

May 10, 2016

Company: NIPPON SHOKUBAI CO., LTD.  
Representative: Masanori Ikeda, President and  
Representative Director  
(Code Number: 4114, First Section,  
Tokyo Stock Exchange)  
Contacts: Teruhisa Wada, General Manager  
of General Affairs Dept.  
(Tel: +81-6-6223-9111)

**Continuation of Countermeasures (Takeover Defense Measures) against Large-Scale Purchases of  
Nippon Shokubai Co., Ltd. Shares**

NIPPON SHOKUBAI CO., LTD. (the “Company”) received approval at its 95th Ordinary General Meeting of Shareholders held on June 20, 2007, for the introduction of countermeasures (takeover defense measures) in relation to a large-scale purchase (a “Large-Scale Purchase”) of the Company’s shares and other securities (Note 3) that would result in 20% or more of percentage of voting rights owned (Note 2) by a specified shareholders group (Note 1). The continuation of the countermeasures with partial amendment was subsequently approved by the shareholders at the 98th Ordinary General Meeting of Shareholders which was held on June 22, 2010 and the 101st Ordinary General Meeting of Shareholders which was held on June 20, 2013 (the countermeasures against the Large-Scale Purchase of the Company’s shares after continuation shall hereinafter be referred to as the “Rules”).

The Rules were introduced for the purpose of promoting the common interests of the Company’s shareholders by maintaining and improving the Company’s corporate value, on a stable and ongoing basis. The Rules will expire at the closing of the 104th Ordinary General Meeting of Shareholders scheduled to be held on June 21, 2016 (the “Ordinary General Meeting”). After careful consideration of whether to continue the Rules taking into account the business environment and world affairs surrounding the Company subsequent to the introduction of the Rules, the Board of Directors resolved at a meeting held on May 10, 2016 that the Rules shall continue to be in use with the same content until the closing of the ordinary general meeting of shareholders for the final fiscal year ending within three (3) years of the Ordinary General Meeting, pursuant to Article 35, Paragraph 1 of the Company’s Articles of Incorporation. In connection with the foregoing we would like to provide notice of the following.

The Rules are “prior warning type” rules which are implemented at ordinary state and “countermeasures requiring shareholder decision in times of emergency.” In the event that a Large-Scale Purchase or a proposal of such a purchase occurs, shareholders will be consulted, and it will be up to the shareholders to decide whether the Large-Scale Purchase should be approved or whether takeover defense measures should be exercised. The most distinctive feature of the Rules is that the decision will be made by the shareholders at the (extraordinary) general meeting of shareholders, the Company’s highest decision-making body. Furthermore, the Rules have been formulated so that the board of directors cannot arbitrarily prevent the holding of ordinary general meetings of shareholders or delay procedures related to the Rules.

If shareholder approval is not obtained at the Ordinary General Meeting, the Rules will not continue.

**<1. Purpose for Continuing the Rules>**

**(1) Initiatives to Ensure and Enhance Corporate Value and Shareholders’ Common Interests**

Under the corporate philosophy of “TechnoAmenity: providing value and comfort to people and society, with our unique technology,” the Company has defined the following management philosophy: (1) deep respect for humanity, (2) coexisting with society, and working in harmony with the environment, (3) pursuing technology that will create the future, and (4) acting on the

global stage.

Since its establishment, the Company has used its unique technology to promote product development, including being the first company in Japan to commercialize production of ethylene oxide using purely Japanese technology and the first in the world to establish a method for creating acrylic acid by propylene direct oxidation, using its unique oxidation technology. Using these basic chemicals, the Company has created numerous derivative products and has been providing environmental and other products utilizing its unique catalyst technologies.

The Company has manufacturing bases for superabsorbent polymers and acrylic acid in Japan, Europe, the U.S. and Asia, and supplies these products around the world. For superabsorbent polymers in particular, the Company carries out business activities that utilize its strengths such as product development capabilities, innovative manufacturing processes, integrated production that begins with the raw material acrylic acid and intellectual property strategies that effectively protect our technologies.

Under its corporate mission, management commitment and corporate credo that is “Safety takes priority over production,” the NIPPON SHOKUBAI GROUP started its long-term business plan entitled “Reborn Nippon Shokubai 2020” in April 2014 along with the medium-term business plan, which will specify an action plan for the initial three (3) years of the period (fiscal 2014 to 2016) in order to become “a company that everybody can be proud of\*” and this is the last year of the business plan that commenced in fiscal 2014.

\*“A company that everybody can be proud of”: 1. A company that promotes work safety and peace of mind; 2. A company that rewards people who make their best efforts and achieve results; 3. A company that people can be proud to work for.

#### Management Indexes and Numerical Targets (Unit: Billion yen)

|                               | Sales        | Ordinary Income | ROA * <sub>1</sub> | Sales of New Products * <sub>2</sub> |
|-------------------------------|--------------|-----------------|--------------------|--------------------------------------|
| <b>FY 2020 target figures</b> | <b>500.0</b> | <b>50.0</b>     | <b>9.5%</b>        | <b>47.0</b>                          |

\*1 ROA: For the Company, ROA means return on assets. Since the Company is in the apparatus industry and for other reasons, the Company has valued profitability and asset efficiency and has made efforts to improve ROA that consists of recurring profit margin and total asset turnover. The Company regards ROA as KPI (key performance indicator).

\*2 Sales of New Products: Total sales of products that were placed on the market within five (5) years, except superabsorbent polymers.

#### Progress of the Medium-term Business Plan (fiscal 2014 to 2016)

For fiscal 2014, the recovery and resumption of operations at all Himeji plants, as well as reinforced acrylic acid production facilities at such plants and reinforced acrylic acid production and superabsorbent polymers production facilities at PT. NIPPON SHOKUBAI INDONESIA, resulted in higher sales volume represented by the sales of 374.9 billion yen, and in terms of profit, ordinary income of 29.9 billion yen and ROA of 7.3% were achieved through increase of sales volume and expansion of spread, despite increased processing cost and sales, general and administrative expenses.

In fiscal 2015, due to expansion of spread resulted from decreasing raw material cost, the Company achieved sales of 323.1 billion yen, ordinary income of 34.3 billion yen and ROA of 8.3%, hitting a record high ordinary income.

In fiscal 2016, it is expected that sales prices will decrease with unpredictable raw material costs and that the spread will go to the opposite direction, in other words, the spread will shrink or deteriorate. Accordingly, the Company is expected to achieve sales of 300 billion yen, ordinary income of 25.0 billion yen and ROA of 6.0%.

With respect to the acrylic acid business, the Company determined to establish an additional superabsorbent polymer (“SAP”) plant and a new acrylic acid (“AA”) plant in Belgium, and held a groundbreaking ceremony in November 2015. In Europe, the Company expects the steady demand of SAP especially in Central and Eastern Europe. The Company will ensure more stable supply globally by investing in not only SAP but also its main raw material, AA. With the establishment of an additional SAP plant, the group’s global SAP production capacity will be 710,000 metric tons per year and the Company will enhance its position as one of the world top suppliers of SAP.

With respect to new business in the health and medical fields, in October 2015, the Company agreed with GlyTech, Inc. to collaborate on research and development of “Glycosylated Somatostatin Analog.” Based on this agreement with GlyTech, Inc., the Company has decided to establish a laboratory of peptide API (active pharmaceutical ingredient) synthesis and subscribe for shares of GlyTech, Inc. through a third party allotment. Collaboration between the Company and GlyTech Inc. will lead to the entry into peptide drugs business, whose market is expected to grow, in order to provide new value and contribute to the society.

### **Efforts to Strengthen Corporate Governance System**

Currently, two (2) of the eight (8) directors of the Company are outside directors who comply with an independence criteria established by Tokyo Stock Exchange, Inc. (“TSE”) and the independence evaluation criteria of the Company (“Independent Outside Director”), the Company plans to propose the appointment of three (3) Independent Outside Directors at the Ordinary General Meeting. If such proposal is approved, three (3) of the nine (9) directors of the Company will be Independent Outside Directors.

Following the close of the Ordinary General Meeting, the Company will establish a voluntary Nomination and Remuneration Committee, including Independent Outside Directors, from which the Company is to obtain advice on the appointment of candidates for directors and audit & supervisory board members and advice on compensation and bonus, in order to further improve the transparency and objectivity of the process for appointing candidates and the validity of the compensation system and level.

### **Expansion of Return to Shareholders**

The Company will pay dividends taking into account the payout ratio and other factors, based on the basic policy that the Company will focus on the consolidated business results and pay dividends aiming to increase the level of dividends in a medium- and long-term perspective, while considering the business expansion and improvement of corporate culture, comprehensively. Based on such policy, approximately 25 to 30% (average of multiple years) of consolidated payout ratio will be one of the important indexes. Moreover, the shareholders will be entitled to choose acquisition of treasury stocks taking into account the market environment and a capital position.

For fiscal 2015, considering the highest-ever profits, the Company will pay 150 yen per share of annual dividend which is higher year-on-year by 30 yen per share, of which 10 yen per share will be a commemorative dividend for the 75th anniversary of the Company’s establishment. For fiscal 2016, while the earnings forecast shows decreased sales and profit, the annual dividend is expected to be 150 yen per share by integrating the commemorative dividend of 10 yen per share for fiscal 2015 to the ordinary dividend.

|                         | Interim dividend | Year-end dividend | Annual dividend | Payout ratio |
|-------------------------|------------------|-------------------|-----------------|--------------|
| Fiscal 2013             | 40 yen           | 40 yen            | 80 yen          | 30.9%        |
| Fiscal 2014             | 55 yen           | 65 yen            | 120 yen         | 25.5%        |
| Fiscal 2015 (planned)   | 65 yen           | 85 yen            | 150 yen         | 23.4%        |
| Fiscal 2016 (estimated) | 75 yen           | 75 yen            | 150 yen         | 32.0%        |

(Note) All of the amounts of dividends for each fiscal year are shown based on the number of shares after the consolidation of shares (five (5) shares were consolidated to a single share) consummated on October 1, 2015.

Under such circumstances, the Company decided that it would contribute to ensuring and improvement of the corporate value and the common benefit of the shareholders to continue its efforts toward the accomplishment of the medium to long-term business plan and strengthening of the corporate governance system under the current management.

## **(2) Necessity for Continuation of the Rules**

Against the background of recent progress of globalization of capital markets, the elimination of cross-shareholding structures and other similar trends, there are instances in which large-scale purchase is conducted without the approval of the Board of Directors of the company which is the target of such takeover.

The Company believes that large-scale purchase should be conducted amicably on a foundation of mutual understanding and agreement between the parties involved. However, the Company also recognizes that a proposed acquisition that has merit from the perspective of the companies and the shareholders should not be prevented in the interests of self protection by management.

In the event that a Specified Shareholder Group conducting, or proposing to conduct, a Large-Scale Purchase (a “Large- Scale Purchaser”) conducts, or proposes to conduct, such a Large-Scale Purchase in respect of the Company, which engages in the corporate activities described above, the Company has concerns over the difficulties it believes shareholders would encounter in evaluating the details of the Large-Scale Purchaser’s proposal and the intrinsic value of the Company in a timely and appropriate manner and forming a decision within a short period of time. The sale of shares whereby shareholders are effectively coerced into selling their shares is also foreseeable in the event of a purchase of the Company’s shares and other securities by a Large-Scale Purchaser, particularly if such purchase is conducted through a tender offer that requires shareholders to decide whether or not to accept the proposed acquisition within a short period of time. Such effectively coerced sales of shares arise in such tender offers as a result of shareholders, motivated by the concern that failure to tender their shares may result in the tender offer being completed and the opportunity to sell their shares being lost, accepting the proposed tender offer and selling the shares of the Company that they hold. In such circumstances, such shareholders are effectively coerced to decide, against their better judgment, without clear knowledge of whether other shareholders are selling their shares through such tender offer and despite any dissatisfaction such shareholder may feel towards the specific details of the tender offer.

