apr. 2009 President, Representative Director In charge of the New-Domain Business Group of the Company Apr. 2010 President, Representative Director In charge of System Product Group, New-Domain Business Group, Secretary's Office, Management Planning Department, Internal Audit Office and V-Plan new business domains of the Company Apr. 2011 President, Representative Director In charge of New-Domain Business Group, Management Planning Division, Internal Audit Office, Secretary's Office and V-Plan new business domains of the Company Apr. 2012 President, Representative Director In charge of New-Domain Business Group, Management Planning Division, Internal Audit Office, Cultural Promotion Department, Secretary's Office and V-Plan new business domains of the Company Apr. 2014 Representative Director, Chairman of the Board of the Company [Present]		
<Significant concurrent position> Outside Director of Nishi-Nippon Railroad Co., Ltd.		
<Reason for nomination as a Director candidate> Mr. Kunio Harimoto has served as Representative Director, President, and Chairman of the Board of the Company and has abundant experience and achievements as a manager. The Company believes that he is highly capable of enhancing the entire group's corporate governance and supervising the execution of Company business, and therefore proposes his reappointment as Director.		

Candidate number: 2 Re-nominated		Nominating Advisory Committee Member Madoka Kitamura ● Date of birth: May 24, 1957 ● Number of the Company's shares held: 12,900 shares																														
Brief Career History: Title, Status and Significant Concurrent Positions																																
<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Apr. 1981</td><td style="width: 40%;">Joined the Company</td><td style="width: 45%;"></td></tr> <tr> <td>Jun. 2006</td><td>Executive Officer</td><td>General Manager, Management Planning Department of the Company</td></tr> <tr> <td>Apr. 2008</td><td>Executive Officer</td><td>General Manager, Bathroom Division of the Company</td></tr> <tr> <td>Apr. 2011</td><td>Managing Executive Officer</td><td>In charge of System Product Group and General Manager, Bathroom Division of the Company</td></tr> <tr> <td>Jun. 2011</td><td>Director, Managing Executive Officer</td><td>In charge of System Product Group and General Manager, Bathroom Division of the Company</td></tr> <tr> <td>Apr. 2012</td><td>Director, Managing Executive Officer</td><td>In charge of System Product Group of the Company</td></tr> <tr> <td>Jun. 2013</td><td>Director, Senior Managing Executive Officer</td><td>In charge of System Product Group of the Company</td></tr> <tr> <td>Apr. 2014</td><td>President, Representative Director</td><td>In charge of New-Domain Business Group, Management Planning Division, Secretary's Office and V-Plan new business domains of the Company</td></tr> <tr> <td>Apr. 2015</td><td>President, Representative Director</td><td>In charge of New-Domain Business Group, Management Planning Division, Global Strategy Office, Secretary's Office and V-Plan new business domains of the Company</td></tr> <tr> <td>Apr. 2016</td><td>President, Representative Director</td><td>In charge of Global Business Promotion Division, Management Planning Division, and Secretary's Office of the Company [Present]</td></tr> </table>			Apr. 1981	Joined the Company		Jun. 2006	Executive Officer	General Manager, Management Planning Department of the Company	Apr. 2008	Executive Officer	General Manager, Bathroom Division of the Company	Apr. 2011	Managing Executive Officer	In charge of System Product Group and General Manager, Bathroom Division of the Company	Jun. 2011	Director, Managing Executive Officer	In charge of System Product Group and General Manager, Bathroom Division of the Company	Apr. 2012	Director, Managing Executive Officer	In charge of System Product Group of the Company	Jun. 2013	Director, Senior Managing Executive Officer	In charge of System Product Group of the Company	Apr. 2014	President, Representative Director	In charge of New-Domain Business Group, Management Planning Division, Secretary's Office and V-Plan new business domains of the Company	Apr. 2015	President, Representative Director	In charge of New-Domain Business Group, Management Planning Division, Global Strategy Office, Secretary's Office and V-Plan new business domains of the Company	Apr. 2016	President, Representative Director	In charge of Global Business Promotion Division, Management Planning Division, and Secretary's Office of the Company [Present]
Apr. 1981	Joined the Company																															
Jun. 2006	Executive Officer	General Manager, Management Planning Department of the Company																														
Apr. 2008	Executive Officer	General Manager, Bathroom Division of the Company																														
Apr. 2011	Managing Executive Officer	In charge of System Product Group and General Manager, Bathroom Division of the Company																														
Jun. 2011	Director, Managing Executive Officer	In charge of System Product Group and General Manager, Bathroom Division of the Company																														
Apr. 2012	Director, Managing Executive Officer	In charge of System Product Group of the Company																														
Jun. 2013	Director, Senior Managing Executive Officer	In charge of System Product Group of the Company																														
Apr. 2014	President, Representative Director	In charge of New-Domain Business Group, Management Planning Division, Secretary's Office and V-Plan new business domains of the Company																														
Apr. 2015	President, Representative Director	In charge of New-Domain Business Group, Management Planning Division, Global Strategy Office, Secretary's Office and V-Plan new business domains of the Company																														
Apr. 2016	President, Representative Director	In charge of Global Business Promotion Division, Management Planning Division, and Secretary's Office of the Company [Present]																														
<Reason for nomination as a Director candidate> Having served as the person responsible for management planning and the Company's entire system product business, Mr. Madoka Kitamura has served as Representative Director and President since 2014. He has abundant experience and achievements as a manager. The Company believes that he is highly capable of promoting the Mid-/Long-Term Management Plan, and therefore proposes his reappointment as Director.																																

Candidate number: 3		Nominating Advisory Committee Member Kiyoshi Furube ● Date of birth: Nov. 3, 1954 ● Number of the Company's shares held: 18,400 shares
Brief Career History: Title, Status and Significant Concurrent Positions		
Apr. 1977	Joined the Company	
Jun. 2008	Executive Officer	General Manager, Sales Coordinating Division of the Company
Apr. 2010	Executive Officer	In charge of Sales Promotion Group and General Manager, Sales Coordinating Division of the Company
Jun. 2010	Director, Executive Officer	In charge of Sales Promotion Group and General Manager, Sales Coordinating Division of the Company
Apr. 2011	Director, Managing Executive Officer	In charge of Sales Promotion Group of the Company
Apr. 2012	Director, Senior Managing Executive Officer	In charge of Sales Promotion Group of the Company
Apr. 2013	Director, Senior Managing Executive Officer	In charge of Sales Promotion Group and Marketing Group of the Company
Apr. 2014	Representative Director, Executive Vice President	In charge of Sales Groups, Cultural Promotion Department, V-Plan domestic housing business, and V-Plan marketing innovation of the Company
Apr. 2015	Representative Director, Executive Vice President	In charge of Sales Groups, Cultural Promotion Department, and V-Plan domestic housing business of the Company
Apr. 2016	Representative Director, Executive Vice President	In charge of Sales Groups and Cultural Promotion Department [Present]
<Reason for nomination as a Director candidate>		
Having served as the person responsible for the Sales Promotion Group and the Marketing Group, Mr. Kiyoshi Furube has served as Representative Director and Executive Vice President since 2014. He has abundant experience and achievements as a manager.		
The Company believes that he is highly capable of promoting the Mid-/Long-Term Management Plan and of supervising the Sales Groups, and therefore proposes his reappointment as Director.		

Candidate number: 4 Re-nominated		Noriaki Kiyota ● Date of birth: Oct. 8, 1961 ● Number of the Company's shares held: 9,100 shares	Nominating Advisory Committee Member																					
		Brief Career History: Title, Status and Significant Concurrent Positions																						
<table border="0" style="width: 100%;"> <tr> <td style="width: 10%;">Apr. 1984</td> <td style="width: 40%;">Joined the Company</td> <td style="width: 50%;"></td> </tr> <tr> <td>Apr. 2010</td> <td>Executive Officer</td> <td>General Manager, Restroom Business Group of the Company</td> </tr> <tr> <td>Apr. 2012</td> <td>Executive Officer</td> <td>In charge of Restroom Business Group of the Company</td> </tr> <tr> <td>Jun. 2012</td> <td>Director, Managing Executive Officer</td> <td>In charge of Restroom Business Group of the Company</td> </tr> <tr> <td>Apr. 2014</td> <td>Director, Senior Managing Executive Officer</td> <td>In charge of Restroom Business Group and Faucets and Appliances Division of the Company</td> </tr> <tr> <td>Apr. 2015</td> <td>Director, Senior Managing Executive Officer</td> <td>In charge of System Product Group and Appliances Division of the Company</td> </tr> <tr> <td>Apr. 2016</td> <td>Representative Director, Executive Vice President</td> <td>In charge of Business Division, Faucets & Appliances Division, Internal Audit Office, and V-Plan Marketing Innovation of the Company [Present]</td> </tr> </table>				Apr. 1984	Joined the Company		Apr. 2010	Executive Officer	General Manager, Restroom Business Group of the Company	Apr. 2012	Executive Officer	In charge of Restroom Business Group of the Company	Jun. 2012	Director, Managing Executive Officer	In charge of Restroom Business Group of the Company	Apr. 2014	Director, Senior Managing Executive Officer	In charge of Restroom Business Group and Faucets and Appliances Division of the Company	Apr. 2015	Director, Senior Managing Executive Officer	In charge of System Product Group and Appliances Division of the Company	Apr. 2016	Representative Director, Executive Vice President	In charge of Business Division, Faucets & Appliances Division, Internal Audit Office, and V-Plan Marketing Innovation of the Company [Present]
Apr. 1984	Joined the Company																							
Apr. 2010	Executive Officer	General Manager, Restroom Business Group of the Company																						
Apr. 2012	Executive Officer	In charge of Restroom Business Group of the Company																						
Jun. 2012	Director, Managing Executive Officer	In charge of Restroom Business Group of the Company																						
Apr. 2014	Director, Senior Managing Executive Officer	In charge of Restroom Business Group and Faucets and Appliances Division of the Company																						
Apr. 2015	Director, Senior Managing Executive Officer	In charge of System Product Group and Appliances Division of the Company																						
Apr. 2016	Representative Director, Executive Vice President	In charge of Business Division, Faucets & Appliances Division, Internal Audit Office, and V-Plan Marketing Innovation of the Company [Present]																						
<Reason for nomination as a Director candidate> Having served as the person responsible for the Restroom Business Group and the System Product Group, Mr. Noriaki Kiyota has served as Representative Director and Executive Vice President since 2016. He has abundant experience and achievements as a manager. The Company believes that he is highly capable of promoting marketing innovation for the Mid-/Long-Term Management Plan, realizing management strategies, and supervising the Business Division, and therefore proposes his reappointment as Director.																								

Candidate number: 5 Re-nominated		Nozomu Morimura ● Date of birth: Jul. 10, 1957 ● Number of the Company's shares held: 7,900 shares	Compensation Advisory Committee Member																					
		Brief Career History: Title, Status and Significant Concurrent Positions																						
<table border="0" style="width: 100%;"> <tr> <td style="width: 10%;">Apr. 1980</td> <td style="width: 40%;">Joined the Company</td> <td style="width: 50%;"></td> </tr> <tr> <td>Apr. 2010</td> <td>Executive Officer</td> <td>General Manager of Nagoya Branch Office of the Company</td> </tr> <tr> <td>Apr. 2013</td> <td>Senior Executive Officer</td> <td>In charge of Sales Coordinating Division of the Company</td> </tr> <tr> <td>Jun. 2013</td> <td>Director, Managing Executive Officer</td> <td>In charge of Sales Coordinating Division of the Company</td> </tr> <tr> <td>Apr. 2014</td> <td>Director, Managing Executive Officer</td> <td>In charge of Marketing Group and Sales Promotion Group of the Company</td> </tr> <tr> <td>Apr. 2015</td> <td>Director, Managing Executive Officer</td> <td>In charge of Marketing Group, Sales Promotion Group, and V-Plan marketing innovation of the Company</td> </tr> <tr> <td>Apr. 2016</td> <td>Director, Senior Managing Executive Officer</td> <td>In charge of Sales Promotion Group, Customer Service, Design Division, and V-Plan Japan Housing Equipment Business [Present]</td> </tr> </table>				Apr. 1980	Joined the Company		Apr. 2010	Executive Officer	General Manager of Nagoya Branch Office of the Company	Apr. 2013	Senior Executive Officer	In charge of Sales Coordinating Division of the Company	Jun. 2013	Director, Managing Executive Officer	In charge of Sales Coordinating Division of the Company	Apr. 2014	Director, Managing Executive Officer	In charge of Marketing Group and Sales Promotion Group of the Company	Apr. 2015	Director, Managing Executive Officer	In charge of Marketing Group, Sales Promotion Group, and V-Plan marketing innovation of the Company	Apr. 2016	Director, Senior Managing Executive Officer	In charge of Sales Promotion Group, Customer Service, Design Division, and V-Plan Japan Housing Equipment Business [Present]
Apr. 1980	Joined the Company																							
Apr. 2010	Executive Officer	General Manager of Nagoya Branch Office of the Company																						
Apr. 2013	Senior Executive Officer	In charge of Sales Coordinating Division of the Company																						
Jun. 2013	Director, Managing Executive Officer	In charge of Sales Coordinating Division of the Company																						
Apr. 2014	Director, Managing Executive Officer	In charge of Marketing Group and Sales Promotion Group of the Company																						
Apr. 2015	Director, Managing Executive Officer	In charge of Marketing Group, Sales Promotion Group, and V-Plan marketing innovation of the Company																						
Apr. 2016	Director, Senior Managing Executive Officer	In charge of Sales Promotion Group, Customer Service, Design Division, and V-Plan Japan Housing Equipment Business [Present]																						
<Reason for nomination as a Director candidate> Having served as the person responsible for sales offices in Japan and the Sales Promotion Group, Mr. Nozomu Morimura has served as Representative Director and Senior Managing Executive Officer since 2016. He has abundant experience and achievements as a manager. The Company believes that he is highly capable of promoting the Company's Japan Housing Equipment Business for the Mid-/Long-Term Management Plan, realizing management strategies, and supervising the Sales Division, and therefore proposes his reappointment as Director.																								

