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Stock Exchange Code 9119  
June 3, 2019

**To Shareholders with Voting Rights:**

Hiromi Tosha  
President and Representative Director  
IINO KAIUN KAISHA, LTD.  
2-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo

**NOTICE OF  
THE 128th ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

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

You are cordially invited to attend the 128th Annual General Meeting of Shareholders of IINO KAIUN KAISHA, LTD. (the “Company”). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet, etc. Please review the attached Reference Documents for the General Meeting of Shareholders, and exercise your voting rights.

**1. Date and Time:** **Wednesday, June 26, 2019 at 10:00 a.m. Japan time**

**2. Place:** **IINO Hall (IINO Building, 4F)  
2-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo**

**3. Meeting Agenda:**

- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company’s 128th Fiscal Year (April 1, 2018 - March 31, 2019) and results of audits by the Accounting Auditor and the Board of Auditors of the Consolidated Financial Statements
  2. Non-consolidated Financial Statements for the Company’s 128th Fiscal Year (April 1, 2018 - March 31, 2019)

**Proposals to be resolved:**

- Proposal 1:** Distribution of Surplus  
**Proposal 2:** Election of 5 Directors  
**Proposal 3:** Approval of Response Measures to Large-Scale Purchases of the Company Shares (Takeover Defenses)

End

- ◆ Of the documents to be attached to this Notice, the following items are posted on the Company's website in accordance with the provisions of laws and regulations as well as the Company's Articles of Incorporation, and therefore are not provided in the Appendix of this Notice.
  - 1) "Basic policy on persons to be qualified for controlling the decision making of the financial and business policies of the Company" and "Systems to ensure the properness of business activities 1. systems to ensure that the execution of the duties by the directors complies with the provisions of laws and regulations as well as the Company's Articles of Incorporation, other systems to ensure the properness of business activities 2. Summary of operation status of Systems to ensure the properness of business activities" in the Business Report
  - 2) "The Consolidated Statement of Change in Equity" and "the Notes to Consolidated Financial Statements" in the Consolidated Financial Statements
  - 3) "The Non-consolidated Statement of Change in Equity" and "the Notes to Non-consolidated Financial Statements" in the Non-consolidated Financial Statements

Furthermore, the Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements audited by Auditors and the Accounting Auditor in the course of preparing their audit reports include the above-mentioned documents on the Company's website in addition to the Appendix of this Notice.
- ◆ Should revisions arise to the Reference Documents for the General Meeting of Shareholders, the Business Report, Consolidated Financial Statements, Non-consolidated Financial Statements, and other items in this Notice, the revised items will be posted on the Company's website.

**The Company's website:** <https://www.iino.co.jp/kaiun>

<p><b>Electronic Voting Platform</b></p>
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<p>Institutional investors may use the Electronic Voting Platform operated by ICJ, Inc.</p>
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# Reference Documents for the General Meeting of Shareholders

## Proposals and References

### Proposal 1: Distribution of Surplus

The Company proposes a distribution of surplus as follows.

#### Items Related to the Year-end Dividend

The Company considers the appropriate return of profits to shareholders an important policy, and its basic policy is to pay dividends while sufficiently considering strengthening the Company's financial position, building the necessary internal reserves, and future outlook for the business environment, in order to be able to maintain a stable dividend.

Comprehensively taking into consideration business performance in the fiscal year under review, the business environment, and other factors, and also celebrating the 120th Anniversary of the Company's foundation on July 1, 2019, the Company proposes a year-end dividend for the fiscal year under review of 10 yen per share (an ordinary dividend of 5 yen and a commemorative dividend of 5 yen). Furthermore, as a result, the annual dividend for the fiscal year under review will be 15 yen per share (an increase of 5 yen from the previous fiscal year), including the interim dividend of 5 yen per share.

(1) Type of dividend property  
Cash

(2) Items related to the allocation of dividend property and its total amount  
10 yen per share of common stock in the Company (an ordinary dividend of 5 yen and a commemorative dividend of 5 yen)  
Total of 1,058,071,090 yen

(3) Date the distribution of surplus comes into effect  
June 27, 2019

**Proposal 2:** Election of 5 Directors

The terms of office of 4 Directors Hiromi Tosha, Toshio Araki, Shigeru Endo, and Kei Oe will expire at the conclusion of this year's Annual General Meeting of Shareholders. In order to strengthen independence, objectivity, and accountability of functions of the Board of Directors and seek further enhancement of corporate governance by adding 1 Outside Director to the 4 Directors whose terms will expire, the election of 5 Directors is proposed.

The candidates for Director are as follows.

For shareholders' reference, the "Criteria Relating to the Independence and Qualifications of Outside Directors and Auditors" are provided.

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
1	<p><u>Reappointment</u></p> <p>Hiromi Tosha (July 20, 1958)</p> <p>[Attendance at the Board of Directors meetings] 100% (19 out of 19 meetings)</p>	<p>April 1981      Joined the Company</p> <p>June 2004      Manager, Chemical Tanker Group</p> <p>June 2006      Manager, Marine Transport Business Group I</p> <p>June 2008      Manager, Corporate Planning Group</p> <p>December 2009      Manager, Corporate Planning &amp; General Affairs Group</p> <p>June 2010      Director; Executive Officer; in charge of Corporate Planning &amp; General Affairs Group and Commission of Manager, Corporate Planning &amp; General Affairs Group</p> <p>June 2013      Director; Managing Executive Officer; in charge of Property Business Group</p> <p>June 2016      Representative Director; President Executive Officer (to present)</p>	50,200
<p>[Reason for nomination as candidate]</p> <p>Mr. Hiromi Tosha has abundant experience and achievements in the Company's core businesses of the oil tanker business, the chemical tanker business, the property business, and other areas. Having served as Representative Director and President Executive Officer since June 2016, he endeavors to strengthen corporate governance. The Company has judged that the knowledge and experience he has developed thus far will contribute to the enhancement of corporate value, and therefore proposes his election as Director.</p>			
2	<p><u>Reappointment</u></p> <p>Toshio Araki (March 17, 1958)</p> <p>[Attendance at the Board of Directors meetings] 100% (19 out of 19 meetings)</p>	<p>October 1981      Joined the Company</p> <p>June 2009      Director, Iino Marine Service Co., Ltd.</p> <p>June 2010      Manager, Seamen Group, the Company</p> <p>June 2013      Managing Director, Iino Marine Service Co., Ltd.</p> <p>June 2013      President and Director, Godo Senpaku Kogyo Co., Ltd.</p> <p>June 2013      Executive Officer; Assistant to Director in charge of Seamen Group and Assistant to Director in charge of Marine Safety Administration Group, the Company</p> <p>June 2017      Director; Managing Executive Officer; in charge of Marine Department, the Company</p> <p>June 2018      President and Representative Director, Iino Marine Service Co., Ltd. (to present)</p> <p>June 2018      Director; Senior Managing Executive Officer; Management of Marine Department, the Company (to present)</p> <p>&lt;Responsibilities in the Company&gt; Management of Marine Department</p> <p>&lt;Significant concurrent positions&gt; President and Representative Director of Iino Marine Service Co., Ltd.</p>	20,300
<p>[Reason for nomination as candidate]</p> <p>Mr. Toshio Araki has abundant experience and knowledge in the management of oceangoing vessels and the marine and engineering fields. Having served as Director and Senior Managing Executive Officer of the Company since June 2018, he is implementing initiatives to ensure the safety of the Group's vessels and environmental preservation. The Company has judged that the knowledge and experience he has developed thus far will contribute to the enhancement of corporate value, and therefore proposes his election as Director.</p>			

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
3	<div> <div> Reappointment Outside Independent </div> <div> Shigeru Endo (October 16, 1948)   [Attendance at the Board of Directors meetings] 100% (19 out of 19 meetings) </div> </div>	April 1974 April 2001  February 2002 August 2003  March 2007 July 2009 October 2012 June 2013 June 2013 April 2014  June 2018  <Significant concurrent positions> Outside Director of JGC CORPORATION Special Assistant to the Minister for Foreign Affairs External Director of ADEKA Corporation	Joined the Ministry of Foreign Affairs Deputy Director-General, Middle Eastern and African Affairs Bureau Deputy Director-General, Consular Movement Department Ambassador, the Permanent Mission of Japan to the International Organizations in Geneva; Consul-General, Consulate of Japan at Geneva Ambassador Extraordinary and Plenipotentiary to Tunisia Ambassador Extraordinary and Plenipotentiary to Saudi Arabia Retired from the Ministry of Foreign Affairs Outside Director, the Company (to present) Outside Director, JGC CORPORATION (to present) Special Assistant to the Minister for Foreign Affairs (to present) External director, ADEKA Corporation (to present)	0
[Reason for nomination as candidate] Leveraging the abundant international experience and knowledge that he has cultivated through his many years of service as a diplomat, Mr. Shigeru Endo has been providing appropriate advice for management of the Company from various aspects and exercising management oversight from an independent standpoint. Considering that Mr. Endo will be able to continue executing his duties as Outside Director appropriately, the Company proposes his election as Outside Director.				
4	<div> <div> Reappointment Outside Independent </div> <div> Kei Oe (August 9, 1948)   [Attendance at the Board of Directors meetings] 100% (19 out of 19 meetings) </div> </div>	April 1973  June 2000 April 2004 April 2006 April 2008 June 2010 June 2015	Joined Asahi Chemical Industry Co., Ltd. (currently, Asahi Kasei Corp.) General Manager, Medical Sales Promotion Department Director, Asahi Kasei Pharma Corp. Representative Director, President, Asahi Kasei Pharma Corp. Advisor, Asahi Kasei Pharma Corp. Retired as Advisor of Asahi Kasei Pharma Corp. Outside Director, the Company (to present)	8,500
[Reason for nomination as candidate] Leveraging the abundant experience and knowledge that he has cultivated through his many years of service as a corporate manager, Mr. Kei Oe has been providing appropriate advice for management of the Company from various aspects and exercising management oversight from an independent standpoint. Considering that Mr. Oe will be able to continue executing his duties as Outside Director appropriately, the Company proposes his election as Outside Director.				

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
5	<div>New appointment</div> <div>Outside</div> <div>Independent</div> Yasuyuki Yoshida (August 23, 1947)	April 1971      Joined Mitsubishi Research Institute, Inc. October 2002      Councilor, Mitsubishi Research Institute, Inc. October 2007      Joined Nikken Sekkei Research Institute Senior Researcher, Nikken Sekkei Research Institute January 2008      Managing Executive and Senior Researcher, Nikken Sekkei Research Institute June 2008      Outside Director, Tadano Ltd. (to present) March 2009      Director, Managing Executive and Vice President, Nikken Sekkei Research Institute March 2011      Retired from Nikken Sekkei Research Institute <Significant concurrent positions> Outside Director of Tadano Ltd.	0
[Reason for nomination as candidate] The Company considers that by leveraging the abundant experience and knowledge that he has cultivated through his many years of research at think tanks, Mr. Yasuyuki Yoshida will be able to provide appropriate advice for management of the Company from various aspects and exercise management oversight from an independent standpoint, and will be able to execute his duties as Outside Director appropriately. The Company, therefore, proposes his election as Outside Director.			

(Notes)

1. There are no special interests between each candidate and the Company.
2. Mr. Shigeru Endo, Mr. Kei Oe and Mr. Yasuyuki Yoshida are candidates for Outside Director. The Company has notified Tokyo Stock Exchange, Inc. and other stock exchanges where the Company is listed of the appointments of Mr. Shigeru Endo and Mr. Kei Oe as independent directors. If they are reelected, they are to continue serving as Independent Director. If Mr. Yasuyuki Yoshida is elected, the Company plans to designate him as an independent director stipulated by Tokyo Stock Exchange, Inc. and other exchanges where the Company is listed, and register him with the exchanges.
3. Mr. Shigeru Endo and Mr. Kei Oe have entered into agreements with the Company in accordance with Article 427, Paragraph 1 of the Companies Act to limit their liability to the amount stipulated in laws and regulations, provided they have executed their duties in good faith and without gross negligence. If Mr. Shigeru Endo and Mr. Kei Oe are elected, the Company plans to continue the liability limitation agreements with them. In addition, if Mr. Yasuyuki Yoshida is elected, the Company plans to enter into such an agreement with him.
4. Mr. Shigeru Endo is currently an Outside Director of the Company, and his term of office as Outside Director will be six (6) years at the conclusion of this year's Annual General Meeting of Shareholders. In addition, Mr. Kei Oe is currently an Outside Director of the Company, and his term of office as Outside Director will be four (4) years at the conclusion of the year's Annual General Meeting of Shareholders.
5. The Company plans to continue to appoint Mr. Shigeru Endo and Mr. Kei Oe as members of the Special Committee in accordance with the Company's anti-takeover measures.

**Proposal 3:** Approval of Response Measures to Large-Scale Purchases of the Company Shares (Takeover Defenses)

The Company renewed the response measures to large-scale purchases of the Company shares (takeover defenses) by obtaining shareholder approval at the Company's 125th annual general shareholders meeting held on June 28, 2016 (the response measures that were renewed by obtaining shareholder approval at the Company's 125th annual general shareholders meeting are referred to as the "Original Plan").

