

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translation and the Japanese original, the original shall prevail.

Securities code: 2590  
March 24, 2017

To Our Shareholders,

Tomiya Takamatsu, President and Representative Director  
**DyDo GROUP HOLDINGS, INC.**  
2-2-7 Nakanoshima, Kita-ku, Osaka

## **Notice of Convocation of the 42nd Annual General Meeting of Shareholders**

You are cordially invited to attend the 42nd Annual General Meeting of Shareholders of DyDo GROUP HOLDINGS, INC. (“the Company”) to be held as described below.

**If you are unable to attend the meeting, you can exercise voting rights by either of the following methods. Please review the attached Reference Documents for General Meeting of Shareholders and exercise your voting rights before 5:30 p.m., Thursday, April 13, 2017 (JST).**

### **[Exercising voting rights in writing]**

Please indicate your vote of approval or disapproval of each proposal on the enclosed voting card, and return the card so that it arrives by the time and date stated above.

### **[Exercising voting rights by electronic or magnetic means (via the Internet, etc.)]**

Please read the “Instructions for Exercising Voting Rights via the Internet, etc.” on page 2 and exercise your voting rights by the time and date stated above.

- 1. Date and Time:** 10:00 a.m., Friday, April 14, 2017 (JST)
- 2. Venue:** “The Hō” Function Room, Second floor, Hotel New Otani Osaka  
1-4-1 Shiromi, Chuo-ku, Osaka

### **3. Purpose of the Meeting:**

#### **Matters to be reported:**

1. The business report, the consolidated financial statements and audit reports of the Accounting Auditor and the Board of Corporate Auditors for the consolidated financial statements for the 42nd term (from January 21, 2016 to January 20, 2017)
2. The non-consolidated financial statements for the 42nd term (from January 21, 2016 to January 20, 2017)

#### **Matters to be resolved:**

- Proposal 1:** Appropriation of Surplus  
**Proposal 2:** Election of Six (6) Directors  
**Proposal 3:** Continuance of the Measures to Address Large-Scale Acquisitions of the Company’s Stock (Takeover Defense Measures)

When attending the meeting, you are kindly requested to present the enclosed voting card to the receptionist.

Any modifications to the business report, the consolidated financial statements, the non-consolidated financial statements and the Reference Documents for General Meeting of Shareholders will be posted on the Company's website (<https://www.dydo-ghd.co.jp/>).

[Instructions for Exercising Voting Rights via the Internet, etc.]

Please note the following matters in advance when exercising voting rights via the Internet, etc.

1. Voting website

You can only exercise your voting rights via the Internet by accessing the following dedicated voting website designated by the Company.

Dedicated voting website address: <http://www.web54.net/>

2. Handling of votes

- (1) When exercising your voting rights via the Internet, input the "voting right exercise code" and "password" written in the enclosed voting card, and indicate your approval or disapproval of each proposal by following the on-screen instructions.
- (2) The deadline for voting is 5:30 p.m., Thursday, April 13, 2017 (JST). An early exercise of your vote would be very much appreciated.
- (3) If you duplicate the vote by exercising the voting rights both in writing and via the Internet, etc., only the Internet vote will be valid.
- (4) If you exercise your voting rights more than once via the Internet, etc., only the latest vote will be valid.
- (5) Any fees for Internet providers and telecommunication companies (connection fees, etc.) incurred by shareholders in using the dedicated voting website are to be borne by the shareholders.

3. Safekeeping of password

- (1) The password is important for authenticating the identity of shareholders. Please handle it with care in the same way as you would your seal and PIN number.  
Please note that the Company cannot respond to password inquiries.
- (2) If you enter your password incorrectly more than a certain number of times, the password will be locked. If you wish to have your password reissued, please complete the procedures by following the on-screen instructions.
- (3) Voting right exercise code provided on the voting card will only be valid for this meeting.

4. Inquiries

- (1) Regarding the operation of a PC, mobile phone, etc. for exercising your voting rights:  
Stock Transfer Agency Web Support, Sumitomo Mitsui Trust Bank, Limited  
Tel: 0120-652-031 (available from 9:00 a.m. to 9:00 p.m.)
- (2) Other inquiries
  - a. Shareholders with an account with a securities company  
Please contact the securities company where you opened your account.
  - b. Shareholders without an account with a securities company (shareholders with a special account)  
Stock Transfer Agency Administration Center, Sumitomo Mitsui Trust Bank, Limited  
Tel: 0120-782-031 (available from 9:00 a.m. to 5:00 p.m., except weekends and holidays)

5. To institutional investors

The electronic voting platform operated by ICJ, Inc., is available for exercising your voting rights by electronic or magnetic means.

## Reference Documents for General Meeting of Shareholders

### Proposals and References

#### Proposal 1: Appropriation of Surplus

##### 1. Year-end Dividend

The Company recognizes that the distribution of profits to shareholders is a key issue in business management. The Company's basic policy for the distribution of profits is to maintain stable dividend payments while giving consideration to the balance between the internal reserves necessary for sustainable growth and returns to the shareholders.

In accordance with such perception, the Company proposes a ¥30 per share year-end dividend for the fiscal year under review.

Since a ¥30 per share interim dividend has already been paid, the annual dividend for the fiscal year under review will be ¥60 per share.

- (1) Type of dividend property  
Money
- (2) Allotment of dividend property and total amount  
¥30 per share of common stock of the Company  
The total amount of dividends: ¥497,026,500
- (3) Effective date of dividends from surplus  
April 17, 2017

##### 2. Other Appropriation of Surplus

In order to contribute to the development of a rich and robust society, the Company's group (hereinafter referred to as the "Group") will promote activities which promote co-existence and co-prosperity within the regional community. Based on the Group philosophy of "striving to achieve happiness and prosperity together with people and society as a whole" and in order to utilize the contributions to regional community activities, the Company proposes to reserve the amount of ¥100,000,000 as stated below for the Local Community Contribution Fund:

- (1) Item to be decreased and amount of decrease  
Retained earnings carried forward: ¥100,000,000
- (2) Item to be increased and amount of increase  
Local Community Contribution Fund: ¥100,000,000

**Proposal 2:** Election of Six (6) Directors

The terms of office of all six (6) Directors will expire at the conclusion of this meeting. Accordingly, the Company proposes to elect six (6) Directors.

The candidates for Director are as follows:

No.	Name (date of birth) Note to appointment	(Upper row) Career summary, positions and areas of responsibilities in the Company, and significant concurrent positions (Lower row) Reasons for election	Number of the Company's shares held
1	<p>Tomiya Takamatsu (June 26, 1976)</p> <p><u>Reappointment</u></p> <p>[Number of Board of Directors meetings attended]</p> <p>17/17</p>	<p>Apr. 2004    Joined the Company</p> <p>Apr. 2008    Director, the Company</p> <p>Apr. 2009    Managing Director, the Company</p> <p>Mar. 2010    Executive Director, the Company</p> <p>Apr. 2012    Vice President and Director, the Company</p> <p>Apr. 2014    President and Representative Director, the Company (incumbent)</p> <p>Feb. 2016    President and Representative Director, DyDo DRINCO Split Preparation Co., Ltd. (incumbent)</p> <p>(Significant concurrent positions)</p> <p>President and Representative Director, DyDo DRINCO, INC.</p> <p>Since his appointment to the position of President in April 2014, Mr. Takamatsu has demonstrated strong leadership by managing the Company with rapid, decisive decision-making in line with its medium- and long-term management posture based on the perspective of all stakeholders and in keeping with the newly formulated Group Philosophy and Group Vision. He is committed to establishing a business foundation for future dramatic growth, which involves promoting a shift to a holding company structure, working toward radical reforms to the business model, including developing IoT vending machines, and securing new strategic bases overseas. Based on this proven track record, he has been put forward as a candidate for continued service on the Board of Directors.</p>	495,000 shares
2	<p>Tomihiro Takamatsu (January 16, 1948)</p> <p><u>Reappointment</u></p> <p>[Number of Board of Directors meetings attended]</p> <p>17/17</p>	<p>Mar. 1971    Joined DAIDO PHARMACEUTICAL CORPORATION</p> <p>Jan. 1975    Managing Director following the Company's establishment</p> <p>May 1984    Executive Director, the Company</p> <p>Jun. 1990    Vice President and Director, the Company</p> <p>Apr. 1992    Vice President and Representative Director, the Company</p> <p>Apr. 1994    President and Representative Director, the Company</p> <p>Apr. 2014    Chairman and Director, the Company (incumbent)</p> <p>(Significant concurrent positions)</p> <p>President, Nippon Matsuri Network NPO (Non-Profit Organization)</p> <p>Having guided the Company as its President for 20 years, Mr. Takamatsu brings a wealth of experience as well as a proven track record to the table. In his current position as Chairman and Director, he fulfills a range of roles as appropriate, including strengthening the foundation of the Group's management in areas such as governance, deciding important issues, and overseeing execution of business operations. In addition, he has worked tirelessly to revitalize the local communities in which the Company does business by orchestrating its community service activities over many years. Based on this proven track record, he has been put forward as a candidate for continued service on the Board of Directors.</p>	495,000 shares

