

Takeover Defense Guidelines: Policies on Response to Large-Scale Purchases of the Company's Shares

Based on the approval by shareholders at the 96th Annual General Shareholders' Meeting, held on June 28, 2007, the Company introduced policies to be implemented in response to any large-scale purchase of the Company's share certificates without prior approval from the Board of Directors, with the aim of maintaining or increasing corporate value of the Company and its Group and promoting the joint benefit of shareholders.

Subsequently, the partial amendment to and continuation of the takeover defense guidelines were approved at the 99th Annual General Shareholders' Meeting, held on June 29, 2010 and at the 102nd Annual General Shareholders' Meeting, held on June 27, 2013, respectively. As the takeover defense guidelines expire at the conclusion of the 105th Annual General Shareholders' Meeting, held on June 29, 2016, the partial amendment to and continuation of the takeover defense guidelines have been resolved at the Board of Directors' meeting, held on May 9, 2016. Following the approval of a provision entrusting the decision-making authority regarding the allocation of free stock acquisition rights to the Board of Directors at the 105th Annual General Shareholders' Meeting, the amended takeover defense guidelines become effective (See (Reference 1) Overview and Points of the Plan for the outline of the amended takeover defense guidelines as a whole).

The following is an overview of the guidelines. The full text may be found on the Company's homepage (<http://www.takara.co.jp/>) in a press release entitled "Announcement of partial amendment to and continuation of Takeover Defense Guidelines: Policies on Response to Large-Scale Purchases of the Company's Shares" released on May 9, 2016 (Japanese only). Further, this English-translation is an abbreviated version of the original Japanese full text of the takeover defense guidelines provided for the sake of shareholders and investors. As such, please note that the Company makes no warranty of any nature as to the accuracy of the abbreviation and translation thereof.

1. Initiatives to Maintain and Increase the Joint Benefit of Shareholders

(1) Basic policies regarding the state of person(s) controlling the decision making over the financial and business policies of the Company (hereinafter, "basic policies")

As a publicly traded company, the Company believes that in principle the buying and selling of the Company's shares should be left to the free judgment of shareholders and investors, and that the decision as to whether or not shareholders sell shares to those seeking to control the management of the Company through the purchase of the Company's shares is, in the end, at the discretion of those who hold shares of the Company.

Furthermore, even in the event that a certain group of shareholders gains control of the management of the Company, this action itself may not necessarily cause an immediate loss in the

corporate value and, by extension, harm the joint benefit of the Company's shareholders (hereinafter, the corporate value and the joint benefit of the Company's shareholders are simply referred to as "the joint benefit of shareholders"). On the contrary, it may even contribute to the maximization of the joint benefit of shareholders. In such an event, the Company will not oppose the efforts of a certain group of shareholders to acquire control of the management of the Company.

The Company and its group (hereinafter, "the Group"), in line with its corporate profile of contributing to the creation of a vital society and a healthy lifestyle through fermentation technology and biotechnology in a way that achieves harmony with nature, is committed to contributing to society by seeking out new possibilities in culinary culture, cultural life and the life sciences, and by continuing to create new value. This commitment is underpinned by further developing our fermentation technologies of traditional Japanese sake brewing and our cutting-edge biotechnologies.

In order to further increase corporate value, in 2002 the Takara Shuzo Group, focused on the alcoholic beverages and foods business (currently the alcoholic beverages and seasonings business), and the Takara Bio Group, focused on the biomedical business, were restructured to form a holding company. In 2006, the Takara Group undertook a reorganization of its operations in order to maximize synergies between Takara Shuzo's functional foods business and Takara Bio's health foods business, and established Takara Healthcare Inc. as a wholly owned subsidiary. Through these efforts, the Company has allowed each business group to maintain its uniqueness and independence, as a holding company by pursuing maximum business performance through providing management coordination and administration for the entire Group. The Group has proceeded to develop a strong and unique business portfolio with the Alcoholic beverages and seasonings business as a stable revenue-generating foundation and the Biomedical business and Health foods business positioned as high-potential growth businesses. Further, the 10-year long-term management vision known as Takara Group Vision 2020 was established in 2011 to help the Group develop a balanced business structure that is readily adaptable to changing conditions. The Takara Group Vision 2020 calls on us to grow businesses in markets in Japan and overseas where we can leverage our strengths while establishing a balanced business structure that is readily adaptable to changing conditions. Guided by this management policy, the Group will provide the world with products and services boasting technology-back reliability and safety while contributing to the progress of medicine in order to enrich people's lives. In this way, we will pursue higher corporate value for the entire Takara Group.

Under these circumstances, in the management of the Group, the Company must possess the highest levels of specialized knowledge and extensive experience required by its different business models of the alcoholic beverages and seasonings business, the biomedical business and the health foods business, which form the pillars of the Group's business operations. Furthermore, we believe that it is imperative for the Group to build trusting relationships with all of its domestic and overseas stakeholders. Since it is these elements that

are the foundation of this Group's corporate value, we believe that management members, who control the decision making over the financial and business policies of the Company, must fully understand these relationships if they are to increase corporate value in the future and, by extension, to secure and increase the joint benefit of shareholders.

