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the original Japanese document shall prevail.

[Translation]

## **Renewal of Countermeasures to Large-Scale Acquisitions of Seiko Epson Shares (Takeover Defense Measures)**

**- TOKYO, Japan, April 28, 2017 -**

Seiko Epson Corporation (the “Company”), for the purpose of ensuring and enhancing the Company’s corporate value and the common interests of its shareholders, received approval from shareholders for the renewal of the plan for countermeasures to large-scale acquisitions of the shares in the Company (takeover defense measures) at the 72nd ordinary general meeting of shareholders of the Company held on June 24, 2014 (the renewed plan for countermeasures to large-scale acquisitions of the shares in the Company: the “Existing Plan”).

As the Existing Plan is effective until the conclusion of the 75th ordinary general meeting of shareholders of the Company to be scheduled on June 28, 2017 (the “Annual Shareholders Meeting”), the Company has continually considered the Existing Plan in a multifaceted manner, including whether to continue the Existing Plan, from the viewpoint of maintaining and enhancing the common interests of shareholders and the Company’s corporate value.

As a result, the Company has determined that renewing the Existing Plan would contribute to the corporate value of the Company and the common interests of its shareholders for the reasons that it would help the entire Company advance the strategies toward achieving the Epson 25 Corporate Vision without dispersing its management resources, and that, on occasions when the Company receives a large-scale acquisition proposal for the shares in the Company (defined in III. 2.2 (a) below; hereinafter the same) from an acquirer, it would provide the Company with a measure that ensures the necessary time and information for the shareholders to decide whether or not to accept such proposal or for the Company’s board of directors to present an alternative proposal while enabling the board of directors to discuss and negotiate with the acquirer. In view of this, the Company hereby announces the decision at the meeting of its board of directors held today to renew the Existing Plan with certain changes (the renewed plan for countermeasures: the “Plan”), subject to shareholder approval at the Annual Shareholders Meeting.

The purpose of the changes to the Existing Plan is to further enhance its appropriateness and objectivity by even more clearly defining that it is for ensuring that the countermeasure would maintain the common interests of the shareholders and not for maintaining the positions of the executives of the Company. An outline of its content is described below.

*This English translation has been prepared for general reference purposes. The Company is not responsible for any consequence resulting from the use of the English translation in place of the original Japanese text. In any legal matter, readers should refer to and rely upon the original Japanese text of the press release dated as of April 28, 2017.*

### **Major Changes from the Existing Plan**

- (i) To further enhance the objectivity of the decisions made by the Special Committee, the members of the Special Committee shall be solely elected from among highly independent outside directors, while previously, electing external experts was allowed.
- (ii) Certain patterns of acquisition, etc. subject to a gratis allotment of stock acquisition rights will be deleted to limit the triggering requirements.
- (iii) With regard to the treatment of recommendations of the Special Committee, to eliminate arbitrary operation by the management, the board of directors shall make decisions by following the recommendations (except in cases where following such recommendations could be considered a violation of directors' obligation to exercise the duty of due care of a prudent manager), while previously, the board of directors were required to make decisions by respecting such recommendations to the maximum extent.
- (iv) Period necessary for each process after an Acquirer (defined in III. 2. (1) (b) below; hereinafter the same) expressed the intention to purchase will be specified and clarified.
- (v) In case of acquiring stock acquisition rights from Non-Qualified Parties (defined in III.2. (4) (g) below; hereinafter the same), it will be clarified that any economic profit such as cash will not be delivered.

Other minor modifications such as wording changes were made.

Major shareholders of the Company as of March 31, 2017 are listed in the exhibit. Please note that the Company has not received any notice or proposal of a large-scale acquisition of shares in the Company from a specific third party to date.

### **I. Basic Policy regarding Persons Who Control Decisions on the Company's Financial and Business Policies**

The Company believes that its shareholders should be decided through free trade in the market. Accordingly, the Company believes that the determination to respond to an acquisition proposal to purchase a portion of shares that would make it possible to control decisions on the Company's financial and business policies should ultimately be referred to a decision by the shareholders.

The Company believes that it is essential for the Company to have executives and employees work together to create corporate value, to continue to create and take on challenges whilst embracing its established business culture, and to preserve and acquire the customers' trust in order to ensure and enhance the Company's corporate value and the common interests of its shareholders.

However, there are some forms of large-scale acquisitions of shares that benefit neither

the target company's corporate value nor the common interests of its shareholders to be ensured and enhanced: (i) those that, in light of the purpose of the acquisition and the management policy and other factors after the acquisition, are likely to harm the corporate value of the target company and, in turn, the common interests of its shareholders, (ii) those with a potential to substantially coerce shareholders into selling their shares, and (iii) those that do not provide sufficient time or information for the target company's board of directors and shareholders to consider the terms and conditions of the acquisition, or for the target company's board of directors to make an alternative proposal. The Company believes that any person who would make an inappropriate large-scale acquisition of shares in the Company in this manner would be unsuitable to become a person who would control decisions on the Company's financial and business policies, and it is therefore necessary to ensure the corporate value of the Company and, in turn, the common interests of its shareholders by taking the necessary and reasonable countermeasures against a large-scale acquisition by such person.

## **II. Effective Use of the Company's Property, Appropriate Formation of Corporate Group and Other Special Measures Contributing to Realizing the Basic Policy**

### **1. Sources of the Company's Corporate Value**

The Company, which began in 1942 as Daiwa Kogyo, Ltd., a manufacturer of watch parts, has provided the world with numerous breakthrough products. The precision machining technologies, micro-processing technologies, and key components that the Company initially developed for quartz wristwatches have evolved and advanced into technologies for printers, electronic devices. Today, these are the foundation for the business of the Epson Group ("Epson").

Endowed with a rich legacy of efficient, compact, and precision technologies and guided by the aspiration to become an indispensable company, Epson is striving to create new value and shape the world by forging innovations through challenges that are bold, imaginative, unconventional, and exceed our own vision.

To this end, using the Epson Management Philosophy and the global tagline below as guides, we will strive to achieve our vision with employees who embrace a common set of values, demonstrate teamwork, and exercise initiative to create value that exceeds customer expectations.

#### **Epson Management Philosophy**

Epson aspires to be an indispensable company,  
trusted throughout the world for our commitment to openness,

customer satisfaction and sustainability.  
We respect individuality while promoting teamwork,  
and are committed to delivering unique value  
through innovative and creative solutions.

### **EXCEED YOUR VISION**

As Epson employees,  
We always strive to exceed our own vision,  
and to produce results that bring surprise and delight  
to our customers.