The Board of Directors of the Company believes that it is important that sufficient information is provided, through the Board of Directors, to shareholders of the Company in order for them to make an appropriate decision in the event of a Large-Scale Purchase. Accordingly, to facilitate the shareholders’ decisions, once the Board of Directors of the Company receives information concerning the Large-Scale Purchase from the Large-Scale Purchaser, it will evaluate and consider such information and formulate an opinion to represent the views of the Board of Directors, which will then be disclosed. If necessary, the Board of Directors will also negotiate with the Large-Scale Purchaser, or submit an alternative proposal to the Company’s shareholders. The Company believes that it is appropriate to entrust the selection of the most appropriate method for ensuring and enhancing the Company’s corporate value and the common interests of its shareholders to the determination of such shareholders, based on the information thus provided.

Furthermore, the Board of Directors of the Company believe that the provision of appropriate information by both the Large-Scale Purchaser and the Board of Directors of the Company will aid shareholders in determining the various terms and conditions, such as the appropriateness of the proposed consideration, of a particular Large-Scale Purchase which is likely to result in the purchaser being able to influence the management of the Company. In particular, if a Large-Scale Purchase is proposed, significant information that the Company believes is material to the decision to be made by its many shareholders as to whether or not to accept the Large-Scale

Purchase and sell the shares of the Company that they hold will also include: the effect that such Large-Scale Purchase will have on the management of the NIPPON SHOKUBAI GROUP, the details of any management policies and business plans for the NIPPON SHOKUBAI GROUP which are being contemplated by the relevant Large-Scale Purchaser, and the effect of such Large-Scale Purchase on the many related parties surrounding the NIPPON SHOKUBAI GROUP, including its customers and employees.

Accordingly, when a Large-Scale Purchase is conducted (including acquisitions made through the market, as well as those Large-Scale Purchases which are conducted through a tender offer without the consent of the Board of Directors of the Company), the Board of Directors of the Company believes that the following measures are important in order to protect the corporate value of the Company and protect the common interests of its shareholders: (a) ensuring that shareholders are afforded the opportunity to consider, over a sufficient period of time, whether or not to approve such Large-Scale Purchase by the relevant Large-Scale Purchaser, and to express such decision at an ordinary general meeting of shareholders, which is the fundamental decision-making forum for a public company; and (b) the Board of Directors endeavors to ensure that sufficient information concerning the Large-Scale Purchaser and the Large-Scale Purchase is made available to the shareholders of the Company when making their decision. The Board of Directors of the Company also believes, as set forth above, that the Board of Directors should entrust the ultimate decision as to whether or not to accept the proposed Large-Scale Purchase to the shareholders who hold the Company's shares.

Based on the views set forth above, the Company proposes to our shareholders the continuation of the Rules as follows.

## **<2. Details of the Rules>**

### **(1) Description of the Rules**

The Rules notify parties proposing to conduct a Large-Scale Purchase of the requisite procedures in advance. In the event of a Large-Scale Purchase being conducted or proposed, the Rules provide for necessary and sufficient time to be secured, negotiations to be entered into with the Large-Scale Purchaser, the details of the proposal submitted by such Large-Scale Purchaser to be examined, evaluated and considered, and information concerning the acquisition and the Company's alternative proposal to be provided to shareholders. Once the shareholders have received such information, the shareholders would then decide directly, in accordance with the Rules, which proposal will contribute to the improvement of the corporate value of the Company and ensuring of the common interests of the shareholders at a general meeting of shareholders. The purpose of this process is to ensure that the shareholders of the Company ultimately determine the impact of a Large-Scale Purchase on the corporate value of the Company and the common interests of its shareholders. Therefore, the Board of Directors of the Company believes that a Large-Scale Purchase conducted in accordance with the Rules set forth below meets the common interests of the shareholders of the Company. The Rules essentially contemplate: (a) the provision of sufficient information, in advance, by the Large-Scale Purchaser to the Board of Directors of the Company; and (b) the ultimate decision being entrusted to the determination of the shareholders of the Company, expressed through the general meeting of shareholders.

### **(2) Continuation of the Rules**

The continuation of the Rules was determined upon unanimous approval of all of the directors, including the Independent Outside Directors, of the Company at the meeting of the Board of Directors which was held on May 10, 2016. All of the audit & supervisory board members of the Company, including outside audit & supervisory board members who comply with an independence criteria established by the TSE and the independence evaluation criteria of the Company ("Independent Outside Audit & Supervisory Board Member"), were present at such meeting of the Board of Directors, and each of the audit & supervisory board members expressed

their opinion approving the partial amendment and continuation of the Rules, conditional upon the practical application of the Rules being conducted appropriately.

The Company plans to obtain the approval of its shareholders for the continuation of the Rules at the Ordinary General Meeting scheduled to be held on June 21, 2016. Therefore, the shareholders of the Company are guaranteed the opportunity to have their will reflected on whether to continue the Rules.

**(3) Procedures for Exercising the Takeover Defense Measures**

**(a) Definition of Large-Scale Purchase in respect of which Takeover Defense Measures may be exercised**

A “Large-Scale Purchase” shall mean a purchase (Note 4) or tender offer (Note 5) (excluding those transactions which have the prior approval of the Board of Directors of the Company), or other acts undertaken to facilitate such purchase or tender offer conducted by a Specified Shareholder Group for the shares and other securities of the Company which would result in 20% or more of Percentage of voting rights owned by such Substantial Shareholder Group.

A “Large-Scale Purchaser” shall mean a Specified Shareholder Group that is attempting to conduct, proposing to conduct or already conducting a Large-Scale Purchase.

**(b) Request for information concerning the Large-Scale Purchase**

A Large-Scale Purchaser shall provide the Board of Directors of the Company, in the order set forth below, with information (the “Large-Scale Purchase Information”) sufficient for the shareholders of the Company to make their decision and for the Board of Directors to formulate their opinion.

Because the specific details of the Large-Scale Purchase Information may differ for each Large-Scale Purchase, when a Large-Scale Purchaser proposes to conduct a Large-Scale Purchase, such purchaser shall submit a purchase statement (the “Purchase Statement”) to the Company in a format designated by the Company, in which it promises to comply with the Rules. The Purchase Statement shall include: (i) the Large-Scale Purchaser’s name and address, the law pursuant to which the Large-Scale Purchaser was incorporated, the name of the Large-Scale Purchaser’s representative, contact details in Japan for the Large-Scale Purchaser, and a description of the Large-Scale Purchase being proposed; and (ii) a promise to comply with the Rules. If the relevant Large-Scale Purchaser is proposing to conduct a tender offer, the period of such tender offer shall be established at the longest period of time pursuant to the effective law at the time such tender offer is implemented (sixty (60) business days), and the Purchase Statement shall include the date of commencement of the tender offer and the term of such tender offer. Furthermore, if the Large-Scale Purchaser is proposing to conduct a Large-Scale Purchase through a method other than a tender offer, such Large-Scale Purchaser shall cease all purchase transactions during the period between the date on which it submits the Purchase Statement to the Board of Directors and the closing of the relevant general meeting of shareholders of the Company.

The Company shall provide the Large-Scale Purchaser with a list of the initial Large-Scale Purchase Information which it requires from such purchaser within five (5) business days after receiving the Purchase Statement. The Large-Scale Purchaser shall, in principle, provide such Large-Scale Purchase Information to the Board of Directors of the Company within five (5) business days after receiving such list. If the Company believes that the information initially provided by the Large-Scale Purchaser was insufficient for the purposes of Large-Scale Purchase Information, the Company may require the Large-Scale Purchaser to provide additional information until sufficient Large-Scale Purchase Information has been received. With respect to the period during which such additional information is to be provided, since it is provided that a general meeting of shareholders should be convened “prior to the expiration of a tender offer

period or within seventy (70) business days of receiving the Purchase Statement,” such period will not exceed either period. The Company shall disclose the fact that a Large-Scale Purchase has been proposed, and the Large-Scale Purchase Information that the Board of Directors receives, in a timely and appropriate manner, because such information is necessary to the decision to be made by the Company’s shareholders.

As set forth above, the specific details of the Large-Scale Purchase Information may differ for each Large-Scale Purchase. However, the standard items to be provided in the Large-Scale Purchase Information are as follows:

- ① Details (specifically including name, capital structure and financial position) of the Large-Scale Purchaser and its group (including joint holders, specially related parties, and (in the case of funds) each partner and other members);
- ② The purpose, method and terms of the Large-Scale Purchase (including the amount and type of consideration in the Large-Scale Purchase, the timeframe of the Large-Scale Purchase, the structure of related transaction, the legality of the method by which the Large-Scale Purchase is being conducted and the probability of the Large-Scale Purchase being executed);
- ③ The basis for the calculation of the purchase price of the Large-Scale Purchase (including the facts upon which the calculation was based, the calculation method, the numerical data used in the calculation, the details of any expected synergies from the Large-Scale Purchase and relevant series of transactions (including details of synergies to be distributed to shareholders) and the basis for the calculation of such synergies);
- ④ Details of the source of funds for the Large-Scale Purchase (including the name, capital structure, financing method and details of any relevant transactions of any persons providing funds to the Large-Scale Purchaser (including actual contributors);
- ⑤ Management policies, business plans, capital policies and dividend policies for the Company and the NIPPON SHOKUBAI GROUP to be applied after the Large-Scale Purchase;
- ⑥ Measures to be applied after the Large-Scale Purchase for the continuous and steady enhancement of the corporate value of the NIPPON SHOKUBAI GROUP, and the basis for how such measures will enhance the corporate value of the Group; and
- ⑦ Policies to be applied after the Large-Scale Purchase concerning the treatment of employees, business partners, local communities and any other interested parties in relation to the Company and the NIPPON SHOKUBAI GROUP.

Once the Board of Directors of the Company has obtained the Large-Scale Purchase Information and provided it to the shareholders, the Board of Directors shall endeavor to facilitate the shareholders’ decision as to the appropriateness of the Large-Scale Purchase.

The Large-Scale Purchase Information that the Board of Directors receives from a Large-Scale Purchaser at least 30 days prior to the date on which a general meeting of shareholders will be convened shall be delivered to shareholders together with the convocation notice for such meeting so that it may be used as reference material in the shareholders’ decision-making process (provided, however, that if concerns over timing or the size of the Large-Scale Purchase Information prompt the Board of Directors of the Company to determine that sending such Large-Scale Purchase Information together with the convocation notice would prove difficult, the Company may disclose the Large-Scale Purchase Information on its website (<http://www.shokubai.co.jp>)). Large-Scale Purchase Information that is received less than 30 days prior to the date on which a general meeting of shareholders will be convened shall be disclosed, as necessary, on the Company’s website. The Board of Directors of the Company will endeavor to obtain the Large-Scale Purchase Information, negotiate with the Large-Scale Purchaser and take other relevant steps in order to provide shareholders with their opinion, an alternative proposal and other relevant information by the date on which the relevant general meeting of

shareholders is scheduled to convene. In this case, the suspension period for all purchase transactions as set forth above in the Rules shall end upon the closing of the general meeting of shareholders.