No.	Name (date of birth) Note to appointment	(Upper row) Career summary, positions and areas of responsibilities in the Company, and significant concurrent positions (Lower row) Reasons for election	Number of the Company's shares held
3	<p>Shinji Mori (May 22, 1946)</p> <p><u>Reappointment</u></p> <p><u>Independent</u></p> <p><u>Outside</u></p> <p>[Number of Board of Directors meetings attended]</p> <p>17/17</p>	<p>Apr. 1972    Joined the Legal Training and Research Institute of Japan</p> <p>Apr. 1974    Appointed as a judge, Yokohama District Court</p> <p>Apr. 1986    Appointed as a judge, Kyoto District Court</p> <p>Apr. 1989    Registered as a member of the Osaka Bar Association</p> <p>Apr. 2001    Corporate Auditor, the Company</p> <p>Apr. 2014    Director, the Company (incumbent)</p> <p>(Significant concurrent positions)</p> <p>Outside Auditor, OSAKA SODA CO., LTD.</p> <p>Auditor, CREDIT GUARANTEE CORPORATION OF OSAKA</p> <p>Mr. Mori has extensive experience and an advanced level of specialized knowledge as an attorney, and he has served the Company for 13 years as an Outside Corporate Auditor and for 3 years as an Outside Director. Based on that experience, he is appropriately carrying out his role in strengthening the oversight function of the Board of Directors by offering advice and suggestions as to the Company's management from an independent perspective. Based on this proven track record, he has been put forward as a candidate for continued service as an Outside Director on the Board of Directors.</p> <p>Although Mr. Mori has not been involved in corporate management in a manner other than that of being an outside officer of the Company and other companies in the past, the Company has judged that he will be able to appropriately carry out his duties as Outside Director for the above reasons.</p>	100 shares
4	<p>Masataka Inoue (October 12, 1954)</p> <p><u>Reappointment</u></p> <p><u>Independent</u></p> <p><u>Outside</u></p> <p>[Number of Board of Directors meetings attended]</p> <p>13/13</p>	<p>Apr. 1978    Joined Nakano Sumise Co., Ltd.</p> <p>Jul. 2005    Director, the head office of Mizkan Group Corporation</p> <p>May 2007    Managing Director, Mizkan Group Corporation</p> <p>Oct. 2009    Standing Auditor, Mizkan Group Corporation</p> <p>Mar. 2011    Divisional Manager in charge of the Management Auditing Office, Mizkan Group Corporation</p> <p>Mar. 2014    Divisional Manager in charge of the Business Planning Division, Mizkan Holdings Co., Ltd.</p> <p>Mar. 2016    Retired from Mizkan Holdings Co., Ltd.</p> <p>Apr. 2016    Director, the Company (incumbent)</p> <p>Mr. Inoue has a wealth of knowledge and experience in the food industry. Based on his auditing experience in areas such as business development through overseas M&amp;As and overseas subsidiaries, he is appropriately carrying out his role in strengthening the oversight function of the Board of Directors by offering advice and suggestions from an independent perspective concerning such issues as accelerated development of the Company's business overseas and expanding its business domain. Based on this proven track record, he has been put forward as a candidate for continued service as an Outside Director on the Board of Directors.</p>	—

No.	Name (date of birth) Note to appointment	(Upper row) Career summary, positions and areas of responsibilities in the Company, and significant concurrent positions (Lower row) Reasons for election	Number of the Company's shares held
5	Naoki Tonokatsu (November 4, 1963)  <u>New appointment</u>  [Number of Board of Directors meetings attended]  —/—	<p>Mar. 1986    Joined the Company</p> <p>Jan. 2011    General Manager of Financial Planning Department, the Company</p> <p>Mar. 2013    Corporate Officer, Division Director of Administration Division, the Company</p> <p>Jan. 2014    Corporate Officer, Division Director of Finance Division, the Company</p> <p>Jan. 2017    Corporate Officer, General Manager of Finance Department, the Company (incumbent)</p> <p>Director, Corporate Officer, Division Director of Finance Division, DyDo DRINCO, INC. (incumbent)</p> <p>Since joining the Company, Mr. Tonokatsu has engaged in finance for many years and has extensive experience and achievements. He fulfills duties central to procuring funds, etc., for achieving the mid- term business plan. Currently, as the Corporate Officer, General Manager of Finance Department, he is putting effort into sound company management such as building a solid structure for the entire Group's financial base. Based on this proven track record, he has been put forward as a candidate for service on the Board of Directors.</p>	3,100 shares
6	Naoyuki Nishiyama (July 30, 1965)  <u>New appointment</u>  [Number of Board of Directors meetings attended]  —/—	<p>Mar. 1988    Joined the Company</p> <p>Jan. 2014    General Manager of Corporate Strategy Department, the Company</p> <p>Feb. 2014    General Manager of Corporate Strategy Department and General Manager of International Business Department, the Company</p> <p>Mar. 2015    Corporate Officer, General Manager of Corporate Strategy Department and General Manager of International Business Department, the Company</p> <p>Jan. 2016    Corporate Officer, General Manager of Corporate Strategy Department and General Manager of Strategic Investment Department, the Company</p> <p>Jan. 2017    Corporate Officer, General Manager of Corporate Strategy Department, the Company (incumbent)</p> <p>Mr. Nishiyama has engaged in a wide range of duties covering overall management such as corporate strategy, strategic investment, and international business and has extensive experience and achievements. Currently, he is leading Group companies as the Corporate Officer, General Manager of Corporate Strategy Department and pursuing new business development and initiatives to improve profitability. Based on this proven track record, he has been put forward as a candidate for service on the Board of Directors.</p>	100 shares

- Notes:
1. There are no special interests between any of the candidates and the Company.
  2. Messrs. Shinji Mori and Masataka Inoue are candidates for Outside Director.  
Messrs. Shinji Mori and Masataka Inoue currently serve as Outside Directors of the Company. At the conclusion of this meeting, their terms of office as Outside Directors will have been three years and one year, respectively.
  3. The Company has concluded agreements with Messrs. Tomihiro Takamatsu, Shinji Mori and Masataka Inoue pursuant to the provisions of Article 427, paragraph (1) of the Companies Act to limit the amount of their liability to damages as provided for in Article 425, paragraph (1) of the same Act.  
If the reelections of Messrs. Tomihiro Takamatsu, Shinji Mori and Masataka Inoue are approved, the Company plans to extend the same agreements.
  4. The Company has notified Messrs. Shinji Mori and Masataka Inoue as independent officers as prescribed by the Tokyo Stock Exchange. If the reelections of Messrs. Shinji Mori and Masataka Inoue are approved, the Company plans to maintain their positions as independent officers.
  5. Current company name of DyDo DRINCO Split Preparation Co., Ltd. is DyDo DRINCO, INC.

**Proposal 3:** Continuance of the Measures to Address Large-Scale Acquisitions of the Company's Stock (Takeover Defense Measures)

At the Company's Board of Directors meeting held on January 15, 2008, the Company initially adopted Measures to Address Large-Scale Acquisitions of the Company's Stock (Takeover Defense Measures) and recently obtained approval to continue the Measures (hereinafter referred to as "the Current Plan") at the 39th Annual General Meeting of Shareholders held on April 16, 2014. However, the Current Plan will expire as of the closing of this meeting. Even after the Current Plan was continued, as one effort to protect and enhance the corporate value of the Company and, in turn, common interests of its shareholders, the Company has continued to examine the best approach for the future while taking into consideration various factors, including changes in social and economic conditions, various trends related to takeover defense measures and the direction of such debate, and the purport of the Corporate Governance Code.

