

These documents have been translated from a part of the Japanese originals for reference purposes only.  
In the event of any discrepancy between these translated documents and the Japanese originals, the originals shall prevail. MARUBUN CORPORATION assumes no responsibility for these translations or for direct, indirect or any other forms of damages arising from the translations.

Securities code: 7537  
June 5, 2018

To Our Shareholders:

Shoji Mizuno  
CEO and Representative Director  
MARUBUN CORPORATION  
8-1, Nihonbashi Odenmachi, Chuo-ku, Tokyo, Japan

## Notice of the 71<sup>st</sup> Ordinary General Meeting of Shareholders

You are cordially invited to attend the 71st Ordinary General Meeting of Shareholders (the “Meeting”) of MARUBUN CORPORATION (the “Company”) to be held as indicated below.

**If you are unable to attend the Meeting, you may exercise your voting rights in writing or via the Internet. Please review the attached “Reference Documents for the General Meeting of Shareholders,” follow “Instructions Concerning the Exercise of Voting Rights” (page 3), indicate “approval” or “disapproval” for each of the proposals in the enclosed Voting Right Exercise Form, and return the form to us no later than 5:30 p.m., Tuesday, June 26, 2018 (Japan Standard Time), or enter “approval” or “disapproval” for each of the proposals on the website for exercising voting rights (the “Voting Website”) specified by the Company (<https://evote.tr.mufg.jp/>) no later than the above-mentioned deadline.**

- 1. Date and Time:** June 27, 2018 (Wednesday) at 10:00 a.m.
- 2. Place:** Conference Hall, 5th floor of the Company’s Head Office  
8-1, Nihonbashi Odenmachi, Chuo-ku, Tokyo, Japan
- 3. Meeting Agenda:**
  - Report matters:**
    1. The Business Report and the Consolidated Financial Statements for the 71st Fiscal Year (April 1, 2017 to March 31, 2018), and the results of audits of the Consolidated Financial Statements by the Financial Auditor and the Audit & Supervisory Committee
    2. Non-consolidated Financial Statements for the 71st Fiscal Year (April 1, 2017 to March 31, 2018)
  - Resolution matters:**
    - First proposal:** Appropriation of surplus
    - Second proposal:** Partial amendments to the Articles of Incorporation
    - Third proposal:** Election of five (5) Directors (excluding Directors serving as Audit & Supervisory Committee Members)
    - Fourth proposal:** Introduction of Countermeasures against Large-Scale Purchases of the Company’s Shares and/or Other Securities
- 4. Matters Determined for Convocation** Please refer to “Instructions Concerning the Exercise of Voting Rights” on page 3.

- 
- If you plan to attend the Meeting, please submit the enclosed Voting Right Exercise Form to the receptionist at the Meeting.
  - Of documents to be attached to this Notice, “Notes to Consolidated Financial Statements” and “Notes to Non-consolidated Financial Statements” are posted on the website of the Company in accordance with laws and regulations, and the provision in Article 14 of the Company’s Articles of Incorporation. Therefore, they are not included in this Notice of the 71st Ordinary General Meeting of Shareholders. Meanwhile, these documents are included in the Consolidated Financial Statements and Non-consolidated Financial Statements, both of which have been audited by Audit & Supervisory Committee to prepare an audit report and by Financial Auditor to prepare an accounting audit report, respectively.
  - Any amendments to the Reference Documents for the General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements, and Consolidated Financial Statements will be posted on the Company’s website. (URL: <http://www.marubun.co.jp/>)(Japanese only).

## Instructions Concerning the Exercise of Voting Rights

The right to vote at the General Meeting of Shareholders is a key right for all shareholders. Please exercise your voting rights.

**You may exercise your voting rights by the following three methods.**

### **Exercise of voting rights by attendance at the General Meeting of Shareholders**

Please submit the enclosed Voting Right Exercise Form to the receptionist on the day of the General Meeting of Shareholders. (No seal is needed.)

- ▶ Date and Time of the General Meeting of Shareholders: 10:00 a.m. on June 27, 2018 (Wednesday)

### **Exercise of voting rights by mailing of written documents**

After considering the Reference Documents for the General Meeting of Shareholders below, please indicate your approval or disapproval on the enclosed Voting Right Exercise Form and send it back to us. (No postage is needed.)

- ▶ Arrival deadline for the exercise of voting rights by mailing of written documents: No later than 5:30 p.m. on June 26, 2018 (Tuesday)

### **Exercise of voting rights via the Internet**

Please access the Voting Website (<https://evote.tr.mufg.jp/>) either through a personal computer, smartphone or mobile phone. At this site, you may indicate “approval” or “disapproval” for each of the proposals. Log in using the “Login ID” and “Temporary Password” printed on the Voting Right Exercise Form and then follow the instructions provided on screen so that you can exercise vote.

- ▶ Deadline for the exercise of voting rights via the Internet: No later than 5:30 p.m. on June 26, 2018 (Tuesday)

### **Electronic Voting Platform for Institutional Investors**

Institutional investors may use the electronic voting rights exercise platform operated by ICJ Inc. as a means to exercise voting rights electromagnetically.

## **Reference Documents for the General Meeting of Shareholders**

### **First proposal: Appropriation of surplus**

The Company decides dividends based on its basic policy of continued return of profits to its shareholders, while also placing emphasis on dividend payout ratio by employing performance-linked dividends in order to actively return profits according to its business performance. The Company decides the dividend amount with a consolidated payout ratio of 30% or more as a target.

The Company celebrated its 70th anniversary on July 1, 2017. To express our gratitude to our shareholders for their support up until now, the Company proposes to pay a year-end dividend of ¥20.00 per share for the 71st fiscal year, comprising a 70th anniversary commemorative dividend of ¥5.00 and an ordinary dividend of ¥15.00.

#### **(1) Type of dividend assets**

Cash

#### **(2) Distribution of dividend assets to shareholders and total amount of dividends**

Payment of ¥20.00 per share of common shares, including an ordinary dividend of ¥15.00 and a 70th anniversary commemorative dividend of ¥5.00 (Total amount of dividends: ¥522,705,780)

The annual dividend amount, including the interim dividend, for the fiscal year ended March 31, 2018 will be ¥30.00 per share of common shares.

#### **(3) Effective date of distribution of surplus**

June 28, 2018

## Second proposal: Partial amendments to the Articles of Incorporation

### 1. Reasons for the proposal

The “Act for Partial Revision of the Act for Securing the Proper Operation of Worker Dispatching Undertakings and Protection for Dispatched Workers” (Act No. 73 of 2015), which eliminates the distinction between the “specified worker dispatching undertaking” and the “general worker dispatching undertaking,” took effect on September 30, 2015 (as an interim measure, it is possible to continue specified worker dispatching undertaking operations dating from before the revision until September 29, 2018). As the worker dispatching undertakings have been unified, the Company will make partial amendments to Article 2. (Purpose) of the current Articles of Incorporation.

### 2. Details

Details of the amendment are as follows:

(Underlines indicate amendments.)

Current Articles of Incorporation	Proposed amendments
Article 2. (Purpose) The purpose of the Company shall be to engage in the following business activities: 1. to 8. (Omitted) 9. <u>Specified worker dispatching undertaking</u> 10. to 13. (Omitted)	Article 2. (Purpose) The purpose of the Company shall be to engage in the following business activities: 1. to 8. (Unchanged) 9. <u>Worker dispatching undertaking</u> 10. to 13. (Unchanged)

**Third proposal: Election of five (5) Directors (excluding Directors serving as Audit & Supervisory Committee Members)**

The terms of office of all five (5) Directors (excluding Directors serving as Audit & Supervisory Committee Members; applicable to the rest of this proposal) will expire at the conclusion of this Meeting. In that regard, the Company requests the election of five (5) Directors.

The candidates for Director are as follows.

Candidate No.	Name	Positions, etc. in the Company		Attendance rate of Board of Directors' meetings
1	<span style="border: 1px solid black;">Reelection</span> Shoji Mizuno	Chief Executive Officer and Representative Director	In charge of Internal Audit Office, Legal Dept., Internal Control and Security Export Control General Manager of Devices & Systems Business Unit	100%
2	<span style="border: 1px solid black;">Reelection</span> Kazuaki Iwamoto	Senior Executive Vice President and Representative Director	In charge of General Affairs Div., Business Administration Div., ICT Administration Div. and Administration of Subsidiaries General Manager of Business Administration Div.	100%
3	<span style="border: 1px solid black;">Reelection</span> Toru Iino	Senior Vice President	In charge of System Business of Subsidiaries Deputy General Manager of Devices & Systems Business Unit	100%
4	<span style="border: 1px solid black;">Reelection</span> Satoshi Fujino	Senior Vice President	In charge of Device Business of Subsidiaries Deputy General Manager of Devices & Systems Business Unit	100%
5	<span style="border: 1px solid black;">Reelection</span> Yasuo Komatsu	Vice President	—	100%

Candidate No. 1	Shoji Mizuno (February 28, 1955)			
<Career summary, positions and responsibilities>				
April 1977	Joined the Company	June 2013	Chief Executive Officer and Representative Director (to present)	Reelection
June 1997	Vice President		In charge of Internal Audit Office (to present)	
March 2005	CEO and Representative Director of Marubun Semicon Corporation		In charge of Legal Dept. (to present)	
April 2008	Senior Vice President of the Company		In charge of Internal Control (to present)	Number of shares of the Company held 33,944 shares
June 2011	Executive Vice President and Representative Director		In charge of Security Export Control (to present)	
January 2012	Senior Executive Vice President and Representative Director	April 2014	General Manager of Devices & Systems Business Unit	Term of office as Director 21 years
		June 2014	President of Marubun Research Promotion Foundation (to present)	
		April 2018	General Manager of Devices & Systems Business Unit of the Company (to present)	
<Significant concurrent positions>				Number of Board of Directors' meetings attended 13/13
President, Marubun Research Promotion Foundation				
<Reasons for nominating as candidate for Director>				
Since joining the Company, Mr. Shoji Mizuno has been closely involved in the Electronic Devices business, and even after becoming Vice President of the Company, he has promoted the reinforcement of relationships with business partners and the expansion of the overseas business. Furthermore, he has ample experience and achievements as a corporate manager, serving as Chief Executive Officer and Representative Director of the Company after having served as Representative Director of group companies.				
The Company deems that he is adequate to serve as a person in charge of the direction of the management of the Company and the Group aimed at the continuous growth and enhancement of corporate value over the medium- to long-term, and nominates him as a candidate for Director.				