Furthermore, among those seeking to gain control of the management of the Company through a large-scale purchase of the Company's shares, there are those who seek to acquire the Company's shares just to abuse the system, such as a set of individuals who, despite having no real interest in the management of the Company, seek to drive up the price of the Company's shares with the intention of forcing those connected with the Company to buy them back at an inflated price (commonly referred to as a "green mailer"). There are also cases of those who would clearly cause a loss in the joint benefit of shareholders, such as the cases of "two-tiered takeovers" in which an individual does not submit an offer for all of the Company's shares during the first stage of purchase, but then seeks to coerce shareholders into selling their shares by way of setting the second-stage purchase terms that are disadvantageous or unclear. We believe that it is self-evident that it would be inappropriate for such individuals to take control of the decision making over the financial and business policies of the Company.

We believe that the state of persons controlling the decision making over the financial and business policies of the Company should be as stated above. We also believe that predetermined policies should be put in place in preparation of the emergence of a party that is unsuited to control the decision making over the financial and business policies of the Company.

(2) The Company's present initiatives to raise the joint benefit of shareholders for many years to come in line with our basic policies

In order to realize our basic policies, the Group is working to achieve steady improvement of corporate value based on the principles of creating stable earnings in the alcoholic beverages and seasonings business; developing the health foods business into a future growth business; and greatly advancing the biomedical business, particularly in the gene medicine fields.

Principle strategies for each segment are outlined below.

- Takara Shuzo Group (Alcoholic beverages and seasonings business):
 - At the Takara Shuzo Group, the Group's core business, generate stable cash flow by manufacturing the original products differentiated by its technologies including shochu, sake, light-alcohol refreshers, seasonings, and raw alcohol, and rolling out these products not only in Japan but also worldwide. At the same time, outside Japan, realize sustainable growth by spreading Japanese food culture worldwide through the expansion of the Japanese Food Wholesale Business in overseas market that sells Japanese foods and seasonings to Japanese restaurants overseas.
- Takara Bio Group (Biomedical business):
 - At Takara Bio Group, which is the core growth business of the Group, create stable profits in the Bioindustry Business, a stable earnings base, through the expansion of the manufacturing and sales of

reagents and scientific instruments for biomedical researchers, and Contract Development & Manufacture Organization (CDMO) business for bio-pharmaceuticals and regenerative medicine products, setting the Center for Gene and Cell Processing as a core center. Furthermore, continue to nurture its AgriBio business, including the development of health food ingredients and cultivation and sales of mushrooms, as its second profitable business. Invest the income generated by these two businesses in the gene medicine business to advance clinical development projects with the aim of developing a business utilizing gene therapy, and thereby maximize future cash flows.

- Takara Healthcare Inc. (Health foods business):

-At Takara Healthcare, expand mail-order sales and sales in the BtoB market of unique ingredients as well as safe and secure health food products, such as the Gagome kombu (kelp) fucoidan and the Peucedanum japonicum isosamidin, developed through Takara Bio's research efforts and technologies. By these means, further develop its operating base in order to develop the health foods business into a future growth business of the Group.

In addition, the Group believes it is possible to continuously enhance corporate value over the long term by fulfilling its social responsibilities as a corporation and by earning the trust of the Group's various stakeholders. Recognizing this, the Group has identified the strengthening of corporate governance as a key management task and has formulated the Takara Holdings Corporate Governance Policy based on the following systems along with efforts including the proactive dialogue with shareholders and investors and establishment of the optimal governance structure centered on the Board of Directors.

In more practical terms, as of June 29, 2016, the Company has a Board of Directors comprised of nine directors (including two external directors as defined by Article 2-15 of the Company Law) and has adopted an auditing system. Three of the Company's five audit & supervisory board members are external audit & supervisory board members as defined by Article 2-16 of the Company Law. The Company's audit & supervisory board members audit the legality of decision making and business execution of the Board of Directors, through their participation in important meetings such as the Board of Directors' meetings and examination of key documents. Furthermore, in order to ensure the ability to respond quickly to changes in the management environment and clarify the management responsibility of directors, the term of directors is set at one year. Additionally, as of June 29, 2016, the Company has assigned three independent board members—as stipulated by the Securities Listing Regulations and Related Rules of the Tokyo Stock Exchange—consisting of two external directors and one external audit & supervisory board member.

In this manner, the Group conducts its daily business activities in line with the basic policies to raise the joint benefit of shareholders over the long term and, by extension, to maximize the joint benefit of shareholders.

2. Objectives of Introducing and Continuing the Plan

The Company, as described in section (1) of 1 above, has established the basic policies to maintain and raise the joint benefit of shareholders. In order to prevent those who are not suited to these basic policies from taking control of decision making over the financial and business policies of the Company, and to secure and improve the joint benefit of shareholders, we believe it would be beneficial to establish policies (hereinafter, "the Plan") to be implemented in response to any large-scale purchase of the Company's share certificates without prior approval from the Board of Directors (for an overview of the Plan, please refer to Reference 2).

In the event of a purchase of shares that would involve a transfer of a certain degree of management without the prior approval of the Board of Directors, we believe that ensuring that shareholders receive necessary and sufficient information and have a certain period of time for consideration before making their decision as to whether or not to sell their shares in response to the purchase will contribute to securing and improving the joint benefit of shareholders.