Since establishing its first overseas affiliate in Singapore in 1968, the Company has grown its global presence as a result of efforts to achieve customer value in each region of the world. We believe that enhancing Epson's corporate value will require all personnel to live by the Epson Management Philosophy and to work together as one toward creating value for all of our stakeholders.

Epson has sought to create customer value and grow its corporate value with unique products that raise efficiency and increase convenience for customers in the consumer, commercial and industrial domains. To create these products, Epson relies on proprietary core devices based on its core technologies along with a vertically integrated business model wherein it has end-to-end control over everything from product planning and design to manufacturing and sales.

Additionally, two Epson traditions have also grown out of Epson's history of developing and manufacturing watches, one being its culture of making things smaller, the other being its practice of developing all essential major components internally. This has been Epson's corporate culture since its inception, and it informs Epson's corporate mind-set, which emphasizes the exercise of creativity and the willingness to take on challenges. These have fed one of the Company's enduring strengths: the ability to produce products from start to finish, from the core devices stage to the finished products stage. This is also one of the reasons the Company has earned high customer loyalty over a wide range of products, from imaging products to electronic devices.

At the same time, Epson has long had programs in place to ensure environmentally sustainability. For example, when concerns first arose in 1988 over the harmful effects of chlorofluorocarbons on the ozone layer, Epson promptly declared that it would eliminate the use of chlorofluorocarbon in the manufacturing processes of all its global affiliates by 1993.

Epson has received high praise for adopting initiatives that are unique to Epson as a company with a large presence in nature-abundant Nagano prefecture. Epson has also set ambitious targets for reducing its carbon dioxide emissions. We believe that these and other Epson initiatives are a source of corporate value.

The Epson brand has been shaped by Epson's outstanding technology development capabilities, which help to maximize differentiation and win customer trust. We believe this is another source of corporate value. In addition to offering inexpensive, fast, office printing systems that deliver amazing prints, Epson is creating a sustainable printing ecosystem with PaperLab, an in-office paper recycling system that will change the lifecycle of office-use paper and promote paper recycling. Epson seeks to endure as an indispensable company by leveraging its strengths to create groundbreaking customer value. Toward this end, Epson is accelerating the replacement of analog printing systems with digital systems, coming up with powerful yet easy-to-use visual communication tool, and developing and selling incredibly bright laser projectors that provide amazing visual experiences.

## **2. Measures to Enhance the Company's Corporate Value**

Epson established in March 2016 a new 10-year corporate vision and a new mid-range business plan. The Epson 25 Corporate Vision describes what the company would like to achieve by the start of the 2025 fiscal year. Meanwhile, the Epson 25 Mid-Range Business Plan (FY2016-2018) is a three-year plan for the first phase of work toward achieving the vision.

Epson will look to sustain growth and increase corporate value over the long term by executing the strategies described below.

### **(1) Epson 25 Corporate Vision**

The Epson 25 Corporate Vision (hereafter called "Epson 25"), which was created based on an understanding of the mega trends, changes, and other forces that will shape Epson's business in the future, contains the following vision statement: "Creating a new connected age of people, things and information with efficient, compact and precision technologies." "Efficient, compact and precision technologies" are original technologies that will create the value that Epson will provide to its customers in three areas: smart technologies, the environment, and performance.

- Smart technologies. Created by combining leading-edge Epson products with advanced software, smart technologies will allow customers to easily, conveniently, and securely use their products anytime, anywhere.

- Environment. Epson will exploit its innovative technologies to provide customers with value in the form of reduced environmental impacts across the life cycles of its products and services.
- Performance. Epson will create new and higher value by providing outstanding products that contribute to customer productivity, accuracy and creativity.

Advances in information and communication technologies will interconnect vast amounts of information on the Internet, causing cyber space to expand indefinitely. As a real-world manufacturing company, Epson will play an important role in “creating a new connected age of people, things and information” by using attractive, advanced products as leverage to collaborate with IT companies and increase the value of the technologies it provides to customers.

In this “new connected age” Epson aims to free people from repetitive manual labor and from unnecessary wastes of time and energy. Epson’s goal is to heighten people’s creativity, and to create a sustainable and affluent society in which people enjoy safe and healthy lifestyles.

In line with this vision, Epson will provide value in the form of smart technologies, the environment, and performance in four areas of innovation: inkjet innovation, visual innovation, wearables innovation and robotics innovation. The company will drive innovations in these areas by achieving the vision in each of its businesses. To support the realization of Epson 25, Epson will further strengthen its business infrastructure and company-wide information systems in the areas of human resources, technology, manufacturing, sales & support, and the environment.

Epson set out financial performance targets in Epson 25. Assuming exchange rates of 115 yen to the U.S. dollar and 125 yen to the euro, Epson will aim to achieve, by the 2025 fiscal year, ¥1,700 billion in revenue, ¥200 billion in business profit, a 12% return on sales (business profit\*/revenue), and a 15% return on equity (profit for the period/equity attributable to owners of the parent company).

\* Business profit is a profit indicator that the Company voluntarily discloses in applying International Financial Reporting Standards (IFRS), and is very similar in principle to operating income under Japanese Generally Accepted Accounting Principles (JGAAP).

### Vision in Each Business

#### **Printing: Inkjet innovation**

Refine Micro Piezo technology, and expand into high-productivity segments. Improve environmental performance and create a sustainable printing ecosystem.

#### **Visual communications: Visual innovation**

Refine original microdisplay and projection technologies, and create outstanding visual experiences and a natural visual communications environment for every aspect of business and lifestyles.

**Wearables: Wearables innovation**

Leverage our watchmaking heritage, refine timekeeping and sensing accuracy, and offer a sense of status and fashion.

**Robotics: Robotics innovation**

Combine our core technologies with sensing and smart technologies in manufacturing, expand applications, and create a future in which robots support people in a wide variety of situations.

**Microdevices: Supporting the four innovations**

Contribute to Epson's finished products and to the development of smart communications, power, transportation and manufacturing systems with advanced Epson quartz timing and sensing solutions and low-power semiconductor solutions.

(2) Epson 25 Mid-Range Business Plan (FY2016-2018)

The Epson 25 Mid-Range Business Plan (FY2016-2018) (hereinafter, "Mid-Range Business Plan") is a roadmap for the first phase of work toward achieving the Epson 25 vision. During this phase Epson will sustain the momentum it gained by strategically adopting new business models and developing new market segments under the previous corporate vision. At the same time, it will move forward on product development while aggressively investing as needed to provide a solid business foundation.

The basic strategy for achieving this will be to continue to grow by further increasing its competitive edge in businesses where strategic initiatives under the previous plan were successful, and to quickly address issues and establish a path to growth in businesses where the company was unable to fully advance. Epson will look to ensure growth by creating products and services that generate customer value in "smart technologies, the environment, and performance." While taking care to grow profit over the short term, Epson will also invest management resources as appropriate, quickly establish new business models, and strengthen its sales organizations to achieve the Epson 25 vision. Epson will also position itself for future growth by pursuing the business strategies below and by building up its business infrastructure.

