

Note: This is an unofficial translation of the Japanese original version and is provided for your reference and convenience only. Where there are any discrepancies between the Japanese original and the translated document, the original Japanese document shall prevail.

To Our Shareholders:

Stock Code: 6741

May 30, 2019

Nippon Signal Co., Ltd.

5-1, Marunouchi, 1-Chome,

Chiyoda-ku, Tokyo

President & CEO

Hidehiko Tsukamoto

**Notice of Convocation of the Ordinary General Meeting of
Shareholders for the 136th Business Term**

Notice is hereby given that the Ordinary General Meeting of Shareholders for the 136th Business Term of Nippon Signal Co., Ltd. (hereinafter referred to as the 'Company') will be held as described below.

Your attendance at the meeting is cordially requested.

1. Date and Time: Friday, June 21, 2019 at 10:00 a.m. (Japan time)
(Reception will start at 9:00 a.m.)

2. Venue: Hall of Otemachi Sankei Plaza 4th Floor, Tokyo Sankei Building
7-2, Otemachi 1-chome, Chiyoda-ku, Tokyo

3. Agenda for the Meeting:

[Matters for Reporting]

- 1 - Reports on the contents of the Business Report and Consolidated Financial Statements for the 136th Business Term (from April 1, 2018 to March 31, 2019), and reports on the Auditing Results of Accounting Auditor and Audit & Supervisory Board regarding the Consolidated Financial Statements.
- 2 - Reports on the content of the Financial Statements for the 136th Business Term (from April 1, 2018 to March 31, 2019).

[Matters for Resolution]

- 1 - Election of nine Directors
- 2 - Election of four Audit & Supervisory Board Members
- 3 - Renewal of the Countermeasures in Response to Large-scale Acquisition of Company's Shares (Takeover Defense Measures)

Upon attending the Meeting, please present the enclosed Voting Form to the receptionist of the Meeting.

Guide to the Exercise of Voting Rights

If you attend the Meeting

Please present the Voting Form to the receptionist of the Meeting.

Date and time: Friday, June 21, 2019 at 10:00 a.m. (Japan time)
(Reception will start at 9:00 a.m.)

If you are unable to attend the Meeting

Voting by postal mail:

Please indicate your approval or disapproval concerning the proposals shown on the Voting Form and send it back to us.

Deadline for exercising voting rights:

Voting Form must be received by 5:05 p.m. on Thursday, June 20, 2019 (Japan time)

Internet

Please input your approval or disapproval concerning each proposal via the voting website designated by the Company (<https://soukai.mizuho-tb.co.jp/>).

Deadline for exercising voting rights:

No later than 5:05 p.m. on Thursday, June 20, 2019 (Japan time)

- When you exercise the voting rights through a proxy, such proxy must be only one shareholder who is entitled to attend the general meeting of shareholders. In this case, please submit a written power of attorney and the enclosed Cards for Exercise of Voting Rights to the receptionist of the Meeting.
- Any changes in the matters described in Reference Documents for General Meeting of Shareholders, Business Report, Consolidated Financial Statements and Financial Statements will be posted on our website (<http://www.signal.co.jp/ir/>).
- In accordance with the provisions of laws and regulations and Article 16 of the Articles of Incorporation, the following items are posted on our website (<http://www.signal.co.jp/ir/library/meeting.html>) and thus they are not included in this Notice of Convocation.
 - “Basic Policy on Parties Who Control Decisions on the Company’s Financial and Business Policies” in the Business Report.
 - “Consolidated Statements of Changes in Net Assets” and “Note to Consolidated Financial Statements” in Consolidated Financial Statements
 - “Statements of Changes in Net Assets” and “Notes to Financial Statements” in Financial StatementsThe above documents disclosed on our website have been audited as part of the Business Report audited by the Audit & Supervisory Board Members, and the Consolidated Financial Statements and the Financial Statements audited by the Audit & Supervisory Board Members and the Accounting Auditor.

No.1 - Election of nine Directors

The terms of all nine Directors will expire at the end of this General Meeting of Shareholders. Accordingly, the Company requests the election of nine Directors.

The candidates for the Directors are as follows.

In addition, in selecting candidates for the Directors, the Company receives a recommendation by the "Appointment and Remuneration Committee," a majority of the members of which are Independent Outside Directors, in order to enhance the objectivity and transparency in the decision-making process.

No.		Name	Current status	Responsibilities	Attendance at the Board of Directors' meetings
1	Reappointment	Yohei Furuhata	Representative Director Chairman and Chief Executive Officer (CEO)	Overall management	13 / 13 meetings
2	Reappointment	Hidehiko Tsukamoto	Representative Director President and Chief Operating Officer (COO)	Overall management	13 / 13 meetings
3	Reappointment	Yoshitaka Tokubuchi	Director and Executive Vice President Executive Vice President and Executive Officer	Plant Group companies	13 / 13 meetings
4	Reappointment	Takeshi Fujiwara	Director Managing Executive Officer	Domestic sales	13 / 13 meetings
5	Reappointment	Hideo Oshima	Director Managing Executive Officer	Overseas sales	13 / 13 meetings
6	Reappointment	Makoto Tanno	Director Managing Executive Officer	Technology and development	10 / 10 meetings (Since his appointment on June 22, 2018)
7	Reappointment Outside Independent	Yoshiteru Yoneyama	Outside Director	–	13 / 13 meetings
8	Reappointment Outside Independent	Yasuko Matsumoto	Outside Director	–	13 / 13 meetings
9	Reappointment Outside Independent	Yuriko Inoue	Outside Director	–	10 / 10 meetings (Since her appointment on June 22, 2018)

* The Company's "Criteria for the Independence of Outside Officers" is described on pages 23 and 24.

No.	Name (Date of birth)	Biography, status, and responsibilities	Number of the Company's shares held
1	<p style="text-align: center;">Reappointment</p> <p>Yohei Furuhata (May 28,1949) Age:70</p> <p>Years in office as Director: 15 years (at the end of this Meeting)</p> <p>Attendance at the Board of Directors' meetings: 13 / 13 (100%)</p>	<p>April 1974 Joined the Company</p> <p>April 1997 General Manager of Automatic Fare Collection Sales Dept. of Sales and Marketing Head Office</p> <p>June 2000 Executive Officer</p> <p>June 2004 Director Managing Executive Officer</p> <p>June 2006 Deputy Chief Executive Officer</p> <p>June 2008 Representative Director President & Chief Operating Officer (COO)</p> <p>June 2012 Chief Executive Officer (CEO) (to present)</p> <p>June 2016 Chairman (to present)</p> <p>May 2017 Outside Auditor of Matsuya Co., Ltd. (to present)</p> <hr/> <p>[Significant concurrent positions] Outside Auditor of Matsuya Co., Ltd.</p> <hr/> <p>[Reason for nomination as a candidate for Director] Yohei Furuhata has been responsible for management as the Company's Representative Director since 2008, and possesses a wealth of experience and achievements as a manager. We have determined that his deep insight gained through his connection to other global companies and organizations will be beneficial to the Company's group management promotion and the further enhancement of corporate value. Therefore, we have nominated him as a candidate to continue as a Director.</p>	95,200

There are no special interests between the Company and Yohei Furuhata.

No.	Name (Date of birth)	Biography, status, and responsibilities	Number of the Company's shares held
2	<p>Reappointment</p> <p>Hidehiko Tsukamoto (September 15, 1958) Age:60</p> <p>Years in office as Director: 7 years (at the end of this Meeting)</p> <p>Attendance at the Board of Directors' meetings: 13 / 13 (100%)</p>	<p>April 1982 May 2005</p> <p>Joined the Company General Manager of Automatic Fare Collection Sales Dept. of Automatic Fare Collection Systems Division</p> <p>June 2006 June 2010</p> <p>Executive Officer Director Managing Executive Officer</p> <p>June 2014</p> <p>Deputy Chief Executive Officer</p> <p>April 2015</p> <p>Representative Director Executive Vice President & Chief Operating Officer (COO) (to present)</p> <p>June 2016</p> <p>President (to present)</p> <p>[Significant concurrent positions] None</p> <p>[Reason for nomination as a candidate for Director] Hidehiko Tsukamoto, as the Company's Representative Director, possesses a wealth of experience and achievements leading the business management of the Company since 2015. He is also well-versed in technical development, and we have determined that his leadership in creating new businesses and expanding international businesses will be beneficial to the structural reforms of the business in line with the rapidly changing business environment through globalization and technical innovations. Therefore, we have nominated him as a candidate to continue as a Director.</p>	66,900

There are no special interests between the Company and Hidehiko Tsukamoto.

No.	Name (Date of birth)	Biography, status, and responsibilities	Number of the Company's shares held
3	<p data-bbox="323 831 472 857">Reappointment</p> <p data-bbox="323 909 472 1093">Yoshitaka Tokubuchi (November 21, 1957) Age: 61</p> <p data-bbox="304 1137 491 1245">Years in office as Director: 8 years (at the end of this Meeting)</p> <p data-bbox="300 1279 496 1386">Attendance at the Board of Directors' meetings: 13 / 13 (100%)</p>	<p data-bbox="523 315 660 342">April 1982</p> <p data-bbox="523 353 660 380">July 2006</p> <p data-bbox="523 472 660 499">June 2008</p> <p data-bbox="523 591 660 618">May 2011</p> <p data-bbox="523 669 660 696">June 2011</p> <p data-bbox="523 707 660 734">June 2014</p> <p data-bbox="523 786 660 813">April 2018</p> <p data-bbox="523 904 660 931">April 2019</p> <p data-bbox="778 315 1123 1317"> Joined the Company General Manager of Production Control Dept. of Kuki Plant Executive Officer General Manager of Corporate Strategy Dept. Managing Executive Officer Director Deputy Chief Executive Officer Chief General Manager of Business Administration Division Director and Executive Vice President (to present) Executive Vice President and Executive Officer (to present) In Control of Plants and Group Companies, Responsible for IT Strategy Department (assigned to Kuki Plant) (to present) </p>	56,800
		<p data-bbox="523 1328 951 1355">[Significant concurrent positions]</p> <p data-bbox="523 1366 596 1393">None</p>	
		<p data-bbox="523 1406 1075 1469">[Reason for nomination as a candidate for Director]</p> <p data-bbox="523 1480 1107 1930"> Yoshitaka Tokubuchi possesses a wealth of experience and achievements in business management from having served as the manager of the Business Administration Division and the Monodukuri Division. We have determined that his broad knowledge and leadership acquired through these experiences will be beneficial to the Company's group management promotion and the further enhancement of corporate value. Therefore, we have nominated him as a candidate to continue as a Director. </p>	

There are no special interests between the Company and Yoshitaka Tokubuchi.

No.	Name (Date of birth)	Biography, status, and responsibilities		Number of the Company's shares held
4	<p>Reappointment</p> <p>Takeshi Fujiwara (November 7, 1959) Age: 59</p> <p>Years in office as Director: 6 years (at the end of this Meeting)</p> <p>Attendance at the Board of Directors' meetings: 13 / 13 (100%)</p>	<p>April 1983 July 2009</p> <p>June 2010 April 2013</p> <p>June 2013 April 2016</p> <p>April 2019</p>	<p>Joined the Company General Manager of Private Railways Sales Dept. of Railway Signal Systems Division Executive Officer Managing Executive Officer (to present) Director (to present) Chief General Manager of Sales and Marketing Head Office Responsible for Domestic Business and Branch Offices (to present)</p>	37,200
		<p>[Significant concurrent positions] None</p>	<p>[Reason for nomination as a candidate for Director] Takashi Fujiwara has achievements of leading our domestic business, having served as the manager of the Business Head Office handling railway signals and Automatic Fare Collection systems, and deep insight based on his broad experience. We have determined that he is qualified to lead the Company in expanding its business areas and enhancing its competitiveness. Therefore, we have nominated him as a candidate to continue as a Director.</p>	

There are no special interests between the Company and Takeshi Fujiwara.

No.	Name (Date of birth)	Biography, status, and responsibilities	Number of the Company's shares held
5	Reappointment Hideo Oshima (July 25, 1956) Age: 62 Years in office as Director: 3 years (at the end of this Meeting) Attendance at the Board of Directors' meetings: 13 / 13 (100%)	April 1979 Joined the Company September 2004 General Manager of MEMS Business Development Dept. of Visionary Business Center July 2008 Chief General Manager of Visionary Business Center April 2009 Chief General Manager of Overseas Division May 2011 Executive Officer April 2016 Managing Executive Officer (to present) June 2016 Director (to present) April 2019 Responsible for Corporate Strategy Department and Overseas Business (to present)	33,200
		[Significant concurrent positions] None	
		[Reason for nomination as a candidate for Director] Hideo Oshima possesses experience and achievements, having served as the manager of the new businesses and the Overseas Division and contributing to the expansion of businesses. We have determined that his knowledge will be beneficial to the Company in further expanding the business areas and promoting global management. Therefore, we have nominated him as a candidate to continue as a Director.	