Since then, the Company has continued to examine the content of the Original Plan, to further secure and enhance the Company's corporate value and the common interests of its shareholders, taking into account such factors as social and economic changes and the progress of recent discussions of takeover defenses.

As a result of such examination, the Company decided at the Board of Directors meeting held on April 26, 2019, to adopt the following response measures (the "Plan") instead of the Original Plan, the term of which will expire as of the close of the Company's 128th annual general shareholders meeting planned to be held in June 2019 (the "Annual General Shareholders Meeting"), subject to the approval by the majority of the voting rights of the shareholders present at the Annual General Shareholders Meeting. Accordingly, the Company requests the approval of the Policy by a majority of the voting rights of shareholders in attendance.

With respect to the overview of the procedural flow of the Plan, please see Exhibit 1. The resolution on the adoption of the Plan at the above Board of Directors meeting was passed unanimously by all seven (7) directors, including two (2) outside directors; further, three (3) company auditors, including two (2) outside company auditors, attended the Board of Directors meeting and stated that they have no objection to the adoption of the Plan. In addition, the Company decided at the Board of Directors meeting held on May 14, 2019, to submit to the Annual General Shareholders Meeting a proposal regarding the election of directors to increase the number of its outside directors by one (1) person, being an independent director candidate, in order to further reinforce the functional independence/objectivity and the accountability of the Board of Directors and thereby to further enhance the Company's corporate governance.

In regard to the above, if the Plan is not approved by the majority of the voting rights of the shareholders present at the Annual General Shareholders Meeting, the Plan will not be introduced, and the Original Plan will also be terminated upon the expiration of the effective term at the close of the Annual General Shareholders Meeting.

Major changes due to the replacement of the Original Plan with the Plan to be newly adopted are as set out below.

**Change 1** Regarding the types of Large-Scale Purchases (as defined in III.2. below; hereinafter the same) in respect of which the Company can trigger countermeasures without convening a Shareholders Meeting to Confirm Shareholders' Intent (as defined in III.3.(1)(i)(A) below; hereinafter the same) in response to a Large-Scale Purchase conducted pursuant to the Large-Scale Purchase Rules (as defined in III.2. below; hereinafter the same), these are limited to five types; namely, (i) the four types described in the Tokyo High Court's ruling on the so-called Nippon Broadcasting System case and (ii) coercive two-step acquisitions.

**Change 2** The Special Committee Members (as defined in III.4.(1)(i) below; hereinafter the same) are elected only from outside directors and outside company auditors who are independent directors/auditors of the Company and being an outside knowledgeable person was removed from the eligibility requirements for Special Committee Members.

**[Reference] Comparison of Principal Changes between the Policy and the Original Policy**

Item	Applicable Paragraphs/Exhibits	The Plan (After Changes)	Original Plan (Before Changes)
Types of Large-Scale Purchases Subject to Triggering Counter-measures (Change 1)	III.3.(1)(ii) (A)(B); Exhibit 3	The types of Large-Scale Purchases in respect of which the Company can trigger countermeasures without convening a Shareholders Meeting to Confirm Shareholders' Intent are limited to five types; namely, (i) the four types described in the Tokyo High Court's ruling on the so-called Nippon Broadcasting System case and (ii) coercive two-step acquisitions.	Even in a case that does not fall under either (i) or (ii) described on the left, there is room to allow countermeasures to be triggered without convening a Shareholders Meeting to Confirm Shareholders' Intent if the relevant Large-Scale Purchase is deemed to materially damage the Company's corporate value and the common interests of its shareholders.
Eligibility for Special Committee Members (Change 2)	Exhibit 5, paragraph 2	The Special Committee Members are elected only from outside directors and outside company auditors who are independent directors/auditors of the Company.	The Special Committee Members are elected from outside directors and outside company auditors of the Company or outside knowledgeable persons.



## <Necessity and Reasonableness of Introduction/Continuation of Takeover Defenses >

For the medium and long term enhancement of the Company's corporate value and the common interests of its shareholders, the Company has adopted, as its basic management policy, a business model that appropriately combines the shipping business, earnings from which tend to fluctuate due to the influence of a number of variable elements, and the real estate business, earnings from which are stable due to relatively few variable elements. The Company believes that this management policy will enable the Company to realize stable business management from a medium and long term perspective and thereby secure safety, which is the foundation for development of the Company's business. In order to achieve this basic management policy, the Company deems it essential for each of its corporate managers, who are familiar with the relevant business, to formulate the business strategy from a medium and long term perspective and implement this strategy.

It is not that the Company unconditionally denies Large-Scale Purchases, if a specific Large-Scale Purchase could lead to the medium and long term enhancement of the Company's corporate value and the common interests of its shareholders. However, there is a possibility that, for example, a hostile corporate acquisition could take place for the sole purpose of the purchaser's own short-term interests. This type of hostile acquisition may materially damage the Company's corporate value because it would obstruct the formulation and implementation of the Company's business strategy from a medium and long term perspective. However, the current Japanese tender offer system basically does not apply to a Large-Scale Purchase conducted on the market, which makes it difficult for the Company to fully address the risk of hostile corporate acquisitions that would damage the Company's medium and long term corporate value. Moreover, even in a case to which the tender offer system applies, the Company believes that a Large-Scale Purchase could take place without necessary information being disclosed to shareholders to decide whether to accept the proposal of the hostile corporate acquisition, or without the opportunity being secured for shareholders to thoroughly consider the proposal.

Accordingly, for the purpose of securing and enhancing the Company's corporate value and the common interests of its shareholders, the Company deems it necessary to introduce the Plan in order to request that a Large-Scale Purchaser (as defined in III.2. below; hereinafter the same) provide in advance the necessary information regarding a Large-Scale Purchase and secure the necessary period to evaluate and examine, etc. the content of the Large-Scale Purchase; and take necessary and proportionate countermeasures against the Large-Scale Purchase if the Company deems that the Large-Scale Purchase would materially damage the Company's corporate value and the common interests of its shareholders.

Also, sufficient reasonableness and fairness are secured in the Plan so that the Plan may not be used by corporate managers for self-protection. First, the Plan secures a structure for preventing the Board of Directors from arbitrarily triggering countermeasures. Specifically, before triggering countermeasures, the Board of Directors must either (i) convene a Shareholders Meeting to Confirm Shareholders' Intent and have the shareholders decide whether to trigger countermeasures or (ii) consult with the highly independent Special Committee regarding whether to trigger countermeasures and decide whether to trigger countermeasures by respecting the Special Committee's recommendation to the maximum extent. Next, regarding the types of Large-Scale Purchases in respect of which the Company can trigger countermeasures without convening a Shareholders Meeting to Confirm Shareholders' Intent in response to a Large-Scale Purchase conducted pursuant to the Large-Scale Purchase Rules, these are limited to five types of abusive acquisitions in respect of which it is obvious, from an objective viewpoint, that they would materially damage the Company's corporate value and the common interests of its shareholders; namely, (i) the four types described in the Tokyo High Court's ruling on the so-called Nippon Broadcasting System case (Exhibit 3, paragraphs 1 to 4) and (ii) coercive two-step acquisitions (Exhibit 3, paragraph 5). Furthermore, the Plan secures a structure for preventing delays in the relevant procedures due to arbitrary operations by the Board of Directors. Specifically, it is necessary for the Board of Directors to consult with the Special Committee regarding whether to request provision of additional Large-Scale Purchase Information (as defined in III.2.(2) below) from a Large-Scale Purchaser, whether to provide the Information Provision Completion Notice (as defined in III.2.(2) below) to a Large-Scale Purchaser, and whether to extend the Board of Directors' Evaluation Period (as defined in III.2.(3) below). In addition, the Plan also secures fairness in the implementation of the Plan, including the triggering of countermeasures, by the Board of Directors. Specifically, as described above, the Board of Directors decided to submit to the Annual General Shareholders Meeting a proposal regarding election of directors to increase the number of its outside directors by one (1) person, being an independent director candidate. If this proposal is adopted, outside directors who are independent directors will exceed thirty percent (30%) of the Company's directors (and together with outside company auditors who are independent company auditors, the total number of independent directors/auditors will exceed forty percent (40%) of the directors/auditors who attend the Board of Directors meeting).

In this regard, please note that during the effective term of the Original Plan, the Company has achieved stable

business results despite severe management circumstances, as the results of its assiduously working towards enhancing Company's corporate value over the medium and long term through efforts towards enhancing its corporate value under, among others, the Mid-term Management Plan and efforts towards reinforcing its corporate governance based on its basic views of corporate governance. Accordingly, the Company believes that the introduction/continuation of the Plan will not prevent the Board of Directors from striving for enhancement of the Company's corporate value.

**[Reference] Main Points of the Policy**

Main Point	Location	Details
Large-Scale Purchase	III.2.	(a) a purchase of the Company's share certificates, etc. with an aim to make the holding ratio of rights to vote of the specific shareholders' group twenty percent (20%) or greater, (b) a purchase of the Company's share certificates, etc. after which the holding ratio of rights to vote of the specific shareholders' group would be twenty percent (20%) or greater, or (c) an agreement with one or more other shareholders of the Company or other act after which, the holding ratio of rights to vote of the specific shareholders' group would be twenty percent (20%) or greater.
Board of Directors' Evaluation Period	III.2.(3)	Up to sixty (60) days in the case of a Large-Scale Purchase targeting all of the Company's share certificates, etc. via a tender offer with monetary consideration only (in Japanese yen); or up to ninety (90) days in the case of other Large-Scale Purchases.
Types of Large-Scale Purchases Subject to Triggering Countermeasures	III.3.(1)(ii)(A)(B); Exhibit 3	The types of Large-Scale Purchases in respect of which the Company can trigger countermeasures without convening a Shareholders' Meeting to Confirm Shareholders' Intent in response to a Large-Scale Purchase conducted pursuant to the Large-Scale Purchase Rules are limited to five types; namely, (i) the four types described in the Tokyo High Court's ruling on the so-called Nippon Broadcasting System case and (ii) coercive two-step acquisitions. Regarding other types of Large-Scale Purchases, the Company needs to convene a Shareholders' Meeting to Confirm Shareholders' Intent in order to trigger countermeasures.
Substance of Countermeasures	III.3.(2)	Allotment of share options without contribution or other countermeasures available under laws and regulations or the Company's Articles of Incorporation
Eligibility for Special Committee Members	Exhibit 5, paragraph 2	Special Committee Members will be elected from outside directors and outside company auditors who are independent directors/auditors of the Company.
Effective term	III.4.(4)	Until the close of the Company's 131st annual shareholders meeting to be held in 2022

(Note) The above table was prepared for convenience's sake to explain the key items of the Plan clearly and concisely. For details of the Plan, please refer to the main text below.

## **I. Outline of the Basic Policy regarding Persons Controlling the Company's Decisions concerning Financial and Business Policies**

The Company believes that a person who controls the Company's decisions concerning financial and business policies must sincerely and faithfully work to secure and enhance the Company's medium and long term corporate value and the common interests of its shareholders based on the sufficient understanding of the corporate philosophy of the Company, various sources of its corporate value, and the relationship of mutual trust with the stakeholders who support the Company.

It is not that the Company unconditionally denies hostile corporate acquisitions, if a hostile corporate acquisition could lead to the medium and long term enhancement of the Company's corporate value and the common interests of its shareholders. However, such hostile acquisitions may include acquisitions that would materially damage the Company's corporate value and the common interests of its shareholders, such as an acquisition for the sole purpose of the purchaser's own short-term interests and an acquisition that may effectively force shareholders to sell their shares without sufficiently ensuring for shareholders information about the proposal of the corporate acquisition or an opportunity to thoroughly consider the proposal of the acquisition.

The Company accordingly believes that any person who conducts a Large-Scale Purchase that would materially damage the Company's corporate value and the common interests of its shareholders as described above is inappropriate to serve as a person who controls the Company's decisions concerning financial and business policies.

## **II. Outline of Special Endeavors which Contribute to the Realization of the Basic Policy**

As a means of enhancing the Company's corporate value and the common interests of its shareholders, the Company is making efforts to enhance its corporate value under, among others, the medium term management plan as described in 1. below and efforts to reinforce its corporate governance described in 2. below. The Company believes that by enhancing its medium and long term corporate value and the common interests of its shareholders through these efforts and by having the enhanced corporate value and common interests of its shareholders be properly reflected in the value of the Company's shares, the Company will be able to make it more difficult to conduct a Large-Scale Purchase that would materially damage the Company's corporate value or the common interests of its shareholders as described above. The Company therefore believes that these efforts will have a positive effect on the basic policy regarding persons controlling the Company's decisions concerning financial and business policies described in I. above (the "Basic Policy").