Candidate No. 2	Kazuaki Iwamoto (July 26, 1954)				
<Career summary, positions and responsibilities>					
July 2003	Director, The Bank of Tokyo-Mitsubishi, Ltd. (currently MUFG Bank, Ltd.)	January 2012	In charge of Administration of Subsidiaries (to present)		
June 2006	Vice President of the Company	June 2012	In charge of Sales Business Administration Div.		
April 2007	Senior Vice President, General Manager of Business Administration Div. (to present)		In charge of ICT Administration Div. (to present)	Reelection	
January 2010	Vice President of Marubun Semicon Corporation (to present)	April 2013	In charge of Internal Business Innovation Office	Number of shares of the Company held 13,000 shares	
February 2010	Vice President of Marubun Tsusho Co., Ltd. (to present)	June 2013	Senior Executive Vice President and Representative Director (to present)		
April 2010	Executive Vice President of the Company		In charge of General Affairs Div. (to present)	Term of office as Director 12 years	
June 2011	Executive Vice President and Representative Director		In charge of Business Administration Div. (to present)		
		April 2016	Vice President of KTL Corporation (to present)	Number of Board of Directors' meetings attended 13/13	
<Significant concurrent positions>					
Vice President, Marubun Tsusho Co., Ltd.					
Vice President, Marubun Semicon Corporation					
Vice President, KTL Corporation					
<Reasons for nominating as candidate for Director>					
Having supervised the management division of the Company and served as a person in charge of the internal control as well as such departments and divisions as General Affairs, Human Recourses, Finance & Accounting, Corporate Planning and IT at the Company and the Group since joining the Company, Mr. Kazuaki Iwamoto has ample experience and achievements, including his initiatives for the group-wide enhancement of the internal control and corporate governance, serving as Senior Executive Vice President and Representative Director of the Company.					
The Company deems that he is adequate to promote the overall business management of the Company and the Group and to enhance the corporate governance and internal control, and therefore nominates him as a candidate for Director.					



Candidate No. 3	Toru Iino (March 7, 1959)			Reelection
<b>&lt;Career summary, positions and responsibilities&gt;</b>				Number of shares of the Company held 1,300 shares
June 1985	Joined the Company	June 2017	Vice President	
April 2013	General Manager of Systems Sales & Marketing Div.		Deputy General Manager of Devices & Systems Business Unit (to present)	
April 2015	Officer and General Manager of Systems Sales & Marketing Div.	April 2018	Senior Vice President (to present) In charge of System Business of Subsidiaries (to present)	Term of office as Director 1 year
<b>&lt;Significant concurrent positions&gt;</b>				
Not applicable				Number of Board of Directors' meetings attended 10/10
<b>&lt;Reasons for nominating as candidate for Director&gt;</b>				
Having engaged in the Systems business since joining the Company, Mr. Toru Iino has served as a person in charge of the overall Systems business. In addition, as Vice President of the Company, he has supervised the Systems business of the Group as a whole, accumulating ample experience and achievements during the implementation of initiatives to expand the business and reinforce relationships with business partners. The Company deems that he is adequate to promote the business strategy of the Company and the Group, with the aim of improving profitability and expanding the business, and therefore nominates him as a candidate for Director.				

Candidate No. 4	Satoshi Fujino (January 22, 1964)			
<Career summary, positions and responsibilities>				
April 1986	Joined the Company	July 2013	Chairman of Marubun Taiwan, Inc. (to present)	Reelection
April 2001	COO of Marubun/Arrow (S) Pte Ltd.	April 2014	Deputy General Manager of Devices & Systems Business Unit of the Company	
January 2002	COO of Marubun/Arrow (HK) Ltd.		General Manager of Marketing Div. (to present)	
April 2004	CEO of Marubun/Arrow Asia, Ltd.	April 2016	General Manager of Devices & Systems Business Unit	Number of shares of the Company held 6,000 shares
June 2007	Vice President of the Company		Vice President of KTL Corporation (to present)	Term of office as Director 11 years
January 2012	Senior Vice President (to present)	April 2018	In charge of Device Business of Subsidiaries of the Company (to present)	
June 2013	Vice President of Marubun Semicon Corporation (to present)		Deputy General Manager of Devices & Systems Business Unit (to present)	
	In charge of Business of Subsidiaries of the Company			Number of Board of Directors' meetings attended 13/13
<Significant concurrent positions>				
Chairman, Marubun Taiwan, Inc. Vice President, Marubun Semicon Corporation Vice President, KTL Corporation				
<Reasons for nominating as candidate for Director>				
Having long engaged in the overseas business of the Company, Mr. Satoshi Fujino has served as COO and CEO at overseas group companies. As Vice President of the Company, he has accumulated broad experience and achievements being in charge of the Electronic Device business of the entire Group, while pursuing the reinforcement of relationships with business partners and expansion of the new businesses.				
The Company deems that he is adequate to promote the business strategy of the Company and the Group aimed at the reinforcement of their competitiveness, and therefore nominates him as a candidate for Director.				

Candidate No. 5	Yasuo Komatsu (June 26, 1962)			
<Career summary, positions and responsibilities>				
April 1985	Joined the Company	April 2010	Vice President, General Manager of Sales and Marketing Div. of Marubun Semicon Corporation	Reelection
January 2005	COO of Marubun/Arrow (HK) Ltd.	April 2013	Officer and General Manager of Account Sales Operation Div. 1 of the Company	Number of shares of the Company held 9,500 shares
April 2006	Seconded to Marubun/Arrow (Shanghai) Co., Ltd.	April 2016	Senior Vice President of KTL Corporation	
April 2007	Director of Sales Dept. 1, East Japan Operation Div. 1 of the Company	June 2016	Vice President of the Company (to present)	Term of office as Director 2 years
April 2009	Director of Sales Dept. 1, Sales Operation Div. 1	April 2017	CEO and Representative Director of KTL Corporation (to present)	
<Significant concurrent positions>				
CEO and Representative Director, KTL Corporation				Number of Board of Directors' meetings attended 13/13
<Reasons for nominating as candidate for Director>				
Having long engaged in the Electronic Devices business of the Company, Mr. Yasuo Komatsu has served as a person in charge of group companies in Japan and overseas. As Vice President of the Company, he has accumulated ample experience and achievements while working to strengthen the Electronic Devices business in order to improve its profitability, as well as taking command of the management in the role of CEO and Representative Director of a group company.				
The Company deems that he is adequate to promote the business strategy aimed at strengthening the base business, and therefore nominates him as a candidate for Director				

- (Notes)
1. Mr. Satoshi Fujino concurrently serves as Chairman of Marubun Taiwan, Inc. The Company has purchase and sale transactions related to sales of electronics components, etc. with this company.
  2. Mr. Yasuo Komatsu concurrently serves as CEO and Representative Director of KTL Corporation. The Company has purchase and sale transactions related to sales of electronics components, etc. with this company.
  3. There are no conflicts of interest between the Company and any of the above candidates for Director other than that given above.

#### **Fourth proposal: Introduction of Countermeasures against Large-Scale Purchases of the Company's Shares and/or Other Securities**

The Company has decided, at the meeting of its Board of Directors held on May 8, 2018, to introduce countermeasures against large-scale purchases of the Company's shares and/or other securities (hereinafter referred to as the "Plan") as indicated below, as efforts to prevent the decisions on the financial and business policies of the Company from being controlled by inappropriate persons in light of the basic policies related to the way in which a person is to control the decisions on the financial and business policies of the Company (i.e. the "Basic Policies" as defined in the Ordinance for Enforcement of the Companies Act, Article 118, Item 3 and hereinafter referred to as the "Basic Policies") (i.e. the efforts provided in Article 118, Item 3(b)(2) of the Ordinance for Enforcement of the Companies Act). Such decision is subject to the approval of the 71<sup>st</sup> Ordinary General Meeting of Shareholders to be held in June 2018 (hereinafter referred to as the "Ordinary Shareholders' Meeting"), and has been made for the purpose of securing and enhancing the corporate value of the Company, namely, the common interests of the shareholders. Accordingly, the Company requests the shareholders to approve the introduction of the Plan.

The effective period of the Plan will end upon completion of the session of the Ordinary General Meeting of Shareholders regarding the latest fiscal year coming within three (3) years if the Ordinary Shareholders' Meeting approves the introduction of the Plan.

The meeting of the Board of Directors which decided the introduction of the Plan was attended by all three (3) of the Outside Directors serving as Audit & Supervisory Committee Members, and in the same meeting they all stated their opinion agreeing to the contents of the Plan subject to the condition that specific operation of the Plan would be appropriately conducted.