There are no special interests between the Company and Hideo Oshima.

No.	Name (Date of birth)	Biography, status, and responsibilities		Number of the Company's shares held
6	<p>Reappointment</p> <p>Makoto Tanno (April 14, 1956) Age: 63</p> <p>Years in office as Director: 1 year (at the end of this Meeting)</p> <p>Attendance at the Board of Directors' meetings: 10 / 10 (100%)</p>	<p>April 1980 May 2012</p> <p>June 2014 April 2017</p> <p>June 2018 April 2019</p>	<p>Joined the Company General Manager of System Design Dept., Transportation Infrastructure Technology Division</p> <p>Executive Officer Managing Executive Officer (to present) Chief General Manager of Technical Development Head Office Responsible for Visionary Business Center</p> <p>Director (to present) Responsible for Kuki Plant, Technology and Development, Visionary Business Center and Total Quality Management Promoting Department (to present)</p>	18,700
		<p>[Significant concurrent positions] None</p>	<p>[Reason for nomination as a candidate for Director] Makoto Tanno, having served as a manager of the Technology Development Division, possesses experience and achievements in promoting advanced technical strategy utilizing ICT. We have determined that he is qualified to lead the development of new technology that utilizes IoT and AI. Therefore, we have nominated him as a candidate to continue as a Director.</p>	

There are no special interests between the Company and Makoto Tanno.

No.	Name (Date of birth)	Biography, status, and responsibilities	Number of the Company's shares held
7	<p>Reappointment Outside Independent</p> <p>Yoshiteru Yoneyama (June 23, 1950) Age: 68</p> <p>Years in office as Director: 5 years (at the end of this Meeting)</p> <p>Attendance at the Board of Directors' meetings: 13 / 13 (100%)</p>	<p>July 2002 Director of Fukoku Mutual Life Insurance Company</p> <p>July 2005 Managing Director of Fukoku Mutual Life Insurance Company</p> <p>April 2009 Director and Managing Executive Officer of Fukoku Mutual Life Insurance Company</p> <p>July 2010 President and Chief Executive Officer of Fukoku Mutual Life Insurance Company (to present)</p> <p>June 2014 Outside Director of the Company (to present)</p> <p>[Significant concurrent positions] President and Chief Executive Officer of Fukoku Mutual Life Insurance Company</p> <p>[Reason for nomination as a candidate for Outside Director] Yoshiteru Yoneyama possesses a wealth of experience, achievements and knowledge as a manager, and we expect him to use these capabilities for the benefit of the Company's management and exercise effective management supervisory function. Therefore, we have nominated him as a candidate to continue as an Outside Director. Yoshiteru Yoneyama has served as an Outside Director for five years at the end of this General Meeting of Shareholders. Fukoku Mutual Life Insurance Company where Yoshiteru Yoneyama serves as President and Chief Executive Officer has capital and business relationships including insurance policies with the Company. However, its shareholding ratio is less than 10% and the transaction amount is immaterial (less than 0.5% of the consolidated net sales of the said company and of the Company), and we therefore believe that it does not affect his independence as an Outside Director and have designated him as an</p>	2,600

	Independent Officer.	
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1. There are no special interests between the Company and Yoshiteru Yoneyama.
2. Yoshiteru Yoneyama is an Outside Director candidate.
3. Yoshiteru Yoneyama meets the conditions of an Independent Officer as defined by Tokyo Stock Exchange, Inc.
4. If Yoshiteru Yoneyama is elected as an Outside Director, the Company plans to enter into a limited liability agreement with him, which limits his liability for damages under Article 423, Paragraph 1 of the Companies Act. However, based on the agreement, the minimum liability amount will be the amount prescribed by laws and regulations.

No.	Name (Date of birth)	Biography, status, and responsibilities	Number of the Company's shares held
8	<p>Reappointment Outside Independent</p> <p>Yasuko Matsumoto (September 2, 1953) Age: 65</p> <p>Years in office as Director: 4 years (at the end of this Meeting)</p> <p>Attendance at the Board of Directors' meetings: 13 / 13 (100%)</p>	<p>April 1978 Registered as Attorney Joined Yamashita Oshima Law Office</p> <p>April 2000 Part-time Lecturer of Seikei University</p> <p>February 2001 Member of Independent Administrative Institution Evaluation Committee, the Ministry of Economy, Trade and Industry</p> <p>April 2007 Part-time Lecturer of Tokyo University of the Arts (to present)</p> <p>June 2015 Outside Director of the Company (to present)</p> <p>[Significant concurrent positions] Part-time Lecturer of Tokyo University of the Arts</p> <p>[Reason for nomination as a candidate for Outside Director] Yasuko Matsumoto possesses advanced knowledge and experience as a legal expert, and has provided advice and proposals on legitimacy and adequacy from a professional viewpoint. We expect that she will exercise effective supervisory function on the Company's management and strengthen auditing and supervisory functions. Therefore, we have nominated her as a candidate to continue as an Outside Director. Yasuko Matsumoto has served as an Outside Director for four years at the end of this General Meeting of Shareholders.</p>	2,100

1. There are no special interests between the Company and Yasuko Matsumoto.
2. Yasuko Matsumoto is an Outside Director candidate.
3. Yasuko Matsumoto meets the conditions of an Independent Officer as defined by Tokyo Stock Exchange, Inc.
4. If Yasuko Matsumoto is elected as an Outside Director, the Company plans to enter into a limited liability agreement with her, which limits her liability for damages under Article 423, Paragraph 1 of the Companies Act. However, based on the agreement, the minimum liability amount will be the amount prescribed by laws and regulations.

No.	Name (Date of birth)	Biography, status, and responsibilities	Number of the Company's shares held
9	<p style="text-align: center;">Reappointment Outside Independent</p> <p style="text-align: center;">Yuriko Inoue (May 29, 1963) Age: 56</p> <p>Years in office as Director: 1 year (at the end of this Meeting)</p> <p>Attendance at the Board of Directors' meetings: 10 / 10 (100%)</p>	<p>November 1993 Full-time Lecturer of Graduate Schools for Law and Politics, The University of Tokyo</p> <p>April 2004 Professor of Graduate School of Law, Kobe University</p> <p>October 2010 Professor of The Graduate School of International Corporate Strategy, Hitotsubashi University</p> <p>April 2018 Professor of Business Law Department, Graduate School of Law, Hitotsubashi University (to present)</p> <p>June 2018 Outside Director of the Company (to present) Outside Director of Dai-ichi Life Holdings, Inc. (to present)</p> <p>[Significant concurrent positions] Professor of Business Law Department, Graduate School of Law, Hitotsubashi University Outside Director of Dai-ichi Life Holdings, Inc.</p> <p>[Reason for nomination as a candidate for Outside Director] Yuriko Inoue is a professional in intellectual property right and possesses sophisticated and specialized knowledge and experience. We expect that she will offer advice on the Company's management and strategies including advice on corporate law and data governance, and exercise effective management supervisory function by making use of her capabilities in her specialized field. Therefore, we have nominated her as a candidate to continue as an Outside Director. Yuriko Inoue has served as an Outside Director for one year at the end of this General Meeting of Shareholders. The Dai-ichi Life Insurance Company, Limited, which is a subsidiary of Dai-ichi Life</p>	300

	<p>Holdings, Inc., where Yuriko Inoue serves as Outside Director, has capital and business relationships including insurance policies with the Company. However, its shareholding ratio is less than 10% and the transaction amount is immaterial (less than 0.5% of the consolidated net sales of the said company and of the Company), and we therefore believe that it does not affect her independence as an Outside Director and have designated her as an Independent Officer.</p>	
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1. There are no special interests between the Company and Yuriko Inoue.
2. Yuriko Inoue is an Outside Director candidate.
3. Yuriko Inoue meets the conditions of an Independent Officer as defined by Tokyo Stock Exchange, Inc.
4. If Yuriko Inoue is elected as an Outside Director, the Company plans to enter into a limited liability agreement with her, which limits her liability for damages under Article 423, Paragraph 1 of the Companies Act. However, based on the agreement, the minimum liability amount will be the amount prescribed by laws and regulations.

No.2 - Election of four Audit & Supervisory Board Members

The terms of office of all four Audit & Supervisory Board Members will expire at the end of this General Meeting of Shareholders. Accordingly, the Company requests the election of four Audit & Supervisory Board Members. The Company has obtained the consent of the Audit & Supervisory Board for this proposal.

The candidates for the Audit & Supervisory Board Members are as follows.

In addition, in selecting candidates for the Audit & Supervisory Board Members, the Company receives a recommendation by the “Appointment and Remuneration Committee,” a majority of the members of which are Independent Outside Directors, in order to enhance the objectivity and transparency in the decision-making process.

No.		Name	Current status	Attendance at the Board of Directors' meetings	Attendance at the Audit & Supervisory Board meetings
1	Reappointment	Shoji Kawada	Audit & Supervisory Board Member	13 / 13 meetings	13 / 13 meetings
2	New appointment Outside Independent	Mikio Shiokawa	—	—	—
3	New appointment Outside Independent	Masayuki Tamagawa	—	—	—
4	New appointment Outside Independent	Naoko Shimura	—	—	—

* The Company's “Criteria for the Independence of Outside Officers” is described on pages 23 and 24.

No.	Name (Date of birth)	Biography and status	Number of the Company's shares held
1	<p>Reappointment</p> <p>Shoji Kawada (May 2, 1951) Age:68</p> <p>Years in office as Director: 6 years (at the end of this Meeting)</p> <p>Attendance at the Board of Directors' meetings: 13 / 13 (100%)</p> <p>Attendance at the Audit & Supervisory Board meetings: 13 / 13 (100%)</p>	<p>April 1975 July 2001</p> <p>June 2003 June 2008</p> <p>May 2012</p> <p>June 2012 June 2013</p> <p>[Significant concurrent positions] None</p> <p>[Reason for nomination as a candidate for Audit & Supervisory Board Member] Shoji Kawada has served as the manager of the Technical Division and Monodukuri Division. Since 2013, as an Audit & Supervisory Board Member, he has been working to realize the sound development of the Company and to win society's trust in the Company through auditing. We expect that he will offer auditing and advice on the Company's management by making use of his wealth of experience, achievements and knowledge. Therefore, we have nominated him as a candidate to continue as an Audit & Supervisory Board Member.</p>	47,100

There are no special interests between the Company and Shoji Kawada.

No.	Name (Date of birth)	Biography and status	Number of the Company's shares held
2	<p data-bbox="316 1014 485 1120">New appointment Outside Independent</p> <p data-bbox="320 1167 475 1350">Mikio Shiokawa (August 26, 1959) Age:59</p>	<p data-bbox="523 349 1126 1462"> April 1982 Joined National Police Agency August 2002 Head of Security Department, Kanagawa Prefectural Police Headquarters April 2004 Head of Counter International Terrorism Division, Foreign Affairs and Intelligence Department, Security Bureau, National Police Agency January 2013 Chief of Hyogo Prefectural Police January 2014 Councilor of Deputy Director General, Commissioner General's Secretariat, National Police Agency August 2015 Deputy Head of Cabinet Satellite Intelligence Center, Cabinet Secretariat September 2017 Ambassador Extraordinary and Plenipotentiary of Embassy of Japan in Tunisia </p> <p data-bbox="523 1473 1126 1547">[Significant concurrent positions] None</p> <p data-bbox="523 1559 1126 2000">[Reason for nomination as a candidate for Outside Audit & Supervisory Board Member] Mikio Shiokawa possesses the expertise and broad insight concerning risk management from a global perspective. We have determined that his advice and opinions will be beneficial for the Company in promoting the globalization of its businesses, and expect that he will offer auditing and advice on the Company's management by making use of these capabilities. Therefore, we have nominated him as a new candidate for</p>	0

		Outside Audit & Supervisory Board Member.	
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1. There are no special interests between the Company and Mikio Shiokawa.
2. Mikio Shiokawa is an Outside Audit & Supervisory Board Member candidate.
3. Mikio Shiokawa meets the conditions of an Independent Officer as defined by Tokyo Stock Exchange, Inc.
4. If Mikio Shiokawa is elected as an Outside Audit & Supervisory Board Member, the Company plans to enter into a limited liability agreement with him, which limits his liability for damages under Article 423, Paragraph 1 of the Companies Act. However, based on the agreement, the minimum liability amount will be the amount prescribed by laws and regulations.