### **1. Endeavors to enhance corporate value under the Mid-term Management Plan**

#### **(1) Overview of the Company's businesses**

The Company considers the shipping business and the real estate business to be its core businesses. Aiming at maximization of the Company's medium and long term corporate value and the common interests of its shareholders, which are the largest management issues for a company, the Company has adopted, as its basic management policy, a business model that appropriately combines the shipping business, earnings from which tend to fluctuate due to the influence of a number of variable elements, such as shipping market conditions, interest rates, and foreign exchange rates, and the real estate business based in Japan, earnings from which are stable due to relatively few variable elements, thereby carrying out business incorporating global economic growth centered on emerging nations and stable domestic business in a well-balanced manner.

The shipping business of the Company comprises the liquid cargo transport business, which centers on oil tankers, gas carriers, and chemical tankers, and the bulk cargo transport business, which operates dry bulk carriers. In the liquid cargo transport business, the Company has established long-term relationships of trust with customers in the Middle East and Asian countries; in the bulk cargo transport business, the Company has been engaged in stable transportation mainly using dedicated vessels, based on its medium and long term contractual relationships with domestic electric power companies and paper manufacturers; both of which are highly regarded by its customers. Furthermore, the major freight transported by the Company in its shipping business is materials vitally necessary not only for Japan but also globally; by safely and stably transporting them, the Company has won customers' trust, which serves as the foundation of the Company's business. In addition, the Company is proud of its contribution to co-existence with and

co-prosperity of local communities in and outside Japan through its shipping business.

In the meantime, in the real estate business, the Company has developed the office building lease business as its core in the areas of good location and high working-rate potential within metropolitan Tokyo and has been focusing on the development of the real-estate affiliated business, such as the operation of multi-purpose halls and photo studios. The IINO Building (in Uchisaiwaicho, Chiyoda-ku, Tokyo), which opened in October 2011, enjoys a good location with a panoramic view of Hibiya Park, and has high seismic resistance and advanced security functions. In addition, it is an office building with world-leading environmental performance, providing a comfortable business environment attentive to natural surroundings, thereby enjoying a high reputation from many organizations in and outside Japan. Furthermore, IINO Hall, a symbol of the IINO Building, is used, together with the Conference Center, for various purposes, including events such as *rakugo*-shows, concerts and movie previews, as well as lectures and ceremonies, and has built up a strong position as a cultural business base of the Company. By providing large and safe spaces, the Company won the trust of each customer company in its real estate business, similar to the shipping business, and such trust serves as the foundation of the Company's business. Also, through each customer company assuredly developing its business in large and safe spaces provided by the Company, the Company is making indirect contributions to society at large, including local communities.

Such high evaluations of and trust in the Company has been cultivated by the Company carrying out business for over one hundred (100) years as an independent and neutral company not belonging to any specific company affiliation, which serves as the foundation of the Company's corporate value.

In the shipping business and the real estate business carried out by the Company, securing safety is the foundation for developing such businesses, which serves as the foundation of evaluations of and trust in the Company, the foundation for the Company's corporate value, as well as the foundation of contributing to society at large, including local communities, in and outside Japan. In order to secure safety in both businesses, stable management from a medium and long term perspective is indispensable. The Company believes that a business model that appropriately combines the shipping business, earnings from which tend to fluctuate due to the influence of a number of variable elements, and the real estate business, earnings from which are stable due to relatively few variable elements, will ensure the stable management of the entire Company.

Further, in order to achieve its basic management policy that appropriately combines the shipping business and the real estate business, the Company is making well-balanced investments in both businesses. In particular, the Company believes that it is essential to invest in and educate persons from a medium and long term perspective and appropriately allocates business resources to both businesses, including personnel exchanges between them. Especially in the shipping business, earnings from which tend to be significantly affected by changes in market conditions and other factors, the Company is oriented to capital investments that suit its corporate vitality, and in order to strengthen its resistance against changes in market conditions, it is making well-balanced investments in its own vessels and vessels procured from other companies. The Company also categorizes the charter period of procured vessels into short, medium, and long term, thereby trying to diversify vessel procurement.

As stated above, the Company aims to improve medium and long term business results of the entire Company group (the "Group") by always considering stable management from a medium and long term perspective when making business decisions and by appropriately combining the shipping business and the real estate business.

The Mid-term Management Plan in (2) below was also developed in accordance with these policies, which the Company believes will inure to maximization of its medium and long term corporate value and of the common interests of its shareholders.

## **(2) Mid-term Management Plan**

By looking to raise growth for all of the Group firms as the Group moves towards the 125th anniversary of its founding in 2024, the Group established on April 20, 2017 a new Mid-term Management Plan, called “Be Unique and Innovative Towards Our 125th Anniversary (in 2024)”, which would guide the Group for the three (3) years from April 2017 to March 2020.

While fundamentally following the policies of the previous Mid-term Management Plan, “STEP FORWARD 2020”, which adopted the theme of “Aggressive Development”, the new Mid-term Plan focuses on “promoting balanced management and moving the company forward”, as well as offering a group-wide high-quality service which the Group calls “IINO QUALITY”. The Group aims to secure a position as a leading independent global business by using its unique business model, “IINO MODEL” to achieve sustainable growth and by continuing to pursue opportunities in new business areas.

Through this plan, “Be Unique and Innovative Towards Our 125th Anniversary (in 2024)”, the Group will work on the “Three Priority Enhancement Measures”; namely, “Pursuing greater business differentiation”, “Solidifying stable earnings”, and “Challenges of next-generation business”. Specifically, the Group will first pursue further differentiation of itself by raising the quality of the services so that the services might be supported by customers. Further, in the Group’s shipping business, in order to respond to customers’ increasingly diverse needs, the Group will strengthen its competitiveness by speeding up its global expansion and providing more unified solutions for each customer. In its real estate business, as part of its efforts to aggregate its assets within its specified target area, the Group will promote the Shinbashi-tamuracho area urban redevelopment project and strive to solidify stable earnings. In addition, the Group will aim for secure growth by taking up the challenges of next-generation business and will advance the Group’s management that is based on the dual business pillars of shipping and real estate.

Further, as “Five Infrastructure Development Matters” to support these priority enhancement measures, the Group will commit itself to “restructuring, explaining, and handing down know-how to strengthen competitiveness”, “strengthening human resources development and optimizing usage”, “strategically developing information networks”, “cash flow management and strengthening the financial base”, and “total risk management”.

Details of the Mid-term Management Plan, “Be Unique and Innovative Towards Our 125th Anniversary (in 2024)”, can be found on the Company’s website:

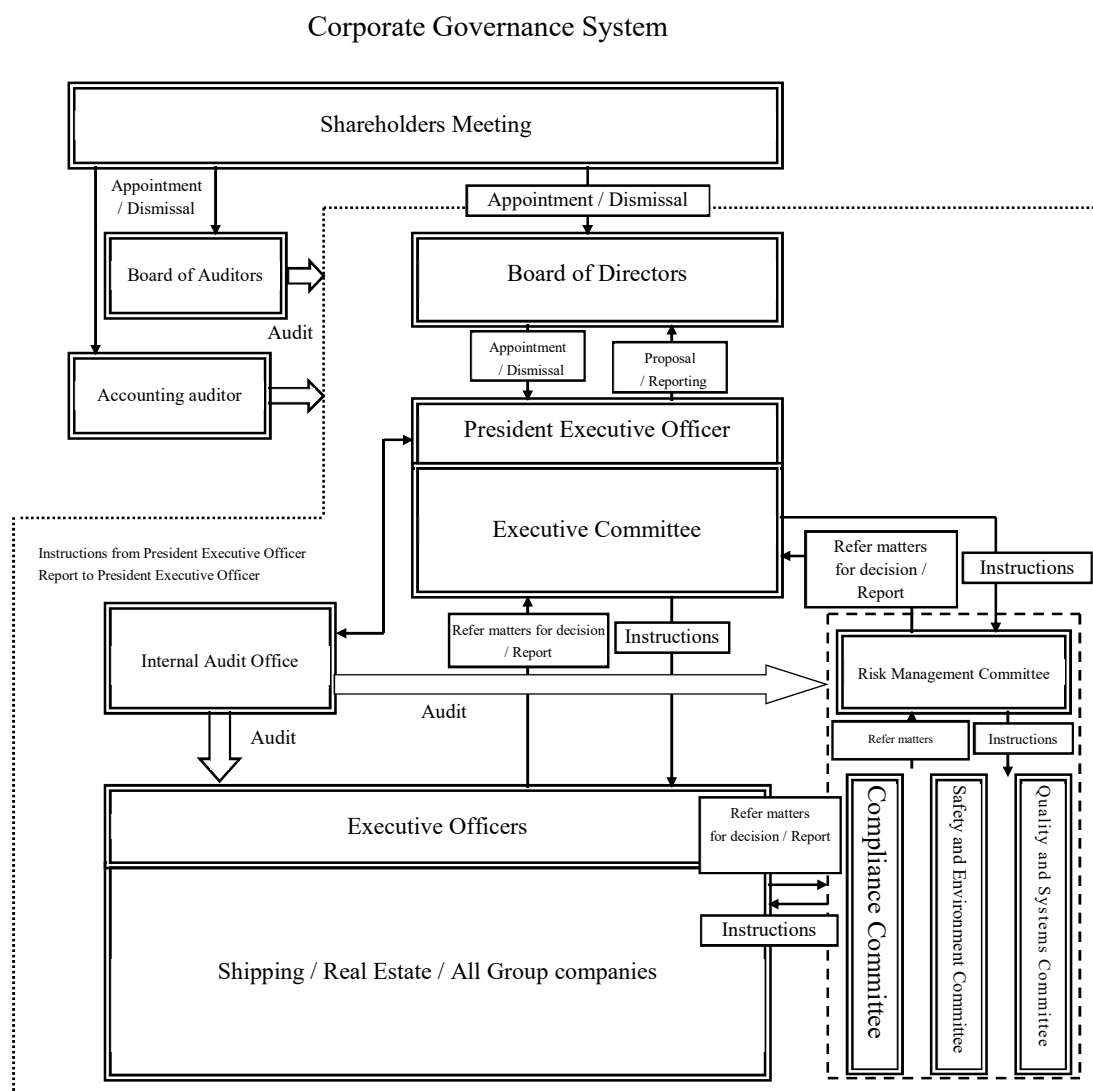
<https://www.iino.co.jp/kaiun/ir/plan.html>

## **2. Endeavors to Improve Corporate Governance**

### **(1) Basic Views of Corporate Governance**

The Company’s basic view toward establishing relationships of trust with various stakeholders, which serve as the foundation for sustainable growth and enhancing corporate value over the medium and long term, is set out in the “IINO Group Philosophy”, a common management philosophy for the entire Group. To realize this philosophy, the Company has established a “Code of Conduct” for all officers and employees in the Group composed of seven items: “Safety is Priority No. 1”, “Contribute to society”, “Demonstrate respect for our customers”, “Maintain compliance and preserve the social order”, “Eradicate discrimination and respect human rights”, “Protect the environment”, and “Fully disclose all relevant information”. By implementing this “Code of Conduct”, the Company works to balance stakeholder interests and enable efficient corporate activities. To put the “Code of Conduct” into practice, the Group has defined a system of corporate governance that ensures sound management, transparency, and efficiency as “a framework for realizing efficient business activities by coordinating the interests of the various stakeholders who constitute a company”. Based on these views and under the auditor system, the Company is working to both enrich our corporate governance and secure soundness, transparency, and efficiency in management, and concerning decision-making and operational execution in management, the Company is considerate of relationships with shareholders, employees, and other stakeholders, sparing no effort to produce the best corporate results, ultimately in an effort to create sustainable growth and enhance the Company’s corporate value over the medium and long term.

The corporate governance system of the Company is as follows:



## (2) Endeavors toward Corporate Governance

The Company established the Board of Directors and the Board of Auditors, which monitor and audit operational execution. The Board of Directors holds regular meetings once a month, as a rule, to make important decisions and monitor the performance of directors' operational execution. The Board of Auditors, which comprises company auditors, including outside company auditors, holds regular meetings once a month, as a rule. The Company has introduced a three-tiered audit system whereby the Internal Audit Office, under the direct control of the President and Representative Director, company auditors, and accounting auditors conduct auditing in mutual cooperation.

The Company also conducts thorough risk management across the Group through a three-committee system consisting of the Compliance Committee, the Safety and Environment Committee, and the Quality and Systems Committee, each of which is composed of Representative Directors of the Company and major Group firms.

Furthermore, regarding operational execution, the Executive Committee, composed of executive officers, holds meetings once a week to make decisions on matters authorized by the Board of Directors, deliberate on matters directed by the Board of Directors to be discussed, and exchange opinions and information regarding management issues. The standing company auditors also attend the Executive Committee

meetings.

In addition to the foregoing, please visit the Company's website for details of the endeavors toward corporate governance.

Corporate Governance Report: <https://www.iino.co.jp/kaiun/csr/pdf/governance.pdf>

### **III. Endeavors to Prevent Decisions concerning the Company's Financial and Business Policies from Being Controlled by Inappropriate Persons in Light of the Basic Policy**

#### **1. Purpose of Introducing the Plan**

The Company will introduce the Plan for the purpose of securing and enhancing the Company's corporate value and the common interests of its shareholders. The details of the Company's thinking regarding the introduction of the Plan are as follows.