As a result, the Company has reached the conclusion that it is necessary and indispensable to continue the Measures to Address Large-Scale Acquisitions of the Company's stock as one way to work to achieve sustainable growth and enhance the corporate value of the Company over the medium and long term by coexisting and prospering with all stakeholders, including customers, employees, business partners, communities and shareholders, based on the Basic Policy on Corporate Governance as described in the Attached document 2. At the Company's Board of Directors meeting held on March 6, 2017, a unanimous decision was reached by all Directors in attendance, including two Outside Directors, to continue the Current Plan (hereinafter the continued Measures to Address Large-Scale Acquisitions of the Company's Stock is referred to as "the Plan") conditional upon obtaining the approval of shareholders at this meeting. The reasons for continuing the Plan are given in [Reasons for the Company to continue the Plan] given below. The Company therefore seeks the shareholders' approval.

All four members of the Board of Corporate Auditors noted their opinion that they agree with continuing the Plan on condition that the Plan is to be administered appropriately in detail. Attached document 1 gives the current status of Major Shareholders as of January 20, 2017.

The main changes to the Current Plan that have been newly incorporated into the Plan are as follows.

- (i) Upper limits were prescribed for when setting the time limit for response for the case where the Board of Directors requests additional information after receiving necessary information from the large-scale purchaser.
- (ii) It is clarified that if a gratis allotment of stock acquisition rights as countermeasures to address large-scale acquisitions of the Company's stock is implemented, the company shall not contemplate the payment of consideration for acquisition of stock acquisition rights owned by a large-scale purchaser.
- (iii) Other changes were made, which include revision of phrasing and wording

[Reasons for the Company to continue the Plan]

For the Company, the decision whether to agree to a large-scale acquisition by a large-scale purchaser should ultimately be entrusted to the judgment of shareholders, and the Company will not necessarily unconditionally reject a bid to participate in the Company's management if the acquisition would dramatically enhance the Company's corporate value.

The purpose of the large-scale acquisition rules in the Plan is to ensure the opportunity for shareholders to receive an alternate plan by providing not only information that can allow shareholders to determine whether to agree to the large-scale acquisition but also the opinion of the Board of Directors, which is responsible for managing the Company. At the present time, the Financial Instruments and Exchange Act includes certain restrictions on hostile takeovers, but it may not be effective in various ways as it neither legally ensures the provision of information and time to review such information before the launch of a tender offer nor legally restricts acts of buying up shares in the market. Therefore, establishing large-scale acquisition rules is a precondition for shareholders and investors making appropriate investment decisions, and the Company believes that ensuring sufficient time is also effective for having constructive dialogues with large-scale purchasers regarding improving corporate value.

The management environment for the domestic beverage business which is core for the Group remains difficult, and in order to enhance the corporate value over the medium and long term, it is necessary to reform the profit structure to meet the changes of the times.

The Company believes that to promptly respond to changes in the industry, which are expected to occur at a faster pace in the future, and achieve sustainable growth and enhance the value of the Company over the medium and long term by coexisting and prospering with all stakeholders, including customers, employees, business partners, communities and shareholders, it is necessary to implement bold corporate measures through quick and decisive decision making from a medium- and long-term perspective. However, there are concerns that if 20% or more of the Company's issued shares were acquired, it would have a major impact on the Company's management and make it impossible to implement the above measures. This could also have a marked impact on the special resolutions at General Meeting of Shareholders if one considers factors such as quorum and percentage of voting rights exercised.

The status of the Company's major shareholders as of January 20, 2017, are given in Attached document 1, and around 33% of the Company's issued shares are held by the Company's President and Representative Director Tomiya Takamatsu, Chairman and Director Tomihiro Takamatsu, and the asset management company that has direct control. However, the Company has a wide range of shareholders, primarily individual shareholders. Except for the Company's President and Chairman, no parties related to the family of the founder of the Company have any involvement in the management of the Company, and their decisions to exercise voting rights are made on an individual basis, making their position no different than that of general shareholders. The Company's share held by parties related to the family of the Company's founder will probably be transferred, passed down, and disposed of in other ways in accordance with individual wishes and situations, creating a more diverse group of shareholders. Therefore, there is always the possibility of a large-scale acquisition of the Company's stock that would undermine the corporate value of the Group and common interests of its shareholders. The examples of situations of concern are described below.

- (i) The domestic beverage business which is core for the Group has a network of about 280,000 vending machines throughout Japan, one of the largest in the industry. There have been cases of M&As in the beverage industry in recent years, in which the business value of vending machine businesses has been extremely highly rated, and the Company could be exposed to the danger of a hostile takeover by a large-scale purchaser focused only on the number of vending machines possessed by the Company, not on enhancing the Company's corporate value over the medium and long term.
- (ii) On the other hand, the unique business model for the Group's vending machine business is founded on the trust of stakeholders, and operations involving the approximately 280,000 vending machines throughout Japan are based on a system run directly by the Group's employees and employees of DyDo Vending Partner Association (vending machine operators that handle the Company's products). It is thus highly dependent on human resources. If these workers were to become concerned or alarmed about changes in the management policy on account of the policies of a large-scale purchaser, the quality of the vending machine operations could decline due to various consequences including employee unrest or exodus, which could undermine the ability of the vending machine business to generate cash flows on account of a major loss of vending machine locations that are extremely efficient in terms of sales, and this in turn, could lower the Group's corporate value over the medium and long term.

As discussed above, continuing to have large-scale acquisition rules is necessary and indispensable to promptly respond to changes in the industry, which are expected to occur at a faster pace in the future, and to achieve sustainable growth and enhance the corporate value of the Company over the medium and long term. Considering the characteristics of the Group's unique vending machine business model, it has been determined that always being prepared for unexpected situations by continuing the Plan is a responsibility of the Board of Directors.

## **I. Content of the Plan to be approved**

### **1. Purpose for continuing the Plan**

The Plan will be continued as a measure to prevent unsuitable parties from controlling decisions regarding the Company's financial and business policies in light of the basic policy as described in (3) Basic Policy on Control of the Company under 6. Systems and Policy of the Company of the Business Report (prepared in Japanese only).

The purpose of the Plan is to provide shareholders with the necessary and sufficient information and time to reach an appropriate decision regarding whether to agree to a large-scale acquisition by (1)



requiring large-scale purchasers to submit necessary and sufficient information before the execution; (2) securing time for information gathering, review, and similar tasks relating to the large-scale acquisition, and; (3) on that basis, presenting the plan of the Company's management or an alternative plan to the shareholders and conducting negotiations with the large-scale purchaser if necessary.

The status of the Company's major shareholders as of January 20, 2017, are given in Attached document 1, and around 33% of the Company's issued shares are held by the Company's President and Representative Director Tomiya Takamatsu, Chairman and Director Tomihiro Takamatsu, and the asset management company that has direct control. However, the Company has a wide range of shareholders, primarily individual shareholders. Except for the Company's President and Chairman, no parties related to the family of the founder of the Company have any involvement in the management of the Company, and their decisions to exercise voting rights are made on an individual basis, making their position no different than that of general shareholders. The Company's share held by parties related to the family of the Company's founder will probably be transferred, passed down, and disposed of in other ways in accordance with individual wishes and situations, creating a more diverse group of shareholders. Therefore, no guarantee can be given as to the future stability of ownership of the Company's shares. It is also fully possible that aspects such as the stable market, centered on vending machines, an integral part of the Company's unique business model, and related knowhow could be exposed to the potential risk of being purchased. Taking these conditions into consideration, it cannot be denied that there is the possibility that the Company's share could be the target of a large-scale acquisition that could damage the corporate value of the Company and, in turn, common interests of its shareholders, and, just like other companies, it is still important to ensure the necessary time and information for shareholders if such an acquisition were to occur. Therefore, the Company's Board of Director considers it important to introduce measures to address such contingencies.

Because of the above, the Company's Board of Directors decided to stipulate certain rules related to points such as providing information in the case of a large-scale acquisition (hereinafter referred to as "Large-Scale Acquisition Rules") and to continue the Plan as a takeover defense measure, including countermeasures against a large-scale acquisition by an unsuitable party in light of the basic policy as described in (3) Basic Policy on Control of the Company" under 6. Systems and Policy of the Company of the Business Report (prepared in Japanese only), conditional upon obtaining the approval of shareholders at this meeting.

As described above, because of the highly concentrated nature of the current shareholder composition, which is considered to be stabilizing, the Plan includes the establishment of an Independent Committee to eliminate arbitrariness in the decisions of the Board of Directors, and resolutions to execute the countermeasures shall be submitted to a General Meeting of Shareholders only if recommended by the Independent Committee, thereby establishing a scheme that also takes into consideration the Board of Directors implementing arbitrary measures on account of the stable shareholders.

Refer to Attached document 3 for an outline of the flow of the Plan.

