

Securities identification code: 6332

June 7, 2017

To our shareholders:

Kazuhiko Yamada

President & CEO

Representative Director

**Tsukishima Kikai Co., Ltd.**

3-5-1, Harumi, Chuo-ku, Tokyo

## **NOTICE OF THE 155TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 155th Ordinary General Meeting of Shareholders of Tsukishima Kikai Co., Ltd. (the “Company”), which will be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights either by postal mail or via the Internet, etc.

Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights no later than 5:05 p.m. on Monday, June 26, 2017 (Japan Standard Time).

### **Meeting Details**

- 1. Date and time:** Tuesday, June 27, 2017 at 10:00 a.m. (Japan Standard Time)  
(Reception desk opens at 9:00 a.m.)
- 2. Place:** Hotel Mariners' Court Tokyo  
Meeting room “Hakuho” on the 4th floor  
4-7-28, Harumi, Chuo-ku, Tokyo, Japan  
(Please refer to the map to the hall for the General Meeting of Shareholders at the end of this notice.)
- 3. Meeting Agenda:**
  - Matters to be reported:**
    1. Business Report and Consolidated Financial Statements for the 155th Term (from April 1, 2016 to March 31, 2017), as well as the results of audit of the Consolidated Financial Statements by the Accounting Auditor and the Board of Statutory Auditors.
    2. Non-Consolidated Financial Statements for the 155th Term (from April 1, 2016 to March 31, 2017)
  - Matters to be resolved:**
    - Proposal 1:** Election of nine (9) Directors
    - Proposal 2:** Election of one (1) Statutory Auditor
    - Proposal 3:** Election of one (1) substitute Statutory Auditor
    - Proposal 4:** Renewal of Countermeasures against Large-scale Purchase of the Company’s Shares (Takeover Defense Measures)

**Guidance for exercising your voting rights:**

- **Exercise of voting rights by postal mail**

Please indicate your approval or disapproval of the proposals on the enclosed voting form and return it to us so that it arrives no later than 5:05 p.m. on Monday, June 26, 2017 (Japan Standard Time).

- **Exercise of voting rights via the Internet, etc.**

Please access the designated Website to Exercise Voting Rights (<http://www.evot.jp/>) and exercise your voting rights no later than 5:05 p.m. on Monday, June 26, 2017 (Japan Standard Time).

To vote via the Internet, please review the “Guidance for exercising your voting rights via the Internet” shown on page 4.

Institutional investors can exercise their voting rights using the Electronic Voting Platform operated by ICJ, Inc.

**Other matters related to this notice**

- If you attend the meeting in person, please submit the enclosed voting form at the reception when you arrive. In addition, please bring this Notice of the Ordinary General Meeting of Shareholders with you in order to conserve resources.
- Pursuant to the Company’s Articles of Incorporation, if you are exercising your voting rights by proxy, please select a shareholder with voting rights as your proxy. Only one (1) proxy may be used.
- If it becomes necessary to amend the Reference Documents for the General Meetings of Shareholders, Business Reports, Consolidated Financial Statements or Non-Consolidated Financial Statements, any such amendments will be posted on the Company’s website (<http://www.tsk-g.co.jp>).

**Matters Concerning Disclosure on the Internet**

Of the documents that should be provided with this Notice of the Ordinary General Meeting of Shareholders, Consolidated Statement of changes in Net Assets, Notes to the Consolidated Financial Statements, Non-consolidated Statement of changes in Net Assets and Notes to the Non-Consolidated Financial Statements are provided to shareholders on the Company’s website (<http://www.tsk-g.co.jp>) pursuant to the laws, regulations, and provisions in Article 15 of the Articles of Incorporation.

Therefore, the documents provided with this notice are part of the audit by the Statutory Auditors and Accounting Auditor during preparation of the Audit Report.

## **Guidance for exercising your voting rights via the Internet**

If you intend to exercise your voting rights via the Internet, please review the items below before exercising your voting rights.

If you intend to attend the Ordinary General Meeting of Shareholders in person, you are not required to exercise your voting rights either in writing (using the voting form) or via the Internet.

### **1. Exercising voting rights via the Internet**

- (1) Voting rights via the Internet may only be exercised by accessing the following Website to Exercise Voting Rights designated by the Company. (Please note that the service is suspended from 2 a.m. to 5 a.m. (Japan Standard Time) on all days. Depending on your Internet environment, you may not be able to use the service.)

[Website to Exercise Voting Rights]      <http://www.evotep.jp/>

- (2) Please enter the “login ID” and “temporary password” printed on the voting form to indicate your vote for or against each proposal following the on-screen guidance.
- (3) If you exercise your voting rights both by postal mail and via the Internet, only your vote casted via the Internet will be treated as the valid vote. If you exercise your voting rights for multiple times via the Internet, the most recent vote will be treated as the valid vote.
- (4) Any costs incurred for accessing the Website to Exercise Voting Rights (Internet connection fees, communication charges, etc.) shall be borne by the shareholder.
- (5) Your exercise of voting rights via the Internet will be accepted until 5:05 p.m. on Monday, June 26, 2017 (Japan Standard Time). However, you are cordially requested to exercise your voting rights as early as you can. Please call the Help Desk for any inquiries concerning the exercise of voting rights via the Internet.

### **2. Handling of password**

- (1) You will be provided with a new “login ID” and “temporary password” each time a General Meeting of Shareholders is convened.
- (2) Please handle the password with care as it is a means to identify the exerciser of the voting rights as a valid shareholder. Unfortunately, the Company will be unable to assist you for any inquiries by a phone call or other means regarding the password.

### **3. Inquiries regarding the exercise of voting rights via the Internet (Help Desk)**

Securities Transfer Division, The Mitsubishi UFJ Trust and Banking Corporation

Toll-free service phone number in Japan: 0120-173-027

Office hours: 9:00 a.m. to 9:00 p.m.

## Reference Documents for the General Meeting of Shareholders

### Proposal 1: Election of nine (9) Directors

As the term of office will expire for all eight (8) Directors at the conclusion of this meeting, the Company proposes the election of nine (9) Directors, an increase of one (1) member, in order to further reinforce and enhance the Company's management structure.

The candidates for Directors are as follows:

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
1	Kazuhiko Yamada (January 1, 1947)  [Reappointment] Attendance at 13 out of 13 board of directors meetings	<div> <div>April 1969</div> <div>Joined the Company.</div> </div> <div> <div>April 1998</div> <div>Executive Officer (Riji) of the Company</div> </div> <div> <div>June 2000</div> <div>Director of the Company</div> </div> <div> <div>June 2002</div> <div>Managing Director of the Company</div> </div> <div> <div>June 2003</div> <div>Senior Managing Director, Representative Director of the Company</div> </div> <div> <div>June 2005</div> <div>President &amp; CEO, Representative Director of the Company (present position)</div> </div>	84,310
<b>Reasons for nomination as candidate for Director</b> Since his appointment as President & CEO and Representative Director, Kazuhiko Yamada has pursued company-wide operational reforms, and has developed the environmental and energy business and expanded the overseas business to build a foundation for the Company's sustainable growth. Given his strong discernment, and abundant experience and achievements, we ask that his reappointment as Director be approved.			