These moves will enable Epson to aim to achieve the following financial performance targets in FY2018, the final year of the phase 1 plan. Assuming exchange rates of 115 yen to the U.S. dollar and 125 yen to the euro, Epson will aim to achieve, by the 2018 fiscal year, ¥1,200 billion in revenue, ¥96 billion in business profit, an 8% return on sales, and a 10% or higher return on equity.

### Strategies in Each Business

- In the printer business, Epson will aim to establish a competitive advantage in the home printer market by boosting the attractiveness of its products, and getting office market development on track with linehead models.
- In professional printing we will establish a competitive advantage with hardware, improve support and other organizational infrastructure, and achieve solid growth in new domains.
- In visual communications we will further strengthen its presence in the projection market and will use laser light sources to pave the way to rapid growth in new markets.
- In wearable products, we will lay the foundation for building wearables into a core business by refining watch resources and combining them with sensors to create families of differentiated products.
- In robotics solutions we will create a framework for growth on top of Epson's technology base.
- In microdevices, we will create a stable business platform in the quartz business by building competitive strength. The semiconductor business, meanwhile, will create new core technologies and devices.

### Strengthening Business Infrastructure

- Technology: Refine the Company's existing technologies, advance its actuator, optical control, and sensor technologies, and leverage information and communications technology to generate new customer value.
- Manufacturing: Supply products that others cannot imitate with outstanding cost competitiveness and quality.
- Sales and support: Strengthen the office and industrial domains and optimize the sales organization, focus on a market-driven approach, and transform the brand.
- Environment: Expand initiatives to reduce environmental impacts across product and service life cycles and supply chains.

## **3. Strengthening Corporate Governance**

Epson strives to continuously enhance and strengthen corporate governance that realizes transparent, fair, timely and decisive decision-making to achieve the goals declared in the Management Philosophy, promote sustainable growth and increase corporate value over the mid- to long-term.

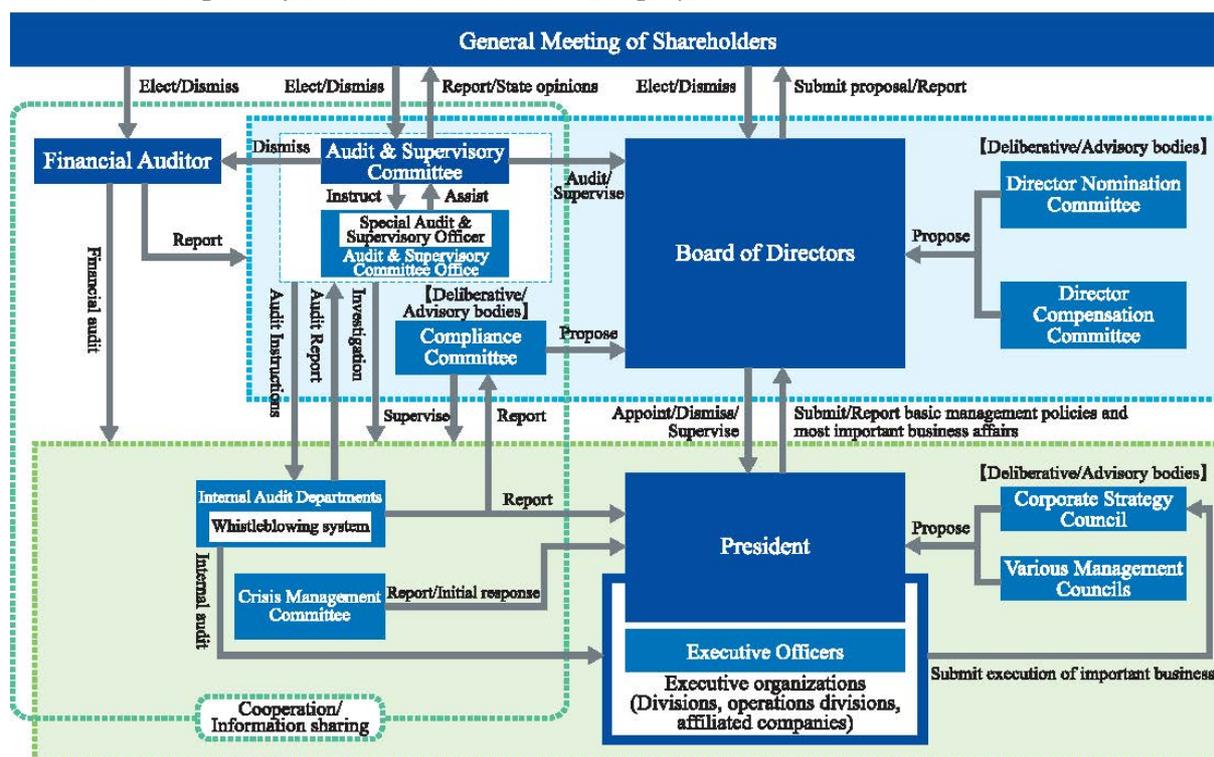
Epson's basic policy for corporate governance is as follows.

- Respect the rights of shareholders, and secure equality.
- Keeping the interests of shareholders, customers, communities, business partners, employees and other stakeholders in mind, work in an appropriately cooperative manner with them.
- Disclose company information as appropriate and ensure transparency.
- Directors, Executive Officers, and Special Audit & Supervisory Officers shall be aware of their fiduciary responsibilities and shall fulfill the roles and responsibilities expected of them.
- Epson shall engage in constructive dialogue with shareholders.

Additionally, Epson has strove to continuously enhance and strengthen corporate governance that realizes transparent, fair, timely and decisive decision-making, with the appointment of more than one outside director and the establishment of discretionary advisory committees regarding the nomination of and compensation for the directors. At the general meeting of shareholders held on June 28, 2016, it transitioned to a company with an Audit & Supervisory Committee to enhance the effectiveness of its corporate governance by further improving the supervisory function of and enhancing discussions at the board of directors meetings, as well as by speeding up decision-making in management.

To speed up management decisions and increase business agility as a company with an Audit & Supervisory Committee, Epson expanded the scope of affairs delegated to the executive management from the board of directors and limits board deliberations to only the most important issues such as preparation of management plans and business plans, thereby further enhancing discussions at the board of directors meetings. Furthermore, Epson is working to further improve the supervisory function of the board of directors by stipulating in its Corporate Governance Policy that the board should be well balanced and composed of persons who combine a broad spectrum of knowledge, experience and skill, without regard for gender, nationality, age, etc., and that at least one-third of the board members should be outside directors.