The status of the major shareholders of the Company as of March 31, 2018 is as provided in the "Status of Major Shareholders" chart shown in Appendix 1, and the Company has not received any proposals or similar actions for any large-scale purchases of the Company's shares and/or other securities by any specific third party at this moment.

#### **I. Basic Policies Related to the Way a Person is to Control Decisions on Financial and Business Policies**

The Company believes that, in principle, it should make the final decision, in accordance with the decision of its shareholders, as to the way a person is to control the decisions on the financial and business policies of the Company since transactions of the shares of the Company (being a publicly traded company) are left up to the free judgment of the shareholders and investors thereof. In addition, the Company believes that it should also make the final decision, in accordance with the decision of the whole body of shareholders, as to whether the Company should accept a large-scale purchase of the Company's shares and/or other securities involving any transfer of control of the management of the Company. Furthermore, the Company will not deny even a large-scale purchase of the Company's shares and/or other securities if the same will contribute to the corporate value of the Company, namely, the common interests of the Company's shareholders.

Nevertheless, among large-scale purchases of the Company's shares and/or other securities conducted without prior agreement of the Board of Directors, there may be examples which are likely to damage the corporate value of the Company, namely, the common interests of the shareholders, such as those which clearly damage the corporate value of the Company, namely, the common interests of the shareholders in light of the purposes and other circumstances of such large-scale purchases, which are, by their nature, likely to force shareholders to sell the shares, which do not give sufficient time and information for the Board of Directors and shareholders to examine the contents and other conditions of the large-scale purchases of shares and/or other securities or for the Board of Directors to make an alternative proposal, and which require the Company to discuss and negotiate with such large-scale purchasers to obtain more beneficial conditions than those proposed by such large-scale purchasers.

We believe that the persons who control the decision making on the financial and business policies of the Company must fully understand the Company's management philosophy, the various sources of the Company's corporate value, and the trusting relationships with the stakeholders who support the Company, and must secure and enhance the corporate value, namely, the common interests of the shareholders, in the medium to long term. Further, we believe that persons like those mentioned above who engage in large-scale purchases of shares and/or other securities despite the lack of benefit to the

Company's corporate value and the common interests of the shareholders are not appropriate to become persons who control the decision making over the financial and business policies of the Company, and therefore, necessary and appropriate countermeasures should be implemented against large-scale purchases by such persons to secure the corporate value, namely, the common interests of the shareholders.

## **II. Special Initiatives Contributing to Achievement of Basic Policies**

### **1. Characteristics of the Group's Business and Our Thoughts on Corporate Value**

The Company was established as a fabric and textile wholesaler in 1844 and was reorganized into MARUBUN CORPORATION in July 1947. It has led the way as a pioneer in the industry and helped to build up the foundations of the industrial and R&D fields based on technology in the field of electronics. For example, the Company imported and introduced integrated circuits and laser devices to Japan at an early stage. Today, the Company develops global activities at 50 locations around the world and offers products and services of no less than 500 suppliers to more than 3,000 companies.

The Group is an electronics trading company which conducts two businesses, one of which is the electronic devices business mainly covering the fields of semiconductors and electronic components and another of which is the electronic systems business covering electronic devices such as laser equipment and medical equipment, and it procures cutting-edge products from all over the world and sells them to customers including consumer equipment manufacturers, industrial equipment manufacturers, automotive manufacturers, and R&D organizations. The Group's merchandise is used in products around us such as smartphones, televisions, and cars, as well as equipment and services used in hospitals and factories, and it therefore supports the development of society as a whole. The Company has strived to enhance its corporate value by providing the best possible products, information and services adapted to changes in the environment and society by utilizing the philosophy made up of "forecasting" and "looking ahead" in order to "respond to the needs of the next generation by always looking one step ahead to the future," which has been inherited since the Company's establishment. We believe that the sources of the Group's corporate value lie in: (i) the trusting relationship it has developed with each of its stakeholders, including suppliers and customers, over an extended period; (ii) the high level of expertise and wealth of experience and know-how; (iii) the high level of service provided, not simply in selling the products, but going beyond the regular business of a trading company, such as the provision of information on cutting-edge technology and products, proposals for solutions combining various products, technical support with equipment, facilities and know-how, and installment, repair and maintenance services for equipment; (iv) its wide range of products, with global sales and a logistics network developed by a joint venture formed with Arrow Electronics, a major electronics trading company in the United States; and (v) its energetic company spirit and human resources with adventurous spirits.

The Group will endeavor to enhance the corporate value of the Company and the common interests of the shareholders by continuing to provide cutting-edge technology and valuable products, services and solutions as well as hiring and fostering excellent human resources and implementing healthy and transparent management.

### **2. Efforts for Enhancement of Corporate Value Based on Medium-Term Management Plan**

The Group exerts its efforts to build a strong management foundation under the medium-term vision: "Realization of a Durable Firm Enabling Sustainable Growth." As a major trend in the past few years, the domination of global semiconductor manufacturers has continued changing due to mergers and acquisitions. In addition, innovation of cutting-edge technology is continually advancing, and markets which did not previously exist have been emerging through the evolution of combined technology such as IoT, the development of cars featuring automated driving technology and the introduction of the medical and nursing services utilizing wearable devices and robots.

In such circumstances, in the Medium-Term Management Plan covering the period ending in March 2019, the Company stipulated basic policies which would enable the Company "to respond to and catch up with industry reorganization," "develop new business by proactively investing in innovation," and "improve capital efficiency," with the aim of promptly "achieving an 8% or higher ROE" by improving profitability and efficiency." The Company's specific efforts are as follows:

#### **1) Facilitation of Company's Base Business**

The Company will facilitate the sales system of each of its key devices, such as analog devices and wireless devices and proceed with proposals for solutions in the areas of power sources, sensors, and automotive devices, in which the Company excels, with the plan to further increase customer share. At the same time, the Company will use its efforts to enhance revenue base by expanding sales of the lasers embedded in industrial equipment and enhancing calibration services of measurement devices.

2) Facilitation of Business Operation in Growing Markets

The Company will use its efforts to differentiate itself from others and improve its presence by proposing commercial materials and solutions and providing consulting services which may contribute to the shortening of the design and development period of the customer and the improvement of market competitiveness of the final products of the customers, in the areas expected to see growth such as cars, industrial equipment, health care, information and communications, and IoT.

3) Merchandising of New Commercial Materials

The Company will use its efforts to focus on finding commercial materials with groundbreaking and unique technologies and support and foster suppliers by investing funds and human resources if necessary. Further, having an organization which is specialized in facilitating merchandising of new commercial materials will facilitate timely merchandizing by supporting suppliers from premarketing activities to sales and follow-up services in a thorough manner and through further establishment of the quality control system.

4) Enhancement of Engineering Services

The Company will make its efforts to add value by providing appliance customization based on the customer needs and the Company's unique system integration services. At the same time, the Company will also make its efforts to ensure and foster human resources with a high level of expertise, further improve technology, and enhance facilities of repair and maintenance.

5) Acceleration of Global Development

The Company will use its efforts to expand its global businesses by utilizing its superiority to the maximum extent so that it may handle all forms of commercial materials globally through its sales network featuring more than 50 hubs and through the alliance with Arrow Electronics in the United States. The Company will promptly and flexibly set up or relocate establishments paying attention to the market atmosphere and the status of advancement of Japanese firms in each area.

3. Strengthening, Enhancement and Efforts Regarding the Corporate Governance Function

The Company understands that enhancement of the corporate governance system is one of the key issues in management for satisfying the expectations of all stakeholders, such as shareholders, business partners and employees, and for planning to enhance corporate value, and endeavors to implement transparent and fair management in a highly efficient manner. Under such policy, the Company enacts a basic framework and policies concerning corporate governance and provides and enacts its Corporate Governance Guidelines to achieve continuous growth and enhancement of the Company's corporate value by implementing such framework and policies. In addition, the Company tries to improve efficiency and mobility by entrusting a substantial part of the executive power to directors, while it facilitates the audit function of the management by incorporating itself as a "Company with an Audit and Supervisory Committee" and setting up an audit and supervisory committee for which a majority of the members are outside directors.

The Company will continue to exert greater efforts to facilitate the corporate governance function in order to enhance its healthy and transparent management.

**III. Efforts to Prevent Decisions on Company's Financial and Business Policies from Being Controlled by Inappropriate Persons in Accordance with Basic Policies**

1. Purpose of Introducing the Plan

The Plan is introduced for the purpose of securing and enhancing the corporate value of the Company, namely, the common interests of the shareholders, in accordance with the Basic Plan

provided in Part I: “Basic Policies Related to the Way a Person is to Control Decisions on Financial and Business Policies” above.

The Board of Directors of the Company believes that, as set forth in the Basic Policies, persons who engage in large-scale purchases of shares and/or other securities of the Company despite the lack of any benefit to the Company’s corporate value, namely, the common interests of the shareholders are not appropriate to become the persons who control the decision making over the financial and business policies of the Company. The Company also believes that, in order to prevent the decisions on the financial and business policies of the Company from being controlled by such inappropriate persons and in order to inhibit large-scale purchases of shares and/or other securities from compromising the corporate value of the Company, namely, the common interests of the shareholders, it is necessary: (i) to require a large-scale purchaser to provide necessary and sufficient information for shareholders to appropriately determine the influence of such large-scale purchase on the corporate value of the Company, namely, the common interests of the shareholders; (ii) for the Board of Directors to evaluate and examine the influence of the business and management policies proposed by such large-scale purchaser on the corporate value of the Company, namely, the common interests of the shareholders, and present their opinion to the shareholders for their reference in judgment; (iii) to secure the process whereby the Board of Directors negotiates on and discusses the business and management policies of the Company and other issues with the large-scale purchaser and proposes an alternative plan related to the business and management policies and other issues to the shareholders; and (iv) in some cases, to exercise countermeasures against the large-scale purchase of shares and/or other securities in order to prevent any irreparable damage from being caused to the corporate value of the Company, namely, the common interests of the shareholders, as this will contribute to securing and enhancing the corporate value of the Company, namely, the common interests of the shareholders.