### **<3. Policies When a Large-Scale Purchase is Attempted>**

#### **(1) If the Large-Scale Purchaser Complies with the Rules**

If a Large-Scale Purchaser complies with the Rules, the Board of Directors will convene a general meeting of shareholders before the end of the purchase period, or within seventy (70) business days from the receipt of the Purchase Statement. The general meeting of shareholders shall be convened in order to prevent, at the earliest possible stage, a situation in which, shareholders are effectively coerced through the Large-Scale Purchase under consideration into selling the shares of the Company that they hold, and tender their shares for sale through the Large-Scale Purchase against their better judgment. Provided, however, that the Board of Directors will not convene, or will cancel, any such general meeting of shareholders if the relevant Large-Scale Purchaser withdraws their proposed Large-Scale Purchase, or if the shares of the Company otherwise cease to be the subject of a Large-Scale Purchase.

At such general meeting of shareholders, the Board of Directors of the Company will propose a resolution concerning the allocation without consideration of stock acquisition rights to which conditions, including an exercise condition stipulating that Non-Qualified Persons (Note 6) may not exercise such rights and a condition stating that the Company may acquire each such stock acquisition right in return for one (1) share of common stock of the Company from anyone other than Non-Qualified Persons on a date to be separately determined by the Board of Directors, have been attached. The shareholders of the Company will then determine whether or not to tender their shares in the acquisition proposed by the Large-Scale Purchaser, after considering the acquisition proposal, the opinion of the Company in respect of such proposal, the alternative proposal and any other information submitted by the Company. The proposal to allocate stock acquisition rights without consideration as a countermeasure to the relevant Large-Scale Purchase may be approved by a majority of the voting rights exercised by the shareholders who are present at such general meeting of shareholders and are able to exercise voting rights. If such proposal is thus approved, the Company will, on an allocation date to be determined separately by the Board of Directors of the Company, allocate the stock acquisition rights, to which conditions, including an exercise condition stipulating that Non-Qualified Persons may not exercise such rights and a condition stating that the Company may acquire each such stock acquisition right in return for one (1) share of common stock of the Company from anyone other than Non-Qualified Persons on a date to be separately determined by the Board of Directors, have been attached, to shareholders without consideration. (For details of the stock acquisition rights to be allocated, please see Attachment 1).

Even if the Large-Scale Purchaser complies with the Rules, where the Board of Directors of the Company determines that there is a possibility that the Large-Scale Purchase under consideration may significantly damage the interests of the shareholders of the Company, the Board of Directors shall consult an external committee (Note 7) (the "External Committee") in order to protect the interests of the shareholders of the Company. The External Committee shall be responsible for the evaluation and determination of whether such Large-Scale Purchase will significantly damage the interests of the shareholders of the Company. The External Committee shall comprise no less than three (3) members, from amongst the Independent Outside Directors and the Independent Outside Audit & Supervisory Board Members (including substitute outside audit & supervisory board members) of the Company who are independent from the management team which is responsible for executing the Company's business. (For information with respect to considerations for the determination of whether the interests of the shareholders of the Company will be significantly damaged, please refer to Attachment 2). The External Committee, based on the Large-Scale Purchase Information provided by the Large-Scale Purchaser, will consider the specific details of the Large-Scale Purchaser and the Large-Scale Purchase (including the purpose, method, the shares and other securities to be purchased through the Large-Scale Purchase, the type of consideration to be used in the acquisition and the amount of such consideration) and the



impact of the Large-Scale Purchase on the interests of the shareholders of the Company, and shall deliver a decision as to whether or not the relevant Large-Scale Purchase Information will significantly damage the interests of the shareholders of the Company, as well as making recommendations to the Board of Directors of the Company as to whether or not to exercise the countermeasures. The Board of Directors of the Company shall afford such recommendations the highest consideration, and shall decide whether or not to exercise the countermeasures in response to the relevant Large-Scale Purchase. The Board of Directors shall consult with the External Committee within ten (10) business days of receiving the Large-Scale Purchase Information; provided, however, that this period may be extended if a Large-Scale Purchaser fails to provide sufficient Large-Scale Purchase Information. In addition, since a general meeting of shareholders will be convened pursuant to the Rules if the board of directors of the Company determines not to exercise any countermeasure with maximum respect for a recommendation of the External Committee, such extended period will not exceed the period for convening the general meeting of shareholders (prior to the expiration of a tender offer period or within seventy (70) business days of receiving the Purchase Statement). Furthermore, the External Committee shall submit its recommendations to the Board of Directors of the Company as to whether or not the countermeasures should be exercised within ten (10) business days from its receipt of the Board of Directors' request for consultation, and the Board of Directors shall determine whether or not to exercise such countermeasures within five (5) business days of receiving the External Committee's recommendations.

If the Board of Directors decides to exercise the countermeasures, the Company will, on an allocation date to be determined separately by the Board of Directors of the Company, allocate the stock acquisition rights, to which conditions, including an exercise condition stipulating that Non-Qualified Persons may not exercise such rights and a condition stating that the Company may acquire each such stock acquisition right in return for one (1) share of common stock of the Company from anyone other than Non-Qualified Persons on a date to be separately determined by the Board of Directors, have been attached, to shareholders without consideration. (For details of the stock acquisition rights to be allocated, please see Attachment 1).

If the Board of Directors of the Company decides not to exercise the countermeasures, a general meeting of shareholders shall be convened in accordance with the Rules and shareholders shall decide whether or not such countermeasures shall be exercised.

The Board of Directors of the Company shall disclose to shareholders, in a timely manner, a description of the External Committee's recommendation and the reasons for their decision, the reason for the Board of Directors seeking the advice of the External Committee, the Board of Directors' decision based on the External Committee's recommendation, the extension of the various periods set forth in the Rules and any other relevant information.

If the Large-Scale Purchaser complies with the Rules and the Board of Directors of the Company approves the Large-Scale Purchase, the aforementioned general meeting of shareholders shall not be convened and the countermeasures shall not be exercised in response to such Large-Scale Purchase. In such case, shareholders shall, with reference to information such as the Large-Scale Purchase Information and the opinion of the Board of Directors, determine whether or not to tender their shares in the Large-Scale Purchase.

## **(2) If the Large-Scale Purchaser Does Not Comply with the Rules**

Because convening a general meeting of shareholders for the purpose of providing the shareholders of the Company the opportunity to directly determine the appropriateness of such Large-Scale Purchase would prove difficult in the event that a Large-Scale Purchase is implemented without complying with the Rules, such Large-Scale Purchase shall be considered to be a hostile takeover against the Company which will adversely affect the common interests of its shareholders. In such case, for the purpose of protecting the common interests of the Company and its shareholders, the Board of Directors of the Company shall exercise the countermeasures in

response to such Large-Scale Purchase and shall, on an allocation date to be determined separately by the Board of Directors of the Company, allocate the stock acquisition rights to which conditions, including an exercise condition stipulating that Non-Qualified Persons may not exercise such rights and a condition stating that the Company may acquire each such stock acquisition right in return for one (1) share of common stock of the Company from anyone other than Non-Qualified Persons on a date to be separately determined by the Board of Directors, have been attached, to shareholders without consideration. (For details of the stock acquisition rights to be allocated, please see Attachment 1).

#### **<4. Impact on Shareholders and Investors and Other Matters>**

##### **(1) Impact of the Rules on Shareholders and Investors and Other Matters**

The Rules have been formulated for the purpose of ensuring that shareholders of the Company are provided with information necessary to determine whether or not to tender their shares in a Large-Scale Purchase, and the opinion of the Board of Directors who are responsible for the management of the Company. The Rules are also for the purpose of ensuring that shareholders are afforded the opportunity to receive an alternative proposal. The Rules thereby enable shareholders of the Company to make an appropriate determination as to whether or not to tender their shares in a Large-Scale Purchase, based on sufficient information, which the Company believes would protect the common interests of its shareholders. Accordingly, the Rules were established on the basis of promoting appropriate decision making by the Company's shareholders and investors, and as such the Company believes that the Rules contribute to the interests of such shareholders and investors. Moreover, because the Company will not issue any stock acquisition rights as of the time at which the Rules will be continued, the per share value of each stock held by the Company's shareholders and investors will not be diluted.

As set forth above in "3. Policy When a Large-Scale Purchase is Attempted," the Company's policy in response to a Large-Scale Purchase will differ depending on whether or not the Large-Scale Purchaser complies with the Rules. Accordingly, the Company's shareholders and investors should pay close attention to recent approaches adopted by Large-Scale Purchasers.

##### **(2) Impact on Shareholders and Investors at the Time of Exercise of Countermeasures and Other Matters**

Stock acquisition rights will be allocated to shareholders without consideration if (i) a Large-Scale Purchaser does not comply with the Rules; (ii) it is clearly evident that, even if a Large-Scale Purchase complies with the Rules, such Large-Scale Purchaser will significantly damage the interests of the shareholders of the Company (for specific information, please refer to Attachment 2), and the Board of Directors exercises the countermeasures to protect the common interests of the Company and its shareholders; and (iii) a resolution regarding the allocation of stock acquisition rights without consideration is approved by the shareholders at a general meeting, despite the fact that the Large-Scale Purchaser complies with the Rules. In consideration of the structure of the countermeasures, the Company does not anticipate any particular damage to either the legal rights or economic status of its shareholders (excluding Non-Qualified Persons). If the Board of Directors of the Company decides to exercise specific countermeasures, it will disclose information in a timely and appropriate manner, in accordance with the applicable laws and regulations and stock exchange rules.

##### **(3) Necessary Procedures for Shareholders upon the Exercise of Countermeasures (the Allocation of Stock Acquisition Rights Without Consideration and the Exercise of such Stock Acquisition Rights)**

If stock acquisition rights are allocated without consideration as countermeasures to a Large-Scale Purchase, shareholders of the Company will be required to undertake the following procedures:

- ① Allocation of Stock Acquisition Rights

If the resolution concerning the allocation of stock acquisition rights without consideration is approved, the Company will announce the date on which such stock acquisition rights will be allocated (the “Allocation Date”). In principle, one (1) stock acquisition right will be allocated in exchange for each share of the Company held by the shareholders who are listed or recorded on the final shareholders’ register as of the Allocation Date. Because the stock acquisition rights will be issued through the method of allocation shares to shareholders without consideration (Article 277 of the Companies Act of Japan (the “Companies Act”)), shareholders will not be required to apply for such stock acquisition rights.

Even if a resolution concerning the allocation of stock acquisition rights without consideration is approved, the Company may cease the allocation of such stock acquisition rights, or may acquire such stock acquisition rights without paying consideration, by the day immediately preceding the date of commencement of the exercise period for the stock acquisition rights. Because the per share value of the Company’s stock will not be diluted in the event that the Company ceases to allocate or acquire the stock acquisition rights, those shareholders or investors who buy, sell or otherwise engage in transactions in respect of the Company’s shares after the shareholders to whom stock acquisition rights will be allocated without consideration have been determined (after the record date) under the assumption that the value of the Company’s shares will be diluted, may incur unforeseen losses as a result of fluctuations in share prices.

② Procedures for exercising stock acquisition rights

The Company will deliver an exercise request form for the stock acquisition rights (in a form prescribed by the Company containing representations and warranties including, but not limited to, a warranty to the effect that such shareholder is not a Large-Scale Purchaser) and other documents necessary to exercise the stock acquisition rights to those shareholders who are listed or recorded on the final shareholders’ register as of the Allocation Date. Shareholders will, in principle, be issued one (1) share of the Company’s common stock per each stock acquisition right once he or she has submitted the necessary documents during the exercise period to be separately determined by the Board of Directors of the Company and paid the exercise price, which shall be determined by the Company’s Board of Directors and set forth in the resolution pursuant to which such stock acquisition rights were allocated without consideration and which shall be no less than one (1) yen, to the place responsible for handling such payments.