As described in II. above, for the medium and long term enhancement of Company's corporate value and the common interests of its shareholders, the Company has adopted, as its basic management policy, a business model that appropriately combines the shipping business, earnings from which tend to fluctuate due to the influence of a number of variable elements, and the real estate business, earnings from which are stable due to relatively few variable elements. The Company believes that this management policy will enable the Company to realize stable business management from a medium and long term perspective and thereby secure safety, which is the foundation for development of the Company's business. In order to achieve this basic management policy, the Company deems it essential for each of its corporate managers, who are familiar with the relevant business, to formulate the business strategy from a medium and long term perspective and implement this strategy.

It is not that the Company unconditionally denies Large-Scale Purchases, if a specific Large-Scale Purchase could lead to the medium and long term enhancement of the Company's corporate value and the common interests of its shareholders. However, there is a possibility that a Large-Scale Purchase could take place for the sole purpose of the purchaser's own short-term interests, not for the purpose of enhancing Company's corporate value over the medium and long term. This type of Large-Scale Purchase may materially damage the Company's corporate value because it would obstruct the formulation and implementation of the Company's business strategy from a medium and long term perspective.

Since the decision as to whether to accept a proposal of a Large-Scale Purchase relates to an issue involving who should have control over the management of the Company, the Company believes that its shareholders should make the final decision. Given this, the Company believes that for shareholders to make an appropriate decision as to whether to accept a proposal of a Large-Scale Purchase, it is necessary for the shareholders to be provided with not only the information unilaterally provided by the Large-Scale Purchasers, but also sufficient information including that provided by the Board of Directors, which is currently engaged in the management of the Company and has a thorough knowledge of the Company's business and the various endeavors taken under the Mid-term Management Plan, and the evaluation and opinion of the Board of Directors regarding the Large-Scale Purchase. The Company also believes that it is essential to secure sufficient time for the shareholders to thoroughly consider this information. Furthermore, in the case where it is determined that it is necessary to change or improve the terms and method of the Large-Scale Purchase for securing and enhancing Company's corporate value and the common interests of its shareholders, the Company thinks that it is necessary to negotiate with the Large-Scale Purchaser and, among other acts, present alternative proposals. The time required to do so should also be secured. However, it is possible that a Large-Scale Purchase could be conducted without sufficiently ensuring for shareholders information about the proposal of the Large-Scale Purchase or an opportunity to thoroughly consider the proposal of the Large-Scale Purchase, and such Large-Scale Purchase may effectively force shareholders to sell their shares.

Nevertheless, the current Japanese tender offer system basically does not apply to a Large-Scale Purchase conducted on the market, which makes it difficult for the Company to fully address the risk of Large-Scale Purchases that would damage the Company's corporate value and the common interests of its shareholders as described above. Moreover, even in a case to which the tender offer system applies, the Company believes that there is a possibility that a Large-Scale Purchase could take place without necessary information being



disclosed to shareholders to decide whether to accept the Large-Scale Purchaser's proposal, or without the opportunity being secured for shareholders to thoroughly consider the proposal.

As described above, the Company believes that there is a possibility that a Large-Scale Purchase could take place that would materially damage the Company's corporate value and the common interests of its shareholders. And if such Large-Scale Purchase actually takes place, the Company believes that it would be difficult for the current Japanese tender offer system alone to sufficiently secure and enhance the Company's corporate value and the common interests of its shareholders. Accordingly, for the purpose of securing and enhancing the Company's corporate value and the common interests of its shareholders, the Board of Directors decided to introduce the Plan in order to request that a Large-Scale Purchaser provide in advance the necessary information regarding a Large-Scale Purchase and secure the necessary period to evaluate and examine, etc. the details of the Large-Scale Purchase; and take necessary and proportionate countermeasures against the Large-Scale Purchase if the Company deems that the Large-Scale Purchase would materially damage the Company's corporate value and the common interests of its shareholders.

Please note that, at the time of the determination by the Board of Directors regarding the introduction of the Plan, no proposal from a particular third party had been made to the Board of Directors concerning a Large-Scale Purchase of the Company shares. For the status of the major shareholders of the Company, please see Exhibit 2.

## **2. Establishment of Large-Scale Purchase Rules**

In the Plan, the Company sets forth the procedures (the "Large-Scale Purchase Rules") required to be followed by a person (a "Large-Scale Purchaser") who commences or intends to commence any of the following acts: (a) a purchase of the Company's share certificates, etc. with an aim to make the holding ratio of rights to vote (Note 2) of the specific shareholders' group (Note 1) twenty percent (20%) or greater, (b) a purchase of the Company's share certificates, etc. after which the holding ratio of rights to vote of the specific shareholders' group would be twenty percent (20%) or greater, or (c) an agreement with one or more other shareholders of the Company or other act (Note 3) after which the holding ratio of rights to vote of the specific shareholders' group would be twenty percent (20%) or greater (in each case, excluding acts previously approved by the Board of Directors; a "Large-Scale Purchase").

(Note: 1) The term "specific shareholders' group" refers to (a) (x) a "holder" (as defined in Article 27-23, paragraph 1 of the Financial Instruments and Exchange Act, including a person who is included in a holder pursuant to paragraph 3 of the same Article; hereinafter the same, unless otherwise provided) and (y) a "joint holder" (as defined in Article 27-23, paragraph 5 of said Act, including a person who is deemed to be a joint holder pursuant to paragraph 6 of the same Article; hereinafter the same, unless otherwise provided) of "share certificates, etc." (as defined in Article 27-23, paragraph 1 of said Act; hereinafter the same, unless otherwise provided) of the Company; or (b) (x) a person who conducts a "purchase, etc." (as defined in Article 27-2, paragraph 1 of said Act, including a purchase, etc. conducted on a financial instruments exchange market; hereinafter the same, unless otherwise provided) of "share certificates, etc." (as defined in Article 27-2, paragraph 1 of said Act) of the Company and (y) its "specially related party" (as defined in Article 27-2, paragraph 7 of said Act; hereinafter the same, unless otherwise provided). If laws and regulations referred to in the Plan are amended (including a change of the name of the laws and regulations and establishment of new laws and regulations which succeed the old ones), the provisions and terms of the laws and regulations referred to in the Plan shall be deemed to be replaced with the provisions and terms of the laws and regulations after the amendment which substantially succeed the provisions and terms of the laws and regulations before the amendment, unless otherwise specified by the Board of Directors.

(Note 2) The term "holding ratio of rights to vote" refers to (a) a "holding ratio of share certificates, etc." (as defined in Article 27-23, paragraph 4 of the Financial Instruments and Exchange Act) of the specific shareholders' group if such group is a holder and its joint holder of the share certificates, etc. of the Company (in this case, the "number of share certificates, etc. held" (as defined in the same paragraph) by joint holders of the holder will be considered for the purpose of this calculation); hereinafter the same, unless otherwise provided; or (b) the total of the "ownership ratio of share certificates, etc." (as defined in Article 27-2, paragraph 8 of said Act; hereinafter the same, unless otherwise provided) of the specific shareholders' group if such group is a person conducting a purchase, etc. of share certificates, etc. (as defined in Article 27-2, paragraph 1 of

said Act) of the Company and the specially related party of such person, depending on the manner of the specific act of the specific shareholders' group. For the purpose of calculating a holding ratio of share certificates, etc. and an ownership ratio of share certificates, etc., the latest annual securities report, quarterly securities report and report on repurchase may be referred to with respect to the "total number of issued shares" (as defined in Article 27-23, paragraph 4 of said Act; hereinafter the same, unless otherwise provided) and the "total number of voting rights" (as defined in Article 27-2, paragraph 8 of said Act; hereinafter the same, unless otherwise provided).

- (Note 3) The term "agreement with one or more other shareholders of the Company or other act" refers to an agreement by a shareholder of the Company to jointly acquire or transfer the Company's share certificates, etc., or to jointly exercise voting rights and other rights as a shareholder of the Company, together with one or more other shareholders of the Company or other act of a joint holder as defined in Article 27-23, paragraphs 5 and 6 of said Act.

The Large-Scale Purchase Rules are detailed as follows:

(1) Prior Submission to the Company of Large-Scale Purchase Intention Letter

A Large-Scale Purchaser will be required to submit a large-scale purchase intention letter (a "Large-Scale Purchase Intention Letter") to the President and Representative Director of the Company, stating the following matters in Japanese, prior to the commencement of Large-Scale Purchase.

- (i) Outline of the Large-Scale Purchaser:
  - (a) Name and address or location
  - (b) Name of representative
  - (c) Corporate purpose and nature of business
  - (d) Outline of major shareholders or capital contributors (the top ten by number of shares held or capital contribution ratio)
  - (e) Contact address in Japan
  - (f) Governing law of incorporation;
- (ii) Number of the Company's share certificates, etc. currently held by the Large-Scale Purchaser, and the results of trading by the Large-Scale Purchaser of the Company's share certificates, etc. for the sixty (60) days prior to the submission of the Large-Scale Purchase Intention Letter;
- (iii) Outline of the Large-Scale Purchase proposed by the Large-Scale Purchaser (including the type and number of the Company's share certificates, etc. that the Large-Scale Purchaser plans to acquire through the Large-Scale Purchase, and an outline of the purposes of the Large-Scale Purchase (if the purpose is to acquire control or participate in management, make a portfolio investment (*jyun-toshi*) or investment for policy considerations, transfer or otherwise dispose of the Company's share certificates, etc. to any third party after the Large-Scale Purchase, or the making of important suggestions, etc.,<sup>1</sup> or achieve any other purpose, such fact and an outline thereof. In the case where there are two or more purposes, all of the purposes should be stated.)); and
- (iv) A pledge to comply with the Large-Scale Purchase Rules.

Upon submission of the Large-Scale Purchase Intention Letter, a certified copy of the commercial registration, a copy of the Articles of Incorporation and other documents that prove the existence of the Large-Scale Purchaser (including Japanese translations if the relevant documents are in another language) will be required to be attached to the Large-Scale Purchase Intention Letter.

(2) Provision of Large-Scale Purchase Information

After submitting the Large-Scale Purchase Intention Letter, the Large-Scale Purchaser will be required to provide the President and Representative Director of the Company with information in Japanese, necessary and sufficient for shareholders to make a decision on and for the Board of Directors to evaluate and examine,

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<sup>1</sup>. This refers to a "the making of important suggestions, etc." as defined in Article 27-26, paragraph 1 of the Financial Instruments and Exchange Act, Article 14-8-2, paragraph 1 of the Enforcement Order of said Act and Article 16 of the Cabinet Office Ordinance concerning Disclosure of Large Holding of Share Certificates, etc. Hereinafter the same, unless otherwise provided.

etc. the Large-Scale Purchase (“Large-Scale Purchase Information”), in the following manner.

Within ten (10) business days<sup>2</sup> (excluding the first day) from the date of submission of the Large-Scale Purchase Intention Letter, the Company will send a document in writing that specifies the information necessary to be initially provided (“Required Information List”) to the Large-Scale Purchaser at the contact address in Japan stated in (1)(i)(e) above. Accordingly, the Large-Scale Purchaser will be required to provide the President and Representative Director of the Company with sufficient information in accordance with the Required Information List. The President and Representative Director of the Company will promptly provide the Special Committee with the information provided by the Large-Scale Purchaser.

If the Board of Directors reasonably determines that the information provided by the Large-Scale Purchaser in accordance with the Required Information List is, in light of the substance, manner and other relevant details of the Large-Scale Purchase, insufficient for shareholders to make a decision and for the Board of Directors to evaluate and examine, etc. the Large-Scale Purchase, the Large-Scale Purchaser will be required to provide additional information separately requested by the Board of Directors. In making that determination, the Board of Directors will, after seeking advice from financial advisers, attorneys, certified public tax accountants, certified public accountants or other external experts (“External Experts”) as necessary, consult with the Special Committee, and respect the recommendation of the Special Committee to the maximum extent. The President and Representative Director of the Company will also promptly provide the Special Committee with the information additionally provided by the Large-Scale Purchaser.

The information regarding each of the following items will be included in the Required Information List, as a rule. Specifics of the information included in the Required Information List will be determined by the Board of Directors in a reasonable manner in light of the substance, manner and other relevant details of the Large-Scale Purchase after seeking advice from External Experts. If the Large-Scale Purchaser is unable to provide any of the information on any item contained in the Required Information List, the Company will request that the Large-Scale Purchaser provide concrete reasons for the inability to provide such information.

