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## NOTICE OF THE 198TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

- Date and Time:** Wednesday, June 27, 2018 at 10 a.m. Japan time
- Place:** Fourth floor hall in the Chuo-ku NIHONBASHI KOUKAIDO, located at 1-31-1 Nihonbashikakigara-cho, Chuo-ku, Tokyo, Japan  
(Please see the map to the meeting at the hall at the end of this document for directions.)
- Proposals to be resolved:**
- Proposal No. 1:** Reduction in Amount of Capital Stock, Legal Capital Surplus and Legal Retained Earnings and Appropriation of Surplus
  - Proposal No. 2:** Election of Four (4) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)
  - Proposal No. 3:** Election of Four (4) Directors Serving as Audit and Supervisory Committee Members
  - Proposal No. 4:** Renewal of Measures to Respond to a Large-scale Purchaser of the Company's Share Certificates, etc. (Takeover Defense Measures)

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**Daitobo Co., Ltd.**  
(Securities Code 3202)

Dear Shareholders,

We would like to give our utmost gratitude to our shareholders for their daily support.

We present this notice of convocation for our 198th Annual General Meeting of Shareholders for your perusal.

In the fiscal year under review, the Japanese economy continued to expand moderately as the employment and income environment improved, backed by ongoing accommodative monetary policy and the effects of various government policies.

In this environment, the Company Group continued implementing the management strategy in accordance with our mid-term management plan, “Bridge to the Future.”

Performance in the fiscal year under review was generally favorable, with profits trending in line with the mid-term management plan, as profitability improved in the health business department of the health care business and the textile and apparel business department. However, some one-time expenses occurred as a result of the decision made on March 28, 2018 to engage in construction (Stage 4 Development) to expand and renew the “SUN TO MOON Kakitagawa” commercial facility (in Shizuoka Prefecture), including an increase in depreciation due to the dismantling of certain facilities and the payment of fees to raise development funds through a syndicated loan.

As a result, although profit before income taxes increased year-on-year, one-time expenses significantly affected results, and operating income, ordinary income, and profit attributable to owners of parent after income taxes each declined year-on-year and fell below targets.

Amid such conditions, during the fiscal year under review, the Company was also able to make progress with initiatives aimed at new possibilities, including achieving of a capital and business alliance with First Brothers Co., Ltd., a decision for Stage 4 Development at the “SUN TO MOON Kakitagawa” commercial facility, and conclusion of a basic agreement related to the acquisition of certain businesses in the health care business. We deeply appreciate our shareholders once again since these results are entirely due to your understanding and support.

Moving forward, all officers and employees will make efforts as one to undertake the “Get Ahead of the Future mid-term management policy” launched in the new fiscal year, and continue striving to improve our corporate value over the medium- to long-term.

We appreciate our shareholders’ continued encouragement and support.

Kazuhiro Yamauchi  
President and Representative Director  
Daitobo Co., Ltd.

June 6, 2018

**To Shareholders with Voting Rights:**

Kazuhiro Yamauchi  
President and Representative Director  
Daitobo Co., Ltd.  
1-6-1 Nihonbashihon-cho, Chuo-ku,  
Tokyo, Japan

**NOTICE OF  
THE 198TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

We would like to express our appreciation for your continued support and patronage.

You are cordially invited to attend the 198th Annual General Meeting of Shareholders of Daitobo Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”). The meeting will be held for the purposes as described below.

**If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet. Please review the Reference Documents for the General Meeting of Shareholders (described hereinafter), indicate your vote for or against the proposal on the enclosed Voting Rights Exercise Form, and return it so that it is received by 5 p.m. on Tuesday, June 26, 2018 Japan time, or, please review the “Instructions for Exercising Voting Rights via the Internet” (on pages 3 to 4, in Japanese only) and vote via the Internet.**

- 1. Date and Time:** Wednesday, June 27, 2018 at 10 a.m. Japan time
- 2. Place:** Fourth floor hall in the Chuo-ku NIHONBASHI KOUKAIDO, located at 1-31-1 Nihonbashikakigara-cho, Chuo-ku, Tokyo, Japan  
(Please see the map to the meeting at the hall at the end of this document for directions.)
- 3. Meeting Agenda:**
  - Matters to be reported:** The Business Report, Non-Consolidated Financial Statements, and Consolidated Financial Statements for the Company’s 198th Fiscal Year (April 1, 2017 - March 31, 2018) and results of audits by the Accounting Auditor and the Audit and Supervisory Committee of the Consolidated Financial Statements
  - Proposals to be resolved:**
    - Proposal No. 1:** Reduction in Amount of Capital Stock, Legal Capital Surplus and Legal Retained Earnings and Appropriation of Surplus
    - Proposal No. 2:** Election of Four (4) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)
    - Proposal No. 3:** Election of Four (4) Directors Serving as Audit and Supervisory Committee Members
    - Proposal No. 4:** Renewal of Measures to Respond to a Large-scale Purchaser of the Company’s Share Certificates, etc. (Takeover Defense Measures)

End

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- When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
  - Of the documents to be provided with this Convocation Notice, Systems to Ensure the Appropriateness of Corporate Business Operations and the Status of Operation Thereof, Basic Policy Regarding Control of the

Company, Consolidated Statement of Changes in Equity, Non-Consolidated Statement of Changes in Equity, Notes to the Consolidated Financial Statements and Notes to the Non-Consolidated Financial Statements are posted on the Company's website on the Internet (<http://www.daitobo.co.jp/>) pursuant to provisions of laws and regulations as well as Article 16 of the Articles of Incorporation of the Company.

- Any updates to the Reference Materials for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements, and the Non-Consolidated Financial Statements will be posted on the Company's website on the Internet (<http://www.daitobo.co.jp/>).

## Reference Documents for the General Meeting of Shareholders

### **Proposal No. 1: Reduction in Amount of Capital Stock, Legal Capital Surplus and Legal Retained Earnings and Appropriation of Surplus**

In non-consolidated accounts as of March 31, 2018, the Company recorded a deficit in retained earnings brought forward of 2,911,919,505 yen, owing to recording a loss in the previous fiscal years.

The Company is continuing endeavors to make progress with improving business performance and establishing a sounder financial position as soon as possible, but the elimination of the retained deficit brought forward is expected to require considerable time.

Accordingly, the Company proposes reductions in the amount of capital stock, the amount of legal capital surplus, and the amount of legal retained earnings, and the distribution of surplus, in order to establish a sounder financial position and establish a target for resuming a dividend during the period of the mid-term management policy.

Specifically, as described in items (1) through (4) below, the Company proposes compensating for the deficit by reducing the amount of capital stock, the amount of legal capital surplus, and the amount of legal retained earnings, and transferring capital stock and legal capital surplus to other capital surplus and legal retained earnings to retained earnings brought forward, pursuant to the provisions of Article 447, Paragraph 1 and Article 448, Paragraph 1 of the Companies Act, in addition to reversing the total amount of other capital surplus after the increase and transferring it to retained earnings brought forward, pursuant to the provisions of Article 452 of the Companies Act.

Furthermore, under this Proposal, this reduction in the amount of capital stock, etc. will be conducted without changing the total number of issued shares, and therefore there will be no effect on the number of shares held by shareholders.

In addition, this reduction in the amount of capital stock, etc. is based on a transfer between accounting items under net assets on the balance sheet, and there will be no change in the amount of net assets of the Company or the total number of issued shares, and therefore there will be no change in the amount of book value per share.

#### (1) Amount of reduction in capital stock

The current amount of capital stock of 1,500,000,000 yen shall be reduced by 1,400,000,000 yen to 100,000,000 yen, and the total amount of the reduction in capital stock shall be transferred to other capital surplus.

#### (2) Amount of reduction in legal capital surplus

The current amount of legal capital surplus of 503,270,649 yen shall be reduced in full to zero (0) yen, and the total amount of the reduction in legal capital surplus shall be transferred to other capital surplus.

#### (3) Amount of reduction in legal retained earnings

The current amount of legal retained earnings of 375,000,000 yen shall be reduced in full to zero (0) yen, and the total amount of the reduction in legal retained earnings shall be transferred to retained earnings brought forward.

#### (4) Appropriation of surplus

Pursuant to the provisions of Article 452 of the Companies Act, the total amount of other capital surplus of 1,903,375,616 yen after the increase shall be reduced to zero (0) yen, and the total amount of the reduction in other capital surplus shall be transferred to retained earnings brought forward, subject to the reductions in the amounts of capital stock and legal capital surplus described in the above items (1) and (2) becoming effective.

Based on the above items (1) through (4), a total of 2,278,375,616 yen, including the balance of other capital surplus prior to the transfer of 104,967 yen, will be transferred to retained earnings brought forward, and as a result, the deficit in retained earnings brought forward will be reduced by 2,278,375,616 yen, to 633,543,889 yen.

Furthermore, the Company expects the level of profit after considering the burden of income taxes, etc. to trend toward improvement in future, as it promotes various measures based on the mid-term management policy, and believes that it is possible to eliminate the deficit in retained earnings brought forward and establish a target for resuming a dividend during the period of the mid-term management policy. We appreciate our shareholders' continued understanding and support.

- (5) Effective date of the reduction in capital stock, legal capital surplus and legal retained earnings and distribution of surplus  
August 31, 2018

**Proposal No. 2: Election of Four (4) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)**

The terms of office of all four (4) incumbent Directors (excluding Directors serving as Audit and Supervisory Committee Members) will expire at the conclusion of this year's General Meeting of Shareholders. Accordingly, the election of four (4) Directors (excluding Directors serving as Audit and Supervisory Committee Members) is proposed.

The candidates for Directors (excluding Directors serving as Audit and Supervisory Committee Members) are as follows.

Additionally, the nomination of candidates for Directors (excluding Directors serving as Audit and Supervisory Committee Members), is made via resolution of the Board of Directors with reference to the opinions on the selection of candidates contained in reports from the Advisory Committee, composed primarily of Independent Outside Directors and the President and Vice President, which comprehensively consider factors such as experience, insight, and abilities as managers.

Furthermore, the Audit and Supervisory Committee has judged that the election of each candidate for Director is appropriate as they can be expected to contribute to improving corporate value when taking into account each candidate's possession of deep specialized knowledge, wealth of experience, and suitability as Director, in addition to other factors such as the state of business execution and business results for the fiscal year under review.

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company	Number of shares of the Company held
1	<p>Kazuhiro Yamauchi (January 5, 1957)</p> <p>Reappointment</p> <p>Attendance at meetings of the Board of Directors 17 / 17</p>	<p>April 1979      Joined Mitsui Trust and Banking Company, Limited (currently Sumitomo Mitsui Trust Bank, Limited)</p> <p>February 2002      General Manager, Personnel Planning Dept. of Chuo Mitsui Trust and Banking Company, Limited (currently Sumitomo Mitsui Trust Bank, Limited)</p> <p>January 2004      General Manager, Osaka Branch Business Dept. II</p> <p>January 2007      General Manager, Shinjuku Nishiguchi Branch</p> <p>June 2009      Director and General Manager, Corporate Planning Division of the Company</p> <p>August 2010      Managing Director and General Manager, Business Management Headquarters, General Manager, Corporate Planning Division</p> <p>June 2012      Senior Managing Director and General Manager, Business Management Headquarters, Deputy General Manager, Real Estate Headquarters, in charge of internal control</p> <p>July 2013      Director and Senior Managing Executive Officer, General Manager, Business Management Headquarters, General Manager, Personnel Division, in charge of business strategy and internal control</p> <p>June 2015      President and Representative Director (current post) Chairman of DAITOBOSHOKU (SHANGHAI) CORPORATION (current post) (to the present)</p> <p>Significant concurrent positions Chairman of DAITOBOSHOKU (SHANGHAI) CORPORATION * DAITOBOSHOKU (SHANGHAI) CORPORATION is a wholly owned subsidiary of the Company.</p>	53,600 shares
<p>Reasons for selecting the candidate for Director</p> <p>As President and Representative Director of the Company, Mr. Kazuhiro Yamauchi has achievements in leading the overall group with strong leadership for the past three fiscal years, and possesses advanced insights regarding overall management based on many years of experience at a financial institution and abundant management experience at the Company. The Company has determined that he will continue to be an essential person for the management of the Company, to lead the mid-term management policy newly started this fiscal year to success, and to achieve sustainable growth for the Company and an improvement in mid- to long-term corporate value, and thus proposes his continued appointment as Director of the Company.</p>			