No.	Name (Date of birth)	Biography and status	Number of the Company's shares held
3	<p data-bbox="316 996 485 1099">New appointment Outside Independent</p> <p data-bbox="316 1149 485 1335">Masayuki Tamagawa (January 15, 1958) Age:61</p>	<p data-bbox="523 315 660 344">April 1981</p> <p data-bbox="778 315 1059 383">Joined the Ministry of Finance</p> <p data-bbox="523 394 660 423">June 2000</p> <p data-bbox="778 394 1102 580">Deputy Director General of Monetary Financial System Bureau, International Monetary Fund (IMF)</p> <p data-bbox="523 591 660 620">July 2007</p> <p data-bbox="778 591 1126 694">Regional Commissioner of Sapporo Regional Taxation Bureau</p> <p data-bbox="523 705 660 734">July 2011</p> <p data-bbox="778 705 1126 772">Deputy Financial Officer of Japan Tobacco Inc.</p> <p data-bbox="523 784 660 813">July 2012</p> <p data-bbox="778 784 1070 927">Head of Asia External Representation Office, African Development Bank (AfDB)</p> <p data-bbox="523 938 708 967">October 2016</p> <p data-bbox="778 938 1078 1153">Specially-appointed Professor of Education Development Center, Education Support Functions, Kogakuin University (to present)</p> <p data-bbox="523 1164 660 1193">May 2017</p> <p data-bbox="778 1164 1078 1274">Managing Director of Kogakuin University (to present)</p>	0
		<p data-bbox="523 1285 954 1314">[Significant concurrent positions]</p> <p data-bbox="523 1326 1094 1469">Managing Director of Kogakuin University Specially-appointed Professor of Education Development Center, Education Support Functions, Kogakuin University</p>	
		<p data-bbox="523 1480 1126 2007">[Reason for nomination as a candidate for Outside Audit & Supervisory Board Member] Masayuki Tamagawa possesses long years of business experience at the ministry as a specialist in a sophisticated and extensive range of international finance, as well as considerable knowledge and experience in financial and accounting matters. We expect that he will offer auditing and advice on the Company's management by making use of his wealth of experience, achievements and knowledge in international financial and tax affairs and finance. Therefore, we have nominated him as a new candidate for</p>	

	Outside Audit & Supervisory Board Member.	
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1. There are no special interests between the Company and Masayuki Tamagawa.
2. Masayuki Tamagawa is an Outside Audit & Supervisory Board Member candidate.
3. Masayuki Tamagawa meets the conditions of an Independent Officer as defined by Tokyo Stock Exchange, Inc.
4. If Masayuki Tamagawa is elected as Outside Audit & Supervisory Board Member, the Company plans to enter into a limited liability agreement with him, which limits his liability for damages under Article 423, Paragraph 1 of the Companies Act. However, based on the agreement, the minimum liability amount will be the amount prescribed by laws and regulations.

No.	Name (Date of birth)	Biography and status	Number of the Company's shares held
4	<p data-bbox="316 996 486 1097">New appointment Outside Independent</p> <p data-bbox="303 1153 494 1288">Naoko Shimura (June 5, 1974) Age:44</p>	<p data-bbox="526 280 1125 996"> April 1999 Registered as Attorney Joined Nishimura & Partners (currently Nishimura & Asahi) April 2005 Registered as Attorney of New York State January 2008 Partner of Nishimura & Asahi (to present) May 2016 External Auditor of TABIKOBO Co. Ltd. (to present) June 2018 Outside Director of mixi, Inc. (to present) September 2018 Part-time Lecturer of Business Law Department, Graduate School of Law, Hitotsubashi University (to present) </p> <p data-bbox="526 1008 1125 1265"> [Significant concurrent positions] Partner of Nishimura & Asahi External Auditor of TABIKOBO Co. Ltd. Outside Director of mixi, Inc. Part-time Lecturer of Business Law Department, Graduate School of Law, Hitotsubashi University </p> <p data-bbox="526 1276 1125 1995"> [Reason for nomination as a candidate for Outside Audit & Supervisory Board Member] Naoko Shimura is a legal professional and possesses specialized knowledge and deep insight in the field of corporate law and M&A fields. We expect that she will offer auditing and advice on the Company's management, especially from the perspective of laws and regulations, by making use of her wealth of experience, achievements and knowledge. Therefore, we have nominated her as a new candidate for Outside Audit & Supervisory Board Member. Although the Company has previously consulted Nishimura & Asahi, to which Naoko Shimura belongs, the transaction amount with the said firm is minimal not exceeding ¥5 million per year (less than 0.5% of the annual total sales of the said firm and the </p>	0

		consolidated net sales of the Company, respectively). We therefore believe that she is unlikely to cause any conflict of interests with general shareholders and have designated her as an Independent Officer.	
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1. There are no special interests between the Company and Naoko Shimura.
2. Naoko Shimura is an Outside Audit & Supervisory Board Member candidate.
3. Naoko Shimura meets the conditions of an Independent Officer as defined by Tokyo Stock Exchange, Inc.
4. If Naoko Shimura is elected as Outside Audit & Supervisory Board Member, the Company plans to enter into a limited liability agreement with her, which limits her liability for damages under Article 423, Paragraph 1 of the Companies Act. However, based on the agreement, the minimum liability amount will be the amount prescribed by laws and regulations.

(Reference) Criteria for the Independence of Outside Officers

The Company prescribes the following criteria for the independence of Outside Officers to objectively determine the independence of Outside Officers. If an Outside Officer falls under any of the following items, the Company determines that the Outside Officer is not sufficiently independent from the Company.

An Outside Officer designated as an Independent Officer as stipulated under the Tokyo Stock Exchange, Inc. shall endeavor to maintain independence as prescribed in this Criteria until resignation. If the Outside Officer loses his/her independence, the Outside Officer shall notify the Company in advance (or as soon as possible after an event under unavoidable circumstances).

- 1. A person who is, or has been in the past 10 years, a business executor ^{(*)1} or Non-executive Director (if the person is an Outside Audit & Supervisory Board Member) at the Group (i.e. the Company or its subsidiaries).**
- 2. Any person (party) who falls under any of the following items (1) to (8) in the past three years.**
 - (1) A party for whom the Group is a major business partner ^{(*)2} or a business executor of such party
 - (2) A major business partner of the Group ^{(*)3} or a business executor of such partner
 - (3) A consultant, accounting professional, or legal professional who has received a significant amount of money ^{(*)4} or other property from the Group other than officer remunerations (if a party who receives such property is a corporation, association, or any other entity, a party who belongs to the relevant entity)
 - (4) A current major shareholder of the Group ^{(*)5} or a business executor of such shareholder
 - (5) A business executor of a corporation that is a current major shareholder of the Group ^{(*)5}
 - (6) A person who belongs to the appointed audit firm for the statutory audit of the Group
 - (7) A business executor of an entity whose Outside Officer is also a business executor of the Group
 - (8) A person, an officer or other business executor of a corporation, association, or any other entity who receives a large amount of donation or grant ^{(*)6} from the Group
- 3. If a person who falls under 1. and 2. above is a key person ^{(*)7}, close relatives (spouse, first or second degree relatives) of such person**
- 4. A person who has assumed the office of Outside Officer for eight years or more in total**

- (*1) A business executor refers to a person who executes the duties of a Director (excluding an Outside Director), Executive Officer, or employees, etc.
- (*2) A party for whom the Group is a major business partner refers a party who has business transactions with the Group, with total amount of sales in any of the fiscal year within the last three fiscal years exceeding 2% of the consolidated net sales of such business partner. Such business partner shall include its parent company and important subsidiaries if such business partner is a corporation.
- (*3) A major business partner of the Group refers to a party with whom the Group has business transactions, with total amount of sales in any of the fiscal year within the last three fiscal years exceeding 2% of the consolidated net sales of the Group, or a party who has made a loan to the Group in the amount at 2% or more of the consolidated net assets of the Company at the end of the most recent fiscal year.
- (*4) A significant amount of money refers to the yearly average money exceeding 10 million yen over the three most recent fiscal years.
- (*5) A major shareholder refers a shareholder who holds, directly or indirectly, 10% or more of the total voting rights. Such major shareholder shall include its parent company or important subsidiaries if such major shareholder is a corporation.
- (*6) A large amount of donation or grant refers to a yearly average amount exceeding 10 million yen over the three most recent fiscal years.
- (*7) A key person refers to a Director, Corporate Officer, Executive Officer, business executor who serves as a General Manager or in a higher rank, or business executor who has authority equivalent to that of a General Manager or higher position.

No.3 - Renewal of the Countermeasures in Response to Large-scale Acquisition of Company's Shares (Takeover Defense Measures)

The Company introduced the Countermeasures in Response to Large-scale Acquisition of Company's Shares (Takeover Defense Measure), for the purpose of ensuring and enhancing its corporate value and common interests of its shareholders, based on the approval of shareholders at the 127th Ordinary General Meeting of Shareholders held on June 24, 2010. Afterwards, renewal of the Takeover Defense Measure involving necessary amendments thereto was approved by the shareholders at the 130th Ordinary General Meeting of Shareholders held on June 25, 2013 and the 133rd Ordinary General Meeting of Shareholders held on June 24, 2016 (the Takeover Defense Measure after the renewal being referred to hereinafter as "the Old Plan"). The Old Plan will be effective until the conclusion of this General Meeting of Shareholders.

The Board of Directors decided to renew the Old Plan with partial amendments to its contents (where such amended plan shall be hereinafter referred to as the "Plan") at its meeting held on May 7, 2019, subject to the approval of shareholders at this General Meeting of Shareholders. Thus, shareholders are kindly requested to approve the renewal as follows.

The reason for the renewal, the major amendments and the purpose thereof, and the impact on shareholders are as follows.

Reason for the renewal	<p>The Company is engaged in a business of a highly-public nature involving human lives, including railway signals and traffic information.</p> <p>There has been growing demand for Japan's high-quality infrastructure from around the world, and the Company holds many of these important technologies.</p> <p>The Company proposes the renewal of the Takeover Defense Measure in the belief that when a takeover that could harm the Company's corporate value is proposed, providing proper and sufficient information and time to shareholders and ensuring the opportunity to seek their decision are essential.</p>
Major amendments and the purpose thereof	<p>1) Further enhancement of transparency The Independent Committee <u>shall primarily comprise the three Outside Audit & Supervisory Board Members</u> who are subject to shareholder derivative action. Furthermore, an outside expert shall also be added to enable precise decisions.</p> <p>2) Strengthening measures to prevent arbitrary operation by the senior management The Board of Directors shall engage in decision-making by <u>complying with the recommendation</u> of the Independent Committee.</p> <p>3) Decisions from the perspective of the shareholders If the Independent Committee deems it appropriate, <u>the General Meeting of Shareholders may be convened so that the shareholders can deliberate whether or not to implement the Takeover Defense Measure.</u></p>
Impact on shareholders	<p>If the Takeover Defense Measure is implemented and the gratis allotment of stock acquisition rights is executed, one stock acquisition right shall be granted per one share held by the shareholder.</p> <p>If the shareholder does not exercise his or her stock acquisition rights and the amount equivalent to the exercise of the stock acquisition rights is not paid in, there is a possibility of the shares held by the shareholder being diluted due to the exercise of stock acquisition rights by other shareholders.</p> <p>However, <u>the Company may acquire the stock acquisition rights from shareholders other than the acquirer and issue shares in exchange for those stock acquisition rights. In such cases, shareholders other than the acquirer shall receive the Company's shares without exercising stock acquisition rights or the payment of the amount equivalent to the exercise of the stock acquisition rights, and thus, as a general rule, shall not undergo a dilution of the shares held.</u></p>

In addition to the above, the following points of the Old Plan have been amended.

- The Company's new long-term management plan, "EVOLUTION 100," and the medium-term management plan are mentioned as special initiatives that will contribute to achieving the basic policy in an effort to further enhance corporate value.
- In order to clarify procedures, a starting point of the submission deadline for additional information after receiving the statement of intent for the acquisition has been articulated.
- In order to clarify the scheme, it is clearly stated that the countermeasure is not a dead-hand^[1] or slow-hand^[2] takeover defense measure.

The Board of Directors meeting resolving on the Takeover Defense Measure based on the Plan was attended by all Audit & Supervisory Board Members of the Company, including Outside Audit & Supervisory Board Members, who unanimously expressed their view in support of the Plan, on condition that specific operation of the Plan will be conducted appropriately.

The status of major shareholders as of March 31, 2019 is as described in "(1) Major Shareholders (Top 10 Shareholders)" of "3. Stock Information."

In addition, the Company has not received, from any third party, notice or proposal on an intention of the Large-Scale Acquisition of Company's Shares at present.

Contents of the Plan are as follows.