## **2. Acquisitions of the Company's stock that the Plan applies to**

Acquisitions of the Company's stock that the Plan applies to are ones whose purpose is for a specified shareholder group (Note 1) to obtain 20% or more of the voting rights (Note 2) and ones that ultimately result in a designated shareholder group obtaining 20% or more of the voting rights through the acquisition of the Company's share certificates, etc. (Note 3) (Although the Plan applies regardless of how the instruments are acquired, such as purchases in the market or takeover bid, this does not apply to acquisitions by parties who obtain the prior approval of the Company's Board of Directors. Hereinafter these purchases are referred to as "Large-Scale Acquisitions," and the party acquiring the instruments, "Large-Scale Purchaser.")

Note 1: "Specified shareholder group" refers to

- (i) a holder (including parties deemed as holders pursuant to Article 27-23, paragraph (3) of the Financial Instruments and Exchange Act; the same applies hereinafter) and joint holders (as stipulated in Article 27-23, paragraph (5) of the Financial Instruments and Exchange Act, including parties deemed a joint holder pursuant to paragraph (6) thereof; the same applies hereinafter) of the Company's share certificates, etc., (as stipulated in Article 27-23, paragraph (1) of the Financial Instruments and Exchange Act), or parties with certain relationships

with the holder or joint holder of the holder that is similar to the relationship between the holder and joint holder (hereinafter referred to as “quasi-joint holders”), or

- (ii) parties conducting purchases, etc. (as stipulated in Article 27-2, paragraph (1) of the Financial Instruments and Exchange Act, including any purchase, etc. made on a market operated by a financial instruments exchange) of the Company’s share certificates, etc. (as stipulated in Article 27-2, paragraph (1) of the Financial Instruments and Exchange Act), and its specially related party (as stipulated in Article 27-2, paragraph (7) of the Financial Instruments and Exchange Act; the same applies hereinafter).

Note 2: “Percentage of voting rights” refers to

- (i) in the case of specified shareholder group as given in Note 1 (i), the total of (1) the holding ratio of share certificates, etc., (as stipulated in Article 27-23, paragraph (4) of the Financial Instruments and Exchange Act; in this case, this includes the number of share certificates, etc., held by joint holders with the holder [number of share certificates, etc. held as stipulated in the same paragraph; the same applies hereinafter]) and (2) the holding ratio of share certificates, etc. of quasi-joint holders with the holder (minus the number of held share certificates, etc., counted twice in the total of (1) and (2)), or
- (ii) in the case of a specified shareholder group as given in Note 1 (ii), the total of the holding ratio of share certificates, etc. of the Large-Scale Purchaser and that of its specially related party (as stipulated in Article 27-2, paragraph (8) of the Financial Instruments and Exchange Act).

Furthermore, when calculating the percentage of voting rights, whichever of the Company’s annual report, quarterly report, or reports on repurchase that has been most recently submitted to the authorities may be used to determine the total number of voting rights (as stipulated in Article 27-2, paragraph (8) of the Financial Instruments and Exchange Act) and the total number of issued shares (stipulated in Article 27-23, paragraph (4) of the Financial Instruments and Exchange Act).

Note 3: “Share certificate, etc.” refers to shares and other securities as stipulated in Article 27-23, paragraph (1), and Article 27-2, paragraph (1), of the Financial Instruments and Exchange Act.

### **3. Establishment of the Independent Committee**

The Company’s Board of Directors shall consult with the Independent Committee (refer to Attached document 4 for an outline of the Independent Committee), which was established as a body independent of the Board of Directors, to prevent arbitrary decisions by the Company’s Board of Directors when deciding on the following decisions and to ensure the transparency, objectivity, fairness, and rationality of those decisions. These decisions are as follows: whether Large-Scale Purchasers are adhering to the Large-Scale Acquisition Rules; whether to judge Large-Scale Acquisitions, even those that adhere to Large-Scale Acquisition Rules, as ones that markedly damage the corporate value of the Company and, in turn, common interests of its shareholders and to execute countermeasures; whether to convene a General Meeting of Shareholders regarding executing countermeasures; and whether to take actions such as suspending the execution of countermeasures that have been executed. In addition, when responding to consultation from the Company’s Board of Directors, the Independent Committee shall perform the following: carefully evaluate and review Large-Scale Acquisitions from the perspective of protecting and enhancing the corporate value of the Company and, in turn, common interests of its shareholders; clearly indicate the reason and basis for its decisions, and provide advice to the Company’s Board of Directors; and the Company’s Board of Directors shall give the utmost respect possible to the advice. A summary of the advice by the Independent Committee shall be made public when appropriate.

The Independent Committee shall be composed of at least three members, elected from Outside Directors, Outside Corporate Auditors, and outside experts (corporate managers with extensive experience with management, parties well versed in investment banking operations, attorneys, certified public accountants, academic experts, and equivalent parties). (Refer to Attached document 5 for details on candidates to be Independent Committee members after the Plan is continued.)

### **4. Summary of Large-Scale Acquisition Rules**

The Large-Scale Acquisition Rules established by the Company’s Board of Directors stipulate that (1) Large-Scale Purchasers shall provide the Company’s Board of Directors with necessary and sufficient information related to the Large-Scale Acquisition in advance and (2) launch the Large-Scale Acquisition after an evaluation period for the Company’s Board of Directors. An outline of the Rules is provided below.

(1) Submission of statement of intention to the Company in advance

Large-Scale Purchasers planning to make a Large-Scale Acquisition shall submit to the Company's Representative Director a statement of intention written in Japanese that includes the information set forth below and a legally binding pledge to adhere to the Large-Scale Acquisition Rules before making a Large-Scale Acquisition or proposing a Large-Scale Acquisition. After receiving the statement of intention from a Large-Scale Purchaser, the Company shall make public that it has received such a statement of intention, and when necessary, details of that statement.

- (i) Name and address of the Large-Scale Purchaser
- (ii) Applicable law for its establishment
- (iii) Name of the representative
- (iv) Contact information in Japan
- (v) Outline, etc. of the proposed Large-Scale Acquisition

(2) Submission of necessary information

Within ten business days from the day after receiving the statement of intention given in (1) above, the Company's Board of Directors shall send the Large-Scale Purchaser a written statement that includes a list of necessary and sufficient information that the Large-Scale Purchaser should initially submit so that the Company's shareholders can make a decision and the Company's Board of Directors can form an opinion (hereinafter referred to as "Necessary Information"). As stipulated in the list of Necessary Information, the Large-Scale Purchaser shall submit a written response that includes the Necessary Information in Japanese to the Company's Board of Directors.

The following are general items included in Necessary Information. While the specific information will depend on the characteristics of the Large-Scale Purchaser and details specific Large-Scale Acquisition, it shall be limited, in all cases, to information necessary and sufficient for shareholders to make a decision and the Company's Board of Directors to form an opinion.

- (i) Details of the Large-Scale Purchaser and the purchaser's group (joint holders, its specially related party, partners (if a fund), and other constituent members). (This includes names, business details, capital composition, financial details, background and history, experience related to the same type of business as that of the Company and Group companies.)
- (ii) Purpose and details of the Large-Scale Acquisition (amount and type of compensation for the Large-Scale Acquisition, etc.; timing of the Large-Scale Acquisition, etc.; scheme of related transactions; legality of the method for the Large-Scale Acquisition, etc.; probability of being successful in regard to the Large-Scale Acquisition, related transactions, etc.)
- (iii) Basis for the calculated offer price for the Company's share and proof of funds (facts that the calculation is based on, calculation method, numerical information used in the calculation, details of the synergies envisioned due to the series of transactions related to the Large-Scale Acquisition, and names of suppliers of funds [including actual providers], financing method, details of related translations, etc.)
- (iv) Candidate managers for the Company and Group companies that the Large-Scale Purchaser envisions appointing after joining the Company's management (including information such as background in businesses similar to that of the Company and Group companies), management policy, business plan, financial plans, capital policy, dividend policy, policy on use of assets, etc.
- (v) Whether there are envisioned changes related to the relationship between the Company (including Group companies) and its stakeholders (customers, business partners, employees and other stakeholders of the Company and Group companies) after completing the Large-Scale Acquisition
- (vi) Other information that the Company's Board of Directors rationally determines is necessary

The Company's Board of Directors may set a deadline for the Large-Scale Purchaser to submit information when necessary from the perspective of quickly applying the Large-Scale Acquisition Rules. However, if the Large-Scale Purchaser requests an extension for a rational reason, the deadline can be extended.