- (a) (Details of the Large-Scale Purchaser and its group (including the history, amount of stated capital or capital contribution, total number of issued shares, names, careers of and numbers of shares held by the officers, and other circumstances of the companies and other related parties, as well as the financial situation, business performance and other accounting details for the latest two (2) business years);
- (b) Purpose (specifics of the purpose disclosed in the Large-Scale Purchase Intention Letter), method and substance of the Large-Scale Purchase (including opinions concerning the legality of the Large-Scale Purchase (including the possibility of obtaining legally-required approvals, permissions, and other procedures));
- (c) Type and amount of consideration for purchase (if securities, etc. are used as the consideration, the type and exchange ratio of the securities etc.; if securities, etc. and cash are used as the consideration, the type, exchange ratio of the securities, etc., and the amount of cash should be stated), and the basis and process of calculation of such amount (for the basis of calculation, the grounds for the calculation shall be specifically stated, and if such amount differs from the market price or from the price of a recent transaction commenced by the Large-Scale Purchaser, the details of such difference should also be stated. Regarding a difference in the amount of the purchase price depending on the type of share certificates, etc., the details thereof, including the basis of conversion, should also be specifically stated. For the process of calculation, if an opinion was given by a third party for the calculation, the name of such third party, an outline of the opinion, and the process of the price determination taking into account such opinion should be specifically stated);
- (d) Procurement status of funds required for the Large-Scale Purchase, and an outline of the sources of such funds (including, in the case of a deposit, the balance for each type of deposit; in the case of borrowings, the amount of borrowings, business and other details of the lender, and the substance of the loan agreement; and in the case of other procurement methods, the substance thereof, procurement amount, and the business and other details of the source);
- (e) If there is any loan agreement, collateral agreement, resale agreement, pre-contract of sales, or any other material agreement or arrangement (“Collateral Agreement”) regarding the Company’s share certificates, etc. already held by the Large-Scale Purchaser, the type, counterparty, and the specific substance of the Collateral Agreement, such as the number of share certificates, etc. subject to the agreement;

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<sup>2</sup>. The term “business day(s)” means the day(s) other than the days enumerated in each item of Article 1, paragraph 1 of the Act on Holidays of Administrative Organs. Hereinafter the same, unless otherwise provided.

- (f) If the Large-Scale Purchaser plans to execute a Collateral Agreement or any other agreement with a third party regarding the Company's share certificates, etc. to be acquired via a Large-Scale Purchase, the type of the planned Collateral Agreement or other agreement with the third party, the counterparty of the agreement, and the specific substance of the Collateral Agreement or other agreement with the third party, such as the number of share certificates, etc. subject to the agreement;
- (g) If the purpose of the Large-Scale Purchase is to acquire control or participate in management, the method of acquisition of control or participation in the management of the Company or the Group intended after the completion of the Large-Scale Purchase, and the management policy intended after the acquisition of control, or the plan after the participation in management. If the Large-Scale Purchaser plans any corporate reorganization, reorganization of the corporate group, dissolution, disposal or acquisition of material property, heavy debts, appointment or removal of the representative director or other important officers, change in compositions of officers, material changes in dividends and capital policies, or any other act that would cause material changes to or material effects on the management policy of the Company and the Group, the substance and the necessity thereof;
- (h) If the purpose of the Large-Scale Purchase is to make a portfolio investment (*jyun-toshi*) or investment for policy considerations, the possession policy and the sale and purchase policy of the share certificates, etc. after the Large-Scale Purchase, and other collection policies of invested capital, policy for exercising voting rights, as well as the reasons for those policies. If the Large-Scale Purchase is commenced for investment for policy considerations aiming for a long-term capital alliance, the necessity thereof;
- (i) If the purpose of the Large-Scale Purchase is the making of important suggestions, etc., or if there is a possibility that the making of important suggestions, etc. will be conducted after the Large-Scale Purchase, the purpose, substance, necessity and timing of the making of important suggestions, etc., and information concerning in what circumstances the Large-Scale Purchaser will conduct the making of important suggestions, etc.;
- (j) If the Large-Scale Purchaser plans to acquire further the Company's share certificates, etc. after the Large-Scale Purchase, the reason and the substance thereof;
- (k) If the Company's share certificates, etc. are expected to be delisted after the Large-Scale Purchase, such fact and the reason thereof;
- (l) If there has been any communication of intention with any third party for the Large-Scale Purchase, the purpose and substance thereof as well as an outline of such third party;
- (m) If the Large-Scale Purchaser plans to change the relationship with any of the Company's employees, clients or customers, communities, or other interested parties of the Company after the completion of the Large-Scale Purchase, the specific substance thereof;
- (n) Specific measures to avoid conflicts of interest with other shareholders of the Company;
- (o) Information concerning relationships with antisocial forces; and
- (p) Where the Large-Scale Purchase does not involve a purchase of the Company's share certificates, etc., the following information.
  - A. Current relationship with a potential counterparty to the Large-Scale Purchase (including capital and business relationships, concurrent offices of officers and employees, and other relationships); and
  - B. Timing and purpose of forming the current relationship with a potential counterparty to the Large-Scale Purchaser.

The Company will disclose to its shareholders, when it deems appropriate, the fact that the Large-Scale Purchase was proposed and all or part of the information provided by the Large-Scale Purchaser (including any information required by the Company but not provided by the Large-Scale Purchaser, and the reason for the inability to provide it; hereinafter the same), if it determines that it will be necessary for the shareholders to decide on the proposal.

Further, after consulting with the Special Committee and respecting the recommendation therefrom to the maximum extent, if the Board of Directors reasonably determines that the Large-Scale Purchase Information provided by the Large-Scale Purchaser is sufficient and the provision of the Large-Scale Purchase Information has been completed, the Company will promptly notify the Large-Scale Purchaser to that effect ("Information Provision Completion Notice") and publicly disclose the same.

### (3) The Board of Directors' Evaluation Period, etc.

After providing an Information Provision Completion Notice, and seeking advice from External Experts as necessary, the Company will designate the period in either (a) or (b) below (excluding the first day) for

the Board of Directors to evaluate, examine, negotiate, form an opinion, and develop alternative proposals (“Board of Directors’ Evaluation Period”), depending on the difficulty of evaluating the Large-Scale Purchase.

- (i) Up to sixty (60) days from the date of the Information Provision Completion Notice in the case of a Large-Scale Purchase targeting all of the Company’s share certificates, etc. via a tender offer with monetary consideration only (in Japanese yen); or
- (ii) Up to ninety (90) days from the date of the Information Provision Completion Notice in the case of other Large-Scale Purchases.

During the Board of Directors’ Evaluation Period, the Board of Directors will, obtaining advice from External Experts as necessary, sufficiently evaluate and examine, etc. the information provided by the Large-Scale Purchaser, carefully reach an opinion concerning the Large-Scale Purchase and thereupon notify the Large-Scale Purchaser thereof and promptly disclose it to the shareholders. Further, the Board of Directors may, as necessary, negotiate the terms and method of the Large-Scale Purchase with the Large-Scale Purchaser, and present alternative proposals to the shareholders.

Notwithstanding the foregoing, if the Board of Directors is unable to reach an opinion within the initially-designated Board of Directors’ Evaluation Period due to unavoidable circumstances, the Board of Directors may extend the Board of Directors’ Evaluation Period by up to an additional thirty (30) days (excluding the first day) to the extent reasonably necessary (however, the extension may be made only once). In determining whether to do so, the Board of Directors will, after obtaining advice from External Experts as necessary, explain the necessity of and reasons for the extension to the Special Committee, consult with the Special Committee regarding whether to extend the Board of Directors’ Evaluation Period, and respect the Special Committee’s recommendation to the maximum extent. If the Board of Directors resolves to extend the Board of Directors’ Evaluation Period, it will promptly notify the Large-Scale Purchaser of the extension of the period and the reasons for the extension and will publicly disclose the same.

The Large-Scale Purchaser may commence the Large-Scale Purchase only after the expiry of the Board of Directors’ Evaluation Period. For handling of the case where a Shareholders Meeting to Confirm Shareholders’ Intent is to be convened, please refer to 3(1)(iii) below.

### **3. The Plan to Respond to Commencement of Large-Scale Purchase**

#### **(1) Conditions for Triggering Countermeasures**

- (i) Cases where a Large-Scale Purchaser commences a Large-Scale Purchase without complying with the Large-Scale Purchase Rules

- (A) Cases where countermeasures are triggered based on the recommendation of the Special Committee

When a Large-Scale Purchaser commences or intends to commence a Large-Scale Purchase without complying with the Large-Scale Purchase Rules, the Board of Directors may, regardless of the specific details, such as the terms and method thereof, deem it to be a hostile acquisition that would materially damage the Company's corporate value and the common interests of its shareholders and trigger necessary and proportionate countermeasures to secure and enhance the Company's corporate value and the common interests of its shareholders. In evaluating the Large-Scale Purchaser's compliance with the Large-Scale Purchase Rules, circumstances on the Large-Scale Purchaser's side, such as the possibility of the Large-Scale Purchaser not necessarily holding detailed information regarding the Company, must be taken into consideration to a reasonable extent; the Large-Scale Purchaser will not be held not to comply with the Large-Scale Purchase Rules solely because it fails to provide some of the Large-Scale Purchase Information requested by the Board of Directors.

In this case, as stated in 4.(1)(ii) below, prior to triggering countermeasures, the Board of Directors will consult with the Special Committee regarding whether to trigger countermeasures, and, in response to such consultation, the Special Committee, seeking advice from External Experts as necessary, will make a recommendation to the Board of Directors regarding whether to trigger countermeasures. In determining whether to trigger countermeasures, the Board of Directors will respect the recommendation of the Special Committee to the maximum extent. In this case, a shareholders' meeting to confirm the intent of shareholders regarding whether to trigger countermeasures ("Shareholders Meeting to Confirm Shareholders' Intent") is not required to be convened.

- (B) Cases where countermeasures are triggered based on a resolution of a Shareholders Meeting to Confirm Shareholders' Intent

Notwithstanding (A) above, when (x) the Special Committee recommends that a Shareholders Meeting to Confirm Shareholders' Intent be convened, or (y) when, after considering various circumstances, such as the substance of the Large-Scale Purchase and the time constraints, the Board of Directors determines that it is possible in practice to confirm the intent of shareholders and it is appropriate to do so based on, among other considerations, laws and regulations and the duty of care of a good manager of the Company's directors, the Board of Directors may convene a Shareholders Meeting to Confirm Shareholders' Intent to confirm the intent of shareholders regarding whether to trigger countermeasures (in the case of (y) above, instead of consultation with the Special Committee), and ask the shareholders to decide whether to trigger countermeasures.

- (ii) Cases where a Large-Scale Purchaser commences a Large-Scale Purchase in compliance with the Large-Scale Purchase Rules

When a Large-Scale Purchaser commences or intends to commence a Large-Scale Purchase in compliance with the Large-Scale Purchase Rules, even if the Board of Directors objects to such Large-Scale Purchase, the Board of Directors will, as a rule, not trigger countermeasures against such Large-Scale Purchase although the possibility of taking other actions, such as expressing its objections, presenting alternative proposals, or providing further explanations to shareholders is not precluded. Each shareholder will decide whether to accept the proposal of the Large-Scale Purchase based on the information regarding such Large-Scale Purchase provided by the Large-Scale Purchaser, and opinions on and alternative proposals thereto by the Board of Directors.

Notwithstanding the foregoing, even if a Large-Scale Purchaser commences or intends to commence a Large-Scale Purchase in compliance with the Large-Scale Purchase Rules, if it falls under either case (A) or (B) below, the Board of Directors may trigger the necessary and proportionate countermeasures to secure and enhance the Company's corporate value and the common interests of

its shareholders.

(A) Cases where countermeasures are triggered based on the recommendation of the Special Committee

If a Large-Scale Purchase falls under any of the cases in Exhibit 3 (for example, it is intended for the sole purpose of the Large-Scale Purchaser's own short-term interest) and it is clear that such Large-Scale Purchase will materially damage the Company's corporate value and the common interests of its shareholders, the Board of Directors may trigger the necessary and proportionate countermeasures to secure and enhance the Company's corporate value and the common interests of its shareholders.

In this case, as stated in 4(1)(ii) below, prior to triggering countermeasures, the Board of Directors will consult with the Special Committee regarding whether to trigger countermeasures, and, in response to such consultation, the Special Committee, seeking advice from External Experts as necessary, will make a recommendation to the Board of Directors regarding whether to trigger countermeasures. In determining whether to trigger countermeasures, the Board of Directors will respect the recommendation of the Special Committee to the maximum extent. In this case, a Shareholders Meeting to Confirm Shareholders' Intent is not required to be convened in order to trigger countermeasures.

(B) Cases where countermeasures are triggered based on a resolution of a Shareholders Meeting to Confirm Shareholders' Intent

If (x) the Special Committee recommends that a Shareholders Meeting to Confirm Shareholders' Intent be convened, or (y) a Large-Scale Purchase is deemed to materially damage the Company's corporate value and the common interests of its shareholders (including in a case not falling under any of the cases in Exhibit 3), the Board of Directors may convene a Shareholders Meeting to Confirm Shareholders' Intent and ask the shareholders to decide whether to trigger countermeasures against the Large-Scale Purchaser. In the case of (y) above, when a Shareholders Meeting to Confirm Shareholders' Intent is held, the Board of Directors is not required to consult with the Special Committee in order to trigger countermeasures.

(iii) Handling of the case where a Shareholders' Meeting to Confirm Shareholders' Intent is to be held

If the Board of Directors convenes a Shareholders Meeting to Confirm Shareholders' Intent, it shall comply with a resolution of the Shareholders Meeting to Confirm Shareholders' Intent regarding whether to trigger countermeasures. Unless otherwise provided by laws and regulations or the Company's Articles of Incorporation, a resolution of a Shareholders Meeting to Confirm Shareholders' Intent shall be passed by the majority of the voting rights of the shareholders present at such meeting.