Candidate number: 6 Re-nominated		Soichi Abe ● Date of birth: Aug. 22, 1961 ● Number of the Company's shares held: 7,000 shares
Brief Career History: Title, Status and Significant Concurrent Positions		
Apr. 1985 Joined the Company Apr. 2009 Deputy General Manager, International Business Group of the Company Apr. 2011 Executive Officer General Manager of International Business Group of the Company Apr. 2014 Executive Officer In charge of International Business Group and V-Plan overseas housing equipment business of the Company Jun. 2014 Director, Managing Executive Officer In charge of International Business Group and V-Plan overseas housing equipment business of the Company Apr. 2016 Director, Managing Executive Officer In charge of China & Asia Housing Equipment Business Group and V-Plan China & Asia Housing Equipment Business [Present]		
<Significant concurrent position> Chairman of TOTO (China) Co., Ltd.		
<Reason for nomination as a Director candidate> Having been assigned to China and serving as the person responsible for the China Division and the International Business Group, Mr. Soichi Abe has served as Director and Managing Executive Officer since 2014. He has abundant experience and achievements as a manager. The Company believes that he is highly capable of promoting the Company's China & Asia housing equipment business for the Mid-/Long-Term Management Plan, realizing management strategies, and supervising the China & Asia Business Division, and therefore proposes his reappointment as Director.		

Candidate number: 7 Re-nominated		Yuichi Narukiyo ● Date of birth: Mar. 18, 1962 ● Number of the Company's shares held: 6,900 shares
Brief Career History: Title, Status and Significant Concurrent Positions		
Apr. 1987 Joined the Company Apr. 2010 General Manager of Human Resource Development Division of the Company Apr. 2011 Executive Officer General Manager of Human Resource Development Division of the Company Apr. 2014 Executive Officer In charge of Corporate Administrative Group and Legal Affairs Division, General Manager of Human Resource Division, and in charge of V-Plan Management Resource Innovation of the Company Jun. 2014 Director, Managing Executive Officer In charge of Corporate Administrative Group, Legal Affairs Division, and V-Plan Management Resource Innovation of the Company Apr. 2016 Director, Managing Executive Officer In charge of Legal Affairs Division, Human Resource Division, Accounting & Finance Division, Information System Planning Division, General Affairs Division, Logistics Division, Purchasing Division, Engineering Works Division, and V-Plan Management Resource Innovation [Present]		
<Significant concurrent position> President, Representative Director of TOTO Finance Ltd.		
<Reason for nomination as a Director candidate> Having served as the person responsible for the Human Resource Development Division, the Corporate Administrative Group, and the Legal Affairs Division, Mr. Yuichi Narukiyo has served as Director and Managing Executive Officer since 2014. He has abundant experience and achievements as a manager. The Company believes that he is highly capable of promoting management resource renovation for the Mid-/Long-Term Management Plan, realizing management strategies, and supervising the Administrative Division, and therefore proposes his reappointment as Director.		

Candidate number: 8 Re-nominated		Ryosuke Hayashi ● Date of birth: Sep. 4, 1963 ● Number of the Company's shares held: 5,000 shares																					
Brief Career History: Title, Status and Significant Concurrent Positions																							
<table border="0" style="width: 100%;"> <tr> <td style="vertical-align: top; width: 15%;">Apr. 1987</td><td style="vertical-align: top; width: 35%;">Joined the Company</td><td style="width: 50%;"></td></tr> <tr> <td style="vertical-align: top;">Apr. 2010</td><td style="vertical-align: top;">General Manager of Washlet Division of the Company</td><td></td></tr> <tr> <td style="vertical-align: top;">Apr. 2011</td><td style="vertical-align: top;">Executive Officer</td><td style="vertical-align: top;">General Manager of Washlet Division of the Company</td></tr> <tr> <td style="vertical-align: top;">Apr. 2014</td><td style="vertical-align: top;">Executive Officer</td><td style="vertical-align: top;">Deputy General Manager of Restroom Business Group, and General Manager of Washlet Division of the Company</td></tr> <tr> <td style="vertical-align: top;">Apr. 2015</td><td style="vertical-align: top;">Executive Officer</td><td style="vertical-align: top;">In charge of Restroom Business Group and Production Technology Business Group, General Manager of Restroom Business Group of the Company, and in charge of V-Plan Demand Chain Innovation</td></tr> <tr> <td style="vertical-align: top;">Jun. 2015</td><td style="vertical-align: top;">Director, Managing Executive Officer</td><td style="vertical-align: top;">In charge of Restroom Business Group, Production Technology Business Group, and V-Plan Demand Chain Innovation</td></tr> <tr> <td style="vertical-align: top;">Apr. 2016</td><td style="vertical-align: top;">Director, Managing Executive Officer</td><td style="vertical-align: top;">In charge of New-Domain Business Group, Bathroom Division, Kitchen & Lavatory Vanity Division, V-Plan New-Domain Business, and V-Plan Demand Chain Innovation [Present]</td></tr> </table>			Apr. 1987	Joined the Company		Apr. 2010	General Manager of Washlet Division of the Company		Apr. 2011	Executive Officer	General Manager of Washlet Division of the Company	Apr. 2014	Executive Officer	Deputy General Manager of Restroom Business Group, and General Manager of Washlet Division of the Company	Apr. 2015	Executive Officer	In charge of Restroom Business Group and Production Technology Business Group, General Manager of Restroom Business Group of the Company, and in charge of V-Plan Demand Chain Innovation	Jun. 2015	Director, Managing Executive Officer	In charge of Restroom Business Group, Production Technology Business Group, and V-Plan Demand Chain Innovation	Apr. 2016	Director, Managing Executive Officer	In charge of New-Domain Business Group, Bathroom Division, Kitchen & Lavatory Vanity Division, V-Plan New-Domain Business, and V-Plan Demand Chain Innovation [Present]
Apr. 1987	Joined the Company																						
Apr. 2010	General Manager of Washlet Division of the Company																						
Apr. 2011	Executive Officer	General Manager of Washlet Division of the Company																					
Apr. 2014	Executive Officer	Deputy General Manager of Restroom Business Group, and General Manager of Washlet Division of the Company																					
Apr. 2015	Executive Officer	In charge of Restroom Business Group and Production Technology Business Group, General Manager of Restroom Business Group of the Company, and in charge of V-Plan Demand Chain Innovation																					
Jun. 2015	Director, Managing Executive Officer	In charge of Restroom Business Group, Production Technology Business Group, and V-Plan Demand Chain Innovation																					
Apr. 2016	Director, Managing Executive Officer	In charge of New-Domain Business Group, Bathroom Division, Kitchen & Lavatory Vanity Division, V-Plan New-Domain Business, and V-Plan Demand Chain Innovation [Present]																					
<Reason for nomination as a Director candidate> Having served as the person responsible for restroom product development and the Company's Washlet business, Mr. Ryosuke Hayashi has served as Director and Managing Executive Officer since 2015. He has abundant experience and achievements as a manager. The Company believes that he is highly capable of promoting new-domain business and demand chain innovation for the Mid-/Long-Term Management Plan, realizing management strategies, and supervising the New-Domain Business Group, the Bathroom Division, and the Kitchen & Lavatory Vanity Division, and therefore proposes his reappointment as Director.																							

Candidate number: 9 Newly nominated		Kazuo Sako ● Date of birth: Aug. 25, 1959 ● Number of the Company's shares held: 1,200 shares
Brief Career History: Title, Status and Significant Concurrent Positions		
Apr. 1983 Joined the Company Apr. 2002 General Manager of International Sales Department of the Company Jan. 2004 Vice President of TOTO U.S.A., Inc. and Vice President of TOTO U.S.A. Holdings, Inc. Apr. 2004 General Manager of Americas Business Division of the Company, President of TOTO U.S.A., Inc. and President of TOTO U.S.A. Holdings, Inc. Apr. 2009 General Manager of Hydrotect Business Division of the Company Apr. 2010 General Manager of Green Building Materials Division of the Company and President, Representative Director of TOTO Materia Ltd. Apr. 2011 Executive Officer Apr. 2015 Senior Executive Officer Apr. 2016 Senior Executive Officer General Manager of Green Building Materials Division of the Company, and President, Representative Director of TOTO Materia Ltd. Deputy General Manager of International Business Group (in charge of Europe & Americas) of the Company, President of TOTO Americas Holdings, Inc., and President of TOTO U.S.A., Inc. In charge of Americas & Europe Housing Equipment Business Group and General Manager of Americas Housing Equipment Business Division of the Company, President of TOTO Americas Holdings, Inc., President of TOTO U.S.A., Inc., and officer in charge of V-Plan Americas & Europe Housing Equipment Business [Present]		
<Significant concurrent position> President of TOTO Americas Holdings, Inc. President of TOTO U.S.A., Inc.		
<Reason for nomination as a Director candidate> Having been assigned to the U.S.A. and serving as the person responsible for Company's business in the U.S.A. and the Green Building Materials Division, Mr. Kazuo Sako has served as Executive Officer since 2011, promoting the establishment and development of strategies for the Company's Americas & Europe housing equipment business and the global development of the environment cleaning technology "Hydrotect." Based on the above, the Company believes that he is highly capable of promoting the Company's Americas & Europe housing equipment business for the Mid-/Long-Term Management Plan, and therefore proposes his appointment as Director. After appointment as Director, he will also perform the duties of Managing Executive Officer.		

Candidate number: 10 Newly nominated		Taiichi Aso ● Date of birth: Mar. 5, 1960 ● Number of the Company's shares held: 5,700 shares																								
Brief Career History: Title, Status and Significant Concurrent Positions																										
<table border="0" style="width: 100%;"> <tr> <td style="width: 15%;">Apr. 1982</td><td style="width: 45%;">Joined the Company</td><td style="width: 40%;"></td></tr> <tr> <td>Oct. 2005</td><td>General Manager of Nakatsu Sanitary Ware Manufacturing Department of the Company</td><td></td></tr> <tr> <td>Apr. 2007</td><td>Chief Senior Engineer at Sanitary Ware Division of the Company</td><td></td></tr> <tr> <td>Apr. 2008</td><td>President and Representative Director of TOTO Sanitechno Ltd.</td><td></td></tr> <tr> <td>Jun. 2009</td><td>Executive Officer</td><td>President and Representative Director of TOTO Sanitechno Ltd.</td></tr> <tr> <td>Apr. 2010</td><td>Executive Officer</td><td>General Manager of Sanitary Ware Division of the Company, and President and Representative Director of TOTO Sanitechno Ltd.</td></tr> <tr> <td>Apr. 2012</td><td>Senior Executive Officer</td><td>General Manager of Sanitary Ware Division of the Company, and President and Representative Director of TOTO Sanitechno Ltd.</td></tr> <tr> <td>Apr. 2016</td><td>Senior Executive Officer</td><td>In charge of Restroom Business Group and Production Technology Business Group [Present]</td></tr> </table>			Apr. 1982	Joined the Company		Oct. 2005	General Manager of Nakatsu Sanitary Ware Manufacturing Department of the Company		Apr. 2007	Chief Senior Engineer at Sanitary Ware Division of the Company		Apr. 2008	President and Representative Director of TOTO Sanitechno Ltd.		Jun. 2009	Executive Officer	President and Representative Director of TOTO Sanitechno Ltd.	Apr. 2010	Executive Officer	General Manager of Sanitary Ware Division of the Company, and President and Representative Director of TOTO Sanitechno Ltd.	Apr. 2012	Senior Executive Officer	General Manager of Sanitary Ware Division of the Company, and President and Representative Director of TOTO Sanitechno Ltd.	Apr. 2016	Senior Executive Officer	In charge of Restroom Business Group and Production Technology Business Group [Present]
Apr. 1982	Joined the Company																									
Oct. 2005	General Manager of Nakatsu Sanitary Ware Manufacturing Department of the Company																									
Apr. 2007	Chief Senior Engineer at Sanitary Ware Division of the Company																									
Apr. 2008	President and Representative Director of TOTO Sanitechno Ltd.																									
Jun. 2009	Executive Officer	President and Representative Director of TOTO Sanitechno Ltd.																								
Apr. 2010	Executive Officer	General Manager of Sanitary Ware Division of the Company, and President and Representative Director of TOTO Sanitechno Ltd.																								
Apr. 2012	Senior Executive Officer	General Manager of Sanitary Ware Division of the Company, and President and Representative Director of TOTO Sanitechno Ltd.																								
Apr. 2016	Senior Executive Officer	In charge of Restroom Business Group and Production Technology Business Group [Present]																								
<Reason for nomination as a Director candidate> Having served as the person responsible for the Sanitary Ware Division, Mr. Taiichi Aso has served as Executive Officer since 2009, working for the improvement of sanitary ware production technology and promoting the establishment of global production and supply systems. Based on the above, the Company believes that he is highly capable of promoting the Company's restroom business and overall production technology, and therefore proposes his appointment as Director. After appointment as Director, he will also perform the duties of Managing Executive Officer.																										