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company	Number of shares of the Company held
2	Toshiyasu Nomura (February 27, 1952)  Reappointment  Attendance at meetings of the Board of Directors 17 / 17	<p>March 1974    Joined the Company</p> <p>April 2002    General Manager, Functional Textile Business Division</p> <p>April 2004    Deputy General Manager, Textile Business Headquarters</p> <p>May 2005    President and Director of Niigata Daitobo Co., Ltd.</p> <p>May 2007    President and Director of Daitobo Shinso Co., Ltd.</p> <p>October 2011    General Manager, Functional Textile Sales Division, Sales Headquarters</p> <p>June 2012    Director and General Manager, Functional Textile Sales Division, Sales Headquarters</p> <p>June 2013    Vice President and Director</p> <p>February 2014    Vice President and Director General Manager, Health Care Business Headquarters</p> <p>June 2014    Vice President and Representative Director General Manager, Health Care Business Headquarters</p> <p>April 2015    Vice President and Representative Director Supervising health care business, textile and apparel business</p> <p>June 2015    Vice President and Representative Director (current post)</p> <p>November 2017    General Manager, Health Care Business Headquarters (current post) (to the present)</p> <p>Significant concurrent positions None</p>	44,200 shares
<p>Reasons for selecting the candidate for Director</p> <p>As Vice President and Representative Director of the Company, Mr. Toshiyasu Nomura has achievements in undertaking management as supervisor of overall sales and manufacturing divisions for the past four fiscal years, in addition to a wealth of operational experience since joining the company and a wide network of contacts both inside and outside of the Company. The Company has determined that he will continue to be an essential person for the management of the Company, to lead the mid-term management policy newly started this fiscal year to success, and to achieve sustainable growth for the Company and an improvement in mid- to long-term corporate value, and thus proposes his continued appointment as Director of the Company.</p>			
3	Shogo Mieda (February 12, 1969)  Reappointment  Attendance at meetings of the Board of Directors 17 / 17	<p>April 1990    Joined the Company</p> <p>September 2010    Accounting Group Leader, Administration Division</p> <p>June 2012    General Manager, Corporate Planning Division, Business Management Headquarters</p> <p>June 2015    Director and Executive Officer, General Manager, Business Management Headquarters, in charge of internal control (current post) (to the present)</p> <p>Significant concurrent positions None</p>	11,200 shares
<p>Reasons for selecting the candidate for Director</p> <p>As Director of the Company, Mr. Shogo Mieda has achievements in supervising overall administration divisions such as business management and internal control for the past three fiscal years, and has deep knowledge regarding accounting and corporate planning. The Company has determined that he will continue to be an essential person for the management of the Company, to lead the mid-term management policy newly started this fiscal year to success, and to achieve sustainable growth for the Company and an improvement in mid- to long-term corporate value, and thus proposes his continued appointment as Director of the Company.</p>			

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company	Number of shares of the Company held
4	Yasunobu Sawada (January 9, 1953)  Reappointment Outside Independent Officer  Attendance at meetings of the Board of Directors 17 / 17	<p>April 1976      Joined the Ministry of Labour (currently Ministry of Health, Labour and Welfare)</p> <p>January 1989    Joined A.T. Kearney, Inc. (currently A.T. Kearney K.K.), assigned to Tokyo Office</p> <p>October 1997    Director of Practice Management</p> <p>April 2002      Executive Director of Enterprise IG Japan K.K. (currently Brand Union/WPP Group)</p> <p>July 2003       Representative Director of VieBrand Consulting Inc. (current post)</p> <p>June 2015      Outside Director of the Company (current post) (to the present)</p> <p>Significant concurrent positions Representative Director of VieBrand Consulting Inc. * No special interest exists between VieBrand Consulting Inc. and the Company.</p>	0 shares
<p>Reasons for selecting the candidate for Outside Director</p> <p>Mr. Yasunobu Sawada possesses deep knowledge and advanced insights developed during his many years of experience in public administration and experience in management consulting, and utilizes these qualities to fulfill a central role in strengthening the supervisory functions on the Company's management execution, including serving as the chairperson of the Outside Executive Committee as the Company's lead Outside Director, and provides appropriate advice and supervision in regard to the Company's management. His term of office as an Outside Director will be three (3) years at the conclusion of this General Meeting of Shareholders. In order to continue receiving his advice regarding the business activities of the Company as a whole from an objective, broad, and advanced perspective, the Company proposes his continued appointment as Outside Director.</p>			

- (Notes)
1. No special interest exists between the Company and any of the candidates for Directors (excluding Directors serving as Audit and Supervisory Committee Members).
  2. Furthermore, other matters related to the candidate for Outside Director are as follows:
    - 1) Mr. Yasunobu Sawada is a candidate for Outside Director as stipulated in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.
    - 2) Mr. Yasunobu Sawada satisfies the Criteria for Independence of Outside Officers set forth by the Company. The Company has designated him as an independent officer stipulated by the Tokyo Stock Exchange and Nagoya Stock Exchange, and registered him with the Exchanges. In the event he is elected and appointed as Director, the Company intends to continue to register him as an Independent officer.
    - 3) The Company has entered into an agreement with Mr. Yasunobu Sawada to limit his liability for damages, as stipulated in Article 423, Paragraph 1 of the Companies Act, to the minimum liability amount set forth in Article 425, Paragraph 1 of the same. In the event he is elected and appointed as Director, the Company plans to continue a liability limitation agreement with the same content with him.

### Proposal No. 3: Election of Four (4) Directors Serving as Audit and Supervisory Committee Members

The terms of office of all four (4) incumbent Directors Serving as Audit and Supervisory Committee Members will expire at the conclusion of this year's General Meeting of Shareholders. Accordingly, the election of four (4) Directors serving as Audit and Supervisory Committee Members is proposed.

This Proposal has been consented by the Audit and Supervisory Committee.

The candidates for Directors serving as Audit and Supervisory Committee Members are as follows:

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company		Number of shares of the Company held
1	<p>Yuji Kakuma (July 8, 1948)</p> <p>Reappointment</p> <p>Attendance at meetings of the Board of Directors 17 / 17</p> <p>Attendance at meetings of the Audit and Supervisory Committee 13 / 13</p>	<p>April 1967</p> <p>July 2006</p> <p>June 2007</p> <p>June 2008</p> <p>August 2010</p> <p>June 2012</p> <p>June 2016</p> <p>Significant concurrent positions None</p>	<p>Joined the Company</p> <p>General Manager, Accounting Division</p> <p>Director and General Manager, Accounting Division</p> <p>Director and General Manager, Administration Division</p> <p>Director and General Manager, Administration Division, Business Management Headquarters</p> <p>Full-time Corporate Auditor</p> <p>Director serving as full-time Audit and Supervisory Committee Member (current post) (to the present)</p>	73,000 shares
<p>Reasons for selecting the candidate for Director</p> <p>Mr. Yuji Kakuma has long presided over the Company's Accounting Division and has sufficient specialized knowledge, in addition to possessing a wealth of experience and advanced insight from many years of service as a Director and Corporate Auditor of the Company, and the Company thus proposes his continued appointment as Director Serving as Audit and Supervisory Committee Member.</p> <p>Furthermore, Mr. Yuji Kakuma is currently a Director serving as full-time Audit and Supervisory Committee Member of the Company, and his term of office as a Director serving as full-time Audit and Supervisory Committee Member will be two (2) years at the conclusion of this General Meeting of Shareholders.</p>				
2	<p>Haruki Iinuma (April 19, 1948)</p> <p>Reappointment Outside Independent Officer</p> <p>Attendance at meetings of the Board of Directors 17 / 17</p> <p>Attendance at Audit and Supervisory Committee 13 / 13</p>	<p>April 1976</p> <p>April 1978</p> <p>June 2011</p> <p>June 2016</p> <p>Significant concurrent positions Director of IINUMA LAW OFFICE * No special interest exists between IINUMA LAW OFFICE and the Company.</p>	<p>Registered as an attorney</p> <p>Established IINUMA LAW OFFICE (current position)</p> <p>Outside Corporate Auditor of the Company</p> <p>Director serving as Audit and Supervisory Committee Member (current post) (to the present)</p>	0 shares
<p>Reasons for selecting the candidate for Outside Director</p> <p>Mr. Haruki Iinuma is well versed in corporate legal affairs from his many years of experience as an attorney, and utilizes his specialized knowledge and advanced insight concerning management to provide appropriate advice and supervision in regard to the Company's management. His term of office as an Outside Director serving as Audit and Supervisory Committee Member will be two (2) years at the conclusion of this General Meeting of Shareholders.</p> <p>In order to continue receiving his advice regarding the business activities of the Company as a whole from an objective, broad, and advanced perspective, the Company proposes his continued appointment as Outside Director.</p>				

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company	Number of shares of the Company held
3	<p>Takashi Kagami (December 19, 1976)</p> <p>Reappointment Outside Independent Officer</p> <p>Attendance at meetings of the Board of Directors 17 / 17</p> <p>Attendance at Audit and Supervisory Committee 13 / 13</p>	<p>September 2001 Joined Shin Nihon &amp; Co. (currently Ernst &amp; Young ShinNihon LLC)</p> <p>July 2005 Registered as a certified public accountant</p> <p>August 2006 Joined Certified Public Tax Accountants' Co. Takano Sogo Accounting Firm and Takano Sogo Consulting Co. (concurrent)</p> <p>November 2013 Registered as a licensed tax accountant Partner of Certified Public Tax Accountants' Co. Takano Sogo Accounting Firm (current post)</p> <p>June 2016 Director serving as Audit and Supervisory Committee Member of the Company (current post)</p> <p>December 2017 Representative Director of Takano Sogo Consulting Co. (current post) (to the present)</p> <p>Significant concurrent positions Partner of Certified Public Tax Accountants' Co. Takano Sogo Accounting Firm Representative Director of Takano Sogo Consulting Co.</p> <p>* No special interest exists between the above companies and the Company.</p>	700 shares
<p>Reasons for selecting the candidate for Outside Director</p> <p>Mr. Takashi Kagami is well versed in accounting and taxes, including gaining experience in a major auditing firm, and serving as representative of a company as a specialist in taxation and management consulting, and he utilizes his specialist knowledge and insight regarding business management to provide appropriate advice and supervision in regard to the Company's management. His term of office as an Outside Director serving as Audit and Supervisory Committee Member will be two (2) years at the conclusion of this General Meeting of Shareholders.</p> <p>In order to continue receiving his advice regarding the business activities of the Company as a whole from an objective, broad, and advanced perspective, the Company proposes his continued appointment as Outside Director.</p>			
4	<p>Shusaku Okumura (June 16, 1952)</p> <p>Reappointment Outside Independent Officer</p> <p>Attendance at meetings of the Board of Directors 17 / 17</p> <p>Attendance at Audit and Supervisory Committee 13 / 13</p>	<p>April 1977 Joined Sumitomo Marine &amp; Fire Insurance Co., Ltd. (currently Mitsui Sumitomo Insurance Company, Limited)</p> <p>April 2003 General Manager, Nursing Care &amp; Service Office of Mitsui Sumitomo Insurance Company, Limited</p> <p>April 2006 President and Representative Director of American Appraisal Japan Co., Ltd.</p> <p>April 2008 General Manager, Risk Management Division of Mitsui Sumitomo Insurance Company, Limited</p> <p>October 2010 General Manager, Corporate Risk Management Dept. of MS&amp;AD Insurance Group Holdings, Inc.</p> <p>April 2013 Fixed-term employee, Corporate Risk Management Dept. of MS&amp;AD Insurance Group Holdings, Inc.</p> <p>March 2016 Retired from MS&amp;AD Insurance Group Holdings, Inc.</p> <p>June 2016 Director serving as Audit and Supervisory Committee Member of the Company (current post) (to the present)</p> <p>Significant concurrent positions None</p>	700 shares
<p>Reasons for selecting the candidate for Outside Director</p> <p>Mr. Shusaku Okumura has experience as a manager in nursing care related business at a major domestic non-life insurance company and as a manager of the Japanese arm of an American company, in addition to a wealth of operational experience relating to internal control, and provides appropriate advice and supervision in regard to the Company's management. His term of office as an Outside Director serving as Audit and Supervisory Committee Member will be two (2) years at the conclusion of this General Meeting of Shareholders.</p> <p>In order to continue receiving his advice regarding the business activities of the Company as a whole from an objective, broad, and advanced perspective, the Company proposes his continued appointment as Outside Director.</p>			

- (Notes)
1. No special interest exists between the Company and any of the candidates for Directors serving as Audit and Supervisory Committee Members.
  2. Furthermore, other matters related to candidates for Outside Directors are as follows.
    - 1) Messrs. Haruki Iinuma, Takashi Kagami, and Shusaku Okumura are candidates for Outside Directors as stipulated in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.
    - 2) Messrs. Haruki Iinuma, Takashi Kagami, and Shusaku Okumura satisfy the Criteria for Independence of Outside Officers set forth by the Company. The Company has designated the above three (3) persons as independent officers stipulated by the Tokyo Stock Exchange and Nagoya Stock Exchange, and registered them with the Exchanges. If the above three (3) persons are elected and appointed as Directors, the Company intends to continue to register them as independent officers.
    - 3) The Company has entered into an agreement with Messrs. Haruki Iinuma, Takashi Kagami, and Shusaku Okumura to limit their liability for damages, as stipulated in Article 423, Paragraph 1 of the Companies Act, to the minimum liability amount set forth in Article 425, Paragraph 1 of the same. In the event the above three (3) persons are elected and appointed as Directors, the Company intends to continue liability limitation agreements with the same content with them.

[Opinion of the Audit and Supervisory Committee]

The Audit and Supervisory Committee has carefully considered the election of Directors of the Company, including confirming the discussions of the Advisory Committee. The Audit and Supervisory Committee has judged that the procedures for nomination when electing Directors are appropriate, and that each candidate is suitably qualified as a Director of the Company, as a result of comprehensively considering each candidate's experience, insight, and ability as a manager, taking into account the status of business execution and business performance this fiscal year, the status of discussions in the Board of Directors, the candidates' backgrounds thus far, and other factors.