[1] A takeover defense measure that cannot be canceled or stopped even after a majority of the members of the Board have been replaced

[2] A takeover defense measure that requires time for it to be stopped due to the fact that the members of the Board of the company to be acquired cannot be replaced all at once

Countermeasures in Response to Large-scale Acquisition of Company's Shares (Takeover Defense Measure)

I. Basic Policies on Parties Who Control the Company's Decisions on Financial and Operational Policies (hereinafter referred to as the "Basic Policies")

The Company believes that ultimately its shareholders at their own discretion must make the decision on any proposed acquisition that would involve a transfer of corporate control of the Company. Also, the Company would not categorically reject a large-scale acquisition of the shares in the Company if it would contribute to the corporate value of the Group and, in turn, the common interests of its shareholders.

Nonetheless, Japanese capital markets have recently witnessed a trend of sudden hostile acquisitions of large quantities of shares or similar acts without any process of discussion with the senior management of the target company or obtaining the approval thereof. There are some forms of corporate acquisition that benefit neither the corporate value of the target company nor the common interests of its shareholders including without limitation, those with a purpose that would obviously harm the corporate value of the target company and the common interests of its shareholders, those with the potential to substantially coerce shareholders into selling their shares, those that do not provide sufficient time or information for the target company's board of directors and shareholders to consider the details of the large-scale acquisition or for the target company's board of directors to make an alternative proposal and those that require the target company to discuss or negotiate with the acquirer in order to procure more favorable terms for shareholders than those presented by the acquirer.

In this regard, the Company believes that the persons who control decisions on the Company's financial and business policies must be persons who fully understand Nippon Signal's corporate philosophy of "contribute to society through superior technology that generates safety and reliability, aiming to realize a more comfortable society for all" and the source of the Company's corporate value and, in turn, the common interests of its shareholders in II. 1. (2) below, and who will maintain and enhance the Company's corporate value and, in turn, the common interests of its shareholders from the medium to long-term view, while maintaining relationships of mutual trust with the stakeholders of the Company such as customers, shareholders, business partners, local communities and employees, and responding to their expectations.

Therefore, the Company believes that persons who would make a large-scale acquisition of the shares in the Company in a manner that does not contribute to the corporate value of the Company or the common interests of its shareholders would be inappropriate to become persons who control decisions on the Company's financial and business policies. The Company made it a basic policy to ensure the corporate value of the Group and, in turn, the common interests of its shareholders by taking the necessary and reasonable countermeasures for the purpose of deterring acquisitions that are detrimental to the corporate value of the Company and, in turn, the common interests of its shareholders.

II. Special measures for Realization of Basic Policy

1. Measures for Ensuring and Enhancing Corporate Value of the Company and the Common Interest of its Shareholders

(1) Management Philosophy of the Group and the Basic Concept of its Business Operation

The Company has been constantly engaged in the field of traffic infrastructure since its operations began in February 1929, and celebrated its 90th anniversary, under Nippon Signal's corporate philosophy of "contribute to society through superior technology that generates safety and reliability, aiming to realize a more comfortable society for all."

As such, the Company consistently assumes the significant social responsibility and public mission as a company that has long continued providing society with products in the business domains of a highly public nature. Therefore, the Company believes that it is indispensable for our business operations to be based on a long-term perspective with full consideration of the fact that the Company manufactures the products involving human lives, not to mention product quality management backed by excellent professional skills and rigorous ethics education, as well as new product development that supports safer and more comfortable traffic infrastructure.

On the other hand, the Company believes that taking boldly on the challenges of creation of new businesses, applying the core technologies and know-how accumulated as a dedicated manufacturer of railway signal and traffic information systems, is prominent in terms of achieving sustainable and constant growth for the Company. In particular, automatic fare collection (AFC) systems and parking systems have now grown to become one of the pillars of the earnings of the Company, representing a good example of new businesses. Recently, 3D Laser Ranging Image Sensors, which use the resonant mirror ECO SCAN realized by Micro Electro Mechanical Systems (MEMS) technology, are being utilized in various fields including platform screen doors, construction machinery and self-driving vehicles thanks to its high resistance to ambient light, resulting in the development of new businesses.

Business of the Company is summarized as follows.

- Railway Signal Systems

The Company supports our nation's railway, which prides itself on its constant and safe operations running on tight schedules with its core products, including operational control systems such as centralized traffic control (CTC) systems, train control systems such as automatic train control (ATC) systems, automatic train stop (ATS) systems, automatic train operation (ATO) systems and Simple-structure and high-Performance ATC by Radio Communication System (SPARCS), as well as interlocking systems that control railway switches, and signal lights and guidance transportation information system for railway operators. The Company also plays a major role in exporting infrastructure mainly to Asia.

- Smart Mobility Systems

The Company is striving to reduce the number of traffic accidents and relieving

traffic congestions with its core products, including traffic control systems that controls traffic lights, traffic information systems that indicate accidents, congestions and other traffic information. The Company participates in various self-driving experiments and is working to develop solutions that leverage its strengths as an infrastructure manufacturer.

- Automatic Fair Collection (AFC) Systems

The Company has achieved the automation and speeding-up of station operations through providing the automation equipment for station operations, such as automatic ticket gates, automatic ticket vending machines, and automatic fee collection machines, while contributing to achieving smooth transportation by means of IC cards such as Suica and PASMO. The Company has also entered the airport market and overseas markets, while providing various solutions that apply the wireless individual identification technology, and is working to enhance the safety of station platforms by, for example, providing platform screen doors.

- Smart City Systems

The Company is contributing to reducing roadside parking and unauthorized parking primarily in urban areas, through providing various systems related to parking lots and bicycle parking space through its parking system solutions that meet diversified customer needs. The Company markets products that support office security including security gates and the high-security demands of event venues and airports.

(2) The Source of the Company's Corporate Value and, in Turn, the Common Interests of Its Shareholders

The Company believes that the source of the Company's corporate value and, in turn, the common interests of its shareholders is found in i) the technological capabilities and quality strength that supported the safe and comfortable traffic and transportation infrastructure over many years, ii) human resource capabilities as a manufacturer who involves in the work of a highly public nature with a strong sense of pride and mission, and iii) the new product development capabilities that apply the core technologies and know-how from railway signal systems and traffic information systems for roadways.

For enhancing the source of corporate value of the Company and the common interest of its shareholders, the Company is engaged in the following specific measures.

- The Company is striving to further enhance its competitiveness as well as customer satisfaction, through its continuous efforts in reviewing the operation system, production system and the Group management system, as well as speeding up management decision-making and improving operational quality.
- The Company is working to develop and operate a personnel system geared to enhancing motivation and skill-up of employees from the perspective of human resources development, in addition to striving to recruit superior talents.
- The Company is aiming to further enhance R&D activities by adopting a framework in which technological development system and market development system collaborate with each other for promoting R&D.

(3) The Long-Term Management Plan “EVOLUTION 100” and the Medium-Term Management Plan “2021 Medium-Term Management Plan”

The Company launched “EVOLUTION 100,” its new long-term management reforms from the fiscal year 2019. Currently, we are in the midst of a major transformation as existing industries are being driven out by digital disruption (market restructuring through digitalization). Under “EVOLUTION 100,” we will transition to new businesses that are not mere extensions of existing businesses, solve social issues both in Japan and overseas by supporting the evolution of infrastructures with safe and comfortable solutions and aim to become a corporate group that is respected by the people around the world.

In “2021 medium-term management plan,” the first medium-term management plan under the long-term management plan “EVOLUTION 100,” the period from fiscal year 2019 to fiscal year 2021 has been designated as the period for structural reforms of Nippon Signal, and while solving the issues at hand of profitability, we will address the four priority issues of “creating businesses that anticipate changes and strengthening technical capabilities,” attaining competitive QCD,” “developing and securing human resources for growth” and “sustained enhancement of corporate value,” in an effort to promote greater globalization and solutions in businesses.

Under “2021 medium-term management plan,” as a first and giant step toward achieving “EVOLUTION 100,” we plan to make total investments of ¥50.0 billion in M&As and other means for acquiring the management resources necessary for growth both in Japan and overseas. We will also address the issue of improving our business performance by increasing the number of personnel assignments to strategic divisions, while also enhancing labor productivity through improved operational efficiency and capital investments.

Through “2021 medium-term management plan,” Nippon Signal will realize “strengthening capabilities to seize the future (growth potential)” and “enhancement of its earning capabilities (profitability),” and set the targets for fiscal year 2021 at consolidated net sales of ¥120.0 billion, operating income margin of 10%, ROE of 9% and a ratio of overseas sales to total sales of 14%.

The details of the long-term management plan “EVOLUTION 100” and the medium-term management plan “2021 medium-term management plan” are described in “(5) Issues to Be Addressed” under “1. Matters Concerning the Group” in the Business Report.

(4) Views on Shareholder Returns

The Company will establish a stable foundation for profits and management with a long-term perspective and strengthen financial standing through fulfilling responsibility as a company engaged in the development of transportation infrastructure, and maintain stable dividends and ensure shareholder returns in line with business performance. In terms of dividends, the Company aims to sustain research and development, manufacturing infrastructure, and human resources development, and provide investors with stable dividends and returns commensurate with performance. We have set a target payout ratio of around 30% on a consolidated basis.

2. Framework that Serves as the Basis for Enhancing Corporate Value of the Company and the Common Interest of its Shareholders (Development of Corporate Governance)

The Group's basic policy on corporate governance emphasizes management that values all stakeholders, that provides satisfaction for them and that gives back to society. To engage in initiatives following this basic policy, the Group continues to carry out structural reforms of management with the goal of reinforcing corporate governance and enhancing the management structure to enable response to change in the business environment in a flexible and prompt manner.

III. Measures to Prevent Control over the Decisions on the Company's Financial and Operational Policies by Parties Deemed Inappropriate under the Basic Policies

1. Objectives of the Introduction of the Plan

The Plan shall be introduced with the intent of ensuring and enhancing corporate value of the Company and the common interest of its shareholders, in line with the Basic Policies described in I. above.

The Board of Directors of the Company decided that, in the case of receiving a proposal for a Large-Scale Acquisition, it is essential for the Company to retain a framework to ensure sufficient time and information for shareholders to decide whether or not to accept such proposal, or for the Board of Directors of the Company to make alternative proposals to shareholders, and to allow the Board to discuss and negotiate with the Large-scale Acquirer on behalf of shareholders, so that the Company can deter the Large-Scale Acquisition of the Company's Shares that goes against corporate value of the Company and the common interest of its shareholders.

Thus, the Board of Directors of the Company decided to introduce the Plan as part of the measures for preventing a party inappropriate in light of the Basic Policies from exerting control over the decisions on the Company's financial and operational policies.

2. Details of the Plan

(1) Outline of the Plan

(a) Procedures for the Plan

In preparation for the case of the acquisition, other similar acts or such proposals being made (hereinafter referred to as the "Acquisition, etc." as defined specifically in (2) (a) "Applicable Acquisitions, etc." below) with respect to share certificates, etc. of the Company (as defined specifically in (2) (a) "Applicable Acquisitions, etc." below), the Plan sets out procedures for presenting shareholders with the

Company's plan and the alternative proposals, etc. prepared by the senior management, or for engaging in negotiation with the Acquirer (as defined specifically in (2) (a) "Applicable Acquisitions, etc." below), after requesting the Acquirer to provide information regarding the Acquisition, etc. in advance, and ensuring sufficient time for collecting and considering such information regarding the Acquisition, etc. (Please refer to (2) "Procedures for the Plan" below). The Acquirer shall comply with the procedures for the Plan, and shall not proceed with the Acquisition, etc. during the period from the start of the procedures for the Plan to the resolution at the Board of Directors on whether or not to implement the gratis allotment of the stock acquisition rights.

(b) Use of Gratis Allotment of Stock Acquisition Rights

If the Acquirer fails to comply with the procedures as prescribed by the Plan and conducts the Acquisition, etc. or in the event of any Purchase by an Acquirer that may harm the corporate value of the Company (for details of such criteria, please refer to (3) "Criteria for the gratis allotment of the Stock Acquisition Rights" below) and, in turn, the common interests of its shareholders, etc., the Company will conduct a gratis allotment (as prescribed in Article 277 and subsequent Articles of the Companies Act) of new share acquisition rights (hereinafter referred to as the "Stock Acquisition Rights"; as summarized in (4) "Outline of the Gratis Allotment of the Stock Acquisition Rights" below) to all shareholders at such time with terms that prohibit the Acquirer and its specific group of shareholders (hereinafter referred to as the "Acquirer, etc."; as defined specifically in (2) (a) "Applicable Acquisitions, etc." below) from exercising such rights and with a condition to acquire Share Acquisition Rights in exchange for the Company's shares.