If after carefully examining the Necessary Information initially submitted by the Large-Scale Purchaser, the Company's Board of Directors determines the information is insufficient, the Company's Board of Directors may request that the Large-Scale Purchaser submit additional information after setting an appropriate and rational deadline for submitting that information (the deadline shall be no more than sixty days after Necessary Information is initially submitted).

If the Company's Board of Directors determines that the Large-Scale Purchaser has submitted necessary and sufficient information to evaluate and review the Large-Scale Acquisition, the Company's Board of Directors shall send the Large-Scale Purchaser notification of that (hereinafter referred to as "Information Submission Completion Notification") and notify the public of that fact.

If even though requested to submit information in addition to the Necessary Information, the Large-Scale Purchaser does not submit some information but has a rational explanation for not doing so, there are situations when activities such as negotiations with the Large-Scale Purchaser regarding the submission of information, etc., will be concluded even though the Necessary Information requested by the Company's Board of Directors has not been submitted, the public will be notified of that, and the Company's Board of Directors will begin its evaluation and review given in (3) below.

Necessary Information submitted to the Company's Board of Directors shall be provided to the Independent Committee, and if the information is deemed necessary for shareholders to make a decision, all or some of the information shall be made public when determined appropriate by the Company's Board of Directors.

### (3) Evaluation, review, etc. by the Company's Board of Directors

After the Large-Scale Purchaser finishes submitting Necessary Information to the Company's Board of Directors, the Board of Directors shall set a length of time to conduct an evaluation, review, undertake negotiations, form an opinion, and formulate an alternate plan (hereinafter referred to as "Board of Directors Evaluation Period") that is appropriate for the difficulty of conducting those activities, but that period shall not exceed sixty days if the proposed purchase is for all the Company's shares using only cash (yen), and ninety days for other situations.

During the Board of Directors Evaluation Period, while receiving advice from independent outside experts (financial advisors, certified public accountants, attorneys and other experts) when necessary, the Company's Board of Directors shall fully examine and evaluate the submitted Necessary Information and carefully compile and make public its opinion. In addition, the Company's Board of Directors may conduct negotiations with the Large-Scale Purchaser regarding improvements to the terms when necessary and provide the Company's shareholders with an alternate plan.

## **5. Policy on the countermeasure in the case of a Large-Scale Acquisition**

### (1) If the Large-Scale Purchaser adheres to the Large-Scale Acquisition Rules

If the Large-Scale Purchaser adheres to the Large-Scale Acquisition Rules, even if the Company's Board of Directors is opposed to the Large-Scale Acquisition, it shall limit its actions to convincing shareholders by expressing its opinion against the proposed Large-Scale Acquisition and indicating an alternate plan but, as a general rule, shall not execute countermeasures against the Large-Scale Acquisition. The Company's shareholders shall decide whether to agree to the Large-Scale Purchaser's acquisition plan taking into consideration the proposed Large-Scale Acquisition and the Company's opinion regarding such proposed Large-Scale Acquisition and alternate plan, etc.

Even if the Large-Scale Purchaser adheres to the Large-Scale Acquisition Rules, if the Company's Board of Directors determines that the acquisition will damage the corporate value of the Company and, in turn, common interests of its shareholders, which includes situations such as the Large-Scale Acquisition being one of following, (i) - (vi), and as a result will clearly cause the Company damage that would be difficult to recover from, the Company's Board of Directors may, in accordance with its duty of due care of a prudent manager, execute countermeasures permitted by the Companies Act, other laws and the Company's Articles of Incorporation, including in exceptional situations the gratis allotment of stock acquisition rights, to the extent necessary and appropriate to secure the interests of the Company's shareholders.

- (i) If the Large-Scale Acquisition is such that it will clearly damage the corporate value of the Company and, in turn, common interests of its shareholders on account of one of the actions given in a.–d. below
  - a. Acquiring a large number of the Company's shares and demanding the Company purchase those shares at an inflated price (so-called green mail)
  - b. Acquiring temporary control of the Company's management and managing the Company in a manner that benefits the purchaser at the expense of the Company, such as acquiring the important assets of the Company or Group companies, etc. at a discounted price
  - c. Using the assets of the Company or Group companies as collateral for or as a source of funds to repay the liabilities of the purchaser or the purchaser's group companies.
  - d. Acquiring temporary control of the Company's management, disposing of items such as highly valuable assets not currently related to the business of the Company or Group companies, using the funds raised to temporarily boost the dividends or waiting for the stock price to rise due to a temporary high dividend to sell off the shares at a higher price
- (ii) If the Large-Scale Acquisition may in fact force shareholders to sell off their shares, including coercive two-stage acquisition (acquisition of shares such as a tender offer, whereby no solicitations for acquiring all the shares are made in the initial acquisition and the terms for the second-stage acquisition are set more disadvantageously or are not made clear)
- (iii) If it is determined that the acquisition terms proposed by the Large-Scale Purchaser (including but not limited to the type and amount of compensation for the share, basis for calculating the amount, and specific contents, legality and feasibility of other terms) are markedly insufficient or inappropriate considering the Company's corporate value
- (iv) If it is determined that the Large-Scale Purchaser obtaining control will conspicuously harm the corporate value of the Company and, in turn, common interests of its shareholders by activities such as damaging the relationship with customers, business partners, employees, communities and other stakeholders who are indispensable for generating sustainable growth in the Company's corporate value, etc.
- (v) If it is determined that because aspects such as the Large-scale Purchaser's post-acquisition management policy are insufficient or inappropriate, this may undermine the growth potential and stability of the Company or Group companies' business and dramatically hinder efforts to protect and enhance the Company's or Group companies' corporate value and, in turn, common interests of their shareholders
- (vi) If the Large-Scale Purchaser is determined to be unsuited for being the controlling shareholder of the Company from a public order and morals

## (2) If the Large-Scale Purchaser does not adhere to Large-Scale Acquisition Rules

If the Large-Scale Purchaser does not adhere to the Large-Scale Acquisition Rules, after obtaining the advice of the Independent Committee to execute the countermeasures, the Company's Board of Directors may oppose the Large-Scale Acquisition and execute countermeasures permitted by the Companies Act, other laws and the Company's Articles of Incorporation, including the gratis allotment of stock acquisition rights, to the extent necessary and appropriate to protect and enhance the corporate value of the Company and, in turn, common interests of its shareholders.

## (3) Board of Director's resolution and convening a General Meeting of Shareholders

When deciding whether to execute countermeasures discussed in (1) and (2) above, the Company's Board of Director shall pass a resolution as a body stipulated by the Companies Act regarding issues such as whether to execute countermeasures after giving the utmost respect possible to the advice of the Independent Committee and fully reviewing issues such as the necessity and reasonableness of the countermeasures.

The specific measure taken shall be the one that the Company's Board of Directors determines to be the most appropriate at that time. An outline of the case when the Company's Board of Directors conducts a gratis allotment of stock acquisition rights as a specific countermeasure is given in Attached document 6. In an event where the Company actually conducts a gratis allotment of stock

acquisition rights, conditions may be stipulated that take into consideration the effectiveness of countermeasures, and these could include one of the conditions for exercising stock acquisition rights as being a shareholder who is not part of a specified shareholder group that holds a certain percentage or more of voting rights or a special provision that the Company shall acquire the stock acquisition rights from rights holder in exchange for the Company's shares. However, in that case, it is not envisioned that the Company would provide cash to acquire the stock acquisition rights held by the Large-Scale Purchaser.

If the Independent Committee advises that countermeasures be executed, determines that it is appropriate to confirm the will of shareholders regarding the necessity and reasonableness to execute the countermeasures, and requests that a General Meeting of Shareholders regarding a resolution to execute the countermeasures be held, the Company's Board of Directors may set a period of time, not to exceed sixty days, for shareholders to fully review whether to execute the countermeasures in the Plan (hereinafter referred to as "Shareholder Review Period") and convene a General Meeting of Shareholders within that Period.

If the Company's Board of Directors passes a resolution convening a General Meeting of Shareholders and decides on a record date, the Board of Directors Evaluation Period shall end on that day, and the Shareholder Review Period shall begin.

When convening the General Meeting of Shareholders, the Company's Board of Director shall send shareholders written material that includes necessary information submitted by the Large-Scale Purchaser, and Board of Director's opinion of the necessary information, the Board of Director's alternative plan and other information that the Board of Directors judges appropriate along with the notice of a convocation of General Meeting of Shareholders and disclose that it will do so in a timely and appropriate manner.