## (Reference)

### [Policy on the Election of Directors of the Company]

The Company selects candidates with the prerequisite that they possess a high level of expertise, and qualities and insight as a manager, taking into account business scale, business scope, and other factors, with the requirement that the number of candidates is within the limits of the number of Directors stipulated in the Articles of Incorporation. In addition, the Company elects candidates for Independent Outside Director who possess a high level of insight and will supervise management, etc. from an objective standpoint and provide views and advice that will contribute to enhancing corporate value. On the other hand, the Company has introduced an Executive Officer System, thereby clarifying the responsibility of supervising management and the responsibility of business execution. In addition, in June 2016, the Company transitioned to a company with an Audit and Supervisory Committee. Through above initiatives, the basic approach of the Board of Directors is to create a system that is capable of supervising management efficiently and effectively. Furthermore, the Company shall elect at least one (1) Director Serving as Audit and Supervisory Committee Member with a sufficient knowledge of finance and accounting.

### [Procedures for the Election of Directors of the Company]

The nomination of candidates for Director (excluding Directors serving as Audit and Supervisory Committee Members) and Directors serving as Audit and Supervisory Committee Members shall be determined by resolution of the Board of Directors, with reference to views regarding the candidates reported by the Advisory Committee, which mainly comprises Independent Outside Directors and includes the President and Vice President, comprehensively considering candidates' experience, insight, ability, etc. as a manager.

### [Criteria for Independence of Outside Directors of the Company]

If the Board of Directors of the Company judges that an Outside Director does not fall under any of the following items, he or she shall be considered independent.

- 1) An executing person of the Company or its subsidiaries, either currently or in the past
- 2) A major shareholder of the Company (refers to a shareholder with a voting rights ownership ratio of 10% or more) or an executing person thereof, either currently or in the past five (5) years
- 3) A party whose major business partner is/was the Company (refers to a party for whom sales to the Group account for 2% or more of the consolidated net sales of the business partner in any of the past three (3) fiscal years) or an executing person thereof, either currently or in the past five (5) years
- 4) A party who is/was a major business partner of the Company (refers to a party who accounts for 2% or more of the Group's consolidated net sales in any of the past three (3) fiscal years) or an executing person thereof, either currently or in the past five (5) years
- 5) An executing person of a major lender to the Company (refers to a financial institution that the Group borrows from, and whose total outstanding lending to the Group exceeds 10% of the Group's total outstanding borrowing at the end of the most recent fiscal year), either currently or in the past five (5) years
- 6) A consultant, an accounting professional, or a legal professional receiving a significant amount (refers to an amount exceeding 10 million yen in any of the past three (3) fiscal years) of money or other assets from the Company other than executive remuneration
- 7) An executing person of a body receiving (or making) a donation or aid of a significant amount (refers to an amount exceeding 10 million yen in any of the past three (3) fiscal years) from (to) the Company
- 8) An executing person of a party which has a mutual relationship with the Company through outside officers
- 9) A spouse, a relative within two degrees of kinship, or a cohabiting relative of an individual who has fallen under any of criteria 1 through 8
- 10) A person whose total term of office as Outside Director exceeds eight (8) years.

#### **Proposal No. 4: Renewal of Measures to Respond to a Large-scale Purchaser of the Company's Share Certificates, etc. (Takeover Defense Measures)**

Based on the provisions of Article 19 of the Company's Articles of Incorporation established upon receiving approval at the 195th Annual General Meeting of Shareholders of the Company held on June 25, 2015, the Company introduced measures to respond to a large-scale purchase of the Company's share certificates, etc. judged to violate the realization of the corporate value of the Company, corporate interests, and shareholders' common interests (hereinafter, the "Former Plan"), after receiving shareholders' approval at the same Annual General Meeting of Shareholders. The effective period of the Former Plan is until the conclusion of the Annual General Meeting of Shareholders of the Company for the fiscal year ended March 31, 2018 (hereinafter, "this General Meeting of Shareholders"), and it will end at the conclusion of this General Meeting of Shareholders.

After considering the matter from the perspective of further protecting and enhancing the corporate value of the Company and shareholders' common interests, while also taking into consideration amendments to related laws and regulations, changes in social and economic trends, discussions regarding takeover defense measures, and other factors, the Company has decided, by unanimous approval of all Directors of the Company at a meeting of the Board of Directors held on May 11, 2018, to renew the Former Plan as described in the below item III (hereinafter, referred to as the "Renewal," and the takeover defense measures of the Company after the Renewal are referred to as "this Plan" in this Proposal below), subject to receiving shareholders' approval at this General Meeting of Shareholders.

In this Proposal, the Company requests shareholders' approval in regard to this Plan. The details of this Plan are as follows.

Furthermore, all Directors serving as Audit and Supervisory Committee Members of the Company attended the meeting of the Board of Directors where this Plan was determined, and all expressed views approving of this Plan, subject to the specific implementation of this Plan being appropriately conducted.

The main changes accompanying the Renewal are as follows, and the Company has not made any substantial changes to its contents.

- Change 1. The content of the below item II "Special initiatives to contribute to the realization of the basic policy" has been amended to reflect the Company's mid-term management policy and various measures related to corporate governance as a Company with Audit and Supervisory Committee, following the Company's transition to this structure in 2016.
- Change 2. Necessary changes have been made in line with the Company's transition to a Company with Audit and Supervisory Committee.
- Change 3. Formal changes have been made, including amendments to phrasing, such as replacing 'introduce' with 'renew,' and amendments to dates in line with renewal.

#### **I Basic policy regarding persons controlling decisions about the Company's financial and business policies**

The Company believes that persons controlling decisions about the Company's financial and business policies must understand the sources of the Company's corporate value, and be persons who are able to protect and enhance the corporate value of the Company, corporate interests, and shareholders' common interests, on an ongoing and sustainable basis. As a public company, the free trade of the Company's share certificates, etc. by shareholders and investors is recognized, and the Board of Directors of the Company believes that the status of persons controlling decisions about the Company's financial and business policies should ultimately be determined by the will of shareholders as a whole, and that in the event of a large-scale purchase (as defined in the below item III 2. (3) 1); hereinafter, the same applies) of the Company's share certificates, etc., judgments regarding whether or not to accept the large-scale purchase should ultimately be entrusted to the Company's shareholders.

Recently, however, in capital markets in Japan, there is a trend toward one-sided large-scale purchases being forced through without the approval of the management team of the target company. Among such large-scale purchases, it may be expected that there are some that will not contribute to the corporate value of the target company, corporate interests, and shareholders' common interests, such as those that will clearly harm corporate value, corporate interests, or shareholders' common interests in view of the objectives, etc. of the large-scale purchase, those that may effectively force shareholders to sell share certificates, etc., those that do not provide sufficient time or information for the Board of Directors of the target company and shareholders to consider the content of the purchase proposal and any alternative proposal by the Board of Directors of the target company, etc., and those that require consultation or negotiation by the Board of Directors of the target company with the large-scale purchaser to secure more advantageous terms than those

presented by the large-scale purchaser (as defined in the below item III 2. (3) 1); hereinafter, the same applies).

The Company believes that persons conducting such large-scale purchases that will not contribute to enhancing the corporate value of the Company, corporate interests, and shareholders' common interests are not appropriate as persons controlling decisions about the Company's financial and business policies, and believes that necessary and appropriate countermeasures must be taken in the event that such a person appears.

## **II Special initiatives to contribute to the realization of the basic policy**

### **1. Sources of the Company's corporate value**

The Company was established as Japan's first wool company in February 1896 with investment from the Mitsui family and other influential figures in the financial world of Tokyo. Subsequently, the Company contributed to economic and social development over many years as a leading company in the textile industry, a driver of Japan's economic growth from the Meiji period to the beginning of the Showa period. By quickly establishing an integrated production structure for wool products, the Company also utilized its strength in the uniform business for public and private demand, and had many achievements, including supplying uniforms for the police, fire department, and other government departments, and uniforms related to the previous Tokyo Olympics. In addition, in the 1960s, the Company also participated widely in the development of the apparel industry, including creating a mass production structure for men's suits and collaborating with influential U.S. brands. Furthermore, going into the 1990s, the Company entered the textile business in China, including establishing a men's suit manufacturing factory in a joint venture with the Shanshan Group, an influential Chinese conglomerate, and also in 2008 took over the proposal-based OEM business of Cosmoei Co., Ltd., which was strong in the knitwear business, and began knitwear planning consulting. In particular, the "uniform business" and "knitwear planning consulting," which are wool-related businesses that are expected to support the future textile and apparel business, are a group of businesses that was developed over the course of this history. Furthermore, amid the slump in the domestic textile industry, the Company also implemented decisive restructuring measures as necessary, including closing the Suzuka Plant, the Company's largest domestic cotton mill, in 2002, dissolving a subsidiary engaged in selling menswear owing to worsening business conditions and other factors in 2015, and the complete exit from the men's suits manufacturing business at the joint venture factory in China in 2017.

On the other hand, amid the protracted slump in the domestic textile industry, the Company began developing "SUN TO MOON Kakitagawa," a large commercial facility with close regional ties, on the site of the Company's former Mishima Plant in Sunto, Shizuoka Prefecture in 1997, and at present, the commercial facility business has developed into the Company's main source of earnings. In 2018, the Company began construction to expand and renew "SUN TO MOON Kakitagawa," aimed at further strengthening this business.

In addition, in regard to the bedding manufacturing business, the predecessor to the current health care business, the Company launched this business in the Suzuka Plant in 1980, and focused on new business development from 1990 to 1991, including establishing a bedding products sales subsidiary and establishing a bedding products manufacturing subsidiary in Tokamachi, Niigata Prefecture, and engaged in an integrated manufacturing and sales business over many years. Subsequently, in 2014, the Company further developed the bedding business in anticipation of the aging society, and has established a new Health Care Business Headquarters focused on the three areas of "health products, health and medical devices, and health foods," in which further growth may be expected. In 2017, the Company implemented initiatives for the development of a society with a long and healthy lifespan, including conducting a capital and business alliance with Ito Co., Ltd., a medical device manufacturer.

Furthermore, in 2017, the Company entered into a capital and business alliance with First Brothers Co., Ltd., which is listed on the First Section of the Tokyo Stock Exchange, and its subsidiaries, as it aims to further develop its businesses.

At present, the Company is implementing the following management strategy, based on the "Get Ahead of the Future Mid-term Management Policy" started in April 2018.

#### **1) Priority initiatives aimed at investment for growth, and maintenance and renewal investment**

The Company will continue to prioritize investment in the commercial facility business, its pillar of earnings. Specifically, the Company will begin construction to expand and renew "SUN TO MOON Kakitagawa" during 2018.

#### **2) Expansion of business scale and enhancement of profitability**

The Group will focus management resources on the commercial facility business, the pillar of earnings, thereby making the expansion of business scale and enhancement of profitability certain. As

it focuses on expanding business scale, the Company will maintain a firm awareness of ESG (environmental, social, and governance) and other concepts, and of creating economic and social value. Furthermore, when promoting its businesses, the Company will utilize its unique qualities to further strengthen collaborative initiatives with capital and business alliance partners that it has entered into agreements with, and take full advantage of the business opportunities ahead. At the same time, the Company will focus on creating new businesses that maintain an awareness of synergies with the commercial facility business and the Group's other businesses, as foundations for the future.

3) Strengthening financial management and resuming a dividend

Securing a sound financial position is a major precondition for sustainable growth and an enhancement in corporate value over the mid- to long-term. In future, the Company will focus on strengthening financial management, with an emphasis on securing free cash flow and reducing interest-bearing debt. Through these measures, the Company aims to resume dividend payments during the period covered by its mid-term management policy.

4) Securing and developing human resources

The Company will focus on reforming the way people work and promote the creation of an environment where women can actively participate, as it focuses on securing and developing human resources.

5) Thorough implementation of management consistent with Japan's Corporate Governance Code

In order to make sustainable growth and the enhancement of corporate value over the mid- to long-term certain, the Company will take steps to maintain and strengthen governance systems, while also promoting responses to social issues through its business activities.

Against the backdrop of the history and traditions of the Company covering more than 120 years, the Group will utilize the above measures and build on its management philosophy, "enterprising spirit" and "mindset of benefitting ourselves and others," to leverage its creative force and engage with unlimited possibilities. In this way, the Group intends to achieve sustainable growth and enhance corporate value over the mid- to long-term, while also becoming a company that serves a purpose in society, that is conscious of the environment, and that values people's happiness, and thereby contributing to creating a better future for Japan.

The source of the Company's corporate value lies in the Group's business partners, with whom the Company has built relationships of trust over many years, and its employees, who have abundant experience and expert skills, coming together to develop the Company's businesses based on this history and these achievements, and the Company believes that it is possible to protect and enhance corporate interests and shareholders' common interests on an ongoing and sustainable basis by understanding these sources of corporate value when engaging in operations.