Candidate number: 11 Re-nominated Outside Director		Hiroki Ogawa ● Date of birth: Sep. 21, 1941 ● Number of the Company's shares held: None	Compensation Advisory Committee Member Nominating Advisory Committee Member Special Committee Member
Brief Career History: Title, Status and Significant Concurrent Positions			
Mar. 1964 Joined Saibugas Co., Ltd. Jun. 1994 Director of the same company Jun. 1998 Managing Director of the same company Jun. 2000 Senior Managing Director of the same company Jun. 2002 Representative Director, Executive Vice President of the same company Jun. 2003 President, Representative Director of the same company Apr. 2008 Representative Director, Chairman of the Board of the same company Apr. 2013 Director, Advisor of the same company Jun. 2013 Advisor of the same company [Present] Jun. 2013 Outside Director of the Company [Present]			
<Significant concurrent position>			
Outside Director of Krosaki Harima Corporation (Scheduled to assume the position of Outside Director of Krosaki Harima Corporation on June 29, 2016.)			
<Reason for nomination as Outside Director and term of office>			
Mr. Hiroki Ogawa has been involved in the management of Saibu Gas Co., Ltd. for many years and has expertise in the housing industry. He provides valuable opinions at Meetings of the Board of Directors based on the expertise he has developed in his career as a professional corporate manager and displays outstanding supervision skills by reflecting his views unfettered by the conventional way of doing things in the Company's management. He has experience and knowledge of general management and corporate governance as well as of management closely tied to local communities, and therefore the Company proposes his reappointment as Outside Director. He has held office as Outside Director for three years as of the close of this Meeting.			
<Board Meeting attendance>			
Mr. Hiroki Ogawa attended 10 of 12 Meetings of the Board of Directors held during this business year.			
<Policy regarding the independence of Directors>			
Over the past years, Mr. Hiroki Ogawa has been working for Saibugas Co., Ltd., a business partner of the Company. However, the amount of transactions between the two companies during the most recent business year was 0.0% relative to the consolidated sales of the Company and 0.0% relative to those of Saibugas Co., Ltd. Therefore, Mr. Ogawa satisfies the requirements for Independent Directors stipulated by the Company. For this reason, the Company reports him as an Independent Director obligated by Tokyo Stock Exchange, Nagoya Stock Exchange, and Fukuoka Stock Exchange to protect the general stockholder.			
(Please refer to page 17 for more information regarding Eligibility for Independent Directors/Audit & Supervisory Board Members of the Company.)			
<Notes on Outside Director>			
The Company will continue the agreement with Mr. Hiroki Ogawa, in the event that his reappointment is approved, to limit his liability to the minimum liability amount in accordance with Paragraph 1 of Article 425 of the Companies Act.			

Candidate number: 12		Kazuhiko Masuda ● Date of birth: Apr. 24, 1942 ● Number of the Company's shares held: None	Compensation Advisory Committee Member
Re-nominated			Nominating Advisory Committee Member
Outside Director			Special Committee Member

Brief Career History: Title, Status and Significant Concurrent Positions	
Apr. 1965	Joined Sumitomo Light Metal Industries, Ltd.
Jun. 1996	Director General Manager of the First Light Metal Division of the same company
Apr. 1997	Director Manager of the same company
Oct. 1997	Director Deputy General Manager of the Board Business Division of the same company
Oct. 1998	Director Deputy General Manager of the Memory Disk Division of the same company
Jun. 1999	Managing Director General Manager of the Memory Disk Division of the same company
Apr. 2001	Managing Director of the same company
Jun. 2001	Senior Managing Director of the same company
Jun. 2004	President, Representative Director of the same company
Jun. 2009	Representative Director, Chairman of the Board of the same company
Jun. 2013	Advisor of the same company
Oct. 2013	Advisor of UACJ Corporation [Present]
Jun. 2014	Outside Director of the Company [Present]

<Significant concurrent position>	
Outside Director of Sekisui Jushi Corporation	
Outside Director of CK San-Etsu Co., Ltd.	
Outside Director of San-Etsu Metals Co., Ltd.	

<Reason for nomination as Outside Director and term of office>	
Mr. Kazuhiko Masuda has been involved in the management of Sumitomo Light Metal Industries, Ltd. (currently, UACJ Corporation) for many years. He provides valuable opinions at Meetings of the Board of Directors based on the expertise he has developed in his career as a professional corporate manager and displays outstanding supervision skills by reflecting his views unfettered by the conventional way of doing things in the Company's management. He has experience and knowledge of general management and corporate governance as well as of the production technology of manufacturers, and therefore the Company proposes his reappointment as Outside Director. He has held office as Outside Director for two years as of the close of this Meeting.	

<Board Meeting attendance>	
Mr. Kazuhiko Masuda attended 11 of 12 Meetings of the Board of Directors held during this business year.	

<Policy regarding the independence of Directors>	
Over the past years, Mr. Kazuhiko Masuda has been working for UACJ Corporation, a business partner of the Company. However, the amount of transactions between the two companies during the most recent business year was 0.5% relative to the consolidated sales of the Company and 0.7% relative to those of UACJ Corporation. Therefore, Mr. Masuda satisfies the requirements for Independent Directors stipulated by the Company. For this reason, the Company reports him as an Independent Director obligated by Tokyo Stock Exchange, Nagoya Stock Exchange, and Fukuoka Stock Exchange to protect the general stockholder. (Please refer to page 17 for more information regarding Eligibility for Independent Directors/Audit & Supervisory Board Members of the Company.)	

<Notes on Outside Director>	
The Company will continue the agreement with Mr. Kazuhiko Masuda, in the event that his reappointment is approved, to limit his liability to the minimum liability amount in accordance with Paragraph 1 of Article 425 of the Companies Act.	

Candidate number: 13 Newly nominated Outside Director		Masatsugu Shimono ● Date of birth: Dec. 11, 1953 ● Number of the Company's shares held: None	Compensation Advisory Committee Member Nominating Advisory Committee Member Special Committee Member
Brief Career History: Title, Status and Significant Concurrent Positions			
Apr. 1978 Joined IBM Japan, Ltd. Jul. 1988 Manager of Development Office, Sales Branch #4, Kansai Region #1 Jan. 1992 Assignment to IBM Corporation (USA) Apr. 2000 Director, Outsourcing Services, Services Business, IBM Japan, Ltd. Apr. 2001 Director, ITS and Outsourcing Jul. 2003 Managing Executive Officer, IBM Global Services Jan. 2007 Senior Managing Executive Officer, Technology Delivery Jul. 2010 Member of the Board, Executive Vice President, Product, Services and Operations Jan. 2016 Senior Executive Advisor [Present]			
<Reason for nomination as Outside Director> Mr. Masatsugu Shimono has been involved in the management of IBM Japan, Ltd. for many years and has experience and knowledge of general management and corporate governance of a global company, which he has developed in his career, as well as experience and knowledge of general ICT and the promotion of diversity. The Company believes that he is highly capable of providing valuable opinions at Meetings of the Board of Directors based on his expertise as a professional and global corporate manager and will display outstanding supervision skills by reflecting his views unfettered by the conventional way of doing things in the Company's management, and therefore the Company proposes his appointment as Outside Director.			
<Policy regarding the independence of Directors> Over numerous years, Mr. Masatsugu Shimono has been working for IBM Japan, Ltd., a business partner of the Company. However, the amount of transactions between the two companies during the most recent business year was 0.0% relative to the consolidated sales of the Company. IBM Japan, Ltd. does not prepare consolidated financial statements, but the amount of transactions between the Company and the IBM Group was 0.3% relative to the non-consolidated sales of IBM Japan, Ltd. Therefore, Mr. Shimono satisfies the requirements for Independent Directors stipulated by the Company. For this reason, the Company reports him as an Independent Director obligated by Tokyo Stock Exchange, Nagoya Stock Exchange, and Fukuoka Stock Exchange to protect the general stockholder. (Please refer to page 17 for more information regarding Eligibility for Independent Directors/Audit & Supervisory Board Members of the Company.)			
<Notes on Outside Director> The Company will enter into a new agreement with Mr. Masatsugu Shimono, in the event that his reappointment is approved, to limit his liability to the minimum liability amount in accordance with Paragraph 1 of Article 425 of the Companies Act.			

(Reference for Proposal 1)

Eligibility for Independent Directors/Audit & Supervisory Board Members of the Company

The Company appoints an Outside Director or Audit & Supervisory Board Member, Outside after the Nominating Advisory Committee has confirmed that the candidates meet the requirements listed below. With respect to the appointment of Audit & Supervisory Board Members, Outside, the Company obtains the prior approval of the Board of Corporate Auditors. In the event that the appointment of such candidates is approved by the General Meeting of Shareholders, the Company designates them as *Independent Directors/Audit & Supervisory Board Members* obligated by the Tokyo Stock Exchange, Nagoya Stock Exchange, and Fukuoka Stock Exchange to protect general stockholders.

- ① a person who has experience in business management above a certain level, or a professional or an external expert in business management (a company owner with significant past achievements, a specialist in the investment banking business, a lawyer, a certified public accountant, a researcher who mainly studies the Companies Act or other acts, or any similar person);
- ② a person who is not or has not been a Director (except for an Outside Director; the same is applied hereinafter), an Audit & Supervisory Board Member (except for an Audit & Supervisory Board Member, Outside; the same is applied hereinafter), an accounting advisor, an executive officer, a manager or any other employee (collectively, the "Director") of the Company, its Subsidiary or Affiliate Companies (collectively, the "Company Group");
- ③ a person who is not the spouse or a relative within the third degree of relationship of a current or former Director of the Company Group (except for a person who is not a principal of the Company);
- ④ a person who, during the most recent five years, has not served as a Director, etc. in a financial institution that is a major loan provider for the Company Group;
- ⑤ a person who, during the most recent five years, has not served as a Director in a business associate that has business with the Company Group of 2% or more of the consolidated sales of either such business associate or the Company Group in any fiscal year during the recent five fiscal years;
- ⑥ a person who is not a lawyer, a certified public accountant, or a consulting or other professional service provider (if such service provider is a corporation, association or other entity, a person who belongs to such entity and a person who belonged to such entity during the most recent five years) who received from the Company Group a compensation totaling 10 million yen or more in any fiscal year during the recent five fiscal years; or
- ⑦ a person who is not a Director of a company which is the Company's major shareholder or whose major shareholder is the Company, or who is not a Director of a parent company, subsidiary or affiliate of such company.

Proposal 2: Revision of the Policy for Dealing with Large-Scale Acquisitions of the Company's Shares (Takeover Defense Measures)

The Company has introduced a policy for dealing with large-scale acquisitions of the Company's shares (hereinafter, the "Current Plan") with the aim of providing information for determining whether or not a large-scale acquisition contributes to the corporate value of the Company and the common interests of shareholders and of ensuring a period of consideration.

The Company has been considering about the renewal of the Current Plan from the viewpoint of ensuring and enhancing the corporate value of the Company and the common interests of shareholders, since the term of the Current Plan will expire at the close of its 150th Ordinary General Meeting of Shareholders, which is scheduled to be held on June 29, 2016 (hereinafter, the "Ordinary General Meeting of Shareholders"). As a result, the Board Meeting held on May 20, 2016 (hereinafter the "Board Meeting") decided to revise and update part of the Current Plan subject to shareholders' approval at the Ordinary General Meeting of Shareholders. (The revised plan after partial revisions is hereinafter referred to as the "Plan.")

In order to ensure that your intentions are reflected appropriately, the Company asks for the approval of a majority of the shareholders present for the revision of the Plan.

The details of the Plan are given in pages 19 through 44. Major revisions from the Current Plan are as follows:

With respect to "2. Measures that contribute to the realization of basic ideas," the progress of the Mid-/Long-Term Management Plan of the Company and the recent measures for enhancing corporate governance are redescribed. (No changes have been made to the scheme for takeover defense measures.)

The Plan clarifies the types of large-scale acquisitions which trigger countermeasures in order to exclude arbitrariness in the management team's approach, and it and specifies the upper limit of the period for examining a takeover proposal. The Plan also specifies that a General Shareholders' Meeting to Confirm Shareholders' Intentions may be held to determine whether or not to implement countermeasures.

The revision of the Plan was unanimously approved by vote of the Company's Board of Directors. In addition, all Audit & Supervisory Board Members of the Company attended the Board Meeting and stated that they would approve the Plan, subject to the proper management of the Plan. The Company has not received any takeover proposal at this moment.

The principal shareholders of the Company as of March 31, 2016 are listed on page 43 and have become diversified, ranging from domestic institutional investors (financial institutions) to foreign corporations, and to individual investors.