(c) Use of the Independent Committee for the Purpose of Excluding Arbitrary Decisions by Directors

As a rule, the Company shall follow the decision by the Independent Committee, made in line with its regulations (for the outline, please refer to the Appendix 1), in order to prevent the directors from making an arbitrary decision concerning the trigger or non-trigger of the gratis allocation of the Share Acquisition Rights or other matters concerning the acquisition pursuant to the Plan (unless following the recommendation could be considered a violation of Directors' obligation to exercise due care of a prudent manager). In addition, the Company shall ensure transparency by seeking the said decision of the Independent Committee, which will be comprised of members appointed from experts with professional knowledge and experience in corporate management, etc., who shall be independent from its executive officers who conduct operations of the Company, as well as by timely disclosure of relative information to all the shareholders of the Company.

Furthermore, even in cases where the Independent Committee deems the implementation of gratis allotment of the Stock Acquisition Rights to be appropriate, if it has decided that it would be appropriate to obtain the approval of the General Meeting Shareholders on the implementation of gratis allotment of the Stock Acquisition Rights, it shall recommend to the Board of Directors of the Company to convene a General Meeting of Shareholders to deliberate the proposal on the implementation of gratis allotment of the Stock Acquisition Rights, and the Board of

Directors of the Company shall resolve to promptly convene a General Meeting of Shareholders, unless it is extremely difficult for practical purposes to do so, and propose an agenda on the implementation of gratis allotment of the Stock Acquisition Rights.

The Independent Committee comprises four highly independent members. Names and career summary of the Committee members are stated in the Appendix 2 (as for the standards for electing the members of the Independent Committee, requirements for resolutions and matters for resolutions, please refer to the Appendix 1).

(d) Exercise of the Stock Acquisition Rights, and the Acquisition of the Stock Acquisition Rights by the Company

If the Stock Acquisition Rights are exercised by shareholders other than the Acquirer, etc. following the gratis allotment of the Stock Acquisition Rights under the Plan, or if shares in the Company are granted to shareholders other than the Acquirer, etc. in exchange for acquisition of the Stock Acquisition Rights by the Company, percentage of voting rights of the shares in the Company held by the Acquirer, etc. may be diluted.

(2) Procedures for the Plan

(a) Applicable Acquisitions, etc.

The Plan is applicable to the act of acquisition of share certificates, etc.^[5] issued by the Company, by a specific shareholders group^[3] resulting in, or aiming at 20% or higher ownership of voting rights^[4], or other similar acts, or proposals of such acts

[3] Referred to as (i) a holder (including a party who falls under the category of a holder prescribed in Article 27-23, Paragraph 3 of the Financial Instruments and Exchange Act; hereinafter the same shall apply) of the share certificate, etc. (referred to as share certificates, etc. prescribed in Article 27-23, Paragraph 1 of the same Act) of the Company, and its joint-holder (referred to as a joint-holder prescribed in Article 27-23, Paragraph 5 of the same Act, including a party deemed to be a joint-holder in accordance with Article 27-23, Paragraph 6 of the same Act, hereinafter the same shall apply), and also a party in a certain relationship with such holder or its joint holder, which is similar to the relationship between the holder and its joint-holder (hereinafter "quasi-joint holder"), or (ii) a party conducting a purchase, etc. (referred to as a purchase, etc. prescribed in Article 27-2, Paragraph 1 of the same Act), of share certificates, etc. of the Company (referred to as share certificates, etc. prescribed in Article 27-2, Paragraph 1 of the same Act) (hereinafter "Large-scale Acquirer"), and its specially related parties (referred to as a party in a special relationship prescribed in Article 27-2, Paragraph 7 of the same Act).

[4] (i) In the case of (i) of [3] above, referred to as a combined share holding ratio of the holder and its joint-holder (referred to as a combined share holding ratio prescribed in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act), as well as that of quasi-joint holder (as calculated in accordance with Article 27-23, Paragraph 4 of the same Act; provided the portion overlapped with the combined share holding ratio of the holder and its joint-holder, if any, shall be excluded), while (ii) in the case of (ii) of [3] above, referred to as a combined ownership ratio of share certificates, etc. (referred to as a combined ownership ratio of share certificates, etc. prescribed in Article 27-2, Paragraph 8 of the same Act) of the Large-scale Acquirer and that of its specially related parties. For the purpose of calculating holding ratios of share certificates, etc. and ownership ratios of share certificates, etc., securities reports, quarterly reports and/or other information provided by the Company based on the same Act may be referred as appropriate.

[5] In the case of (i) of [3] above, referred to as the share certificates, etc. prescribed in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act, while in the case of (ii) of [3] above, referred to as the share certificates, etc. prescribed in Article 27-2, Paragraph 1 of the same Act.

(by whatever means including inside/outside market transactions and tender offer, excluding, however, cases recognized as a friendly act by the Board of Directors of the Company; hereinafter called the “Acquisition, etc.” under the Plan). Any party who conducts such Acquisition, etc. (hereinafter referred to as the “Acquirer”) shall follow the procedures set out in advance under the Plan.

(b) Request for Information from the Acquirer

Prior to the execution of the Acquisition, etc., and unless the Acquisition, etc. is recognized as a friendly act, etc. by the Board of Directors of the Company, the Acquirer shall be requested to submit to the Board of Directors of the Company, in the form prescribed by the Company, the information as listed below (hereinafter the “Required Information”) and the document containing the representations and warranties to the effect that the Acquirer is, in the course of the Acquisition, etc. to comply with the procedures set out under the Plan (hereinafter referred to as the “Statement of Intent for the Acquisition”).

If the procedure starts under the Plan, the Company shall promptly disclose it.

The Board of Directors of the Company shall promptly present the Statement of Intent for the Acquisition to the Independent Committee upon its receipt. Following the review of the Statement, if the contents are found insufficient, the Independent Committee may request the Acquirer, directly or indirectly, to additionally provide the Required Information by the time limit set out as appropriate (in principle, a time frame within 60 days from the receipt of the Statement of Intent for the Acquisition). In such case, the Acquirer shall be required to duly provide such additional Required Information by such time limit.

Statement of Intent for the Acquisition or such additional Required Information must be prepared in Japanese.

List of the Required Information

- 1) Details of the Acquirer, etc. (including specific names or titles, capital structure, financial positions, experiences of past transactions similar in nature to the Acquisition, etc. proposed by the Acquirer, etc. and its outcome, the impacts of such past transactions on the corporate value of the targeted companies).
- 2) Prior and existing business relationship or competition between the Acquirer, etc. and the main business partners of the Company, if any
- 3) Objective, method and other details of the Acquisition, etc. (including information on the price and type of consideration for the Acquisition, etc., its timing, structure of its related transactions, legitimacy of its method and its feasibility)
- 4) Basis for calculating the price of consideration for the Acquisition, etc. (including facts and assumptions that serve as the basis for calculation, method of calculation, numerical data used for the calculation, contents of the synergies expected to be created as a result of a series of transactions related to the Acquisition, etc., contents of such synergies distributable to minority shareholders)
- 5) Source of the fund that finances the Acquisition, etc. (including specific names of the providers of the fund (including all indirect providers), funding methods, details of the related transactions)
- 6) Management policies, business plans, capital policies, dividend policies, and measures for enhancing corporate value of the Company after the Acquisition, etc.
- 7) Policies after the Acquisition, etc. for dealing with the Company's stakeholders, including its employees, business partners and customers
- 8) Arrangements between the Acquirer and third parties regarding the disposal of the shares in the Company held by the Acquirer, and/or exercise of associated voting rights
- 9) Specific measures for avoiding conflicts of interest with other shareholders of the Company
- 10) Other information reasonably considered necessary by the Independent Committee

When the Acquirer is considered to have started the Acquisition, etc. without following the procedures set out under the Plan, the Independent Committee, in principle, makes a recommendation of gratis allotment of the Stock Acquisition Rights to the Board of Directors of the Company as described in (d) 1) below, unless exceptional circumstances arise where there is a need for further discussion/negotiation with the Acquirer for the submission of Statement of Intent for the Acquisition.

- (c) Review of the Details of the Acquisition, etc., and of the Negotiation with the Acquirer and the Draft of Alternative Proposals

- 1) Request for information to the Board of Directors of the Company

Upon submission from the Acquirer of the Statement of Intent for the Acquisition and the Required Information additionally requested by the Independent Committee (if any), the Independent Committee may set a time limit for a reply set out as appropriate (a time frame within 60 days in principle, considered necessary for the Board to prepare and present its opinion, evidence that

supports such opinion and other information/materials, etc. considered necessary as appropriate by the Independent Committee according to the result of the study by outside experts; however, the Board shall conduct such required review as soon as possible) in consideration of the time period necessary for the Board of Directors of the Company to collect relevant information and to review the corporate assessment, for the purpose of comparative analysis between the details of Statement of Intent for the Acquisition as well as the additionally submitted Required Information, and the business plan presented by, as well as the corporate assessment of the Acquirer conducted by the Board of Directors of the Company, from the perspective of ensuring and enhancing corporate value of the Company and the common interest of its shareholders, and may request the Board of Directors of the Company to show its opinion over the details of the Acquisition, etc. proposed by the Acquirer (including the Board's position to withhold its opinion, hereinafter the same shall apply), evidence that supports such opinion, alternative proposals (if any) and other information/materials considered necessary by the Committee as appropriate, etc.

2) Review by the Independent Committee

In the case where the Independent Committee considers that the Acquirer and the Board of Directors of the Company (if having requested to provide information/materials as mentioned in 1) above) have provided sufficient information/materials, the Independent Committee shall establish a review period up to 60 days in principle (which, however, may be subject to extension/re-extension of such period based on the resolution at the Independent Committee up to 30 days, in the cases described in (d) 3) below) (hereinafter referred to as the "Independent Committee Review Period"). The Independent Committee shall conduct review of the Acquisition, etc. proposed by the Acquirer, collection of information and comparative analysis regarding the business plans, etc. both by the Acquirer and by the Board of Directors of the Company, review of the alternative proposals presented by the Board during the Independent Committee Review Period. The Independent Committee shall also discuss and negotiate with the Acquirer, directly or indirectly via the Board of Directors of the Company, or present shareholders with the alternative proposals submitted by the Board if necessary, for altering the Acquisition, etc. with a view to ensuring and enhancing corporate value of the Company and the common interest of its shareholders.

To ensure that the decision by the Independent Committee be made with a view to ensuring and enhancing corporate value of the Company and the common interest of its shareholders, the Independent Committee may seek advice from independent third parties (such as financial advisors, certified public accountants, attorneys, consultants and other experts) at the cost of the Company.

The Acquirer shall be obliged to promptly provide review materials and/or other information, or to discuss and negotiate with the Independent Committee, if it is requested by the Independent Committee directly or indirectly via the Board of Directors of the Company.

3) Information disclosure

Of facts and information including the start of the Independent Committee Review Period, presentation of an alternative proposal by the Board of Directors of the Company to the Independent Committee, and the outline of the Required Information, matters deemed appropriate by the Independent Committee shall be disclosed at the point in time as considered appropriate by the Committee.

(d) Recommendation by the Independent Committee

Upon the emergence of an acquirer, the Independent Committee shall make the following recommendations to the Board of Directors of the Company. In the case where the Independent Committee make resolutions for such matters as the recommendations as described in 1), 2) and 3) below to the Board of Directors, or if deemed appropriate by the Independent Committee, such recommendations and resolutions made, their outlines, and matters deemed appropriate by the Committee (including the period of extension/re-extension of the Independent Committee Review Period and the outline of its reasons, if such extension/re-extension is enforced) shall be promptly disclosed by the Company.

1) In the case of a recommendation for implementation of gratis allotment of the Stock Acquisition Rights

The Independent Committee shall make a recommendation to the Board of Directors of the Company for the implementation of gratis allotment of the Stock Acquisition Rights, regardless of whether the Independent Committee Review Period is started or terminated, if the Acquirer failed to comply with the procedures set out under the Plan, or if the Independent Committee decides that the Acquisition, etc. proposed by the Acquirer is deemed to meet any of the criteria as set forth in (3) "Criteria for Gratis Allotment of the Stock Acquisition Rights" below, following the review of the details of the Acquisition, etc. proposed by the Acquirer as well as the discussion and negotiation with the Acquirer, and thus the implementation of such gratis allotment of the Stock Acquisition Rights is deemed appropriate.

However, even after the Independent Committee makes the recommendation for the implementation of the gratis allotment of the Stock Acquisition Rights, if it determines that the circumstance falls under any of the following, it may cancel the gratis allotment up to two business days prior to the ex-rights date of the gratis allotment, and it may make a recommendation for the acquisition of the Stock Acquisition Rights without compensation, in the period from the effective date of gratis allotment of the Stock Acquisition Rights up to the day preceding the start date of exercise period (as defined in (f) of (4) "Outline of Gratis Allotment of the Stock Acquisition Rights" below).

a) In the case where the Acquisition, etc. is cancelled due to the withdrawal by the Acquirer or other reasons.

b) In the case where there are changes to the facts on which the decision for the recommendation is based, hence the Acquisition, etc. proposed by the Acquirer no longer meets any of the criteria set out under (3) "Criteria for the Gratis Allotment of the Stock Acquisition Rights" below, or implementation of such gratis allotment of the Stock Acquisition Rights or authorizing the implementation are no longer appropriate, even though the Acquisition, etc. proposed by the Acquirer still meets such criteria.