In addition, when defense measures are implemented in response to the purchase offer of a specified shareholder group (see section 3-4.(3) for details), in order to exclude as much as possible any arbitrary decisions by the Board of Directors, the decision as to whether or not to implement defense measures, except in cases where the large-scale purchaser (see section 3-1 for a definition, hereinafter the same) fails to abide by the large-scale purchase rules mentioned in 3-3, shall be left to shareholders, and a general shareholders' meeting shall be held at which shareholders shall be consulted with a measure related to the decision on the matters concerning the allocation of stock acquisition rights. We believe that reflecting opinions of shareholders on the decision as to whether defense measures should be implemented will contribute to securing and improving the joint benefit of shareholders to the maximum extent possible.

In accordance with this belief, the content of the Plan was decided at the Board of Directors' meeting held on May 15, 2007, and was approved at the 96th Annual General Shareholders' Meeting, held on June 28, 2007. The Plan was introduced thereafter.

In the period from this date (June 28, 2007) until the current day (June 29, 2016), regardless of whether or not they may be seeking to control the management of the Company, there has been no indication as to the existence of anyone who has purchased or seeks to purchase the Company's shares on a large scale to whom the Plan may be applicable. However, we cannot rule out the possibility that such a person or party may appear in the future.

Accordingly, the Plan has been continued in order to protect the joint benefit of shareholders from the purchase that would damage this joint benefit, and to ensure that shareholders are able to decide whether or not to sell their shares in response to a purchase that may incur the transfer of the control of management, based on necessary and sufficient information and a certain period of time for consideration, and whether or not to implement these defense measures against the purchase.

Accompanying the continuation of the Plan, taking recent discussions concerning policies on response to large-scale purchases after the introduction of the Plan and other matters into

consideration, in order to further secure the objectivity and reasonableness concerning a series of procedures in accordance with the large-scale purchase rules and of the Board of Directors' judgement as to the necessity and reasonableness of the implementation of defense measures against the large-scale purchaser, necessary amendments will be made to the Plan, including the establishment of the Independent Committee as an independent organization from the Board of Directors.

3. Overview of the Plan

3-1. Requirements for application of the Plan

(1) The Plan shall be applied to a large-scale purchase by a large-scale purchaser

A: Large-scale purchase

- A large-scale purchase is defined as a purchase offer of the Company's share certificates where a specified shareholder group¹ seeks to acquire a 20 percent-or-higher ratio of voting rights² through a purchase of the Company's share certificates³, or where such a purchase will have the effect of giving the specified shareholder group a 20 percent-or-higher ratio of shareholder voting rights (excluding such cases where the Board of Directors has indicated its agreement for the purchase).

B: Large-scale purchaser

- Those making a large-scale purchase.

- Notes:
1. "Specified shareholder group" shall be defined as: (1) any holder, as defined in the Financial Instruments and Exchange Law (Law No. 25 of April 13, 1948, including all amendments thereafter, hereinafter the same), Article 27-23, Paragraph 1, including those considered to be a holder as defined in Paragraph 3 of the same article and others included based on the judgment of the Board of Directors, or any joint holder, as defined in the Financial Instruments and Exchange Law, Article 27-23, Paragraph 5, including those considered to be a joint holder as defined in Paragraph 6 of the same article and others included based on the judgment of the Board of Directors, of the Company's share certificates (as defined in the Financial Instruments and Exchange Law, Article 27-23, Paragraph 1), or (2) any person who purchases, as defined in the Financial Instruments and Exchange Law, Article 27-2, Paragraph 1, and including all exchanges taking place in a stock exchange, the Company's share certificates, as defined in the Financial Instruments and Exchange Law, Article 27-2, Paragraph 1, or such a person's specially related person, as defined in the Financial Instruments and Exchange Law, Article 27-2, Paragraph 7 and others included based on the judgment of the Board of Directors. This definition shall apply to all subsequent references.
 2. "Ratio of voting rights" shall be defined as: (1) in cases where the specified shareholder group corresponds to Note 1 (1) above, it is the ratio of the number of the Company's share certificates held by a holder, as defined in the Financial Instruments and Exchange Law, Article 27-23, Paragraph 4. In such cases, the number of share certificates held by any joint holders, as defined in the same paragraph, will also be taken into consideration for calculation, or (2) in cases where the specified shareholder group corresponds to Note 1 (2) above, it is the total of the ratio of the number of the Company's share certificates held by the one purchasing the Company's shares and the ratio held by any specially related persons, as defined in the Financial Instruments and Exchange Law, Article 27-2, Paragraph 8. This definition shall apply to all subsequent references.
 3. "Share certificates" shall be either a share as defined in the Financial Instruments and Exchange Law, Article 27-23, Paragraph 1, or a share as defined in Article 27-2, Paragraph 1, of the same law. This definition shall apply to all subsequent references.

(2) When making a large-scale purchase, a large-scale purchaser must strictly abide by the large-scale purchase rules

3-2. Establishment of the Independent Committee

(1) Overview

In order to further secure the objectivity and reasonableness concerning a series of procedures in accordance with the large-scale purchase rules and of the Board of Directors' judgement as to the necessity and reasonableness of the implementation of defense measures against the large-scale purchaser, the Company establishes the Independent Committee as an independent organization from the Board of Directors, where deliberates on matters described in (3) below and makes recommendations to the Board of Directors.