In the event that a shareholder fails to exercise his or her stock acquisition rights and to pay the equivalent exercise price, the shares of the Company that such shareholder holds may be diluted as a result of other shareholders’ exercising their stock acquisition rights.

If the Company acquires stock acquisition rights from shareholders other than the Large-Scale Purchaser, shareholders will not be required to pay the equivalent exercise price and shareholders will receive, as consideration for the acquisition by the Company of the stock acquisition rights, one (1) share of the Company’s common stock per each such stock acquisition right (in such case, in addition to and separate from identification documents, shareholders will be required to submit documents containing representations and warranties, including those to the effect that such shareholder is not a Large-Scale Purchaser and that if such representation and warranties are found to include misstatements, such shareholder will immediately return any shares of common stock of the Company that were issued to him or her). The Company’s acquisition of stock acquisition rights in this manner will inevitably result in the relevant shareholders losing their right to exercise such acquisition rights as of the date on which the stock acquisition rights are acquired by the Company. However, because shares of common stock of the Company will be delivered as consideration for the acquisition of such stock acquisition rights, the shares of the Company held by such shareholders will not, in principle, be diluted.

Detailed information with respect to these procedures will be disclosed by the Company in a timely and appropriate manner, in accordance with the applicable laws and regulations and stock exchange rules, once such procedures become necessary. Accordingly, shareholders are encouraged to familiarize themselves with the information contained in such disclosures.

#### **<5. Effective Period, Continuation and Abrogation of the Rules>**

The Rules shall be effective until the closing of the Ordinary General Meeting of Shareholders to be held in 2019. At such time, the shareholders of the Company shall determine whether or not the Rules shall be continued to be in use. Shareholders will be responsible for determining whether or not the Rules will be continued to be in use and the details of the Rules if such continuation is approved.

Pursuant to Article 34, Paragraph 2 of the Articles of Incorporation, the Board of Directors may abolish the Rules at any time. Because the term of office of Directors expires within one (1) year after appointment and there are no additional requirements governing the appointment and dismissal of Directors, shareholders of the Company may cause the Rules to be abrogated by a resolution of the Board of Directors through the appointment or dismissal of Directors pursuant to ordinary resolutions at one general meeting of shareholders. This possibility illustrates a way in which the will of the shareholders is reflected in the Rules.

Furthermore, if a law or regulation, stock exchange rule, or other relevant regulation related to the Rules is enacted, amended or abrogated, and it is deemed appropriate to reflect such enactment, amendment or abrogation in the Rules, or it is deemed appropriate to revise or modify the Rules due to typographical error or omission, the Board of Directors may, after obtaining approval of the External Committee, revise or modify the Rules pursuant to a resolution of the Board of Directors while the Rules are in effect, as long as it is limited to matters that do not contradict with the objective set forth in the resolution of the Ordinary General Meeting.

In the event that the Rules are abrogated, revised or modified, the Company shall promptly disclose the fact that the Rules have been abrogated, revised or modified and, in the case of revision or modification, the details of the revision or modification and other information.

#### **<6. Reasonableness of the Rules>**

##### **(1) Satisfaction of Requirements of Takeover Defense Guidelines**

The Rules complies with three principles ((i) the principle of protecting and enhancing corporate value and shareholders' common interests, (ii) the principle of prior disclosure and shareholders' will and (iii) the principle of ensuring the necessity and reasonableness of defensive measures) set forth in the "Guidelines Regarding Takeover Defense for the Purpose of the Protection and Enhancement of Corporate Value and Shareholders' Common Interests" jointly released by the Ministry of Economy, Trade and Industry ("METI") and the Ministry of Justice on May 27, 2005. Furthermore, the Rules take into consideration the details of the Corporate Value Study Group report entitled "Takeover Defense Measures in Light of Recent Environmental Changes" released by METI on June 30, 2008.

##### **(2) The Aim of the Rules is to Protect and Enhance the Corporate Value and Common Interests of the Shareholders**

The Rules ensure that, in the event of a Large-Scale Purchase, the shareholders of the Company receive necessary information and sufficient time to choose the most appropriate method for protecting and enhancing corporate value and the common interests of the shareholders and enable the Board of Directors of the Company to negotiate with the Large-Scale Purchaser and undertake other necessary measures on behalf of the shareholders. Accordingly, the Rules are

being introduced for the purpose of protecting and enhancing the Company's corporate value and the common interests of the shareholders.

**(3) Prior Disclosure**

The Rules have been disclosed in advance in order to allow the Company's shareholders, investors and Large-Scale Purchasers, a greater degree of foresight and to ensure that shareholders are afforded the opportunity to make appropriate choices.

The Company will also disclose information, in accordance with applicable laws and regulations and stock exchange rules, in an appropriate and timely manner.

**(4) The Rules Afford Consideration to the Will of the Shareholders**

The Company introduced the existing Rules and the changes to the Articles of Incorporation after receiving shareholder approval at the 95th Ordinary General Meeting of Shareholders held on June 20, 2007, and the continuation thereof with partial amendment was subsequently approved by shareholders at the 98th Ordinary General Meeting of Shareholders held on June 22, 2010 and the 101st Ordinary General Meeting of Shareholders held on June 20, 2013. The continuation of the Rules is based on the assumption that shareholder approval will be obtained pursuant to the Company's Articles of Incorporation at the Ordinary General Meeting scheduled to be held on June 21, 2016. If shareholder approval for the continuation of the Rules is not obtained, the existing Rules will automatically be abrogated as of the closing of the Ordinary General Meeting. In addition, barring exceptional circumstances, such as a Large-Scale Purchase failing to comply with the Rules, the decision as to whether or not the countermeasures should be exercised is to be made by shareholders. As set forth above, the Rules afford the utmost consideration and respect to the will of the shareholders, at the introduction, the continuation and the implementation of the Rules.

**(5) Respect is Afforded to the Determinations of Independent Outside Professionals**

The Rules contemplate that the decision as to whether or not the countermeasures should be exercised shall, in principle, be made by shareholders at a general meeting of shareholders. Accordingly, there is no opportunity for arbitrary decisions by the Board of Directors of the Company to interfere with the exercise of the countermeasures pursuant to a resolution of a general meeting of shareholders; provided, however, that in exceptional circumstances, the Board of Directors of the Company shall exercise the countermeasures through a resolution, without a resolution of the general meeting of shareholders. Such exceptional circumstances include: (i) failure by a Large-Scale Purchaser to comply with the Rules; or (ii) recognition of the fact that it is evident that the relevant Large-Scale Purchase will significantly damage the interests of the shareholders of the Company (Attachment 2). In order to prevent arbitrary decisions by the Board of Directors of the Company when the situation described above in "(ii)" is being proposed as a justification for exercising countermeasures, the External Committee will be established as an organization independent from the Board of Directors.

The External Committee shall receive the Board of Directors' request for consultation and shall evaluate and determine whether it is evident that the Large-Scale Purchase under consideration would significantly damage the interests of the shareholders of the Company, and shall subsequently submit its recommendations to the Board of Directors as to whether or not the countermeasures should be exercised. The Board of Directors will afford the recommendations of the External Committee the highest consideration, and will determine whether or not to exercise the countermeasures. The Board of Directors of the Company shall disclose to shareholders, in a timely manner, a description of the External Committee's recommendations and the basis for their decision, the reason for the Board of Directors seeking the advice of the External Committee, the Board of Directors' decision based on the External Committee's recommendations and any other relevant information.

In the situation described above in “(i)”, because shareholders will not receive sufficient information concerning the effects of the relevant Large-Scale Purchase, which is necessary for their determination, and because convening a general meeting of shareholders in order for the shareholders to determine whether or not to exercise the countermeasures presents difficulties, the Board of Directors shall determine whether or not countermeasures should be exercised. In such case, the participation of the External Committee shall not be required, in consideration of the fact that countermeasures will be exercised on the basis of the objective fact that the Large- Scale Purchaser has breached the Rules, and the fact that the time needed for the External Committee to conduct evaluations and reach a decision may result in the interests of the shareholders being adversely affected.

**(6) The Rules are not a “Dead Hand” or “Slow Hand” Type Takeover Defense**

The Rules may be abrogated by a resolution of the Board of Directors through the appointment or dismissal of Directors pursuant to ordinary resolutions at one general meeting of shareholders. Moreover, the term of office of Directors expires within one (1) year after appointment, and the terms of office of Directors are not staggered. Accordingly, the Rules constitute neither a “Dead Hand” type takeover defense (a takeover defense measure that cannot be prevented even if a majority of the members of the Board of Directors are replaced), nor a “Slow Hand” type takeover defense (a takeover defense measure which requires time to prevent its activation because the members of the Board of Directors cannot be replaced at once).

**<7. Reference Materials, and Others>**

The status of shares of the Company as of March 31, 2016 is as described in Attachment 3. At the present point in time, the Company is unaware of any specific indications of attempts for Large-Scale Purchase.

(End of Document)

(Note 1) “Specified Shareholder Group” shall have the following meaning:

- ① A person (“holder” as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Law of Japan (the “Exchange Law”), including persons defined as a holder pursuant to Article 27-23, Paragraph 3 of the Exchange Law) holding shares and other securities (shares and other securities as defined in Article 27-23, Paragraph 1 of the Exchange Law) of the Company, and joint holders of such holder (joint holders as defined in Article 27-23, Paragraph 5 of the Exchange Law, including persons defined as joint holders pursuant to Article 27-23, Paragraph 6 of the Exchange Law); or
- ② A person conducting a purchase (purchase or other acquisition as defined in Article 27-2, Paragraph 1 of the Exchange Law, including purchases conducted in the securities trading market) in respect of the Company’s shares and other securities (as defined in Article 27-2, Paragraph 1 of the Exchange Law) and specially related parties (as defined in Article 27-2, Paragraph 7 of the Exchange Law) of such person.

(Note 2) “Percentage of voting rights owned” shall have the following meaning:

- ① In the situation described in “①” of “(Note 1)” above, the share holding percentage represented by shares and other securities of the Company that are held by a Specified Shareholder Group. (Share holding percentage as used in the Rules shall have the same meaning as is defined in Article 27-23, Paragraph 4 of the Exchange Law. Furthermore, the number of shares and other securities held (as defined in Article 27-23, Paragraph 4 of the Exchange Law) by joint holders of such holder shall also be considered in the calculation of share holding percentage); or
- ② In the situation described in “②” of “(Note 1)” above, the total share ownership percentage (as defined in Article 27-2, Paragraph 8 of the Exchange Law) represented by shares and other securities of the Company that are owned by a Specified Shareholder Group and its Specially Related Parties.

(Note 3) “Shares and Other Securities” shall have the following meaning:

- ① In the situation described in “①” of “(Note 1)” above, the shares and other securities (as defined in Article 27-23, Paragraph 1 of the Exchange Law) held by a Specified Shareholder Group; or
- ② In the situation described in “②” of “(Note 1)” above, the shares and other securities (as defined in Article 27-2, Paragraph 1 of the Exchange Law) owned by a Specified Shareholder Group.

(Note 4) “Purchases” shall mean purchases as defined in Article 27-2, Paragraph 1 of the Exchange Law, and shall include purchases conducted in the securities trading market.

(Note 5) “Tender Offer” shall mean a tender offer as defined in Article 27-2, Paragraph 6 of the Exchange Law.

