(Note) This is an English translation of the cover letter and attached reference documents for the annual meeting of shareholders, which comprise a part of our notice of convocation of annual meeting of shareholders originally written in Japanese, for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Securities code: 7846
March 13, 2017

To Our Shareholders,

Hiromoto Watanabe,
Director and President
PILOT CORPORATION
6-21, Kyobashi 2-chome,
Chuo-ku, Tokyo

Notice of Convocation of the 15th (FY2016) Annual Meeting of Shareholders

You are cordially invited to attend the 15th (FY2016) Annual Meeting of Shareholders of PILOT CORPORATION (the "Company") to be held as described below.

If you are unable to attend the meeting, you may exercise your voting rights in writing. Please review the following Reference Documents for the Annual Meeting of Shareholders, indicate your approval or disapproval of each proposal on the enclosed voting card, and return it so that your vote is received by 5:35 p.m. on Wednesday, March 29, 2017 (JST).

Details

1. Date and time: Thursday, March 30, 2017, at 10:00 a.m. (JST)
(The reception will start at 9:00 a.m. (JST))

2. Venue: Conference Room, 7th floor, Head office of PILOT CORPORATION
(Kanematsu Bldg. Annex)
17-5, Kyobashi 2-chome, Chuo-ku, Tokyo

3. Purpose of the meeting:

Matters to be reported:

1. The business report, the consolidated financial statements and audit reports on the consolidated financial statements by the financial auditor and the Board of Corporate Auditors for the 15th term (from January 1, 2016 to December 31, 2016)
2. The non-consolidated financial statements for the 15th term (from January 1, 2016 to December 31, 2016)

Matters to be resolved:

Proposal 1: Election of seven (7) Directors
Proposal 2: Election of one (1) Corporate Auditor
Proposal 3: Renewal of countermeasures against large-scale purchases of the Company's shares (Takeover Defense Measures)

* If you attend the meeting in person, please present the enclosed voting card at the reception desk upon your arrival at the meeting.
* Any corrections in the Reference Documents for the Annual Meeting of Shareholders, business report, non-consolidated financial statements, or consolidated financial statements will be posted on the Company's website (http://www.pilot.co.jp/).

Reference Documents for the Annual Meeting of Shareholders

Proposal 1: Election of seven (7) Directors

The terms of office of all the current nine (9) Directors will expire at the conclusion of this meeting. Accordingly, we request the election of seven (7) Directors.

The candidates for Directors are as follows:

No.	Name (Date of birth)	Career summary, positions and responsibilities in the Company, and significant concurrent positions outside the Company	Number of the Company's shares held
1	Reappointment Shu Itoh (October 31, 1956)	Apr. 1979 Joined The Pilot Pen Co., Ltd. Jul. 2005 General Manager of International Sales Department 1, the Company Mar. 2007 Executive Officer, the Company Mar. 2009 Director, the Company Jul. 2016 Director, in charge of Production Division, Industrial Materials Sales Department and General Manager of Hiratsuka Plant, the Company (present) Reasons for the nomination The candidate possesses abundant experience and achievements gained in various areas of the Company, including international sales and industrial materials, and he has contributed immensely to the Company. During his time as Director since 2009, he had for a long time been in charge of the international sales area, and recently, he has taken charge of the production area, among others. Accordingly, the Company judges him a suitable candidate based on his aforementioned abundant experience and achievements and requests that he be re-elected as Director.	8,900
2	Reappointment Hiromoto Watanabe (August 13, 1948)	Apr. 1972 Joined The Pilot Pen Co., Ltd. Jul. 2003 General Manager of Tohoku Branch, the Company Mar. 2004 Executive Officer, the Company Mar. 2006 Director, the Company Mar. 2009 Representative Director and President, the Company (present) General Supervisor In charge of International Sales Division, Human Resource Department, and Corporate Planning Office Reasons for the nomination The candidate has directed key management since his appointment as Representative Director and President of the Company in 2009, implemented improvement of the profit structure by promoting reform, and contributed immensely to the Company. The Company wishes to make use of his experience and insight as a long-standing corporate manager in order to contribute to the continuous enhancement of corporate value, and accordingly requests that he be re-elected as Director.	21,800
3	Reappointment Yasuo Horiguchi (January 19, 1956)	Apr. 1979 Joined The Pilot Pen Co., Ltd. Jul. 2007 General Manager of Kyushu Branch, the Company Mar. 2009 Executive Officer, the Company Mar. 2011 Senior Executive Officer, the Company Mar. 2013 Director, the Company Mar. 2015 Director, General Manager of Domestic Sales Division, in charge of TCR Sales Development Department, the Company (present) Reasons for the nomination The candidate possesses abundant experience and achievements gained in many areas of domestic sales in the Company, and has contributed immensely to the Company. During his time as Director since 2013, he has been in charge of the domestic sales area, among others. Accordingly, the Company judges him a suitable candidate based on his aforementioned abundant experience and achievements and requests that he be re-elected as Director.	30,000

No.	Name (Date of birth)	Career summary, positions and responsibilities in the Company, and significant concurrent positions outside the Company	Number of the Company's shares held
4	New appointment Masakazu Shirakawa (August 15, 1956)	Apr. 1980 Joined The Pilot Pen Co., Ltd. Apr. 2004 General Manager of Accounting Department, the Company Mar. 2011 Executive Officer, the Company Jul. 2014 Executive Officer, General Manager of Group Management Office, the Company (present) Reasons for the nomination The candidate has contributed immensely to the Company having served in overseas-post and general-manager positions in the areas of accounting and finance, and accumulating experience in domestic sales in the Company. During his time as Executive Officer since 2011, he has served as vice president of overseas subsidiaries and as the person in charge of group management, among others. Accordingly, the Company judges him a suitable candidate based on his aforementioned abundant experience and achievements and requests that he be newly elected as Director.	1,700
5	New appointment Tsutomu Kimura (January 20, 1959)	Apr. 1981 Joined The Pilot Pen Co., Ltd. Jul. 2012 General Manager, in charge of Isesaki Plant, the Company Mar. 2015 Executive Officer, General Manager of Isesaki Plant, the Company (present) Reasons for the nomination The candidate possesses abundant experience in the area of production, and since his appointment as Executive Officer in 2015, he has been a driver of the Company Group's production area as General Manager of Isesaki Plant, contributing immensely to enhancing the corporate value. Accordingly, the Company judges him a suitable candidate based on his aforementioned abundant experience and achievements and requests that he be newly elected as Director.	5,700
6	Reappointment Outside Director Sanae Tanaka (Real name: Sanae Kikugawa) (July 15, 1962)	Apr. 1989 Registered as an attorney at law Sep. 1991 Established Sanae Tanaka Law Office, Representative (present) Mar. 2011 Outside Director, Noevir Holdings Co., Ltd. (present) Mar. 2015 Outside Director, the Company (present) May 2015 Outside Director, SHOCHIKU Co., Ltd. (present) Jun. 2015 Outside Director, Kintetsu World Express, Inc. (present) Oct. 2016 Audit and Supervisory Board Member (Outside), The Dai-ichi Life Insurance Company, Limited (present) Reasons for the nomination Although the candidate has not been engaged in company management by means other than serving as an outside officer, during her time as Outside Director since 2015, she has provided the Company with appropriate advice utilizing the abundant knowledge, experience and broad insight she gained as an attorney at law, outside director of industrial corporations and director of various organizations. The Company wishes to continue benefitting from her contributions to strengthening the supervisory function of the Board of Directors and ensuring transparency, and accordingly requests that she be re-elected as Outside Director.	–
7	New appointment Outside Director Shinzo Masuda (October 4, 1954)	Apr. 1979 Joined DENTSU INC. Jan. 1996 Account Director of Account Management Division 16, DENTSU INC. Jul. 2008 Director of Account Management Division 15, DENTSU INC. Jul. 2013 Standing Corporate Auditor, DENTSU TEC INC. Apr. 2016 Special Advisor, Kanko, Inc. (present) Reasons for the nomination The Company wishes to make use of the candidate's abundant experience and broad insight in private enterprise in order to strengthen the supervisory function of the Board of Directors and ensure transparency through receiving appropriate suggestions and advice from various perspectives regarding the Company's management, and accordingly requests that he be newly elected as Outside Director.	–

Notes: 1. There are no special interests between the candidates and the Company.
2. Sanae Tanaka and Shinzo Masuda are candidates for Outside Directors.
3. Sanae Tanaka currently serves as Outside Director of the Company, and her term of office as Outside Director will be two (2) years at the conclusion of this meeting.

4. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with Sanae Tanaka to limit her liability for damages set forth in Article 423, Paragraph 1 of the said act. According to the agreement, the limit of liability for damages shall be the minimum liability amount stipulated by laws and regulations. When Sanae Tanaka is re-elected, the Company will continue this agreement with her. Also, if this proposal is approved and adopted in its original form, the Company will enter into the same agreement with Shinzo Masuda.
5. The Company has reported Sanae Tanaka as an independent director/auditor under the provisions set forth by the Tokyo Stock Exchange. When she is re-elected, the Company will continue to designate her as an independent director/auditor. Also, if this proposal is approved and adopted in its original form, the Company will report Shinzo Masuda as an independent director/auditor under the provisions set forth by the Tokyo Stock Exchange.