When the Board of Directors convenes a Shareholders Meeting to Confirm Shareholders' Intent, it shall hold the Shareholders Meeting to Confirm Shareholders' Intent on the earliest day procedurally possible after the expiry of the Board of Directors' Evaluation Period, and submit a proposal regarding the approval to trigger countermeasures against the Large-Scale Purchase.

Where the Board of Directors decides to convene a Shareholders Meeting to Confirm Shareholders' Intent, a Large-Scale Purchaser shall not commence a Large-Scale Purchase until the close of the Shareholders' Meeting to Confirm Shareholders' Intent.

Where the Shareholders Meeting to Confirm Shareholders' Intent is not convened, the Large-Scale Purchaser may commence the Large-Scale Purchase after the expiry of the Board of Directors' Evaluation Period, as stated in 2.(3) above.

**(2) Substance of Countermeasures**

As countermeasures under the Plan, the Company expects to use an allotment of share options ("Share Options") without contribution or other countermeasures available under laws and regulations or the Company's Articles of Incorporation. When selecting the countermeasures, the Board of Directors will decide the proportionate countermeasures to secure and enhance the Company's corporate value and the common interests of its shareholders as necessary, by comprehensively considering the effect and cost thereof so as to avoid economic burdens or disadvantages for shareholders other than the Large-Scale Purchaser as much as possible.

An outline of the Share Options is set forth in Exhibit 4.

In order to ensure the flexible triggering of countermeasures through the allotment of Share Options without contribution, the Company is considering registering issuances of Share Options.

#### **4. System and Procedures to Ensure the Reasonableness and Fairness of the Policy**

##### **(1) Establishment of a special committee and procedures for consultation etc.**

###### **(i) Establishment of special committee**

The Board of Directors will have the ultimate discretion to determine whether to request additional Large-Scale Purchase Information from the Large-Scale Purchaser or provide a Notice of Completion of Information Provision, whether to extend the Assessment Period by the Board of Directors, and whether to implement countermeasures and maintain countermeasures previously implemented. To ensure the reasonableness and fairness of the determination by the Board of Directors, the Company has decided to establish a special committee independent from the Board of Directors, in accordance with the Special Committee Regulations (an overview of which is provided in Attachment 5).

In addition, at the introduction of the Policy, a total of three (3) persons: Mr. Yoshio Yamada, Mr. Shigeru Endo, and Mr. Kei Oe are expected to become the members of the special committee (hereinafter referred to as “special committee members”). Furthermore, the past experience of each committee member is as provided in Attachment 6, “Career Summary of Special Committee Members,” but each member is an Outside Director or Outside Auditor who is independent from the Company. At the same time, the Company has registered each committee member as an independent director/auditor with the financial instruments exchanges where the Company is listed.

###### **(ii) Procedures for initiating a countermeasure**

When initiating a countermeasure, the Board of Directors shall go through the following procedures to ensure the reasonableness and fairness of its decision (however, this may not apply in cases when a General Meeting of Shareholders to Confirm Shareholder Intentions is convened).

First, before implementing the countermeasure, the Board of Directors will seek the special committee’s opinion on the adequacy of the countermeasure, and the special committee will give its recommendation on the countermeasure to the Board of Directors, seeking advice from outside experts as necessary. The Board of Directors of the Company shall give the fullest consideration to the recommendations of the special committee when assessing whether or not to implement countermeasures.

To initiate a countermeasure, the Board of Directors is required to adopt a resolution for the countermeasure with the affirmative votes of all Auditors, including Outside Auditors (however, this excludes Auditors who are unable to attend the relevant meeting of the Board of Directors owing to an accident or other unavoidable reasons).

To determine the appropriateness of implementing the countermeasure, the Board of Directors will obtain, in addition to the recommendation from the special committee, advice from outside experts if necessary, depending on the nature of information provided from the Large-Scale Purchaser, and examine the Large-Scale Purchaser, the details of the Large-Scale Purchase, and the possible impact of the Large-Scale Purchase on the corporate value of the Company and common interests of the shareholders.

###### **(iii) Discretionary consultation with the special committee**

The Board of Directors may also seek opinions from the special committee at its own discretion on matters other than the appropriateness of requesting additional Large-Scale Purchase Information from the Large-Scale Purchaser and the appropriateness of providing the Notice of Completion of Information Provision, the appropriateness of extending the Assessment Period by the Board of Directors, the appropriateness of implementing countermeasures and the appropriateness of continuing countermeasures already implemented, when it intends to offer an alternative plan to the shareholders, or when it judges that the recommendation of the special committee is necessary. If requested by the Board of Directors, the special committee will consider the matter submitted by the



Board for review and give its recommendation to the Board of Directors, seeking advice from outside experts as necessary. The Board of Directors will give the fullest consideration to the committee's recommendations.

## **(2) Confirmation of shareholders' intentions**

### **(i) Confirmation of Shareholders' Intent regarding Introduction of the Plan**

To confirm the shareholders' intent regarding the introduction of the Plan, the Company resolved, at the Board of Directors meeting held on April 26, 2019, to submit a proposal regarding the introduction of the Plan at the Annual General Shareholders Meeting and resolved to introduce the Plan to replace the Original Plan, the effective term of which will expire as of the close of the Annual General Shareholders Meeting, subject to the approval of a majority of the voting rights of the shareholders present at the Annual General Shareholders Meeting. Therefore, if the proposal is not approved by the majority of the voting rights of the shareholders present at the Annual General Shareholders Meeting, the Plan will not be introduced and the Original Plan will be terminated upon the expiration of the effective term at the close of the Annual General Shareholders' Meeting.

### **(ii) Confirmation of Shareholders' Intent regarding Triggering Countermeasures**

As stated in 3.(1) above, in the prescribed cases, prior to triggering countermeasures, the Board of Directors may convene a Shareholders Meeting to Confirm Shareholders' Intent to confirm the shareholders' intent regarding whether to trigger countermeasures and to ask the shareholders present thereat to decide whether to trigger countermeasures against the Large-Scale Purchaser.

## **(3) Discontinuance or Withdrawal of Triggered Countermeasures**

Even where the Board of Directors has triggered countermeasures in accordance with the Plan, (a) if the Large-Scale Purchaser discontinues or withdraws the Large-Scale Purchase or (b) if the facts or other circumstances on which the decision whether to trigger countermeasures was based have changed, leading to a situation where it would be inappropriate to maintain the triggered countermeasures from the viewpoint of securing and enhancing the Company's corporate value and the common interests of its shareholders, the Board of Directors shall, after presenting the specific circumstances of why either (a) or (b) has occurred, consult with the Special Committee regarding whether to maintain the triggered countermeasures and consider whether to discontinue or withdraw the triggered countermeasures, seeking advice from External Experts as necessary. The Special Committee shall, in response to such consultation, after seeking advice from External Experts as necessary, consider whether to maintain the triggered countermeasures and make a recommendation to the Board of Directors. When deciding whether to maintain the triggered countermeasures, the Board of Directors shall respect the recommendation of the Special Committee to the maximum extent.

Based on the recommendation of the Special Committee above, if the Board of Directors decides that either of events (a) or (b) above has occurred, it shall discontinue or withdraw the triggered countermeasures by its resolution and shall promptly disclose that fact in accordance with the applicable laws and regulations and the rules of financial instruments exchanges.

Notwithstanding the foregoing, if an allotment of Share Options without contribution is triggered as a countermeasure, until two (2) business days prior to the date of ex-rights ("Ex-rights Date") regarding the Allotment Date (as defined in paragraph 1 of Exhibit 4; hereinafter the same) of Share Options, the allotment of Share Options without contribution may be discontinued or withdrawn. However, on and after one (1) business day prior to the Ex-rights Date, the allotment of Share Options without contribution shall not be discontinued or withdrawn, in order to prevent investors who acquired the Company shares prior to the Ex-rights Date and then sold the Company shares anticipating dilution of the per-share value of the Company shares as a result of such allotment of Share Options without contribution, from suffering damage due to the discontinuance or withdrawal of the allotment of Share Options without contribution.

## **(4) Effective Term, Abolition and Modification of the Plan**

The effective term of the Plan shall be until the close of the Company's 131st annual general shareholders meeting to be held in 2022.

Even before the expiration of such effective term, if (a) a shareholders meeting of the Company approves

a proposal to abolish or modify the Plan or (b) the Board of Directors resolves to abolish the Plan, the Plan will be abolished or modified at the time of such approval or resolution. Further, even before the expiration of such effective term, (c) the Board of Directors shall discuss whether to continue the Plan at its meetings to be held immediately after the close of the Company's annual general shareholders meeting in each year starting from 2020, and if the Board of Directors fails to resolve to approve the continuation of the Plan, the Plan shall be abolished at the time of such failure.

If the Plan is abolished or modified, the Company will promptly disclose the fact that it has been abolished or modified and other matters deemed appropriate by the Board of Directors, in accordance with the applicable laws and regulations and the rules of financial instruments exchanges.

## **5. Reasonableness of the Policy**

### **(1) The Plan Fully Satisfies Requirements in the Guidelines for Takeover Defense Measures**

The Plan fully satisfies the three principles set forth in the "Guidelines Regarding Takeover Defense Measures for the Purposes of Protection and Enhancing Corporate Value and Shareholders' Common Interests" jointly released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005 ((a) the principle of protecting and enhancing corporate value and shareholders' common interests, (b) the principle of prior disclosure and shareholders' will, and (c) the principle of ensuring the necessity and reasonableness of defensive measures). The Plan takes into account the "Takeover Defense Measures in view of Recent Environmental Changes" released by the Corporate Value Study Group on June 30, 2008, as well as other arguments and discussions related to takeover defense measures. The Plan also conforms to the purposes of the rules and regulations related to the introduction of takeover defense measures established by Tokyo Stock Exchange Inc. and other financial instruments exchanges. The Company has resolved to implement both principles related to takeover defense measures provided in Japan's Corporate Governance Code (Principle 1.5 and Supplementary Principle 1.5.1).

### **(2) The Plan Is Introduced to Secure and Enhance the Company's Corporate Value and Common Interests of Shareholders**

As stated in 1. above, for the purpose of securing and enhancing the Company's corporate value and the common interests of its shareholders, the Board of Directors decided to introduce the Plan in order to request that a Large-Scale Purchaser provide in advance the necessary information regarding a Large-Scale Purchase and secure the necessary period for shareholders to evaluate and examine, etc. the details of the Large-Scale Purchase; and take necessary and proportionate countermeasures against the Large-Scale Purchase if the Large-Scale Purchase is deemed to materially damage the Company's corporate value and the common interests of its shareholders.

### **(3) The Plan Respects the Company's Shareholders' Opinions (Shareholders Meeting and Sunset Clause)**

As stated in 4.(2)(i) above, to confirm the shareholders' intent regarding the introduction of the Plan, the Company resolved, at the Board of Directors meeting held on April 26, 2019, to submit a proposal regarding the introduction of the Plan at the Annual General Shareholders Meeting and resolved to introduce the Plan, subject to the approval of the majority of the voting rights of the shareholders present at the Annual General Shareholders Meeting.

Also, as stated in 4.(2)(ii) above, in the prescribed cases, prior to triggering countermeasures, the Board of Directors may convene a Shareholders Meeting to Confirm Shareholders' Intent to confirm the shareholders' intent regarding whether to trigger countermeasures and to ask the shareholders present thereat to decide whether to trigger countermeasures against the Large-Scale Purchaser.

Further, as stated in 4.(4) above, the effective term of the Plan shall be until the close of the Company's 131st annual general shareholders meeting to be held in 2022. Even before the expiration of such effective term, if (a) a shareholders meeting of the Company approves a proposal to abolish or modify the Plan or (b) the Board of Directors resolves to abolish the Plan, the Plan will be abolished or modified at the time of such approval or resolution.

In addition, even before the expiration of such effective term, if (c) the Board of Directors discusses whether to continue the Plan at its meetings to be held immediately after the close of the Company's annual general shareholders meeting in each year from 2020 and fails to resolve that it approve the continuation of the Plan, the Plan shall be abolished at the time of such failure.

#### **(4) Establishment of Reasonable and Objective Conditions for Triggering Countermeasures**

As stated in 3.(1) above, the Plan is established in such a way that countermeasures will not be triggered unless reasonable and objective conditions have been satisfied; therefore, the Plan secures a structure that will prevent the Board of Directors from arbitrarily triggering any countermeasure. Regarding the types of Large-Scale Purchases in respect of which the Company can trigger countermeasures without convening a Shareholders Meeting to Confirm Shareholders' Intent in response to a Large-Scale Purchase conducted in compliance with the Large-Scale Purchase Rules, it was decided to limit these types to five types of abusive acquisitions in respect of which it is obvious, from an objective viewpoint, that they would materially damage the Company's corporate value and the common interests of its shareholders; namely, (i) the four types described in the Tokyo High Court's ruling on the so-called Nippon Broadcasting System case (Exhibit 3, paragraphs 1 to 4) and (ii) coercive two-step acquisitions (Exhibit 3, paragraph 5) (however, as stated in 3.(1)(ii)(A) above, even if a Large-Scale Purchase falls under any of these types, consultation with the Special Committee is required unless pursuant to a resolution by the Shareholders Meeting to Confirm Shareholders' Intent).