- 2) In the case where recommendation for non-implementation of gratis allotment of the Stock Acquisition Rights is made

The Independent Committee shall make a recommendation to the Board of Directors of the Company for non-implementation of gratis allotment of the Stock Acquisition Rights, regardless of whether the Independent Committee Review Period is terminated or not, if the Independent Committee decides that the Acquisition, etc. proposed by the Acquirer is deemed not to meet any of the criteria as set forth in (3) "Criteria for Gratis Allotment of the Stock Acquisition Rights" below, following the review of the details of the Acquisition, etc. proposed by the Acquirer as well as the discussion and negotiation with the Acquirer, or the implementation of such gratis allotment of the Stock Acquisition Rights is not deemed appropriate, even though the Acquisition, etc. proposed by the Acquirer meets such criteria.

However, even after the Independent Committee makes the recommendation for non-implementation of the gratis allotment of the Stock Acquisition Rights, if there are changes to the facts on which the decision for the recommendation is based, hence it has come to decide that the Acquisition, etc. proposed by the Acquirer is deemed to meet any of the criteria as set forth in (3) "Criteria for Gratis Allotment of the Stock Acquisition Rights" below, and thus the implementation of the gratis allotment of the Stock Acquisition Rights is deemed appropriate, the Independent Committee may make new decisions including the recommendations for the implementation of the gratis allotment of the Stock Acquisition Rights, and make such a recommendation to the Board of Directors of the Company.

- 3) In the case where the Independent Committee Review Period is extended

If the Independent Committee failed to make a recommendation for implementation or non-implementation of the gratis allotment of the Stock Acquisition Rights by the expiry date of the Independent Committee Review Period, the Independent Committee shall make resolutions for the extension of the Independent Committee Review Period, to the extent reasonably deemed necessary for the review of the Acquisition, etc. proposed by the Acquirer, discussion and negotiation with the Acquirer, and the review of the alternative proposal (further extension thereafter shall follow the same procedure).

If the Independent Committee Review Period is extended based on the aforementioned resolution, it shall collect information and make reviews, etc. as intended by such extension, and make its best efforts to make a recommendation within the extended period, for the implementation or non-implementation of the gratis allotment of the Stock Acquisition Rights.

- (e) Resolution of the Board of Directors

The Board of Directors of the Company shall promptly make resolutions, in fulfilling its role as a body under the Companies Act, regarding the implementation or non-implementation of the gratis allotment of the Stock Acquisition Rights, etc. (including cancellation of the gratis allotment and acquisition of the issued Stock Acquisition Rights without consideration) by following the aforementioned recommendation by the Independent Committee (unless following the recommendation could be considered a violation of Directors' obligation to exercise

due care of a prudent manager).

The Acquirer shall not be allowed to proceed with the Acquisition, etc. in the period from the start of the procedure for the Plan up to the resolution of the Board of Directors of the Company on the implementation or non-implementation of the gratis allotment of the Stock Acquisition Rights.

If the Board of Directors of the Company makes the resolution on the implementation or non-implementation of the gratis allotment of the Stock Acquisition Rights, it shall promptly disclose the outline of such resolution and other matters it deems appropriate.

(3) Criteria for Gratis Allotment of the Stock Acquisition Rights

If the Acquisition, etc. proposed by the Acquirer is considered to fall under any of the following, and that the implementation of the gratis allotment of the Stock Acquisition Rights is deemed appropriate, the Company shall be bound to implement the gratis allotment of the Stock Acquisition Rights according to the resolution at the Board of Directors of the Company as described in the aforementioned (e) of (2) "Procedures for the Plan." As described in the aforementioned (d) of (2) "Procedures for the Plan," decision on whether the Acquirer meets the following criteria, and on whether it is appropriate to implement the gratis allotment of the Stock Acquisition Rights shall be made based on the judgment of the Independent Committee without exception.

Criteria for Gratis Allotment of the Stock Acquisition Rights

- (a) In the case the Acquisition, etc. does not comply with the procedures set out under the Plan listed below, including provision of information and securing of the Independent Committee Review Period as prescribed in the aforementioned (b) of (2) "Procedures for the Plan."
 - 1) In the case the Acquisition, etc. is carried out, without allowing the Board of Directors of the Company a time period reasonably necessary for presenting an alternative proposal to the Acquisition, etc.
 - 2) In the case the Acquisition, etc. is carried out without allowing the Independent Committee the Independent Committee Review Period as set out under the Plan.
 - 3) In the case the Acquisition, etc. is carried out without sufficiently providing the Required Information and other information reasonably necessary for evaluating the details of the Acquisition, etc.

- (b) In the case the Acquisition, etc. may clearly damage the corporate value of the Company and the common interest of its shareholders due to the following acts or acts similar to these.
 - 1) Act to buy out the Company's share certificates, etc., followed by a demand for repurchase at an inflated price
 - 2) Act by the Acquirer, etc. to temporarily control the Company, enforce management under which it generates profits at the expense of the Company, such as acquiring significant assets of the Company at a low price
 - 3) Act to appropriate the Company's assets as collateral for the debt of, or as fund for repayment
 - 4) Act to temporarily control the Company, for the purpose of enforcing disposal of expensive assets that are not involved in the Company's business for the foreseeable future and payment of temporary high dividends based on the proceeds from such disposal, and/or enabling the Acquirer, etc. to sell its shares in the Company at a profit by taking advantage of the soaring share price resulting from such temporary high dividends
 - 5) Act to buy out the Company's shares, despite no genuine intention to participate in the Company's management, with the objective of primarily pulling up the Company's share price, and then asking the Company and its related parties concerned to repurchase its shares at an inflated price.

- (c) In the case where the Acquisition, etc. may virtually force shareholders to sell their shares, such as coercive two-tier purchase (purchase of shares in the forms including tender offer carried out without inducing purchase of all shares in the first phase, and with the terms of purchase in the second phase made deliberately less attractive, or unclear to shareholders).

- (d) In the case the Acquisition, etc. involves significantly inadequate or inappropriate terms (including the price and type of consideration for the Acquisition, etc., its timing, structure of the related transactions, legitimacy of its method, and its feasibility) in light of the intrinsic value that is the source of the common interest of the Company's shareholders.

- (e) In the case the Acquisition, etc. is deemed to pose threats to damage the corporate value of the Company and the common interest of its shareholders, through the impairment of the interest of its stakeholders including shareholders, employees, customers and business partners, as a result of the acquisition of control over the Company by the Acquirer, and the policy to treat such stakeholders as well as business plans, etc.
- (4) Outline of Gratis Allotment of the Stock Acquisition Rights
Outline of the gratis allotment of the Stock Acquisition Rights to be implemented under the Plan is as follows.
- (a) Number of the Stock Acquisition Rights
It shall be equivalent to the total number of shares outstanding in the Company, on a certain day (hereinafter referred to as the “Allotment Date”) as separately set out by the resolution of the Board of Directors regarding the gratis allotment of the Stock Acquisition Rights (hereinafter referred to as the “Resolution for Gratis Allotment of the Stock Acquisition Rights”) (excluding, however, the number of shares held by the Company as at the Allotment Date).
- (b) Entitled Shareholders
One Stock Acquisition Right shall be allotted with no compensation for one share in the Company held by shareholders other than the Company registered or recorded on the latest shareholder register of the Company on the Allotment Date. The Company may conduct such gratis allotment of the Stock Acquisition Rights on more than one occasion.
- (c) Effective Date of the Gratis Allotment of the Stock Acquisition Rights
It shall be the date separately set out by the Resolution for Gratis Allotment of the Stock Acquisition Rights.
- (d) Number of Shares subject to Stock Acquisition Rights
Number of shares^[6] subject to one Stock Acquisition Right (hereinafter referred to as the “Applicable Number of Shares”) shall be one share, unless otherwise adjusted.
- (e) The Amount of the Property to be Contributed upon Exercise of each Stock Acquisition Right
Contributions upon exercise of the Stock Acquisition Rights are to be made in cash, and the amount of property to be contributed upon exercise of each Stock Acquisition Right, shall be the amount as separately set out by the Resolution for Gratis Allotment of the Stock Acquisition Rights, within the range between the lower limit of 1 yen and the upper limit of 50% of the market price of one share in the

[6] If the Company becomes a corporation issuing class shares (in accordance with Article 2, Paragraph 13 of the Companies Act), both 1) shares in the Company issued in association with the exercise of the Stock Acquisition Rights, and 2) shares granted in exchange for the acquisition of the Stock Acquisition Rights refer to the same class of shares (i.e. common stock) as have already been issued as of this General Meeting of Shareholders.

Company. "Market price" shall refer to the amount equivalent to the average closing price (including trade quote) of ordinary transactions of the Company's common stock on all trading days (excluding the days on which no trading is reported) at the Tokyo Stock Exchange, during the period separately set out by the Board of Directors in the range between 30 days and 180 days prior to the Resolution for Gratis Allotment of the Stock Acquisition Rights, and any fraction of a yen shall be rounded up to one yen.

(f) Exercise Period of the Stock Acquisition Rights

With the start date (hereinafter referred to as the "Start Date of Exercise Period") as separately set out by the Resolution for Gratis Allotment of the Stock Acquisition Rights, the time period shall be separately set out by the Resolution for Gratis Allotment of the Stock Acquisition Rights, in the range between one month and three months, provided, however, that if the Company acquires the Stock Acquisition Rights, the exercise period of the Stock Acquisition Rights associated with the acquisition in accordance with (i) 2) below, shall expire on the business day preceding the date of such acquisition, or if the last day of the exercise period falls on the holiday for the institution that handles the payment associated with the exercise, it shall expire on the business day prior thereto.

(g) Conditions for Exercising the Stock Acquisition Rights

The Acquirer, etc. may not exercise the Stock Acquisition Rights, in principle. In addition, non-residents in Japan who are required to comply with certain procedures set out under foreign laws and regulations for the purpose of exercising the Stock Acquisition Rights shall not be allowed to exercise the Stock Acquisition Rights in principle (provided, however, that certain parties entitled to use exemption provisions under such applicable foreign laws and regulations may exercise the Stock Acquisition Rights, while the Stock Acquisition Rights held by non-residents in Japan shall be subject to the acquisition by the Company in consideration of shares in the Company as described in (i) below). In addition, anyone who fails to submit a written pledge in the form prescribed by the Company, including provisions of representations and warranties regarding matters such as the fact that they satisfy the exercise conditions of the Stock Acquisition Rights, indemnity clauses and other covenants, shall not be allowed to exercise the Stock Acquisition Rights.

(h) Restriction to the Transfer of the Stock Acquisition Rights

Acquisition of the Stock Acquisition Rights by transfer thereof shall be subject to the approval of the Board of Directors of the Company.

(i) Acquisition of the Stock Acquisition Rights by the Company

1) Until the day before the Start Date of Exercise Period, based on the recommendation of the Independent Committee in principle, if the Board of Directors of the Company decides that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may acquire all of the Stock Acquisition Rights without compensation on the day as separately set out by the Board of Directors of the Company.

2) On the day as separately set out by the Board of Directors of the Company, the

Company may acquire all of the Stock Acquisition Rights held by parties other than the Acquirer, etc. that have not been exercised by the business day preceding such date set out by the Board of Directors of the Company, and in exchange for them, grant the Applicable Number of Shares in the Company for each such Stock Acquisition Right. The Company may conduct such acquisition of the Stock Acquisition Rights on several occasions. (This applies to the case where gratis allotment of the Stock Acquisition Rights is carried out several times, since acquisition of the Stock Acquisition Rights are conducted for each of the Stock Acquisition Rights. If it turns out that, among holders of the Stock Acquisition Rights excluded from the acquisition, which was made for holders other than the Acquirer, etc., parties other than the Acquirer, etc. are included, the Company may conduct additional acquisition targeting such other parties than the Acquirer, etc.)