« Reference: Corporate governance structure of the Company »



#### 4. Dividend Policy

Epson strives to sustain business growth through the creation of customer value and to generate stable cash flow by improving profitability and using management resources efficiently. While the top priority is on strategic investment in growth, the Company also actively returns profits in parallel with its efforts to build a robust financial structure that is capable of withstanding changes in the business environment.

In line with this policy, the Company has set a consolidated dividend payout ratio in the range of 40% as a mid-term target, the ratio based on profit after an amount equivalent to the statutory effective tax rate is deducted from business profit, a profit category that shows profit from the Company’s main operations. The Company intends to be more active in giving back to shareholders by agilely repurchasing the Company’s shares as warranted by share price, the capital situation, and other factors.

As for the annual dividend for 2016 fiscal year, the Company plans to pay 60 yen per share.

### III. Measures to Prevent Decisions on the Company’s Financial and Business Policies from being Controlled by Persons Viewed as Inappropriate Under the Basic Policy

#### 1. Purpose of the Plan

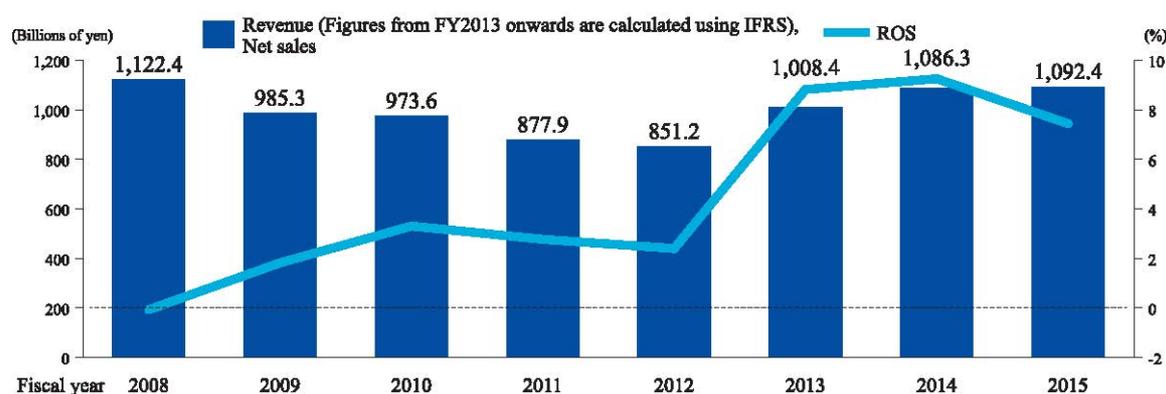
The Plan is to define a certain mechanism against large-scale acquisitions of the shares in the Company, and its purpose is to ensure and enhance the corporate value of the Company and, in turn, the common interests of its shareholders in accordance with the Basic Policy set out in Section I above. Since the introduction of the plan for countermeasures to large-scale acquisitions of the shares in the Company in 2008, the Company has worked to achieve the previous SE15 Corporate Vision that described what the Company would like to achieve by 2015, throughout the effective period of the Existing Plan. Guided by the policies set out in SE15, the Company concentrated management resources and implemented consistent initiatives. As a result, the Company is now structured to generate a steady flow of cash and has achieved a solid financial turnaround.

Furthermore, since the last renewal in 2014, the Company has achieved solid performance even amid a severe business environment, while enhancing shareholder return and solidly promoting measures for further growth.

In addition, the Company has strove to continuously enhance and strengthen corporate governance to maintain and increase its corporate value, with the transition to a company with an Audit & Supervisory Committee and the appointment of independent outside directors accounting for at least one-third of the board members.

In view of these results, the Company believes that the introduction and renewal of the plan for countermeasures to large-scale acquisitions of the shares in the Company (takeover defense measures) has been working effectively to a certain extent in maintaining and increasing the Company's corporate value.

<<Reference: SE15 Corporate Vision Review>>



The Company formulated in March 2016 the Epson 25 Corporate Vision aiming for further growth, and is currently advancing strategies toward achieving the vision on a company-wide basis. To continually and constantly enhance the Company's corporate value and the common interests of the shareholders, the Company believes that it is essential that

the management team well-versed in the sources of the Company's corporate value and with a strong will to achieve the Epson 25 take the lead in the company-wide efforts to advance the strategies to steadily yield results, guided by the aspiration to become an indispensable company trusted throughout the world by contributing to the society through creating customer value which only the Company can offer.

As set out above in the Basic Policy in Section I, the Company believes that its shareholders should be decided through free trade in the market, and the determination to accept to an acquisition proposal to purchase a portion of shares that would make it possible to control decisions on the Company's financial and business policies should ultimately be referred to a decision by the shareholders. Furthermore, the Company believes that, against any acquisition proposal for the shares in the Company, it can explain with confidence to the shareholders the strategic advantage of the Epson 25 as well as the superiority of its current management that is boldly advancing the strategies toward achieving the vision.

However, there are some forms of large-scale acquisitions of shares that benefit neither the Company's corporate value nor the common interests of its shareholders to be ensured and enhanced. Considering the possibility that the management resources could be dispersed and the implementation of the strategies on a company-wide basis could be disrupted by such inappropriate persons who wish to control the decisions on the Company's financial and business policies, the Company believes that, as part of initiatives to prevent it, on occasions when it receives a large-scale acquisition proposal for the shares in the Company from an acquirer, it is necessary to introduce a mechanism that ensures the necessary time and information is made available for the shareholders to decide whether or not to accept such proposal or for the Company's board of directors to present an alternative proposal and that enables the board of directors to discuss and negotiate with the acquirer for the benefit of the shareholders.

Meanwhile, under the current tender offer system, buying up within the market is not subject to control and therefore companies cannot defend against hostile buying up within the market. In addition, even in the case where the tender offer system applies, there are certain restrictions; for example, information is not made available before the commencement of a tender offer, while, as companies are required to submit a position statement within ten business days from the commencement of a tender offer, information is not sufficiently disclosed to the shareholders nor sufficient time can be ensured to consider whether or not to accept to the tender offer. For these reasons, the Company believes that the current system may not always work effectively against a large-scale acquisition of shares in the Company.

Due to the foregoing, the Company has determined that, advancing the strategies on a

company-wide basis toward achieving Epson 25 without dispersing management resources and, on occasions when the Company receives a large-scale acquisition proposal for the shares in the Company from an acquirer, ensuring the necessary information and time for consideration for its shareholders in accordance with the Plan would contribute to the corporate value of the Company and the common interests of its shareholders, and therefore decided at the meeting of its board of directors held today to renew the Existing Plan with certain changes, subject to shareholder approval at this Ordinary General Meeting of Shareholders.