The Board of Directors shall, while respecting the recommendations of the Independent Committee to the maximum extent, judge the necessity and reasonableness of the implementation of defense measures against the large-scale purchaser, and implement other measures including the convocation procedures for the General Shareholders' Meeting to Confirm Shareholders' Intentions.

(2) Composition of the Independent Committee

The Independent Committee shall appoint three or more members who satisfy "Independence Standards for Outside Officers" stipulated separately by the Company and who are any of external directors and external audit & supervisory board members independent from the management of the Company, and impartial external experts such as lawyers and certified public accountants. At the time of the continuation of the Plan, the Independent Committee that consists of three members who are external directors or external audit & supervisory board members of the Company.

(3) Role of the Independent Committee

A: Evaluation whether submitted necessary information is sufficient and recommendations to the Board of Directors

B: Evaluation whether the submitted information is sufficient as necessary information and the new evaluation period is to be set in the event that the purchase proposal is changed, and recommendations to the Board of Directors

C: Recommendations to the Board of Directors on the necessity and reasonableness of the implementation of defense measures against the purchase proposal

D: Recommendations to the Board of Directors as to the implementation of defense measures in the event that the large-scale purchaser fails to comply with the large-scale purchase rules

E: Evaluation on matters on which the Board of Directors has consulted with the Independent Committee and recommendations to the Board of Directors thereof

3-3. Details of the large-scale purchase rules

(1) Large-scale purchase rule 1

The large-scale purchaser must provide the Board of Directors with sufficient information regarding the large-scale purchase in advance.

A: Information that must be submitted by the large-scale purchaser to the Board of Directors

- Statement of Intent

- Documentation designated by the Company, providing the name and address of the large-scale purchaser, its governing law of establishment, the name of a representative, contact information in

Japan, an overview of the large-scale purchase by the large-scale purchaser (hereinafter referred to as "purchase proposal") and a statement of intent to comply with the large-scale purchase rules

- Necessary Information

- Information that is required to be submitted by the large-scale purchaser, based on a necessary information list provided to the large-scale purchaser by the Board of Directors within five business days from the following day of the receipt date of the statement of intent (Information requested based on a necessary information list is limited to that information that is necessary in order for shareholders to make judgments and the Board of Directors and the Independent Committee to form opinions. When the large-scale purchaser submits a document prepared in a foreign language, a Japanese translation of the entire document shall be attached hereto, and the document in Japanese shall be treated as the definitive document for all intents and purposes.)

B: Judgment regarding whether submitted information is sufficient

- After receiving the information submitted by the large-scale purchaser, the Board of Directors will determine whether or not the information is sufficient to allow shareholders to make judgments and the Board of Directors and the Independent Committee to form opinions, while respecting the recommendations of the Independent Committee to the maximum extent. If the information submitted is judged to be insufficient then a subsequent request for information will be sent to the large-scale purchaser.

The date on which information that has been judged sufficient is received is marked as the start date of the evaluation period (defined as the period within 30 business days from the start date of the evaluation period in which the Board of Directors evaluates the purchase proposal, hereinafter the same). On this date, the Board of Directors will begin to evaluate the purchase proposal. The start date of the evaluation period is to be within 30 business days after the date on which the large-scale purchaser first submitted information in accordance with the necessary information list (hereinafter, "the initial information submission date"). Even in the event that sufficient information has not yet been received, the evaluation period is to start immediately after 30 business days have passed since the initial information submission date. Even if 30 business days have not yet passed, the evaluation period is to start immediately after sufficient information has been received.

(2) Large-scale purchase rule 2

(a) All large-scale purchasers shall wait until the end of the evaluation of the purchase proposal by a Board of Directors' meeting, which shall be held no later than 30 business days from the start of the evaluation period, before starting their large-scale purchase.

(b) In the event that a General Shareholders' Meeting to Confirm Shareholders' Intentions is held, the large-scale purchaser who made such a purchase proposal shall not begin its large-scale purchase until the end of the General Shareholders' Meeting to Confirm Shareholders' Intentions.

A: Evaluation by the Board of Directors and the Independent Committee

-During the evaluation period, the Board of Directors shall, based on the necessary information received from the large-scale purchaser, etc., review whether or not the purchase proposal contributes to securing and improvement the joint benefit of shareholders, and shall make a resolution on whether or not the implementation of defense measures is necessary and reasonable and shall publicly disclose the results of the resolution.

Prior to the resolution as to the existence of the necessity and reasonableness of the implementation of defense measures, the Board of Directors shall consult with the Independent Committee on the necessity and reasonableness thereof. The Independent Committee shall review the purchase proposal and necessary information submitted by the large-scale purchaser, and makes recommendations on the existence of the necessity and reasonableness of the implementation of defense measures against the purchase proposal to the Board of Directors within the evaluation period. Upon its resolution, the Board of Directors shall respect the recommendations of the Independent Committee to the maximum extent.