Accordingly, the Company has decided to establish certain rules requiring the provision of information to the Company and other matters to be complied with when a large-scale purchase of shares and/or other securities is proposed (hereinafter referred to as the “Large-Scale Purchase Rules”), and has decided to introduce the Plan which stipulates the procedures to exercise the countermeasures as efforts to prevent the decisions on the financial and business policies of the Company from being controlled by an inappropriate person in light of the basic policies provided in Part I: “Basic Policies Related to the Way a Person is to Control Decisions on Financial and Business Policies” above, in cases where a large-scale purchase is conducted by such person in order to ensure that large-scale purchases of shares and/or other securities of the Company are conducted in accordance with established and reasonable rules.

## 2. Details of the Plan

The Plan provides the rules for the Board of Directors of the Company to require a Large-Scale Purchaser to provide Large-Scale Purchase Information (as defined in the following section 3(1) b “Provision of Information”) in advance, in order to secure sufficient time and information necessary for the shareholders to appropriately determine whether or not to accept the Large-Scale Purchase, to evaluate and consider such Large-Scale Purchase, to negotiate with the Large-Scale Purchaser concerning the terms of purchase and other terms, or to make alternative proposals or take other actions in relation to the shareholders, and to exercise any other countermeasures against the Large-Scale Purchaser which are deemed appropriate at the time, including a gratis allotment of share acquisition rights, while respecting the recommendation of the Independent Committee (please refer to the following section 3(3)a “Establishment of the Independent Committee” for more details) to the maximum extent.

“Large-Scale Purchase” is defined as: (i) a purchase of the Company’s shares and/or other

securities<sup>1</sup> which are vested with the voting rights<sup>2</sup> of specified shareholders<sup>3</sup> of the Company's shares and/or other securities at 20% or more; or (ii) a purchase of the Company's shares and/or other securities that results in the ratio of voting rights of the specified shareholders becoming 20% or more (with respect to any of them, unless agreed by the Company's Board of Directors in advance, and in whatever the specific purchase method, such as a market transaction and a tender offer); or (iii) regardless of whether or not a purchase falls under (i) or (ii), the specified shareholders of the Company agreeing or engaging in other actions with other shareholders<sup>4</sup> of the Company so that such other shareholders become joint holders of such specified shareholders or such agreement or engagement creates a relationship in which one substantially controls the others or in which they jointly or cooperatively act<sup>5</sup> (provided that this is limited to the case where the ratio of voting rights of such specified shareholder and such other shareholders becomes 20% or more).

"Large-Scale Purchaser" is defined as a person conducting a Large-Scale Purchase.

Under the Plan, the Board of Directors of the Company will convene a General Meeting of Shareholders and entrust the final decision on whether or not the countermeasures should be exercised to the decision of the General Meeting of Shareholders if the Board of Directors of the Company determines that it is practically appropriate to directly confirm the will of the shareholders in addition to consulting with the Independent Committee or if the Independent Committee recommends holding a General Meeting of Shareholders.

A Large-Scale Purchaser must not commence a Large-Scale Purchase until the resolution as to whether or not the countermeasures should be taken is made either by the Board of Directors or the General Meeting of Shareholders in accordance with the Large-Scale Purchase Rules.

For the flow of the procedure of the Plan, please refer to Appendix 2 "Summary of the Plan".

### 3. Details of the Large-Scale Purchase Rules

#### (1) Requiring a Large-Scale Purchaser to Provide Information

##### a. Submission of Statement of Intent upon Purchase

---

<sup>1</sup> Shares and/or other securities stipulated in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act

<sup>2</sup> The total voting rights which are to be the denominator in calculating the ratio of voting rights shall be the number calculated by the number of the total issued shares (limited to the shares with voting rights) at the time of calculation (excluding the number of shares less than one unit) minus the sum of the number of shares less than one unit reported in the most recently submitted report among the Securities Reports and Quarterly Reports and the number of treasury shares reported in the most recently submitted report among the Securities Reports, Quarterly Reports and Submission of Share Buyback Reports (excluding the number of shares less than one unit), divided by the number of shares per share unit.

<sup>3</sup> (i) A holder (as stipulated in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act, including a person deemed as a holder pursuant to Article 27-23, Paragraph 3 of the Financial Instruments and Exchange Act or by the Board of Directors) of shares and/or other securities (as stipulated in Note 1) of the Company, and any joint holders (as stipulated in Article 27-23, Paragraph 5 of the Financial Instruments and Exchange Act, including a person deemed as a joint holder pursuant to Article 27-23, Paragraph 6 thereof or by the Board of Directors; the same will apply hereafter), or (ii) A person who makes a purchase (as stipulated in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act, including a purchase made on a securities exchange market, regardless of the way of purchase) of shares and/or other securities (as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act) of the Company, and any specially related parties (the parties defined in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act and those deemed as the same by the Board of Directors).

<sup>4</sup> This can be singular or plural. This also applies to item (ii).

<sup>5</sup> Determination of whether or not "such agreement or engagement creates a relationship in which one substantially controls the others or in which they jointly or cooperatively act" shall be made based on the creation of substantial interests and other circumstances concerning the shares and/or other securities of the Company through the newly created relationship related to investment, partnership, transactions or contracts, concurrent appointment of officers, financing, provision of credit, derivatives, loaned shares, etc., and the direct or indirect influence of such specified shareholders and other shareholders on the Company.

<sup>6</sup> Determination of whether or not such action as provided in item (iii) above shall be reasonably made by the Board of Directors based on a recommendation of the Independent Committee. The Board of Directors may require the shareholders of the Company to provide necessary information to the extent deemed necessary to determine whether or not the action satisfies such actions in item (iii).



First, a Large-Scale Purchaser is required to submit to the Board of Directors of the Company a statement of intent upon purchase (hereinafter referred to as the “Statement of Intent”), including basic information (name, address, governing law of establishment, name of representative person, contact information in Japan, etc.) about the Large-Scale Purchaser, a summary of a proposal for the Large-Scale Purchase by the Large-Scale Purchaser, and other proposals, and a pledge to observe the Large-Scale Purchase Rules in Japanese in a format prescribed by the Company if it intends to conduct a Large-Scale Purchase.

b. Provision of Information

Within ten (10) business days from the day following the date of receipt of the Statement of Intent, the Board of Directors of the Company will provide the Large-Scale Purchaser with a list of information required to be submitted (hereinafter referred to as the “Large-Scale Purchase Relevant Information”) in order for the shareholders to make judgments and for the Board of Directors to form opinions. The Large-Scale Purchaser is required to promptly submit the information provided in such list to the Board of Directors in Japanese in a format prescribed by the Company. The items which are required to be submitted are as set forth in the following items i) to ix):

- i) A summary of the Large-Scale Purchaser and its group (hereinafter, including the specified shareholders, etc., stakeholders, and partners or other members in the case of a partnership or fund) (including specific names, business descriptions, capital constitution and financial information, etc.);
- ii) The purpose, method, and contents of the Large-Scale Purchase (including the type and number of shares and/or other securities subject to the purchase, type and amount of compensation, time of purchase, scheme of the relevant transactions, legality of the method, possibility of conduct; if it is assumed that the shares and/or other securities of the Company will be delisted after the Large-Scale Purchase, such description and reasons shall be also included.);
- iii) Whether or not the Large-Scale Purchaser has any communication with a third person upon the Large-Scale Purchase, and if it has, the contents of such communication;
- iv) The basis of the calculation of the compensation for the Large-Scale Purchase (including assumptions upon which the calculation is based, way of calculation, information on the valuation organization, information on values used in the calculation, contents of the expected synergies which may be generated by the transactions, etc.);
- v) The financial proof of the Large-Scale Purchase (including the specific names of the fund providers (including substantial providers), the way of funding, and the contents of any other related transactions);
- vi) The intention regarding management policies including the business plan of the Company and its group, capital policies, dividend policies, and financial policies after the Large-Scale Purchase;
- vii) The policy regarding the treatment of customers, business partners, and the Company’s employees and other stakeholders after the Large-Scale Purchase;
- viii) The specific measures to avoid any conflicts of interest with the Company’s shareholders other than the Large-Scale Purchaser; and
- ix) Other information deemed reasonably necessary by the Board of Directors or the Independent Committee

If the Board of Directors determines, after consulting with the Independent Committee, that the Large-Scale Purchase Relevant Information provided by the Large-Scale Purchaser is insufficient to examine the contents or other relevant matters of the Large-Scale Purchase intended by the Large-Scale Purchaser, it may request the Large-Scale Purchaser to submit additional information, providing an appropriate deadline.

In addition, the Board of Directors of the Company may require the Large-Scale Purchaser to provide the Large-Scale Purchase Relevant Information concerning the Large-Scale Purchase

which is amended if the Large-Scale Purchaser amends the contents of the Large-Scale Purchase for which the Large-Scale Purchase Relevant Information is required after commencement of the Examination Period (as defined in the following item (2) “Examination, etc. of Large-Scale Purchases by the Board of Directors”).