In addition, to prevent any management executive who tries to protect his/her own interests from being elected, the Company has established the Director Nomination Committee in which outside directors make significant contribution, and stipulated in its Corporate Governance Policy that, in nominating director candidates, such nominees are required to be impartial and possess high integrity and ethical standards. Regarding the election of directors who are not Audit & Supervisory Committee Members, with the transition to a company with an Audit & Supervisory Committee, where Audit & Supervisory Committee has the right to state its opinions at a general meeting of shareholders, the Company has established a structure under which an even more highly objective judgment is made regarding the election of directors. Moreover, in renewing the Plan, the Company has made certain changes to the Existing Plan, such as having the Special Committee, an organization that will make the substantial decisions in the event of operating the Plan, made up of outside directors only, thereby clarifying that the aim of the Plan is not to maintain the positions of the executives of the Company but to ensure and enhance the corporate value of the Company and the common interests of its shareholders. This further enhanced the appropriateness and transparency of the Plan.

## **2. Plan Details**

### **2.1 Plan Outline**

#### **(a) Purpose**

The aim of the Plan is to ensure and enhance the corporate value of the Company and the common interests of its shareholders by ensuring that all shareholders have the necessary and adequate information and time to make proper decisions in the case of large-scale acquisitions of the shares in the Company, and by securing the opportunity to discuss, negotiate or otherwise confer with the acquirer.

#### **(b) Establishment of Procedures**

The Plan sets out procedures necessary to achieve the purpose stated in (a) above, including the requirement for acquirers to provide information in advance in the case an acquirer intends to make an acquisition or other onerous transfer of shares in the Company, or any similar action or proposes to make such action (that action, “Acquisition”; the party effecting the Acquisition, the “Acquirer”) (for further details, see section 2.2, ‘Procedures for the Plan’ below).

(c) Implementation of the Gratis Allotment of Stock Acquisition Rights

In the event that an Acquirer makes an Acquisition of shares in the Company without following the procedures set out in the Plan, or threatens to cause obvious harm to the corporate value of the Company and the common interests of its shareholders (see section 2.3 below, ‘Requirements for the Implementation of the Gratis Allotment of Stock Acquisition Rights (no violation of procedures),’ for details of these requirements), the Company will allot stock acquisition rights with (a) an exercise condition that does not allow the Acquirer to exercise the rights and (b) an acquisition provision to the effect that the Company may acquire the stock acquisition rights in exchange for shares in the Company from persons other than the Acquirer (see section 2.4 below, ‘Outline of the Gratis Allotment of Stock Acquisition Rights,’ for the details of these stock acquisition rights; the “Stock Acquisition Rights”), by means of a gratis allotment of stock acquisition rights (*shinkabu yoyakuken mushou wariate*) to all shareholders, except the Company, at that time.

If a gratis allotment of Stock Acquisition Rights were to take place in accordance with the Plan and all shareholders other than the Acquirer received shares in the Company as a result of those shareholders exercising, or the Company acquiring, those Stock Acquisition Rights, the ratio of voting rights in the Company held by the Acquirer may be diluted by up to one half.

(d) Establishment and Use of the Special Committee

The Company will establish the Special Committee as an organization that will eliminate arbitrary decisions by the Company’s board of directors in relation to the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights under the Plan and objectively make the substantial decisions on behalf of the shareholders in the event of operating the Plan.

The Special Committee will have three or more members, consisting solely of outside directors of the Company, who are highly independent from the management of the Company .

(Independence requirements for outside directors, criteria for appointing members, requirements for resolutions, resolutions and other matters concerning the Special Committee are as described in Attachment 2, “Outline of the Rules of the Special Committee” and Attachment 4, “Criteria for Independence of Outside Directors.” The business background of the Special Committee members who are expected to assume office when the Plan is renewed will be as described in Attachment 3, “Profiles of the Members of the Special Committee.”)

Also, the Company’s board of directors will convene a general meeting of shareholders and confirm the intent of the Company’s shareholders regarding the implementation of the gratis allotment of the Stock Acquisition Rights, if the Special Committee recommends to do so. Transparency with respect to the course of those procedures will be ensured by timely disclosure to all of the Company’s shareholders.

In addition, to enable the Special Committee to make the substantial decisions in the event of operating the Plan, the Company’s board of directors convenes the members of the Special Committee on a regular basis (once every three months as a general rule) to provide information on the business conditions, etc. of the Company in a timely manner.

## 2.2 Procedures for the Plan

### (a) Targeted Acquisitions

The Plan will apply in cases where there is an Acquisition that falls under (i) or (ii) below (the “Large-Scale Acquisitions”). The Acquirer shall follow the procedures set out in the Plan.

- (i) An Acquisition that would result in the holding ratio of shares, etc. (*kabushiki tou hoyuu wariiai*)<sup>1</sup> of a holder (*hoyuusha*)<sup>2</sup> amounting to 20% or more of the shares, etc. (*kabushiki tou*)<sup>3</sup> issued by the Company; or
- (ii) An Acquisition (*kaitsuke tou*) that would result in the owning ratio of shares, etc. (*kabushiki tou shoyuu wariiai*)<sup>4</sup> for shares, etc. (*kabushiki tou*)<sup>5</sup> of the person

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<sup>1</sup> Refers to “Ownership Ratio of Share Certificates, etc.” as defined in Article 27-23.4 of the Financial Instruments and Exchange Act. This definition is applied throughout this document.

<sup>2</sup> Refers to a holder as defined in Article 27-23.1 of the Financial Instruments and Exchange Act, including persons deemed as a holder under Article 27-23.3 of the Financial Instruments and Exchange Act (including persons who are deemed to fall under the above by the board of directors of the Company). This definition is applied throughout this document.

<sup>3</sup> Refers to “Share Certificates, etc.” as defined in Article 27-23.1 of the Financial Instruments and Exchange Act. This definition is applied throughout this document, unless otherwise provided for in this document.

<sup>4</sup> Refers to “Ownership Ratio of Share Certificates, etc.” as defined in Article 27-2.8 of the Financial

carrying out the Acquisition and the owning ratio of shares, etc. of a person having a special relationship (*tokubetsu kankei-sha*)<sup>6</sup> with the person carrying out the Acquisition totaling at least 20% of the shares, etc. issued by the Company.