The large-scale purchasers shall not commence the large-scale purchase until the Board of Directors completes the evaluation of the purchase proposal, judges not necessary to submit a proposal concerning the implementation of defense measures to the General Shareholders' Meeting to Confirm Shareholders' Intentions due to the absence of the necessity and reasonableness thereof, and a resolution of such judgment is made by the Board of Directors and publicly disclosed.

B: Holding of the General Shareholders' Meeting to Confirm Shareholders' Intentions

If, as a result of the evaluation by the Board of Directors' meeting held no later than 30 business days from the start of the evaluation period, the Board of Directors judges that it is necessary and reasonable to implement these defense measures, and when a resolution of such judgment is made by the Board of Directors and publicly disclosed (the date of such disclosure is hereinafter referred to as the "end of the evaluation period"), the general shareholders' meeting shall be held within 60 business days of the end of the evaluation period to discuss decision of matters concerning allocation of free stock acquisition rights (hereinafter referred to as "General Shareholders' Meeting to Confirm Shareholders' Intentions.") Note that if, due to some administrative procedures, the General Shareholders' Meeting to Confirm Shareholders' Intentions cannot be held within 60 business days of the end of the evaluation period, preparations will proceed on schedule, this meeting shall be held at the earliest rational business date that is administratively feasible.

In the event that a General Shareholders' Meeting to Confirm Shareholders' Intentions is hold, the large-scale purchaser who made such a purchase proposal shall not begin its large-scale purchase until the end of the General Shareholders' Meeting to Confirm Shareholders' Intentions.

(3) In the event that the purchase proposal is changed
If, after the start date of the evaluation period, any significant changes are made to the purchase proposal by the large-scale purchaser, the Board of Directors shall request the submission of necessary

information concerning the changed purchase proposal (hereinafter, "changed purchase proposal") as necessary. A new evaluation period shall commence on the date on which such necessary information has been sufficiently received. Moreover, the start date of the evaluation period for the changed purchase proposal shall be within 30 business days from the date on which the large-scale purchaser first submitted information in regard to the changed purchase proposal. As with (2)-A above, during the evaluation period within 30 business days from the start date of the evaluation period, the Board of Directors shall, while respecting the recommendations of the Independent Committee to the maximum extent, evaluate the changed purchase proposal, and shall make a resolution as to the existence of the necessity and reasonableness of the implementation of defense measures and shall publicly disclose the results of the resolution.

3-4. Response to the large-scale purchaser

(1) When the large-scale purchase rules are complied with

- When the Board of Directors judges that it is not necessary or reasonable to implement defense measures while respecting the recommendations of the Independent Committee to the maximum extent
- The large-scale purchaser may begin their large-scale purchase after the public disclosure of the results of the resolution taken at the Board of Directors' meeting.
- When the Board of Directors judges that it is necessary and reasonable to implement defense measures while respecting the recommendations of the Independent Committee to the maximum extent
- In order for shareholders to make a judgment on whether or not to implement the defense measures against the large-scale purchaser, in principle the General Shareholders' Meeting to Confirm Shareholders' Intentions shall be held within 60 business days of the end of the evaluation period (if, due to some administrative procedures, the General Shareholders' Meeting to Confirm Shareholders' Intentions cannot be held within 60 business days of the end of the evaluation period, preparations will proceed on schedule, this meeting shall be held at the earliest rational business date that is administratively feasible.)
- If the matters concerning the allocation of free stock acquisition rights are approved at the General Shareholders' Meeting to Confirm Shareholders' Intentions, the defense measures shall be implemented in accordance with the Plan; while if such matters are rejected, the defense measures based on the Plan shall not be implemented.

(2) When the large-scale purchaser fails to comply with the large-scale purchase rules

- Defense measures will be implemented as soon as it becomes clear that the large-scale purchase rules are obviously being violated (The decision on the implementation of defense measures shall be made while respecting the recommendations of the Independent Committee to the maximum extent.)

(3) Content of the defense measures

- Defense measures shall be allocation of free stock acquisition rights

with exercise conditions and an acquisition clause that will limit the exercise of subscription rights by a certain person or party (See (Reference 3) Overview of Stock Acquisition Rights for overview of stock acquisition rights to be allotted.)

4. Effects on Shareholders and Investors

(1) Effect of the Plan on shareholders and investors when introduced

There will be no effect on the rights of shareholders and investors when the Plan is introduced.

(2) Effect on shareholders and investors when the General shareholders' Meeting to Confirm Shareholders' Intentions is held

In order to finalize the shareholders who are eligible to exercise voting rights in the General Shareholders' Meeting to Confirm Shareholders' Intentions, a specified date shall be announced as the reference date. It shall be necessary for shareholders to be recorded on the list of final shareholders as of the specified date.

(3) Effect on shareholders and investors when the defense measures are implemented

If shareholders who are allocated free stock acquisition rights do not exercise them within the preset period, the proportion of voting rights and economic value may decrease due to other shareholders exercising their stock acquisition rights. (Note that when the Company's common stocks are issued as a result of acquisition based on the acquisition clause, there will be no proportional loss of voting rights). Nevertheless, the Company may acquire free stock acquisition rights by the day before the start date of the period to exercise these stock acquisition rights or take other actions due to reasons such as the large-scale purchaser withdrawing their large-scale purchase.