(Note 6) “Non-Qualified Persons” shall have the following meaning (terms are defined below):

- (1) (i) Specified Substantial Holders; (ii) Joint Holders of Specified Substantial Holders; (iii) Specified Substantial Purchasers; (iv) Specially Related Parties of a Specified Substantial Purchaser; or (v) any transferee of or successor to the stock acquisition rights of any party set out in (i) through (iv) without the approval of the Board of Directors of the Company; or (vi) an Affiliated Party of any persons defined in (i) through (v).

Defined terms used above shall have the following meanings:

- ① “Specified Substantial Holder” means a party who is a holder (as defined in

Article 27-23, Paragraph 1 of the Exchange Law, and including persons deemed to be holders pursuant to Article 27-23, Paragraph 3 of the Exchange Law) of shares and other securities (as defined in Article 27-23, Paragraph 1 of the Exchange Law) issued by the Company and whose share holding percentage (as defined in Article 27-23, Paragraph 4 of the Exchange Law) in respect of such shares and other securities is 20% or more.

- ② “Joint Holder” means a joint holder as defined in Article 27-23, Paragraph 5 of the Exchange Law, including those persons deemed to be joint holders pursuant to Article 27-23, Paragraph 6 of the Exchange Law.
  - ③ “Specified Substantial Purchaser” means a person who gives public notice of conducting a tender offer (as defined in Article 27-2, Paragraph 6 of the Exchange Law) to purchase (as defined in Article 27-2, Paragraph 1 of the Exchange Law) the shares and other securities (as defined in Article 27-2, Paragraph 1 of the Exchange Law) of the Company, and who will own (including situations considered equivalent to ownership pursuant to Article 7, Paragraph 1 of the Securities and Exchange Law Enforcement Ordinance), after the completion of such tender offer, a number of shares and other securities representing a share ownership percentage (as defined in Article 27-2, Paragraph 8 of the Exchange Law) totaling 20% or more, when combined with the share ownership percentage of a Specially Related Party of such purchaser.
  - ④ “Specially Related Party” means a person as defined in Article 27-2, Paragraph 7 of the Exchange Law; provided, however, that those parties provided for in Article 3, Paragraph 1 of the Cabinet Office Regulations concerning Disclosure of a Tender Offer by an Acquirer Other than the Issuing Company are excluded from those parties defined in Article 27-2, Paragraph 7, Section 1 of the Exchange Law.
  - ⑤ An “Affiliated Party” of a given party means a person recognized by the Board of Directors of the Company as effectively controlling, being effectively controlled by, or being under common control with such party, or who is acting in cooperation with any of such parties. “Control” shall mean “controlling the determination of the financial or business policies” of another corporation or entity as defined in Article 3 of the Ordinance for Enforcement of Companies Act of Japan.
- (2) Notwithstanding (1) above, the definition of “Non-Qualified Persons” shall not apply to those parties who (i) are separately determined to be a party whose acquisition or holding of the Company’s shares and other securities would not be contrary to the corporate value of the Company or the common interests of its shareholders by the Board of Directors or the general meeting of shareholders of the Company upon the passing of the resolution to allocate stock acquisition rights without consideration; or (ii) in the event that conditions have been determined by the Board of Directors or the general meeting of shareholders of the Company prescribing those parties whose acquisition or holding of the Company’s shares and other securities would not be contrary to the corporate value of the Company or the common interests of its shareholders, any party who satisfies all such conditions.

(Note 7) The purpose, composition, qualification requirements, method of passing resolutions, role of, and other matters concerning the External Committee are set forth below:

- ① Purpose of the External Committee:

If it is apparent that a particular Large-Scale Purchase will significantly damage the interests of the shareholders of the Company, the countermeasures may be exercised pursuant to a resolution of the Board of Directors, without a resolution of the general meeting of shareholders. The External Committee will be established as an organization independent from the Board of Directors of the Company for the purpose of preventing



arbitrary decisions by the Board of Directors in such case and ensuring such countermeasures are exercised in a reasonable and fair manner.

② Composition, qualification requirements and method of passing resolutions of the External Committee

The External Committee shall comprise no less than three (3) members, appointed by the Board of Directors from among the Independent Outside Directors and the Independent Outside Audit & Supervisory Board Members (including substitute outside directors and audit & supervisory board members) of the Company who are independent from the management team which is responsible for executing the Company's business.

Resolutions of the External Committee shall, in principle, be passed with a majority of the votes exercised at a meeting attended by all of the members of the External Committee; provided, however, that resolutions may be passed with a majority of the votes exercised at a meeting attended by a majority of the current members of the External Committee if an accident or other unavoidable circumstances occurs to prevent the attendance of a member or members of the External Committee. If continuation of the Rules is approved, three (3) individuals, including one (1) individual to be newly appointed, are scheduled to be appointed as members of the External Committee, as set forth in Attachment 4.

③ The role of, and other matters concerning, the External Committee

If the Board of Directors determines that a particular Large-Scale Purchase may significantly damage the interests of the shareholders of the Company, the Board of Directors shall provide the relevant Large-Scale Purchase Information to the External Committee and request that the External Committee evaluate and determine whether or not it is apparent that such Large-Scale Purchase will significantly damage the interests of the shareholders of the Company. When conducting such evaluations and determinations, the External Committee may, at the Company's expense, obtain the advice of independent third parties (including financial advisors, certified public accountants, attorneys, consultants and other experts). The External Committee shall evaluate and determine the matters requested of it by the Board of Directors of the Company, and shall make recommendations to the Board of Directors as to whether or not the countermeasures should be exercised. After affording the External Committee's recommendations the highest consideration, the Board of Directors will determine whether or not to exercise the countermeasures. The Board of Directors of the Company shall disclose to shareholders, in a timely manner, a description of the External Committee's recommendations and the basis for their decision, the reason for the Board of Directors seeking the advice of the External Committee, the Board of Directors' decision based on the External Committee's recommendations and any other relevant information.

The Board of Directors shall consult with the External Committee within ten (10) business days of receiving the Large-Scale Purchase Information in case the Board of Directors deems such consultation necessary; provided, however, that this period may be extended if a Large-Scale Purchaser fails to provide sufficient Large-Scale Purchase Information. Furthermore, the External Committee shall submit its recommendations to the Board of Directors of the Company as to whether or not countermeasures should be exercised within ten (10) business days from its receipt of the Board of Directors' request for consultation, and the Board of Directors shall determine whether or not to exercise such countermeasures within five (5) business days of receiving the External Committee's recommendations.

If a law or regulation, stock exchange rule, or other relevant regulation related to the Rules is enacted, amended or abrogated, and it is deemed appropriate to reflect such enactment, amendment or abrogation in the Rules, or it is deemed appropriate to revise or

modify the Rules due to typographical error or omission, the Board of Directors shall consult with the External Committee regarding the pros and cons of revising or modifying the Rules while the Rules are in effect, as long as it is limited to matters that do not contradict with the objective of the resolution of the Ordinary General Meeting. The External Committee may, at the Company's expense, seek advice from independent third parties (including financial advisors, certified public accountants, lawyers, consultants and other experts) in making a determination with respect to the pros and cons of the relevant revision or modification of the Rules. If the External Committee approves the relevant revision or modification of the Rules, the Board of Directors may revise or modify the Rules pursuant to a resolution of the Board of Directors.

(Attachment 1)

**Allocation of Stock Acquisition Rights Without Consideration**

1. Shareholders Eligible to Receive Stock Acquisition Rights and Conditions Governing Issuance

The Company will allocate stock acquisition rights without consideration to those shareholders who are listed or recorded on the final shareholders' register on the day to be separately determined by the Board of Directors of the Company or the general meeting of shareholders (the "Allocation Date"). The Company will allocate one (1) stock acquisition right per each share of the Company's stock held by such eligible shareholder (excluding the shares of the Company's common stock held by the Company).

2. Type and Number of Shares to be Issued Upon Exercise of the Stock Acquisition Rights

Shares of common stock shall be issued upon exercise of the stock acquisition rights. One (1) share of common stock shall be issued per each stock acquisition right exercised; provided, however, that necessary adjustments shall be made to the number of shares to be issued upon exercise of the stock acquisition rights if the Company conducts a share split or a share consolidation.

3. Total Number of Stock Acquisition Rights to be Issued

The total number of stock acquisition rights to be allocated shall be determined by the Board of Directors of the Company or the general meeting of shareholders, and shall not exceed the total number of issued and outstanding shares of the Company. Provided, however, that the number of shares held by the Company as of the Allocation Date shall be excluded.

4. Effective Date of Allocation of Stock Acquisition Rights Without Consideration

Such date shall be determined by the Board of Directors of the Company or the general meeting of shareholders.

5. Amount to be Contributed Upon Exercise of Each Stock Acquisition Right

Contributions upon exercise of each stock acquisition right are to be in cash, and the amount to be contributed shall be determined by the Board of Directors or the general meeting of shareholders; provided, however, that such amount shall not be less than one (1) yen.

6. Restrictions on Transfer of Stock Acquisition Rights

(1) Stock acquisition rights may not be transferred without the approval of the Board of Directors of the Company.

(2) If a person who intends to transfer the stock acquisition rights resides outside Japan ("Non-Residents of Japan") and cannot exercise the stock acquisition rights pursuant to provisions (3) and (4) of "7" below (except for Non-Qualified Persons as defined in "7. (1)" below), the Board of Directors of the Company shall determine whether it will approve the transfer of the stock acquisition rights as defined in (1) above, taking into consideration the following matters.

Foreign jurisdiction that have laws and regulations under which stock acquisition rights cannot be exercised pursuant to provisions (3) and (4) of "7" below shall be referred to as "Jurisdiction Where the Exercise of Stock Acquisition Rights is Prohibited."

① With respect to the acquisition, through the transfer of all or part of the stock acquisition rights by a person who resides in the Jurisdiction Where the Exercise of Stock

Acquisition Rights is Prohibited, whether a letter of intent (*sashiresho*) (that includes representations and warranties, indemnification and penalty provisions related to ② through ④ below, and other provisions which the Company would reasonably be satisfied) which was prepared, and signed or sealed by the transferor and transferee has been submitted to the Company.

- ② Whether or not it is obvious that the transferor and transferee are not Non-Qualified Persons.
- ③ Whether or not it is obvious that the transferee (i) does not reside in the Jurisdiction Where the Exercise of Stock Acquisition Rights is Prohibited and (ii) does not intend to receive the stock acquisition rights for a person who resides in the Jurisdiction Where the Exercise of Stock Acquisition Rights is Prohibited.
- ④ Whether or not it is obvious that the transferee does not intend to receive the stock acquisition rights on behalf of Non-Qualified Persons.

## 7. Exercise Conditions of Stock Acquisition Rights

- (1) The following persons shall not be able to exercise the stock acquisition rights (hereafter, such persons shall be referred to as “Non-Qualified Persons”):

(i) Specified Substantial Holders; (ii) Joint Holders of Specified Substantial Holders; (iii) Specified Substantial Purchasers; (iv) Specially Related Parties of a Specified Substantial Purchaser; or (v) any transferee of or successor to the stock acquisition rights of any party set out in (i) through (iv) without the approval of the Board of Directors of the Company, or (vi) an Affiliated Party of any persons defined in (i) through (v). In addition, Non-Residents of Japan who are required to fulfill certain procedures pursuant to applicable foreign laws and regulations in exercising their stock acquisition rights, are also in principle, not able to exercise stock acquisition rights. (Provided, however, that, certain Non-Residents of Japan, such as those who can be exempt from fulfilling such procedures to exercise stock acquisition rights, may exercise stock acquisition rights if approved by the Board of Directors of the Company. In addition, as defined in “9” below, such Non-Residents of Japan may receive shares of the Company in exchange for the stock acquisition rights they hold. For more details, please refer to (3) below.)