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
2	Kikuo Makishima (October 19, 1946)  [Reappointment] Attendance at 13 out of 13 board of directors meetings	<p>April 1969      Joined the Company.</p> <p>April 1998      Executive Officer (Riji) of the Company</p> <p>June 2000      Director of the Company</p> <p>June 2002      Managing Director of the Company</p> <p>June 2004      President and Representative Director, SUN ECO THERMAL Co., Ltd.</p> <p>December 2006   Representative Director and Vice President, Tsukishima Kankyo Engineering Ltd.</p> <p>June 2007      President and Representative Director, Tsukishima Kankyo Engineering Ltd.</p> <p>June 2011      President &amp; CEO, Representative Director, Tsukishima Kankyo Engineering Ltd.</p> <p>April 2015      Representative Director, Chairman, Tsukishima Kankyo Engineering Ltd. (present position) Senior Managing Executive Officer and Corporate General Manager, Industrial Business Division of the Company (present position)</p> <p>June 2015      Representative Director of the Company (present position)</p>	29,000
<p><b>Reasons for nomination as candidate for Director</b></p> <p>Kikuo Makishima has been involved in management as a Representative Director of subsidiaries of the Company and in positions of responsibility for industry-related business in general over many years. Given his strong discernment, and abundant experience and achievements, we ask that his reappointment as Director be approved.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
3	Kazuo Nakajima (September 28, 1952)  [Reappointment] Attendance at 13 out of 13 board of directors meetings	<p>April 1975      Joined the Company.</p> <p>June 2003      Senior General Manager, Cost Engineering Dept. of the Company</p> <p>June 2005      Executive Officer of the Company</p> <p>October 2008   Managing Executive Officer of the Company</p> <p>June 2009      Director, Executive Officer and Corporate General Manager, Technology Management Division of the Company</p> <p>January 2011   Corporate General Manager, Engineering Division of the Company</p> <p>April 2013      Director, Managing Executive Officer of the Company</p> <p>October 2014   Corporate General Manager, Technology Management Division of the Company</p> <p>April 2015      Director, Senior Managing Executive Officer and Corporate General Manager, Research &amp; Development Division of the Company (present position)</p> <p>April 2017      Corporate General Manager, Procurement Management Division of the Company (present position) Deputy Corporate General Manager, Industrial Business Division of the Company (present position)</p>	31,200
<b>Reasons for nomination as candidate for Director</b> Kazuo Nakajima has been involved in management in positions of responsibility in the technology division working on design, manufacturing, procurement, quality control, etc. over many years. Given his strong discernment, and abundant experience and achievements, we ask that his reappointment as Director be approved.			

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
4	Akihiko Watanabe (April 21, 1955)  [Reappointment] Attendance at 12 out of 13 board of directors meetings	November 1988    Joined the Company. August 2002    General Manager, Sapporo Sales Branch of the Company June 2007    Representative Director, Vice President and Executive Vice President, Tsukishima Technology Maintenance Service Co., Ltd. April 2008    President & CEO, Representative Director, Tsukishima Technology Maintenance Service Co., Ltd. April 2010    Director, Tsukishima Technology Maintenance Service Co., Ltd. Executive Officer of the Company June 2010    Director, Executive Officer and Deputy Corporate General Manager, Environmental Business Division of the Company April 2013    Corporate General Manager, Environmental Business Division of the Company (present position) Deputy Corporate General Manager, Corporate Planning Division of the Company April 2015    Director, Managing Executive Officer of the Company (present position)	21,500
<b>Reasons for nomination as candidate for Director</b> Akihiko Watanabe has been involved in management as a Representative Director of a subsidiary of the Company and in positions of responsibility in the environmental business in general. Given his strong discernment, and abundant experience and achievements, we ask that his reappointment as Director be approved.			

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)		Number of the Company's shares owned
5	Yoshiro Fujii (May 27, 1958)  [New candidate]	April 1981 May 2006	Joined The Mitsubishi Bank, Ltd. General Manager, Corporate Banking Division No.1, Corporate Banking Group No.1, The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,100
		March 2008 May 2010  July 2011  August 2016 October 2016  April 2017	Executive Officer, The Bank of Ikeda, Ltd. Managing Executive Officer, The Senshu Ikeda Bank, Ltd. Executive Officer, Takasago Thermal Engineering Co., Ltd. Corporate Advisor of the Company Managing Executive Officer of the Company (present position) Deputy Corporate General Manager, Corporate Planning and Administration Division of the Company Corporate General Manager, Corporate Planning and Administration Division of the Company (present position)	
<b>Reasons for nomination as candidate for Director</b> Yoshiro Fujii has many years of experience at financial institutions and extensive knowledge about finance, and we therefore believe that he qualifies for the positions of responsibility in administrative divisions in general, such as planning, finance and general affairs. Accordingly, we ask that his appointment as Director be approved.				
6	Naoya Fujita (February 5, 1964)  [New candidate]	April 1987 November 2002	Joined MITSUI & CO., LTD. President and Chief Executive Officer, Bussan Packaging Service Co., Ltd.	-
		July 2012  January 2016  April 2017	President and Chief Executive Officer, Retail System Service Co., Ltd. General Manager of Retail Business Division, Food Products & Services Business Unit, MITSUI & CO., LTD. Managing Executive Officer and Deputy Corporate General Manager, Industrial Business Division of the Company (present position)	
<b>Reasons for nomination as candidate for Director</b> Naoya Fujita has acquired abundant experience and a proven performance record at home and abroad, primarily in the food and chemical industry business at a general trading company, and we therefore believe that he qualifies for the position to lead the expansion and growth of the Company's industrial business. Accordingly, we ask that his appointment as Director be approved.				



No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
7	<p>Masashi Teranishi (February 6, 1947)</p> <p>[Reappointment] [Outside Director Candidate]</p> <p>Attendance at 13 out of 13 board of directors meetings</p>	<p>April 1969      Joined The Sanwa Bank.</p> <p>June 1995      Director, The Sanwa Bank</p> <p>June 1998      Managing Director of The Sanwa Bank</p> <p>June 1999      Senior Managing Director of The Sanwa Bank</p> <p>January 2002   President &amp; CEO, UFJ Bank, Ltd.</p> <p>June 2002      Director, UFJ Holdings, Inc.</p> <p>July 2004      Corporate Advisor Emeritus, UFJ Bank, Ltd.</p> <p>December 2005 Corporate Advisor of the Company</p> <p>January 2006   Corporate Advisor Emeritus, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (present position)</p> <p>June 2008      Outside Statutory Auditor, Nitto Denko Corporation (present position)</p> <p>June 2011      Outside Director of the Company (present position)</p>	7,100
<p><b>Reasons for nomination as candidate for Director</b></p> <p>Masashi Teranishi has made points and shared opinions that have been valuable for the Group's management, based on his long career working for financial institutions and his impressive knowledge about finance. Accordingly, we ask that his reappointment as Outside Director be approved.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)		Number of the Company's shares owned
8	<p>Bunyu Futamura (January 9, 1947)</p> <p>[Reappointment] [Outside Director Candidate]</p> <p>Attendance at 13 out of 13 board of directors meetings</p>	<p>April 1972      Joined Nippon Steel Corporation.</p> <p>June 2001      Director, Nippon Steel Corporation</p> <p>April 2006      Managing Director, Nippon Steel Corporation</p> <p>June 2006      Managing Executive Officer, Nippon Steel Corporation</p> <p>April 2007      Executive Vice President, Nippon Steel Corporation</p> <p>June 2007      Executive Vice President and Representative Director, Nippon Steel Corporation</p> <p>April 2009      Director, Nippon Steel Corporation</p> <p>June 2009      President and Representative Director, Nippon Steel Chemical Co., Ltd. (currently NIPPON STEEL &amp; SUMIKIN CHEMICAL CO., LTD.)</p> <p>June 2013      Senior Advisor and Director, NIPPON STEEL &amp; SUMIKIN CHEMICAL CO., LTD.</p> <p>April 2014      Senior Advisor, NIPPON STEEL &amp; SUMIKIN CHEMICAL CO., LTD.</p> <p>June 2015      Outside Director of the Company (present position) Outside Director, DAISO CO., LTD. (currently OSAKA SODA CO., LTD.) (present position)</p>		3,000
<p><b>Reasons for nomination as candidate for Director</b></p> <p>Bunyu Futamura has made points and shared opinions that have been valuable for the Group's management, based on his impressive experience and knowledge of corporate management built up during a long career in the manufacturing industry. Accordingly, we ask that his reappointment as Outside Director be approved.</p>				