Proposal 2: Election of one (1) Corporate Auditor

Corporate Auditor Takashi Suzuki will resign at the conclusion of this meeting. Accordingly, we request the election of one (1) Corporate Auditor.

The term of office of the Corporate Auditor elected shall be effective until the expiration of the predecessor's term of office pursuant to the provisions of the Company's Articles of Incorporation.

Consent of the Board of Corporate Auditors has been obtained concerning this proposal.

The candidate for Corporate Auditor is as follows:

Name (Date of birth)	Career summary, positions in the Company, and significant concurrent positions outside the Company	Number of the Company's shares held
New appointment Yoshio Kokubo (July 23, 1952)	Apr. 1975 Joined The Pilot Pen Co., Ltd. Apr. 2004 General Manager of Corporate Planning Office, the Company Mar. 2006 Standing Corporate Auditor, the Company Mar. 2008 Director, the Company Mar. 2011 Managing Director, the Company Mar. 2015 Senior Managing Director, the Company (present) In charge of Accounting Department, General Affairs Department, Information Systems Office, Internal Control Office, Group Management Office, and Secretarial Office	15,700
	Reasons for the nomination The candidate possesses experience and achievements as a person with key responsibilities in various areas in the Company, including accounting, finance, and information systems, and has reached the level of Senior Managing Director. The Company judges it can make use of his aforementioned abundant experience and knowledge for the continual enhancement of the Company Group's corporate value, and that the candidate is capable of appropriately auditing the Company's management. The Company accordingly requests that he be elected as Corporate Auditor.	

Note: There are no special interests between the candidate and the Company.

(Reference)

Criteria for Judging Independence of Outside Officers

The Company has set forth "Criteria for Independence of Outside Officers" as follows.

If none of the following items apply to an Outside Director or Outside Corporate Auditor (including a candidate thereof), that outside officer shall be deemed to possess independence from the Company and to be free from the risk of a conflict of interest arising with the general shareholders.

(1) A person who executes business of the Company or its subsidiaries or affiliates (collectively, the "Company Group")

(2) A person who is a principal business partner of the Company Group (a supplier that provides products or services to the Company Group in a case where the transaction amount is equivalent to over 2% of annual consolidated net sales of that supplier in the most recent fiscal year) or a person who executes business of a principle business partner.

(3) A principal business partner of the Company (a customer receiving products or services from the Company in a case where the transaction amount is equivalent to over 2% of annual consolidated net sales of the Company in the most recent fiscal year) or a person who executes business of a principle business partner of the Company.

(4) A person who receives ¥10 million or more of monetary consideration or other property from the Company Group annually for services as a professional such as consultant, certified public accountant, attorney at law, etc., that is outside the compensation received as a Director or Corporate Auditor from the Company Group. Or a person belonging to an organization that receives ¥100 million or more annually from the Company Group.

(5) A person belonging to an auditing firm that conducts statutory audits of the Company Group.

(6) A major shareholder of the Company (a person who directly or indirectly holds 5% or more of the Company's total voting rights), or a person who executes business of a major shareholder of the Company.

(7) A person who executes business of a company of which the Company Group holds directly or indirectly 5% or more of the total voting rights.

(8) A person to whom any of the above items (1) to (7) have applied during the past five years.

(9) A spouse, relative within the second degree or other relatives living with the persons prescribed in any of the items (1) to (8) above; providing however that a person who executes business refers only to directors, executive officers, corporate officers, a person who executes business of general manager level or higher, or a person who executes business with authority equivalent thereof.

(10) Any other person at risk of having a permanent and substantial conflict of interest with all general shareholders of the company due to circumstances not considered in items (1) to (9) above.

Proposal 3 : Renewal of Countermeasures against Large-Scale Purchases of the Company's Shares (Takeover Defense Measures)

At the meeting of the Company's Board of Directors held on February 25, 2008, the Company adopted a resolution regarding the introduction of "the basic policy related to the way a person is to control decisions on the Company's financial and business policies" (the "Basic Policy") as stipulated in Article 127 of the Ordinance for Enforcement of the Companies Act (Article 118, item (iii) of the current Ordinance for Enforcement of the Companies Act), and with the shareholders' approval obtained at the 6th Annual Meeting of Shareholders of the Company held on March 28, 2008, the Company introduced countermeasures against large-scale purchases for the Company's shares.

Thereafter, based on changes in social and economic circumstances, judicial decisions regarding takeover defense measures, and a report dated June 30, 2008 by the Corporate Value Study Group (the "Essence of Takeover Defense Measures"), the countermeasures were renewed with the shareholders' approval obtained at the 9th Annual Meeting of Shareholders held on March 30, 2011 and 12th Annual Meeting of Shareholders held on March 28, 2014 (the countermeasures after renewal, the "Former Plan"). However, the Former Plan will end at the close of the 15th Annual Meeting of Shareholders of the Company to be held on March 30, 2017 (the "Annual Meeting of Shareholders").

The Company has considered renewing the Former Plan based on the Company's situation, etc. after the introduction of the Former Plan. At the meeting of the Company's Board of Directors held on February 13, 2017, the Company adopted a resolution with regard to renewal as the countermeasures against large-scale purchases of the Company's shares (the "Plan") through continuing the Former Plan and, due to changes in circumstances, etc., partially changing its contents, based on the Basic Policy, subject to the shareholders' approval at the Annual Meeting of Shareholders in order to preemptively prevent an abusive takeover of the Company, and as a measure to protect and enhance the Company's corporate value and shareholders' common interests.

The renewal of the Plan has also been agreed to by all of the Company's Directors and Corporate Auditors, subject to the proper management of the Plan in practice.

The main changes from the Former Plan are as follows. There are no material changes to the purposes and basic structures.

(1) The upper limit of the period for a large-scale purchaser to deliver additional information was prescribed to be sixty (60) days (the first day of the period shall not be included for the purpose of calculation) from the day on which the Company requests the large-scale purchaser to provide additional information.
(2) Even where the Company acquires share options held by the large-scale purchaser, it was clearly indicated that money or any other property benefits will not be delivered as compensation.
(3) Other necessary changes, such as changes to the wording, have been made.

In the event that the Companies Act, the Financial Instruments and Exchange Act, or related rules, Cabinet Orders, Cabinet Office Ordinances, and Ministerial Ordinances (collectively, "Laws and Regulations") are amended (including changes in the names of Laws and Regulations and the enactment of new Laws and Regulations that supersede the previous Laws and Regulations) and brought into force, the provisions referred to in the Plan will be replaced with the provisions of the Laws and Regulations that substantially supersede the provisions of the prior Laws and Regulations, as amended, except as otherwise separately determined by the Board of Directors of the Company.

I. Basic idea of the Plan (Basic Policy)

1. Source of the Company's corporate value

(1) Corporate philosophy of the Company Group

Since the Company, its subsidiaries, and affiliates (the "Company Group") produced and sold its first domestic fountain pen in 1918, it has engaged in the development of new products, expansion into new markets, and offering of new services, taking the lead in the "writing" culture, with a basic philosophy of "*San-Sha-Tei-Ritsu*," which means that the business would not run smoothly if any one of the

"consumers," "sellers," or the "manufacturers" suffered losses or gained benefits that the others did not gain. Fortunately, the Company will be celebrating its 100th anniversary. This is primarily due to the deep trust rooted upon the corporate philosophy between domestic and foreign shareholders, users, clients, and the employees of the Company Group. As of January 1, 2017, the Company Group is an integrated writing instruments manufacturer consisting of the Company and total twenty six (26) companies, made up of the Company's twenty one (21) subsidiaries and five (5) affiliates. The core business of the Company Group is "stationery products" under the "PILOT" and "Namiki" brands, which have grown to become global brands, and it engages in relevant businesses that arise from the accumulation of technologies related to the longtime manufacturing of writing instruments such as: a toy business that utilizes special ink technology such as the Metamo ink, which changes its color based on the temperature; a jewelry business that utilizes development capabilities and machining technologies for metal alloys developed by the manufacture of fountain pens, which has been our main business since incorporation; and a ceramics business deriving from the technology that manufactures pencil leads.

The geographical segments are broadly divided into Japan, the U.S., Europe, and Asia, and are developed worldwide. In regard to this global management of the Company Group, group governance structure and compliance structure have been established to conduct thorough management of the business and to work efficiently.

The Company is aiming to become "a manufacturer of writing instruments that provides with the highest level of customer satisfaction in the world" in the lead-up to the 100th anniversary in 2018, and is developing its business to promote and establish the "PILOT" and "Namiki" brand around the world as the symbol of high quality and high added value and to further enhance the Company Group's corporate value and the common interests of its shareholders.

(2) Approach to enhancing shareholders' value

The Company Group has been approaching efficient management including fundamentally reforming its business in order to develop business around the world, survive in competition with rival companies, and continue the development of the Company.