## 2. Status of corporate governance

### (1) Corporate governance systems

With the approach of prioritizing corporate value in management, the Company considers corporate governance as one of the most important management issues, and its basic policy is to secure the transparency, soundness, and legality of management in order to respond to the rapidly changing management environment, while also prioritizing accountability toward all stakeholders, endeavoring to ensure timely and appropriate information disclosure, making management more efficient and decision-making more prompt, and enhancing management monitoring functions, and it has thus created the following corporate governance systems.

The Board of Directors is positioned as a body for management decision-making and supervision of the execution of duties by Directors, and comprises a total of eight (8) Directors, including four (4) Directors (excluding Directors serving as Audit and Supervisory Committee Members) (including one (1) Independent Outside Director) and four (4) Directors serving as Audit and Supervisory Committee Members (including three (3) Independent Outside Directors). Meetings of the Board of Directors are held once per month, in principle, with extraordinary meetings of the Board of Directors also held as necessary, and in addition to deliberating, reporting on, and determining important management matters, the Board of Directors is also a system for appropriately supervising the execution of business operations by Directors, including receiving reports on the status of the execution of business operations.

The Audit and Supervisory Committee comprises four (4) Directors serving as Audit and Supervisory Committee Member (including three (3) Independent Outside Directors). The Audit and Supervisory Committee has one (1) full-time Audit and Supervisory Committee Member, and meetings of the Audit and Supervisory Committee are held once per month, in principle, to audit the execution of business operations by Directors, and create audit reports. In principle, Directors serving as Audit and

Supervisory Committee Members conduct audits related to legality and validity through internal control systems, and audits of the execution of duties by Directors, by attending meetings of the Board of Directors and meetings of the Audit and Supervisory Committee, and the Director serving as full-time Audit and Supervisory Committee Member attending meetings of the General Manager Committee and other important internal meetings. Additionally, Directors serving as Audit and Supervisory Committee Members appropriately exchange views with the Internal Audit Office and hold an Internal Audit Liaison Meeting once per month on a regular basis, while also maintaining close cooperation with the Accounting Auditor by ensuring opportunities for consultation and analysis of important accounting issues, in addition to regular accounting audits.

The Outside Officer Committee is a forum for active debate on effective advice for ensuring the sustainable growth of the Company and enhancing corporate value and suggestions regarding the supervision of management, from a new, external perspective, and comprises only Independent Outside Directors, with one (1) of the four (4) Independent Outside Directors as the lead Outside Director.

The Advisory Committee is a forum for obtaining appropriate advice from Independent Outside Directors when considering important matters, such as matters related to the nomination and remuneration of Directors and other senior executives, and is established under the Board of Directors, with Independent Outside Directors as its main members, and also including the President and Vice President.

The Internal Controls Committee meets once per month, in principle, and is chaired by the President with the General Manager of the Internal Audit Office as Secretariat. It is attended by Directors (excluding Directors serving as Audit and Supervisory Committee Members), the Director serving as full-time Audit and Supervisory Committee Member, and officers and employees of the rank of General Manager and above, and broadly consults and reports on the status of matters related to risk management, matters related to internal controls, and related issues.

In addition, the General Manager Committee comprises Directors (excluding Directors serving as Audit and Supervisory Committee Member), Executive Officers, the Director serving as full-time Audit and Supervisory Committee Member, and officers and employees of the rank of General Manager and above, and meets once per month to consider important issues related to management policies and important matters related to the execution of business operations. For Group companies, meetings are held once per month, in principle, to receive reports on the progress of business operations.

#### (2) Status of creation of internal control systems

The Company has formulated a basic policy regarding the creation of internal control systems, and takes steps to establish systems to ensure the appropriateness of corporate business operations, and strengthen internal control functions. In addition, the General Manager of the Business Management Headquarters leads efforts by the Group as a whole to promote the creation of internal controls related to financial reporting in accordance with the Financial Instruments and Exchange Act, and other measures.

#### (3) Status of creation of risk management systems

The Company discusses important legal issues and matters related to compliance with its legal advisers, etc., and utilizes external experts as necessary to prevent violations of laws and regulations and the Articles of Incorporation in advance. In addition, the Company has strengthened its corporate governance systems, including making it such that in the event a Director discovers a violation of laws and regulations or the Articles of Incorporation by another Director, he or she shall immediately report it to the Audit and Supervisory Committee and the Board of Directors. Regarding information management, the Company has formulated a basic policy on information security and regulations on information security and management, and stores and manages it in an appropriate, secure manner. In addition, in the event of a large earthquake or other disaster, the Company shall respond in an organized, planned manner in accordance with basic rules on disaster prevention and crisis management, in order to minimize harm.

### **III Initiatives to prevent decisions about the Company's financial and business policies being controlled by inappropriate persons in light of the basic policy**

#### 1. Enhancement of corporate value and the realization of corporate interests and shareholders' common interests

##### (1) Existence of a large-scale purchase of share certificates, etc. that violates the enhancement of corporate value and the realization of corporate interests and shareholders' common interests

As described above, the Group intends to focus all its efforts on enhancing corporate value and realizing corporate interests and shareholders' common interests, but in capital markets in recent years, it

cannot be denied that there has been a trend toward sudden large-scale purchases of share certificates, etc. being forced through without giving sufficient time to shareholders for consideration, or going through processes such as sufficient consultation and agreement with the management team of the target company.

Essentially, even if it does not have the approval of the management team of the target company, a large-scale purchase of share certificates, etc. should not be rejected on the occasion that it leads to the efficient utilization of corporate assets and enhances corporate value and realizes corporate interests and shareholders' common interests.

However, among these large-scale purchases, it cannot be denied that there may be some that are so-called "abusive purchases," whereby it is clear that corporate value, corporate interests, and shareholders' common interests will be considerably harmed, such as those that are not intended to properly participate in corporate management and whose objective is solely to cause the stock price of the company to increase and force parties related to the target company, etc. to repurchase share certificates, etc. at a high price.

In addition, as mentioned above, the Company firmly believes that maintaining good relationships with various stakeholders, including maintaining and developing relationships of trust built with customers over many years, will lead to enhancement in the corporate value of the Company over the mid- to long-term, and the realization of shareholders' interests. If a large-scale purchaser of the Company's share certificates, etc. does not fully understand this and will not protect and enhance these factors over the mid- to long-term, then the corporate value of the Company, and corporate interests and shareholders' common interests will be considerably harmed.

## (2) Necessity of renewal of this Plan

Freedom of transfer is a basic principle of the Company's share certificates, etc., and they are freely traded by many investors on stock exchanges. Accordingly, whether or not to accept a proposal regarding a large-scale purchase of the Company's share certificates, etc. should ultimately be entrusted to the judgment of shareholders.

In the event of a large-scale purchase being conducted in conditions such as those described in the above item (1), the Company believes it is essential that appropriate and sufficient information is provided by both the large-scale purchaser and the Board of Directors of the Company, and that sufficient time is ensured for consideration, in order for shareholders to appropriately assess whether or not the large-scale purchase will contribute to enhancing the corporate value of the Company and realizing corporate interests and shareholders' common interests, and to decide whether or not to accept the proposal regarding the large-scale purchase of the Company's share certificates, etc. In addition, in the event that the Board of Directors of the Company judges that it is necessary to change or improve the terms or method of the large-scale purchase from the perspective of protecting or enhancing the corporate value of the Company and corporate interests and shareholders' common interests, the Company believes it will be necessary to negotiate with the large-scale purchaser and present an alternative proposal to shareholders, etc., and so the necessary time should be sufficiently ensured for that purpose.

Based on this approach, the Company has decided to renew this Plan as follows, with necessary amendments to the Former Plan. This Plan requires compliance with this Plan from the large-scale purchaser, and also sets forth countermeasures if the large-scale purchaser does not comply with this Plan, and if it is judged that the large-scale purchase will considerably harm the corporate value of the Company or corporate interests and shareholders' common interests.

At present, the Company has not received any proposal relating to a large-scale purchase. In addition, the status of the Company's major shareholders as of March 31, 2018 is shown on "Status of Shareholders (as of March 31, 2018)" on page 60 (in Japanese) of this Notice.

## 2. Content of this Plan

### (1) Overview of this Plan

Under this Plan, large-scale purchasers shall be required to follow prescribed procedures when conducting a large-scale purchase, and, in principle, a gratis allotment of subscription rights to shares shall be made to shareholders as a countermeasure against a large-scale purchase if the large-scale purchaser does not comply with these procedures, and even in the event that these procedures are followed, if it is judged that the large-scale purchase will considerably harm the corporate value of the Company, and corporate interests and shareholders' common interests. In addition, other countermeasures may be used if it is judged that it is appropriate to activate other countermeasures permitted by the Companies Act and other laws and regulations, and the Articles of Incorporation of the

Company.

For the subscription rights to shares to be allotted in accordance with this Plan (hereinafter, the “Subscription Rights to Shares”), the Company intends to attach provisions including: 1) exercise terms prohibiting their exercise by the large-scale purchaser and his or her related parties; and 2) acquisition clauses whereby the Company may deliver shares in the Company to shareholders who are not the large-scale purchaser or his or her related parties in exchange for the acquisition of the Subscription Rights to Shares by the Company.

If a gratis allotment of Subscription Rights to Shares is conducted, there is a possibility that the proportion of voting rights held by the large-scale purchaser and his or her related parties against the total voting rights of the Company may be greatly diluted as a result of these exercise terms and acquisition clauses.

(2) Procedures for renewal of this Plan — approval at this General Meeting of Shareholders

The Former Plan was approved at the 195th Annual General Meeting of Shareholders of the Company held on June 25, 2015, based on the provisions of Article 19 of the Company’s Articles of Incorporation established upon receiving approval at the same Annual General Meeting of Shareholders, but in order to appropriately reflect the will of shareholders in the renewal of this Plan also, the Company proposes the renewal of this Plan at this General Meeting of Shareholders, based on the same Article of the Articles of Incorporation.

(3) Procedures related to the activation of this Plan

1) Applicable large-scale purchases

This Plan shall apply to purchases of the Company’s share certificates, etc., other transfers with consideration, and other similar actions, and their proposals by persons (hereinafter, “specified shareholders”) for whom, as a result of the purchase, other transfer with consideration, or other similar action pertaining to more than a certain number of the Company’s share certificates, etc., either:

- i. the total ownership ratio<sup>1</sup> of share certificates, etc.<sup>2</sup> pertaining to the Company’s share certificates, etc. held<sup>3</sup> by a holder<sup>4</sup> of the Company’s share certificates, etc.; or
- ii. the total ownership ratio<sup>5</sup> of share certificates, etc. pertaining to the Company’s share certificates, etc. that are held<sup>6</sup> by or that will be held by the person conducting a purchase of the Company’s share certificates, etc.<sup>7</sup>, other transfer with consideration, or other similar action, and the Company’s share certificates, etc. held by his or her specially related parties<sup>8</sup>

will be 20% or more (however, this excludes those previously approved by the Board of Directors of the Company; hereinafter, a purchase, etc. to which this Plan applies shall be referred to as a “large-scale purchase,” and a person conducting or attempting to conduct a large-scale purchase shall be referred to as a “large-scale purchaser”).

2) Disclosure under this Plan and requests for information from the large-scale purchaser

The Company shall make timely disclosure regarding this Plan in accordance with all the regulations set forth by Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc., and shall also post this Plan on the Company’s website (<http://www.daitobo.co.jp/>).

Excluding cases otherwise provided for by the Board of Directors of the Company, the large-scale purchaser shall provide a purchase proposal with the information necessary for consideration of the details of the large-scale purchase set forth in each of the items below (hereinafter, referred to as the

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1 Refers to the ownership ratio of share certificates, etc. as provided for in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act. The same shall apply hereinafter.

2 Refers to the ownership ratio of share certificates, etc. as provided for in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act. The same shall apply hereinafter.

3 Refers to holding as provided for in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act. The same shall apply hereinafter.

4 Refers to a holder as provided for in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act, including persons deemed holders pursuant to Paragraph 3 of the same. The same shall apply hereinafter.

5 Refers to share certificates, etc. as provided for in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act. The same applies hereinafter unless otherwise provided for.

6 Refers to holding as provided for in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act. The same shall apply hereinafter.

7 Refers to share certificates, etc. as provided for in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act. The same applies in item ii below.

8 Refers to a specially related party as provided for in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act. However, in regard to persons set forth in item 1 of the same, this shall exclude persons provided for in Article 3, Paragraph 2 of the Cabinet Office Order on Disclosure Required for Tender Offer for Share Certificates, etc. by Person Other than Issuer. The same shall apply hereinafter.

“Required Information”) to the Board of Directors of the Company ahead of the implementation of the large-scale purchase, written in Japanese and including a statement of intent to the effect that he or she shall comply with the procedures set forth in this Plan.

Furthermore, a certified copy of the commercial register, a copy of the Articles of Incorporation, and other documents proving the existence of the large-scale purchaser shall be attached to the purchase proposal.