The Company's Board of Directors shall adhere to resolutions regarding whether to execute countermeasures passed at the General Meeting of Shareholders. If a resolution to execute the countermeasures is not adopted at the General Meeting of Shareholders, the Company's Board of Directors shall not execute the countermeasures. The Shareholder Review Period shall end at the close of the General Meeting of Shareholders, and the results of the meeting shall be disclosed in a timely and appropriate manner after the resolutions are passed.

#### (4) Large-scale acquisition waiting period

The large-scale acquisition waiting period shall be until the end of Board of Directors Evaluation Period if a Shareholder Review Period is not set or the end of the combined period of the Board of Directors Evaluation Period and Shareholder Review Period if a Shareholder Review Period is set. Large-Scale Acquisitions cannot be conducted during the large-scale acquisition waiting period.

Therefore, Large-Scale Acquisitions can only be launched after the large-scale acquisition waiting period is over.

#### (5) Suspension of the execution of countermeasures, etc.

If after it is decided at a Company's Board of Directors meeting or a General Meeting of Shareholders to execute specific countermeasures as discussed in (3) above, the Company's Board of Directors determines it is inappropriate to execute the countermeasures for any of various reasons such as the Large-Scale Purchaser withdrawing or changing the Large-Scale Acquisition plan, the Board of Directors may suspend the execution of countermeasures or take other steps after giving the utmost respect possible to the advice of the Independent Committee.

For example, in an event where a gratis allotment of stock acquisition rights is conducted as a countermeasure, even after the resolution to issue stock acquisition rights is passed or the stock acquisition rights are allotted, if the Board of Directors determines that it is inappropriate to execute the countermeasures for any of various reasons such as the Large-Scale Purchaser withdrawing or changing the Large-Scale Acquisition plan, the Board of Directors can suspend the execution of the countermeasures by discontinuing the allotment of stock acquisition rights up to the day before the rights come into effect or having the Company acquire the stock acquisition rights without contribution after the allotment of stock acquisition rights but before the day before the start of the exercise period after giving the utmost respect possible to the recommendation of the Independent

Committee. If the execution of countermeasures is suspended in this way or there is a similar development, the decision shall be disclosed in a timely and appropriate manner in line with laws and regulations, listing rules of the financial instrument exchange the Company is listed on, etc.

## **6. Commencement of application, effective period, continuance and abolishment of the Plan**

Assuming approval is obtained at this meeting, the Plan will come into effect on that day, and the Plan shall stay in effect until the conclusion of the Annual General Meeting of Shareholders for the last fiscal year that falls within three years of that date (the Annual General Meeting of Shareholders scheduled to be held in April 2020).

Even if the Plan has yet to expire, however, the Plan will be abolished at the time a resolution to abolish the Plan is passed at a General Meeting of Shareholders or Board of Directors meeting. If the Plan is abolished, the fact that it has been abolished shall be made public in a timely and appropriate manner.

Even if the Plan has yet to expire, in an event where it becomes necessary to make revisions to the terms stipulated in the Plan, meaning of terms, etc. for any of various reasons including newly established, revised, or repealed related laws and regulations, listing rules of the financial instruments exchange, etc., the Company's Board of Directors shall rationally interpret and apply the Plan to the extent possible without violating the purport of the General Meeting of Shareholders resolution and taking into consideration the purport of the newly established, revised, or repealed item, etc. and giving the utmost respect possible to the advice of the Independent Committee.

## **II. Supplementary explanations**

### **1. Impact on shareholders, investors, etc.**

#### **(1) Impact of the Plan on shareholders, investors, etc.**

When the Plan is continued, there will be no specific direct impact on the interest of shareholders because a gratis allotment of stock acquisition rights will not be conducted at that time. The Large-Scale Acquisition Rules in the Plan are to provide the necessary information for shareholders to decide whether to agree to a Large-Scale Acquisition and the opinion of the Board of Directors, who are currently responsible for managing the Company, and to ensure an opportunity for shareholders to receive an alternative plan. Because of this, shareholders will be able to make an appropriate decision regarding whether to agree to the Large-Scale Acquisition taking into consideration sufficient information and the proposal, and the Company believes that this will protect the corporate value of the Company and, in turn, common interests of its shareholders. Therefore, the establishment of Large-Scale Acquisition Rules is a precondition for shareholders and investors to make an appropriate investment decision and will contribute to the interest of shareholders and investors.

Because the Company's policy to address a Large-Scale Acquisition depends on whether the Large-Scale Purchaser adheres to the Large-Scale Acquisition Rules, shareholders and investors should pay close attention to material the Company releases and what Large-Scale Purchasers do.

#### **(2) Impact on shareholders and investors if countermeasures are executed**

If the Company's Board of Directors decides to execute countermeasures to protect the corporate value the Company and, in turn, common interests of its shareholders, the Company's Board of Directors shall disclose the decision in a timely and appropriate manner in line with laws and regulations, listing rules of the financial instrument exchange the Company is listed on, etc.

When countermeasures are executed, the Company does not assume that shareholders other than the Large-Scale Purchaser, etc. will incur particular losses in terms of legal rights or economic interest. If a gratis allotment of stock acquisition rights is undertaken as one of the countermeasures, shareholders as of the record date for the allotment are allotted a number of stock acquisition rights without contribution proportional to the number of shares they hold. After that, if the Company takes procedures to acquire the stock acquisition rights with the special provision for acquisition, shareholders other than the Large-Scale Purchasers, etc. will not suffer a substantial, negative impact because they will receive the Company's share as compensation of the acquisition of the stock acquisition rights by the Company. If in response to the advice of the Independent Committee, the

Company discontinues the issuance of stock acquisition rights or acquires the issued stock acquisition rights without contribution in line with a decision by the Company's Board of Directors, shareholders and investors who trade the Company's share or take other actions assuming the Company's share value would be diluted after shareholders to receive the gratis allotment of stock acquisition rights were finalized (after the ex-rights date) may incur unforeseen losses due to changes in the share price.

As for Large-Scale Purchasers, etc., if it is determined that they have not adhered to the Large-Scale Acquisition Rules, or if it is determined that the Large-Scale Acquisition will markedly damage the corporate value of the Company and, in turn, common interests of its shareholders even if they have adhered to the Large-Scale Acquisition Rules, their legal rights and economic interest may be undermined as a result of the execution of countermeasures. The Plan is made public as an advance warning so that Large-Scale Purchasers do not violate the Large-Scale Acquisition Rules.

(3) Procedures required of shareholders when countermeasures are executed

If a gratis allotment of stock acquisition rights is conducted as one of the countermeasures, shareholders as of the record date for the allotment shall be allotted stock acquisition rights without having to apply for them, and if the Company takes procedures to acquire the stock acquisition rights with the special provision for acquisition, there is no need for shareholders to complete procedures, such as applying or paying for the stock acquisition rights, because shareholders will receive the Company's share as compensation for the Company acquiring the stock acquisition rights, without paying an amount equivalent to the stock acquisition right exercise price. Details regarding these procedures will be disclosed in a timely and appropriate manner based on laws and regulations, listing rules of the financial instrument exchange the Company is listed on, etc. when conducting an actual gratis allotment of stock acquisition rights.

**2. The Plan is in accord with the basic policy and the corporate value of the Company, in turn, common interests of its shareholders, and its purpose is not to maintain the position of the Company's officers**

The Company believes that the Plan is in accord with the Basic Policy on Control of the Company and the corporate value of the Company and, in turn, common interests of its shareholders and that its purpose is not to maintain the position of the Company's officers because the following points were taken into consideration when the designing the Plan.

(1) Satisfaction of the requirements of guidelines on takeover defense measures

The Plan fulfills the three principles stipulated by "Guidelines Regarding Takeover Defense for the Purpose of Protection and Enhancement of Corporate Value and Shareholder's Common Interests" released by the Ministry of Economy, Trade and Industry and Ministry of Justice on May 27, 2005 ([i] principle of protecting and enhancing corporate value and the interests of shareholders as a whole, [ii] principle of prior disclosure and shareholders' will, [iii] principle of ensuring the necessity and reasonableness). The Plan was also developed taking into consideration the report entitled "Takeover Defense Measures in Light of Recent Environmental Changes", released on June 30, 2008 by the Corporate Value Study Group established in the Ministry of Economy, Trade and Industry, and "Principle 1.5 Anti-Takeover Measures" of Japan's Corporate Governance Code released by the Tokyo Stock Exchange on June 1, 2015.

(2) Continuance of the Plan to protect and enhance the common interests of the shareholders

The Plan makes various things possible in the case of a Large-Scale Acquisition of the Company's stock, including ensuring the opportunity to receive the time and information necessary for shareholders to decide whether to agree to the Large-Scale Acquisition and an alternative plan by the Company's Board of Directors and will be continued to protect and enhance the corporate value of the Company and, in turn, common interests of its shareholders.