- 3) In addition to the cases above, upon the actual Resolution for Gratis Allotment of the Stock Acquisition Rights, the Company may set out matters related to acquisition of the Stock Acquisition Rights other than those set out in 1) and 2) above (including the matters related to the acquisition of the Stock Acquisition Rights from the Acquirer, etc.), if it is deemed reasonably appropriate subject to the recommendation by the Independent Committee; provided, however, that acquisition of the Stock Acquisition Rights owned by the Acquirer, etc. shall not involve grant of consideration including payment of cash.
- (j) Grant of the Stock Acquisition Rights in the Case of Merger, Absorption-type Company Split, Incorporation-type Company Split, Share Exchange and Share Transfer
It shall be set out separately by the Resolution for Gratis Allotment of the Stock Acquisition Rights.
- (k) Issuance of Stock Acquisition Right Certificates
Stock acquisition right certificates shall not be issued with respect to the Stock Acquisition Rights.
- (5) Procedures for the Renewal of the Plan
The effective period of the Plan shall be renewed subject to the approval of shareholders after the deliberation of the proposal at this General Meeting of Shareholders.
- (6) Effective Period, Abolition, Amendment and Suspension of the Plan
Effective period of the Plan shall expire at the conclusion of the General Meeting of Shareholders for the last fiscal year ending within three years after this General Meeting of Shareholders.
However, even prior to the expiry of the effective period, the Plan and the entrustment based on the Plan shall be abolished and cancelled at the time when 1) resolution for the abolition of the Plan is made at this General Meeting of Shareholders, or 2) resolution for the abolition of the Plan is made by the Board of Directors of the Company.

Meanwhile, even during the effective period of the Plan, the Board of Directors of the Company may amend or temporarily suspend the Plan, if such amendment or suspension does not go against the intention of the approval of (5) "Procedures for the Renewal of the Plan" above, at this General Meeting of Shareholders (including the cases where establishment, amendments and abolition of the laws, regulations and rules of financial instruments exchanges relevant to the Plan are made, and it is appropriate to reflect such establishment, amendments and abolition on the Plan, or the cases where it is appropriate to revise the wording of the Plan due to misspelling and typographical errors, etc. or the cases where such amendment or suspension is not disadvantageous to the Company's shareholders) subject to the approval of the Independent Committee.

In the case where such amendment or temporary suspension of the Plan is enforced, the Company shall promptly disclose the fact of such amendment or suspension as appropriate, and the details of the amendment (in the case of amendment) and other relevant matters.

(7) Amendment Required by Laws and Regulations

Provisions of laws and regulations referenced in the Plan are based on the provisions in effect as of May 7, 2019. Thus, if any necessity arises for modifying the provisions or definitions of terms set out above, due to the establishment, amendment or abolition of the laws and regulations after such date, the reading of provisions or definitions of terms set out above shall be changed accordingly as appropriate to a reasonable extent, taking into consideration the purposes of such establishment, amendment or abolition.

3. Impact on Shareholders

(1) Impact on Shareholders and Investors at the Time of the Introduction of the Plan

Since gratis allotment of the Stock Acquisition Rights is not implemented at the introduction of the Plan, such introduction shall have no direct and specific impact on shareholders and investors.

(2) Impact on Shareholders and Investors at the Time of the Implementation of the Gratis Allotment of the Stock Acquisition Rights

Subject to the Resolution for Gratis Allotment of the Stock Acquisition Rights at the Board of Directors of the Company, one Stock Acquisition Right shall be allotted with no compensation for one share in the Company held by shareholders as of the Allotment Date as separately set out by such Resolution for Gratis Allotment of the Stock Acquisition Rights. If a shareholder does not follow the procedures for the exercise of the Stock Acquisition Rights as described in detail in (a) of (3) "Procedures for Shareholders in association with Gratis Allotment of the Stock Acquisition Rights" below during the exercise period, including the payment of cash, shares in the Company held by such shareholder will be diluted as a result of the exercise of the Stock Acquisition Rights by other shareholders. However, the Company may acquire the Stock Acquisition Rights from shareholders other than the Acquirer, etc. by the procedures described in (b) of (3) "Procedures for Shareholders in association with Gratis Allotment of the Stock Acquisition Rights," and grant shares in the Company in exchange of the Stock Acquisition Rights. If the Company follows such procedures for acquisition, shareholders other than the

Acquirer, etc. will receive shares in the Company without exercising the Stock Acquisition Rights and paying the amount of cash equivalent to the exercise price, resulting in the dilution of value per share held by each shareholder. However, this does not basically cause any economic dilution of the total value of the shares in the Company held by each shareholder. Given the restriction on the transfer of a stock acquisition right itself, however, if shareholders are granted shares in the Company after the Allotment Date, as a result of exercise of the Stock Acquisition Rights or the acquisition by the Company, collection of invested capital by transfer may be restricted to the extent attributable to the Stock Acquisition Rights from the value of the shares in the Company held by shareholders, until the shares in the Company are recorded in the transfer accounts of shareholders. Shareholders are requested to pay attention to this possible restriction.

Even after the Allotment Date or the effective date of the gratis allotment of the Stock Acquisition Rights, the Company may cancel such gratis allotment of the Stock Acquisition Rights, due to the withdrawal of the Acquisition, etc. by the Acquirer or other reasons, up to two business days prior to the ex-rights date of the gratis allotment, or may acquire the Stock Acquisition Rights with no compensation and without granting shares in the Company to the holders of the Stock Acquisition Rights, in the period from the effective date of the Stock Acquisition Rights up to the day preceding the Start Date of Exercise Period. Thus, the outcome may be the same as the case where no gratis allotment of the Stock Acquisition Rights took place at all. In such cases, the value per share is not diluted, and investors who traded the shares in the Company in an anticipation of gratis allotment of the Stock Acquisition Rights may accordingly suffer losses due to the share price fluctuations.

(3) Procedures for Shareholders in Association with Gratis Allotment of the Stock Acquisition Rights

(a) Procedures for the Exercise of the Stock Acquisition Rights

The Company shall send documents necessary for exercising the Stock Acquisition Rights, including, in principle, the instruction form for the exercise of the Stock Acquisition Rights (in the form prescribed by the Company, specifying the content and number of the Stock Acquisition Rights to be exercised, date of such exercise, information necessary for recording the shares in the Company including the transfer account detail, a written pledge including provisions of representations and warranties regarding matters such as the fact that the shareholder is not the Acquirer, etc., indemnity clauses and other covenants) to the shareholders registered or recorded on the latest shareholder register of the Company on the Allotment Date. After the gratis allotment of the Stock Acquisition Rights, shareholders will be requested to submit the documents during the exercise period but until the acquisition of the Stock Acquisition Rights by the Company becomes effective, and pay the amount of consideration, as determined by the Resolution for Gratis Allotment of the Stock Acquisition Rights at the Board of Directors of the Company, within the range between the lower limit of 1 yen and the upper limit of 50% of the market price of one share in the Company for each Stock Acquisition Right, to the institution that handles the payment associated with the exercise. Subsequently, one share in the Company for each Stock Acquisition Right, in principle, will be issued.

Please bear in mind that, subject to the provisions of the laws concerning the

transfer of bonds and shares, when exercising the Stock Acquisition Rights, shareholders need to provide the Company with information on an account other than a special account, which is to be used as a transfer account for the purpose of recording the shares granted as a result of the exercise, and that shareholders need to open a transfer account such as securities account before exercising the Stock Acquisition Rights.

(b) Procedures for the Acquisition of the Stock Acquisition Rights by the Company

When the Board of Directors of the Company makes a decision on the acquisition of the Stock Acquisition Rights, the Company shall acquire the Stock Acquisition Rights on the date as separately set out by the Board of Directors of the Company, in accordance with the statutory procedures. If the Company needs to grant the shares in the Company to shareholders in exchange for the acquired Stock Acquisition Rights, it shall promptly grant them. In this case, shareholders may be requested to separately submit a written pledge in a form prescribed by the Company, including provisions of representations and warranties regarding matters such as the fact that the shareholder is not the Acquirer, etc., indemnity clauses and other covenants. Shareholders may also be requested to provide information on the transfer account for the purpose of recording the shares in the Company granted as consideration for the acquisition of the Stock Acquisition Rights.

If certain provisions including the acquisition of the Stock Acquisition Rights from the Acquirer, etc. are set out in the Resolution for Gratis Allotment of the Stock Acquisition Rights made based on the recommendation by the Independent Committee, the Company may take such measures in accordance with such provisions.

In addition to the above, details of the method for the allotment and exercise of the Stock Acquisition Rights and method for the acquisition by the Company shall be disclosed or notified to shareholders after the Resolution for Gratis Allotment of the Stock Acquisition Rights is made. Shareholders will be kindly asked to confirm such disclosure and notification.

IV. Decisions by the Board of Directors of the Company on the Measures above under the Plan and its Reasons

1. The Plan is in Compliance with the Company's Basic Policies

The Plan shall be in compliance with Company's Basic Policies, as it is a framework for protecting corporate value of the Company and the common interest of its shareholders, through ensuring sufficient information and time necessary for shareholders to decide whether or not to accept the Acquisition, etc., or for the Board of Directors of the Company to make alternative proposals to shareholders, or allowing the Board to discuss and negotiate with the Large-scale Acquirer on behalf of shareholders in the case of the Acquisition, etc. of the share certificates, etc. of the Company.

2. The Measures Do Not Damage the Common Interest of Shareholders, and Are Not Meant to Preserve the Status of the Company Officers

The Company believes that the measures for preventing control by parties deemed inappropriate under the Basic Policies do not damage the common interest of shareholders, and are not meant to preserve the status of the company officers for the following reasons.

- (1) The Measures Completely Meet the Requirements of the Guidelines Regarding Takeover Defense.

The Plan is completely in compliance with the three principles set out under the “Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders’ Common Interests” published on May 27, 2005 jointly by the Ministry of Economy, Trade and Industry and the Ministry of Justice. The Plan is also in conformity to the proposals in “Takeover Defense Measures in Light of Recent Environmental Changes” published on June 30, 2008, by the Corporate Value Study Group of the Ministry of Economy, Trade and Industry.

- (2) The Plan is Designed to Respect the Intention of Shareholders

As described in III. 2. (5) “Procedures for the Renewal of the Plan” above, for the purpose of reflecting the intent of shareholders, the Company has made proposals at this General Meeting of Shareholders on the introduction of the Plan. Upon shareholders’ approval on the Plan at this General Meeting of Shareholders, the Plan shall be renewed to cover the period up to the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year ending within three years after this General Meeting of Shareholders.

In addition, as described in III. 2. (6) “Effective Period, Abolition, Amendment and Suspension of the Plan” above, the Plan may be abolished at the time when a resolution for the abolition of the Plan is made at a General Meeting of Shareholders, or a resolution for the abolition of the Plan is made by the Board of Directors comprising Directors appointed by a General Meeting of Shareholders, even prior to the expiry of its effective period.

Additionally, the Company sets the term of office of Directors to be one year, and even during the effective period of the Plan, the shareholders’ intention can be reflected through the election of Directors at the annual General Meeting of Shareholders. Thus, the shareholders’ intention will be reflected in the decisions whether or not to maintain the Plan.

- (3) Due Consideration to the Decision by Independent Outside Experts, and Information Disclosure

At the introduction of the Plan, the Company has established the Independent Committee as a body for objectively making substantive judgment for shareholders, regarding the implementation and abolition of the Plan while excluding Directors’ arbitrary judgments.

If Acquisition, etc. is actually made, the Independent Committee shall make substantive judgment on whether such Acquisition, etc. damages the corporate value of the Company and the common interest of its shareholders, in accordance with the Independent Committee Rules as described in III. 2. (2) “Procedures for the Plan” above, while the Board of Directors of the Company shall make resolutions in fulfilling its role as a body under the Companies Act, by following such judgment of the Independent Committee (unless following the recommendation could be considered a violation of Directors’ obligation to exercise due care of a prudent manager).

Thus, the Independent Committee shall rigorously monitor possible arbitrary

actions by Directors of the Company while outline of any judgment made by the Committee shall be disclosed to shareholders. Thus, the framework for transparent operations of the Plan is ensured to the extent beneficial to corporate value of the Company and the common interest of its shareholders.

The Independent Committee presently comprises three Outside Audit & Supervisory Board Members who are subject to shareholder derivative action. Furthermore, an outside expert has been added for a total of four highly independent members to enable precise decisions. (As for the standards for electing the members of the Independent Committee, requirements for reaching resolutions and matters to be resolved, please refer to the Appendix 1. Names and career summaries of the Committee members are stated in the Appendix 2.)

(4) Establishment of Reasonable and Objective Criteria

As described in III. 2. (2) (d) "Recommendation by the Independent Committee" and III. 2. (3) "Criteria for the Gratis Allotment of the Stock Acquisition Rights" above, the Plan is set to be implemented only when reasonable, detailed and objective criteria are met. Thus, the framework is ensured for preventing the Board of Directors of the Company from arbitrarily implementing the Plan.