In particular, in the stationery business, which is the essential core of the Company Group, we have made various reforms, including the promotion of employee consciousness, in order to enhance the competitiveness of the cost and the capacity for technological development enabling to compete in the world.

Specifically, the Company opened the Shonan R&D Center on the site of the Hiratsuka Plant in 2009, thereby consolidating and unifying the R&D related sections of the Group, and strengthened and enhanced its capability to develop new products. Further, the Company also made continuously efforts to consolidate the injection molding process, which was spread out to various locations, and to restructure the manufacturing location, etc.

In 2015, in order to enhance customer satisfaction and establish logistics functions that are sustainable in the future, the Company rebuilt warehouses of Pilot Logitem Co., Ltd. and introduced new facilities, which as a result largely decreased its logistics and inventory costs.

Internationally, the Brazilian subsidiary's head office and plant were moved from the center of San Paulo city to the suburbs in 2013 and rebuilt due to its aging facilities. In 2014, the old and undersized head office and plant of an affiliate in Indonesia were rebuilt and moved to the suburbs. Currently, production capacity has increased due to the investments in the facilities of these plants, and the production has commenced on strategic products, such as oil-based ink ballpoint pens, for markets in the developing countries, which are expected to grow in the future. By all of the companies in the Company Group continuously improving and making efforts as a whole, the Company has been able to establish a structure that can develop revolutionarily high quality products one after another, such as the best-selling "FRIXION" series and "G-2"; the colorful gel ink roller ball pens "Juice" that uses bright colors; "Mogulair," which adopted a newly developed "active suspension" system making the lead difficult to snap even under strong writing pressure; a simple and user-friendly fountain pen "Kakuno";

a new brand “COCOON” that directly appeals to the sensibilities of customers around the ages of 20 to 30; and a high-class permanent ball point pen “Acro DRIVE” that uses acro ink.

In particular, the “FRIXION” series has been sold a total of 1.9 billion products worldwide in 12 years since it came into the market, and “G-2” has been sold more than 2.6 billion products worldwide in 20 years since it first came into the market. They both have made great achievements and became our best-selling products.

On the performance side, the Company has allocated 21 billion yen as ordinary income for the fiscal year ended in December 2016 (increased by 9.2% compared to the previous period), and has achieved an increase in ordinary income for the five successive periods. Return on Equity also has been at a high standard of 20.4%, and this was a great result in terms of management efficiency as well.

Further, the total stock market value increased from 84.6 billion yen at the end of December 2013, at the time when the “Former Plan” was introduced, to 226.1 billion yen at the end of December 2016. The shareholder value has also greatly increased.

<Medium-term Management Plan>

The Company Group has formulated the following three (3) year Medium-term Management Plan to further enhance the corporate value, setting 2016 as the first fiscal year and 2018 as the final fiscal year culminating in the 100th anniversary.

(1) Management Policy: “To become a manufacturer of writing instruments that provides the highest level of customer satisfaction in the world”

The Company has conventionally targeted the global market of high-income earners as its main customer, and the Company will continue to actively introduce high quality, superior function, and high added value products; and for the world’s markets for medium-income earners, which are expected to grow in the future, the Company will actively introduce low cost and high quality products. The Company Group aims to achieve the position of the highest level of customer satisfaction in the world for both markets.

(2) Development Strategy:“Product strategy and brand strategy”

The Company will enhance customer satisfaction and expand global share by offering products that will be chosen among numerous writing instruments manufacturers in the world and used with satisfaction by the customers. We consider that the following two strategies are central for the growth of the Company: (i) “product strategy” which refers to the strategy of offering products that are in line with each regional market’s needs in the world, and (ii) a consistent “brand strategy.” By persevering to carry out these two objectives, the Company will push various measures forward effectively and efficiently, enhancing the corporate value.

(3) Slogan for the Medium-term Management Plan: “Go beyond now”

The “now” in “Go beyond now” has various meanings such as “more customers, higher satisfaction,” “more development of employees, more development of the company,” and “more corporate responsibility and contribution” than now. Under this slogan, the Company Group will work as one to tackle each issue.

From now on, the Company will strengthen its production capacity at its overseas production locations, such as Indonesia and Brazil. In addition, the Company will actively invest in the Isesaki Plant in Japan and the main plants of The Pilot Ink Co., Ltd., its subsidiary, thereby promoting the quality and establishing the brand name of the Company Group products, and increasing its shares in emerging markets.

By continuously taking these measures, the Company believes that the shareholder value of the Company Group will increase further.

2. Basic policy

Because the Company's corporate value is based on the above management resources that the Company Group has developed through the long years, the Company has adopted the following Basic Policy: if a specific party or a group intends to obtain shares that constitute more than 20% of all voting rights of the Company and that acquisition infringes on the Company Group's corporate value and shareholder's common interests, the Company will deem that such a specific party or group is inappropriate of controlling decisions concerning the Company Group's financial and business policies and will use appropriate measures to ensure and increase the Company's corporate value and shareholder's common interests to the extent approved by Laws and Regulations and the Articles of Incorporation.

II. The Substance of the Plan and Related Matters (an approach to prevent from controlling the Company's decisions concerning its financial and business policies by inappropriate parties in light of the Basic Policy)

1. Purpose of introducing the Plan

Based on the Basic Policy in I. above, depending on the case, the Company may consider that it is necessary to take certain measures against a party or group (the "Purchaser(s)") who intends to obtain shares that constitute more than 20% of all voting rights of the Company (the "Controlling Shares"). However, since it is a listed company, the Company considers that, basically, it is up to each shareholder to decide whether the shares should be sold to the Purchaser or up to each shareholder to decide ultimately whether it is appropriate to entrust the management of the Company to the Purchaser.

However, in recent years, there are quite a few acquisitions of Controlling Shares that may cause irrecoverable damage to the corporate value or the common interests of the shareholders, such as:

(i) acquisitions where it is clear that the Purchaser is not truly pursuing reasonable management in light of the purpose of the Purchaser's acquisition of the Controlling Shares;

(ii) acquisitions that may effectively coerce the general shareholders into selling their shares on disadvantageous terms;

(iii) acquisitions upon which the information and a reasonable period that are necessary for general shareholders to appropriately decide whether or not to accept the acquisition of the Controlling Shares are not provided or secured; and

(iv) acquisitions upon which none of the following are provided to the Board of Directors: the information necessary for the Board of Directors to present to the shareholders an opinion on whether or not it supports the acquisition of the Controlling Shares, or business plans, etc. which are alternative to the acquisition proposal or business plans, etc. proposed by the Purchaser; an opportunity to negotiate with the Purchaser; or a reasonable period to consider the same.

In light of the recent situations in corporate acquisition, the Company has decided to introduce the Plan for the purposes of protecting and enhancing the Company's corporate value and the common interests of its shareholders. The Plan will involve seeking necessary information beforehand on such a Large-Scale Purchase (as defined in 2.(1) below; hereinafter the same) from the party who will attempt or has attempted to make such a Large-Scale Purchase (the "Large-Scale Purchaser"), as well as securing a period to consider such information and negotiate, to enable the shareholders to make an appropriate assessment as to whether to accept a Large-Scale Purchase; the Board of Directors of the Company presenting to the shareholders its opinion on whether or not it agrees with the Large-Scale Purchases, or alternative business plan, etc., ("Alternative Proposal") to replace the acquisition proposal, the business plan, etc., presented by the relevant Large-Scale Purchaser, while placing maximum value on the opinion of the Independent Committee (as defined in 2.(5) below; hereinafter the same); and enabling the Company to negotiate with the Large-Scale Purchaser for the benefit of the shareholders.

Incidentally, there currently exists no proposal for a Large-Scale Purchase in respect of the Company's shares.

2. Outline of the Plan

The flowchart of the procedures under the Plan is as summarized in Exhibit I, and the specific contents of the Plan are as outlined below.

(1) Definitions of Large-Scale Purchases that may trigger the countermeasures

The countermeasure under the Plan may be triggered if any of the actions that fall or could fall under (i) through (iii) below (except those approved in advance by the Board of Directors of the Company, collectively, the "Large-Scale Purchases") occurs or is likely to occur.

(i) A takeover bid or other acquisition (Note 3) in respect of the share certificates, etc. (Note 1), issued by the Company, as a result of which the ownership ratio (Note 2) of such share certificates, etc., held by the Large-Scale Purchaser would become 20% or more.

(ii) A takeover bid or other acquisition (Note 7) in respect of the share certificates, etc. (Note 4), issued by the Company, as a result of which the aggregate ownership ratio (Note 5) of such share certificates, etc., owned by the Large-Scale Purchaser and the ownership ratio of such share certificates, etc., owned by any special interest party (Note 6) of such Large-Scale Purchaser would become 20% or more.