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
9	Takeshi Odagi (September 14, 1942)  [New candidate] [Outside Director Candidate]	<p>April 1970 Completed Judicial Apprenticeship Training program. Registered as an attorney, Joined ISHII Law Office</p> <p>April 1980 Partner of ISHII Law Office (present position)</p> <p>September 1986 Statutory Auditor, Invesco MIM Investment Advisory Co., Ltd.</p> <p>November 1990 Statutory Auditor, Invesco MIM Investment Trust Management Co., Ltd.</p> <p>June 2002 Outside Statutory Auditor, Snow Brand Milk Products Co., Ltd. (currently MEGMILK SNOW BRAND Co., Ltd.)</p> <p>June 2011 Outside Statutory Auditor, TOKYO ROPE MFG. CO., LTD. (present position)</p>	-
<p><b>Reasons for nomination as candidate for Director</b></p> <p>Takeshi Odagi is a candidate for Outside Director because, as an attorney, he is well-versed in corporate legal affairs, and we expect that he can contribute to enhancing the transparency and objectivity of the Company's management with his high level of expertise. Other than serving as Outside Officer in the past, he does not have experience with corporate management, but for the reasons stated above we believe that he can fulfill his responsibilities satisfactorily as an Outside Director.</p>			

Notes:

1. There is no conflict of interest between any of the candidates and the Company.
2. Masashi Teranishi, Bunyu Futamura and Takeshi Odagi are Outside Director candidates.
3. Masashi Teranishi and Bunyu Futamura will have served in their positions six years and two years, respectively, as of the conclusion of this general meeting of shareholders.
4. Masashi Teranishi and Bunyu Futamura meet the Criteria for Assessing the Independence of Independent Outside Officers that the Company has established and they have been reported to the Tokyo Stock Exchange as independent officers as stipulated by the rules of the Tokyo Stock Exchange. In the event that the election of Takeshi Odagi is approved, the Company intends to register him with the Tokyo Stock Exchange as an independent officer as stipulated by the rules of the Tokyo Stock Exchange.
5. The Company has a limited liability agreement with Masashi Teranishi and Bunyu Futamura which limits their liabilities to the minimum total liability stipulated by laws and regulations. In the event that the aforementioned two individuals are reappointed, the Company plans to continue the limited liability agreement with them. In the event that the election of Takeshi Odagi is approved, the Company plans to enter into a similar limited liability agreement with him.
6. Takeshi Odagi was appointed as a substitute Statutory Auditor at the 154th Ordinary General Meeting of Shareholders held on June 27, 2016, but the effective term of his appointment as substitute Statutory Auditor will expire at the commencement of this meeting.

**Proposal 2: Election of one (1) Statutory Auditor**

As the term of office of Statutory Auditor Masamichi Ouchi will expire at the conclusion of this meeting, the Company proposes election of one (1) Statutory Auditor.

The Board of Statutory Auditors has given its consent to this proposal.

The candidate for Statutory Auditor is as follows:

Name (Date of birth)	Career summary and position (Significant concurrent positions outside the Company)	Number of the Company's shares owned
Masamichi Ouchi (June 15, 1942) [Reappointment] [Outside Statutory Auditor Candidate]  Attendance at 13 out of 13 board of directors meetings Attendance at 6 out of 6 board of statutory auditors meetings	September 1975 Registered as a certified public accountant June 1977 Registered as a tax accountant January 1978 Established Ouchi Certified Public Accountant Office and Tax Accountant Ouchi Masamichi Office August 1983 Guest Researcher, Mitsubishi Research Institute, Inc. July 2003 Contract Researcher, Waseda Accounting Institute, Waseda University (present position) July 2007 Deputy President, The Japanese Institute of Certified Public Accountants July 2010 Auditor, The Japanese Institute of Certified Public Accountants June 2013 Outside Statutory Auditor of the Company (present position) January 2015 Representative Partner, MO Partners Public Tax Accountant Corporation (present position) June 2015 External Director, Nitto Boseki Co., Ltd. (present position)	1,000
<b>Reasons for nomination as candidate for Statutory Auditor</b> As a certified public accountant and tax accountant, Masamichi Ouchi is highly knowledgeable in finance and accounting. As our Outside Statutory Auditor, he has performed his duties, making points and sharing opinions that have been valuable for the Group based on his particular expertise and abundant insight, in an effort to conduct the highly transparent and fair monitoring of the management. Accordingly, we ask that his reappointment as Outside Statutory Auditor be approved. Other than serving as Outside Officer in the past, he does not have experience with corporate management, but for the reasons stated above we believe that he can fulfill his responsibilities satisfactorily as an Outside Statutory Auditor.		

Notes:

1. There is no conflict of interest between Masamichi Ouchi and the Company. He is a co-representative partner of MO Partners Public Tax Accountant Corporation, and the Company has business relationship with a certified public accountant office represented by another co-representative partner of the same tax accountant corporation.
2. Masamichi Ouchi is a candidate for the position of Outside Statutory Auditor.
3. Masamichi Ouchi will have served in his position four years as of the conclusion of this general meeting of shareholders.
4. Masamichi Ouchi meets the Criteria for Assessing the Independence of Independent Outside Officers that the Company has established, and he has been reported to the Tokyo Stock Exchange as an independent officer as stipulated by the rules of the Tokyo Stock Exchange.
5. The Company has a limited liability agreement with Masamichi Ouchi which limits his liability to the minimum total liability stipulated by laws and regulations. In the event that Masamichi Ouchi is reappointed, the Company plans to continue the limited liability agreement with him.

### Proposal 3: Election of one (1) substitute Statutory Auditor

The Company proposes that one (1) substitute Statutory Auditor be elected to prepare for a case where the number of Statutory Auditors falls below the number stipulated by laws and regulations.

The Board of Statutory Auditors has given its consent to this proposal.

The candidate for substitute Statutory Auditor is as follows:

Name (Date of birth)	Career summary (Significant concurrent positions outside the Company)	Number of the Company's shares owned
Masato Kobayashi (April 5, 1960)	April 1986 Completed Judicial Apprenticeship Training program. Registered as an attorney, Joined Yuasa and Hara February 1997 Outside Statutory Auditor, Oracle Corporation Japan July 1997 Partner of Hirakawa, Sato & Kobayashi February 2003 Partner of City-Yuwa Partners (present position)	-
<b>Reasons for nomination as candidate for substitute Statutory Auditor</b> Masato Kobayashi is a candidate for substitute Outside Statutory Auditor because, as an attorney, he is well-versed in corporate legal affairs, and we expect that his high level of expertise will be reflected in our audit system. Other than serving as Outside Officer in the past, he does not have experience with corporate management, but for the reasons stated above we believe that he can fulfill his responsibilities satisfactorily as an Outside Statutory Auditor.		

Notes:

1. Masato Kobayashi is a Partner of City-Yuwa Partners, with which the Company has a legal advisory contract. The Company has a business relationship with City-Yuwa Partners including the outsourcing of legal services, but the amount of business transactions in this fiscal year represents less than 2% of the annual sales of City-Yuwa Partners.
2. Masato Kobayashi is a candidate for the position of substitute Outside Statutory Auditor.
3. Masato Kobayashi meets the Criteria for Assessing the Independence of Independent Outside Officers that the Company has established, and if Masato Kobayashi becomes an Outside Statutory Auditor, the Company intends to register him with the Tokyo Stock Exchange as an independent officer as stipulated by the rules of the Tokyo Stock Exchange.
4. If Masato Kobayashi becomes an Outside Statutory Auditor, the Company plans to enter into a limited liability agreement with him. The limit of the liability based on the agreement is the minimum total liability stipulated by laws and regulations.

## Reference

### Criteria for Assessing the Independence of Independent Outside Officers

Augmenting the criteria for independence stipulated by the Tokyo Stock Exchange, the Company has established the following criteria for assessing the independence of Outside Officers.