Further, the Board of Directors of the Company will make timely and appropriate disclosure of the fact that the Large-Scale Purchase is proposed and the information which is provided by the Large-Scale Purchaser if it is deemed that such information is necessary for shareholders to make a judgment. Further, if it is reasonably deemed that the provision of the Large-Scale Purchase Relevant Information by the Large-Scale Purchaser is complete, the Board of Directors of the Company will make a timely and appropriate disclosure as well as giving notice to the Large-Scale Purchaser providing that the Large-Scale Purchase Relevant Information is complete and the start and finish dates of the Examination Period (as defined in the following item (2)) (hereinafter referred to as the “Notice of Completion of Information Provision”).

(2) Examination, etc. of Large-Scale Purchases by the Board of Directors

The Board of Directors will evaluate and examine whether or not the Large-Scale Purchase by the Large-Scale Purchaser will contribute to securing and enhancing the corporate value of the Company, namely, the common interests of the shareholders based on the Large-Scale Purchase Relevant Information received from the Large-Scale Purchaser and information independently obtained by the Board of Directors after giving the Notice of Completion of Information Provision, and may negotiate with the Large-Scale Purchaser on the terms of purchase and other terms or make alternative proposals while considering whether or not it will exercise the countermeasures if necessary (all of such examinations shall be hereinafter referred to as the “Examination”).

Upon the Examination, the Board of Directors will consult with the Independent Committee provided in the following item (3) “Recommendation of the Independent Committee” and may seek advice from a third party independent from the Board of Directors of the Company (including professionals such as financial advisers, certified public accountants, lawyers, and consultants) if necessary.

The Board of Directors will designate either of the following periods as a period for the Examination (hereinafter referred to as the “Examination Period”) corresponding to the contents of the Large-Scale Purchase, and the Large-Scale Purchaser may not commence the Large-Scale Purchase until the Examination Period is completed (provided that, until the General Meeting of Shareholders resolves for or against the exercise of the countermeasures if the Board of Directors decides to hold a General Meeting of Shareholders in the following 4(1)c.)

- a) Purchase of the entirety of the Company’s shares and/or other securities by a tender offer wherein the entire consideration is to be paid in cash (yen value): 60 days from the date of Notice of Completion of Information Provision (excluding the first day)
- b) Other purchases: 90 days from Notice of Completion of Information Provision (excluding the first day)

The Examination Period may be extended for up to thirty (30) days by a resolution of the Board of Directors of the Company with a recommendation from the Independent Committee. The Board of Directors of the Company will give a notice to the Large-Scale Purchaser providing for the extension of the Examination Period and the reason for such extension if the Board of Directors decides to extend the Examination Period by its resolution and will make timely and appropriate disclosure thereof.

The Board of Directors will carefully compile opinions regarding the Large-Scale Purchase among Directors in the Examination and disclose the opinion of the Board in a timely and appropriate manner.

(3) Recommendation of the Independent Committee

a. Establishment of the Independent Committee

Under the Plan, in order to eliminate any arbitrary judgment by the Board of Directors upon exercising the countermeasures against the Large-Scale Purchaser, the Company will set up an Independent Committee as an advisory board to the Board of Directors of the Company solely

comprising members from outside of the Company independent from the management team which executes the Company's operations (please refer to Appendix 3 "Summary of the Rules of Independent Committee"). The Independent Committee comprises three or more members who are elected from among outside directors or external professionals (lawyers, certified public accountants, experienced management executives, academic experts or similar experts), highly independent from the Board of Directors. Please refer to Appendix 4 "Name and Career Summary of Independent Committee Members" for the names and career summaries of the candidates for initial members of the Independent Committee after introduction of the Plan is approved by the shareholders.

b. Examination and Other Roles by the Independent Committee

During the Examination Period, the Independent Committee will conduct an examination and perform consideration as to the items consulted by the Board of Directors of the Company and will issue a recommendation (including as to the exercise of the countermeasures and any actions on which the Board of Directors has sought advice) to the Board of Directors.

The Independent Committee will conduct a discussion and consideration based on the Large-Scale Purchase Relevant Information received through the Board of Directors and any other information provided by the Large-Scale Purchaser; however, it may request the Large-Scale Purchaser to provide additional information through the Board of Directors, providing an appropriate deadline, if it deems that such information is not sufficient for such discussion and consideration.

Further, the Independent Committee may request the Board of Directors for an opinion (including a statement withholding an opinion) on the contents of the Large-Scale Purchase Relevant Information and other information provided by the Large-Scale Purchaser, the materials supporting the opinion, the alternative proposal (if any) by the Board of Directors, and any other information which it considers necessary, providing an appropriate deadline, in order to compare and examine the Large-Scale Purchase Relevant Information and other information provided by Large-Scale Purchaser with respect to a business plan of the Board of Directors and the evaluation of the corporate value and other analysis by the Board of Directors.

In addition, if necessary when conducting the discussion and consideration, the Independent Committee may seek advice from a third party (including professionals such as financial advisors, certified public accountants, lawyers, and consultants) which is independent from the Board of Directors of the Company, with the costs to be borne by the Company.

If a recommendation is issued by the Independent Committee, the Board of Directors will disclose the same, a summary of such recommendation, and other matters which the Board of Directors deems appropriate, in a timely and appropriate manner. Further, the Board of Directors must respect the contents of the recommendation of the Independent Committee to the maximum extent when determining its resolution.

The Independent Committee may change the contents of a recommendation or withdraw a recommendation even after it issues a recommendation to the Board of Directors of the Company if there is any change in the facts on which the recommendation was premised, such as the case where the Large-Scale Purchaser stops the Large-Scale Purchase after such recommendation.

4. Countermeasures against Large-Scale Purchase

(1) Conditions of Exercise

a. If the Large-Scale Purchase Rules Are Observed

The Plan provides certain procedures for the purpose of providing opportunities to receive sufficient information necessary for the shareholders to examine whether or not to accept the Large-Scale Purchase, including the Large-Scale Purchase Relevant Information as well as the evaluations, opinions, and alternative proposals of the Board of Directors of the Company based on negotiations with the Large-Scale Purchaser, and also provides sufficient time necessary for their consideration in view of securing and enhancing the corporate value of the Company, namely, the common interests of the shareholders with respect to the Large-Scale Purchase to the extent that it may have an important impact on the management of the Company.

Therefore, the Board of Directors will not, in principle, exercise the countermeasures, as long as the Large-Scale Purchaser observes the Large-Scale Purchase Rules.

However, the Board of Directors will decide to exercise the countermeasures by its resolution while respecting the recommendation of the Independent Committee to the maximum extent even in cases where the Large-Scale Purchaser observes the Large-Scale Purchase Rules if it considers that the Large-Scale Purchase will clearly cause irreparable damage to the Company and it is appropriate to take the countermeasures against such Large-Scale Purchase as a result of the consideration of the contents and other terms of the Large-Scale Purchase based on the Large-Scale Purchase Relevant Information and other information which the Board of Directors receives from the Large-Scale Purchaser and other information independently obtained by the Board of Directors. The types of cases where it may be deemed that a Large-Scale Purchase would clearly cause irreparable damage to the Company shall be specifically those where any of the following eight (8) conditions are satisfied:

- i) here the Large-Scale Purchase is made for the purpose of causing the Company or interested parties of the Company to assume shares and/or other securities at a high price by boosting the price of the Company shares despite having no intent to truly participate in the company management of the Company (a so-called “green mail” situation);
- ii) Where the Large-Scale Purchase is made for the purpose of transferring to the Large-Scale Purchaser or its group the intellectual property rights, know-how, trade secret information, major business partners, customers or other items necessary for the business management of the Company by temporarily taking control of the Company’s management;
- iii) Where the Large-Scale Purchase is made in order to divert the Company’s assets as collateral for or repayment of debts of the Large-Scale Purchaser or its group after taking control of the Company’s management;
- iv) Where the Large-Scale Purchase is made by temporarily controlling the Company’s management and having the Company sell or dispose of real estate, securities, or other high valued assets which are not related to the Company’s business for the time being, for the purpose of bringing about temporarily high dividends, or selling shares and/or other securities of the Company at a high price, by taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends from such disposal;
- v) Where the Large-Scale Purchase is conducted in a coercive way that, by its scheme, restricts the shareholders’ opportunity or discretion to provide their judgment, especially where the purchase results in virtually compelling the shareholders to sell their shares, by setting unfavorable terms of the purchase in the second stage or concealing the terms of the purchase in the second stage, and by making the purchase without soliciting a purchase of all shares and/or other securities of the Company in the initial stage (a so-called “coercive two-tiered tender offer”);
- vi) Where the terms of the purchase (including the price and type of the purchase consideration, the timing of the purchase, the legality of the purchase method, the probability of implementing the purchase, the management policies and business plans after the purchase, the response policies to the Company’s other shareholders and other stakeholders of the Company, and other matters after the purchase) are insufficient or inappropriate in light of the primary value of the Company;
- vii) Where the Large-Scale Purchaser is reasonably considered to be inappropriate to become a person who controls the decision making over the financial and business policies of the Company in light of public policy, such as where there is a person who is related to anti-social forces among the Large-Scale Purchaser, its management, or its major shareholders or investors; or
- viii) Where the transfer of control to the Large-Scale Purchaser damages the corporate value of the Company, including the interests of the Company’s customers, suppliers, employees, and other stakeholders who are imperative to generate the corporate value

of the Company, and thereby significantly damages the common interests of the shareholders.