Should this occur, unexpected losses due to stock price fluctuations may be experienced by shareholders or investors who traded the Company's stock based on the presumption that the Company's stock price would fluctuate considerably.

(4) Necessary procedures for shareholders when the defense measures are implemented

Shareholders do not need to make any special application. Since all shareholders recorded on the list of final shareholders on the reference date of allocation will automatically become holders of stock acquisition rights on the date that the allocation of free stock acquisition rights takes effect. Common stocks are issued as a result of acquisition effect. It is therefore necessary that shareholders be recorded on the list of final shareholders on the reference date of allocation.

(5) Necessary procedures to acquire stock acquisition rights from the Company

The Company may, on a date specified by the Board of Directors, require shareholders to submit evidence in writing that they are not part of the large-scale purchase before they can acquire stock acquisition rights.

5. Rationalization of the Plan

(1) The Plan is in compliance with standards and

guidelines

The Plan is in compliance with the three principles (the principle of protecting and enhancing corporate value and the joint benefit of shareholders as a whole, the principle of prior disclosure and the will of shareholders, and the principle of ensuring the necessity and reasonableness) outlined in the Guidelines Regarding Takeover Defense for the Purpose of Protection and Enhancement of Corporate Value and Shareholders' Common Interests released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005. Additionally, the takeover defense guidelines adhere to the content described in the "Report on appropriate takeover defense guidelines based on recent changes in business environments" released by the Corporate Value Research Forum on June 30, 2008. Furthermore, the takeover defense guidelines are in compliance with laws and regulations, such as those described in the Financial Instruments and Exchange Act, the Company Law, as well as the regulations of other financial exchange institutes.

(2) The Plan was introduced in order to protect and enhance the joint benefit of shareholders

The Plan was introduced in order to protect and enhance the joint benefit of shareholders. It includes provisions to ensure that shareholders are supplied with sufficient information, and provides an appropriate evaluation period during which the decision to accept or reject a purchase proposal, or whether or not to implement defense measures, can be made.

(3) The Plan reflects the will of shareholders

A amendment to the articles of incorporation regarding the institution allocating free stock acquisition rights was approved at the 96th Annual General Shareholders' Meeting, held on June 28, 2007. A provision entrusting the decision-making authority regarding the allocation of free stock acquisition rights to the Board of Directors was also approved at this point. Accordingly, the Plan was introduced thereafter as a reflection of the will of shareholders. . Moreover, the abovementioned provision entrusting the decision-making authority regarding the allocation of free stock acquisition rights to the Board of Directors, and as a result the continuation of the Plan, was approved at the 99th Annual General Shareholders' Meeting, held on June 29, 2010, the 102nd Annual General Shareholders' Meeting, held on June 27, 2013, and the 105th Annual General Shareholders' Meeting, held on June 29, 2016 respectively, thereby the system to reflect the will of shareholders, also in its continuation, is secured. Furthermore, in accordance with the Plan, in the event that a large-scale purchaser appears, the decision to implement defense measures shall be based on the will of shareholders, which is to be confirmed at the General Shareholders' Meeting to Confirm Shareholders' Intentions. Through these provisions, the Plan is thoroughly equipped to reflect the will of shareholders.

(4) The Plan does not contain dead hand or slow hand provisions

The Plan can be abolished even in the event that the majority of directors on the Board of Directors change, and therefore does not contain a dead hand provision (a provision that prevents the abolishment of takeover defense measures regardless of majority

changes in the Board of Directors). Also, as the term of directors is one year, the Plan does not contain a slow hand provision (a provision in which the ability to stop the activation of takeover defense measures is limited by the inability to change the majority of members of the Board in one instance).

(5) The Board of Directors respects the recommendations of the Independent Committee to the maximum extent

Upon the judgements on implementation of defense measures against the purchase proposal, etc., the Board of Directors shall consult with the Independent Committee consists only of members who satisfy "Independence Standards for Outside Officers" stipulated separately by the Company and who are any of external directors and external audit & supervisory board members independent from the management of the Company, and impartial external experts such as lawyers and certified public accountants, while respecting the recommendations of the Independent Committee to the maximum extent. Therefore, the objectivity and reasonableness in the operation of the Plan is secured.

6. Effective period and procedures for the amendment and/or abolition of the Plan

The Plan shall be effective until the conclusion of the Annual General Shareholders' Meeting, to be held in 2019.