(b) Request to the Acquirer for the Provision of Information

Unless otherwise approved by the Company's board of directors, any Acquirer will be requested to submit to the Company's board of directors in a form prescribed by the Company, before making an Acquisition, a document written in Japanese which includes the name and address of the Acquirer, the governing law of the country in which the Acquirer is incorporated, the name of the Acquirer's representative, the Acquirer's contact details in Japan, an outline of the proposed Acquisition, and a written undertaking that the Acquirer will comply with the procedures set out in the Plan ("Expression of Intent"). The Company's board of directors will deliver the list of essential and sufficient information (the "Essential Information") to the Acquirer within ten business days after receiving the Expression of Intent in order for all of the Company's shareholders to make a determination on, and for the Special Committee to evaluate and consider, the Acquisition. An Acquirer who has received the list shall submit to the Company's board of directors the Essential Information in a document written in Japanese and in accordance with the list.

The Company's board of directors will promptly provide the Expression of Intent and the Essential Information submitted by the Acquirer to the Special Committee. If the Special Committee determines that the Essential Information submitted by the Acquirer does not contain sufficient details for the Company's shareholders to make a determination on, or for the Special Committee to evaluate and consider, the Acquisition, it may set a reply period and request, directly or through the Company's board of directors, that the Acquirer further provide Essential Information. In such case, the Acquirer should further provide such Essential Information within the relevant time limit. In addition, sixty days from the date on which the Expression of Intent was received will be set as the maximum period for the Acquirer to deliver response (the "Information Provision Period"), and even when the Essential Information has not been sufficiently provided, upon expiration of the Information Provision Period, communication with the Acquirer concerning the provision of information

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Instruments and Exchange Act. This definition is applied throughout this document.

<sup>5</sup> Refers to "Share Certificates, etc." as defined in Article 27-2.1 of the Financial Instruments and Exchange Act. This definition is applied in (ii) above.

<sup>6</sup> Defined in Article 27-2.7 of the Financial Instruments and Exchange Act (including persons who are deemed to fall under the above by the board of directors of the Company); provided, however, that persons provided for in Article 3.2 of the Cabinet Office Regulations concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from the persons described in Article 27-2.7(i) of the Financial Instruments and Exchange Act. This definition is applied throughout this document.

shall be terminated at that time to carry out the Special Committee consideration ((c) (ii) below) based on the information that has been provided up until that point.

Notwithstanding the details and manner of the Acquisition, the information in the following items shall generally be included in the Essential Information.

- (i) Details (including the exact name, capital structure, financial position, details and result of previous transactions by the Acquirer similar to the Acquisition, and the effect the previous transaction had on the corporate value of the target company) of the Acquirer and its group (including joint holders,<sup>7</sup> persons having a special relationship and, in the case of funds, each partner and other constituent members).
- (ii) The purpose, method and terms of the Acquisition (including information on the amount and type of consideration for the Acquisition, the timeframe of the Acquisition, the scheme of any related transactions, the legality of the Acquisition method, and the probability that the Acquisition will be made).
- (iii) The basis for the calculation of the purchase price of the Acquisition (including the underlying facts and assumptions of the calculation, the calculation method, the numerical data used in the calculation, the details of any expected synergies from any series of transactions relating to the Acquisition including the details of such synergies to be shared with minority shareholders).
- (iv) Financial support for the Acquisition (specifically including the name of the fund providers (including all indirect fund providers), financing methods and the terms of any related transactions).
- (v) Post-Acquisition management policy, business plan, capital and dividend policies for the Company group.
- (vi) Post-Acquisition treatment of and policies for the Company's employees, business partners, customers, and any other stakeholders in the Company.
- (vii) Specific measures to avoid any conflict of interest with other shareholders in the Company (if any).
- (viii) Any other information that the Special Committee reasonably considers necessary.

Additionally, even during the Information Provision Period, if the Special Committee

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<sup>7</sup> "Joint holders" are as defined in Article 27-23.5 of the Financial Instruments and Exchange Act, including persons regarded as a joint holder under Article 27-23.6 of the Financial Instruments and Exchange Act (including persons who are deemed to fall under the above by the Company's board of directors). This definition is applied throughout this document.

determines that the Essential Information has been sufficiently provided by the Acquirer, the Company's board of directors will notify the Acquirer to that effect (the "Notification concerning the Completion of Information Provision") and promptly disclose the fact.

The Information Provision Period shall be terminated on the date on which the Company's board of directors gave the Notification concerning the Completion of Information Provision (however, if the Company's board of directors has received request for the provision of information as set out in (c) (i) below from the Special Committee at the time of giving the Notification concerning the Completion of Information Provision, the date of completion of provision of information by the Company's board of directors) or the date on which the Information Provision Period expires, whichever comes first.

(c) Consideration of Acquisition Terms, Negotiation with the Acquirer, and Consideration of an Alternative Proposal

(i) Request to the Company's Board of Directors for the Provision of Information

If the Acquirer submits the Essential Information and any additional Essential Information that the Special Committee requests (if any), the Special Committee may request that the Company's board of directors promptly present an opinion on the terms of the Acquirer's Acquisition (including an opinion to reserve giving such an opinion; hereinafter the same) and supporting materials, alternative proposals (if any), and any other information or materials that the Special Committee considers necessary as needed within a reasonable period determined by the Special Committee for the Company's board of directors to collect information, examine corporate valuation, and consider alternative proposals (including consideration by outside experts, if necessary) in order to compare the information contained in the Essential Information with the business plan and corporate valuation made by the Company's board of directors as well as consider alternative proposals by the Company's board of directors in light of ensuring and enhancing the Company's corporate value and common interests of its shareholders. The Company's board of directors shall provide the information and materials within the Information Provision Period above (however, based on the request of the Special Committee, the board of directors may provide the information and materials even during the Special Committee Consideration Period as set out in (ii) below).

(ii) Special Committee Consideration

Beginning on the day following the expiration date of the Information Provision Period, the Special Committee may set a consideration period up to sixty days (in cases of purchases of all of the Company's shares through a tender offer of the consideration in cash

denominated in Japanese yen only) or up to ninety days (in cases of other purchases) (the “Special Committee Consideration Period”). The Special Committee will consider the Acquisition terms, collect information on the materials such as the management plans and business plans of the Acquirer and the Company’s board of directors and conduct a comparison thereof, and consider any alternative plan presented by the Company’s board of directors, and the like during the Special Committee Consideration Period. Further, if it is necessary in order to improve the terms of the Acquisition from the standpoint of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders, the Special Committee will directly or indirectly through the Company’s board of directors discuss and negotiate with the Acquirer, or present the shareholders with the alternative proposal presented by the Company’s board of directors, or conduct any similar action.

If the Special Committee directly or indirectly through the Company’s board of directors requests the Acquirer provide materials for consideration or any other information, or discuss and negotiate with the Special Committee, the Acquirer must promptly respond to such request.