If the Board of Directors of the Company receives the above purchase proposal, it shall promptly provide it to the Independent Committee set forth in the below item 4). In the event that the Board of Directors of the Company reasonably judges that the information provided by the large-scale purchaser is insufficient for the assessment of shareholders and the evaluation and consideration of the Board of Directors of the Company, etc., in light of the content or format, etc. of the large-scale purchase, the large-scale purchaser shall provide additional information separately requested by the Board of Directors of the Company, in Japanese (however, the Board of Directors of the Company shall not request the provision of additional information that exceeds a level necessary for shareholders to appropriately judge the appropriateness of the purchase, and for the evaluation and consideration of the Board of Directors of the Company, etc., taking into consideration such factors as the characteristics of the large-scale purchaser, the details of the large-scale purchase proposed by the large-scale purchaser, and the content and nature of the Required Information).

Such requests for the provision of additional information shall be made within ten business days of receiving the purchase proposal as described above or subsequently receiving any additional information, after determining an appropriate deadline for a reply (of up to 30 days, in principle).

- i. Details of the large-scale purchaser and his or her group (including joint holders, specially related parties, and (in the case of funds) members and other constituents) (including specific name, capital structure, business content, financial details, and experience in businesses of the same type as the Company’s businesses)
- ii. Number of the Company’s share certificates, etc. actually held by the large-scale purchaser and his or her group, and the status of transactions in the Company’s share certificates, etc. by the large-scale purchaser during the 60 days prior to the submission of the purchase proposal
- iii. The large-scale purchase objective (if the objective is to acquire control or participate in management, portfolio investment or strategic investment, transfer the Company’s share certificates, etc. to a third party after the large-scale purchase, etc., make a material proposal, etc. (refers to a material proposal, etc. as provided for 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 same, and Article 16 of the Cabinet Office Order on Disclosure of the Status of Large-Volume Holdings in Share Certificates) or any other objective, notice to that effect and an overview thereof; furthermore, if there are multiple objectives, details of all objectives shall be provided), method, and details (including the type and number of the Company’s share certificates, etc. intended for acquisition in the large-scale purchase, the amount and type of consideration for the large-scale purchase, the timing of the large-scale purchase, the structure of any related transactions, the legality of the method of large-scale purchase, and the possibility of implementation of the large-scale purchase)
- iv. An overview of the calculation basis for the large-scale purchase price (including the facts and assumptions used as the basis for calculation, the method of calculation, numerical data used in the calculation, and the amount and basis for calculation of any synergies expected to arise as a result of related transactions)
- v. Backing for the large-scale purchase funds (including the specific name of any providers of funds (including de facto providers), method of raising funds, and details of any related transactions)
- vi. Management policies pertaining to the Group after the large-scale purchase, management candidates (including information regarding experience in businesses of the same type as the businesses of the Company and the Group), business plans, financial plans, capital policy, dividend policy, and measures to utilize assets (however, in the event that the purchase proposal by the large-scale purchaser is a cash purchase for 100% of the Company in which no minority shareholders shall remain, a summary shall be sufficient for the provision of the information in this item)
- vii. Policies pertaining to the treatment of the Group’s employees, business partners, clients, and other stakeholders of the Group after the large-scale purchase
- viii. Policies pertaining to the return of capital invested for the large-scale purchase
- ix. Whether there are any relationships with antisocial forces or terrorist organizations (regardless

of whether they are direct or indirect), and if there are any relationships, the details thereof

- x. Any other information that the Board of Directors of the Company reasonably judges necessary.

Furthermore, if the Board of Directors of the Company recognizes that a large-scale purchaser has appeared, or if it receives a purchase proposal or additional information, the Board of Directors of the Company shall promptly disclose information pertaining to those facts to shareholders. Information pertaining to all or part of the content of the information provided to the Board of Directors of the Company by the large-scale purchaser, etc. shall be disclosed to shareholders at the point that it is judged necessary for the assessment of shareholders by the Board of Directors of the Company.

### 3) Procedures related to consideration by the Board of Directors of the Company

If the Board of Directors of the Company judges that the Required Information in the purchase proposal submitted by the large-scale purchaser fulfills the standard necessary for shareholders to appropriately judge the appropriateness of the purchase, and for the evaluation and consideration of the Board of Directors of the Company, etc. (including cases when the Board of Directors of the Company judges that it has received information that is sufficient as the Required Information together with the purchase proposal, owing to the submission of Required Information additionally requested by the Board of Directors of the Company for the reason that the information submitted by the large-scale purchaser was insufficient), then it shall promptly notify the large-scale purchaser and the Independent Committee of that fact, together with the start and end of the Board of Directors Evaluation Period described below, and shall disclose related information to shareholders in a timely and appropriate manner. Within 60 days (for purchases of all of the Company's share certificates, etc. by tender offer where the consideration is cash (Japanese yen) only) or 90 days (for other large-scale purchases) of the day following the dispatch of this notification to the large-scale purchaser (hereinafter, this period of within 60 or 90 days shall be referred to as the "Board of Directors Evaluation Period"), the Board of Directors of the Company shall carefully compile its opinion with regard to the large-scale purchase after sufficiently evaluating and considering the Required Information provided, while obtaining the advice of third parties in an independent position from the Company as necessary (including investment banks, securities firms, financial advisers, attorneys, certified public attorneys, and other experts), and respecting the recommendation of the Independent Committee set forth in the below item 4) to the maximum extent possible, and shall notify the large-scale purchaser, and disclose related information to shareholders in a timely and appropriate manner. As necessary, the Board of Directors of the Company may also negotiate the terms and method of the large-scale purchase with the large-scale purchaser, and furthermore, present an alternative proposal to shareholders as the Board of Directors of the Company.

Furthermore, if there are unavoidable circumstances regarding the Board of Directors of the Company not reaching a resolution on whether to activate or not activate countermeasures within the Board of Directors Evaluation Period, such as the Independent Committee not making a recommendation on whether to activate or not activate countermeasures within the Board of Directors Evaluation Period, then the Board of Directors may extend the Board of Directors Evaluation Period within a necessary range of up to 30 days (calculated from the day after the final day of the initial Board of Directors Evaluation Period), based on the recommendation of the Independent Committee. If the Board of Directors of the Company resolves to extend the Board of Directors Evaluation Period, it shall notify the large-scale purchaser and the Independent Committee of the specific period of this extension and the reasons the extension is necessary, and shall also disclose this information to shareholders in a timely and appropriate manner.

The large-scale purchaser may only commence the large-scale purchase after the Board of Directors Evaluation Period has passed. However, if notification is received of a decision not to activate countermeasures as set forth in the below item 7), then the large-scale purchaser may conduct the large-scale purchase from the business day after the notification is received.

### 4) Independent Committee establishment

The Board of Directors of the Company will ultimately judge whether the procedures have been followed in accordance with the rules set forth in this Plan, and, in the event that the rules set forth in this Plan have been complied with, whether to implement certain countermeasures considered necessary to protect and enhance the corporate value of the Company, and corporate interests and shareholders' common interests, but in order to guarantee the reasonableness and fairness of that judgment, the Company shall establish an Independent Committee as a body that is independent from the Board of Directors of the Company. The Independent Committee shall comprise three (3) to five

(5) members, who shall be elected by the Board of Directors of the Company from among Outside Directors, attorneys, licensed tax accountants, certified public accountants, academics, persons familiar with investment banking operations, Directors of other companies, external parties with experience as executives, etc.

Furthermore, the names and career summaries of the planned members of the Independent Committee at the renewal of this Plan are as described in Attachment 1, “Names and Career Summaries of Independent Committee Members.” An overview of the Independent Committee regulations are described in Attachment 2, “Overview of the Independent Committee Regulations.” In addition, information related to an overview of the judgment of the Independent Committee shall be disclosed to shareholders in a timely and appropriate manner.

5) Procedures for the activation of countermeasures

When assessing the activation of countermeasures, the Board of Directors of the Company shall follow the procedures below, in order to guarantee the reasonableness and fairness of the assessment.

First, ahead of the activation of countermeasures, the Board of Directors of the Company shall consult the Independent Committee regarding the appropriateness of activating countermeasures, and, based on this consultation, the Independent Committee shall make a recommendation to the Board of Directors of the Company regarding the appropriateness of activating countermeasures, after obtaining the advice of third parties in an independent position from the Company, at the Company’s expense, as necessary (including investment banks, securities firms, financial advisers, attorneys, certified public accountants, and other experts). When judging whether or not to activate countermeasures, the Board of Directors of the Company shall respect the recommendation of the Independent Committee to the maximum extent possible.

In addition, when the Board of Directors of the Company activates countermeasures, it shall do so with a resolution to activate with the unanimous approval of all members, after obtaining the approval of all Directors serving as Audit and Supervisory Committee Members. If the Board of Directors of the Company makes such a resolution, it shall promptly disclose information related to an overview of the resolution and any other matters judged appropriate by the Board of Directors of the Company to shareholders.

Furthermore, in addition to the above consultation with the Independent Committee, the Board of Directors of the Company shall assess the appropriateness of activating countermeasures after evaluating and considering, etc. the large-scale purchaser and the specific details of the large-scale purchase, and the effect of the large-scale purchase on the corporate value of the Company and corporate interests and shareholders’ common interests, etc., while obtaining the advice of third parties in an independent position from the Company, as necessary (including investment banks, securities firms, financial advisers, attorneys, certified public accountants, and other experts), based on the Required Information submitted by the large-scale purchaser.

6) Conditions for the activation of countermeasures

i. If the large-scale purchaser conducts or attempts to conduct a large-scale purchase without following the procedures set forth in this Plan

If the large-scale purchaser conducts or attempts to conduct a large-scale purchase without following the procedures set forth in this Plan, then regardless of the specific terms or method, etc. of the large-scale purchase, the Board of Directors of the Company shall view the large-scale purchase as considerably harming the corporate value of the Company and corporate interests and shareholders’ common interests, and shall implement the necessary and appropriate countermeasures to protect and enhance the corporate value of the Company, and corporate interests and shareholders’ common interests, while respecting the recommendation of the Independent Committee to the maximum extent possible.

ii. If the large-scale purchaser conducts or attempts to conduct a large-scale purchase while following the procedures set forth in this Plan

If the large-scale purchaser conducts or attempts to conduct a large-scale purchase while following the procedures set forth in this Plan, then, in principle, the Board of Directors of the Company shall not implement countermeasures against the large-scale purchase, even in cases when it is opposed to the large-scale purchase and expresses its opposing opinion, presents an alternative proposal, and provides an explanation to shareholders, etc. Shareholders shall judge whether or not to accept the large-scale purchase proposal for the Company’s share certificates, etc. by the large-scale purchaser, after considering the Required Information regarding the large-scale purchase, the opinion

of the Board of Directors of the Company in regard to the Required Information, any alternative proposal, etc.

However, even if the large-scale purchaser conducts or attempts to conduct a large-scale purchase while following the procedures set forth in this Plan, in the event that the Board of Directors of the Company recognizes that the large-scale purchase based on the purchase proposal by the large-scale purchaser will considerably harm the corporate value of the Company, and corporate interests and shareholders' common interests, as a result of considering the content of the large-scale purchase by the large-scale purchaser, consulting and negotiating with the large-scale purchaser, etc., then the Board of Directors of the Company shall implement the necessary and appropriate countermeasures to protect and enhance the corporate value of the Company and corporate interests and shareholders' common interests, while respecting the recommendation of the Independent Committee to the maximum extent possible, regardless of the start or end of the Board of Directors Evaluation Period. Specifically, if it is judged that it falls under any of the categories listed below, then, in principle, the large-scale purchase based on the purchase proposal shall be viewed as considerably harming the corporate value of the Company, and corporate interests and shareholders' common interests.

- (i) If the aim of the purchase is to demand that shares are bought back at a high price;
- (ii) If the aim of the purchase is to realize the interests of the large-scale purchaser based on the sacrifice of the Company, such as acquiring important assets and technical information, etc. at a low cost;
- (iii) If the purchase is such that there will be clear harm to the corporate value of the Company and corporate interests and shareholders' common interests, owing to the appropriation of corporate assets as collateral for debt or repayment funds;
- (iv) If the purchase is such that there will be clear harm to the corporate value of the Company and corporate interests and shareholders' common interests, owing to the disposal of high-value corporate assets and use of gains from the disposal to pay a temporarily high dividend, or take advantage of the increase in share price caused by the temporarily high dividend to sell shares at a high price;
- (v) If the purchase is one where the purchase terms for the Company's share certificates, etc. are considerably insufficient or inappropriate in light of the corporate value of the Company;
- (vi) If the purchase is one where shareholders may effectively be forced to sell share certificates, etc., such as a tender offer whereby applications for the purchase of all share certificates, etc. are not solicited in the initial purchase, and purchase terms for the second stage are unfavorable or not made clear;
- (vii) If the corporate value of the Company in the event that the large-scale purchaser acquires control will be considerably diminished compared with the corporate value of the Company in the event that the large-scale purchaser does not acquire control, in a comparison of mid- to long-term future corporate value;
- (viii) If the large-scale purchaser is considerably inappropriate as a controlling shareholder of the Company from the perspective of public order and good morals;
- (ix) If the purchase fulfills any of the following criteria, other than the above items:
  - a. If it is presumed in an objective and reasonable manner that there is a risk of considerable harm to the corporate value of the Company, and corporate interests and shareholders' common interests;
  - b. If it is presumed in an objective and reasonable manner that, if countermeasures are not activated, considerable harm to the corporate value of the Company, and corporate interests and shareholders' common interests will be unavoidable, or that there is a risk thereof.