Defined terms used above shall have the following meanings:

- ① “Specified Substantial Holder” means a party who is a holder (as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Law of Japan (the “Exchange Law”), and including persons deemed to be holders pursuant to Article 27-23, Paragraph 3 of the Exchange Law) of shares and other securities (as defined in Article 27-23, Paragraph 1 of the Law) issued by the Company and whose share holding percentage (as defined in Article 27-23, Paragraph 4 of the Exchange Law) in respect of such shares and other securities is 20% or more.
- ② “Joint Holder” means a joint holder as defined in Article 27-23, Paragraph 5 of the Exchange Law, including those persons deemed to be joint holders pursuant to Article 27-23, Paragraph 6 of the Exchange Law.
- ③ “Specified Substantial Purchaser” means a person who gives public notice of conducting a tender offer (as defined in Article 27-2, Paragraph 6 of the Exchange Law) to purchase (as defined in Article 27-2, Paragraph 1 of the Exchange Law) the shares and other securities (as defined in Article 27-2, Paragraph 1 of the Exchange Law) of the Company, and who will own, (including situations considered equivalent to ownership pursuant to Article 7, Paragraph 1 of the Financial Instrument and Exchange Law Enforcement Ordinance of Japan), after the completion of such tender offer, a number of shares and other securities representing a share ownership percentage (as defined in Article 27-2, Paragraph 8 of the Exchange Law) totaling 20% or more, when combined with the share ownership percentage of a Specially Related Party of such purchaser.

- ④ “Specially Related Party” means a person as defined in Article 27-2, Paragraph 7 of the Exchange Law; provided, however, that those parties provided for in Article 3, Paragraph 1 of the Cabinet Office Regulations concerning Disclosure of a Tender Offer by an Acquirer Other than the Issuing Company are excluded from those parties defined in Article 27-2, Paragraph 7, Section 1 of the Exchange Law.
  - ⑤ An “Affiliated Party” of a given party means a person recognized by the Board of Directors of the Company as effectively controlling, being effectively controlled by, or being under common control with such party, or who is acting in cooperation with any of such parties. “Control” shall mean “controlling the determination of the financial or business policies” of another corporation or entity (as defined in Article 3 of the Ordinance for Enforcement of Companies Act of Japan).
- (2) Notwithstanding (1) above, the definition of “Non-Qualified Persons” shall not apply to those parties who (i) are separately determined to be a party whose acquisition or holding of the Company’s shares and other securities would not be contrary to the corporate value of the Company or the common interests of its shareholders by the Board of Directors or the general meeting of shareholders of the Company upon the passing of the resolution to allocate stock acquisition rights without consideration; or (ii) in the event that conditions have been determined by the Board of Directors or the general meeting of shareholders of the Company prescribing those parties whose acquisition or holding of the Company’s shares and other securities would not be contrary to the corporate value of the Company or the common interests of its shareholders, any party who satisfies all such conditions.
  - (3) If a person who resides in a jurisdiction subject to foreign laws and regulations is required to (i) perform the prescribed procedures, (ii) fulfill certain conditions (including the prohibition of exercise of stock acquisition rights during a certain period, and the submission of certain documents) or (iii) both (i) and (ii) (collectively, the “Procedures and Conditions to Exercise under Governing Law”), such person may exercise the stock acquisition rights only if the Board of Directors of the Company determines that the Procedures and Conditions to Exercise under Governing Law have been fulfilled. If the Board of Directors of the Company determines that the Procedures and Conditions to Exercise under Governing Law have not been fulfilled, the person may not exercise the stock acquisition rights. With respect to the Procedures and Conditions to Exercise under Governing Law which the Company is required to fulfill in order for the person to exercise the stock acquisition rights, the Board of Directors of the Company shall not be obliged to perform or fulfill Procedures and Conditions to Exercise under Governing Law which the Company is required to perform or fulfill. Moreover, if a person is not permitted by the laws of the jurisdiction to exercise stock acquisition rights, such person who resides in such jurisdiction will not be able to exercise the stock acquisition rights.
  - (4) Notwithstanding (3) above, a person who resides in the U.S. (“U.S.-Resident Party”) may exercise their stock acquisition rights only if the person, (i) represents and warrants to the Company that the person is an accredited investor as defined under Rule 501(a) of the U.S. Securities Act of 1933 (the “Securities Act”), (ii) pledges to the Company in writing that the transfer of the shares of common stock of the Company which the person acquired as a result of exercising stock acquisition rights will only be conducted through standard transactions on the TSE (however, these transactions will not be based on prior agreement or arrangement, and prior solicitation will not be conducted), and (iii) submits to the Company documents in writing as requested by the Board of Directors in relation to the relevant Procedures and Conditions to Exercise under Governing Law. Only in such case will the Company perform or fulfill the Procedures and Conditions to Exercise under Governing Law that the Company is required to perform or fulfill under Regulation D of the Securities Act and state laws in order for the U.S.-Resident Party to exercise their stock acquisition rights. If the Board of Directors determine that the U.S.-Resident Party is not allowed to exercise their stock acquisition rights due to amendment of laws and regulations in the U.S. or other reasons, the U.S.-Resident Party will not be able to exercise their stock acquisition rights and the Company will be under

no obligation to perform or fulfill the abovementioned Procedures and Conditions to Exercise under Governing Law, even if a U.S.-Resident Party satisfies the abovementioned conditions (i) to (iii).

- (5) A person who holds stock acquisition rights may exercise its stock acquisition rights only if the person submits to the Company (a) documents including indemnification, representations and warranties and other provisions prescribed by the Company, that the person (i) is not a Non-Qualified Person and is not exercising his or her stock acquisition rights on behalf of a Non-Qualified Person, and (ii) has fulfilled the conditions necessary for exercising the stock acquisition rights, and (b), documents required by laws and other regulations. Provided, however, the Board of Directors may choose not to require submission of such a pledge from an individual shareholder, a class of shareholders or shareholders in general.
- (6) The Company shall bear no liability to compensate the loss or other liability even if a person who holds stock acquisition rights is unable to exercise their stock acquisition rights pursuant to this “7. Exercise Conditions of Stock Acquisition Rights.”

#### 8. Exercise Period of Stock Acquisition Rights

The exercise period shall be determined by the Board of Directors of the Company or the general meeting of shareholders.

#### 9. Acquisition of Stock Acquisition Rights by the Company

- (1) On a date to be determined by the Board of Directors of the Company or the general meeting of shareholders, the Company may acquire those stock acquisition rights that have not been exercised by the day immediately preceding the date determined by the Board of Directors or the general meeting of shareholders, excluding those stock acquisition rights that are held by persons who are unable to exercise them in accordance with “7.” above (excluding those who are approved by the Board of Directors of the Company from persons who are unable to exercise the stock acquisition rights in accordance with (3) or (4) of “7” above, the same applies below). The Company may deliver one (1) share of common stock in exchange for each such stock acquisition right. Furthermore, if, subsequent to the acquisition of stock acquisition rights by the Company set forth above, the Board of Directors recognizes the existence of a person who (i) holds stock acquisition rights and (ii) is not a person unable to exercise them in accordance with “7.” above, the Company may, on a date subsequent to the date of the acquisition of stock acquisition rights by the Company set forth above to be determined by the Board of Directors, deliver to such persons one (1) share of common stock in exchange for each of such stock acquisition rights which have not yet been exercised as of the day immediately preceding such date determined by the Board of Directors. The Company shall continue to enjoy the right to acquire stock acquisition rights from such persons on a date set by the Board of Directors thereafter.
- (2) At any time on or before the day immediately preceding the commencement date of the exercise period set forth in “8.” above, the Company may acquire, without consideration, all of the stock acquisition rights on a day to be determined by the Board of Directors of the Company if the Board of Directors recognizes that such acquisition of all stock acquisition rights is appropriate.

#### 10. Issuance of Stock Acquisition Rights Certificates

The Company shall not issue stock acquisition rights certificates unless requested to do so by a stock acquisition rights holder.

#### 11. Amendments in accordance with revisions to relevant laws and regulations

The legislative and regulatory provisions quoted above are current as of May 10, 2016. If the establishment of new laws or regulations, or the revision or abrogation of the relevant laws and regulations on or after May 10, 2016 necessitates amendments to the meaning of, or other information concerning, any of the articles or defined terms set forth above, the Board of Directors of the Company may interpret such meanings, or other information concerning, the articles or defined terms set forth above to the extent such interpretation is appropriate and reasonable, upon consideration of the purpose of such new establishment, revision or abrogation.

(End of Attachment 1)

**(Attachment 2)**

**Purchases which will Significantly Damage the Interests of Shareholders**

- (1) When it is determined that a purchase of the Company's shares is being carried out without any true intention of participating in the management of the Company, but for the purpose of increasing the share price and thereafter causing the Company's related parties to acquire the shares at an overstated price, (namely, cases of "green mail").
- (2) When it is determined that a purchase of the Company's shares is being carried out for the purpose of temporarily controlling the management of the Company and thereby transferring assets necessary for the Company's business, such as real property, movables, intellectual property, know-how, trade secrets, key business partners, customers and other information, to the Large-Scale Purchaser, its group companies or other similar entities.
- (3) When it is determined that a purchase of the Company's shares is being carried out pursuant to a plan to divert the assets of the Company as collateral or repayment resources for obligations of the Large-Scale Purchaser, its group companies or other similar entities, after such Large-Scale Purchaser acquires control over the management of the Company.
- (4) When it is determined that a purchase of the Company's shares is being carried out for the purpose of temporarily controlling the management of the Company and thereby causing the Company to sell or otherwise dispose of highly-valued assets, such as real estate or securities, which are not currently related to the Company's business and to distribute temporarily higher dividends with the gains from such disposal, or sell the Company's shares at an inflated price as a result of such temporarily higher dividends.
- (5) When it is determined that the method of purchase proposed by the Large-Scale Purchaser presents a risk that shareholders' opportunities or liberty to make decisions may be restricted and shareholders may effectively be forced to sell their Company shares, such as an oppressive two-step acquisition (specifically, a structure for share purchases, such as tender offers, whereby no solicitations are made by the purchaser to purchase all of the target shares at the initial stage and disadvantageous purchase terms are set, or the purchase terms are not made explicitly clear, for the second stage); provided, however, that a partial tender offer shall not be considered automatically as such structure.
- (6) When it is determined from a public order point of view, on a reasonable basis, that the Large-Scale Purchaser is inappropriate as a controlling shareholder of the Company, such as situations in which the management or major shareholders of the Large-Scale Purchaser include persons who have a connection with anti-social influences.