(iii) Irrespective of whether either of the actions set out in (i) or (ii) above is carried out, an agreement or other action by and between a specified shareholder of the Company and any other shareholder(s) (including where more than one other shareholder is involved; the same shall apply hereinafter in this item (iii)) of the Company whereby such other shareholder(s) fall under the status of joint-holder of such specified shareholder, or an action (Note 9) which establishes a relationship between such specified shareholder and such other shareholder(s) wherein either one substantially controls the other, or they operate in collaboration or coordination (Note 8) (provided that this shall apply only if, in respect of the share certificates, etc., issued by the Company, the aggregate ownership ratio of the share certificates, etc., held by such specified shareholder and such other shareholder(s) of the Company would become 20% or more).

Notes:
1. This refers to share certificates, etc., as defined in Article 27-23, paragraph 1, of the Financial Instruments and Exchange Act. The same shall apply hereinafter unless otherwise provided.
2. This refers to the ownership ratio of the share certificates, etc. as defined in Article 27-23, paragraph 4, of the Financial Instruments and Exchange Act. Unless otherwise provided, the same shall apply hereinafter. For the purpose of calculating such ownership ratio of the share certificates, etc., (I) any special interest party as defined in Article 27-2, paragraph 7, of said Act, and (II) any investment bank, securities company, or other financial institution which has executed a financial advisory agreement with the Large-Scale Purchaser, as well as the takeover bid agent or the lead managing securities company (the "Contracting Financial Institution(s)") for said Large-Scale Purchaser shall be deemed to be a joint-holder (which refers to the joint-holder as defined in Article 27-23, paragraph 5, of the said Act, the same shall apply hereinafter) of said Large-Scale Purchaser. Additionally, for the purpose of calculating such ownership ratio of the share certificates, etc., the most recent information publicly announced by the Company may be used for the aggregate number of the Company's issued shares.
3. This includes the ownership of the right to claim delivery of share certificates, etc., under a sale/purchase or other agreement and execution of the respective transactions set forth in Article 14-6 of the Order for Enforcement of the Financial Instruments and Exchange Act.
4. This refers to share certificates, etc., as defined in Article 27-2, paragraph 1, of the Financial Instruments and Exchange Act. The same shall apply in this item (ii).
5. This refers to the ownership ratio of the share certificates, etc. as defined in Article 27-2, paragraph 8, of the Financial Instruments and Exchange Act. The same shall apply hereinafter unless otherwise provided. Additionally, for the purpose of calculating such ownership ratio of the share certificates, etc., the most recent information publicly announced by the Company may be used for the aggregate number of the Company's voting rights.
6. This refers to a special interest party as defined in Article 27-2, paragraph 7, of the Financial Instruments and Exchange Act; provided, however, that, with respect to the parties indicated in item 1 of the said paragraph, the party specified in Article 3, paragraph 2, of the Cabinet Office Ordinance Concerning Disclosure of Takeover Bid of Share Certificates, etc., by Parties Other than Issuer shall be excluded. Additionally, (i) joint-holders and (ii) Contracting Financial Institutions shall be deemed to be special interest parties of the Large-Scale Purchaser. The same shall apply hereinafter unless otherwise provided.
7. This includes an acquisition or other assignment for value as well as those similar to assignment for value as provided in Article 6, paragraph 3, of the Order for Enforcement of the Financial Instruments and Exchange Act.
8. The determination of whether "a relationship between such specified shareholder and such other shareholder(s) wherein either one substantially controls the other, or they operate in collaboration or coordination" has been established shall be made on the basis of the formation of a new capital relationship, business alliance, transactional or contractual relationship, relationships concerning interlocking Directors and Corporate Auditors, funds provision relationship, credit offering relationship, or the impact, etc., directly or indirectly brought upon the Company by such specified shareholder or such other shareholder(s).

9. The determination of whether an action specified in (iii) above has been taken shall be made by the Board of Directors of the Company according to recommendations by the Independent Committee. In addition, the Board of Directors of the Company may request that the Company's shareholders provide information to the extent found necessary for the determination of whether it falls under the requirements under (iii).

(2) Submission of Purchase Statement

Prior to the commencement of a Large-Scale Purchase, the relevant Large-Scale Purchaser shall be requested to submit to the Company's Board of Directors a document, in the form to be separately prescribed by the Company, evidencing the Large-Scale Purchaser's undertaking that such Large-Scale Purchaser shall comply with the procedures set out in the Plan (the "Large-Scale Purchase Rules"), and bearing the signature or the name and seal of the Large-Scale Purchaser's representative (the "Purchase Statement").

In addition to the undertaking to comply with the Large-Scale Purchase Rules, the Purchase Statement shall clearly set forth the Large-Scale Purchaser's name or appellation, address or location of its principal office, business office, etc., the governing law of its establishment, its representative's name, contact information in Japan, the outline of the contemplated Large-Scale Purchase, and other matters.

When the Board of Directors of the Company receives a duly-prepared, flawless Purchase Statement from the Large-Scale Purchaser, it shall immediately provide the same to the Independent Committee. In addition, the Company shall, in accordance with applicable Laws and Regulations as well as the regulations of financial instruments exchanges, make appropriate and timely disclosure to the shareholders of the fact that the Company has received the Purchase Statement and such matters as the Board of Directors of the Company or the Independent Committee finds appropriate.

Unless otherwise permitted by the Board of Directors of the Company, only Japanese shall be used in the substance and provision of the Purchase Statement as well as any notice to or communication with the Company.

(3) Request to the Large-Scale Purchaser for provision of information

a. Provision of information by the Large-Scale Purchaser

Within ten (10) business days (referring to days other than the days listed under each of the items in Article 1, paragraph 1 of the Act on Holidays of Administrative Organs; hereinafter the same) from the day on which the Board of Directors of the Company receives the duly-prepared, flawless Purchase Statement (the first day of the period shall not be counted) (provided, in the case of d.(xi), within a reasonable period determined in each case by the Board of Directors of the Company), the Large-Scale Purchaser shall be required to submit to the Board of Directors of the Company the information set out in d. below (collectively, the "Large-Scale Purchase Information"). Upon receipt of the Large-Scale Purchase Information, the Board of Directors of the Company shall immediately submit the same to the Independent Committee.

Unless otherwise permitted by the Board of Directors of the Company, only Japanese shall be used in the substance and provision of the Large-Scale Purchase Information as well as any notice to or communication with the Company.

b. Request to the Large-Scale Purchaser for provision of additional information

Furthermore, if the Board of Directors of the Company determines (provide, however, upon making such determination, the Board of Directors of the Company shall place value on the Independent Committee's opinion.) that, solely on the basis of the information initially provided by the Large-Scale Purchaser, it would be difficult for the shareholders to appropriately determine whether to accept the Large-Scale Purchase, or for the Board of Directors of the Company to form an opinion as to the acceptability of such Large-Scale Purchase (the "Opinion Formation"), or for the Board of Directors of the Company to devise an alternative proposal (the "Alternative Proposal Formulation") and present the same to the shareholders in an appropriate manner, then the Board of

Directors of the Company may, upon fixing a reasonable period (up to sixty (60) days from the day on which the Board of Directors of the Company requests provision of additional information from the Large-Scale Purchaser; provided that, the first day of such period shall not be counted) before the submission deadline, make appropriate and timely disclosure to the shareholders of the period so fixed and the reasons for requiring such reasonable period in accordance with applicable Laws and Regulations as well as the regulations of financial instruments exchanges, and request that the Large-Scale Purchaser provide additional information necessary for the shareholders' appropriate assessment and for the Opinion Formation or for the Alternative Proposal Formulation by the Board of Directors of the Company.

c. Completion of provision of the Large-Scale Purchase Information

When the Board of Directors of the Company determines (provide, however, upon making such determination, the Board of Directors of the Company shall place value on the Independent Committee's opinion.) that the provision of Large-Scale Purchase Information by the Large-Scale Purchaser has been completed, the Company shall make appropriate and timely disclosure to the shareholders in accordance with applicable Laws and Regulations as well as the regulations of financial instruments exchanges. Further, in accordance with the decision of the Board of Directors of the Company, the Company shall, in principle, make appropriate and timely disclosure to the shareholders of such portion of the Large-Scale Purchase Information as regarded necessary for the shareholders to make an appropriate decision on whether to accept such Large-Scale Purchase, in accordance with applicable Laws and Regulations as well as the regulations of financial instruments exchanges, at an appropriate time after receiving the Large-Scale Purchase Information.

d. Large-Scale Purchase Information

Large-Scale Purchase Information to be provided by the Large-Scale Purchaser is as follows:

(i) Outline of the Large-Scale Purchaser and its group companies (which shall include major shareholders or investors and significant subsidiaries and affiliates, and if the Large-Scale Purchaser is a fund or an entity investing in such fund, its major partners, investors (whether direct or indirect), and other members as well as general partners (*gyomu shikko kumiaiin*) and persons who continuously provide investment advice shall also be included; hereinafter the same) (Such outline shall include each party's specific name, capital structure, investment ratio, financial matters, names and brief background descriptions of Directors and Corporate Auditors, and records of the past violations of law);