(Exhibit)

Policy for Dealing with Large-Scale Acquisitions of TOTO Ltd. Shares

(Takeover Defense Measures)

1. Basic policy

Since its founding in 1917, the Company has consistently pursued the implementation of its philosophy to "contribute to the betterment of society" through its business operations. Among the efforts for creating and offering an enriched and more comfortable lifestyle and culture built on its plumbing products, the Company has carried out comprehensive business activities to create and provide corporate value through long-term investment in necessary facilities and personnel as well as continuous R&D and market development efforts. Such comprehensive activities include the development of power and water-saving technology that promotes "care for the environment" as well as raw materials that allow realization of "cleanliness and comfort" and "universal design," and before- and after-sales service programs that provide "safety and security" in the Japanese markets. Currently, the Company is fulfilling its responsibilities for the supply of bathroom and kitchen fixtures as a result of establishing itself in the Japanese market for such products. We are also endeavoring to further increase our value through the development of global markets, mainly in the United States and Asia, by making full use of the business model that the Company has established in the Japanese market. The Company's continuous and extensive contribution to the betterment of society for nearly 100 years since its founding has secured the current corporate value and interests of shareholders.

In order to continue to meet the expectations of its stakeholders, including shareholders who hold the Company's shares, the Company, as a publicly held corporation, believes it necessary to realize sustained improvement of the corporate value that the Company has built and the common interests of shareholders over the long term without impairment.

In the event that a large-scale acquisition of the Company's shares is conducted by any specific persons or groups, **the Company should provide with information and ensure the time necessary for shareholders to make a decision on whether or not the acquisition would lead to the enhancement of the Company's corporate value and the common interests of shareholders. If it is determined that it would not, the Company should carry out certain countermeasures against the purchasers in order to protect all shareholders who have supported the Company's corporate value. To enable us to undertake such responses, the Company considers it necessary to have a policy in place that deals with large-scale acquisitions of its shares.**

2. Initiatives to contribute to the realization of the basic policy

(1) Company motto, corporate philosophy and Mid-/Long-Term Management Plan

The Company Group has been promoting its business activities aimed at providing the global society and global environment a more meaningful existence, based on the company motto "Take pride in your work, and strive to do your best: Quality and Uniformity, Service and Trust, and Cooperation and Prosperity," and the Company Group corporate philosophy "The TOTO Group strives to create a great company, trusted by people all around the world, and contributing to the betterment of society."

The Company's corporate value is supported by six pillars:

- (i) Advanced production and technological capabilities that enable the Company to continuously offer high-quality products;

- (ii) Research and development capabilities that enable the Company to create products contributing to the creation of new lifestyles and cultures such as prefabricated bath and Washlet, along with environmentally-friendly products like NEOREST and HYDROTECT;
- (iii) A wide variety of high-quality product lines that enable the Company to sensitively respond to the diversified needs of customers;
- (iv) Its corporate brand that gained customer recognition as a sign of safety, security and confidence;
- (v) Sales forces based on good and long-term partnership with client companies; and
- (vi) Employees who maintain and develop (i) to (v) above.

The Company has established its long-term management plan "TOTO V-Plan 2017" outlining its goals, which targets the 100th anniversary of its founding in 2017, and containing a strategic framework to achieve the goals. The Company has been promoting group-wide efforts to ensure and enhance its corporate value and the common interests of shareholders from a medium-to-long term perspective.

The Company's strategic framework consists of the reinforcement of corporate governance and the promotion of the three business fields of the domestic housing equipment business, the overseas housing equipment business and new business domains, along with the three companywide innovation initiatives of "marketing innovation," "demand chain innovation" and "management resources innovation." The Company will promote group-wide efforts to carry out these business activities with the "TOTO Global Environment Vision" serving as an engine for their promotion.

Since 2016, the Company has been promoting its housing equipment business by unifying and reinforcing this area from a global viewpoint with the two business fields of the Company's global housing equipment business (which consists of Japan, China & Asia and the Americas & Europe) and the Company's "new-domain business," which consists of "advanced ceramics" and "green building materials."

The Company has set the management goals of 650 billion yen in net sales on a consolidated basis, 61 billion yen in operating profit on a consolidated basis, 10% or more in ROA (based on operating profit), and 10% or more in ROE (based on net profit) for the period ending March 2017.

(2) Strengthening of corporate governance

The Company Group considers that an essential aspect of corporate management is ensuring the satisfaction of stakeholders and ongoing expansion of corporate value by improving objectivity and transparency in management and clarifying management responsibility. The Company has adopted the Audit & Supervisory Board system and is building a structure of decision-making, supervision, and more efficient and effective business execution, with the aim of continuously increasing corporate value.

The Company has adopted the following corporate governance system:

<Directors and the Board of Directors>

The Board of Directors, which consists of all Directors, makes decisions from the most appropriate company-wide, group-wide and stakeholder perspectives and conducts mutual supervision of the duties of Directors. Directors other than the Chairman of the Board or Outside Directors concurrently hold positions as Executive Officers in order to perform their own business duties as well (Directors and Executive Officers).

The Company invites Outside Directors, well versed in the management of leading companies respected for their management practices to which the Company Group aspires, to receive advice and suggestions on general management issues based on their in-depth knowledge as experienced

managers. The term of office of Directors is one year, which is designed to clearly define their responsibilities.

The Company will submit a proposal for the appointment of one Outside Director in addition to the two Outside Directors already invited to the Ordinary General Meeting of Shareholders. If all the proposals for the appointment of Outside Directors are approved at the Ordinary General Meeting of Shareholders, all three of the Company's Outside Directors will be independent directors who satisfy the requirements for Independent Directors stipulated by the Company (hereinafter "Independent Director(s)"). Thereafter, three out of 13 directors will be Independent Directors.

<Audit & Supervisory Board Members and the Audit & Supervisory Board>

The Audit & Supervisory Board, which consists of all Audit & Supervisory Board Members, oversees the Directors' execution of duties from the perspectives of legality and appropriateness. The Audit & Supervisory Board Members attend Meetings of the Board of Directors and other major meetings to state their opinions as required and visit each business site to conduct operating audits in line with the relevant auditing policies.

In addition, the Audit & Supervisory Board Members regularly exchange opinions with Directors and streamline the system to ensure the effectiveness of audits. The Company calls upon Outside Members of the Audit & Supervisory Board specializing in such matters as corporate finance and legal issues, or having deep insight and extensive experience in corporate management, to evaluate decisions made by the Board of Directors and monitor Directors' execution of their duties from an objective and fair perspective.

In addition, two Outside Members of the Audit & Supervisory Board are both Independent Audit & Supervisory Board Members.

<Compensation Advisory Committee>

The Compensation Advisory Committee has been set up to confirm that the process to determine base compensation, annual bonuses, and the stock compensation-type stock options for Directors, and their allocation balance are in line with the Articles of Incorporation, the resolutions of the General Meeting of Shareholders, and the Basic Policy for Directors' Compensation, in order to contribute to the ensuring of the appropriateness and objectivity of Directors' compensation through its activities. The majority of Committee members shall be outside members and the chairperson and members have been appointed by the Board of Directors.

The Committee members consist of five outside members including four Independent Directors/Audit & Supervisory Board Members and one Director without the right of representation as an inside member, and the chairperson shall be elected from among the outside members.

After the Ordinary General Meeting of Shareholders, the Committee members shall consist of six outside members, including five Independent Directors/Audit & Supervisory Board Members, and one internal member.

<Nominating Advisory Committee >

The Nominating Advisory Committee has been established to help ensure the objectivity and transparency of the Company's management through activities such as deliberation on and confirmation of the appointment of the Company's Board of Directors and Audit & Supervisory Board Members. The Committee shall make reports to the Board of Directors on proposals to the General Meeting of Shareholders related to the appointment and dismissal of Directors and Audit & Supervisory Board Members, including Outside Directors and Outside Members of the Audit & Supervisory Board.

Half or more of Committee members shall be outside members, and the chairperson and members have been appointed by the Board of Directors. The Committee members consist of four Independent Directors/Audit & Supervisory Board Members as outside members and Representative Directors as inside members, and the chairperson shall be the President and Representative Director of the Company.

After the Ordinary General Meeting of Shareholders, the Committee members shall consist of five outside members who are Independent Directors/Audit & Supervisory Board Members and four internal members.

<Special Committee>

The Special Committee has been established with the introduction of the Plan. The purpose of the Special Committee is to make recommendations for the implementation or non-implementation of countermeasures under the Plan in response to the Board of Directors' inquiries.

In order to ensure the fairness and neutrality of the Board of Directors' decisions, the Committee consists of the Outside Directors of the Company and the Outside Members of the Audit & Supervisory Board of the Company.

After the Ordinary General Meeting of Shareholders, the Committee members shall consist of three Outside Directors and one Outside Member of the Audit & Supervisory Board, who are Independent Directors/Audit & Supervisory Board Members.

On the assumption that the independency requirements imposed by the Stock Exchange are satisfied, the Company specifies its own stricter requirements ("Eligibility for Independent Directors/Audit & Supervisory Board Members of the Company") and discloses them outside the Company, and confirms through the Nominating Advisory Committee whether candidates for Outside Directors and Outside Members of the Audit & Supervisory Board Member meet the requirements before appointing them.

3. Details of the Plan

(1) Outline of the Plan

The Plan requires a Large-Scale Acquirer (as defined in (3) (i) below) to comply with the prescribed procedures when they conduct a Large-Scale Acquisition (as defined in (3) (i) below). If a Large-Scale Acquirer conducts a Large-Scale Acquisition without complying with the procedures, or follows such procedures but acts in a way that is deemed to be materially harmful to the Company's corporate value and the common interests of shareholders, the Company will allot stock acquisition rights without consideration to the shareholders as of a certain date designated by the Company's Board of Directors, which is a gratis allotment of stock acquisition rights (as set forth in Article 277 onwards of the Companies Act), as a countermeasure against such a Large-Scale Acquisition.

Stock acquisition rights allotted in accordance with the Plan (the "Stock Acquisition Rights") are subject to (i) an exercise condition prohibiting a Large-Scale Acquirer and related persons from exercising such Stock Acquisition Rights, and (ii) an acquisition provision allowing the Company to deliver shares to shareholders, other than a Large-Scale Acquirer and related persons, in exchange for acquiring Stock Acquisition Rights. For an outline of the Stock Acquisition Rights, please see "Outline of Gratis Allotment of Stock Acquisition Rights" in (4) below.

If the Company effects a gratis allotment of Stock Acquisition Rights, the percentage of voting rights held by the Large-Scale Acquirer and its related persons vis-à-vis the total voting rights in the Company may be substantially diluted because of the aforementioned exercise condition or acquisition provision.

The Company will timely disclose the Plan in accordance with the rules of the Tokyo Stock Exchange, Inc., and post the Plan on its website (<http://www.toto.co.jp/company/ir/>).

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

To properly reflect shareholders' intentions, the Company will submit a proposal to obtain shareholders' approval for the Plan by resolution at the Ordinary General Meeting of Shareholders.

(3) Procedures for implementing countermeasures under the Plan

(i) Targeted Large-Scale Acquisitions

If any action that falls under i. or ii. below or any action similar to them (the "Large-Scale Acquisition," except for those actions approved by the Company's Board of Directors in advance; and any person who conducts or plans to conduct a Large-Scale Acquisition is hereinafter called the "Large-Scale Acquirer") is conducted or is scheduled to be conducted, the Company will consider implementing countermeasures under the Plan, except where the Company's Board of Directors otherwise determines:

- i. An acquisition that would result in the holding ratio of Share Certificates, Etc. (*kabuken tou hoyuu wariiai*)¹ of a holder (*hoyuusha*)² amounting to 20% or more of the Share Certificates, Etc. (*kabuken tou*)³ issued by the Company; or
- ii. A tender offer (*koukai kaitsuke*)⁴ that would result in the owning ratio of Share Certificates, Etc. (*kabuken tou shoyuu wariiai*)⁵ of Share Certificates, Etc. (*kabuken tou*)⁶ relating to the tender offer and the owning ratio of Share Certificates, Etc. of a person having a special relationship (*tokubetsu kankei-sha*)⁷ totaling 20% or more of the Share Certificates, Etc. issued by the Company.

1 As defined in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act. Unless otherwise provided for in this document, this definition is applied throughout this document.

2 As defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act, and including persons included in a holder under Article 27-23, Paragraph 3 of the Financial Instruments and Exchange Act (including persons considered to fall under this provision by the Company's Board of Directors). Unless otherwise provided for in this document, the same is applied throughout this document.

3 As defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act. Unless otherwise provided for in this document, this definition is applied throughout this document.

4 As defined in Article 27-2, Paragraph 6 of the Financial Instruments and Exchange Act. Unless otherwise provided for in this document, this definition is applied throughout this document.

5 As defined in Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Act. Unless otherwise provided for in this document, the same is applied throughout this document.