#### **(5) Establishment of Special Committee**

As stated in 4.(1)(i) above, to secure the reasonableness and fairness of the decision of the Board of Directors on whether to request additional Large-Scale Purchase Information from a Large-Scale Purchaser, whether to provide an Information Provision Completion Notice to a Large-Scale Purchaser, whether to extend the Board of Directors' Evaluation Period, whether to trigger countermeasures, and whether to maintain triggered countermeasures, and to otherwise secure the reasonableness and fairness of the Plan, the Company provides in the Plan the establishment of a Special Committee consisting of outside directors and outside company auditors who are independent directors/auditors of the Company as an organization independent from the Board of Directors.

Accordingly, the Plan secures a structure for preventing the Board of Directors from arbitrarily administering the Plan and triggering countermeasures.

#### **(6) The Plan Is Not a Dead-Hand Takeover Defense Measure**

As stated in 4.(4) above, the effective term of the Plan shall be until the close of the Company's 131st annual general shareholders meeting to be held in 2022, and even before the expiration of such effective term, the Plan may be abolished at any time by the Board of Directors consisting of the directors elected at the Company's shareholders meeting. Therefore, the Plan is not a "dead-hand" takeover defense measure (a takeover defense measure in which the triggering of countermeasures cannot be prevented even after a majority of the members of the board of directors are replaced).

### **6. Impact on Shareholders and Investors**

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

Upon the introduction of the Plan, the Company will not conduct an allotment of Share Options without contribution. Accordingly, the Plan will not have a direct and concrete impact on the legal rights and economic interests of shareholders and investors with respect to the Company shares held by them upon the introduction of the Plan.

#### **(2) Impact on Shareholders and Investors upon Allotment of Share Options Without Contribution**

When the Board of Directors decides to trigger countermeasures and resolves to conduct an allotment of Share Options without contribution, one Share Option will be allotted to the shareholders recorded in the latest shareholder registry as of the Allotment Date without contribution for one share held by them. Given the structure of this countermeasure, the per-share economic value of the Company shares held by shareholders and investors is expected to be diluted upon the allotment of Share Options without contribution; however, the economic value of the entire Company shares held by shareholders and investors will not be diluted, nor will the voting rights per Company share be diluted; thus, it is not anticipated that this will have any direct and concrete impact on the legal rights and economic interests of shareholders and investors with respect to the entire Company shares held by them.

Even if the Board of Directors resolves to conduct an allotment of Share Options without contribution,

as stated in 4.(3) above, the Company may discontinue or withdraw the allotment of Share Options without contribution until two (2) business days prior to the Ex-rights Date because a Large-Scale Purchaser withdraws a Large-Scale Purchase or for other reasons; however, on and after one (1) business day prior to the Ex-rights Date, the Company will not discontinue or withdraw the allotment of Share Options without contribution.

Further, since discriminatory terms and conditions are planned to be attached for the exercise or acquisition of Share Options, it is anticipated that the legal rights, etc. of the Large-Scale Purchaser will be diluted upon such exercise or acquisition. Even in such cases, however, it is not anticipated that this will have any direct and concrete impact on the legal rights and economic interests of shareholders and investors other than the Large-Scale Purchaser with respect to the entire Company shares held by them.

### **(3) Procedures Required for Shareholders upon Allotment of Share Options Without Contribution**

Regarding the procedures for allotment of Share Options without contribution, Share Options will be automatically granted on the effective date of allotment of Share Options without contribution, to the shareholders recorded in the shareholder registry as of the Allotment Date. Therefore, no application procedures are required.

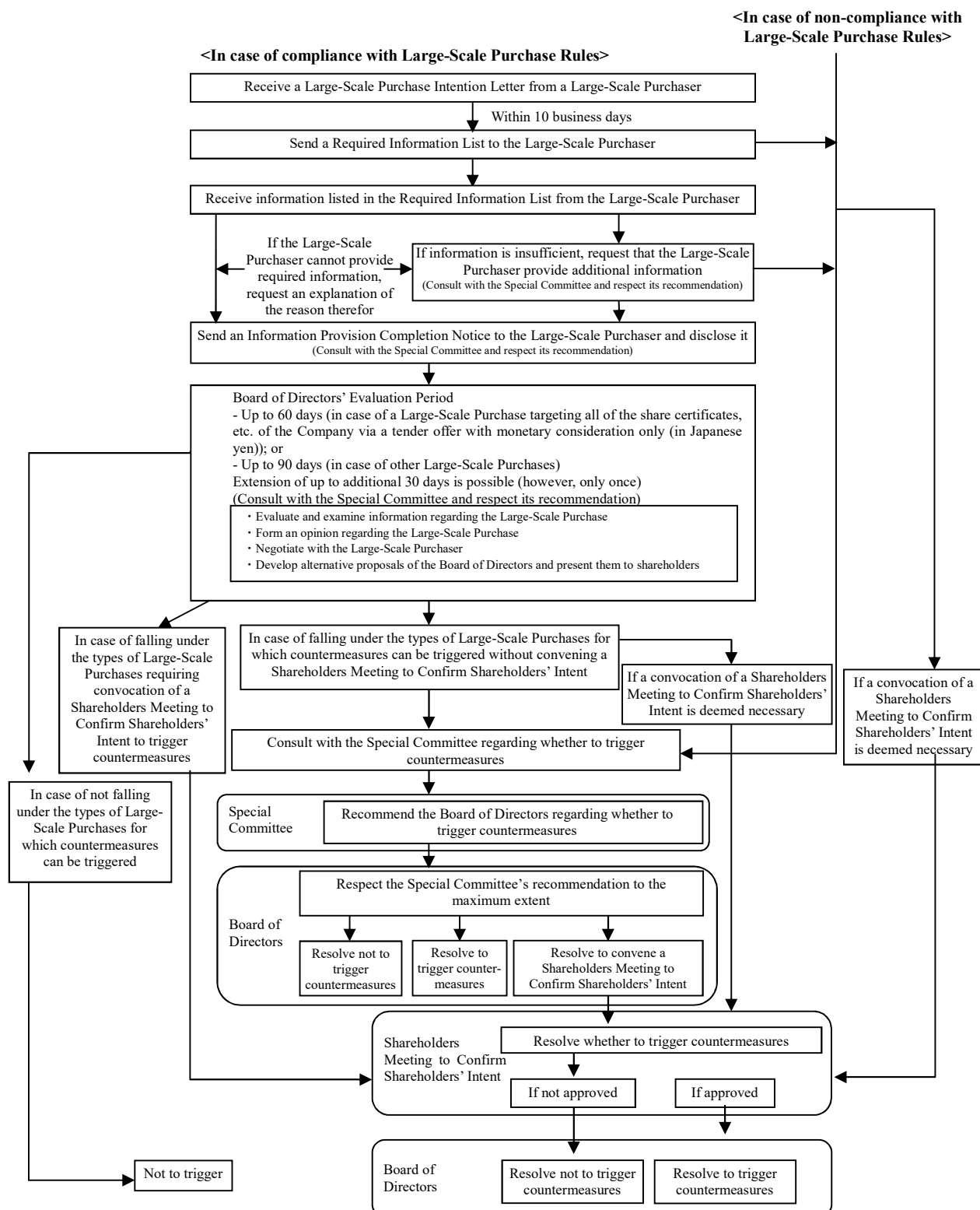
Also, shareholders may have to exercise their Share Options within a prescribed period to acquire new shares (a certain monetary payment will be required therefor). In such cases, the Company will disclose the detailed procedures therefor in a timely and appropriate manner, in accordance with the applicable laws and regulations and the rules of financial instruments exchanges.

## **7. Others**

The Plan was determined at the Board of Directors meeting held on April 26, 2019, with the unanimous approval of directors, including two (2) outside directors, present thereat. All company auditors of the Company, including two (2) outside company auditors, attended the Board of Directors meeting, and all company auditors stated that they agree to the Plan. The Board of Directors will continue to carefully look at various circumstances, including changes in social and economic situations in the future and arguments about takeover defense measures, and will take appropriate measures from time to time from the viewpoint of securing and enhancing the Company's corporate value and the common interests of its shareholders, including revision of the Plan as necessary or the introduction of different defense measures to replace the Plan.

End

## Flow Chart of the Response Measures to Large-Scale Purchases



\* The above flow chart is prepared for reference purposes only to explain the outline of the Large-Scale Purchase Rules under the “Response Measures to Large-Scale Purchases of the Company Shares (Takeover Defenses)” (the Plan). For details, please refer to the main text of the Plan.

(Exhibit 2)

**Stock Information of the Company (as of March 31, 2019)**

1. Total number of authorized shares: 440,000,000 shares
2. Total number of issued shares: 111,075,980 shares
3. Number of shareholders: 8,114
4. Principal shareholders (top 10)

	Name of Shareholder	Number of Shares Owned (shares)	Ratio of Number of Shares Owned Relative to Total Number of Issued Shares (%)
1	Tokio Marine & Nichido Fire Insurance Co., Ltd.	5,264,275	4.73
2	Mizuho Bank, Ltd.	4,941,500	4.44
3	IINO LINES' Client Stock Ownership	4,724,750	4.25
4	The Master Trust Bank of Japan, Ltd. (Trust Accounts)	3,723,700	3.35
5	Sumitomo Mitsui Trust Bank, Limited	3,622,000	3.26
6	Japan Trustee Services Bank, Ltd. (Trust Accounts)	3,618,800	3.25
7	Nippon Life Insurance Company	2,256,300	2.03
8	The Toa Reinsurance Company, Limited	2,253,100	2.02
9	Sompo Japan Nipponkoa Insurance Inc.	2,105,850	1.89
10	Mitsui Sumitomo Insurance Company, Limited	1,991,800	1.79

(Note) In addition to the shares described above, the Company holds 5,268,871 treasury shares.

**Types of Large-Scale Purchases Which Would Obviously Be Deemed to Materially Damage the Company's Corporate Value and the Common Interests of its Shareholders**

1. Where the Large-Scale Purchaser is found to be a person who does not have a bona fide intention to participate in the management of the Company but is commencing or intending to commence a Large-Scale Purchase for the purpose of making parties related to the Company buy back the Company's share certificates, etc. at an inflated stock price (a so-called "green mailer");
2. Where the Large-Scale Purchaser is found to be commencing or intending to commence a Large-Scale Purchase for the purpose of temporarily controlling the management of the Company to cause it to transfer to the Large-Scale Purchaser, its group companies, or other related parties the Company's or its group companies' assets, such as intellectual property rights, know-how, confidential business information, major business partners, or customers, which are essential to the Company's or its group companies' business operations;
3. Where the Large-Scale Purchaser is found to be commencing or intending to commence a Large-Scale Purchase for the purpose of utilizing the Company's or its group companies' assets as collateral or funds for the repayment of the obligations of such Large-Scale Purchaser, its group companies, or other related parties after taking control over the management of the Company;
4. Where the Large-Scale Purchaser is found to be commencing or intending to commence a Large-Scale Purchase for the purpose of temporarily controlling the management of the Company to cause it to sell or otherwise dispose of real property, ships or other equipment, intellectual property rights, securities, or other high value assets, which are irrelevant to the Company's or its group companies' business for the time being, and then cause it to distribute high dividends temporarily with gains from such disposition, or sell the Company's share certificates, etc. at a high price, seizing the opportunity presented by a sharp rise in the stock price caused by such temporary high dividend payments; or
5. Where the method of purchasing the Company's share certificates, etc. proposed by the Large-Scale Purchaser is found to constitute a so-called coercive two-step acquisition (meaning a purchase, including a tender offer, of share certificates, etc. in a manner wherein a purchaser does not solicit all of the Company's share certificates, etc. during the first-stage acquisition under which a purchaser sets unfavorable conditions, or does not set clear conditions, for the second-stage acquisition).

### **Outline of Share Options**

1. Shareholders to Whom Allotment May Be Made

The Share Options shall be allotted without contribution to the shareholders recorded in the latest shareholder registry on a certain date separately designated by the Board of Directors (the “Allotment Date”) when adopting a resolution of the Board of Directors for the allotment of Share Options without contribution (a “Resolution for Allotment of Share Options Without Contribution”) at the ratio of one (1) Share Option per common share of the Company held by those shareholders (however, the Company’s common shares held by the Company at that time shall be excluded).

2. Effective Date of Allotment of Share Options Without Contribution

The Board of Directors will separately designate the effective date when adopting a Resolution for Allotment of Share Options Without Contribution.

3. Type and Number of Shares Underlying Share Options

The type of shares underlying the Share Options will be the Company’s common shares, and the number of shares underlying one (1) Share Option (the “Number of Underlying Shares”) shall be one (1) share; however, if the Company effects, among other acts, a share split or consolidation of shares, the necessary adjustments shall be made.