(End of Attachment 2)



**(Attachment 3)**

**Status of Shares of the Company (as of March 31, 2016)**

<Total Number of Authorized Shares> 127,200,000 shares

<Total Number of Issued and Outstanding Shares> 40,800,000 shares

<Number of Shareholders> 11,640 persons

<Major Shareholders>

| Name  | Address   | Number of Shares Owned<br>(thousand shares) | Shareholding Percentage of the Total Shares Outstanding (%) |
|---|---|---|---|
| Sumitomo Chemical Co., Ltd.                                       | 2-27-1, Shinkawa, Chuo-ku, Tokyo                                | 3,896                                       | 9.60  |
| Japan Trustee Services Bank, Ltd. (Trust Account)                 | 1-8-11, Harumi, Chuo-ku, Tokyo                                  | 2,354                                       | 5.80  |
| JX Holdings, Inc.   | 1-1-2 Otemachi, Chiyoda-ku, Tokyo                               | 2,129                                       | 5.24  |
| Resona Bank, Ltd.   | 2-2-1, Bingomachi, Chuo-ku, Osaka                               | 1,373                                       | 3.38  |
| National Mutual Insurance Federation of Agricultural Cooperatives | 2-7-9, Hirakawa-cho, Chiyoda-ku, Tokyo                          | 1,308                                       | 3.22  |
| Sanyo Chemical Industries, Ltd.                                   | 11-1, Ichinohashinomotocho, Higashiyama-ku, Kyoto               | 1,267                                       | 3.12  |
| The Master Trust Bank of Japan Ltd. (Trust Account)               | 2-11-3, Hamamatsucho, Minato-ku, Tokyo                          | 1,238                                       | 3.05  |
| Mizuho Corporate Bank, Ltd.                                       | 1-5-5, Otemachi, Chiyoda-ku, Tokyo                              | 948   | 2.33  |
| CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW                   | 5TH FLOOR, TRINITY TOWER 9, THOMAS MORE STREET LONDON, E1W 1YT, | 946   | 2.33  |
| TOYO INK SC HOLDINGS CO., LTD.                                    | 3-7-1, Kyobashi, Chuo-ku, Tokyo                                 | 904   | 2.22  |
| Total   | —   | 16,368                                      | 40.33   |

(Note 1) The Company carried out a consolidation of shares at a ratio of 1-for-5 shares of common stock as of October 1, 2015. As a result, the total number of authorized shares decreased by 508,800,000 shares to 127,200,000 shares and the number of issued and outstanding shares decreased by 163,200,000 shares to 40,800,000 shares.

(Note 2) In addition to the above, the Company holds 217,000 shares as treasury stocks.

(Note 3) Shareholding percentage is calculated by deducting the number of treasury stocks.

(Note 4) The number of shares owned and the shareholding percentage are rounded off below the unit of display.

(End of Attachment 3)

**(Attachment 4)****Names and Employment Histories of Members of the External Committee**

## &lt;Committee Members To be Appointed&gt;

| Name  | Employment History  |
|---|---|
| Yoichiro Komatsu<br>(Date of Birth: May 12, 1948) | <p>Apr. 1980 Registered as attorney-at-law and patent attorney; Vice Representative, Komatsu Masajiro Law and Patent Office</p> <p>Aug. 1995 Managing Partner of Komatsu Law and Patent Office (current)</p> <p>Jul. 1999 Member of the Committee for Conciliation of Civil Affairs of the Osaka District Court, the Osaka Summary Court (current)</p> <p>Jun. 2000 Outside Auditor of SOFT99 corporation</p> <p>Apr. 2004 Professor of Ritsumeikan University School of Law</p> <p>Apr. 2007 Visiting Professor of Kansai University School of Law</p> <p>Apr. 2009 Special Appointment Professor of Kansai University School of Law</p> <p>Nov. 2012 Member of the board of trustees of Kansai University (current)</p> <p>Jun. 2016 Outside Auditor and a member of the External Committee of the Company (planned)</p> <p>Planned date of assumption of post: June 21, 2016</p> |

## &lt;Current Committee Members&gt;

| Name   | Employment History  |
|--|---|
| Kozo Arai<br>(Date of Birth: January 20, 1946) | <p>Jul. 1971 Registered as attorney-at-law, Joined Nakanoshima Chuo Law Office (current)</p> <p>Apr. 1996 Deputy Chairman of the Osaka Bar Association</p> <p>Apr. 1997 Member of the Committee for Conciliation of Civil Affairs of the Osaka District Court, the Osaka Summary Court</p> <p>Apr. 2008 Member of the External Committee of the Company (current)</p> <p>Jun. 2010 Outside Corporate Auditor of Nankai Electric Railway Co., Ltd. (current)</p> <p>Feb. 2011 Outside Audit and Supervisory Board Member of The Japan Wool Textile Co., Ltd.</p> <p>Jun. 2011 Outside Audit &amp; Supervisory Board Member of the Company (current)</p> <p>Feb. 2015 Outside Director of The Japan Wool Textile Co., Ltd. (current)</p> <p>Dec. 2015 Outside Audit &amp; Supervisory Board Member of Hosokawa Micron Corporation (current)</p> <p>Jun. 2016 Outside Director of the Company (planned)</p> <p>Attendance at meetings of the board of directors (the 104th term): 13 meetings out of 13 meetings</p> <p>Attendance at meetings of the audit &amp; supervisory board members (the 104th term): 13 meetings out of 13 meetings</p> |

**(Attachment 4)**

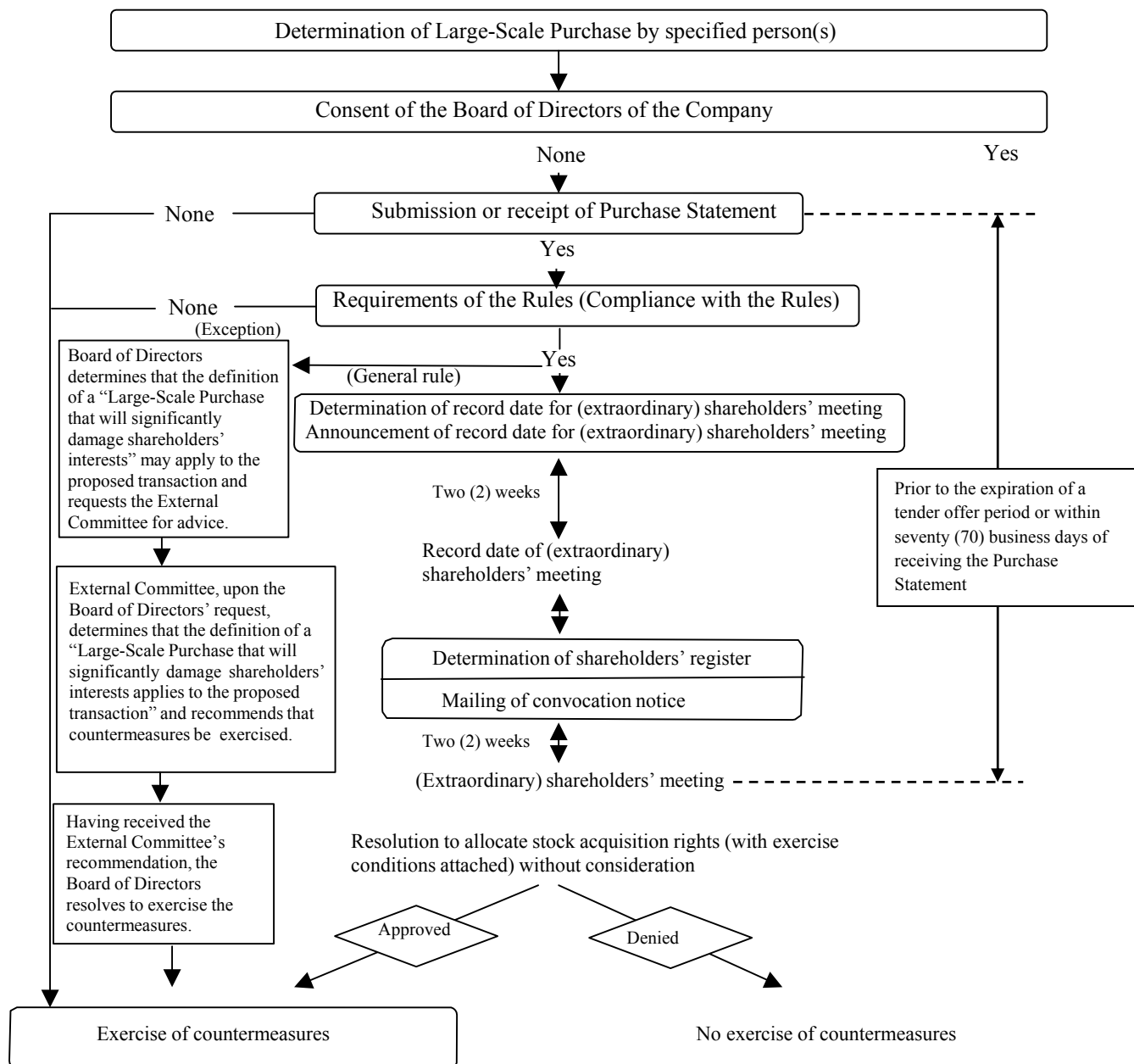
| Name  | Employment History  |
|---|---|
| Takashi Sakai<br>(Date of Birth: October 9, 1952) | <div data-bbox="614 280 1417 696"> <div>Apr. 1977</div> <div>Joined Osaka Gas Co., Ltd.</div> <div>Jun. 2010</div> <div>Representative Director and Executive Vice President of Osaka Gas Co., Ltd.</div> <div>Apr. 2013</div> <div>Chairman of Board of Directors of Gas and Power Co., Ltd.<br/>(current)</div> <div>Jun. 2013</div> <div>Advisor to Osaka Gas Co., Ltd.</div> <div>Jun. 2014</div> <div>Outside Director and member of the External Committee of the Company (current)</div> <div>Attendance at meetings of the board of directors (the 104th term): 13 meetings out of 13 meetings</div> </div> |

- \* Each of Mr. Kozo Arao and Mr. Takashi Sakai has complied with an independence criteria established by the TSE and the independence evaluation criteria of the Company and the Company appointed them to be an independent officer and registered them with the TSE. Mr. Yoichiro Komatsu has complied with an independence criteria established by the TSE and the independence evaluation criteria of the Company. If Mr. Komatsu is appointed to be an outside audit & supervisory board member of the Company, the Company will designate him as an independent officer and register him with the TSE.

(End of Attachment 4)

**(Attachment)**

**Description of the Rules**



\* If the Large-Scale Purchaser does not comply with the Rules, including failure to submit a Purchase Statement, the Board of Directors of the Company will exercise the countermeasures pursuant to their resolution.

\* The External Committee shall evaluate and determine whether the definition of a "Large-Scale Purchase that will significantly damage shareholders' interests", as set forth in Attachment 2, applies to a proposed transaction, and shall make recommendations to the Board of Directors of the Company as to whether or not the countermeasures should be exercised. The Board of Directors shall determine whether or not to exercise the countermeasures, after affording the External Committee's recommendations the highest consideration. If, after affording the External Committee's recommendations the highest consideration, the Board of Directors decides not to exercise the countermeasures, the Company shall, in accordance with the Rules, convene a general meeting of shareholders and the shareholders of the Company shall determine whether or not to exercise the countermeasures.

**Q&As with Respect to the Continuation of Countermeasures (Takeover Defense Measures)  
against Large-Scale Purchases of Nippon Shokubai Co., Ltd. Shares**

For your further understanding of “Notification with Respect to the Continuation of Countermeasures (Takeover Defense Measures: “Rules”) against Large-Scale Purchases of Nippon Shokubai Co., Ltd. Shares,” NIPPON SHOKUBAI CO., LTD. (“Company”) would like to provide Q&As as follows. These Q&As have been prepared solely for the purpose of assisting your understanding of the Rules. They do not have any effect on the application or interpretation of the Rules.

Q1. What is the purpose of continuing the countermeasures (takeover defense measures)? Is it necessary for the Company to continue the Rules to be in use?

A1. The purpose of the Rules is to promote the common interests of the Company’s shareholders by maintaining and improving the Company’s corporate value, on a stable and ongoing basis.

Specifically, we plan to accelerate the creation and development of new business—new energy related business (in the field of batteries), and health & medical related business (including mergers and acquisitions)—based on a foundation of further improvement of revenues from our existing businesses. We believe that it is necessary to establish appropriate countermeasures for offensive takeovers and others that cause unfair interference to the implementation of these objectives.