In order to ensure that the Special Committee’s decision contributes to the Company’s corporate value and the common interests of its shareholders, the Special Committee may at the cost of the Company obtain advice from independent third parties (including financial advisers, certified public accountants, attorneys, consultants or any other experts).

(iii) Disclosure of Information to Shareholders and Investors

The Company will promptly disclose to all shareholders and investors the fact that an Acquirer has emerged, the fact that it has received an Expression of Intent from the Acquirer, the fact that the Special Committee Consideration Period has commenced, the fact that the Company’s board of directors has presented an alternative plan to the Special Committee, and any matters considered appropriate by the Special Committee from the Essential Information or other information.

(d) Judgment by the Special Committee

If an Acquirer emerges, the Special Committee will make recommendations to the Company’s board of directors as follows. If the Special Committee makes recommendations or otherwise as listed in (i) or (ii) below to the Company’s board of directors, or otherwise believes it to be appropriate, the Company will promptly disclose to all shareholders and investors the fact that recommendations or a resolution was made and an outline thereof and

any other matters that the Special Committee considers appropriate.

(i) Non-Compliance by the Acquirer with Procedures set out in the Plan

If the Acquirer fails to comply with the procedures set out in the Plan and the implementation of the gratis allotment of Stock Acquisition Rights is determined to be reasonable, the Special Committee will recommend the implementation of the gratis allotment of Stock Acquisition Rights to the Company's board of directors, regardless of whether the Special Committee Consideration Period has commenced or ended.

However, even after the Special Committee has already made a recommendation for the implementation of the gratis allotment of Stock Acquisition Rights, if the Acquirer withdraws the Acquisition or the Acquisition otherwise ceases to exist after such recommendation, until the date prior to the Stock Acquisition Rights Exercise Period Commencement Date (defined in (f) of 2.4, 'Outline of the Gratis Allotment of Stock Acquisition Rights' below; hereinafter the same), the Special Committee may make a new recommendation (i) that (before gratis allotment has taken effect) the Company should cancel the gratis allotment of Stock Acquisition Rights, or (ii) that (after the gratis allotment has taken effect) the Company should acquire the Stock Acquisition Rights without consideration.

(ii) Compliance by the Acquirer with Procedures set out in the Plan

If the Acquirer complies with the procedures set out in the Plan, the Special Committee will, as a general rule, recommend to the Company's board of directors the non-implementation of the gratis allotment of Stock Acquisition Rights.

However, even if the Acquirer complies with the procedures set out in the Plan, if as a result of considering the terms of the Acquirer's Acquisition and discussions, negotiations or the like with the Acquirer, the Special Committee determines that the Acquisition by the Acquirer meets any of the requirements set out below at 2.3, 'Requirements for the Implementation of the Gratis Allotment of Stock Acquisition Rights (no violation of procedures),' and it is reasonable to implement a gratis allotment of Stock Acquisition Rights, the Special Committee will recommend the implementation of the gratis allotment of Stock Acquisition Rights as an exceptional measure. Even after the Special Committee has already made a recommendation for the implementation of the gratis allotment of Stock Acquisition Rights, if (i) the Acquirer withdraws the Acquisition or the Acquisition otherwise ceases to exist after such recommendation, or (ii) there is a change in the facts or otherwise upon which the recommendation decision was made and the Special Committee determines that the Acquisition by the Acquirer does not meet any of the requirements set out below at 2.3, 'Requirements for the Implementation of the Gratis Allotment of Stock Acquisition Rights (no violation of procedures),' or the Acquisition meets the requirement(s) but it is not reasonable

to implement the gratis allotment of Stock Acquisition Rights or allow shareholders to exercise the Stock Acquisition Rights, until the date prior to the Stock Acquisition Rights Exercise Period Commencement Date, the Special Committee may make a new recommendation (i) that (before gratis allotment has taken effect) the Company should cancel the gratis allotment of Stock Acquisition Rights, or (ii) that (after the gratis allotment has taken effect) the Company should acquire the Stock Acquisition Rights without consideration.

Even if the Special Committee considers the implementation of the gratis allotment of Stock Acquisition Rights is reasonable, it will recommend that the Company's board of directors convenes a general meeting of shareholders and submits a proposal of the implementation of the gratis allotment of Stock Acquisition Rights if the Special Committee deems it appropriate to obtain a resolution at a general meeting of shareholders on the implementation of the gratis allotment of Stock Acquisition Rights.

(e) Resolutions of the Board of Directors and Convocation of the Shareholders Meeting

In light of the fact that the Special Committee is composed solely of highly independent outside directors, the Company's board of directors will promptly pass a resolution relating to the implementation or non-implementation of a gratis allotment of Stock Acquisition Rights (including cancellation of gratis allotment of Stock Acquisition Rights) by following the recommendations of the Special Committee described above (except in cases where following such recommendations could be considered a violation of directors' obligation to exercise the duty of due care of a prudent manager).

If the Special Committee recommends the Company's board of directors convenes a general meeting of shareholders and submits a proposal for the implementation of the gratis allotment of Stock Acquisition Rights, the Company's board of directors will promptly convene the general meeting of shareholders so that the meeting is held as soon as practicably possible and submit a proposal for the implementation of the gratis allotment of Stock Acquisition Rights, unless it is practicably and significantly difficult to convene a general meeting of shareholders. If the general meeting of shareholders resolves to implement the gratis allotment of the Stock Acquisition Rights, the Company's board of directors will promptly resolve to implement the gratis allotment of the Stock Acquisition Rights. However, if the proposal at the general meeting of shareholders to implement the gratis allotment of Stock Acquisition Rights is not approved as proposed, the Company's board of directors will make a resolution for the non-implementation of the gratis allotment of Stock Acquisition Rights.

The Acquirer must not make an Acquisition after the commencement of procedures for

the Plan until the Company's board of directors passes a resolution for implementation or non-implementation of the gratis allotment of Stock Acquisition Rights.

If the Company's board of directors passes a resolution for the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights, or the Company's board of directors resolves to convene the above general meeting of shareholders, or the general meeting of shareholders resolves to implement the gratis allotment of Stock Acquisition Rights, the Company's board of directors will promptly disclose to all shareholders and investors an outline of the resolution, and any other matters that the Company's board of directors considers appropriate.

### 2.3 Requirements for the Implementation of the Gratis Allotment of Stock Acquisition Rights (no violation of procedures)

Even if the Acquirer has complied with the procedures set out in the Plan, the Company intends to implement the gratis allotment of Stock Acquisition Rights by a resolution of the Company's board of directors as described above at (e) of 2.2, 'Procedures for the Plan,' if it is considered that an Acquisition by an Acquirer falls under any of the items below and it is reasonable to implement the gratis allotment of Stock Acquisition Rights. However, the Company's board of directors will, without fail, make its determination as to whether an Acquisition of an Acquirer falls under a requirement below and if it is reasonable or not to implement the gratis allotment of Stock Acquisition Rights following the judgment of the Special Committee in accordance with (d) of section 2.2 above, 'Procedures for the Plan.'