6 As defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act. This definition also applies in (ii).

7 As defined in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act (including persons considered to fall under this provision by the Company's Board of Directors). However, persons provided for in Article 3, Paragraph 2 of the Cabinet Office Ordinance concerning Disclosure of a Tender Offer of Share Certificates, Etc. by Persons other than the Issuing Company are excluded from the persons referred to in Article 27-2, Paragraph 7, Item 1 of the Financial Instruments and Exchange Act. Unless otherwise provided for in this document, the same is applied throughout this document.

(ii) Announcement of the Plan and request to the Large-Scale Acquirer for the provision of information

Unless otherwise determined by the Company's Board of Directors, the Company will request a Large-Scale Acquirer to submit to the Company's Board of Directors, before conducting a Large-Scale Acquisition, a written acquisition proposal in a form prescribed by the Company and written in Japanese, containing the information necessary for examination of the Large-Scale Acquisition as set forth in each Item below (the "Essential Information") (including declaration of the intention

that the Large-Scale Acquirer will comply with the procedures set out in the Plan). A written acquisition proposal will be accompanied by a certified copy of the commercial register, a copy of the Articles of Incorporation, and any other document certifying the existence of the Large-Scale Acquirer.

Upon receipt of a written acquisition proposal as described above, the Company's Board of Directors will promptly provide it to the Special Committee provided for in (iv) below. If the Company's Board of Directors and the Special Committee reasonably consider that the information initially provided by the Large-Scale Acquirer is insufficient for consideration by shareholders and evaluation and examination by the Company's Board of Directors in light of the content and manner of the Large-Scale Acquisition, the Large-Scale Acquirer will submit additional information in Japanese separately requested by the Company's Board of Directors and the Special Committee. (However, neither the Company's Board of Directors nor the Special Committee will request provision of additional information that exceeds the level necessary for shareholders to properly consider the acquisition in light of, among other things, the attributes of the Large-Scale Acquirer, details of the Large-Scale Acquisition proposed by the Large-Scale Acquirer, and content and nature of the Essential Information, and neither the Company's Board of Directors nor the Special Committee will, in principle, request provision of additional information after 60 days have elapsed from the day when the above written acquisition proposal is sent. If there is a request for extension of the period for requesting information provision based on reasonable grounds from the Large-Scale Acquirer, the Company may extend the period by up to 30 days as needed.) The Company's Board of Directors and the Special Committee will request provision of such additional information within 10 days of the receipt of the written acquisition proposal described above or the receipt of additional information thereafter.

- i. Details¹ of the Large-Scale Acquirer and its group²;
- ii. Number of the Company's Share Certificates, Etc. currently held by the Large-Scale Acquirer and its group, and the trading status of the Company's Share Certificates, Etc. by the Large-Scale Acquirer for 60 days before the date of submission of the written acquisition proposal;
- iii. Purpose³, method and content⁴ of the Large-Scale Acquisition;
- iv. Outline of the basis for calculation of the amount of consideration for the Large-Scale Acquisition⁵;
- v. Financial sources of the Large-Scale Acquisition⁶;
- vi. Postacquisition management policy, nominees for management members⁷, business plan, financial plan, capital policy and dividend policy, and method of utilizing assets⁸ of the Company and its group after the Large-Scale Acquisition;
- vii. Postacquisition policy for treatment of the employees, business partners and customers of the Company and its group, as well as any other stakeholders of the Company group;
- viii. Policy for collection of capital invested for the Large-Scale Acquisition;
- ix. Whether there is a connection with any anti-social forces or terrorist-related organizations.⁹ If there is a connection, the details thereof; and
- x. Any other information that the Company's Board of Directors and the Special Committee reasonably considers necessary.

1 Including, without limitation, the specific name, capital structure, line of business, financial condition and experience of businesses similar to the Company's businesses.

- 2 Including joint holders, persons having a special relationship and, in the case of funds, partners and other constituent members.
- 3 In the case of the acquisition of control or participation in management, portfolio investment or relationship investment, transfer or other disposal of the Company's Share Certificates, Etc. to any third party after the Large-Scale Acquisition, important proposal acts (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 concerning Disclosure of the Status of Large-Scale Holding of Share Certificates, Etc.) or any other actions, including such fact and the outline thereof; if there are multiple purposes, specify all of them.
- 4 Including, without limitation, the amount and type of consideration for the Large-Scale Acquisition, timeframe of the Large-Scale Acquisition, scheme of related transactions, legality of the method of the Large-Scale Acquisition, and feasibility of the Large-Scale Acquisition.
- 5 Including, without limitation, facts and premises assumed for purposes of calculation, calculation method, numerical data used for calculation, details of the synergy effects expected from a series of transactions relating to the Large-Scale Acquisition (including details of the synergy allotted to other shareholders) and basis for calculation of the synergy effects.
- 6 Including, without limitation, the specific name of the fund providers (including substantive providers), financing method, and content of related transactions.
- 7 Including information concerning, among other things, the experience of businesses similar to the businesses of the Company and its group.
- 8 However, if the Large-Scale Acquirer's acquisition proposal is for 100% of the shares with no minority shareholders and in cash, only the summary of the information referred to in this Item will suffice.
- 9 Regardless of direct or indirect connection.

If the Company's Board of Directors has become aware that a Large-Scale Acquirer has emerged, or the Company's Board of Directors has received any written acquisition proposal or additional information, it will immediately disclose information of such fact to shareholders and others. Details of the information provided by any Large-Scale Acquirer to the Company's Board of Directors will be disclosed, in whole or in part, to shareholders and others when the Company's Board of Directors considers necessary for the shareholders' judgment.

(iii) Procedures for consideration by the Company's Board of Directors

If the Company's Board of Directors and the Special Committee determine that the Essential Information provided by a Large-Scale Acquirer satisfies the level necessary for shareholders to properly consider the acquisition, the Company's Board of Directors will immediately notify the Large-Scale Acquirer of such fact, as well as the commencement and termination dates of the Board of Director Evaluation Period defined below, and disclose the information to shareholders and others in a timely and appropriate manner in accordance with laws and regulations and the rules of the Tokyo Stock Exchange, Inc.

The Company's Board of Directors will set the following period commencing from the day immediately after the date of dispatch of such notice to the Large-Scale Acquirer as a period in which the Company's Board of Directors evaluates, considers, negotiates over, forms an opinion on, and drafts an alternative plan to the acquisition (the "Board of Directors Evaluation Period"), depending on the degree of difficulty of the evaluation and consideration of the Large-Scale Acquisition.

- i. In the case of the acquisition of all Share Certificates, Etc. of the Company by way of a tender offer only in consideration for cash (Japanese currency), within 60 days; or
- ii. In the case of any other Large-Scale Acquisitions, within 90 days.

The Company's Board of Directors will obtain advice from investment banks, securities firms, financial advisers, lawyers, certified public accountants and other third parties independent of the Company (the "External Experts") as needed, fully evaluate and consider the Essential Information provided, carefully form its opinion regarding the Large-Scale Acquisition taking into full consideration the Special Committee's recommendation, notify

the opinion to the Large-Scale Acquirer, and disclose the information to shareholders and others in a timely and appropriate manner. The Company's Board of Directors will also negotiate over the terms and method of the Large-Scale Acquisition with the Large-Scale Acquirer and might present an alternative plan to shareholders, if necessary. The Large-Scale Acquirer can commence the Large-Scale Acquisition only after the elapse of such a Board of Director Evaluation Period (however, if a General Shareholders' Meeting to Confirm Shareholders' Intentions, as set forth in (vi) below, is held, only after such meeting). However, if the Large-Scale Acquirer receives a Notice of Decision of Non-Implementation, as set forth in (vii) below, it may conduct the Large-Scale Acquisition from the business day immediately after the date of receipt of such notice.

(iv) Establishment of the Special Committee

The Company will set up a Special Committee, as an organization independent of its Board of Directors, to ensure the rationality and fairness of the judgment as to whether a series of procedures have been followed in accordance with the rules set forth in the Plan, and, if the rules set forth in the Plan have been observed, whether certain countermeasures that are deemed necessary and appropriate to ensure and enhance the Company's corporate value and the common interests of shareholders should be taken.

The Special Committee will consist of not less than three, but not more than seven members, and members will be appointed by the Company's Board of Directors from the Outside Directors or outside Audit & Supervisory Board Member of the Company, or external experts (such as lawyers, certified public accountants and academic experts).

Members of the Special Committee upon the revision of the Plan will be those listed in Exhibit 1. The Special Committee Rules are outlined in Exhibit 2 "Outline of the Special Committee Rules." In addition, an outline of the Special Committee's decisions will be disclosed to shareholders and others in a timely and appropriate manner.

(v) Conditions for implementing countermeasures

- i. If a Large-Scale Acquirer conducts or plans to conduct a Large-Scale Acquisition without complying with the procedures set forth in the Plan.

If a Large-Scale Acquirer conducts or plans to conduct a Large-Scale Acquisition without complying with the procedures set forth in the Plan, the Company's Board of Directors will deem the Large-Scale Acquisition to be materially harmful to the Company's corporate value and the common interests of shareholders, regardless of the specific terms and method of the Large-Scale Acquisition, and take the countermeasures necessary and appropriate to ensure and enhance the Company's corporate value and the common interests of shareholders, taking into full consideration the Special Committee's recommendation.

- ii. If a Large-Scale Acquirer conducts or plans to conduct a Large-Scale Acquisition in accordance with the procedures set forth in the Plan.

If a Large-Scale Acquirer conducts or plans to conduct a Large-Scale Acquisition in accordance with the procedures set forth in the Plan, the Company's Board of Directors will not, in principle, take any countermeasures against the Large-Scale Acquisition, even if it objects to the Large-Scale Acquisition and expresses a dissenting opinion, proposes an alternative plan, or gives an explanation to shareholders. Shareholders will make decisions as to whether to accept the Large-Scale Acquirer's proposal, taking into consideration the Essential Information concerning the Large-Scale Acquisition, as well as the opinion thereon

and alternative plan to the Large-Scale Acquisition given by the Company's Board of Directors.

However, even if the Large-Scale Acquirer conducts or plans to conduct the Large-Scale Acquisition in accordance with the procedures set forth in the Plan, the Company's Board of Directors may take the necessary and appropriate countermeasures to ensure and enhance the Company's corporate value and the common interests of shareholders, taking into full consideration the Special Committee's recommendation, if the Company's Board of Directors considers that the Large-Scale Acquisition based on the acquisition proposal of the Large-Scale Acquirer will be materially harmful to the Company's corporate value and the common interests of shareholders as a result of the consideration of the details of the Large-Scale Acquisition by the Large-Scale Acquirer, as well as the consultation and negotiation with the Large-Scale Acquirer. More specifically, any Large-Scale Acquisition falling under any of the following types will be considered to be materially harmful to the Company's corporate value and the common interests of shareholders:

- (a) In the case of an acquisition, etc. that may obviously harm the Company's corporate value and the common interests of shareholders due to any action or circumstances listed below:
 - a) Any action to demand the Company to purchase Share Certificates, Etc. of the Company at a high price after buying up Share Certificates, Etc. of the Company;
 - b) Any action to attempt to gain a Large-Scale Acquirer's profit at the sacrifice of the Company by, among other things, temporarily controlling the Company's management and obtaining the Company's important assets, technical information or other properties at a low price;
 - c) Any action to appropriate corporate assets of the Company as security for obligations or funds to repay debts of a Large-Scale Acquirer or its group company; or
 - d) Any action to temporarily control the Company's management and have the Company dispose of its expensive assets and pay a temporarily high dividend using the disposal proceeds, or to sell off Share Certificates, Etc. at a high price watching for a sharp rise in share prices due to a temporarily high dividend.
- (b) If the method of acquiring the Company's Share Certificates, Etc. proposed by a Large-Scale Acquirer may coerce shareholders to sell their Share Certificates, Etc. of the Company (e.g. the Large-Scale Acquirer effects a tender offer by not soliciting an offer to acquire all Share Certificates, Etc. of the Company in the first acquisition, and imposing unfavorable or equivocal conditions in the second acquisition).

(vi) Procedures for determining the implementation of countermeasures

When determining whether to implement countermeasures, the Company's Board of Directors will take the following procedures to ensure the rationality and fairness of its decision.

First, before implementing countermeasures, the Company's Board of Directors will consult the Special Committee as to whether to implement countermeasures. Based on such consultation, and after obtaining advice from External Experts (at the Company's expense), the Special Committee will make a recommendation to the Company's Board of Directors as to whether to implement

countermeasures. When deciding whether countermeasures should be implemented, the Company's Board of Directors will take into full consideration the Special Committee's recommendation.

The Company's Board of Directors will obtain advice from External Experts as needed, evaluate and consider, among other things, the Large-Scale Acquirer, specific details of the Large-Scale Acquisition, and the impact that the Large-Scale Acquisition would have on the Company's corporate value and the common interests of shareholders, and then decide whether to implement countermeasures, based on the Special Committee's recommendation described above and the Essential Information provided by the Large-Scale Acquirer.

In the case of (v) ii. above, when deciding whether to implement countermeasures against a Large-Scale Acquisition, the Company's Board of Directors may hold a General Meeting of Shareholders to confirm the intentions of the shareholders of the Company as to whether to implement countermeasures against the Large-Scale Acquisition (hereinafter called the "General Shareholders' Meeting to Confirm Shareholders' Intentions") if the Company's Board of Directors judges that it is necessary and reasonable in order to respect the intentions of shareholders of the Company. The Special Committee may also make a recommendation for the holding of a General Shareholders' Meeting to Confirm Shareholders' Intentions, and if such recommendation is made by the Special Committee, the Company's Board of Directors will take it into full consideration.