(ii) Detailed description of the internal control system of the Large-Scale Purchaser and its group as well as the effectiveness or status of such system;

(iii) With respect to the relevant Large-Scale Purchase, its purpose, method, and terms (including type and amount of consideration in respect of the Large-Scale Purchase, timing of such purchase, structure of the related transactions, legality of the method of such purchase, feasibility of such purchase and the related transactions, and if delisting of the Company's share certificates, etc., is expected upon the completion of such Large-Scale Purchase, a statement to that effect and the reasons therefor; additionally, an opinion letter from a qualified attorney shall be required with regard to the legality of the method of such Large-Scale Purchase);

(iv) Whether there has been any communication with third parties in connection with the relevant Large-Scale Purchase (including communication to the Company with respect to the intention to make a material proposal (refers to "Material Proposal" as defined in Article 27-26, paragraph 1, of the Financial Instruments and Exchange Act), etc.; hereinafter the same), and if there has been such communication, the specific manner and contents thereof;

(v) Basis for the calculation of the price of the purchase, etc., in connection with the Large-Scale Purchase as well as the calculation process (including facts and assumptions underlying the calculation, calculation method, calculation agent and information regarding such calculation agent, numerical values used for the calculation, and the amount of synergy expected to arise

as a result of a series of transactions relating to the Large-Scale Purchase and the calculation basis therefor);

(vi) Financial support for the purchase, etc., in connection with the Large-Scale Purchase (including specific names of the relevant fund providers (including substantial providers (whether direct or indirect)), financing methods, conditions for financing, existence and terms of collateral and covenants after the financing, and terms of the related specific transactions);

(vii) Expected management policies, business plan, financial plan, financing plan, investment plan, capital policy, dividend policy, etc., (including plans to sell, offer as collateral, or otherwise dispose of the Company's business or assets after the completion of the Large-Scale Purchase) for the Company Group after the completion of the Large-Scale Purchase, and other policies of how, after the completion of the Large-Scale Purchase, the Directors and Corporate Auditors, employees, business partners, and customers of the Company Group, and the local government bodies in the areas where the Company's factories, production facilities, etc., are situated, and other interested parties will be treated);

(viii) Regulated matters subject to domestic and foreign Laws and Regulations which may be applicable to the Large-Scale Purchase, and the feasibility of obtaining necessary approvals, permissions, licenses, etc., from domestic and foreign governments or third parties under the Anti-Monopoly Law, and other Laws and Regulations (additionally, an opinion letter from a qualified attorney shall be required with regard to these matters);

(ix) Likelihood of maintaining domestic and foreign permissions, licenses, etc., required for the operation of the Company Group and ability to comply with various domestic and foreign Laws and Regulations after the completion of the Large-Scale Purchase;

(x) Whether there is any (direct or indirect) association with any antisocial forces or terrorist organizations as well as the policy to deal with the foregoing; and

(xi) Other information that the Board of Directors of the Company or the Independent Committee reasonably determines necessary, and requested from the Large-Scale Purchaser in writing, as a general rule, within ten (10) business days from the day on which the Board of Directors of the Company receives a duly-prepared, flawless Purchase Statement from the Large-Scale Purchaser (the first day of the period shall not be counted).

(4) Establishment, etc. of evaluation period for the Board of Directors

a. Establishment of evaluation period for the Board of Directors

The Board of Directors of the Company shall set the following period (i) or (ii) for its Opinion Formation, Alternative Proposal Formulation, and negotiation with the Large-Scale Purchaser (the "Board Evaluation Period," including, such extended period if extended under c. below; and such Board Evaluation Period first established by the Board of Directors shall be particularly referred to as the "Initial Board Evaluation Period"; from the day on which the Company discloses that the Board of Directors of the Company has determined that the provision of the Large-Scale Purchase Information has been completed), according to the contents of the Large-Scale Purchase disclosed by the Large-Scale Purchaser. The Large-Scale Purchase shall commence only after the expiration of the Board Evaluation Period. It is noted that such Initial Board Evaluation Period has been established in light of the difficulty in assessing the Company's business and the level of difficulty in Opinion Formation, Alternative Proposal Formulation, etc.

(i) In the case of a purchase of all of the Company share certificates by a tender offer that limits the purchase price to cash (Japanese yen): sixty (60) days (the first day of such period shall not be counted)

(ii) In the case of a Large-Scale Purchase other than (i): ninety (90) days (the first day of such period shall not be counted)

b. Activities of the Board of Directors during the Board Evaluation Period

During the Board Evaluation Period, the Board of Directors of the Company shall, based on the Large-Scale Purchase Information provided by the Large-Scale Purchaser, conduct the Opinion Formation, Alternative Proposal Formulation, and negotiation with the Large-Scale Purchaser with a view to protecting and enhancing the Company's corporate value and the shareholders' common interest. In conducting the Opinion Formation, Alternative Proposal Formulation, and negotiation with the Large-Scale Purchaser, the Board of Directors of the Company shall obtain advice, as needed, from professional advisors (such as financial advisors, attorneys, and certified public accountants) who are in a third-party position and independent from the Board of Directors of the Company and the Independent Committee. Any and all expenses incurred therefor shall be borne by the Company except in an exceptional case where it is found to be especially unreasonable.

In addition, the Board of Directors of the Company shall make appropriate and timely disclosure to the shareholders of (i) the substance of the opinion, where it engaged in an Opinion Formulation, (ii) the substance of the Alternative Proposal, where it formulated an Alternative Proposal, (iii) the substance of the assessment, where it made an assessment regarding the price of the purchase, etc., in connection with the Large-Scale Purchase, and (iv) such information as deemed necessary for the shareholders to make an appropriate decision on whether to accept such Large-Scale Purchase, in accordance with applicable Laws and Regulations as well as the regulations of financial instruments exchanges.

c. Extension of the Board Evaluation Period

If the Board of Directors of the Company is unable to reach a resolution on the initiation or non-initiation of countermeasures within the Initial Board Evaluation Period due to unavoidable reasons, such as the Independent Committee being unable to make the recommendation in (6) a. below within the Initial Board Evaluation Period, pursuant to the recommendation of the Independent Committee, the Board of Directors of the Company may extend the Board Evaluation Period to the extent necessary, up to thirty (30) days (the first day of such period shall not be counted). If the Board of Directors of the Company resolves to extend the Board Evaluation Period, the Company shall make appropriate and timely disclosure to the shareholders of the specific period so resolved and the reasons for requiring such specific period in accordance with applicable Laws and Regulations as well as the regulations of financial instruments exchanges.

(5) Establishment of the Independent Committee

In introducing the Plan, for the purpose of eliminating arbitrary decisions on the part of the Board of Directors of the Company in respect of the initiation of the countermeasures under the Plan, the Company has established the Independent Committee (the "Independent Committee"), which shall consist of one (1) Outside Director (including his or her substitutes) and two (2) Outside Corporate Auditors (including their substitutes) of the Company.

The Independent Committee shall obtain advice, as needed, from professional advisors (such as financial advisors, attorneys, and certified public accountants) who are in the third party position and independent from the Board of Directors of the Company and the Independent Committee. Any and all expenses incurred in obtaining such advice shall be borne by the Company except in exceptional cases where it is found to be unreasonable.

The names and brief background descriptions of the initial members of the Independent Committee upon introducing the Plan are as set out in Exhibit II.

The Independent Committee has the authority to formulate an opinion and make recommendations, based on its resolution, to the Board of Directors of the Company, on matters such as whether or not a countermeasure should be initiated, or other matters inquired by the Board of Directors of the Company. As a general rule, resolutions of the Independent Committee shall be adopted by the majority of all the members at a meeting where all the committee members are present. However, if any member is unable to attend to his/her duties, or if there is any other justifiable reason, such resolutions may be adopted by the majority of the members present at a meeting where the majority of the members are present.

(6) Procedures for recommendations of the Independent Committee and resolutions by the Board of Directors of the Company

a. Recommendations of the Independent Committee

During the Board Evaluation Period, the Independent Committee shall make recommendations to the Board of Directors of the Company with regard to the relevant Large-Scale Purchase as set forth in (i) through (iii) below.

(i) When any of the Large-Scale Purchase Rules is not complied with:

If the Large-Scale Purchaser breaches any of the Large-Scale Purchase Rules in a material respect, and such breach is not cured within five (5) business days after the Board of Directors of the Company gives such Large-Scale Purchaser a written request to cure such breach (the first day of the period shall not be counted), then as a general rule, the Independent Committee shall recommend that the Board of Directors of the Company take countermeasures against the Large-Scale Purchase except where it is clearly necessary to refrain from initiating countermeasures in order to protect and enhance the Company's corporate value and the shareholders' common interests or when any other particular circumstances exist. However, the Large-Scale Purchaser will not be deemed to have breached any of the Large-Scale Purchase Rules in a material respect if the only breach is that the substance of the disclosure of the matters in (3)d(v) or (vii) above is insufficient.

If such recommendation is made, the Company shall make appropriate and timely disclosure to the shareholders of the Independent Committee's opinion, reasons therefor, and such other information found to be appropriate, in accordance with applicable Laws and Regulations as well as the regulations of financial instruments exchanges.