(3) Reflection of the will of shareholders

The Company will confirm the will of shareholders related to the Plan at this meeting. Even if the Plan is still in effect, in an event where a resolution to abolish the Plan is adopted at the Company's General Meeting of Shareholders or a Board of Directors meeting, the Plan will be abolished at that time to reflect the will of shareholders.

(4) Elimination of arbitrary decisions by the Board of Directors

The Plan establishes the Independent Committee as an organization independent of the Company's Board of Directors, and the Company's Board of Directors shall give the utmost respect possible to the advice of the Independent Committee when deciding whether to execute countermeasures to ensure the transparency, objectivity, fairness, and rationality of the decision and to eliminate arbitrary decisions by the Company's Board of Directors. A summary of decisions by the Independent Committee shall be disclosed to shareholders, and a mechanism is secured so that the Plan is implemented in a transparent manner that serves the corporate value of the Company and, in turn, common interests of its shareholders.

(5) Establishment of rational, objective conditions to execute the Plan

The Plan was designed so that countermeasures are not executed unless rational, objective conditions are satisfied, and a mechanism is secured to prevent an arbitrary execution of countermeasures by the Company's Board of Directors.

(6) This is not a dead hand-type or slow-hand type takeover defense measure

The Plan can be abolished by the Board of Directors composed of directors elected at the Company's General Meeting of Shareholders. Therefore, the Plan is not a dead hand-type takeover defense measure (a takeover defense measure in which the execution of the countermeasures cannot be halted even if a majority of constituent members of the Board of Directors are replaced).

Furthermore, Directors of the Company have a term of one year, and the terms of Directors are not staggered. Therefore, the Plan is not a slow-hand takeover defense measure (a takeover defense measure in which it takes time to halt the execution of countermeasures because constituent members of the Board of Directors cannot be replaced all at once). Furthermore, resolutions to remove Directors do not have additional requirements for resolution such as requiring a special resolution.

### Major Shareholders as of January 20, 2017

Shareholder Name	Number of shares (Thousand shares)	Percentage of number of shares held in the total number of issued shares (%)
HighWood Co. Ltd.	2,470	14.91
Santomi	2,011	12.14
Taita Corporation	738	4.45
Tomihiro Takamatsu	495	2.98
Tomiya Takamatsu	495	2.98
Akira Takamatsu	494	2.98
Tamon Takamatsu	480	2.90
Takamatsu Co., Ltd.	461	2.78
Japan Trustee Services Bank, Ltd. (Trust Account)	442	2.66
The Master Trust Bank of Japan, Ltd. (Trust Account)	303	1.83
Total	8,392	50.65

- Notes: 1. The percentage of number of shares held in the total number of issued shares is calculated by excluding treasury shares (950 shares).
2. Numbers of shares held have been rounded down to the nearest 1,000 shares.

## **Basic Policy on Corporate Governance**

### **1. Basic Approach to Corporate Governance**

“DyDo Group strives to achieve happiness and prosperity together with people and society as a whole. To realize this, we will continue our dynamic efforts to take on new challenges.”

Our corporate philosophy inspires us in our ongoing quest to ensure proper, upstanding business practices and rigid compliance with relevant laws and regulations. It motivates us to constantly improve management efficiency and transparency, and to promote the Group’s mutual benefits with all of our stakeholders, including our customers, our employees, our business partners, our communities, and our shareholders. It is the very cornerstone of our corporate governance, which is geared toward generating sustainable growth and improving corporate value over the medium and long term.

<b>DyDo Group Corporate Philosophy</b>	
<b>DyDo Group strives to achieve happiness and prosperity together with people and society as a whole.</b>	
<b>To realize this, we will continue our dynamic efforts to take on new challenges.</b>	
<b>DyDo Group Corporate Vision</b>	
<b>Together with customers</b>	Offering high-quality products and adding the element of surprise to deliver “distinctive DyDo” taste and wellness to customers.
<b>Together with society</b>	We are committed to building a rich and vibrant society through “All DyDo” product development and corporate activities involving the entire Group.
<b>Together with future generations</b>	We create “DyDo standards” for future generations that go beyond current frameworks and values.
<b>Together with people</b>	We uphold a timeless “DyDo challenging spirit” to bring happiness to all people whose lives are touched by the DyDo Group.

Our core business is the domestic beverage business and, as approximately 85% of those sales come from vending machines in the local community, it is fair to say that our products are familiar parts of consumers’ everyday lives. Moreover, our operations are conducted under a “fabless management” system, which means we have no plants of our own and instead outsource work in close cooperation with producers and distributors nationwide to make and deliver products. We concentrate our resources on more specific roles, such as product planning and development, and vending machine operations. We have about 280,000 vending machines around Japan, which are maintained by DyDo Group employees and the DyDo Vending Partner Association (vending machine operators that handle DyDo products).

It is a rather unique business model that depends on the trust of our stakeholders. As such, we believe “happiness and prosperity together with people and society as a whole” is more than just a nice phrase for a corporate philosophy—it is our duty, and the overriding objective of our business activities. Our corporate governance serves as a mechanism for carrying out transparent, fair, swift, and bold decision-making and forms the bedrock upon which we can continue our “dynamic efforts,” and we believe our efforts to continually improve corporate governance contribute to common interests of shareholders.

## **2. How We Put the Japan's Corporate Governance Code**

### **(1) Securing the Rights and Equal Treatment of Shareholders**

At the Group, our corporate philosophy of “achieving happiness and prosperity together with people and society as a whole” guides us to work in close partnership with a broad range of stakeholders. For instance, we endeavor to effectively secure the rights of our shareholders, and to prepare an environment in which they can exercise those rights appropriately.

### **(2) Appropriate Cooperation with Stakeholders Other Than Shareholders**

We are keenly aware that our efforts to generate sustainable growth and improve corporate value over the medium and long term (as enshrined in our corporate philosophy of “achieving happiness and prosperity together with people and society as a whole”) are reliant on the valuable resources and contributions of a broad spectrum of stakeholders, including our customers, our employees, our business partners, and our communities. Moreover, we are proud to work in close partnership with our stakeholders, and we proactively incorporate their feedback into the running of the Group.

The executives and Board of Directors are charged with leading the creation and maintenance of a corporate culture that demands respect for the rights and positions of stakeholders and firm adherence to corporate ethics.

### **(3) Ensuring Appropriate Information Disclosure and Transparency**

In line with our policy of transparency, fairness, and long-term focus, we provide shareholders, investors, and all other stakeholders with the information they need to make informed decisions. This includes financial information such as financial position and operating results, and non-financial information such as management strategies and issues and information related to risks and governance. Indeed, we consider our legal obligation to disclose pertinent information promptly and appropriately to be a serious matter. In addition, however, we are also eager to publish information that encourages correct understanding of the Company to the furthest possible extent.