1. The individual is not a business executor for the Company or a Group company (Director, Statutory Auditor, Executive Officer, or other employee) and was not in the past as well.
2. The individual is not an important business executor (Director, Statutory Auditor, Accounting Advisor, Operating Officer, Executive Officer, or other important employee) of a major shareholder of the Company (a shareholder holding 10% or more of the voting rights).
3. The individual is not an important business executor of a company in which the Company is a major shareholder.
4. The individual is not a major business partner (a business partner whose amount of consideration received in transactions with the Company in the most recent fiscal year exceeds 2% of the Company's non-consolidated total sales; in the event of a financial institution, a business partner whose loans to the Company do not exceed 2% of the Company's non-consolidated total assets in the most recent fiscal year) nor its business executor.
5. The Company is not a major business partner for the individual (a business partner whose amount of consideration paid in transactions with the Company in the most recent fiscal year exceeds 2% of the counterparty's non-consolidated total sales) nor is the individual's business executor.
6. The individual is not a legal expert, accounting or tax expert, consultant, or research and education specialist and does not belong to such a corporation or group that has received a large sum (in the most recent fiscal year, 10 million yen or more in the case of individuals and an amount equivalent to more than 2% of the corporation's or group's non-consolidated sales in the case of a corporation or group) in compensation or contributions from the Company.
7. The individual does not have any family relationships (family relationships of the third degree or a relative living with the individual) with business executors of the Company or Group companies.
8. In addition to the above, there are no doubts as to the independence of the candidate as an independent Outside Officer and no rational reason to determine that the individual would pose a conflict of interest with general shareholders.

#### **Proposal 4: Renewal of Countermeasures against Large-scale Purchase of the Company's Shares (Takeover Defense Measures)**

The Company, based on the approval of shareholders at the 146th Ordinary General Meeting of Shareholders held on June 27, 2008, introduced countermeasures against large-scale purchase of the Company's shares (Takeover Defense Measures), which have been updated in a series of renewals thereafter, with the latest based on the approval of shareholders at the 152nd Ordinary General Meeting of Shareholders held on June 27, 2014 (hereinafter the current takeover defense measures shall be referred to as the "Current Plan").

As the Current Plan is set to expire at the conclusion of this Ordinary General Meeting of Shareholders, the Company, as a result of deliberations in view of subsequent changes in laws and regulations, business environment surrounding the Company, changes in the state of affairs, and other factors, resolved at the Board of Directors meeting held on May 12, 2017 to renew the Current Plan (hereinafter the renewed Current Plan shall be referred to as the "Plan"), subject to the approval of shareholders at this Ordinary General Meeting of Shareholders.

Accordingly, shareholders are requested to approve the renewal of the Plan.

While the "II. Initiatives for Realizing the Basic Policy" have been amended in association with the renewal of the Plan, they constitute no material change to the Plan.

All Statutory Auditors were present at the Board of Directors meeting at which the renewal of the Plan was decided, unanimously stating to the effect that the renewal was appropriate, under the condition that the specific operation of the Plan is properly executed.

Note that as of the time of dispatch of this Notice of the Ordinary General Meeting of Shareholders, the Company has not received any approach or proposal concerning a large-scale purchase of the Company's shares.

#### **I. Basic Policy Concerning Control Over the Company**

Since its foundation in 1905, the Company has been engaged in design and manufacturing of industrial machinery and environmental equipment based on process equipment technology including drying, filtration, distillation, separation and incineration, under the founder's mission statement, "we are committed to the domestic production of machinery and equipment for various industries that has heretofore been primarily imported, with the aim of contributing to the rise of such industries, beginning with sugar manufacturing, and followed by chemical engineering and metal refining." The Company has also engaged in engineering operations such as the design and construction of plants with a focus on its own products and processes, while providing comprehensive technological solutions to its customers, including undertaking the maintenance and operational management of plants in the post-construction phase, thereby practicing our principle of "contributing to various industries that form the foundation of a prosperous society, while protecting the irreplaceable global environment."

The Company believes that undertaking management from a medium to long-term perspective based on technologies, while maintaining and developing favorable relationships with stakeholders including customers, employees, business partners and shareholders is vital for the continuous growth and development of the Company, which will ultimately help us to protect and enhance its corporate value and the common interests of its shareholders.

As the Company is a listed corporation allowing the free trading of its shares, the Board of Directors of the Company will not categorically reject all cases involving a Large-scale Purchase of the Company's shares, including those conducted without the Board's consent, provided that such case will benefit its corporate value and the common interests of its shareholders, and thus believes that the acceptance or denial of a proposed Large-scale Purchase

should ultimately be decided by shareholders who have attained an appropriate understanding regarding whether or not the Large-scale Purchase benefits its corporate value and the common interests of its shareholders.

The Company also believes that for shareholders to appropriately understand whether or not a Large-scale Purchase benefits the corporate value of the Company and the common interests of its shareholders, and in order to make a judgment on whether or not to accept the proposed Large-scale Purchase, the Large-scale Purchaser must provide sufficient information to the shareholders, while the Board of Directors of the Company, which is currently in charge of the Company's management, must also provide the shareholders with sufficient information, including its own evaluation and opinions regarding the Large-scale Purchase.

Thus, the Board of Directors of the Company has decided to set out necessary procedures for securing the necessary time and information, in the event of a Large-scale Purchase of the Company's shares, for shareholders to decide whether or not to accept the proposed Large-scale Purchase and for the Board of Directors of the Company to prepare alternative proposals as necessary for the shareholders of the Company. The Company believes that certain measures shall be taken to prevent Large-scale Purchases that may conflict with its corporate value or the common interests of its shareholders when the Large-scale Purchase is deemed to significantly damage the Company's corporate value and the common interests of the shareholders, regardless of whether the Large-scale Purchaser complies with such procedures or not.

## **II. Initiatives for Realizing the Basic Policy**

The Company has established the following corporate policies: "To make contribution to the society, the Company will dedicate to the industry development and environmental protection by making advantage of its leading edge technology;" "Primarily targeting satisfaction of market demand, the Company will provide best products and services possible to customers;" and "While adhering to originality- and vitality-based sustainable development, the Company is proud to be a profitable enterprise that deserves the loyalty of its staff." Under such corporate policies, the Company engages in the development, design, and manufacturing of machinery and equipment that fully utilize process equipment technology based on the manufacturing technology in factories, undertakes process development, and conducts plant engineering using such machinery, equipment and process as its core. Furthermore, the Company contributes to society by providing maintenance and operational management of the plant to our customers, and facilitating both industrial development and environmental protection. These series of services provided by the Company and the Group are enabled through a value chain comprising development, design, procurement, manufacturing, construction, and after-sales service, as established by the Company and the Group, and possession of this value chain is believed to be both a strength and a feature of the Company.

The Group embraces two primary business segments, namely the Water Environmental Business, which targets water purification and sewage treatment as its main market, and the Industrial Business, which targets industrial plants in areas including the chemical, iron and steel, and food industries, along with environment-related plants for the disposal of liquid waste, waste acid, and solid waste as its main market. In order to achieve sustainable growth in these two Businesses, the Group formulated and announced a medium-term management plan (April 2016 to March 2019), with the basic management policies of "establishment of a stable income base" and "establishment of a growth base" and conducts business based on this plan. Specific measures set out under the medium-term management plan are as follows.

### **1. Establishment of a stable income base**

[Water Environmental Business]

The Group is engaged in activities for marketing various types of sludge treatment equipment, including technologies for energy creation and conservation, in order to capture the demand for renovation and renewal of water purification and sewage treatment facilities, which are important social infrastructures. The Group is also engaged in marketing activities for life cycle business, including comprehensive O&M services as well as PFI and DBO projects, which are necessary for the stable maintenance and operation of such social infrastructures over the long term.



Furthermore, the Group is committed to contributing to the prevention of global warming and ensuring stable, long-term income, through the development of FIT-based projects involving the use of sludge digestion gases, which utilize unused biomass, to generate electricity.

[Industrial Business]

The Group is committed to strengthening activities for marketing environment-related plants for waste water treatment, disposal of liquid waste, waste acid, exhaust gases, and solid waste, along with efforts for marketing highly efficient production plant and process equipment for various industrial sectors.

## **2. Establishment of a growth base**

[Water Environmental Business]

For the Asian and European markets, where medium- to long-term market growth is anticipated, the Group is engaged in activities to expand the sales of water purification and sewage treatment plants and equipment, drawing on collaborative relationships developed with local operators with the aim of business growth.

[Industrial Business]

By strengthening and promoting collaborations with its overseas bases as well as partners overseas, the Group is expanding sales of various industrial plants and equipment in overseas markets including Asia, Europe, Australia, and the Americas with the aim of business growth.