(vii) Decisions concerning implementation or non-implementation of countermeasures by the Company's Board of Directors

In the case of (v) i. above, the Company's Board of Directors will decide the implementation of countermeasures taking into full consideration the Special Committee's recommendation. In the case of (v) ii. above, the Company's Board of Directors will decide the implementation or non-implementation of countermeasures taking into full consideration the Special Committee's recommendation. If the Company's Board of Directors decides the implementation or non-implementation of countermeasures, it will immediately notify the Large-Scale Acquirer of the outline of the decision and any other matters which it considers appropriate (a notice concerning the decision of non-implementation is hereinafter called the "Notice of Decision of Non-Implementation"), and disclose information to shareholders and others. The Large-Scale Acquirer may conduct the Large-Scale Acquisition after the Board of Directors Evaluation Period has elapsed (however, if a General Shareholders' Meeting to Confirm Shareholders' Intentions is held, only after that meeting), or from the business day immediately after the date of receipt of the Notice of Decision of Non-Implementation from the Company's Board of Directors.

If any fact which is the basis for the decision is changed (e.g. if the Large-Scale Acquirer changes any terms of the Large-Scale Acquisition or suspends the Large-Scale Acquisition), the Company's Board of Directors will consult the Special Committee again for reconsideration, and decide the implementation or suspension of countermeasures taking into full consideration the Special Committee's recommendation. If the Company's Board of Directors judges that it is necessary and reasonable in order to respect the intentions of shareholders of the Company, as stated in (vi) above, a General Shareholders' Meeting to Confirm Shareholders' Intentions may be held to seek a decision from the shareholders.

In addition, if the Company's Board of Directors makes a decision on the implementation or suspension of countermeasures described above, it will immediately notify the Large-Scale Acquirer of the outline of the decision, the outline of the resolution at the General Shareholders'

Meeting to Confirm Shareholders' Intentions, and any other matters which it considers appropriate, and disclose information to shareholders and others.

(4) Outline of gratis allotment of Stock Acquisition Rights (for more information, please see Exhibit 3 "Terms and Conditions of Stock Acquisition Rights")

As countermeasures in the Plan, the Company's Board of Directors will effect a gratis allotment of Stock Acquisition Rights in accordance with Exhibit 3 "Terms and Conditions of Stock Acquisition Rights."

The Stock Acquisition Rights will be allotted to those shareholders (except for the Company) entered or recorded on the final register of shareholders as of a certain date designated by the Company's Board of Directors resolving on the gratis allotment of the Stock Acquisition Rights (the "Allotment Date"), at a ratio designated by the Company's Board of Directors, but not less than one, for each share held by them.

The amount of properties (cash) to be contributed upon exercise of one Stock Acquisition Right (exercise price) will be 1 yen and, upon exercise of one Stock Acquisition Right, one share or less of the Company's common stock to be determined by the Company's Board of Directors will be delivered to the holder of the Stock Acquisition Right (the "Stock Acquisition Right Holder"). If there are any fractions less than one share in the number of shares to be delivered to the Stock Acquisition Right Holder who has exercised Stock Acquisition Rights, the Company will process such fractions in accordance with applicable laws and regulations.

Neither the Large-Scale Acquirer nor its related persons can exercise the Stock Acquisition Rights.

Besides the exercise of Stock Acquisition Rights, the Company may acquire one Stock Acquisition Right from a Stock Acquisition Right Holder other than the Large-Scale Acquirer and its related persons in exchange for one share or less of the Company's common stock to be determined by the Company's Board of Directors under certain conditions, in accordance with the acquisition provision of the Stock Acquisition Right. In addition, the Company may acquire all Stock Acquisition Rights without consideration under certain conditions.

If the Company's Board of Directors implements any countermeasures under the Plan, it will disclose to shareholders and others information concerning the matters which it and the Special Committee consider appropriate in a timely and appropriate manner.

(5) Term, abolition and amendment of the Plan

The term of the Plan after the revision commences on the close of the Ordinary General Meeting of Shareholders, and ends on the close of the Ordinary General Meeting of Shareholders for the period ending March 2019. However, (i) if the Company's General Meeting of Shareholders resolves to abolish the Plan or (ii) if the Company's Board of Directors resolves to abolish the Plan, the Plan will be abolished at that time, even before the expiry of the term.

Since the Plan is based on statutory provisions in effect as of May 20, 2016, if it is appropriate to reflect any enactment, amendment or abolition of any law, rules set by financial instruments exchanges, or material court decisions in any provision of the Plan after May 20, 2016, or if it is appropriate to correct words and phrases because of misspelled or missing characters, the Plan may be modified or amended after obtaining the approval of the Special Committee.

If the Plan is abolished, modified or amended, the Company will disclose such fact, and any other matters which the Company's Board of Directors considers appropriate, in a timely and appropriate manner.

With respect to the content of the Plan applicable after the close of the Ordinary General Meeting of Shareholders for the period ending March 2019, the Company plans to make the necessary revisions thereto and confirm shareholders' intentions as to, among other things, the continuation or revision of the Plan or introduction of a new plan.

4. Rationality of the Plan

- (1) The Plan is considered to fully satisfy the requirements in the guidelines for takeover defense measures.

The Plan fully satisfies the three principles ("principle of ensuring and enhancing corporate value and the common interests of shareholders," "principle of prior disclosure and shareholders' intentions," and "principle of necessity and appropriateness") set out in the "Guidelines regarding Takeover Defense Measures for the Purposes of Ensuring and Enhancing Corporate Value and Common Interests of Shareholders" announced by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005, and meets the purposes of the rules relating to the introduction of takeover defense measures established by the Tokyo Stock Exchange, Inc. The Plan also takes into consideration the report "Takeover Defense Measures in Light of Recent Environmental Changes" released by the Corporate Value Study Group in the Ministry of Economy, Trade and Industry on June 30, 2008.

- (2) The Plan aims to ensure and enhance the Company's corporate value and the common interests of shareholders.

As mentioned in 3. above, the Plan aims to ensure and enhance the Company's corporate value and the common interests of shareholders by securing the information and time necessary to enable shareholders to decide whether to accept a Large-Scale Acquisition, and to enable the Company's Board of Directors to submit an alternative plan for the benefit of shareholders and to negotiate with a Large-Scale Acquirer, if a Large-Scale Acquisition of the Company's Share Certificates, Etc. is conducted.

- (3) The Plan puts emphasis on shareholders' intentions (resolutions by the General Meeting of Shareholders and sunset provisions).

To ensure an opportunity to appropriately reflect shareholders' intentions before the revision of the Plan, the Company will present a proposal to obtain approval for the Plan at the Ordinary General Meeting of Shareholders, as stated in 3. (2) above. If the Plan is not approved at the Ordinary General Meeting of Shareholders, the Plan will not be revised and will be abolished. In addition, as mentioned in 3. (5) above, if the General Meeting of Shareholders passes a resolution to abolish the Plan, even before expiry of the term of the Plan, the Plan will be abolished at that time. In that sense, shareholders' intentions will be reflected not only in the revision, but also in the survival of the Plan. Further, as a premise that shareholders will delegate decisions on the implementation or non-implementation of countermeasures under the Plan to the Board of Directors, the Plan specifically sets the conditions for implementing countermeasures on a case-by-case basis and presents such conditions to shareholders. Also, as described in 3. (3) (vi) above, in addition to the consultation with the Special Committee, if the Company's Board of Directors judges that it is necessary and reasonable in order to respect the intentions of shareholders of the Company, a General Shareholders' Meeting to Confirm Shareholders' Intentions will be held to confirm shareholders' intentions. Implementation of countermeasures in accordance with the conditions for implementation will therefore reflect shareholders' intentions.

- (4) Respect for decisions by highly independent outsiders and information disclosure

As described in 3. (3) (iv) above, the Company will set up a Special Committee as an organization independent of the Board of Directors, in order to secure the rationality and fairness of decisions by the

Company's Board of Directors. The Special Committee will consist of Outside Directors or Audit & Supervisory Board Members, Outside of the Company, or External Experts.

Furthermore, by making a decision taking into full consideration the Special Committee's recommendation as explained above, the Company's Board of Directors will be prevented from implementing countermeasures under the Plan in an arbitrary manner, and disclose an outline of the Special Committee's decision to shareholders in a timely and appropriate manner. This ensures a mechanism under which the Plan will be managed in a transparent manner to ensure and enhance the Company's corporate value and the common interests of shareholders.

(5) Establishment of reasonably objective requirements

As set out in 3. (3) (v) and (vi) above, the Plan will not be implemented unless reasonable and objective pre-determined requirements have been satisfied, and therefore this ensures a mechanism to prevent arbitrary implementation of countermeasures by the Company's Board of Directors.

(6) Obtaining opinions of External Experts

As described in 3. (3) (iii) above, the Plan provides that if a Large-Scale Acquirer emerges, the Board of Directors and the Special Committee may obtain advice from External Experts at the cost of the Company. This ensures a mechanism under which the fairness and objectivity of the decisions by the Board of Directors and the Special Committee will be secured more strongly.

(7) The Plan is not a dead-hand or slow-hand takeover defense measure.

As stated in 3. (5) above, the Plan can be abolished at any time by the Board of Directors comprising the Directors appointed at the Company's General Meeting of Shareholders, and is therefore not a dead-hand takeover defense measure (a takeover defense measure whose implementation cannot be blocked even if a majority of the members of the Board of Directors are replaced). In addition, since the Company has set the term of office of Directors as one year and has not employed a staggered board system, the Plan is not a slow-hand takeover defense measure (a takeover defense measure the blocking of the implementation of which takes time because the members of the Board of Directors cannot be replaced at one time).

5. Impact on shareholders and investors

(1) Impact on shareholders and investors at the time of revision of the Plan

The Plan will have no direct specific impact on the legal rights and economic interests of shareholders and investors at the time of its revision, because no countermeasures will be implemented at that time.

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

Since Stock Acquisition Rights will be allotted without consideration to the shareholders as of the Allotment Date designated by the Company's Board of Directors in a resolution for the gratis allotment of the Stock Acquisition Rights at a ratio designated by the Company's Board of Directors, but not less than one for each share in the Company held by them, the value of the whole share of the Company held by shareholders will not be diluted, as long as it is assumed that the Stock Acquisition Rights will be exercised. However, if a shareholder does not exercise their Stock Acquisition Rights during the exercise period of the Stock Acquisition Rights, the value of the Company's shares held by them will be diluted due to the exercise of the Stock Acquisition Rights by other shareholders. The Company may, by decision by the Company's Board of Directors, acquire Stock Acquisition Rights from shareholders

who are not prohibited from exercising their Stock Acquisition Rights under the terms and conditions of the Stock Acquisition Rights, and deliver the Company's common stock in exchange for the acquisition, in accordance with the procedures set out in (4) (ii) below. If the Company carries out such acquisition procedures, shareholders who are not prohibited from exercising their Stock Acquisition Rights under the terms and conditions of the Stock Acquisition Rights will receive the Company's common stock, without having to exercise their Stock Acquisition Rights and to pay an amount equivalent to the exercise price. The value per share held by them will be diluted, but the value of the whole shares of the Company held by them will not be diluted.

If, after the determination of shareholders who will receive a gratis allotment of Stock Acquisition Rights, the Company suspends a gratis allotment of Stock Acquisition Rights or acquires, without consideration, the Stock Acquisition Rights that were allotted without consideration, the value per share will not be diluted, and investors who have made trades on the assumption that the value per share will be diluted may suffer unexpected losses due to stock price fluctuations.

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

Since differential conditions are scheduled to be imposed on the exercise or acquisition of Stock Acquisition Rights, legal rights or economic interests of a Large-Scale Acquirer and its related persons may be diluted upon the exercise or acquisition. However, even in such case, it is not anticipated that it will have a direct specific impact on the legal rights and economic interests in the Company's shares held by shareholders and investors other than the Large-Scale Acquirer and its related persons. Please note that assignment of Stock Acquisition Rights is restricted, and if the Company's shares are delivered to shareholders upon exercise of Stock Acquisition Rights or the Company's acquisition of Stock Acquisition Rights on or after the Allotment Date, with respect to the value of the Company's shares held by shareholders which belongs to the Stock Acquisition Rights, the collection of invested capital by its assignment may be restricted until the Company's shares are recorded in the transfer accounts of the shareholders.

(4) Necessary procedures for shareholders upon gratis allotment of Stock Acquisition Rights

(i) Procedures for exercising Stock Acquisition Rights

In principle, the Company will send to the shareholders entered or recorded on the final register of shareholders as of the Allotment Date an exercise request form for Stock Acquisition Rights (in a form prescribed by the Company and containing the necessary information, such as the content and number of the Stock Acquisition Rights to be exercised, exercise date of the Stock Acquisition Rights and transfer account to record the Company's shares, as well as representation and warranty clauses that, among other things, a shareholder satisfies the conditions for exercising Stock Acquisition Rights, indemnity clauses and other covenants) and other documents necessary for the exercise of Stock Acquisition Rights.