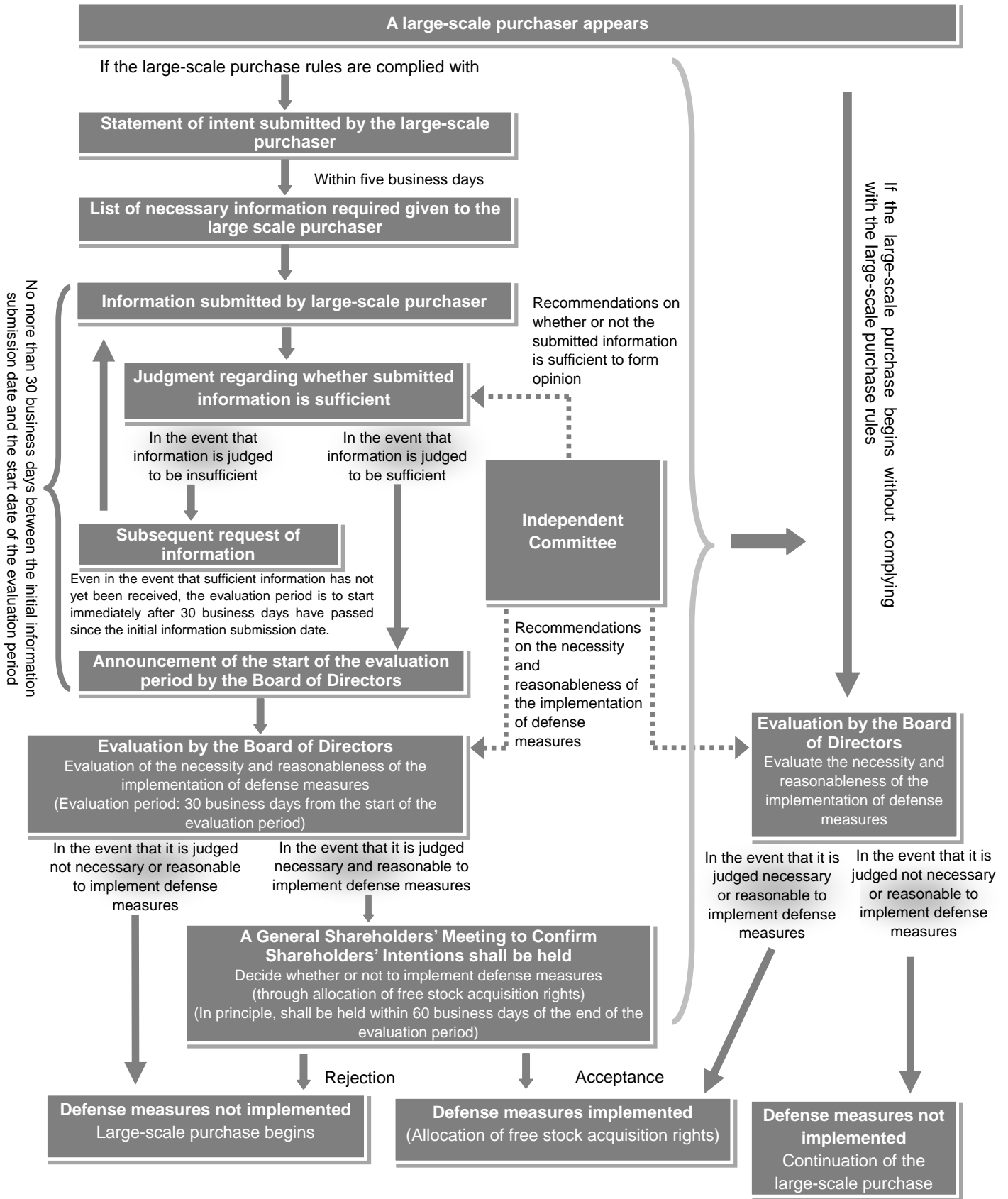
The Plan can be abolished based on the resolution by the Board of Directors or General Shareholders' Meeting.

(Reference 1) Overview and Points of the Plan

		Takeover Defense Guidelines of the Company
Requirements for Application of the Plan (Large-scale purchase)		A large-scale purchase is defined as a purchase offer of the Company's share certificates where a specified shareholder group seeks to acquire a 20 percent-or-higher ratio of voting rights through a purchase of the Company's share certificates, or where such a purchase will have the effect of giving the specified shareholder group a 20 percent-or-higher ratio of shareholder voting rights
Establishment and Composition of the Independent Committee		Establishment of the Independent Committee that consists of three or more members who satisfy Independence Standards for Outside Officers of the Company and who are any of external directors and external audit & supervisory board members independent from the management of the Company, and impartial external experts such as lawyers and certified public accountants *Initially, the Committee appoints three members and all of them are external directors or external audit & supervisory board members of the Company
The Major Role of the Independent Committee		<ol style="list-style-type: none"> 1. Evaluation whether submitted necessary information is sufficient and recommendations to the Board of Directors 2. Evaluation whether the submitted information is sufficient as necessary information and the new evaluation period is to be set in the event that the purchase proposal is changed, and recommendations to the Board of Directors 3. Recommendations to the Board of Directors on the necessity and reasonableness of the implementation of defense measures 4. Recommendations to the Board of Directors as to the implementation of defense measures in the event that the large-scale purchaser fails to comply with the large-scale purchase rules 5. Evaluation on matters on which the Board of Directors has consulted with the Independent Committee and recommendations to the Board of Directors thereof
Requirements for Large-Scale Purchaser (Large-scale purchase rules 1 and 2)		<ol style="list-style-type: none"> 1. Provision, etc. of necessary information concerning the large-scale purchase <ol style="list-style-type: none"> (1) Submission of an overview of the purchase proposal and a statement of intent by the large-scale purchaser (2) Submission of necessary information by the large-scale purchaser, based on a necessary information list provided to the large-scale purchaser within five business days from the following day of the receipt date of the statement of intent <ul style="list-style-type: none"> * Major items stipulated as necessary information includes the objective of, and purchase conditions and methods for the purchase proposal, as well as the management policy and business plan of the Company after the purchase. 2. Not to commence the large-scale purchase before the expiration of the following period <ul style="list-style-type: none"> By the end of the evaluation period (within 30 business days from the start date of the evaluation period) (In the event that the General Shareholders' Meeting to Confirm Shareholders' Intentions to be hold, by the conclusion thereof)
Start Date of Evaluation Period		Within 30 business days from the initial information submission date (The evaluation period is to start immediately after sufficient information has been submitted)
Evaluation Period		Within 30 business days from the start date of the evaluation period
Holding the General Shareholders' Meeting to Confirm Shareholders' Intentions		To be held when the Board of Directors judges necessary or reasonable to implement defense measures(The Board of Directors judges the necessity and reasonableness of the implementation while respecting the recommendations of the Independent Committee to the maximum extent) → To be held within 60 business days of the end of the evaluation period
Decision-making Institution on Implementation of Defense Measures	Comply with the large-scale purchase rules	General Shareholders' Meeting to Confirm Shareholders' Intentions
	Fail to comply with the large-scale purchase rules	Board of Directors (the Board of Directors respects the recommendations of the Independent Committee to the maximum extent)
Contents of Defense Measures		Allocation of free stock acquisition rights (See (Reference 3) for details of the stock acquisition rights)
Term of Directors		One year
Total Number and Composition of Directors		Nine Directors (including two external directors)
Total Number and Composition of Standing Audit & Supervisory Board Members		Two Standing Audit & Supervisory Board Members and three Audit & Supervisory Board Members (including three external audit & supervisory board members)
Effective Period of the Plan		Three years