With a view toward realizing the aforementioned basic policies of “establishment of a stable income base” and “establishment of a growth base,” the following dynamic strategic investments shall be made during the period of the medium-term management plan.

- 1) ¥4.0 billion for related R&D investment in both businesses
- 2) ¥10.0 billion for M&A investment in both businesses
- 3) ¥5.0 billion for FIT projects investment in the Water Environmental Business.

## **III. Initiatives for protection against the takeover of the decisions on the financial and business policies of the Company by parties deemed inappropriate in light of the Basic Policy Concerning Control Over the Company**

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

The Plan has been introduced as an initiative for protection against a takeover of the decisions on the financial and business policies of the Company by parties deemed inappropriate in light of the Basic Policy Concerning Control Over the Company, as described in I. above.

The Board of Directors of the Company believes that, in the face of a Large-scale Purchase of the Company's shares, securing both time and information necessary for the shareholders to make an appropriate judgment, negotiating with the Large-scale Purchaser for such time and information, and evaluating the Large-scale Purchase and preparing alternative proposals as necessary as the party currently in charge of the management of the Company, will ultimately lead to the protection and enhancement of the Company's corporate value and the common interests of its shareholders.

### **2. Outline of the Plan**

With regard to purchase actions of shares, etc. of the Company (Note 3) intended to increase the voting rights ratio (Note 2) of a specific shareholder group (Note 1) to 20% or higher, as well as purchase actions of shares, etc. of the Company resulting in a 20% or higher voting rights ratio of a specific shareholder group (irrespective of the specific purchase method, including market trading and tender offers, but excluding purchase actions to which the Board of Directors of the Company has agreed in advance; hereinafter, such a purchase action shall be referred to as a “Large-scale Purchase” and the party that conducts a Large-scale Purchase shall be referred to as a “Large-scale Purchaser”), the Plan sets out the procedures to be followed for a Large-scale Purchaser in carrying out a Large-scale Purchase of the Company's shares. Under such procedures, the Large-scale Purchaser 1) must provide the Board of Directors with

necessary and sufficient information in advance, and 2) is allowed to proceed with execution of the Large-scale Purchase only after the expiry of a certain period provided for evaluation by the Board of Directors.

(Note 1) A specific shareholder group refers to: (i) holders (holders provided for in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act, including parties that are included in holders pursuant to Paragraph 3 of the same Article, and the same shall apply hereinafter) of the shares, etc. (share certificates, etc. provided for in Article 27-23, Paragraph 1 of the Act) of the Company and their joint holders (joint holders provided for in Article 27-23, Paragraph 5 of the Act, including parties deemed to be joint holders pursuant to Article 27-23, Paragraph 6 of the Act; the same shall apply hereinafter); or, (ii) parties and parties with a special relationship thereto (parties with a special relationship provided for in Article 27-2, Paragraph 7 of the Act) that carry out purchases, etc. (purchases, etc. provided for in Article 27-2, Paragraph 1 of the Act, including purchases carried out in Securities Exchange Markets) of shares, etc. (share certificates, etc. provided for in Article 27-2, Paragraph 1 of the Act) of the Company.

(Note 2) Voting rights ratio refers to: (i) the ratio of shares, etc. of such holders of shares, etc. if the specific shareholder group is as stated in (i) of Note 1 (the ratio of share certificates, etc. held provided for in Article 27-23, Paragraph 4 of the Act. In such case, the number of shares, etc. held by joint holders of such holders (the number of share certificates, etc. held provided for in the paragraph) shall be added); or, (ii) the total of the ratio of shares, etc. held by such Large-scale Purchaser and such parties with a special relationship thereto (the ratio of share certificates, etc. held provided for in Article 27-2, Paragraph 8 of the Act) if the specific shareholder group is as stated in (ii) of Note 1. When calculating the ratio of shares, etc. held, the total number of voting rights (the total number of voting rights provided for in Article 27-2, Paragraph 8 of the Act) and the total number of issued shares (the total number of issued shares provided for in Article 27-23, Paragraph 4 of the Act) may refer to the most recently submitted annual securities reports, semiannual securities reports, and share buyback reports.

(Note 3) Shares, etc. refer to share certificates, etc. provided for in Article 27-23, Paragraph 1 or Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act.

Under the Plan, objective and clarified conditions are set forth as requirements for triggering the countermeasure, to eliminate, to the extent possible, room for arbitrary judgment by the Board of Directors of the Company in deciding whether the situation warrants triggering of the countermeasure. In the process of the Board of Directors' review and evaluation of the proposal made by the Large-scale Purchaser, including the triggering of the countermeasure, a Third-Party Committee that is independent from executive management of the Company shall be established, the recommendation of whom shall be respected to the fullest extent, in order to prevent an arbitrary judgment, and to ensure a fair, reasonable, and objective judgment by the Board of Directors of the Company, in an effort to establish a framework that secures the Company's corporate value and the common interests of its shareholders.

An outline of the aforementioned framework is as follows.

#### **(1) Submission in advance of the statement of intent to the Company**

Large-scale Purchasers with the intent to carry out a Large-scale Purchase are requested to submit, using the form provided by the Company, a statement of intent to the Representative Director of the Company, pledging compliance with the procedure set out in the Plan along with the following information. All documents must be prepared in Japanese.

- 1) Name and address of the Large-scale Purchaser
- 2) Applicable incorporation law
- 3) Name of the representative
- 4) Contact information in Japan
- 5) Outline of the proposed Large-scale Purchase

#### **(2) Provision of required information**

The Board of Directors of the Company shall, within 10 business days from the receipt of the statement of intent described in (1) above, issue to the Large-scale Purchaser a list of the information to be provided by the Large-scale Purchaser to the Board of Directors of the Company, which is deemed to be necessary and sufficient to serve as basis for the shareholders to make a judgment, and for the Board of Directors to form an opinion regarding the Large-scale Purchase (hereinafter, the “Required Information”). While the specific content of the Required Information will vary depending on the nature of the Large-scale Purchaser as well as the content of the Large-scale Purchase, the generally required information shall be as follows:

- 1) details (including name, details of business, history, capital structure, and financial condition) of the Large-scale Purchaser and its group (including joint-owners, specially related parties, and partners (for funds) or other members);
- 2) purpose, method, and contents of the Large-scale Purchase (including the price of the Large-scale Purchase, or the consideration and its price, timing of the Large-scale Purchase, system of the associated transactions, legitimacy of the method for the Large-scale Purchase, and feasibility of the Large-scale Purchase);
- 3) the price or consideration of the Large-scale Purchase and the basis of their calculation;
- 4) source of funds for the Large-scale Purchase (including specific names of the funders (including effective funders), method for funding, and contents of the associated transactions);
- 5) management policy, business plan, capital policy and dividend policy of the Company and the Group following the Large-scale Purchase; and
- 6) policy regarding the treatment of employees, business partners, customers and other stakeholders of the Company following the Large-scale Purchase.

If the information initially provided by the Large-scale Purchaser is determined to be insufficient upon examination, the Board of Directors of the Company will request the provision of additional information from the Large-scale Purchaser, until all of the Required Information is deemed to have been submitted. The fact of the Large-scale Purchase proposal and the contents of the Required Information provided to the Board of Directors of the Company shall, in whole or in part, be disclosed at a time considered appropriate by the Board of Directors, if such disclosure is deemed necessary for the shareholders and investors to make their judgment.

### **(3) Period for evaluation by the Board of Directors**

Once the Large-scale Purchaser is believed to have completed its provision of the Required Information, the Board of Directors of the Company shall promptly disclose such completion.

The Board of Directors of the Company shall, upon disclosure of the completion of the provision of the Required Information by the Large-scale Purchaser, arrange a period not exceeding 60 days (in the case of a purchase of whole shares of the Company by a tender offer with cash-only (yen) consideration) or a period not exceeding 90 days (in the case of a large-scale purchase by any other method), for the purpose of evaluation and review of the Large-scale Purchase, negotiation with the Large-scale Purchaser, and formation of an opinion along with the preparation of alternative proposals (hereinafter, the “Board Evaluation Period”). As such, the Large-scale Purchase shall commence only after the expiry of the Board Evaluation Period.