After the gratis allotment of Stock Acquisition Rights, one share or less of the Company's common stock, to be determined by the Company's Board of Directors, will be delivered to a shareholder for one Stock Acquisition Right upon submitting these necessary documents and, in principle, paying one yen per Stock Acquisition Right to the payment handling place during the exercise period. Please note that, under the Act on Book-Entry Transfer of Company Bonds, Shares, etc. (*shasai kabushiki tou no furikae ni kansuru houritsu*), the Company's common stock delivered as a result of the exercise of Stock Acquisition Rights may not be recorded in the special account (*tokubetsu kouza*), and shareholders therefore need to open securities accounts or other transfer accounts before exercising their Stock Acquisition Rights.

(ii) Procedures for acquiring Stock Acquisition Rights by the Company

If the Company's Board of Directors determines to acquire Stock Acquisition Rights, the Company will acquire Stock Acquisition Rights by giving a public notice to the holders of stock acquisition rights in accordance with the statutory procedures. If the Company determines to deliver the Company's common stock to shareholders in exchange for the acquisition of Stock Acquisition Rights, it will do so promptly. In such case, the Company may request the shareholders to submit a document in a form prescribed by the Company and containing representation and warranty clauses that, among other things, ensure they are not a Large-Scale Acquirer or related person who is prohibited from exercising Stock Acquisition Rights under the terms and conditions of the Stock Acquisition Rights, indemnity clauses and other covenants.

Further, the Company will announce or notify to shareholders the details of the methods of allotment and exercise of Stock Acquisition Rights and the method of acquisition of Stock Acquisition Rights by the Company after the determination of a gratis allotment of Stock Acquisition Rights. Shareholders are requested to check these details at that time.

Exhibit 1

Names of the Special Committee Members

The Special Committee will comprise the following four members upon the revision of the Plan.

Name	Hiroki Ogawa	
Career	Mar. 1964	Joined Saibugas Co., Ltd.
Summary	Jun. 1994	Director of the same company
	Jun. 1998	Managing Director of the same company
	Jun. 2000	Senior Managing Director of the same company
	Jun. 2002	Representative Director, Executive Vice President of the same company
	Jun. 2003	President, Representative Director of the same company
	Apr. 2008	Representative Director, Chairman of the Board of the same company
	Apr. 2013	Director, Advisor of the same company
	Jun. 2013	Advisor of the same company [Present]
	Jun. 2013	Outside Director of the Company [Present]
Name	Kazuhiko Masuda	
Career	Apr. 1965	Joined Sumitomo Light Metal Industries, Ltd.
Summary	Jun. 1996	Director General Manager of the First Light Metal Division of the same company
	Apr. 1997	Director Manager of the same company
	Oct. 1997	Director Deputy General Manager of the Board Business Division of the same company
	Oct. 1998	Director Deputy General Manager of the Memory Disk Division of the same company
	Jun. 1999	Managing Director General Manager of the Memory Disk Division of the same company
	Apr. 2001	Managing Director of the same company
	Jun. 2001	Senior Managing Director of the same company
	Jun. 2004	President, Representative Director of the same company
	Jun. 2009	Representative Director, Chairman of the Board of the same company
	Jun. 2013	Advisor of the same company
	Oct. 2013	Advisor of UACJ Corporation [Present]
	Jun. 2014	Outside Director of the Company [Present]
Name	Masatsugu Shimono	
Career	Apr. 1978	Joined IBM Japan, Ltd.
Summary	Jul. 1988	Manager of Development Office, Sales Branch #4, Kansai Region #1
	Jan. 1992	Assignment to IBM Corporation (USA)
	Apr. 2000	Director, Outsourcing Services, Services Business, IBM Japan, Ltd.
	Apr. 2001	Director, ITS and Outsourcing
	Jul. 2003	Managing Executive Officer, IBM Global Services
	Jan. 2007	Senior Managing Executive Officer, Technology Delivery
	Jul. 2010	Member of the Board, Executive Vice President, Product, Services and Operations
	Jan. 2016	Senior Executive Advisor [Present]
	Jun. 2016	Scheduled to be elected as an Independent Outside Director of the Company

Name	Masamichi Takemoto	
Career	Apr. 1967	Joined Nitto Electric Industrial Co., Ltd. (Currently Nitto Denko Corporation)
Summary	Jun. 1997	Director of Nitto Electric Industrial Co., Ltd.
	Jun. 2000	Managing Director of Nitto Electric Industrial Co., Ltd.
	Apr. 2001	Representative Director and President of Nitto Electric Industrial Co., Ltd.
	Jun. 2003	Representative Director and President, and Executive Officer of Nitto Electric Industrial Co., Ltd.
	Jun. 2004	Representative Director and President, and CEO and COO of Nitto Electric Industrial Co., Ltd.
	Apr. 2008	Representative Director and Chairman and CEO of Nitto Electric Industrial Co., Ltd.
	Apr. 2009	Representative Director and Chairman of Nitto Electric Industrial Co., Ltd.
	Jun. 2010	Senior Advisor of Nitto Electric Industrial Co., Ltd. [Present]
	Jun. 2011	Audit & Supervisory Board Member, Outside of the Company [Present]

Each member above has no special interest in the Company.

The Company reported Messrs. Hiroki Ogawa, Kazuhiko Masuda and Masamichi Takemoto as Independent Directors obligated by Tokyo Stock Exchange, Nagoya Stock Exchange and Fukuoka Stock Exchange to protect the general stockholder. In the event that the appointment of Mr. Masatsugu Shimono as an Outside Director of the Company is approved at the Ordinary General Meeting of Shareholders, he will be an Independent Director obligated by the Stock Exchange.

Outline of the Special Committee Rules

Article 1 The Company hereby establishes the Special Committee with the introduction of an action policy against an act of a large-scale acquisition of the Company's shares (takeover defense, hereinafter referred to as the "Plan"). The Special Committee aims at providing a recommendation, in the event of the occurrence of such act, on whether or not to invoke countermeasures against such act based on the Plan in response to the consultation of the Board of Directors, thereby contributing to ensuring fairness and neutrality of judgment of the Board of Directors.

Article 2 1. The quota of the Special Committee shall be three to seven members, and committee members shall be appointed from among those who satisfy the following requirements. Each member so appointed shall enter into a contract with the Company that includes, among other things, provisions concerning his or her duty in relation to the Company of the care of a prudent manager prior to taking office, in principle.

- (i) Any person, professional or expert, who has more than a certain level of experience with respect to enterprise management and any other person with similar experience (business executives with proven records of results, people with detailed knowledge of investment banking business, attorneys, certified public accounts, researchers whose primary research object is the Companies Act, etc., and any other person equivalent thereto)
- (ii) Any person who is not in or has not formerly assumed the position of director (excluding outside director; hereinafter referred to as "Director"), audit & supervisory board member (excluding outside member; hereinafter referred to as "Audit & Supervisory Board Member"), accounting "SANYO," executive officer, manager, or other employee (hereinafter collectively referred to as "Directors, etc.") of the Company or any of its subsidiaries or affiliated companies (hereinafter collectively referred to as the "Company Group")
- (iii) Any person who is not the spouse or a relative of any current or former Director, etc. (excluding those who are not important in the group) of the Company Group within the third degree of kinship
- (iv) Any person who has not assumed the position of Director, etc. during the last five years in a financial institution who the Company Group receives major loan from.
- (v) Any person who has not assumed the position of Director, etc. during the last five years in any of the Company Group's clients whose business with the Company Group generated 2% or more of the consolidated sales of either such client or the Company Group in any of the last five fiscal years
- (vi) Any professional service provider who did not receive total compensation of at least 10 million yen from the Company Group in any of the last five fiscal years, including attorneys, certified public accountants, and various types of consultants (if such service provider is a juridical person, a union, or another organization, a candidate for member

of the Special Committee from such organization shall be a person who belongs to such organization or has belonged thereto for the five immediately preceding years)

- (vii) A person who is not a Director of a company that is a major shareholder (meaning a shareholder that directly or indirectly holds 10% or more of the total voting rights) of the Company, or a company of which the Company is a major shareholder, or a parent company, subsidiary or affiliate of such a company.
- 2. The appointment and removal of a member of the Special Committee shall be made by resolution of the Board of Directors; provided, however, the Board of Directors may not adopt a resolution for the removal of a member of the Special Committee without the affirmative votes of two-thirds or more of all the Directors in attendance at the meeting of the Board of Directors.
- 3. The term of office of members of the Special Committee shall be from the time when the ordinary general meeting of shareholders for the fiscal year ended March 2016 ended (provided that this shall not apply to any member appointed during the term of the Plan, in which case the commencement of the term of such member shall be the time when such member is appointed) until the time when the ordinary general meeting of shareholders for the fiscal year ending March 2019 ends.

Article 3 The Special Committee shall deliberate and make a resolution on matters specified in the following items, in principle. The content of the resolution shall be given as a recommendation to the Board of Directors by attaching reasons for such recommendation. The Board of Directors shall assign maximum value to such recommendation of the Special Committee. When adopting such resolution, each member of the Special Committee and each director of the Company shall be required to deliberate on such matter from a viewpoint of whether or not such resolution would contribute to the Company's corporate value as well as to the common benefit of the shareholders, and not aim at obtaining self-interest or benefits for the Company's management.

- (i) Whether or not any large-scale acquirer of the Company's shares complies with the procedures set forth in the Plan
- (ii) Decision on whether or not the content of any proposal for a large-scale acquisition of the Company's shares would obstruct the Company's corporate value as well as the common benefit of the shareholders, and whether or not to invoke countermeasures
- (iii) Suspension of countermeasures
- (iv) In the case an acquire conducts or plans to conduct a large-scale acquisition in accordance with the procedures set forth in the Plan, necessity for holding a General Meetings of Shareholders to deliberate whether or not to invoke countermeasures.
- (v) In addition to matters specified in (i) to (iv) in the above, matters with respect to which Special Committee is granted power under the Plan
- (vi) Matters with respect to which the Board of Directors consulted with the Special Committee in relation to the Plan
- (vii) Matters with respect to which the Board of Directors decides that the Special Committee may handle otherwise.

Article 4 Any resolution by the Special Committee shall be adopted by a majority of the committee members in attendance at a meeting of the Special Committee attended by all committee members, in principle; provided, however, that in the event of an accident involving any of the members or under other special circumstances, all the committee members other than such member shall attend the meeting and adopt such resolution by a majority thereof.

Article 5 The Special Committee may obtain advice from any independent third party (including investment banks, securities companies, financial advisers, attorneys, certified public accountants and other professionals) at the expense of the Company.

Article 6 The Board of Directors may convene a meeting of the Special Committee by resolution thereof.

Article 7 The Board of Directors may require the Special Committee to have any of the Directors attend a meeting of the Special Committee when it deems it necessary for deliberation by the Special Committee, and to afford an opportunity for the Director to provide explanation on necessary matters.

Article 8 At the request of the Board of Directors, the Special Committee shall explain the reason and grounds for giving a recommendation to the Board of Directors.

Terms and Conditions of Stock Acquisition Rights

1. Determination of matters concerning gratis allotment of Stock Acquisition Rights

(1) Content and number of Stock Acquisition Rights

The Company shall allot stock acquisition rights with the terms including the matters

described in 2 below (each or collectively, the "Stock Acquisition Right(s)") in such amount as is determined by the Company's Board of Directors, which is not less than the number of the final total number of issued shares in the Company (excluding the number of shares in the Company held by the Company at that time) as of a certain date designated by the Company's Board of Directors (the "Allotment Date") in a resolution for gratis allotment of Stock Acquisition Rights (the "Resolution for Gratis Allotment of Stock Acquisition Rights").

(2) Shareholders eligible for allotment

The Company shall allot Stock Acquisition Rights to the shareholders entered or recorded on its final register of shareholders as of the Allotment Date, at a ratio determined by the Company's Board of Directors, but not less than one, for each share in the Company held by them (excluding the Company's shares held by the Company at that time).

(3) Effective date of gratis allotment of Stock Acquisition Rights

To be determined by the Company's Board of Directors in the Resolution for Gratis Allotment of Stock Acquisition Rights.

2. Content of Stock Acquisition Rights

(1) Type and number of shares underlying the Stock Acquisition Rights

The type of shares underlying the Stock Acquisition Rights shall be the Company's common stock, and the number of shares underlying the Stock Acquisition Rights (the "Applicable Number of Shares") shall be one share or less, to be determined by the Company's Board of Directors.

(2) The amount of properties to be contributed upon exercise of Stock Acquisition Rights

- 1) Contributions upon exercise of Stock Acquisition Rights shall be made in cash, and the amount shall be the Exercise Price (as defined in 2) below) multiplied by the Applicable Number of Shares.
- 2) The amount of properties to be contributed upon exercise of Stock Acquisition Rights (the "Exercise Price") shall be one yen for each share in the Company.