b. If the Large-Scale Purchase Rules Are NOT Observed

If the Large-Scale Purchaser does not observe the Large-Scale Purchase Rules, the Board of Directors may resolve to exercise the countermeasures while respecting the recommendation of the Independent Committee to the maximum extent in order to secure and enhance the corporate value of the Company, namely, the common interests of the shareholders.

c. General Meeting of Shareholders to Be Held

If the Large-Scale Purchase Rules are observed, as provided in a. “If the Large-Scale Purchase Rules Are Observed” above, the Board of Directors of the Company will, in principle, resolve for or against the exercise of the countermeasures against the Large-Scale Purchase while respecting the recommendation of the Independent Committee to the maximum extent; however, upon making its decision as to whether or not the countermeasures against the Large-Scale Purchase under the Plan should be exercised, the Board of Directors shall convene a General Meeting of Shareholders to confirm the shareholders’ intention as to whether or not the Board of Directors should exercise the countermeasures if it determines that it is practically appropriate to directly confirm the shareholders’ intention in addition to consulting with the Independent Committee, or if the Independent Committee so recommends taking into consideration the contents of the Large-Scale Purchase by the Large-Scale Purchaser, various factors including the time allowance in light of the laws and regulations as well as the duty of care of a good manager of a director of the Company. If the Board of Directors decides to hold a General Meeting of Shareholders, it shall promptly disclose such determination and the reason therefor and convene a General Meeting of Shareholders as soon as practicably possible.

In addition, when the Board of Directors holds a General Meeting of Shareholders in such case, it will follow the decision of the General Meeting of Shareholders on whether or not to exercise the countermeasures.

Further, the Large-Scale Purchaser may not commence the Large-Scale Purchase until the General Meeting of Shareholders resolves for or against the exercise of the countermeasures if the Board of Directors decides to hold a General Meeting of Shareholders.

(2) Exercise and Contents of Countermeasures

The Board of Directors shall exercise the countermeasures against the Large-Scale Purchase, while respecting the recommendation of the Independent Committee to the maximum extent, if the Large-Scale Purchaser does not observe the Large-Scale Purchase Rules or if it considers that the Large-Scale Purchase will clearly cause irreparable damage to the Company and it is appropriate to take countermeasures against such Large-Scale Purchase even if the Large-Scale Purchaser observes the Large-Scale Purchase Rules. In addition, upon exercising the countermeasures, if a General Meeting of Shareholders is held for confirmation of the shareholders’ intention, in addition to consultation with the Independent Committee, the Board shall determine whether or not the countermeasures should be taken in accordance with the shareholders’ decision made in the General Meeting of Shareholders.

As for the specific countermeasures, the Board of Directors shall choose an appropriate option at the time and situation from among various options authorized for the Board of Directors under the laws and regulations or the Articles of Incorporation of the Company, including a gratis allotment of share acquisition rights. Please refer to Appendix 5 “Summary of Share Acquisition Rights” for the summary of such share acquisition rights for a gratis allotment of share acquisition rights.

The Board of Directors may cancel or withdraw the resolution for exercising the countermeasures after consulting with the Independent Committee if such Large-Scale Purchase is no longer deemed to be a conduct which clearly causes irreparable damage to the Company or if it is deemed to be inappropriate to take the countermeasures for the reasons that there has been a change in the facts on which the exercise of countermeasures are premised, such as change of the contents or withdrawal of the Large-Scale Purchase or for any other reasons even after it has

decided to exercise the countermeasures.

If the Company cancels or withdraws a resolution for exercising the countermeasures, it will make a timely and appropriate disclosure thereof.

5. Effective Period, Abolishment, and Amendment

The effective period of the Plan will run until the completion of the Ordinary General Meeting of Shareholders regarding the latest fiscal year among the fiscal years ending within three (3) years after the Plan is approved by the shareholders in the Ordinary Shareholders' Meeting. This Plan shall be abolished when the General Meeting of Shareholders or the Board of Directors resolves to abolish the Plan even before the end of the effective period thereof.

The Board of Directors may amend or change the Plan with the approval of the Independent Committee, even during the effective period of the Plan, unless such amendment or change would cause any disadvantage to the shareholders, if it becomes appropriate to amend provisions due to newly established or amended laws and regulations or the securities exchange rules in relation to the Plan or to correct typos or add missing words, unless this would go against the purpose of introducing the Plan.

The Board of Directors of the Company will make a timely and appropriate disclosure as to the abolishment, revision or change in the facts and the contents and other matters if the Board of Directors makes any abolishment, revision, or change with regard to the Plan.

**IV. The Board's Judgment on Each Effort and Reason**

1. Regarding Special Initiatives Contributing to Achievement of Basic Policies (Part II above)

Each initiative provided in "Special Initiatives Contributing to Achievement of Basic Policies" provided in Part II above is formulated as a specific initiative to continuously and sustainably secure and enhance the corporate value of the Company, namely, the common interests of the shareholders, and contributes to accomplishing the Basic Policies.

Therefore, each of these initiatives is compliant with the Basic Policies, will not harm the common interests of the shareholders of the Company, and is not intended by the incumbent officers of the Company to maintain their positions in the Company.

2. Examination of Efforts to Prevent Decisions on the Company's Financial and Business Policies from Being Controlled by Inappropriate Persons in Accordance with Basic Policies (Part III above)

(1) The Plan Complying with the Basic Policies

The Plan provides the shareholders with opportunities to examine whether or not a Large-Scale Purchase should be accepted and secures the time and information necessary and sufficient for the Board of Directors to make an alternative proposal and/or to negotiate with the Large-Scale Purchaser for the shareholders' interests when a Large-Scale Purchase is to be made. Accordingly, it is consistent with the Basic Policies because it is an initiative to secure the corporate value of the Company, namely, the common interests of the shareholders.

(2) The Plan Which Does Not Harm the Common Interests of Shareholders and Is Not for the Purpose of Maintaining Positions of Officers

The Company believes that the Plan does not harm the common interests of the shareholders of the Company and is not the one intended by the incumbent officers to maintain their positions in the Company because of the following reasons:

a. Compliance with Each of the Takeover Defense Guidelines

The Plan perfectly satisfies the three principles (i.e. (i) protection and enhancement of the corporate value and the shareholders' common interests, (ii) prior disclosure and meeting the shareholders' intent, and (iii) necessity and appropriateness), set out in the "Guidelines Regarding Takeover Defense for the Purpose of Securing or Enhancing Corporate Value and Shareholders' Common Interests" released by the Ministry of Economy, Trade and Industry and the Ministry of Justice as of May 27, 2005, as well as the matters provided in Article 440 (Matters to be Observed Pertaining to Introduction of Takeover Defense Measures) of the

Securities Listing Regulations of the Tokyo Stock Exchange. In addition, the Plan takes into consideration the “Takeover Defense Measures in Light of Recent Environment Changes” released by the Corporate Value Study Group on June 30, 2008, and General Principle 1.5 (i.e. takeover defense measures) and Supplementary Principle 1.5.1 in “Japan’s Corporate Governance Code” released by the Tokyo Stock Exchange on June 1, 2015.

b. Respecting Shareholders’ Intentions

The Plan will be introduced subject to approval of the Ordinary Shareholders’ Meeting; therefore, the shareholders’ intentions will be reflected in the introduction of the Plan.

In addition, as mentioned in Part III, section 5: “Effective Period, Abolishment, and Amendment” above, the Plan shall be abolished if so resolved in a General Meeting of Shareholders of the Company even before the expiration of the effective period of the Plan; therefore, the shareholders’ intentions will be respected even in the abolishment of the Plan.

Further, as mentioned in Part III, section 4, item (1) c: “General Meeting of Shareholders to Be Held” above, the Board of Directors must convene a General Meeting of Shareholders to confirm the shareholders’ intentions as to whether or not the countermeasures should be exercised if the Board deems it practically appropriate to do so and it is recommended so by the Independent Committee. Thereby, the shareholders’ intentions will be reflected.

Moreover, as set forth in Part III, section 3, item (1): “Requiring Large-Scale Purchaser to Provide Information” above, the Board of Directors shall disclose the Large-Scale Purchase Relevant Information and other information provided by the Large-Scale Purchaser to the shareholders at the timing and in the manner which the Board deems appropriate so that such shareholders may appropriately form their opinions upon exercising their votes in the General Meeting of Shareholders which decides upon the abolishment of the Plan, whether or not the shares of the Company should be sold in response to the Large-Scale Purchase, whether or not the countermeasures should be exercised, and other matters.

c. Establishment of a System to Prevent Arbitrary Judgment of the Board of Directors

i) Emphasizing Judgment of Highly Independent External Person

The Company will set up an Independent Committee to eliminate arbitrary judgment on the part of the Board of Directors of the Company. If a Large-Scale Purchase is conducted against the Company, as set forth in Part III, section 3, item (3): “Recommendation of the Independent Committee” above, the Independent Committee will discuss and consider whether or not the countermeasures against a Large-Scale Purchase should be exercised and issue a recommendation to the Board of Directors which must respect such Committee’s recommendation to the maximum extent in its resolution. Accordingly, a system is secured to eliminate the countermeasures being exercised based on the arbitrary judgment of the Board of Directors as much as practicable.

ii) Setting Forth Reasonable and Objective Conditions

The countermeasures shall be exercised only when the Large-Scale Purchaser does not observe the Large-Scale Purchase Rules provided in the Plan or upon the satisfaction of the objective conditions prescribed in a reasonable and detailed manner to constitute a case where the Large-Scale Purchase will significantly damage the corporate value of the Company, as set forth in Part III, section 4: “Countermeasures against Large-Scale Purchase” above. In this regard, again, a system to eliminate arbitrary judgment of the Board of Directors is secured as much as practicable in exercise of the countermeasures.

d. No Dead-Handed or Slow-Handed Defense Measures

The Plan may be abolished by the Board of Directors, as set forth in Part III, section 5: “Effective Period, Abolishment, and Amendment” above, and is not a dead-handed takeover defense measure<sup>7</sup>. In addition, because the Company does not adopt a fixed-term system based on time differences with respect to the term of office for directors who are members of the audit and supervisory board whose term is two (2) years, and because the term of office

---

<sup>7</sup> A dead-handed takeover defense measure means a takeover defense measure which can be utilized even if a majority of the constituent members of the Board of Directors are replaced.

for other directors is one (1) year, the Plan is not a slow-handed takeover defense measure<sup>8</sup>.