During the Board Evaluation Period, the Board of Directors of the Company will adequately evaluate and review the provided Required Information, while receiving advice from independent external experts (investment banks, financial advisors, certified public accountants, attorneys, consultants and other professionals), carefully organize its opinion, and announce such opinion. Furthermore, the Board of Directors of the Company may, as appropriate, engage in negotiation with the Large-scale Purchaser, for the purpose of improving the conditions of the Large-scale Purchase, and may also present an alternative proposal to the shareholders.

In the event that the Board of Directors of the Company fails to pass a resolution for triggering or non-triggering of the countermeasure against the Large-scale Purchase by the expiry of the Board Evaluation Period, the Board of Directors shall pass a resolution to extend the Board Evaluation Period to a reasonable extent (not exceeding 30 days), as necessary for purposes such as review of the nature of the Large-scale Purchase to be conducted by the Large-scale

Purchaser, negotiation with the Large-scale Purchaser, and consideration of alternative proposals, which shall be followed up immediately by a disclosure of the length of extension, the reason therefore, and any other matters considered appropriate by the Board of Directors of the Company.

### **3. Procedures in the event of a Large-scale Purchase**

#### **(1) In the case where the Large-scale Purchaser complies with the procedures set forth under the Plan**

In the case where the Large-scale Purchaser complies with the procedures set forth under the Plan, the Board of Directors of the Company shall, even if it opposes the Large-scale Purchase, take no further action other than expressing a counter opinion against the Large-scale Purchase, and presenting alternative proposals as necessary, and in principle, will not pass a resolution for triggering the countermeasure against the Large-scale Purchase. In addition, the Board of Directors of the Company shall promptly disclose its opinion regarding the Large-scale Purchase, or the nature of the alternative proposal. Thus, the shareholders would be asked to make a judgment on their own regarding whether to accept the proposal offered by the Large-scale Purchaser, based on their review of such proposal, along with the opinions on the Large-scale Purchase and the alternative proposal presented by the Board of Directors of the Company.

However, even in the case where the Large-scale Purchaser complies with the procedures set forth under the Plan, if the Large-scale Purchase is deemed by the Board of Directors of the Company to significantly damage the corporate value of the Company and the common interests of its shareholders, the Board of Directors of the Company shall, based on the Directors' duty of care and diligence, be entitled to pass a resolution, as an exceptional measure, for triggering the countermeasure, including a gratis allotment of stock acquisition rights, as permitted under the Companies Act and other applicable laws as well as the Articles of Incorporation of the Company, to the extent that is necessary and reasonable for the purpose of protecting the corporate value of the Company and the common interests of its shareholders. Specifically, the Large-scale Purchase shall be deemed to significantly damage the corporate value of the Company and the common interests of its shareholders if it is judged to fall under any of the following categories.

- 1) If the Large-scale Purchase is intended, without serious intention to participate in the management of the Company, solely for the purpose of having the shares repurchased by the Company or its related parties after having intentionally inflated the share price (so called 'green mailing').
- 2) If the Large-scale Purchase is intended to gain temporary control over the management of the Company, for the purpose of transferring intellectual property, know-how, confidential corporate information, major business partners and/or customers that are vital to the business management of the Company, to the Large-scale Purchaser or its group companies, in a so called 'scorched-earth operation'.
- 3) If the Large-scale Purchase is carried out with a view toward appropriating the assets of the Company as collateral for the debts of, or as funds for repayment by the Large-scale Purchaser or its group companies, after gaining control over the management of the Company.
- 4) If the Large-scale Purchase is intended to gain temporary control over the management of the Company, with a view toward enforcing the disposal of high-value assets that are not involved in the Company's business operations at that time, including real estate and securities, with the aim of providing temporarily high dividends based on the proceeds from such disposal, or to enable the Large-scale Purchaser to sell its shares of the Company at a profit, by taking advantage of the elevated share price resulting from such temporarily high dividends.
- 5) If the purchase method of the Company's shares proposed by the Large-scale Purchaser is considered likely to effectively force the shareholders to sell their shares of the Company, by restricting the opportunities or liberty for shareholders to make a judgment, such as by a so called 'coercive two-step acquisition' (a purchase in which the Large-scale Purchaser carries out tender offer or other types of purchase of shares of the Company without

offering to purchase all of the Company's shares in the initial phase, but declares that it will make an offer in the second phase involving less attractive terms of purchase than in the initial phase, or with unclear terms of purchase).

- 6) If the Large-scale Purchase involves considerably inadequate or inappropriate purchase terms (including the price and type of consideration, timing of the purchase, legitimacy of the purchase method, feasibility of the purchase, and policy for the treatment of employees, business partners, customers and other stakeholders of the Company following the purchase) in light of the intrinsic value of the Company.
- 7) If the Large-scale Purchase by the Large-scale Purchaser is, due to the involved policy regarding the treatment of employees and other stakeholders following the Large-scale Purchase, deemed with reasonable grounds to damage the Company's corporate value and the common interests of its shareholders, including the interests of its shareholders, business partners, employees and other stakeholders, or to hinder the protection and enhancement of the Company's corporate value and the common interests of its shareholders.
- 8) If otherwise, given a circumstance similar to any of 1) to 7) above, the Large-scale Purchase is deemed to be contrary to the maintenance and enhancement of the Company's corporate value and the common interests of its shareholders.

While the gratis allotment of stock acquisition rights to be implemented by the Board of Directors of the Company as a countermeasure is summarized in Appendix 1, the actual implementation of the gratis allotment of stock acquisition rights may involve a certain exercise period, conditions for exercise, conditions for acquisition, etc. to maximize the effect of the countermeasure, which includes a condition requiring the party that exercises the stock acquisition rights to not belong to a specific shareholder group with a voting rights ratio exceeding a certain threshold.

The Board of Directors of the Company shall, once a resolution is passed for the triggering or non-triggering of the countermeasure against the Large-scale Purchase, promptly disclose an outline of such resolution as well as other matters considered relevant by the Board of Directors of the Company.

### **(2) In the case where the Large-scale Purchaser fails to comply with the procedures set out under the Plan**

In the case where the Large-scale Purchaser fails to comply with the procedures set out under the Plan, the Board of Directors of the Company shall, regardless of the specific method involved in the purchase, be entitled to pass a resolution for triggering a countermeasure, including a gratis allotment of stock acquisition rights, as permitted under the Companies Act and other applicable laws as well as the Articles of Incorporation of the Company, for the purpose of protecting the corporate value of the Company and the common interests of its shareholders. As for the specific countermeasure to be triggered, the measure that is considered to be most appropriate by the Board of Directors of the Company at that point in time shall be adopted.

The Board of Directors of the Company will, once the aforementioned resolution is passed, promptly disclose an outline of such resolution, along with other matters considered relevant by the Board of Directors of the Company.

### **(3) Procedures to ensure fairness of the countermeasure**

#### **1) Establishment of a Third-Party Committee**

While the Board of Directors of the Company shall make the final judgment on whether the Large-scale Purchaser has complied with the procedures set out under the Plan, or whether, even if such procedures have been duly complied with, to trigger the countermeasure on the grounds that the Large-scale Purchase significantly damages the corporate value of the Company and the common interests of its shareholders, a Third-Party Committee shall be established in order to implement the Plan appropriately, prevent arbitrary judgment by the Board of Directors, and ensure fair, reasonable and objective judgment by the Board of Directors of the Company. The Third-Party Committee shall comprise three or more committee members, and to enable fair and objective judgment, members shall be appointed from among Outside Directors, Outside Statutory Auditors, and external experts (business owners with respectable management experience, investment banking experts, attorneys, certified public accountants, academic experts whose main research area is the Companies Act of Japan or others of the same qualifications) who are independent from executive management of the Company.

The outline of the Third-Party Committee Rules is as described in Appendix 2, while the names and career summaries of each member of the Third-Party Committee for the Plan are as stated in Appendix 3.