In the event that a particular large-scale purchase (“Large-Scale Purchase”) of the Company’s shares takes place, we believe that it is important that sufficient information is provided in relation to the Large-Scale Purchase in order to determine the impact of such Large-Scale Purchase on the corporate value of the Company and the common interests of the shareholders.

For this purpose, as specific measures for when a takeover proposal is made, the Company has determined that the continuation of these Rules, which maintain a high level of transparency in relation to Large-Scale Purchases of shares and include measures for ensuring that sufficient information is provided in the event of an emergency, is necessary to ensure and enhance corporate value and shareholders’ common interests. Furthermore, the Board of Directors of the Company has determined that it is its duty to pursue this goal and that the Rules shall be continued on the condition that shareholder approval is obtained.

Q2. What are the features of the Rules?

A2. The Rules are “prior warning type” rules which are implemented at ordinary state and “countermeasures requiring shareholder decision in times of emergency.”

Specifically, in the event of a Large-Scale Purchase of the Company’s shares or other securities, shareholders will be consulted and by consulting the shareholders regarding the decision of whether to approve the Large-Scale Purchase or to exercise the takeover defense measure, the will of the shareholders will be reflected. The most distinctive feature of the Rules is the method of reflecting the will of the shareholders at the general meeting of shareholders, the Company’s highest decision-making body. Furthermore, the Rules have been formulated so that the board of directors cannot arbitrarily prevent the holding of general meetings of shareholders or delay procedures related to such meetings.

In addition, the continuation of the Rules is conditional upon obtaining approval at the general meeting of shareholders which reflects the will of the shareholders. This prevents the decision regarding the continuation of the Rules being made solely by the Board of

Directors. We believe that obtaining the approval of the shareholders and giving the highest consideration to the will of the shareholders is one of the significant features of the Rules.

- Q3. The decision of whether or not countermeasures should be exercised will be made pursuant to a resolution at a general meeting of shareholders. Will the countermeasures ever be exercised regardless of the outcome of the shareholder resolution?
- A3. In the following two exceptional circumstances, the countermeasures may be exercised pursuant to a resolution of the Board of Directors without seeking approval at a general meeting of shareholders.
- ① Failure by a large-scale purchaser (“Large-Scale Purchaser”) to comply with the Rules;
  - ② In the event the Board of Directors determines that it is apparent that the Large-Scale Purchase “will significantly damage the interests of the shareholders of the Company.” However, in making such determination, the Board of Directors will consult with the External Committee and afford the recommendations of the External Committee the highest consideration.
- Q4. The Board of Directors can, without obtaining approval of the shareholders, exercise the countermeasures if a Large-Scale Purchaser fails to comply with the Rules. Isn’t there a possibility that the Board of Directors will get arbitrarily involved?
- A4. In the event that a Large-Scale Purchase takes place which does not comply with the Rules (including when there is no submission of a purchase statement (“Purchase Statement”) or Large-Scale Purchase information (“Large-Scale Purchase Information”)), because shareholders will not be provided with sufficient information concerning the Large-Scale Purchaser or the relevant Large-Scale Purchase which is relevant for their determination regarding the effects of the Large-Scale Purchase, convening a general meeting of shareholders for the purpose of providing the shareholders the opportunity to determine the appropriateness of such Large-Scale Purchase would prove difficult, and as such, shall be considered to adversely affect the common interests of the shareholders. In such case, the Board of Directors of the Company shall resolve to exercise the countermeasures, however, the Rules are structured so that the countermeasures will be exercised based on the objective fact that the Large-Scale Purchaser has failed to comply with the Rules, preventing the possibility of arbitrary involvement by the Board of Directors.
- Q5. One of the circumstances for exercising the countermeasures without a resolution of a general meeting of shareholders is when “it is apparent that the interests of the shareholders of the Company will be significantly damaged.” How does the Company prevent arbitrary decisions by the Board of Directors?
- A5. The Rules have established measures to prevent arbitrary decisions by the Board of Directors. First of all, significantly damaging the interests of shareholders of the Company (see Attachment 2) is listed as a limited circumstance in which countermeasures can be exercised by the Board of Directors, and thus the Rules are structured so that the Board of Directors cannot exercise the countermeasures based on arbitrary reasons.
- Furthermore, all of the circumstances listed in Attachment 2 are situations reflecting statements made in judicial precedent (Tokyo Supreme Court Judgment, March 23, 2005: Tokyo Supreme Court, 2005 (Ra) No. 429) that a hostile takeover with an improper purpose is not worthy of protection, and situations where it is evident that from the perspective of the corporation’s social responsibilities, the party attempting the takeover is considered improper. In addition, details of the circumstances are set forth in the Rules and therefore, the Rules are structured to prevent the exercise of countermeasures based on arbitrary decisions of the Board of Directors.
- In addition, in order to ensure the objectivity and reasonableness of the evaluation and determination of whether or not the Large-Scale Purchase will significantly damage the

interests of the shareholders, the Board of Directors shall consult the independent External Committee (comprised of independent outside directors and independent outside audit & supervisory board members who comply with an independence criteria established by Tokyo Stock Exchange, Inc. and the independence evaluation criteria of the Company) and afford the recommendations of the External Committee the highest consideration in deciding whether or not to exercise the countermeasures. This is another way in which the Rules are structured to prevent arbitrariness of the Board of Directors. In the event the abovementioned circumstances do not apply, even if the Large-Scale Purchaser is considered to be inappropriate, as long as the Rules are being complied with, the decision of whether or not to exercise the countermeasures will not be made by the Board of Directors but by the shareholders.

Q6. The chart Description of the Rules includes the “Requirements of the Rules.” What are the “Requirements of the Rules?”

A6. The Requirements of the Rules are as follows:

- (i) Submission of a Purchase Statement (a document containing information such as description of the Large-Scale Purchaser, a description of the Large-Scale Purchase being proposed and representations to comply with the Rules) and provision of Large-Scale Purchase Information;
- (ii) If a Large-Scale Purchaser is proposing to conduct a Large-Scale Purchase through a tender offer, the period of such tender offer shall be established at the longest period of time pursuant to the effective law at the time such tender offer is implemented (60 business days). If the Large-Scale Purchaser is proposing to conduct a Large-Scale Purchase through a method other than a tender offer, such Large-Scale Purchaser shall cease all purchase transactions during the period between the date on which it submits the Purchase Statement to the Board of Directors and the closing of the relevant general meeting of shareholders of the Company; and

(iii) Other matters

Q7. The chart Description of the Rules sets out that in the event that there is affirmative “Consent of the Board of Directors of the Company” but the opinion of the shareholders is not sought, there will be “No exercise of countermeasures.” How is arbitrariness of the Board of Directors prevented in such a situation?

A7. A situation in which the Board of Directors consents assumes a so-called friendly takeover. In such case, the Board of Directors will communicate to the shareholders information including the Large-Scale Purchaser, the Large-Scale Purchase and the opinion of the Board of Directors, in accordance with the relevant laws and regulations and stock exchange rules, in a timely and appropriate manner. Shareholders shall, with reference to such information, determine whether or not to approve the Large-Scale Purchase.

Furthermore, if the shareholders determine that the Large-Scale Purchase will damage the corporate value of the Company or the common interest of the shareholders, shareholders may oppose in relation to the Large-Scale Purchase through the appointment or dismissal of Directors at the general meeting of shareholders.

Therefore, we view that by communicating information regarding the Large-Scale Purchase and the opinion of the Board of Directors to the shareholders and through the appointment or dismissal of Directors, the Board of Directors will be prevented from making arbitrary decisions.

Q8. What views are the procedures to provide information related to Large-Scale Purchases based on?

A8. The Rules employ a structure that requires the shareholders to determine whether or not the countermeasures are to be exercised in relation to a particular Large-Scale Purchase. In making this determination, it is important that sufficient information is provided regarding to

the Large-Scale Purchase, in order to evaluate the impact of such Large-Scale Purchase on the corporate value of the Company and the common interests of shareholders.

The Rules clearly set out the information that must be submitted by Large-Scale Purchasers and the method in which such information must be submitted. Furthermore, because the Rules are publicly disclosed, parties attempting to make Large-Scale Purchases are able to prepare the necessary information to propose to conduct Large-Scale Purchases.

Q9. In what circumstances will the stock acquisition rights be issued as a countermeasure?

A9. Under the Rules, the stock acquisition rights will be issued in the following circumstances:

- ① If, in accordance with the Rules, a resolution regarding the exercise of countermeasures is passed at a general meeting of shareholders;
- ② If a Large-Scale Purchaser fails to comply with the Rules, and in accordance with the Rules, the Board of Directors resolves to exercise the countermeasures;
- ③ In the event the Board of Directors determines that it is apparent that the Large-Scale Purchase “will significantly damage the interests of the shareholders of the Company.” However, in making such determination, the Board of Directors will consult with the External Committee and afford the recommendations of the External Committee the highest consideration.

Q10. Is there an effective period for the Rules?

A10. If the continuation of the Rules is approved at the general meeting of shareholders for the 104th fiscal period (April 1, 2015 to March 31, 2016), the effective period (3 years) shall be until the closing of the Ordinary General Meeting of Shareholders to be held in 2019. Furthermore, even while the Rules are in effect, the Board of Directors may abolish the Rules at any time.

Because the term of office of Directors expires within one (1) year after appointment and there are no additional requirements governing the appointment and dismissal of Directors, shareholders of the Company may cause the Rules to be abrogated by a resolution of the Board of Directors through the appointment or dismissal of Directors pursuant to ordinary resolutions at one general meeting of shareholders. This illustrates a way in which the will of the shareholders is given the highest consideration and reflected in the Rules.

Q11. Regarding the continuation of the Rules, could you please briefly explain about any procedures and conditions under applicable foreign laws and regulations that should be followed for the allocation of stock acquisition rights without consideration upon the exercise of countermeasures?

A11. When stock acquisition rights are allocated based on the Rules to shareholders residing outside Japan (“Non-Residents of Japan”), depending on the applicable foreign laws and regulations, there may be certain procedures or conditions that restrict the exercise of stock acquisition rights.

In such case, stock acquisition rights should be handled as follows:

- ① If the stock acquisition rights allocated without consideration are not permitted to be exercised under applicable foreign laws and regulations, the stock acquisition rights cannot be exercised;
- ② If, under the applicable foreign laws and regulations, there are certain procedures or conditions restricting the exercise of the stock acquisition rights allocated without consideration, and these procedures or conditions are satisfied, the stock acquisition rights may be exercised.



We believe that clarifying the treatment relating to the exercise of stock acquisition rights for Non-Residents of Japan will ultimately contribute to the Company's shareholders' and investors' investment decisions.

Furthermore, this treatment does not apply to the exercise of stock acquisition rights for shareholders residing in Japan.

- Q12. The External Committee is comprised of only independent outside officers, i.e., two independent outside directors and one independent outside audit & supervisory board member. What is the reason for this?
- A12. The main role of the External Committee under the Rules is to receive consultation from the Board of Directors of the Company and evaluate and determine whether or not it is apparent that a particular Large-Scale Purchase will significantly damage the interests of the shareholders. In conducting such evaluation and determination, it is necessary to analyze information provided by the Large-Scale Purchaser. Therefore, we thought that it would be appropriate that the independent outside director and the independent outside audit & supervisory board member who possess knowledge regarding the management and operation of the Company would examine such information and make decisions from independent point of view and for the purpose of fulfilling the fiduciary responsibility to the shareholders.