4. Total Number of Share Options to Be Allotted

The total number of Share Options to be allotted shall be equal to the latest total number of issued common shares of the Company as of the Allotment Date (however, the number of the Company’s common shares held by the Company at that time shall be excluded).

5. Substance and Value of Assets Required for Exercise of Share Options

The form of assets required for the exercise of the Share Options shall be cash, and the amount of assets required for the exercise of the Share Options shall be not less than one (1) yen per common share of the Company and shall be an amount separately determined by the Board of Directors when adopting a Resolution for Allotment of Share Options Without Contribution.

6. Restriction on Transfer of Share Options

T Any transfer of the Share Options shall require the approval of the Board of Directors.

7. Conditions for Exercise of Share Options

No (i) specified large-volume holder (Note 1), (ii) joint holder of a specified large-volume holder, (iii) specified large-volume purchaser (Note 2), (iv) specially related party of a specified large-volume purchaser, (v) assignee or transferee of the Share Options from any of those set forth in (i) through (iv) without obtaining approval from the Board of Directors, or (vi) affiliated party (Note 3) to any of those set forth in (i) through (v) (collectively, the “Ineligible Parties”) shall exercise the Share Options. The detailed conditions for the exercise of the Share Options shall be separately determined when adopting a Resolution for Allotment of Share Options Without Contribution.

8. Acquisition by the Company of Share Options

The Company may acquire the Share Options owned by a person other than an Ineligible Party on a day separately designated by the Board of Directors and may deliver the Company’s common shares in the Number of Underlying Shares per Share Option in exchange for such acquisition. The detailed conditions for the acquisition of the Share Options shall be separately determined when adopting a Resolution for Allotment of Share Options Without Contribution.

9. Exercise Period for Share Options and Other Matters

The exercise period for the Share Options and other necessary matters shall be separately determined by the Board of Directors when adopting a Resolution for Allotment of Share Options Without Contribution.

End

(Note 1) A “specified large-volume holder” means a holder of share certificates, etc. of the Company whose holding ratio of



those share certificates, etc. is twenty percent (20%) or more or who, the Board of Directors deems, will become equivalent thereto; however, a person whose acquisition or holding of the Company's share certificates, etc. is deemed by the Board of Directors not to conflict with the Company's corporate value or the common interests of its shareholders, and any other person separately designated by the Board of Directors when adopting a Resolution for Allotment of Share Options Without Contribution, shall not fall under this definition.

(Note 2) A "specified large-volume purchaser" means a person who has provided public notice to the effect that they will make a purchase, etc. of share certificates, etc. (meaning share certificates, etc. as defined in Article 27-2, paragraph 1 of the Financial Instruments and Exchange Act; hereinafter the same in this footnote) issued by the Company, by a tender offer (meaning the tender offer set forth in paragraph 6 of the same Article), the total of whose and whose specially related party's share certificates, etc. ownership ratio after the purchase, etc. is twenty percent (20%) or more, or who, the Board of Directors of the Company deems, will become equivalent thereto; however, a person whose acquisition or holding of the Company's share certificates, etc. is deemed by the Board of Directors of the Company not to conflict with the Company's corporate value or the common interests of its shareholders, and any other person separately designated by the Board of Directors of the Company when adopting a Resolution for Allotment of Share Options Without Contribution, shall not fall under this definition.

(Note 3) An "affiliated party" to a person means a person who substantially controls the person, is controlled by the person, or is under common control with the person (including a person whom the Board of Directors of the Company deems equivalent thereto), or whom the Board of Directors of the Company deems to be a person acting in coordination with the person. "Control" means where a person "controls determinations on the financial and business policies" of another company or entity (as defined in Article 3, paragraph 3 of the Ordinance for Enforcement of the Companies Act).

**Outline of Special Committee Rules**

1. A Special Committee shall be established based on a resolution of the Board of Directors.
2. The Special Committee shall be comprised of three (3) or more members (“Special Committee Members”), who shall be elected by the Board of Directors from among outside directors and outside company auditors who are independent directors/auditors of the Company.
3. The term of office of a Special Committee Member shall commence when the Board of Directors elects the person as a Special Committee Member and the person accepts such election, or when the introduction of the Plan takes effect, whichever comes later, and shall continue until the close of the first Board of Directors meeting to be held after an annual general shareholders meeting for the last fiscal year ending within three (3) years after the commencement of the term of office, or by the time separately agreed between the Special Committee Member and the Company; however, this shall not apply where there are unavoidable circumstances.
4. A meeting of the Special Committee shall be convened by the President and Representative Director of the Company or any of the Special Committee Members.
5. The chairperson of the Special Committee shall be elected from among the Special Committee Members.
6. A resolution of the Special Committee meeting shall be adopted with the approval of a majority of the Special Committee Members, all of whom shall attend the meeting (including those who attend the meeting via a telephone or video-conference system; hereinafter the same) unless there are unavoidable circumstances; however, if any of the Special Committee Members is unable to so act or there are any other special circumstances, a resolution of the Special Committee meeting shall be adopted with the approval of a majority of the Special Committee Members, a majority of whom shall attend the meeting.
7. The Special Committee shall make recommendations, with a summary of the reasons therefor, as a rule, for the matters listed in the following items (“Consultation Matters”) based on the resolutions by the Special Committee. The Board of Directors shall respect the Special Committee’s recommendations to the maximum extent (however, if a shareholders meeting is held to confirm the shareholders’ intent regarding whether to trigger countermeasures, the Board of Directors shall follow the resolution of the shareholders meeting):
  - (1) whether to request additional Large-Scale Purchase Information from a Large-Scale Purchaser;
  - (2) whether to provide an Information Provision Completion Notice to a Large-Scale Purchaser;
  - (3) whether to extend the Board of Directors’ Evaluation Period;
  - (4) whether to trigger countermeasures;
  - (5) whether to maintain triggered countermeasures; and
  - (6) matters on which the Board of Directors consults with the Special Committee among those matters to be decided by the Board of Directors.
8. The Special Committee shall be provided by the Board of Directors and the President and Representative Director of the Company with all materials and information used or examined by the Board of Directors in the course of the procedures under the Large-Scale Purchase Rules and when examining the Consultation Matters.
9. The Special Committee may collect materials and information necessary to examine the Consultation Matters at the Company’s expense, or may request that the Board of Directors collect them. In addition, the Special Committee may have directors, company auditors, employees, or other persons whom it deems necessary attend a meeting of the Special Committee and ask them to explain necessary matters.
10. The Special Committee Members are required to faithfully perform their duties with the duty of care of a prudent manager and shall not conduct any act that may cause any doubt regarding the objectivity and neutrality of the performance of their duties.

11. The Special Committee may obtain advice from External Experts as necessary in order to examine the Consultation Matters on which the Board of Directors has consulted with the Special Committee. The expenses incurred for obtaining such advice shall be fully borne by the Company, as a rule.

**Career Summary of Special Committee Members****1. Yoshio Yamada**

April 1983	Registered as an attorney (Dai-Ichi Tokyo Bar Association)
April 1983	Joined Motoya Law Office
April 1988	Established Nakano & Yamada Law Office
April 1989	Established Yamada Law Office (to present)
June 2012	Appointed as substitute company auditor of the Company
June 2012	Assumed office of Special Committee Member of the Company (to present)
June 2018	Appointed as outside company auditor of the Company (to present)

**2. Shigeru Endo**

April 1974	Joined the Ministry of Foreign Affairs (MOFA)
April 2001	Deputy Director-General ( <i>shingikan</i> ), Middle Eastern and African Affairs Bureau of MOFA
February 2002	Deputy Director-General ( <i>shingikan</i> ), Consular and Migration Affairs Department of MOFA
August 2003	Ambassador of the Permanent Mission of Japan to the International Organizations in Geneva and Consul General of Japan's Consulate General in Geneva
March 2007	Japan's Ambassador Extraordinary and Plenipotentiary to Tunisia
July 2009	Japan's Ambassador Extraordinary and Plenipotentiary to Saudi Arabia
June 2013	Outside director of the Company (to present)
June 2013	Outside director of JGC Corporation (to present)
April 2014	Special Assistant ( <i>sanyo</i> ) to MOFA (to present)
April 2014	Assumed office of Special Committee Member of the Company (to present)
June 2018	Outside director of ADEKA Corporation (to present)

**3. Kei Oe**

April 1973	Joined Asahi Chemical Industry Co., Ltd. (currently, Asahi Kasei Corporation)
June 2000	General Manager, Pharmaceutical Sales Promotion Dept. of Asahi Chemical Industry Co., Ltd.
April 2004	Director of Asahi Kasei Pharma Corp.
April 2006	President of Asahi Kasei Pharma Corp.
April 2008	Advisor ( <i>komon</i> ) of Asahi Kasei Pharma Corp.
June 2010	Retired from office of advisor of Asahi Kasei Pharma Corp.
June 2015	Outside director of the Company (to present)
June 2018	Assumed office of Special Committee Member of the Company (to present)

Mr. Yamada, Mr. Endo and Mr. Oe have been registered as independent directors/auditors of the Company with financial instruments exchanges on which the Company is listed.

End

(Reference)

## **Criteria Relating to the Independence and Qualifications of Outside Directors and Auditors**

### **[Criteria Relating to the Independence and Qualifications of Outside Directors and Auditors]**

These criteria are to determine the independence of candidates for outside director and outside auditor (hereinafter collectively referred as “Outside Officers”) of the Company, and also set forth the qualities required of candidates.

#### **(Outside Directors)**

As candidates for outside director, the Company shall nominate persons who satisfy the requirements for outside directors set forth in the Companies Act; are of outstanding character; are knowledgeable, capable and possess abundant experience; are able to appropriately fulfill the duties of outside directors; hold constructive opinions; and are expected to contribute to further growth of the Company, and the Company shall give consideration to ensuring a balance of knowledge, experience, and abilities and the diversity of the Board of Directors as a whole.

#### **(Outside Auditors)**

As candidates for outside auditor, the Company shall nominate persons who satisfy the requirements for outside auditors set forth in the Companies Act; are of outstanding character; are knowledgeable, capable and possess abundant experience; and are able to appropriately fulfill the duties of outside auditors, and the Company shall give consideration to ensuring that persons with appropriate knowledge of finance and accounting are included.

#### **(Criteria for Determining the Independence of Outside Officers)**

In the Company’s judgment, a person to whom none of the following items applies satisfies the independence criteria for an Outside Officer, or candidates for Outside Officer.

1. A business executor of the Company or a subsidiary of the Company (Note 1)
2. A person for whom the Company is a major business partner (Note 2) or a business executor thereof
3. A major business partner of the Company (Note 3) or a business executor thereof
4. A current major shareholder of the Company (a person who directly or indirectly holds 10% or more of total voting rights) or a business executor thereof
5. A person who undertakes audits of the Company as the Company’s accounting auditor or an employee etc. thereof
6. A consultant or accounting, legal, tax, or other professional receiving a significant amount (Note 4) of money or other assets from the Company other than executive remuneration. When such person is an organization such as a corporation or association, this includes a person belonging to such organization.
7. A person who receives a significant amount (Note 4) of donations or aid from the Company. When such person is an organization such as a corporation or association, this includes a director or business executor thereof.
8. When an executive officer or standing auditor of the Company concurrently serves as an outside director or outside auditor of another company, a person who is an executive director, operating officer, or executive officer of such other company
9. A person who fell under 1 to 8 above during the past three years (Note 5)
10. A person falling under 1 to 9 above or, in the case of determining the independence of an outside auditor, a spouse or relative within the second degree of kinship of an important person falling under any of the following items (Note 6)
  - (a) An accounting advisor of the Company (if such accounting advisor is a corporation, including an employee who executes the corporation’s duties; the same below)
  - (b) A director or accounting advisor who is not a business executor of a subsidiary of the Company
  - (c) A person who fell under (a) or (b) above or who during the past three years has been a director who was not a business executor of the Company

(Note 1) “Business executor” means an executive director, operating officer, executive officer, or other equivalent person or an employee.

(Note 2) “Person for whom the Company is a major business partner” means a person receiving from the

Company payments in an amount equivalent to at least 2% of annual consolidated sales in the business partner's most recent fiscal year.

(Note 3) "Major business partner of the Company" means a person who has made payments to the Company in an amount equivalent to at least 2% of the Company's annual consolidated sales in the most recent fiscal year or who has made loans to the Company in an amount equivalent to at least 2% of the Company's consolidated net assets in the most recent fiscal year.

(Note 4) "Significant amount" of money means financial assets received from the Company of 10 million yen or more per year if such person is an individual or, if such person is an organization such as a corporation or association, an amount of 10 million yen or more per year that is equivalent to at least 2% of annual consolidated sales or total revenues in such organization's most recent fiscal year.

(Note 5) With regard to 4. above, this means a person who was a business executor of a current major shareholder of the Company during the past three years.

(Note 6) "Important person" includes a director (excluding an outside director), auditor (excluding an outside auditor), executive officer, employee in a management position of department manager or higher, certified public accountant belonging to an accounting auditor, and attorney belonging to a law firm (including an associate).

End