7) Decisions to activate or not activate countermeasures by the Board of Directors of the Company

In either case described in the above items 6) i. and ii., the Board of Directors of the Company shall decide to activate or not activate countermeasures, while respecting the recommendation of the Independent Committee to the maximum extent possible.

If the Board of Directors of the Company makes a decision to activate or not activate countermeasures, it shall promptly notify the large-scale purchaser of an overview of the decision and any other matters recognized as appropriate by the Board of Directors of the Company (hereinafter, a notification pertaining to a decision not to activate countermeasures shall be referred to as a "Non-activation Decision Notification"), and shall disclose related information to shareholders. The large-scale purchaser may conduct the large-scale purchase after the Board of Directors Evaluation Period has passed, or from the business day after the day a Non-activation Decision Notification is received from the Board of Directors of the Company.

#### 8) Reconsideration by the Board of Directors of the Company

Even after Board of Directors of the Company has made a decision regarding whether or not countermeasures should be activated, if there are changes to the facts, etc. that formed the basis for the decision, such as the large-scale purchaser changing the terms pertaining to the large-scale purchase or canceling the large-scale purchase, then the Board of Directors of the Company may deliberate the issue again after consulting with the Independent Committee, and make a decision regarding the activation or cancellation of countermeasures, while respecting the recommendation of the Independent Committee to the maximum extent possible.

If the Board of Directors of the Company makes such a decision, it shall promptly notify the large-scale purchaser of an overview of the decision and any other matters recognized as appropriate by the Board of Directors of the Company, and disclose related information to shareholders.

#### (4) Overview of countermeasures

In principle, the Board of Directors of the Company shall conduct a gratis allotment of Subscription Rights to Shares in accordance with Attachment 3 “Important Information Regarding the Subscription Rights to Shares,” as a countermeasure under this Plan. Subscription Rights to Shares shall be allotted to shareholders (however, this excludes the Company) listed or recorded in the final shareholder register on a certain day (hereinafter, the “Allotment Date”) determined by the Board of Directors of the Company when resolving to conduct a gratis allotment of Subscription Rights to Shares, in a ratio determined by the Board of Directors of the Company of one or more subscription right to shares per share held.

The amount of property (cash) to be contributed when exercising a Subscription Right to Shares (exercise price) shall be one (1) yen, and through the exercise of one (1) Subscription Right to Shares, a number of common shares in the Company determined by the Board of Directors of the Company of one (1) share or less (if adjusted, it shall be the number of shares after adjustment) shall be delivered to holders of the Subscription Rights to Shares (hereinafter, “Subscription Rights to Shares Holders”). Furthermore, if the Subscription Rights to Shares are exercised and there are fractions amounting to less than one share in the number of shares to be delivered to the Subscription Rights to Shares Holders, the Company shall treat fractions in accordance with applicable laws and regulations.

However, the specified shareholder and his or her related parties shall not be able to exercise the Subscription Rights to Shares. In addition to cases when the Subscription Rights to Shares are exercised, the Company may also acquire the Subscription Rights to Shares in exchange for common shares in the Company, from Subscription Rights to Shares Holders who are not the specified shareholder or his or her related parties, based on certain conditions, in accordance with the acquisition clause attached to the Subscription Rights to Shares. Furthermore, the Company may also acquire all of the Subscription Rights to Shares without consideration, based on certain conditions.

Furthermore, the approval of the Board of Directors of the Company shall be required for the acquisition of the Subscription Rights to Shares by transfer.

As described in the above item (1), in addition to a gratis allotment of Subscription Rights to Shares, if it is judged that the activation of other countermeasures permitted by the Companies Act, other laws and regulations, and the Articles of Incorporation of the Company is appropriate, then those other countermeasures may be used.

If the Board of Directors of the Company activates countermeasures under this Plan, the Board of Directors of the Company shall disclose information related to matters recognized as appropriate by the Board of Directors of the Company to shareholders in a timely, appropriate manner.

#### (5) Effective period of this Plan, discontinuation, and changes

The effective period of this Plan shall be from the conclusion of this General Meeting of Shareholders until the conclusion of the Annual General Meeting of Shareholders of the Company for the final fiscal year ending within three (3) years from that time. However, even prior to the end of the effective period, if 1) a resolution is made at a General Meeting of Shareholders of the Company to discontinue this Plan, or 2) a resolution is made by the Board of Directors of the Company to discontinue this Plan, then this Plan shall be discontinued at that point.

In addition, even during the effective period of this Plan, the Board of Directors of the Company may make technical amendments or changes to this Plan within the scope delegated in the resolution at this General Meeting of Shareholders, taking into consideration the opinion of the Independent Committee, as necessary. Furthermore, the provisions of laws and regulations in effect as of May 11, 2018 form the basis for this Plan, so in the event that it is necessary to make amendments to the provisions of this Plan owing to the new establishment or abolition of laws and regulations, etc. on or after this date, the

appropriate words and phrases in this Plan shall be deemed to be replaced within a range that does not violate the basic approach of this Plan, in accordance with the intent of the laws and regulations.

If this Plan is discontinued, amended, or changed, information related to the fact of the discontinuation, amendment, or change, and any other matters recognized as appropriate by the Board of Directors of the Company shall be promptly disclosed.

In addition, regarding the content of this Plan after the conclusion of the Annual General Meeting of Shareholders of the Company for the final fiscal year ending with three (3) years of the conclusion of this General Meeting of Shareholders, the Company intends to confirm the will of shareholders concerning approval or rejection for the continuation and renewal of this Plan, or the introduction of a plan with new content, etc., after making the necessary amendments.

### 3. Effect on shareholders and investors

#### (1) Effect on shareholders and investors when this Plan is renewed

Countermeasures will not actually be activated when this Plan is renewed, so there will be no direct, specific impact on the statutory rights and economic interests of shareholders and investors.

#### (2) Effect on shareholders and investors from the gratis allotment of Subscription Rights to Shares

Subscription Rights to Shares shall be allotted gratis to shareholders on the Allotment Date in a ratio determined by the Board of Directors of the Company of one (1) or more per share held, and therefore, assuming the Subscription Rights to Shares are exercised, no dilution shall occur in the value of shares held by a shareholder in the Company as a whole.

Essentially, if a shareholder does not exercise the Subscription Rights to Shares during the exercise period of the Subscription Rights to Shares, then the value of his or her shares held in the Company shall be diluted owing to the exercise of Subscription Rights to Shares by other shareholders. However, based on a decision of the Board of Directors of the Company, the Company may acquire Subscription Rights to Shares from shareholders who are not forbidden to exercise the Subscription Rights to Shares in accordance with the important information regarding the Subscription Rights to Shares and deliver common shares in the Company in exchange, through the procedures described below in item (4) 2). If the Company performs these acquisition procedures, shareholders who are not forbidden to exercise the Subscription Rights to Shares shall receive common shares in the Company without exercising the Subscription Rights to Shares or making payment of cash equivalent to the exercise price, and dilution in the value per share held will occur, but no dilution shall occur in the value of shares held by a shareholder in the Company as a whole.

Furthermore, if, after the shareholders who should receive the gratis allotment of Subscription Rights to Shares have been confirmed, the Company cancels the gratis allotment of Subscription Rights to Shares or acquires the Subscription Rights to Shares that were allotted gratis without consideration, no dilution in the per-share value of the Company's shares shall occur, and therefore investors who have conducted a transaction based on the assumption that a dilution in the per-share value of the Company's shares would occur may suffer a commensurate loss caused by fluctuations in the share price.

#### (3) Effect on shareholders and investors when the Subscription Rights to Shares are exercised or acquired after the gratis allotment of Subscription Rights to Shares is conducted

The attachment of discriminatory terms regarding the exercise and acquisition of the Subscription Rights to Shares is planned, and therefore it is expected that when exercising or acquiring the Subscription Rights to Shares the statutory rights and economic interests of the specified shareholder and his or her related parties shall be diluted, but even in this case, no direct, specific effect is expected on the statutory rights and economic interests pertaining to shares in the Company held by shareholders and investors who are not the specified shareholder or his or her related parties. Please note that the transfer of the Subscription Rights to Shares shall be restricted and therefore, if common shares in the Company are delivered to shareholders as a result of the exercise of the Subscription Rights to Shares or their acquisition by the Company on or after the Allotment Date, the return of invested capital by transfer in regard to the portion of the value of shares held in the Company by shareholders attributable to the Subscription Rights to Shares may be restricted during the period until the Company's common shares are recorded in shareholders' book-entry accounts.

#### (4) Procedures required of shareholders accompanying the gratis allotment of Subscription Rights to Shares, etc.

##### 1) Procedures for the exercise of the Subscription Rights to Shares

The Company shall, in principle, send to shareholders listed or recorded in the final shareholder register on the Allotment Date the exercise request form for the Subscription Rights to Shares (in a form prescribed by the Company that includes the details and number of Subscription Rights to Shares to be exercised, necessary matters such as the date of exercise of the Subscription Rights to Shares and the book-entry account for recording the Company's shares (excluding special accounts), representations and warranties regarding matters such as the fact that the shareholder fulfills the conditions for exercising the Subscription Rights to Shares, indemnity clauses, and other covenants), and other documents necessary for the exercise of the Subscription Rights to Shares. After the gratis allotment of Subscription Rights to Shares, a number of common shares in the Company determined by the Board of Directors of the Company of one (1) share or less per Subscription Right to Shares (if adjusted, it shall be the number of shares after adjustment) shall be delivered to shareholders who submit the necessary documents during the exercise period and make payment of one (1) yen per Subscription Right to Shares to the payment handling location.

Furthermore, please note that common shares in the Company delivered as a result of the exercise of Subscription Rights to Shares may not be recorded in special accounts owing to the provisions of the Act on Book Entry of Corporate Bonds and Shares, so when exercising the Subscription Rights to Shares, shareholders must open a securities account or other book-entry account.

## 2) Procedures for the acquisition of the Subscription Rights to Shares by the Company

If the Board of Directors of the Company decides to acquire the Subscription Rights to Shares, the Company shall acquire the Subscription Rights to Shares after the Board of Directors passes a resolution and a public announcement is made to subscription rights to shares holders, for each acquisition clause if there are multiple acquisition clauses, in accordance with the procedures set forth in laws and regulations. In addition, if the Company decides to deliver common shares in the Company to shareholders in exchange for acquiring the Subscription Rights to Shares, it shall promptly deliver the shares.

Furthermore, in this case, these shareholders may be required to separately submit a document in a form prescribed by the Company that includes representations and warranties regarding matters such as the fact that he or she is not the specified shareholder or a related party, indemnity clauses, and other covenants.

In addition to the above, the Company shall disclose or notify shareholders of the details of the method of allotment, method of exercise, and the method of acquisition of the Subscription Rights to Shares after the Board of Directors of the Company has made a decision to implement the gratis allotment of Subscription Rights to Shares.

## **IV Reasonableness of this Plan (the fact that this Plan is consistent with the basic policy, will not harm the common interests of the Company's shareholders, and does not have the objective of maintaining the positions of the Company's officers, and the reasons thereof)**

For the reasons below, the Board of Directors of the Company believes that this Plan is consistent with the basic policy described in the above item I, will not harm the common interests of the Company's shareholders, and does not have the objective of maintaining the positions of the Company's officers.

### 1. Fully satisfies the requirements of the Guidelines Regarding Takeover Defense, etc.

This Plan fully satisfies the three principles set forth in the "Guidelines Regarding Takeover Defense for the Purpose of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" announced by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005 ("the principle of protecting and enhancing corporate value and the interests of shareholders as a whole," "the principle of prior disclosure and shareholder' will," and "the principle of ensuring the necessity and reasonableness"), and is also consistent with the intent of all regulations pertaining to the introduction of takeover defense measures set forth by Tokyo Stock Exchange, Inc.

Furthermore, this Plan also takes into consideration the content of the "Takeover Defense Measures in Light of Recent Environmental Changes" report by the Corporate Value Study Group established in the Ministry of Economy, Trade and Industry, announced on June 30, 2008.

### 2. Renewed with the objective of protecting and enhancing corporate value and corporate interests and shareholders' common interests

This Plan shall be renewed with the objective of protecting and enhancing the corporate value of the Company and corporate interests and shareholders' common interests by securing the necessary information and time to allow shareholders to make a judgment of whether or not to accept a proposal

regarding a large-scale purchase if a large-scale purchase for the Company's share certificates, etc. is conducted, and for the Board of Directors of the Company to present an alternative proposal to shareholders and conduct negotiations with the large-scale purchaser, etc., as described in item III above.

3. Prioritizes the will of shareholders

In order to ensure an opportunity to appropriately reflect the will of shareholders in its renewal, the renewal of this Plan shall be subject to receiving the approval of shareholders at this General Meeting of Shareholders. As described in the above item III 2. (2), this Plan is hereby submitted in this Proposal at this General Meeting of Shareholders, and in the event that this Proposal is not approved, this Plan shall not be renewed. Furthermore, if a resolution is passed to discontinue this Plan at a General Meeting of Shareholders of the Company, even prior to the end of the effective period of this Plan, then this Plan shall be discontinued at that point, so in that sense, the will of shareholders shall be reflected not just in the renewal of this Plan, but also in its continuation.