(5) Hearing the Opinions of Outside Experts

Upon the emergence of an Acquirer, the Independent Committee shall be able to seek advice from independent third-party experts (including financial advisors, certified public accountants, attorneys, consultants, and other experts) at the cost of the Company, thereby further ensuring impartiality and objectivity of the judgment of the Independent Committee.

(6) Not being a Dead-Hand or Slow-Hand Takeover Defense Measure

As described in III. 2. (6) "Effective Period, Abolition, Amendment and Suspension of the Plan" above, the Plan is designed to allow abolition by the Directors nominated by the party who conducted the large-scale acquisition of share certificates, etc. of the Company, and elected by the General Meeting of Shareholders, which, therefore, is not a dead-hand takeover defense measure (a takeover defense measure that cannot be stopped even after a majority of the members of the Board have been replaced) or a slow-hand takeover defense measure (a takeover defense measure that requires time for it to be stopped due to the fact that the members of the Board cannot be replaced all at once).

Outline of the Independent Committee Rules

- The Independent Committee shall be established by the resolution of the Board of Directors of the Company.
- The Independent Committee shall comprise three or more and five or less members, elected by the Board of Directors of the Company, from among the persons who are independent from the senior management engaged in executing the business of the Company and fall into any of the three categories, namely (i) Outside Directors of the Company, (ii) Outside Audit & Supervisory Board Members of the Company, or (iii) outside experts.

Provided, however, outside experts must be corporate executives with proven track records, ex-government officials, university staff, persons familiar with investment banking business or the lines of business conducted by the Company, attorneys, certified public accountants, or researchers specializing in the Companies Act, or other experts with similar qualifications and/or experiences and must have entered into an agreement with the Company, which includes provisions of due care of a prudent manager as specified by the Company.

- Term of office of the Independent Committee members shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year ending within three years after this General Meeting of Shareholders, unless otherwise specified by the resolution of the Board of Directors of the Company. When a member of the Independent Committee, who has been an Outside Director of the Company or an Outside Audit & Supervisory Board Member of the Company, ceases to be a Director or an Audit & Supervisory Board Member (unless as a result of reappointment), his/her term of office as a member of the Independent Committee shall automatically terminate at the same time.
- The Independent Committee shall make decisions on the matters as listed below, and such decisions along with reasons shall be advised to the Board of Directors of the Company in the form of recommendations. The Board of Directors of the Company shall make resolutions regarding the implementation or non-implementation of the gratis allotment of the Stock Acquisition Rights in fulfilling its role as a body under the Companies Act, by following such recommendation by the Independent Committee (unless following the recommendation could be considered a violation of Directors' obligation to exercise due care of a prudent manager). Each member of the Independent Committee and each Director of the Company must participate in such decision-making process from the perspective of whether or not it is beneficial to corporate value of the Company and the common interest of its shareholders, and not solely for the purpose of achieving personal gain for himself/herself or collectively for the senior management of the Company.
 - 1) Implementation or non-implementation of the gratis allotment of the Stock Acquisition Rights
 - 2) Cancellation of gratis allotment of the Stock Acquisition Rights, or acquisition of the Stock Acquisition Rights with no compensation
 - 3) Other matters which is subject to the decision by the Board of Directors of the Company, but has been consulted with the Independent Committee

- In addition to those mentioned above, the Independent Committee shall carry out the following:
 - 1) Decisions on information to be provided to the Independent Committee from the Acquirer as well as the Board of Directors of the Company, and the time limit of such provision.
 - 2) Examination and review of the details of the Acquisition, etc. as proposed by the Acquirer
 - 3) Negotiations and discussions with the Acquirer
 - 4) Request for submission of an alternative proposal from the Board of Directors of the Company, review of the alternative proposal and its presentation to shareholders
 - 5) Establishment of the Independent Committee Review Period and the decision on its extension
 - 6) Approval on the amendment or suspension of the Plan
 - 7) Other matters authorized to be conducted by the Independent Committee under the Plan
 - 8) Matters authorized to be conducted by the Independent Committee separately determined by the Board of Directors of the Company
- If the information presented has been found insufficient as the Required Information, the Independent Committee shall request the Acquirer to additionally provide the Required Information. Upon submission from the Acquirer of the Statement of Intent for the Acquisition and the Required Information additionally requested by the Committee, the Independent Committee may also request the Board of Directors of the Company to show its opinion over the details of the Acquisition, etc. proposed by the Acquirer, evidence that supports such opinion, alternative proposals and other information/materials considered necessary by the Committee as appropriate, etc. within a certain period of time.
- The Independent Committee shall also discuss and negotiate with the Acquirer, directly or indirectly via the Board of Directors of the Company, or present shareholders with the alternative proposals submitted by the Board if necessary, for altering the Acquisition, etc. with a view to ensuring and enhancing corporate value of the Company and the common interest of its shareholders.
- The Independent Committee shall be authorized to request Directors, Audit & Supervisory Board Members and employees of the Company as well as other persons as considered necessary by the Committee for attendance to the Committee meeting, and to ask them to explain the matters as required by the Committee for the purpose of collecting necessary information.
- The Independent Committee shall be able to seek advice from independent third parties (including financial advisors, certified public accountants, attorneys, consultants, and other experts) at the cost of the Company.
- In the case of the Acquisition, etc. or others, each member of the Independent Committee shall be able to call a Committee meeting at any time.
- In principle, resolution of the Independent Committee shall be made with the attendance of all members of the Committee and by a majority thereof, provided, however, that if any member of the Committee is unable to attend due to an accident or other unavoidable circumstance, resolution may be made with the attendance of a majority of the members, and by a majority thereof.

Appendix 2

Career Summary of the Independent Committee members

The Independent Committee comprises the following four members.

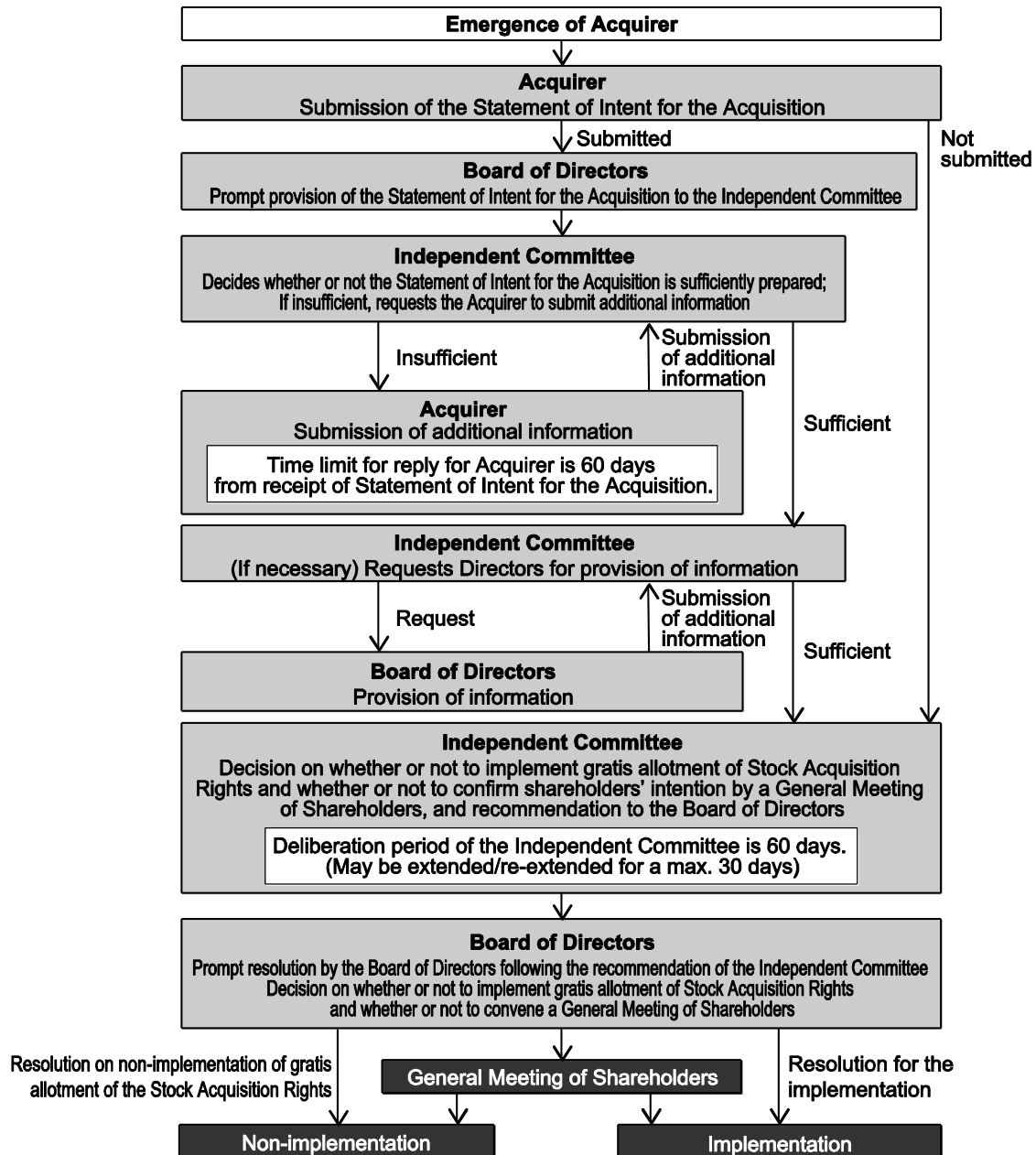
	Name (Date of Birth)	Career Summary
1	Mikio Shiokawa (August 26, 1959)	<p>April 1982 August 2002 April 2004 January 2013 January 2014 August 2015 September 2017</p> <p>Joined National Police Agency Head of Security Department, Kanagawa Prefectural Police Headquarters Head of Counter International Terrorism Division, Foreign Affairs and Intelligence Department, Security Bureau, National Police Agency Chief of Hyogo Prefectural Police Councilor of Deputy Director General, Commissioner General's Secretariat, National Police Agency Deputy Head of Cabinet Satellite Intelligence Center, Cabinet Secretariat Ambassador Extraordinary and Plenipotentiary of Embassy of Japan in Tunisia</p>
2	Masayuki Tamagawa (January 15, 1958)	<p>April 1981 June 2000 July 2007 July 2011 July 2012 October 2016 May 2017</p> <p>Joined the Ministry of Finance Deputy Director General of Monetary Financial System Bureau, International Monetary Fund (IMF) Regional Commissioner of Sapporo Regional Taxation Bureau Deputy Financial Officer of Japan Tobacco Inc. Head of Asia External Representation Office, African Development Bank (AfDB) Specially-appointed Professor of Education Development Center, Education Support Functions, Kogakuin University (to present) Managing Director of Kogakuin University (to present)</p>
3	Naoko Shimura (June 5, 1974)	<p>April 1999 April 2005 January 2008 May 2016 June 2018 September 2018</p> <p>Registered as Attorney Joined Nishimura & Partners (currently Nishimura & Asahi) Registered as Attorney of New York State Partner of Nishimura & Asahi (to present) External Auditor of TABIKOBO Co. Ltd. (to present) Outside Director of mixi, Inc. (to present) Part-time Lecturer of Business Law Department, Graduate School of Law, Hitotsubashi University (to present)</p>

	Name (Date of Birth)	Career Summary	
4	Zenji Miura (January 5, 1950)	April 1976 October 2000 June 2003 June 2004 June 2005 April 2011 April 2013 April 2017 August 2018 January 2019	Joined Ricoh Company, Ltd. Corporate Vice President of Ricoh Company, Ltd. Executive Vice President of Ricoh Company, Ltd. Managing Director of Ricoh Company, Ltd. Director, Corporate Executive Vice President of Ricoh Company, Ltd. Representative Director, Deputy President of Ricoh Company, Ltd. President, CEO (Chief Executive Officer) of Ricoh Company, Ltd. Executive Adviser of Ricoh Company, Ltd. Outside Director (Audit & Supervisory Committee member) of Coca-Cola Bottlers Japan Holdings Inc. Representative Director of Tri-Med Co, LTD (to present) Director of Polaris Capital Group Co., Ltd. (to present) Director and Chairman of Polaris Advisors Co., Ltd. (to present)

(Notes)

1. Mikio Shiokawa, Masayuki Tamagawa and Naoko Shimura are candidates for Outside Audit & Supervisory Board Members who meet the requirements for Outside Audit & Supervisory Board Members of the Company, as prescribed in Article 2, Item 16 of the Companies Act and are expected to assume the office of Outside Audit & Supervisory Board Members upon election at this General Meeting of Shareholders.
2. There are no special interests between the Company and each member mentioned above.

Appendix 3 Outline of the Flow of the Procedures for the Plan



*This Flow Chart has been prepared to aid the understanding of the outline of the Plan and should be used for reference purposes only. For details of the Plan, please refer to the text.