(Reference 2) Conceptual Overview of the Plan

- Large-scale purchase rules**
1. The large-scale purchaser must provide the Board of Directors with sufficient information regarding the large-scale purchase in advance.
 2. (a) All large-scale purchasers shall wait until the end of the evaluation of the purchase proposal by a Board of Directors' meeting, which shall be held no later than 30 business days from the start of the evaluation period, before starting their large-scale purchase.
 - (b) In the event that a General Shareholders' Meeting to Confirm Shareholders' Intentions is held, the large-scale purchaser shall not begin its large-scale purchase until the end of the General Shareholders' Meeting to Confirm Shareholders' Intentions.



(Reference 3) Overview of Stock Acquisition Rights

1) Intended recipients of stock acquisition rights

Those who are recorded in the list of shareholders as of the date that the Board of Directors or a general shareholders' meeting decides to allocate stock acquisition rights (hereinafter, "allocation reference date") shall be allocated one stock acquisition right per share that they hold.

2) Total number of stock acquisition rights

The upper limit shall be the total number of outstanding shares issued as of the allocation reference date, less the treasury stocks as of the same date.

3) Date that the allocation of stock acquisition rights becomes effective

The date that the allocation of stock acquisition rights becomes effective shall be set by the Board of Directors or at a general shareholders' meeting in a separate decision.

4) Type and number of shares for the purpose of stock acquisition rights

The type of shares for the purpose of stock acquisition rights shall be common stock of the Company, and each stock acquisition right entitles the holder to subscribe to one common stock. Note that should the Company's shares be split including free share distribution, or consolidated, stock acquisition rights shall be adjusted by using the method decided by the Board of Directors or at a general shareholders' meeting for the allocation of free stock acquisition rights.

5) Amount of assets to be contributed for the exercise of stock acquisition rights

The amount of assets to be contributed for the exercise of stock acquisition rights shall be the amount of one Japanese yen or greater per common stock of the Company granted in exchange for the exercise of stock acquisition rights, whose payable amount shall be decided by the Board of Directors or at a general shareholders' meeting, multiplied by the number of shares issued for the purpose of stock acquisition rights.

6) Conditions of the exercise of stock acquisition rights

The large-scale purchaser, specified shareholder group, or any person who acquires stock acquisition rights from the large-scale purchaser or specified shareholder group without obtaining the approval of the Board of Directors (hereinafter, "the large-scale purchaser"), may not exercise these stock acquisition rights.

7) Acquisition of stock acquisition rights by transfer

The approval of the Board of Directors shall be required for acquisition of stock acquisition rights by transfer.

8) Period for the exercise of stock acquisition rights

This period shall be decided by the Board of Directors or at a general shareholders' meeting.

9) Conditions for acquiring stock acquisition rights

Conditions for acquiring stock acquisition rights shall be determined by the Board of Directors or at a general shareholders' meeting. However, a clause may be added allowing the Company to acquire all of the free stock acquisition rights (acquisition clause) on or after a date specified in a separate decision by the Board of Directors or at a

general shareholders' meeting. In addition, a clause may be added allowing the Company to acquire stock acquisition rights in exchange for the Company's common stock under and subject to certain causes (acquisition clause). Such acquisition clauses may include a clause that the stock acquisition rights may not be acquired from a large-scale purchaser, etc.

10) Issuance of stock acquisition rights certificates

Stock acquisition rights certificates shall not be issued.

11) Others

All other necessary details shall be determined by the Board of Directors or at a general shareholders' meeting when the decision to allocate free stock acquisition rights is taken.