## **V. Impact on Shareholders and Investors and Other Matters**

### **1. Impact on Shareholders and Investors upon Introduction of the Plan**

At the time of implementing the Plan, there will be no direct impact in relation to the rights of the shareholders because the Plan does not allot share acquisition rights, etc. upon its introduction.

However, the purpose of the Plan is to secure sufficient time and information for the shareholders and investors to decide on whether or not the Large-Scale Purchase should be accepted, as well as the opportunity to receive an alternative proposal and to be provided with evaluation and opinion, etc. by the Board of Directors of the Company which is currently in charge of the management of the Company. We believe that the shareholders and investors may appropriately decide on whether or not the Large-Scale Purchase should be accepted with necessary and sufficient time and information and that the Plan accordingly contributes to securing the common interests of the shareholders and the investors. Therefore, introduction of the Plan becomes a precondition for shareholders and investors to be able to make appropriate investment decisions and contributes to securing and enhancing the common interests of the shareholders and investors. The shareholders and investors should pay careful attention to movements of Large-Scale Purchasers because, as set forth in Part III, section 4: “Countermeasures against Large-Scale Purchases,” the Company’s response to a Large-Scale Purchase will differ according to whether or not the Large-Scale Purchaser observes the Large-Scale Purchase Rules.

### **2. Impact, etc. on Shareholders and Investors upon Exercise of Countermeasures**

The Board of Directors of the Company may make a gratis allotment of share acquisition rights or take other countermeasures authorized to the Board under the laws and regulations and the Articles of Incorporation for the purpose of securing the corporate value of the Company, namely, the common interests of the shareholders if the Large-Scale Purchaser does not observe the Large-Scale Purchase Rules; or, even if the Large-Scale Purchaser observes the Large-Scale Purchase Rules, if it is considered that the Large-Scale Purchase will clearly cause irreparable damage to the Company and it is appropriate to take the countermeasures. The Board of Directors of the Company will make a timely and appropriate disclosure in accordance with the laws and regulations and the rules of the stock exchange if it decides to take a specific countermeasure.

If the Board of Directors makes a gratis allotment of share acquisition rights as a countermeasure, the Large-Scale Purchaser may suffer damage in terms of legal rights and economic aspects by dilution of the shares which he/she owns or any other causes; however, we do not assume circumstances where shareholders other than the Large-Scale Purchaser will suffer particular damage in terms of legal rights and economic aspects because no dilution of the shares held by the shareholders other than the Large-Scale Purchaser will occur in the scheme of such countermeasure outlined in the Plan.

Please note that, even after the Board of Directors resolves to make a gratis allotment of share acquisition rights as a countermeasure, and the shareholders to whom the share acquisition rights will be allotted are decided, the Board of Directors may cancel such gratis allotment during the period until the day preceding the effective date, or acquire those share acquisition rights without compensation therefor during the period after the effective date of the gratis allotment until the day preceding the commencement date of the exercise period. In these circumstances, a dilution of the value per share of the Company shares will not occur, and therefore, shareholders or investors who make transactions based on the premise that a dilution of the value per share of the Company shares will occur may incur a corresponding loss because of changes in share prices.

### **3. Procedures Required to be Taken by Shareholders in Gratis Allotment of Share Acquisition Rights**

The procedures related to the shareholders in cases where a gratis allotment of share acquisition rights or acquisition of share acquisition rights by the Company is selected to be taken among available

---

<sup>8</sup> A slow-handed takeover defense measure means a takeover defense measure that requires time to prevent the exercise thereof because constituent members of the Board of Directors may not all be replaced at one time.



countermeasures in accordance with the description in Appendix 5: “Summary of Share Acquisition Rights” are as follows:

(1) Gratis Allotment of Share Acquisition Rights

The shareholders to be granted a gratis allotment of share acquisition rights are not required to take any special procedure for such gratis allotment since they automatically become the subscribers as of the effective date determined by the Board of Directors.

However, please note that the shareholders are required to be registered as a shareholder in the shareholders register before a certain reference date determined by the Board of Directors because the share acquisition rights are granted to the shareholders registered in the shareholders register as of such reference date.

(2) Exercise of Share Acquisition Rights

If the share acquisition rights are to be exercised, a certain amount of money needs to be paid within a designated period for obtaining shares in the Company. The details of the relevant procedures will be separately notified in accordance with the laws and regulations when a gratis allotment of share acquisition rights is actually decided to be made.

(3) Acquisition of Share Acquisition Rights by the Company

If the Company acquires share acquisition rights in exchange for shares in the Company, the shareholders holding such share acquisition rights will be entitled to receive the shares as compensation for the transfer of share acquisition rights to the Company without the need to take any procedure related to the exercise of share acquisition rights, such as payment of the amount equivalent to the exercise price if the Company takes the necessary procedure to acquire the share acquisition rights. However, please note that the Company may request the shareholders to submit documents or other materials evidencing that they are not the Large-Scale Purchaser.

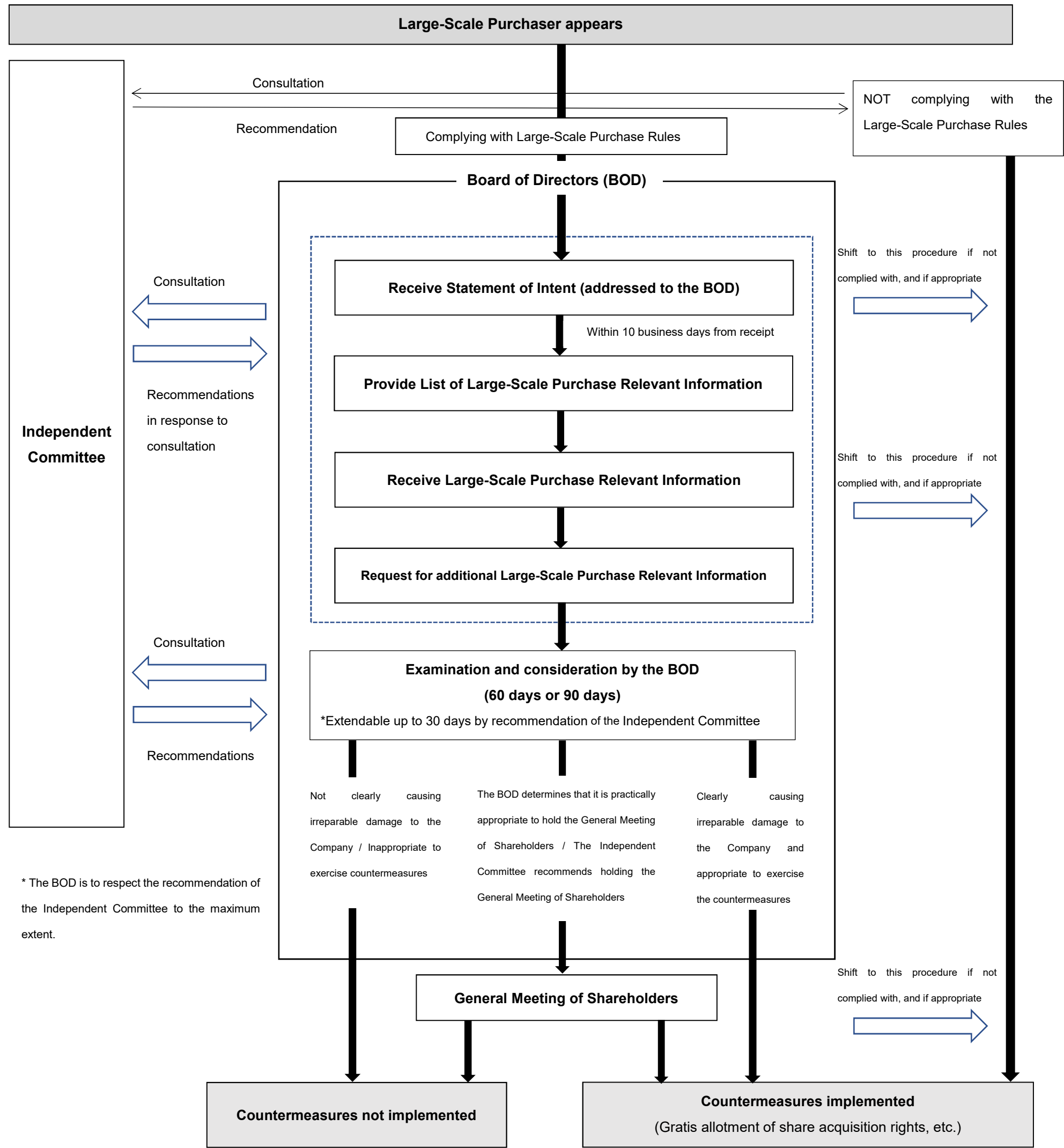
Status of Major Shareholders

(As of March 31, 2018)

Name	Number of Shares Owned	Ratio of Number of Owned Shares to Total Number of Issued Shares
Arrow Electronics, INC. 590000 (Standing Proxy: Mizuho Bank, Ltd., Settlement Sales Department)	2,350,100	8.37
Marubun Research Promotion Foundation	2,304,000	8.21
Kiichi Horikoshi	2,059,100	7.34
Chiba Public Golf Course, Ltd.	1,399,026	4.98
Japan Trustee Services Bank, Ltd. (Trust Account)	853,100	3.04
The Master Trust Bank of Japan, Ltd. (Trust Account)	813,000	2.89
Horikoshi LLC.	800,000	2.85
Yuji Horikoshi	766,800	2.73
Koji Horikoshi	742,300	2.64
Momoko Horikoshi	602,400	2.14

- (Notes)
1. The total number of issued shares is 28,051,200 shares.
  2. In addition to the above, it should be noted that the Company owns 1,915,911 shares as treasury shares.
  3. The ratio of number of owned shares to total number of issued shares is calculated including treasury shares (1,915,911 shares), and rounded down to two decimal places.