(3) Exercise period of Stock Acquisition Rights

The exercise period of Stock Acquisition Rights shall be a period determined by the Company's Board of Directors in the Resolution for Gratis Allotment of Stock Acquisition Rights, commencing on the date determined by the Company's Board of Directors in the Resolution for Gratis Allotment of Stock Acquisition Rights. However, if the Company acquires Stock Acquisition Rights in accordance with section (7) 2) below, the Stock Acquisition Rights may not be exercised from the day when such

acquisition is notified or publicized until the date of such acquisition. Further, if the final day of the exercise period falls on a non-business day in the payment handling place of the money paid upon exercise, the immediately preceding business day shall be the final day.

(4) Conditions for exercise of Stock Acquisition Rights

- 1) Any of the following persons may not exercise the Stock Acquisition Rights; (i) Specified Large Holders; (ii) Joint Holders of Specified Large Holders; (iii) Specified Large Acquirers; (iv) Persons having a Special Relationship with Specified Large Acquirers; (v) persons who receive transfer of, or succeed to Stock Acquisition Rights from a person falling under any of (i) through (iv) above without the approval of the Company's Board of Directors; and (vi) Affiliated Persons of a person falling under any of (i) through (v) (any person falling under any of (i) through (vi) is hereinafter called the "Non-Qualified Person").

Terms used above shall have the following meanings:

- (a) "Specified Large Holder" means a person who is a holder (including any person who is included in a holder under Article 27-23, Paragraph 3 of the Financial Instruments and Exchange Act) of Share Certificates, Etc. (as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act; unless otherwise provided for in this document, the same is applied hereinafter) issued by the Company, and whose holding ratio of Share Certificates, Etc. (as defined in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act) in respect of such Share Certificates, Etc. is 20% or more (including persons considered to fall under this provision by the Company's Board of Directors).
- (b) "Joint Holder" means a joint holder as defined in Article 27-23, Paragraph 5 of the Financial Instruments and Exchange Act, and includes any person who is regarded as a joint holder under Article 27-23, Paragraph 6 of the Financial Instruments and Exchange Act (including persons considered to fall under this provision by the Company's Board of Directors).
- (c) "Specified Large Acquirer" means a person who makes a public notice of acquisition, etc. (as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act; the same is applied hereinafter) of Share Certificates, Etc. (as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act; the same applies in this (c)) issued by the Company by way of a tender offer (as defined in Article 27-2, Paragraph 6 of the Financial Instruments and Exchange Act), and whose owning ratio of Share Certificates, Etc. (as defined in Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Act; the same is applied hereinafter) in respect of such Share Certificates, Etc. owned by such person after such acquisition, etc. (including similar ownership as set forth in Article 7, Paragraph 3 of the Enforcement Order of the Financial Instruments and Exchange Act) is 20% or more when combined with the owning ratio of Share Certificates, Etc. of Persons having a Special Relationship of such person.
- (d) "Person having a Special Relationship" is defined in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act (including persons considered to fall under this provision by the Company's Board of Directors). However, those persons provided for in Article 3, Paragraph 2 of the Cabinet Office Ordinance concerning Disclosure of a Tender Offer of Share Certificates, Etc. by Persons other than the Issuing Company are excluded from the persons referred to in Article 27-2, Paragraph 7, Item 1 of the Financial Instruments and Exchange Act.

- (e) An "Affiliated Person" of a person means a person who is considered by the Company's Board of Directors to substantially control, be controlled by, or be under the common control with such person, or a person who is considered by the Company's Board of Directors to act in concert with such person. "Control" means "a case where a person controls decisions on the financial and business policies" (as defined in Article 3 of the Ordinance for Enforcement of the Companies Act) of another company or entity.
- 2) Notwithstanding 1) above, any person falling under any of (i) through (iv) below do not fall under a Non-Qualified Person:
- (i) The Company, its Subsidiary Companies (as defined in Article 8, Paragraph 3 of the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc.) or its Affiliate Companies (as defined in Article 8, Paragraph 5 of the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc.);
 - (ii) Any person who is considered by the Company's Board of Directors to have become a Specified Large Holder as set forth in 1) (i) above with no intention to control the Company, and who has ceased to be a Specified Large Holder as set forth in 1) (i) above due to a disposal of its Share Certificates, Etc. of the Company within ten (10) days after he/she has become a Specified Large Holder as set forth in 1) (i) above (however, the Company's Board of Directors may extend such period);
 - (iii) Any person who is considered by the Company's Board of Directors to have involuntarily become a Specified Large Holder as set forth in 1) (i) above due to the Company's acquisition of its own shares or for any other reason (excluding the case where the person voluntarily acquires additional Share Certificates, Etc. of the Company at its own discretion thereafter); or
 - (iv) Any person the Company's Board of Directors considers whose acquisition and holding of Share Certificates, Etc. of the Company does not harm the Company's corporate value and the common interests of shareholders (even if the Company's Board of Directors considers that a person falls under any of 1) (i) to (vi) above, it may consider that such person does not harm the Company's corporate value and the common interests of shareholders; and if the Company's Board of Directors considers that a person does not harm the Company's corporate value and the common interests of shareholders under certain conditions, such person falls under this Item only to the extent that such conditions are satisfied).
- 3) A holder of Stock Acquisition Rights may exercise the Stock Acquisition Rights only to the extent that the holder submits to the Company a document containing the necessary information, such as representation and warranty clauses that, among other things, the holder is not a Non-Qualified Person and is not a person who has the intention to exercise Stock Acquisition Rights on behalf of a Non-Qualified Person, and that the holder satisfies the conditions for exercise of Stock Acquisition Rights, indemnity clauses and other covenants concerning the matters prescribed by the Company, content and number of the Stock Acquisition Rights to be exercised, exercise date of the Stock Acquisition Rights, and the transfer account to record the Company's shares (excluding the special account), as well as a document required by laws and regulations.
- 4) Even if a holder of Stock Acquisition Rights may not exercise the Stock Acquisition Rights in accordance with this section (4), the Company shall have no liability to the holder of Stock Acquisition Rights for damages or other obligations.

(5) Capital and capital reserve to be increased upon issuance of shares due to exercise of Stock Acquisition Rights

The capital to be increased upon issuance of the Company's shares due to exercise of Stock Acquisition Rights shall be the total amount of properties contributed upon exercise of the Stock Acquisition Rights, and the capital reserve shall not be increased.

(6) Restrictions on assignment of Stock Acquisition Rights

Acquisition of Stock Acquisition Rights by way of an assignment shall be subject to the approval of the Company's Board of Directors.

(7) Acquisition of Stock Acquisition Rights by the Company

- 1) If the Company's Board of Directors considers that it is appropriate for the Company to acquire Stock Acquisition Rights at any time on or before the date immediately prior to the date of commencement of the exercise period of the Stock Acquisition Rights set forth in section (3) above, the Company may acquire all Stock Acquisition Rights without consideration on the day designated by the Company's Board of Directors.
- 2) On the day designated by the Company's Board of Directors, the Company may acquire all Stock Acquisition Rights held by persons other than the Non-Qualified Persons that have not been exercised by the day immediately prior to the day so designated by the Board of Directors and, in exchange for the acquisition, deliver the Company's shares in such amount as is equal to the Applicable Number of Shares for each Stock Acquisition Right.
- 3) When acquiring the Stock Acquisition Rights owned by a Non-Qualified Person, no cash shall be delivered as consideration.

(8) Delivery of Stock Acquisition Rights upon merger, company demerger (*kaisha bunkatsu*), share exchange (*kabushiki koukan*) and share transfer (*kabushiki iten*), and the terms of delivery

To be determined by the Company's Board of Directors in the Resolution for Gratis Allotment of Stock Acquisition Rights.

(9) Issuance of certificates for Stock Acquisition Rights

No certificates for Stock Acquisition Rights shall be issued.

(10) Modifications due to amendments to laws and regulations

The provisions of the laws and regulations cited above are those in effect as of May 20, 2016. If, after that day, it becomes necessary to modify any provision or the meaning of any term described in each section above due to enactment, amendment or abolishment of any law or regulation, the Company's Board of Directors may read the provision or the meaning of the term described in each section above in a reasonable manner, taking into account the purpose of the enactment, amendment or abolishment.

Reference Material

Principal Shareholders of the Company

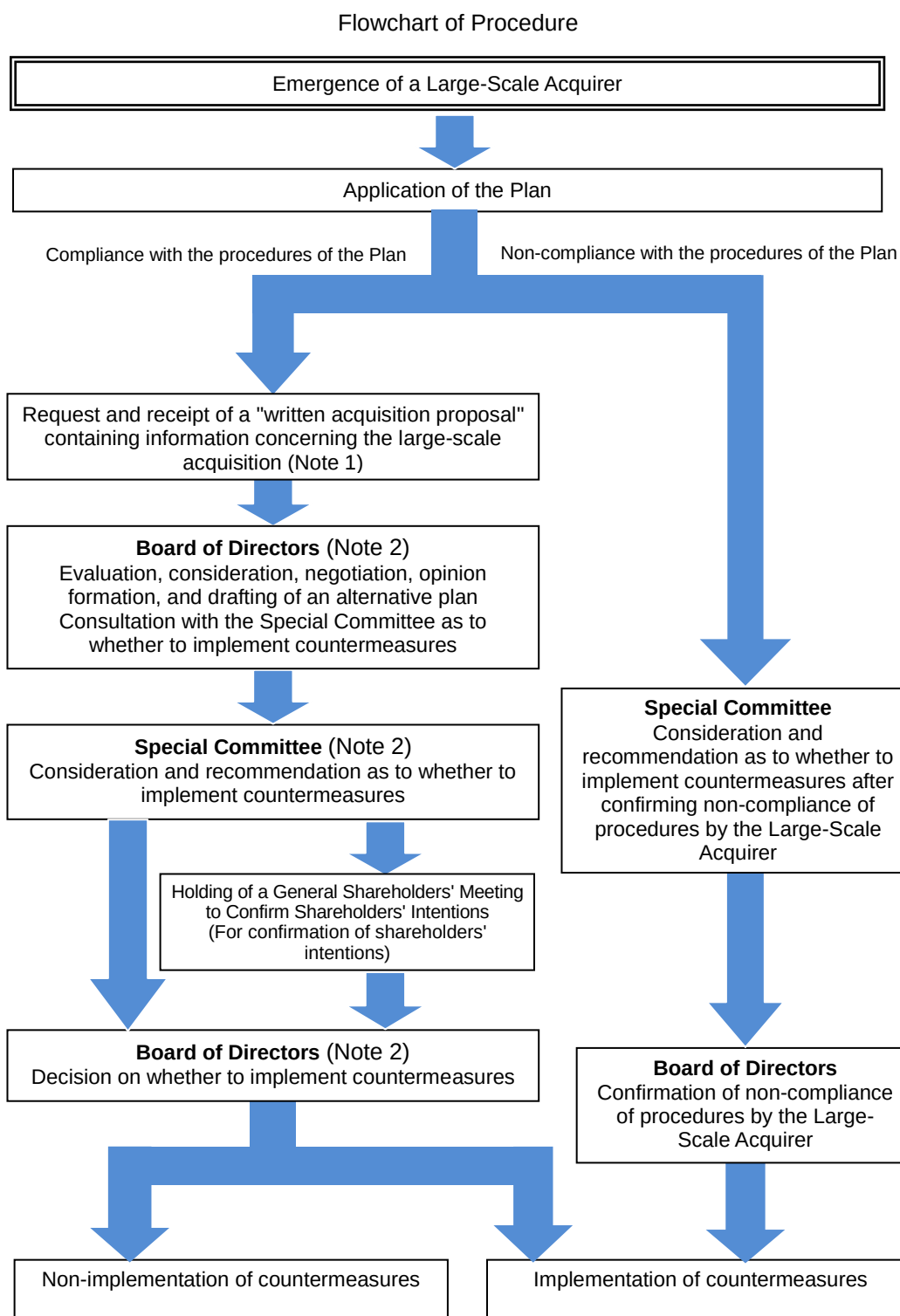
The status of principal shareholders of the Company as at March 31, 2016 is as follows.

Name of shareholders	Investment status	
	Number of shares held	Percentage of shares held
	(Thousand)	(%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,612	8.6%
Japan Trustee Services Bank, Ltd. (Trust Account)	10,600	6.3%
Meiji Yasuda Life Insurance Company	10,358	6.1%
Nippon Life Insurance Company	5,393	3.2%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,087	1.8%
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	2,974	1.8%
Sekisui House, Ltd.	2,671	1.6%
NGK Spark Plug Co., Ltd.	2,547	1.5%
TOTO Shareholding association	2,467	1.5%
Dai-Ichi Life Insurance Company, Ltd.	2,370	1.4%

Note: 1. Other than those above, the Company holds treasury stock of 7,838,535 shares.

2. Effective as from October 1, 2015, the Company conducted a share consolidation in which every two common shares were consolidated into one share.

(Reference for Proposal 2)



(Note 1) The request for the provision of additional information shall be made to the Large-Scale Acquirer within 60 days, in principle.

(Note 2) The Board of Directors Evaluation Period (including the period of consideration by the Special Committee) shall be (i) within 60 days in the case of the acquisition of all Share Certificates, Etc. of the Company with cash consideration only (Japanese currency), or (ii) within 90 days in other cases.

* Except when a General Shareholders' Meeting to Confirm Shareholders' Intentions is to be held.

(*) This flowchart is an outline of the Plan intended to facilitate understanding. Please see the text for more specific details of the Plan.