In addition, the activation conditions of countermeasures based on this Plan shall be specifically established depending on the individual case and presented to shareholders, based on the assumption that shareholders shall entrust the judgment of whether to activate or not activate the countermeasures to the Board of Directors. Accordingly, the will of shareholders shall be reflected in the activation of countermeasures in accordance with these activation conditions.

4. Prioritizes the judgment of highly independent external parties

As described in the above item III 2. (3) 4), when renewing this Plan, the Company has established an Independent Committee as a body that is independent from the Board of Directors, in order to guarantee the reasonableness and fairness of judgments of the Board of Directors of the Company.

In this way, a mechanism is ensured whereby this Plan shall be implemented in a manner that is consistent with the corporate value of the Company and corporate interests and shareholders' common interests, as the arbitrary activation of countermeasures based on this Plan by the Board of Directors of the Company shall be prevented by their making a decision while respecting the recommendation of the Independent Committee to the maximum extent possible, and information regarding an overview of the judgment of the Independent Committee shall be disclosed to shareholders in a timely and appropriate manner.

5. Establishes reasonable and objective requirements

As described in the above item III 2. (3), a mechanism is ensured whereby arbitrary activation by the Board of Directors of the Company will be prevented, as this Plan is designed such that countermeasures will not be activated unless reasonable and objective requirements set forth in advance are fulfilled.

6. Has a capability to obtain advice from third party experts in an independent position

As described in the above items III 2. (3) 3) and 5), if a large-scale purchaser appears, the Board of Directors and the Independent Committee may obtain the advice of third parties in a position that is independent from the Company, at the Company's expense (including investment banks, securities firms, financial advisers, attorneys, certified public accountants, and other experts). Therefore, a mechanism is ensured whereby the fairness and reasonableness of judgments by the Board of Directors and the Independent Committee are more firmly guaranteed.

7. Not dead-hand or slow-hand type takeover defense measures

As described in the above item III 2. (5), this Plan may be discontinued at any time by resolution of the Board of Directors, which comprises Directors elected at the General Meeting of Shareholders of the Company, and therefore does not constitute dead-hand type takeover defense measures, whose activation may not be prevented, even if a majority of the members of the Board of Directors are replaced.

In addition, in accordance with regulations on the term of office of Directors in the Companies Act in relation to a Company with Audit and Supervisory Committee, the term of office of Directors (excluding Directors serving as Audit and Supervisory Committee Members) is one (1) year, and that of Directors serving as Audit and Supervisory Committee Members is two (2) years, and the Company does not use a staggered term system, and therefore this Plan does not constitute slow-hand type takeover defense measures, whose activation requires time to prevent, as all members of the Board of Directors cannot be replaced at one time.

(Attachment 1)

### Names and Career Summaries of Independent Committee Members

The Company intends to appoint the following three persons as Independent Committee Members at the initial introduction of this Plan.

Name:	Yasunobu Sawada	
Date of birth:	January 9, 1953	
Career summary:	April 1976	Joined the Ministry of Labour (currently Ministry of Health, Labour and Welfare)
	January 1989	Joined A.T. Kearney, Inc. (currently A.T. Kearney K.K.) assigned to Tokyo Office
	October 1997	Director of Practice Management
	April 2002	Executive Director of Enterprise IG Japan K.K. (currently Brand Union/WPP Group)
	July 2003	Representative Director of VieBrand Consulting Inc. (current post)
	June 2015	Outside Director of Daito Woolen Spinning & Weaving Company, Limited (currently Daitobo Co., Ltd.) (current post) (to the present)

(Note) No special interest exists between Mr. Yasunobu Sawada and the Company. Furthermore, Mr. Yasunobu Sawada is an Outside Director of the Company, and the Company has designated him as an independent officer stipulated by the Tokyo Stock Exchange and Nagoya Stock Exchange, and registered him with the Exchanges.

Name:	Haruki Inuma	
Date of birth:	April 19, 1948	
Career summary:	April 1976	Registered as an attorney
	April 1978	Established IINUMA LAW OFFICE (current position)
	June 2011	Part-time Corporate Auditor of Daito Woolen Spinning & Weaving Company, Limited (currently Daitobo Co., Ltd.)
	June 2016	Director serving as Audit and Supervisory Committee Member of Daito Woolen Spinning & Weaving Company, Limited (currently Daitobo Co., Ltd.) (current post) (to the present)

(Note) No special interest exists between Mr. Haruki Inuma and the Company. Furthermore, Mr. Haruki Inuma is an Outside Director of the Company, and the Company has designated him as an independent officer stipulated by the Tokyo Stock Exchange and Nagoya Stock Exchange, and registered him with the Exchanges.

Name: Kakuji Takano  
 Date of birth: April 7, 1940  
 Career summary: April 1963 Joined Kohkoku Chemical Industry Co., Ltd. (currently ACHILLES CORPORATION)  
 May 1968 Joined Shoichi Ikeda Audit Corporation (currently Ernst & Young ShinNihon LLC)  
 May 1981 Established Takano Sogo Accounting Firm  
 December 1996 Representative Partner of Century Audit Corporation (currently Ernst & Young ShinNihon LLC)  
 June 2001 Left Century Audit Corporation  
 April 2007 Outside Corporate Auditor of MARUZEN CO., LTD.  
 June 2007 Outside Corporate Auditor of NIPPON SHUPPAN HANBAI INC.  
 October 2008 Councilor of Kanagawa Institute of Technology, Ikutoku Gakuen, Incorporated Educational Institution (current post)  
 July 2010 Managing Partner of Certified Public Tax Accountant's Co. Takano Sogo Accounting Firm and Takano Sogo Group in line with organizational changes (current post)  
 June 2014 Outside Auditor of SOURCENEXT Corporation (current post)  
 June 2016 Outside Audit & Supervisory Board Member of KDDI CORPORATION (current post)  
 (to the present)

## Overview of the Independent Committee Regulations

- Article 1 Along with the introduction and renewal of measures to respond to a large-scale purchase of the Company's share certificates, etc. (takeover defense measures; hereinafter, "this Plan"), the Company shall establish an Independent Committee. The objective of the Independent Committee is to make a recommendation regarding activating or not activating countermeasures based on this Plan, following consultation with the Board of Directors, and thereby contribute to ensuring the fairness and neutrality of the judgment of the Board of Directors.
- Article 2 The Independent Committee shall comprise three (3) to five (5) members, who shall be elected from among persons who fulfill the following conditions. Elected members shall enter into a contract with the Company when appointed that includes a duty of due care clause, etc. toward the Company, etc., in principle.
- 1) Persons who are not currently, and have not previously been a Director (excluding Outside Directors; the same shall apply hereinafter) or Corporate Auditor (excluding Outside Corporate Auditors; the same shall apply hereinafter), etc. of the Company, or a subsidiary or affiliate of the Company (hereinafter, collectively referred to as "the Company, etc.");
  - 2) Persons who are not a relative within a certain range of someone who is currently or has previously been a Director or Corporate Auditor, etc. of the Company, etc.;
  - 3) Persons who have not been a Director or Corporate Auditor, etc. within the past three (3) years at a financial institution that has actual transactions with the Company, etc.;
  - 4) Persons who have not been a Director or Corporate Auditor, etc. within the past three (3) years at a business partner that has more than a certain level of transactions with the Company, etc.;
  - 5) Persons who are not business partners of the Company, etc., and who do not have any special interests with the Company, etc.;
  - 6) Persons with more than a certain level of experience regarding corporate management, experts, etc. (corporate managers with a record of achievement, persons familiar with investment banking operations, attorneys, certified public accountants, researchers mainly researching the Companies Act, etc., and other equivalent persons).
- 2) Members shall be elected and dismissed by resolution of the Board of Directors. However, resolutions to dismiss members shall be made by approval of two thirds or more of the Directors in attendance.
- 3) Unless otherwise provided for in the contract set forth in Paragraph 1, Clause 2, the term of office of members shall be from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 31, 2018 (however, for members elected during the period of this Plan, it shall be from the time of election), until the conclusion of the Annual General Meeting of Shareholders for the final fiscal year ending within three (3) years of the conclusion of the same Annual General Meeting of Shareholders.
- Article 3 In principle, the Independent Committee shall deliberate and make resolutions regarding the matters described in each of the following items, and shall make recommendations to the Board of Directors of the content of those resolutions, together with the reasons thereof. The Board of Directors must respect the recommendation of the Independent Committee to the maximum extent possible.
- 1) Whether the large-scale purchaser has complied with the procedures set forth in this Plan;
  - 2) Determination of whether the content of the purchase proposal will considerably harm the corporate value of the Company or corporate interests and shareholders' common interests, and whether to activate or not activate countermeasures;
  - 3) Suspension of countermeasures;
  - 4) Matters for which authority has been granted to the Independent Committee under this Plan, in addition to items 1) through 3);
  - 5) Matters about which the Board of Directors has consulted the Independent Committee in regard to this Plan;
  - 6) Matters the Board of Directors has determined that the Independent Committee may separately perform.

- Article 4 In principle, resolutions of the Independent Committee shall be made by a majority of members when all members are in attendance. However, in case of an accident occurring to the members or if there are other special circumstances, resolutions shall be made a majority of members when all members excluding these members are in attendance.
- Article 5 The Independent Committee may obtain the advice of third parties in a position that is independent from the Company, at the Company's expense (including investment banks, securities firms, financial advisers, attorneys, certified public accountants, and other experts).
- Article 6 The Board of Directors may convene the Independent Committee by resolution.
- Article 7 If the Board of Directors recognizes that it is necessary when the Independent Committee conducts deliberations, it may appoint one (1) Director to attend meetings of the Independent Committee, and request that the Independent Committee provides opportunities to explain necessary matters.
- Article 8 The Independent Committee must respond to the requests of the Board of Directors and explain the reasons for making the recommendation and the basis thereof.

### Important Information Regarding the Subscription Rights to Shares

1. Shareholders eligible for the allotment  
Subscription rights to shares shall be allotted to shareholders (however, this excludes the Company) listed or recorded in the final shareholder register on a certain day (hereinafter, the “Allotment Date”) determined by the Board of Directors of the Company when resolving to conduct the gratis allotment of subscription rights to shares described in this important information (hereinafter, the “Resolution for the Gratis Allotment of Subscription Rights to Shares”), in a ratio determined by the Board of Directors of the Company of one (1) or more subscription right to shares per share held.
2. Total number of subscription rights to shares to be issued  
The total number of subscription rights to shares to be issued shall be a number determined by the Board of Directors of the Company that is the same as or greater than the final total number of common shares in the Company outstanding on the Allotment Date (excluding the number of common shares in the Company held by the Company).
3. Effective date of the gratis allotment of subscription rights to shares  
The effective date shall be determined in the Resolution for the Gratis Allotment of Subscription Rights to Shares.
4. Type and number of shares underlying the subscription rights to shares
  - 1) Type of shares underlying the subscription rights to shares  
The type of shares underlying the subscription rights to shares shall be common shares in the Company.
  - 2) Number of shares underlying the subscription rights to shares  
The number of shares underlying each subscription right to shares (hereinafter, the “applicable number of shares”) shall be a number determined by the Board of Directors of the Company that is one share or less.  
However, if the applicable number of shares is adjusted based on Paragraph 5, the total number of shares underlying the subscription rights to shares shall be adjusted in accordance with the applicable number of shares after adjustment.
5. Adjustment to the number of shares underlying the subscription rights to shares
  - 1) If, after the Allotment Date, the Company conducts a split or consolidation of the Company’s shares, or a merger or corporate split, etc., the applicable number of shares shall be appropriately adjusted, taking into consideration the terms of the share split, consolidation, merger, or corporate split, etc.
  - 2) When adjusting the applicable number of shares, the Company shall notify each subscription right to shares holder in advance in writing, or publicly announce by a method set forth in the Articles of Incorporation, the fact of the adjustment and the reasons thereof, the applicable number of shares before adjustment, the applicable number of shares after adjustment, the date the adjustment is applied, and any other necessary matters. However, if the Company is unable to notify shareholders or make a public announcement as described above by the day before the adjustment is applied, it shall promptly do so on or after the day the adjustment is applied.
6. Amount to be paid for the subscription rights to shares  
The subscription rights to shares shall be allotted gratis.
7. Amount of property to be contributed when exercising the subscription rights to shares  
The amount of property (cash) to be contributed when exercising each subscription right to shares shall be one (1) yen (hereinafter, the “exercise price”).
8. Exercise period of the subscription rights to shares  
The exercise period of the subscription rights to shares shall be a period determined in the Resolution for the Gratis Allotment of Subscription Rights to Shares, with the first day of the exercise period (hereinafter, the “Start Date of the Exercise Period”) also determined in the resolution. However, if the Company acquires the subscription rights to shares based on Paragraph 10, the subscription rights to shares may not be exercised during the period from the date the Company makes a notification or public

announcement of the acquisition to the date of acquisition. If the final day of the exercise period is not a banking business day, the final day shall be the following banking business day.