Summary of the Plan



The above flowchart is prepared for your reference and explains a mere overview of the Large-Scale Purchase Rules. Therefore, for more details about the content of the Large-Scale Purchase Rules, please refer to the main text of the proposal.

## Summary of the Rules of Independent Committee

### 1. Purpose of Establishment of Independent Committee

The Independent Committee is established to ensure the objectiveness, fairness and reasonableness of decisions by the Board of Directors in relation to the Plan.

### 2. Composition of Independent Committee

The Independent Committee shall comprise three or more members and shall be elected from among Outside Directors or external professionals (lawyers, certified public accountants, experienced management executives, academic experts or similar experts) who are independent of the management team which executes the operation of the Company, to thereby enable the members to make fair and reasonable decisions.

### 3. Term of Independent Committee Members

(1) The term of the members of the Independent Committee shall be until the completion of the first meeting of the Board of Directors to be held after the completion of the Ordinary General Meeting of Shareholders regarding the latest fiscal year among the fiscal years ending within one (1) year after the appointment, and reappointment shall be allowed.

(2) The term of a member of the Independent Committee who has been elected in addition to incumbent members or who has been elected to fill a vacancy of any member who has resigned before the expiration of his/her term of office shall be up to the expiration of the term of office of the incumbent members.

### 4. Convocation Procedures for Independent Committee

The Independent Committee shall be convened by the chairman of the Independent Committee elected by a resolution of the Independent Committee or each member of the Independent Committee upon the request of the Representative Director of the Company.

### 5. Resolutions of Independent Committee

A resolution of the Independent Committee shall be adopted in the meeting where all members are present and by unanimous votes of the members, in principle.

### 6. Authority of Independent Committee

(1) The Independent Committee shall examine and consider the matters provided in the following items and make a recommendation thereon to the Board of Directors upon consultation from the Board; provided, however, that each member of the Independent Committee shall examine and consider each matter in view of whether or not such matter goes against securing and enhancing the corporate value of the Company, namely, the common interests of the shareholders.

- a. Whether or not to exercise the countermeasures under the Plan (including whether or not to convene the General Meeting of Shareholders)
- b. Cancellation or repeal of the countermeasures of the Plan
- c. Judgment as to whether or not the information provided by the Large-Scale Purchaser is sufficient
- d. Extent of the additional information necessary to consider whether or not the countermeasures should be exercised in accordance with the following paragraph (2) which it requests the provision of
- e. Whether or not to permit extension of the Examination Period
- f. Extent of amendment or change of the Plan that does not cause any disadvantage to the shareholders
- g. Other matters for which the Board of Directors uses their discretion to consult with the Independent Committee in relation to the Plan

(2) The Independent Committee may request the Large-Scale Purchaser to provide additional information through the Board of Directors upon discussion and consideration if it deems that the Large-Scale Purchaser Relevant Information and other information provided by the Large-Scale Purchaser is not sufficient.

### 7. Attendance at Independent Committee

The Independent Committee may request the Directors, employees or other persons of the Company to attend a meeting of the Independent Committee and request them to provide information needed by the Independent Committee.

### 8. Advice from Third Party

The Independent Committee may seek advice from a third party independent from the Board of Directors of the Company (professionals such as financial advisers, certified public accountants, lawyers, and consultants) at the expense of the Company upon execution of their duties.

Name and Career Summary of Independent Committee Members

Name: Dai Suzuki (August 28, 1968)

Career Summary

- February 1994                Joined CSI Co., Ltd. (currently Mirai Consulting, Inc.)
- April 1997                   Registered as Certified Public Accountant
- July 2007                    Director of CSI Co., Ltd. (currently Mirai Consulting, Inc.)
- November 2008             Representative Certified Public Accountant of Reanda MC CPA Partners
- March 2012                 Representative Member of Reanda MC International Tax Accountant Corporation (currently Tax Accountant Corporation Mirai Consulting)
- January 2015               Representative of Suzuki Dai CPA Office (to present)
- August 2016                Part-time Auditor (duties limited to the accounting) of LAPLACE co., ltd. (to present)
- December 2017             Representative Director of SSC Inc. (to present)

Name: Tomomichi Yoshihara (October 4, 1970)

Career Summary

- April 1997                   Registered as an attorney-at-law
- October 1999                Joined Iwata Godo (to present)
- May 2005                    Worked at Morrison & Foerster LLP in the United States
- April 2016                   Part-time Lecturer of Seikei University Law School (to present)

Name: Yasuhiko Watanabe (January 25, 1942)

Career Summary

- June 1995                   Senior Vice President and Representative  
Director of The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)
- June 2000                   Statutory Auditor of Mitsubishi Estate Co., Ltd.
- June 2001                   Senior Managing Director and Representative  
Director of Mitsubishi Estate Co., Ltd.
- June 2007                   CEO and Representative Director of Marunouchi Heat Supply Co., Ltd.  
Outside Auditor of the Company
- June 2010                   Outside Director of Komatsu Store Co., Ltd. (to present)  
Outside Director of Dai Nippon Toryo Co., Ltd.
- June 2014                   Outside Director of the Company
- June 2015                   Outside Director serving as Audit & Supervisory Committee Member of the Company (to present)

(Note) Relation to Our Company

Mr. Yasuhiko Watanabe is an Outside Director serving as Audit & Supervisory Committee Member of the Company. The Company has designated him as independent director/auditor based on the regulations stipulated by the Tokyo Stock Exchange and has notified the Tokyo Stock Exchange accordingly. Mr. Dai Suzuki and Mr. Tomomichi Yoshihara do not have special interests in relation to the Company.

## Summary of Share Acquisition Rights

1. Shareholders Granted the Gratis Allotment and the Number of Share Acquisition Rights to Be Allotted  
The share acquisition rights shall be allotted to the shareholders who are stated or registered in the shareholders' registry as of the reference date determined by the Company's Board of Directors at the rate of one or more units of rights per share held thereby (excluding the common stock of the Company held by the Company) as determined by the Board of Directors, free of charge.
2. Type and Number of Shares Underlying Share Acquisition Rights  
The type of shares underlying the share acquisition rights is common stock of the Company where the number of shares in the common stock of the Company to be provided by the exercise of one unit of the share acquisition rights shall be one (1). Further, the Company shall adjust the number of shares if the Company conducts a stock split or reverse stock split.
3. Effective Date for Gratis Allotment  
To be separately determined by the Company's Board of Directors.
4. Value of Assets Contributed in Connection with the Exercise of Each Share Acquisition Right  
The assets contributed in connection with the exercise of each share acquisition right shall be money and its value shall be at least one yen per share of common stock and as determined by the Board of Directors of the Company.
5. Limitation on Transfer of Share Acquisition Rights  
Approval of the Company's Board of Directors is required for acquisition of the share acquisition rights by transfer.
6. Acquisition of Share Acquisition Rights by the Company  
The Company may acquire all the share acquisition rights that have not been exercised by the day preceding the acquisition day determined by the Company's Board of Directors (the "Acquisition Day") at the time of the Acquisition Day (excluding the share acquisition rights held by any person who cannot exercise the rights due to the exercise conditions or other reasons determined in accordance with the provisions in item 7 below), and, in exchange for the above, may provide one share of the common stock of the Company per unit of the share acquisition rights.
7. Conditions for Exercise of Share Acquisition Rights  
The Large-Scale Purchaser and its joint holders, etc. (meaning joint holders of a Large-Scale Purchaser (as provided in Article 27-23, Paragraph 5 of the Financial Instruments and Exchange Act, including persons deemed to be joint holders under Paragraph 6 of the same article and persons who are deemed to constitute such joint holders by the Board of Directors of the Company) and the affiliated persons of the Large-Scale Purchaser (meaning the affiliated persons provided in Article 27-2, Paragraph 7 of the same Act and the persons deemed to constitute such affiliated persons by the Board of Directors of the Company)), and the persons who acquire or assume share acquisition rights from a Large-Scale Purchaser and its joint holders, etc. without approval of the Company's Board of Directors may not exercise the share acquisition rights. Any other conditions for exercise will be determined by the Company's Board of Directors.
8. Exercise Period of Share Acquisition Rights, etc.  
The exercise period for the share acquisition rights and other necessary matters shall be separately determined by the Board of Directors.