Additionally, even after the Independent Committee has recommended that the Board of Directors of the Company initiate countermeasures, if the Large-Scale Purchase is withdrawn, or if otherwise the facts and other circumstances that formed the basis for such recommendation are altered, then the Independent Committee may recommend that the Board of Directors of the Company discontinue countermeasures, or make other recommendations. If such further recommendation is made, the Company shall also make appropriate and timely disclosure to the shareholders of the Independent Committee's opinion, reasons therefor, and such other information found to be appropriate, in accordance with applicable Laws and Regulations as well as the regulations of financial instruments exchanges.

(ii) When the Large-Scale Purchase Rules are complied with:

When the Large-Scale Purchaser complies with the Large-Scale Purchase Rules, the Independent Committee shall, as a general rule, recommend that the Board of Directors of the Company refrain from initiating countermeasures against the Large-Scale Purchase.

However, even if the Large-Scale Purchase Rules are complied with, the Independent Committee shall recommend that the Board of Directors of the Company initiate countermeasures against such Large-Scale Purchase if such Large-Scale Purchaser is recognized as an abusive purchaser (collectively referring to those having reasonable grounds to suspect that they are under any of the circumstances set out in (A) through (J) below, the same shall apply hereinafter), and if the Independent Committee determines that it is reasonable to initiate such countermeasures against such Large-Scale Purchase. In such case, the Independent Committee may set the condition that initiation of the countermeasure be approved in advance by a resolution of the annual meeting of shareholders of the Company.

(A) When the Large-Scale Purchaser does not have a bona fide intention to participate in the management of the Company, but acquires the Company's share certificates, etc., for the purpose of making parties related to the Company buy back the shares at an inflated stock price (a so-called "green mailer"), or when the main purpose of acquiring the Company's share certificates, etc., is to earn a short-term margin;

(B) When the main purpose of participating in the management of the Company is to temporarily control the management of the Company and cause it to transfer to the Large-Scale Purchaser, its group companies, etc., the Company's intellectual property rights, know-how, trade secrets, or major business partners and customers, which are essential to the Company's business operations;

(C) When the Large-Scale Purchaser is acquiring the Company's share certificates, etc. with the intention of inappropriately utilizing the Company's assets as collateral or funds for the repayment of the obligations of such Large-Scale Purchaser, its group companies, etc., after taking control over the management of the Company;

(D) When the main purpose of participating in the management of the Company is to temporarily control the management of the Company and sell or otherwise dispose of its real properties, securities, and other high-priced assets, which are irrelevant to the Company's business for the time being, and then distribute high dividends temporarily with gains from such disposition or sell the shares at a high price, seizing the opportunity presented by a sharp rise in the stock price due to temporary high dividend payments;

(E) Where the conditions for acquiring (including, but not limited to, the type of consideration for the purchase, price and the calculation basis, content, timing, method, potential illegality, feasibility, etc.) the Company's share certificates, etc. proposed by the Large-Scale Purchaser are found to be inadequate or inappropriate in light of the Company's corporate value with reasonable grounds;

(F) When the method of acquisition proposed by the Large-Scale Purchaser is such an oppressive method that the shareholders' opportunity for assessment or freedom of choice may be restricted due to the structure of such method, as exemplified by a two-tiered acquisition (acquisition of the Company's share certificates, etc., in a manner wherein the terms for the second-stage acquisition are set more disadvantageously or are unclear, or otherwise concerns for the future liquidity of the Company's share certificates, etc., are raised by suggesting delisting, etc., in the event all of the share certificates are not acquired during the first-stage of acquisition, and the shareholders are thereby effectively coerced into accepting the acquisition) or partial tender offer (tender offer for a part of the Company's share certificates, etc. instead of all of them);

(G) Where the Large-Scale Purchaser's acquisition of control is expected to destroy the relationship with its shareholders, as well as customers, which are the source of the corporate value, and employees and other stakeholders of the Company, and materially damage the Company's corporate value, or it is determined on reasonable grounds that the protection and enhancement of the Company's corporate value will be materially impeded; or where the Company's corporate value when the Large-Scale Purchaser acquires control is found to be evidently inferior in terms of mid- to long-term future corporate value in comparison to the corporate value when the Large-Scale Purchaser does not acquire control;

(H) The fact that the Large-Scale Purchaser will acquire control by itself may materially damage the Company's corporate value, such as by causing the loss of the Company's important business partners;

(I) Where the Large-Scale Purchaser is found to be, on reasonable grounds, inappropriate as a controlling shareholder of the Company from a public order and morality perspective; for example, where the Large-Scale Purchaser's management members or major shareholders include a person who has a relationship with an antisocial force; or

(J) In other cases equivalent to any of (A) through (I) above, and where the Large-Scale Purchase is found to materially damage the common interests of its shareholders.

Additionally, the procedures set out in (i) above shall apply mutatis mutandis to the disclosure procedures relating to such recommendation or the procedures relating to the subsequent further recommendation.

(iii) Other recommendations by the Independent Committee

In addition to the above, the Independent Committee may give the Board of Directors of the Company other necessary recommendations, or make determinations, etc., on abandoning the countermeasures where permitted by certain Laws and Regulations.

Additionally, the procedures set out in (i) above shall apply mutatis mutandis to the disclosure procedures relating to such recommendation or the procedures relating to the subsequent further recommendation.

b. Resolutions by the Board of Directors of the Company

The Board of Directors of the Company shall place maximum value on the Independent Committee's recommendation, shall follow such recommendation when it determines that it is necessary to do so, and shall resolve, as the ultimate decision maker, to initiate, not initiate, or discontinue a countermeasure or resolve other necessary matters (including, but not limited to, convening a general meeting of shareholders of the Company and submitting a proposal to initiate a countermeasure to the general meeting of shareholders of the Company) within the Board Evaluation Period.

If the Independent Committee sets the condition in its recommendation that initiation of the countermeasure be approved in advance by a resolution of the general meeting of shareholders of the Company, the Board of Directors of the Company shall place maximum value on the condition, shall convene a general meeting of shareholders of the Company as soon as practicable, and submit a proposal to initiate a countermeasure. If the proposal is passed at the general meeting of shareholders, the Board of Directors of the Company shall resolve to initiate the countermeasure; and if the proposal is voted down at the general meeting of shareholders, the Board of Directors of the Company shall resolve not to initiate the countermeasure.

If the Board of Directors of the Company makes such resolutions, the Company shall make appropriate and timely disclosure to the shareholders of the Board of Directors' opinion, reasons therefor, and such other information found to be appropriate, in accordance with applicable Laws and Regulations as well as the regulations of financial instruments exchanges.

(7) Modification of Large-Scale Purchase Information

After the Company discloses its determination that the provision of the Large-Scale Purchase Information under the provisions in (3) above has been completed, if the Board of Directors of the Company determines that any material modification has been made by the Large-Scale Purchaser to the Large-Scale Purchase Information, then the Company shall make appropriate and timely disclosure to the shareholders to that effect, together with reasons therefor, and such other information found to be appropriate, in accordance with applicable Laws and Regulations as well as the regulations of financial instruments exchanges, and thereupon the procedures under the Plan in connection with the Large-Scale Purchase based on the previous Large-Scale Purchase Information (the "Pre-Change Large-Scale Purchase") shall be discontinued, and the procedures under the Plan shall apply anew to the Large-Scale Purchase based on the modified Large-Scale Purchase Information, as another Large-Scale Purchase separate from the Pre-Change Large-Scale Purchase.

(8) Specific substance of the countermeasures

The countermeasures to be initiated by the Company against the Large-Scale Purchase under the Plan shall be, as a general rule, an allotment of share options without consideration (share options so issued shall be referred to hereinafter as the "Share Options"). However, where it is determined

appropriate to initiate other countermeasures available under Laws and Regulations or the Company's articles of incorporation, such other countermeasures may be used.

An outline of the allotment of Share Options without consideration as a countermeasure against the Large-Scale Purchase is as set out in Exhibit III, but when the Share Options are actually distributed without consideration, the exercise period, conditions for exercise, acquisition terms, etc., may be provided, by taking into consideration their effectiveness as a countermeasure against the Large-Scale Purchase, including (i) an exercise condition to the effect that the right may not be exercised by the Large-Scale Purchaser in breach of the Plan and a party in a certain relationship with such purchaser (the "Excluded Party"), or (ii) acquisition terms stating that only Share Options held by share option holders other than Excluded Parties may be acquired.

3. Duration, continuance, abolishment, and amendment of the Plan

The Plan shall remain effective from the closing of the Annual Meeting of Shareholders until the closing of the Annual Meeting of Shareholders of the Company to be held in March 2020. However, if prior to the expiration of such effective period, (i) a proposal to abolish the Plan is approved at a general meeting of shareholders of the Company, or (ii) the Board of Directors of the Company adopts a resolution to abolish the Plan, then the Plan shall be abolished at such time. This means that the Plan may be abolished at any time in accordance with the shareholders' intentions.