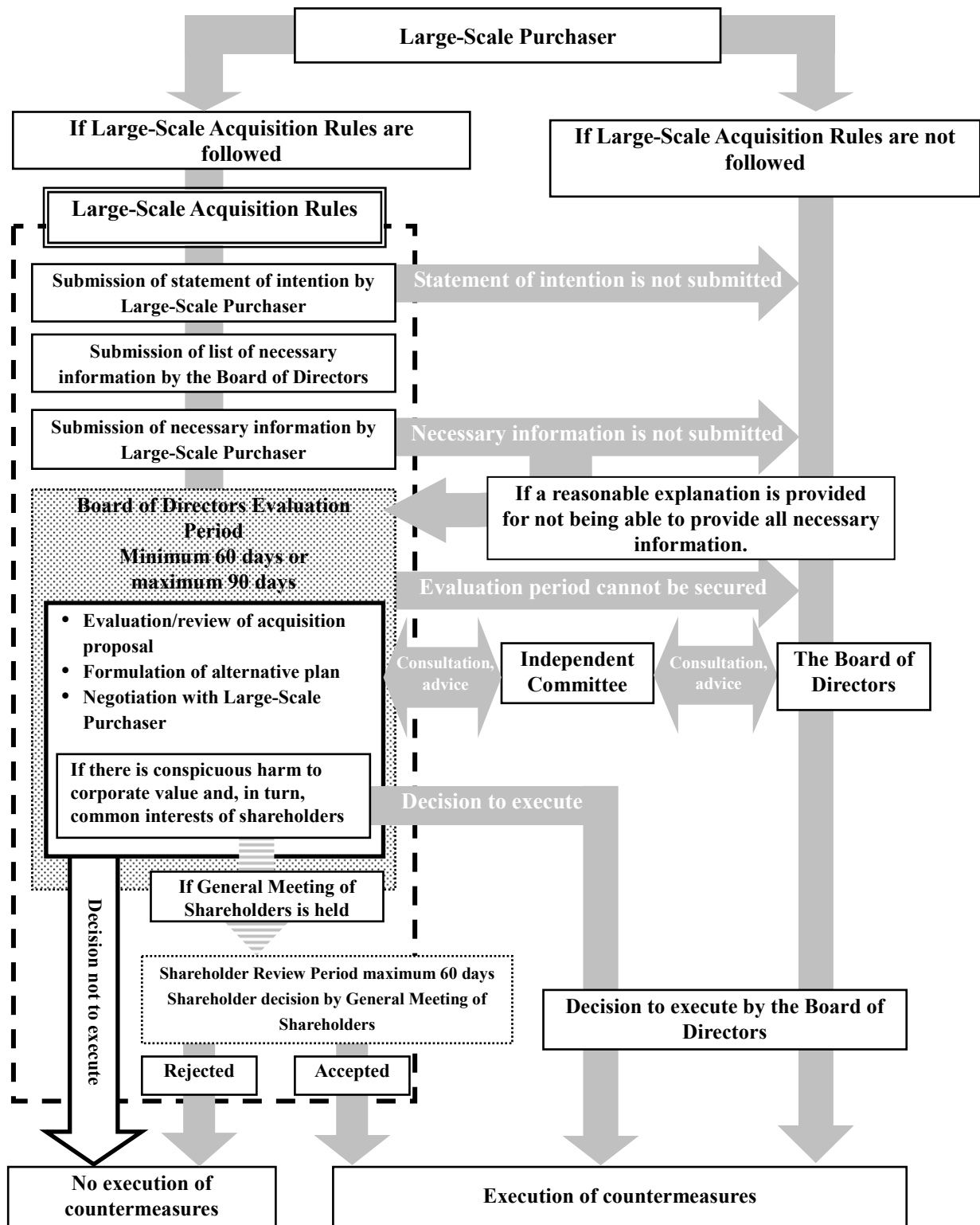
### **(4) Responsibilities of the Board of Directors, etc.**

The Board of Directors seeks to discharge its responsibility and accountability to shareholders by pursuing a three-pronged strategy for consistent improvement of the Group's earning power and capital efficiency so as to achieve sustainable growth and improve corporate value over the medium and long term. Those three facets are: 1) set the direction for implementation of the Group's corporate strategy; 2) establish a platform for executives to take calculated risks; and 3) appropriately fulfill roles and responsibilities primarily by instituting effective oversights of executives and Directors from an independent and objective standpoint.

### **(5) Dialogue with Shareholders**

Constructive dialogue with shareholders is an integral part of our IR strategy, which is geared toward our goal of sustainable growth and improved corporate value over the medium and long term. Such communication not only fosters correct understanding of the Group, but it also generates valuable feedback that serves as a frank appraisal of our true trustworthiness and corporate value.

### Outline of the Plan



Note: The figure is a diagram of the flow of typical procedures to contribute to the understanding of the Plan, and not all of the procedures are presented. Refer to the main text for details.

## **Outline of the Independent Committee**

### **1. Entity authorized to establish and disband the committee**

The Independent Committee shall be established and disbanded by Board of Directors resolution.

### **2. Constituent members**

The Committee shall consist of at least three members appointed, by Board of Directors resolution, from among Outside Directors, Outside Corporate Auditors, and outside experts (corporate managers with extensive experience with management, parties well versed in investment banking operations, attorneys, certified public accountants, academic experts, and equivalent parties).

### **3. Parties authorized to convene the committee**

Each member of the Independent Committee and the Board of Directors can convene a meeting of the Independent Committee when necessary.

### **4. Requirements for passing resolutions**

Independent Committee resolutions, as a general rule, shall pass with a majority vote at meetings that all members are in attendance.

### **5. Advice**

In response to consultation by the Board of Directors, the Independent Committee shall provide advice along with the reason and basis for the decisions. Each member of the Independent Committee shall make advice from the perspective of whether it contributes to the corporate value of the Company and, in turn, common interests of its shareholders.

### **6. Authority and duties of the committee**

- (1) The Independent Committee can demand that the Board of Directors submit explanations and material necessary to make appropriate decisions.
- (2) If the information submitted by Large-Scale Purchasers is insufficient or it is determined that supplementary information in addition to the submitted information is necessary, the Independent Committee can request that Large-scale Purchasers provide information that the committee deems rational either directly or through the Board of Directors.
- (3) The Independent Committee can request advice from investment banks, securities companies, attorneys, and other independent experts when necessary, and the Company shall pay for that.

### **7. Board of Director's duty to respect Independent Committee's recommendations**

The Board of Directors shall give the utmost respect possible to the advice of the Independent Committee.

## **Career Summary of Candidates for Members of the Independent Committee**

### **Shinji Mori**

#### Career summary:

Apr. 1972	Joined the Legal Training and Research Institute of Japan
Apr. 1974	Appointed as a judge, Yokohama District Court
Apr. 1986	Appointed as a judge, Kyoto District Court
Apr. 1989	Registered as a member of the Osaka Bar Association
Apr. 2001	Outside Corporate Auditor, the Company
Apr. 2014	Outside Director, the Company
	To the present

### **Taizo Yoshida**

#### Career summary:

Jan. 1979	Registered as a certified tax accountant
Feb. 1979	Established Yoshida Certified Tax Accountant Office
Apr. 1999	Outside Corporate Auditor, the Company
	To the present

### **Sachie Kato**

#### Career summary:

Apr. 1969	Joined the Legal Training and Research Institute of Japan
Apr. 1971	Appointed as a public prosecutor, Tokyo District Public Prosecutors Office
May 1974	Registered as a member of the Osaka Bar Association
Apr. 2014	Outside Corporate Auditor, the Company
	To the present

- Notes:
1. There are no special interests between any of the candidates for members of the Independent Committee and the Company.
  2. The Company has notified Outside Director Shinji Mori as an independent officer as prescribed by the Tokyo Stock Exchange.

## **Outline of the Gratis Allotment of Stock Acquisition Rights**

### **1. Shareholders to be allotted stock acquisition rights**

The Company shall allot one stock acquisition right for each share of common stock held by shareholders recorded in the last shareholders registry on the record date stipulated by the Company's Board of Directors (this does not apply to common stock held by the Company), and the stock acquisition rights shall be allotted gratis.

### **2. Class and number of shares for stock acquisition rights**

The class of stock to be used for stock acquisition rights shall be the Company's common stock, and the total number of shares to be used for stock acquisition rights shall not exceed the total number of authorized shares on the record date stipulated by the Company's Board of Directors minus the total number of issued shares of common stock (excluding common stock held by the Company). The number of shares for each stock acquisition right shall be set separately by the Company's Board of Directors. In addition, necessary adjustments shall be made in the case of a stock split or reverse split.

### **3. Total number of stock acquisition rights to be issued**

The total number of stock acquisition rights to be issued shall be set by the Company's Board of Directors separately. The Company's Board of Directors may allot stock acquisition rights multiple times.

### **4. Value of assets to be contributed when exercising one stock acquisition right (amount to be paid in)**

The value of assets to be contributed when exercising one stock acquisition right (amount to be paid in) shall be the amount stipulated by the Board of Directors (at least one yen).

### **5. Restrictions on transfer of stock acquisition rights**

The approval of the Company's Board of Directors is required to transfer stock acquisition rights.

### **6. Conditions on exercising stock acquisition rights**

Conditions for exercising stock acquisition rights include not belonging to a specified shareholder group that holds 20% or more of voting rights (this does not apply to parties approved by the Company's Board of Directors in advance). Details of conditions for exercising stock acquisition rights are stipulated separately by the Company's Board of Directors.

### **7. Stock acquisition rights exercise period, etc.**

The date the allotment of stock acquisition rights becomes effective, exercise period, special provisions for acquisition, and other necessary items shall be stipulated separately by the Company's Board of Directors. Special provisions for acquisition may be set to make it possible for the Company to acquire stock acquisition rights held by parties other than those not permitted to exercise stock acquisition rights because of conditions for exercising rights in 6. above and to provide the Company's common stock, the number of which stipulated by the Company's Board of Directors, for each stock acquisition right. In addition, it is not envisioned that cash will be paid to acquire the stock acquisition rights held by parties not permitted to exercise the rights.