9. Exercise conditions of the subscription rights to shares

1) Unless otherwise provided for, the following terms shall have the meanings set forth below in this important information.

- a. A “specified shareholder” refers to a person for whom, as a result of conducting a purchase of the Company’s share certificates, etc., other transfer with consideration, or other similar actions, either of the following will be 20% or more:
  - i. the total ownership ratio of share certificates, etc. pertaining to the Company’s share certificates, etc. held by a holder of the Company’s share certificates, etc.; or
  - ii. the total ownership ratio of share certificates, etc. pertaining to the Company’s share certificates, etc. that are owned by or that will be owned by the person conducting a purchase of the Company’s share certificates, etc., other transfer with consideration, or other similar action, and the Company’s share certificates, etc. held by his or her specially related parties.
- b. “Share certificates, etc.” in item a. i refers to share certificates, etc. as provided for in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act. The same applies hereinafter unless otherwise provided for. “Share certificates, etc.” in item a. ii refers to share certificates, etc. as provided for in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act.
- c. A “holder” refers to a holder as provided for in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act, including persons deemed holders pursuant to Paragraph 3 of the same.
- d. To “hold” refers to holding as provided for in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act.
- e. “Ownership ratio of share certificates, etc.” refers to the ownership ratio of share certificates, etc. as provided for in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act.
- f. To “own” refers to ownership as provided for in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act.
- g. A “specially related party” refers to a specially related party as provided for in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act. However, in regard to persons set forth in Item 1 of the said paragraph, this shall exclude persons provided for in Article 3, Paragraph 2 of the Cabinet Office Order on Disclosure Required for Tender Offer for Share Certificates, etc. by Person Other than Issuer.
- h. “Ownership ratio of share certificates, etc.” refers to the ownership ratio of share certificates, etc. as provided for in Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Act.

2) The persons set forth below may not exercise the subscription rights to shares:

The specified shareholder, his or her joint holders (refers to joint holders as provided for in Article 27-23, Paragraph 5 of the Financial Instruments and Exchange Act, and including persons deemed joint holders pursuant to Paragraph 6 of the same), specially related parties, and persons judged by the Board of Directors of the Company to be effectively controlled by such persons, to effectively control such persons, to be under joint control by such persons, or to act in concert with such persons (however, this shall not apply to persons for whom the Board of Directors of the Company recognizes that their acquiring or holding of the Company’s share certificates, etc. will not considerably harm the corporate value of the Company, and corporate interests and shareholders’ common interests).

3) In accordance with the provisions of the above item 2), even if the holders of subscription rights to shares are unable to exercise the subscription rights to shares, the Company shall not bear any liability for compensation or any other liability.

4) Partial exercise of any subscription right to shares is not permitted.

10. Acquisition of subscription rights to shares by the Company

1) If the Board of Directors of the Company judges that the acquisition of the subscription rights to shares is appropriate during the period from the day after the effective date of the gratis allotment of the subscription rights to shares (however, if the Board of Directors of the Company determines a day to replace this, it shall be the relevant day) until the day before the Start Date of the Exercise Period, then the Company may acquire all subscription rights to shares without consideration on a day determined by the Board of Directors of the Company.

2) On a day determined by the Board of Directors of the Company, during the period until the end of the exercise period of the subscription rights to shares described in Paragraph 8, the Company may acquire the subscription rights to shares of persons who can exercise the subscription rights to shares

in accordance with Paragraph 9, in exchange for the applicable number of common shares in the Company per subscription right to shares.

11. Exercise of voting rights at the General Meeting of Shareholders by shareholders in the event that these shareholders have newly acquired shares in the Company through the exercise of subscription rights to shares or the acquisition of subscription rights to shares by the Company  
After the record date determined by the Company, shareholders who have newly acquired shares in the Company through the exercise of subscription rights to shares or the acquisition of subscription rights to shares by the Company may exercise voting rights at the General Meeting of Shareholders.
12. Matters related to the transfer of the subscription rights to shares  
The acquisition of the subscription rights to shares by transfer shall require the approval of the Board of Directors of the Company.
13. Delivery of the subscription rights to shares and the terms thereof in the event of a merger, corporate split, share exchange, or share transfer  
The Board of Directors of the Company shall determine the above in the Subscription Rights to Shares gratis allotment resolution.
14. Non-issuance of certificates for the subscription rights to shares  
Certificates for the subscription rights to shares shall not be issued.
15. Increase in capital stock and legal capital surplus in the event new shares are issued owing to the exercise of subscription rights to shares  
The amount by which capital stock and legal capital surplus will increase in the event that common shares in the Company are issued owing to the exercise of subscription rights to shares shall be an amount that is determined in the Subscription Rights to Shares gratis allotment resolution.
16. Subscription rights to shares exercise request and payment method  
The subscription rights to shares shall be exercised through the submission of the prescribed exercise request form (in a form prescribed by the Company that includes the details and number of subscription rights to shares to be exercised, necessary matters such as the date of exercise of the subscription rights to shares and the book-entry account for recording the Company's shares (excluding special accounts), representations and warranties regarding matters such as the fact that the shareholder fulfills the conditions for exercising the subscription rights to shares, indemnity clauses, and other covenants), after filing out the necessary matters and completing sign and stamp, to the payment handling location during the period set forth in Paragraph 8, together with any other documents separately required for the exercise of the subscription rights to shares, as necessary, and other documents required at that time under the Companies Act, the Financial Instruments and Exchange Act, and related laws and regulations (including the regulations, etc. set forth by the Japan Securities Dealers Association and Japanese financial instruments exchanges) (hereinafter, the "attached documents"), and payment of money equivalent to the total exercise price of the subscription rights to shares to be exercised to the payment handling location.
17. Timing of the effectiveness of the exercise of subscription rights to shares, etc.  
The exercise of the subscription rights to shares shall become effective when the exercise request form and the attached documents described in Paragraph 16 arrive at the payment handling location, and money equivalent to the total exercise price of the subscription rights to shares to be exercised is paid to the payment handling location.
18. Amendments to laws and regulations, etc.  
If, after the gratis allotment of subscription rights to shares, amendments to the provisions of this important information are necessary owing to the establishment, amendment, or discontinuation of laws and regulations, then the provisions of this important information shall be reasonably deemed to be replaced, taking into consideration the intent and phrasing of the relevant establishment, amendment, or discontinuation of laws and regulations.

## Consolidated Balance Sheet

(As of March 31, 2018)

(Thousands of yen)

Description	Amount	Description	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>3,011,089</b>	<b>Current liabilities</b>	<b>1,646,688</b>
Cash and deposits	1,787,501	Notes and accounts payable-trade	504,597
Notes and accounts receivable-trade	543,261	Short-term loans payable	399,400
Inventories	410,797	Income taxes payable	47,574
Deferred tax assets	51,700	Provision for bonuses	35,412
Other	218,777	Provision for shareholder benefit program	21,000
Allowance for doubtful accounts	(950)	Other	638,704
<b>Non-current assets</b>	<b>15,877,766</b>	<b>Non-current liabilities</b>	<b>12,791,231</b>
<b>Property, plant and equipment</b>	<b>15,497,544</b>	Long-term loans payable	8,469,400
Buildings and structures	5,924,700	Lease obligations	126,657
Land	9,331,375	Guarantee deposits received	1,663,472
Leased assets	144,967	Deferred tax liabilities for land revaluation	2,211,637
Other	96,500	Net defined benefit liability	266,374
<b>Intangible assets</b>	<b>8,181</b>	Asset retirement obligations	53,689
<b>Investments and other assets</b>	<b>372,040</b>	<b>Total liabilities</b>	<b>14,437,919</b>
Investment securities	296,287	<b>(Net assets)</b>	
Claims provable in bankruptcy, claims provable in rehabilitation and other	88,518	<b>Shareholders' equity</b>	<b>(558,177)</b>
Deferred tax assets	13,674	Capital stock	1,500,000
Other	58,659	Capital surplus	503,375
Allowance for doubtful accounts	(85,100)	Retained earnings	(2,554,346)
		Treasury shares	(7,206)
		<b>Accumulated other comprehensive income</b>	<b>5,004,849</b>
		Valuation difference on available-for-sale securities	5,081
		Deferred gains or losses on hedges	(82)
		Revaluation reserve for land	4,993,002
		Foreign currency translation adjustment	6,847
		<b>Subscription rights to shares</b>	<b>4,264</b>
		<b>Total net assets</b>	<b>4,450,935</b>
<b>Total assets</b>	<b>18,888,855</b>	<b>Total liabilities and net assets</b>	<b>18,888,855</b>

## Consolidated Statement of Income

(April 1, 2017 - March 31, 2018)

(Thousands of yen)

Description	Amount	
<b>Net sales</b>		<b>4,427,778</b>
<b>Cost of sales</b>		<b>3,267,704</b>
<b>Gross profit</b>		<b>1,160,074</b>
<b>Selling, general and administrative expenses</b>		<b>834,424</b>
<b>Operating income</b>		<b>325,650</b>
<b>Non-operating income</b>		
Interest income	45	
Dividend income	6,084	
Other	29,554	35,683
<b>Non-operating expenses</b>		
Interest expenses	113,874	
Other	93,512	207,387
<b>Ordinary income</b>		<b>153,946</b>
<b>Profit before income taxes</b>		<b>153,946</b>
Income taxes-current	57,035	
Income taxes-deferred	(6,876)	50,158
Profit		103,788
<b>Profit attributable to owners of parent</b>		<b>103,788</b>

## Non-Consolidated Balance Sheet

(As of March 31, 2018)

(Thousands of yen)

Description	Amount	Description	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>2,343,285</b>	<b>Current liabilities</b>	<b>1,234,269</b>
Cash and deposits	1,247,416	Notes payable-trade	169,818
Notes receivable-trade	99,098	Accounts payable-trade	318,489
Accounts receivable-trade	350,684	Short-term loans payable	399,400
Inventories	397,065	Income taxes payable	42,585
Deferred tax assets	49,067	Provision for bonuses	27,620
Other	200,903	Provision for shareholder benefit program	21,000
Allowance for doubtful accounts	(950)	Other	255,355
<b>Non-current assets</b>	<b>16,137,541</b>	<b>Non-current liabilities</b>	<b>12,785,040</b>
<b>Property, plant and equipment</b>	<b>15,694,887</b>	Long-term loans payable	8,469,400
Buildings and structures	5,926,304	Lease obligations	126,657
Land	9,533,876	Guarantee deposits received	1,679,770
Leased assets	145,985	Deferred tax liabilities for land revaluation	2,211,637
Other	88,721	Provision for retirement benefits	251,122
<b>Intangible assets</b>	<b>7,952</b>	Asset retirement obligations	46,453
<b>Investments and other assets</b>	<b>434,700</b>	<b>Total liabilities</b>	<b>14,019,310</b>
Investment securities	258,735	<b>(Net assets)</b>	
Shares and investments in capital of subsidiaries and associates	104,629	<b>Shareholders' equity</b>	<b>(540,750)</b>
Long-term loans receivable	184,200	<b>Capital stock</b>	<b>1,500,000</b>
Claims provable in bankruptcy, claims provable in rehabilitation and other	88,518	<b>Capital surplus</b>	<b>503,375</b>
Deferred tax assets	12,958	Legal capital surplus	503,270
Other	54,959	Other capital surplus	104
Allowance for doubtful accounts	(269,300)	<b>Retained earnings</b>	<b>(2,536,919)</b>
		Legal retained earnings	375,000
		Other retained earnings	(2,911,919)
		Retained earnings brought forward	(2,911,919)
		<b>Treasury shares</b>	<b>(7,206)</b>
		<b>Valuation and translation adjustments</b>	<b>4,998,001</b>
		<b>Valuation difference on available-for-sale securities</b>	<b>5,081</b>
		<b>Deferred gains or losses on hedges</b>	<b>(82)</b>
		<b>Revaluation reserve for land</b>	<b>4,993,002</b>
		<b>Subscription rights to shares</b>	<b>4,264</b>
		<b>Total net assets</b>	<b>4,461,515</b>
<b>Total assets</b>	<b>18,480,826</b>	<b>Total liabilities and net assets</b>	<b>18,480,826</b>

## Non-Consolidated Statement of Income

(April 1, 2017 - March 31, 2018)

(Thousands of yen)

Description	Amount	
<b>Net sales</b>		<b>3,453,186</b>
<b>Cost of sales</b>		<b>2,353,968</b>
<b>Gross profit</b>		<b>1,099,217</b>
<b>Selling, general and administrative expenses</b>		<b>791,592</b>
<b>Operating income</b>		<b>307,625</b>
<b>Non-operating income</b>		
Interest income	1,141	
Dividend income	6,084	
Reversal of allowance for doubtful accounts	5,300	
Other	15,581	28,106
<b>Non-operating expenses</b>		
Interest expenses	113,874	
Other	93,219	207,094
<b>Ordinary income</b>		<b>128,637</b>
<b>Profit before income taxes</b>		<b>128,637</b>
Income taxes-current	52,019	
Income taxes-deferred	(6,998)	45,020
<b>Profit</b>		<b>83,616</b>