2) Procedure to trigger the countermeasure

The Board of Directors of the Company shall not, in principle, pass a resolution to trigger the countermeasure against the Large-scale Purchase, if the Large-scale Purchaser has complied with the procedures set forth under the Plan as described in (1) above. However, if the Board of Directors passes a resolution for triggering the countermeasure on an exceptional basis as described in (1) above, or passes a resolution to trigger the countermeasure as described in (2) above, it must, prior to such resolutions, consult the Third-Party Committee regarding the appropriateness and receive a recommendation therefrom to ensure fair, reasonable, and objective judgment of the Board of Directors.

The Board of Directors of the Company shall respect the recommendation provided by the Third-Party Committee to the maximum extent in making a judgment on whether or not to trigger the countermeasure.

After having passed the resolution to trigger the countermeasure, if the Board of Directors of the Company determines that the triggering of the countermeasure is not appropriate due to an action of the Large-scale Purchaser such as withdrawal of or alteration to the Large-scale Purchase, the countermeasure may be cancelled or altered based on the recommendation of the Third-Party Committee or the opinions of external experts (including, but not limited to, the cancellation of the gratis allotment of stock acquisition rights in the case the implementation thereof as a countermeasure was resolved, and gratis acquisition of stock acquisition rights in the case the gratis allotment thereof has already been implemented).

#### **4. Impacts on shareholders and investors**

##### **(1) Impacts of the Plan on shareholders and investors**

The Plan is intended to guarantee provision of the necessary information required for the shareholders of the Company to make a judgment on whether or not to accept a proposed Large-scale Purchase, and provision of an opinion by the Board of Directors of the Company, which is currently in charge of management, as well as opportunities for the shareholders to receive presentation of an alternative proposal as appropriate. Thus, shareholders will be able to make an appropriate judgment on whether or not to accept the proposed Large-scale Purchase, based on sufficient information, which is believed to protect the Company's corporate value and the common interests of its shareholders.

As described in 3. above, the Company's reaction to the Large-scale Purchase will vary depending on whether the Large-scale Purchaser complies with the procedures set forth under the Plan. Accordingly, shareholders and investors would be asked to maintain attention on the course of action undertaken by the Large-scale Purchaser.

##### **(2) Impacts on shareholders and investors upon triggering the countermeasure**

As described in 3. above, the Board of Directors of the Company may trigger countermeasures against a Large-scale Purchaser, and if such triggering has been resolved by the Board of Directors of the Company, timely and appropriate disclosure shall be made in accordance with the relevant laws and regulations as well as the listing rules of the financial instruments exchange on which the Company is listed.

Triggering of the countermeasure is not expected to cause shareholders other than the Large-scale Purchaser to suffer any particular loss in terms of their legal rights or economic benefits. If a gratis allotment of stock acquisition rights is conducted as a countermeasure, shareholders shall be allotted stock acquisition rights in proportion to the number of shares they hold without being required to apply for its subscription. However, shareholders who fail to submit, by the allotment date, a document pledging that they are not a Large-scale Purchaser in the form as prescribed by the Company (only if such pledge has been requested by the Company), may suffer disadvantages in terms of their legal rights or economic benefits as a result, compared with other shareholders who receive the Company's shares as a result of the exercise of, or in exchange for the stock acquisition rights granted thereto through the gratis allotment.

On exercising stock acquisition rights, shareholders will be required to pay a certain amount of money in order to acquire the Company's shares within a predetermined period of time, and shareholders who do not follow this

procedure will suffer a dilution of shareholder value per share of the shares they hold. However, if provisions for the conditions for acquisition are set forth separately, indicating that the Company may acquire stock acquisition rights in exchange for issuing the Company's shares to shareholders, and if the Company follows this procedure, the shareholders holding the stock acquisition rights to be acquired by the Company shall receive the Company's shares without the aforementioned payment.

The Board of Directors of the Company may cancel or change the triggered countermeasure in the form of cancellation of the gratis allotment of stock acquisition rights, or gratis acquisition of the stock acquisition rights after the implementation of said gratis allotment of stock acquisition rights. In such cases, an issuance of new shares will not be carried out and a dilution of share value per share of the Company's shares will not materialize. However, investors who have traded the Company's shares at a trading price that has fluctuated in anticipation of the issuance of the Company's shares in exchange for stock acquisition rights as a result of the triggering of the countermeasure against the Large-scale Purchaser may suffer an unexpected loss due to fluctuations in the stock price.

As for Large-scale Purchasers, they may suffer disadvantages in terms of their legal rights or economic benefits as a result of the countermeasure that is triggered when a Large-scale Purchaser fails to comply with the procedures set forth under the Plan, or when a Large-scale Purchase is considered to significantly damage the Company's corporate value and the common interests of its shareholders, even if the Large-scale Purchaser has complied with the procedures set forth under the Plan. The Plan is announced as a warning to prevent the Large-scale Purchaser from committing a breach of the procedures set forth under the Plan.

### **(3) Procedures shareholders are required to follow in the event the countermeasure is triggered**

In the event that a gratis allotment of stock acquisition rights is implemented as a countermeasure, shareholders shall be allotted stock acquisition rights, without being required to apply for its subscription. However the shareholders must be recorded in the final shareholder registry on the date of allotment of stock acquisition rights, as separately decided and announced by the Board of Directors of the Company.

If the Company does not opt for the procedure for acquiring the stock acquisition rights, shareholders shall be required to pay a price of one yen or more per stock acquisition right as determined by the Board of Directors of the Company in the resolution for the gratis allotment of stock acquisition rights, during the period designated by the Board of Directors of the Company. Furthermore, in relation to the course of the procedure from the gratis allotment of stock acquisition rights to the acquisition of stock acquisition rights by the Company, or the exercise of the stock acquisition rights, the Company may request the shareholders who are to be allotted stock acquisition rights to separately provide a document in the form provided by the Company, which pledges that they are not a Large-scale Purchaser.

The details of these procedures shall be notified separately, if it is decided that a gratis allotment of stock acquisition rights shall actually be implemented, in accordance with the relevant laws and regulations as well as the listing rules of the financial instruments exchange on which the Company is listed.

### **5. Commencement of adoption of the Plan and its effective period**

Renewal of the Plan shall be subject to the approval at the 155th Ordinary General Meeting of Shareholders. The Plan shall be proposed at the 155th Ordinary General Meeting of Shareholders, on condition that its effective period starts at the conclusion of the 155th Ordinary General Meeting of Shareholders, and ends at the conclusion of the Ordinary General Meeting of Shareholders scheduled to be held in June 2020.

The Plan shall be repealed at any time, even after the renewal has been approved by the 155th Ordinary General Meeting of Shareholders, if either 1) a resolution for repealing the Plan is passed at the General Meeting of Shareholders, or 2) a resolution for repealing the Plan is passed by the Board of Directors.

**IV. The Fact that the Plan is Consistent with the Basic Policy Concerning Control Over the Company, and that it benefits the Company's corporate value and the common interests of its shareholders, without the aim of maintaining the status of the Company's officers**

The Board of Directors of the Company has designed the Plan to be in compliance, as follows, with the three principles ((i) principle of protecting and enhancing corporate value and the interests of shareholders as a whole, (ii) principle of prior disclosure and shareholders' will, and (iii) principle of ensuring necessity and reasonableness) set forth by the "Guidelines Regarding Takeover Defense for the Purpose of Protection and Enhancement of Corporate Value and Shareholder's Common interests" published by the Ministry of Economy, Trade and Industry, and the Ministry of Justice on May 27, 2005, and based on "Takeover Defense Measures in Light of Recent Environmental Changes" published on June 30, 2008 by the Corporate Value Study Group.