The continuance, abolishment or the amendment of the Plan shall be considered and resolved, from this year, as needed, in the first Board of Directors' Meeting to be held after the closing of the Annual Meeting of Shareholders of the Company.

Furthermore, the Board of Directors of the Company may reexamine or amend the Plan as needed, from the viewpoint of protecting and enhancing the Company's corporate value and shareholders' common interests.

In the event that a resolution is adopted to abolish or otherwise amend the Plan, the Company shall disclose such matters to the shareholders as the Board of Directors of the Company or the Independent Committee finds appropriate, in an appropriate and timely manner in accordance with applicable Laws and Regulations as well as the regulations of financial instruments exchanges.

4. Impact on shareholders and investors

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

At the time the Plan is introduced, Share Options will not be issued. Accordingly, there will be no direct, concrete impact on the rights and economic interests of the shareholders and investors when the Plan is introduced.

(2) Impact on shareholders and investors upon issuance of Share Options

The Board of Directors of the Company may initiate countermeasures under the Plan against a Large-Scale Purchase for the purpose of protecting and enhancing the corporate value and the shareholders' common interests, and given the structure of the countermeasure currently anticipated, the per share value of the Company's shares held is expected to be diluted at the time Share Options are issued, but because the value of the entire shares of the Company will not be diluted, it is not anticipated that this will have any direct, concrete impact on the legal rights and economic interests of the shareholders and investors.

However, with respect to the Excluded Parties, if the countermeasure is initiated, there may be some resulting negative impact upon the legal rights and economic interests of such party.

In addition, if a resolution for the allotment of Share Options without consideration is adopted in connection with the countermeasure, and after the shareholders who are to receive the allotment of Share Options are fixed, if the Company suspends the allotment of Share Options without consideration, or acquires, without consideration, the Share Options once allotted without consideration, then because the per share value of the Company's stock will not be diluted as a result, any investor who has sold or

purchased the shares on the assumption that the per share value of the Company's shares would be diluted may suffer a suitable loss due to stock price fluctuations.

(3) Procedures required with respect to the shareholders in accordance with issuance of Share Options

(i) Procedures for the issuance of Share Options:

In the event that the Board of Directors of the Company adopts a resolution to allot Share Options without consideration, the Company shall fix the record date for the allotment of Share Options and publicly announce the same. The Share Options shall be allotted to the shareholders entered or registered on the last register of shareholders on the relevant record date in proportion to the number of shares held by them respectively, and such shareholders shall all become holders of the Share Options as a matter of course on the effective date of the allotment of the Share Options without consideration, therefore an application procedure is unnecessary.

If the Share Options are issued by an allotment to the shareholders, an application to subscribe for Share Options for subscription is necessary, by submitting an application form to the subscription handling office, by the day set to submit applications to receive the Share Options for subscription prescribed separately in a meeting of the Company's Board of Directors (if the application is not made by the day set to submit the application, such shareholder shall lose the right to receive an allotment of Share Options, and may not receive the Share Options).

(ii) Procedures for exercise or acquisition of Share Options

The Company shall send to the shareholders entered or registered on the last register of shareholders on the record date a request form to exercise the Share Options (such form shall be prescribed by the Company, and may include a statement declaring that the shareholder is not an Excluded Party) and other documents required to exercise such Share Options. By submitting the necessary documents within the exercise period for the Share Options to be separately prescribed by the Board of Directors of the Company, and paying one (1) yen or more per Share Option, and the amount prescribed by the Board of Directors of the Company for each Share Option at the place designated for such payment, a Company's common share shall be issued to the shareholder for each Share Option. However, an Excluded Party may not be allowed to exercise such Share Options.

On the other hand, if the Company intends to acquire Share Options, the shareholders may receive the Company's common shares as consideration for the Company's acquisition of such Share Options without paying the amount otherwise payable as the exercise price (additionally, in such event, the shareholders may be required to separately submit a document for identity verification as well as a document wherein the relevant shareholder declares, among other things, that such shareholder is not an Excluded Party, and that such shareholder shall immediately return the Company's common shares issued if such declaration turns out to be false). However, with regard to the Excluded Parties, the Share Options may not be eligible for acquisition.

Other than the above, details for these procedures such as the method of allocation, method of exercise and the method of acquisition by the Company shall be disclosed in an appropriate and timely manner to the shareholders in accordance with applicable Laws and Regulations as well as the regulations of financial instruments exchanges when an actual situation occurs that requires such procedures, and the contents of such disclosure are to be reviewed.

5. Reasonableness of the Plan

The Plan meets the three principles stipulated in the "Guidelines Regarding Takeover Defense for the Purpose of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005: (i) the principle of protecting and enhancing corporate value and shareholders' common interests, (ii) the principle of prior disclosure and shareholders' will, and (iii) the principle of ensuring the necessity and reasonableness

of defensive measures. The Plan also complies with the compliance matters regarding introducing takeover defense measures set forth in Article 440 of the Securities Listing Regulations of the Tokyo Stock Exchange ((i) sufficiency of disclosure, (ii) transparency, (iii) effect on the secondary market, and (iv) respect for the shareholder's rights), and are founded upon the practice of and discussions concerning takeover defense measures, such as the Essence of Takeover Defense Measures and the contents of "Principle 1.5 Anti-Takeover Measures" in the "Corporate Governance Code" applied by the Tokyo Stock Exchange from June 1, 2015, and thus the Plan is very reasonable.

(1) Protecting and enhancing of corporate value and shareholders' common interests

As indicated in 1. above, the Plan is introduced to protect and enhance the Company's corporate value and the shareholders' common interests, by requesting that the Large-Scale Purchaser provide necessary information relating to the relevant Large-Scale Purchases in advance and allowing a period for deliberation and negotiation, that the shareholders are able to make an appropriate assessment as to whether to accept such Large-Scale Purchases, and that the Board of Directors of the Company, upon respecting recommendations of the Independent Committee, presents its opinion regarding such Large-Scale Purchases or the Alternative Proposal to the shareholders, or negotiates with the Large-Scale Purchaser for the benefit of the shareholders.

(2) Prior disclosure

The Company makes prior disclosure of the Plan in order to increase predictability for the shareholders and investors as well as Large-Scale Purchasers and secure a fair opportunity for the shareholders to make a choice.

Also in the future, the Company intends to make appropriate and timely disclosure in accordance with applicable Laws and Regulations as well as the regulations of financial instruments exchanges.

(3) Emphasis on shareholders' intention

The Company intends to ascertain the shareholders' intention regarding the introduction of the Plan at the Annual Meeting of Shareholders. As stated in 3. above, the effective period of the Plan is from the close of the Annual Meeting of Shareholders until the close of the Company's Annual Meeting of Shareholders to be held in March 2020.

Also, the term of office of the Company's Director continues until the close of the Annual Meeting of Shareholders for the last business year that ends within one year from the time of their election. Therefore, the intentions of the shareholders whether to abolish the Plan or not will be confirmed through the election of the Company's Director at each Annual Meeting of Shareholders.

(4) Procurement of outside experts' opinion

As indicated in 2.(4)(b) above, in conducting the Opinion Formulation, Alternative Proposal Formulation, and negotiation with the Large-Scale Purchaser, the Board of Directors of the Company shall obtain advice, as needed, from professional advisors (such as financial advisors, attorneys, and certified public accountants) who are in a third-party position and independent from the Board of Directors of the Company and the Independent Committee. In this way, objectivity and reasonableness will be secured with respect to determinations of the Board of Directors of the Company.

(5) Establishment of the Independent Committee

As indicated in 2.(5) above, the Company has established an Independent Committee in order to ensure the necessity and reasonableness of initiating the countermeasures based on the Plan and to prevent the management from abusing the countermeasures for their own protection. In the event that the Board of Directors of the Company initiates, etc. the countermeasures, the Board of Directors of the Company shall place maximum value on the Independent Committee's recommendation in order to