- (1) As stated in III above, the Plan is introduced to ensure the information and time necessary for the shareholders to appropriately evaluate a Large-scale Purchase, and for the Board of Directors of the Company to negotiate with the Large-scale Purchaser to ensure such information and time, and to secure a reasonable period of time for the Board of Directors of the Company as the current management of the Company to evaluate the Large-scale Purchase and prepare alternative proposals, as appropriate. Thus, the Board of Directors of the Company believes that the Plan will contribute to the protection and enhancement of the Company's corporate value and the common interests of its shareholders.
- (2) Under the Plan, objective and clear conditions are set forth as requirements for triggering the countermeasure, to eliminate, to the extent possible, room for arbitrary judgment by the Board of Directors of the Company in deciding whether the situation warrants triggering of the countermeasure. The Plan also sets forth specific procedures for triggering the countermeasure to eliminate arbitrary judgment by the Board of Directors of the Company. In addition to the above, the Third-Party Committee is established to eliminate arbitrary judgment by the Board of Directors of the Company, and the Board of Directors of the Company shall respect the recommendations of the Third-Party Committee to the maximum extent in making decisions on whether to trigger the countermeasure under the Plan, in an effort to ensure a framework for transparent administration that benefits the Company's corporate value and the common interests of its shareholders.
- (3) The Board of Directors of the Company makes a preliminary disclosure of the details of the Plan, to enhance predictability of shareholders, investors and the Large-scale Purchaser, and to ensure opportunities for shareholders to make appropriate decisions.
- (4) As the Plan may be repealed at any time, even before the expiry of its effective period, if the Board of Directors of the Company resolves to repeal the Plan, it does not constitute a dead-hand takeover defense measure (a takeover defense measure in which triggering of the measure cannot be stopped even after a majority of the members of the Board of Directors has been replaced). Furthermore, as the term of office for Directors of the Company is one year, the Plan does not constitute a slow-hand takeover defense measure (a takeover defense measure that requires a longer period of time to stop the triggering as members of the Board of Directors cannot be replaced at once), enabling shareholders to reflect their intention on the Plan through exercise of their voting rights on the proposal for the election of Directors.



## **(Appendix 1) Outline of Gratis Allotment of Stock Acquisition Rights**

### **1. Shareholders entitled to gratis allotment of stock acquisition rights and the method for allotment**

Stock acquisition rights shall, without requiring an additional contribution, be allotted at a ratio of one stock acquisition right per common stock of the Company held by shareholders recorded in the final shareholder registry on the date of allotment as decided by the Board of Directors of the Company (excluding the Company's common stock held by the Company).

### **2. Class and number of the shares subject to stock acquisition rights**

The class of the shares subject to the stock acquisition rights shall be common stock of the Company, while the total number of shares subject to the stock acquisition rights shall not exceed the total number of authorized shares of the common stock of the Company on the date of allotment less the total number of shares outstanding of the common stock of the Company (excluding, however, shares of the common stock held by the Company). The number of shares subject to one stock acquisition right shall be one. However, necessary adjustments shall be made if the Company splits or consolidates its shares.

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

The total number of stock acquisition rights to be allotted to the shareholders shall be determined separately by the Board of Directors of the Company. The Board of Directors of the Company may conduct gratis allotment of stock acquisition rights more than once.

### **4. Type of assets and the amount to be contributed in exercising each stock acquisition right**

The assets to be contributed in exercising each stock acquisition right shall be cash in the amount of one yen or more as determined by the Board of Directors of the Company.

### **5. Restriction on the transfer of stock acquisition rights**

Approval of the Board of Directors of the Company is required for the acquisition of stock acquisition rights through transfer thereof.

### **6. Requirements for exercising stock acquisition rights**

The requirement for exercising stock acquisition rights shall be that the exerciser does not belong to a specific shareholder group that has 20% or more of the voting rights, etc. (excluding, however, a party agreed upon in advance by the Board of Directors of the Company). Specific details shall be determined separately by the Board of Directors of the Company.

### **7. Exercise period, etc. of stock acquisition rights**

The effective date, exercise period, conditions for acquisition and other necessary matters of the gratis allotment of stock acquisition rights shall be determined separately by the Board of Directors of the Company. Conditions for acquisition may be established, to the effect that the Company can acquire stock acquisition rights held by parties other than those who are not entitled to exercise stock acquisition rights, due to the conditions for the exercise as described in 6. above, and issue a certain number of shares of common stock of the Company for one stock acquisition right as separately determined by the Board of Directors.

## **(Appendix 2) Outline of the Third-Party Committee Rules**

1. The Third-Party Committee shall be established by a resolution of the Board of Directors of the Company.
2. The Third-Party Committee shall comprise three or more committee members, and for the purpose of ensuring fair and neutral judgment, members shall be appointed by the Board of Directors of the Company from among Outside Directors, Outside Statutory Auditors, and external experts (business owners with respectable management experience, investment banking experts, attorneys, certified public accountants, academic experts whose main research area is the Companies Act of Japan or others of the same qualifications) who are independent from executive management of the Company. The committee members are required to enter into an engagement agreement with the Company, including the provisions for duty of care and diligence to the Company.
3. The terms of office for the members of the Third-Party Committee shall expire at the conclusion of the Ordinary General Meeting of Shareholders of the Company held with respect to the last fiscal year ending within one year after appointment, unless otherwise prescribed by a resolution of the Board of Directors of the Company. If members of the Third-Party Committee serving concurrently as Outside Directors or Outside Statutory Auditors cease to be Outside Directors or Outside Statutory Auditors (unless they are reappointed), their terms of office as members of the Third-Party Committee shall be terminated at that time.
4. With respect to the matters consulted by the Board of Directors of the Company, the Third-Party Committee shall recommend to the Board of Directors of the Company its decision, in principle, along with the underlying reasons or grounds. Each member of the Third-Party Committee shall make such decision, primarily from the perspective of whether or not it benefits the Company's corporate value and the common interests of its shareholders, without consideration to individual self-interest or personal interest as management of the Company.
5. The Third-Party Committee may seek advice from external experts (investment banks, financial advisors, certified public accountants, attorneys, consultants and other professionals) at the expense of the Company.
6. A resolution of the Third-Party Committee shall be adopted by an affirmative vote of a majority of the members in attendance who represent a majority of the Committee members.

### (Appendix 3) Names and Career Summaries of the Third-Party Committee Members

[Name] Takeshi Odagi

[Career summary]

April 1970	Completed Judicial Apprenticeship Training program. Registered as an attorney, Joined ISHII Law Office
April 1980	Partner of ISHII Law Office (present position)
September 1986	Statutory Auditor, Invesco MIM Investment Advisory Co., Ltd.
November 1990	Statutory Auditor, Invesco MIM Investment Trust Management Co., Ltd.
June 2002	Outside Statutory Auditor, Snow Brand Milk Products Co., Ltd. (currently MEGMILK SNOW BRAND Co., Ltd.)
June 2011	Outside Statutory Auditor, TOKYO ROPE MFG. CO., LTD. (present position)

[Name] Takeo Takaishi

[Career summary]

April 1999	General Manager, Energy & Electric Systems Company Business Division, Fuji Electric Co., Ltd.
June 2001	Standing Auditor, Fuji Electric Co., Ltd.
June 2006	Corporate Advisor, Fuji Electric Co., Ltd.
	Outside Statutory Auditor of the Company (present position)
June 2008	Full-time Statutory Auditor of the Company (present position)

[Name] Masamichi Ouchi

[Career summary]

September 1975	Registered as a certified public accountant
June 1977	Registered as a tax accountant
January 1978	Established Ouchi Certified Public Accountant Office and Tax Accountant Ouchi Masamichi Office
August 1983	Guest Researcher, Mitsubishi Research Institute, Inc.
July 2003	Contract Researcher, Waseda Accounting Institute, Waseda University (present position)
July 2007	Deputy President, The Japanese Institute of Certified Public Accountants
July 2010	Auditor, The Japanese Institute of Certified Public Accountants
June 2013	Outside Statutory Auditor of the Company (present position)
January 2015	Representative Partner, MO Partners Public Tax Accountant Corporation (present position)
June 2015	External Director, Nitto Boseki Co., Ltd. (present position)

Takeshi Odagi is a candidate for Outside Director proposed at this Ordinary General Meeting of Shareholders.

There is no conflict of interest between Takeshi Odagi, Takeo Takaishi and Masamichi Ouchi and the Company.

Takeo Takaishi and Masamichi Ouchi have been reported to the Tokyo Stock Exchange as independent officers as stipulated by the rules of the Tokyo Stock Exchange.

The Company plans to register Takeshi Odagi with the Tokyo Stock Exchange as an independent officer as stipulated by the rules of the Tokyo Stock Exchange.