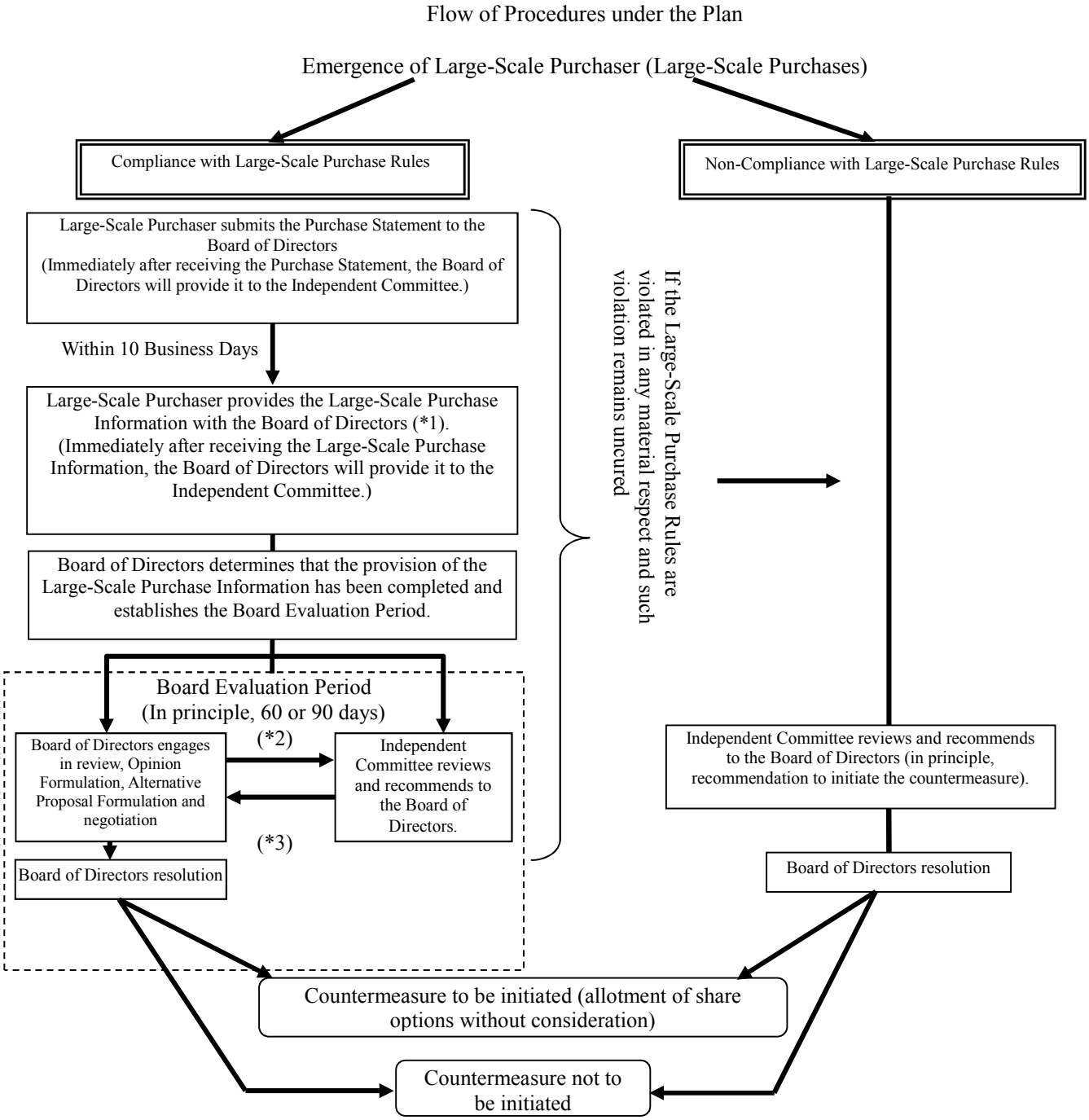
ensure fairness in decisions of the Board of Directors of the Company and eliminate arbitrary decisions on the part of the Board of Directors.

(6) No dead-hand or slow-hand takeover defense measures

As stated in 3. above, because the Plan may be abolished at any time at an annual meeting of shareholders of the Company or by the Board of Directors of the Company comprising of the Directors appointed at an annual meeting of shareholders, it is not a so-called “dead-hand” type takeover defense measure (a takeover defense measure which cannot be prevented from being initiated even if the majority of members on the Board of Directors is replaced).

Also, because the Company does not have a staggered board system, the Plan is not a so-called “slow-hand” type takeover defense measure (a takeover defense measure that requires time to be blocked because the members on the Board of Directors cannot be replaced all at once).

(Exhibit I)



*1: If the Board of Directors determines that information initially provided by the Large-Scale Purchaser is insufficient as Large-Scale Purchase Information, the Large-Scale Purchaser may be requested to provide additional information.

*2: The Board Evaluation Period will be (a) sixty (60) days (the first day of such period shall not be counted), to purchase all of the Company share certificates by a tender offer that limits the purchase price to cash (Japanese yen), or (b) ninety (90) days (the first day of such period shall not be counted), for a Large-Scale Purchase using other methods. If the Company's Board of Directors does not adopt a resolution as to whether or not to initiate a countermeasure within the Initial Board Evaluation Period due to unavoidable circumstances, such as the Independent Committee fails to make certain recommendations within the Initial Board Evaluation Period, the Company's Board of Directors may extend the Board Evaluation Period up to thirty (30) days (the first day of such period shall not be counted) to the necessary extent, pursuant to the recommendations of the Independent Committee.

*3: The Independent Committee will, in principle, recommend not initiating the countermeasure. However, if the Large-Scale Purchaser is determined to be an abusive purchaser, and it would be appropriate to initiate the countermeasure, the Independent Committee will recommend initiating the countermeasure. Subject to the contents of the recommendation, the Company's Board of Directors may convene an annual meeting of shareholders and submit a proposal to initiate a countermeasure to the annual meeting of shareholders.

(Exhibit II)

Names and Brief Biography of the Independent Committee Members

Name (Date of birth):	Hiromi Niwa	March 5, 1947
Biography:	Mar. 1976	Registered as a certified public accountant
	Jun. 1976	Registered as a certified public tax accountant
	Mar. 2006	Outside Corporate Auditor, the Company (present)
	Jan. 2011	Representative Partner, Mogi Tax & Consulting Corporation (present)

Name (Date of birth):	Sachio Itasawa	October 5, 1947
Biography:	Apr. 1985	Registered as an attorney at law
	Jun. 2007	Outside Corporate Auditor, Mediceo Paltac Holdings Co., Ltd. (currently, MEDIPAL HOLDINGS CORPORATION) (present)
	Mar. 2009	Outside Corporate Auditor, the Company (present)

Name (Date of birth):	Sanae Tanaka	July 15, 1962
Biography:	Apr. 1989	Registered as an attorney at law
	Sep. 1991	Established Sanae Tanaka Law Office, Representative (present)
	Mar. 2011	Outside Director, Noevir Holdings Co., Ltd. (present)
	Mar. 2015	Outside Director, the Company (present)
	May 2015	Outside Director, SHOCHIKU Co., Ltd. (present)
	Jun. 2015	Outside Director, Kintetsu World Express, Inc. (present)
	Oct. 2016	Audit and Supervisory Board Member (Outside), The Dai-ichi Life Insurance Company, Limited (present)

(Exhibit III)

Outline of Allotment of Share Options without Consideration

1. Shareholders to Whom Allotment May be Made

Share options shall be allotted without consideration to the shareholders entered or recorded in the last shareholders registry on the record date designated by the Board of Directors at the ratio of one share option per one common share of the Company held by these shareholders (excluding the Company's common shares held by the Company).

2. Number of Shares Underlying Share Options

Class of shares underlying the share options will be the Company's common shares. Upon exercise of each share option, one common share of the Company will be delivered.

3. Effective Date of Allotment of Share Options without Consideration

The Board of Directors will separately determine the effective date.

4. Value of Assets to be Contributed upon Exercise of Share Options

The form of contribution to be made upon the exercise of the share options shall be cash, and the value of assets to be contributed upon the exercise of the share options shall be not less than one (1) yen per one common share of the Company.

5. Restriction on Transfer of Share Options

Share options shall be transferred only with the approval of the Board of Directors.

6. Conditions for Exercise of Share Options

Conditions for the exercise of the share options shall be separately determined by the Board of Directors (it is noted that an exercise condition may be imposed to the effect that the rights may not be exercised by certain Large-Scale Purchasers specified by the Board of Directors in accordance with the specified procedures or their joint-holders or special interest parties, or such person as deemed by the Board of Directors to be a person who is substantially controlled by the foregoing persons or who acts jointly with the foregoing persons (the "Excluded Party")).

7. Acquisition by the Company of Share Options

The Company may, by a resolution of the Board of Directors' Meeting, impose an acquisition clause prescribing that the Company may, pursuant to a resolution of the Board of Directors, acquire all of the share options or only the share options held by their holders, other than the Excluded Party, and deliver to these holders the pre-determined number of the Company's common shares per one share option, in exchange for such acquisition, on condition that either of the following occurs: (a) if the Large-Scale Purchaser violates any of the Large-Scale Purchase Rules or any other specified events occur; or (b) if any other day separately specified by the Board of Directors arrives.

It is noted that if the Company acquires the share options held by an Excluded Party, the Company shall not deliver any money or any other property benefits therefor.

8. Reason for Acquisition of Share Options without Consideration (Reasons for Abandonment of Countermeasures)

If any of the following events occurs, the Company may acquire all of the share options without consideration:

(a) if the Large-Scale Purchaser's acquisition proposal is approved by an ordinary resolution at the annual meeting of shareholders;

(b) if all of the Director candidates proposed by the Large-Scale Purchaser are appointed as Directors at the annual meeting of shareholders;

(c) if the Independent Committee makes an unanimous decision; or

(d) if the Board of Directors separately provides.

9. Exercise Period for Share Options and Other Matters

The exercise period for the share options and other necessary matters shall be separately determined by the Board of Directors.

End.