- (a) An Acquisition that threatens to cause obvious harm to the corporate value of the Company and, in turn, the common interests of its shareholders through actions such as those described below or any similar action:
  - (i) Acquisition made with no intention of truly participating in corporate management and for the sole purpose of increasing the share price of the Company and having the Company or the Company's affiliates purchase shares, etc. in the Company at an inflated price (so-called green mailer).
  - (ii) Management that achieves an advantage for the Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company's material assets.
  - (iii) Diversion of the Company's assets to secure or repay debts of the Acquirer or its group company.
  - (iv) Temporary control of the Company's management to bring about a disposal of high-value assets that have no current relevance to the Company's business and

declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price and taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends.

- (b) Certain Acquisitions that threaten to have the effect of coercing shareholders into selling shares, such as coercive two-tiered tender offers (meaning acquisitions, etc. of shares including tender offers that do not offer to acquire all shares in the initial acquisition, and set acquisition terms for the second stage that are unfavorable to shareholders or do not set clear terms for the second stage).
- (c) In addition to the preceding items, an Acquisition that meets both of the conditions listed below.
  - (i) When it is objectively and reasonably presumed that the Company's corporate value and interests and, in turn, the common interests of its shareholders may be significantly damaged.
  - (ii) In case of non-implementation of countermeasure at the time, it is objectively and reasonably presumed that the Company cannot, or may not be able to prevent the Company's corporate value and interests and, in turn, the common interests of its shareholders from being significantly damaged.

#### 2.4 Outline of the Gratis Allotment of Stock Acquisition Rights

An outline of the gratis allotment of Stock Acquisition Rights scheduled to be implemented under the Plan is described below (please see Attachment 1, 'Terms and Conditions of Gratis Allotment of Stock Acquisition Rights' for details of Stock Acquisition Rights).

##### (a) Number of Stock Acquisition Rights

The Company will implement a gratis allotment of Stock Acquisition Rights in the number equivalent to the final and total number of issued shares in the Company (excluding the number of shares in the Company held by the Company at that time) on an allotment date (the "Allotment Date") that is separately determined in a resolution by the Company's board of directors relating to the implementation of the gratis allotment of Stock Acquisition Rights ("Gratis Allotment Resolution").

(b) Shareholders Eligible for Allotment

The Company will allot the Stock Acquisition Rights without consideration to those shareholders, other than the Company, who are recorded in the Company's final shareholder register on the Allotment Date, at a ratio of one Stock Acquisition Right for every one share in the Company held.

(c) Effective Date of Gratis Allotment of Stock Acquisition Rights

The effective date of the gratis allotment of Stock Acquisition Rights will be separately determined in the Gratis Allotment Resolution.

(d) Number of Shares to be Acquired upon Exercise of the Stock Acquisition Rights

The number of shares in the Company<sup>8</sup> to be acquired upon exercise of each Stock Acquisition Right (which shall be book-entry stock prescribed in Article 128, Paragraph 1 of the Act on Book-Entry of Corporate Bonds, and Shares. (Act No. 75 of 2001)) (the "Applicable Number of Shares") shall be one share unless otherwise adjusted.

(e) The Amount to be Contributed upon Exercise of the Stock Acquisition Rights

Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount per share in the Company to be contributed upon exercise of the Stock Acquisition Rights will be an amount separately determined in the Gratis Allotment Resolution within the range between a minimum of one yen and a maximum of any amount equivalent to one-half of the fair market value of one share in the Company. "Fair market value" means the average closing price (including quotations) for regular transactions of the stock of the Company on the Tokyo Stock Exchange on each day during the ninety day period prior to the Gratis Allotment Resolution (excluding the days on which the closing price is not available), with any fraction of a yen after such calculation to be rounded up to the nearest whole yen.

(f) Exercise Period of the Stock Acquisition Rights

The commencement date will be a date separately determined in the Gratis Allotment Resolution (this commencement date of the exercise period shall be referred to as the

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<sup>8</sup> Even if the Company becomes a corporation with class shares (defined Article 2(13) of the Companies Act) in the future, both (i) shares in the Company issued upon exercising the Stock Acquisition Rights and (ii) shares in the Company to be delivered in exchange for acquisition of the Stock Acquisition Rights are the same as the outstanding shares (common stock) at the time of the Shareholders Meeting.

“Exercise Period Commencement Date”), and the period will be a period from one month to three months long as separately determined in the Gratis Allotment Resolution; provided, however, that if the Company acquires the Stock Acquisition Rights pursuant to the provision of (ii) in paragraph (i) below, the exercise period for the Stock Acquisition Rights with respect to that acquisition will be up to and including the business day immediately prior to the relevant acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment place for the cash payable upon exercise, the final day will be the preceding business day.

(g) Conditions for the Exercise of the Stock Acquisition Rights

As a general rule, the following parties may not exercise the Stock Acquisition Rights (the parties falling under (I) through (VI) below shall collectively be referred to as “Non-Qualified Parties”):

- (I) Specified Large Holders;<sup>9</sup>
- (II) Joint Holders of Specified Large Holders;
- (III) Specified Large Purchasers;<sup>10</sup>
- (IV) Persons having a Special Relationship with Specified Large Purchasers;
- (V) Any transferee of or successor to the Stock Acquisition Rights of any party falling under (I) through (IV) without the approval of the Company’s board of directors; or
- (VI) Any Affiliated Party of any party falling under (I) through (V).<sup>11</sup>

Further, nonresidents of Japan who are required to follow certain procedures under foreign laws and regulations to exercise the Stock Acquisition Rights may not as a general

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<sup>9</sup> “Specified Large Holder” means, as a general rule, a party the Company’s board of directors deems is a holder of shares, etc., issued by the Company and whose holding ratio of shares, etc. in respect of such shares, etc. is at least 20%.

<sup>10</sup> “Specified Large Purchaser” means, as a general rule, a person the Company’s board of directors deems makes an Acquisition and whose ratio of ownership of shares, etc., in respect of such shares, etc., owned by such person after such Acquisition, (including similar ownership as prescribed in Article 7.1 of the Order of the Enforcement of the Financial Instruments and Exchange Law) is at least 20% when combined with the ratio of ownership of shares, etc., of a person having a special relationship (including any party who is deemed to fall under the above by the Company’s board of directors).

<sup>11</sup> An “Affiliated Party” of a given party means a person the Company’s board of directors deems substantially controls, is controlled by, or is under common control with such given party, or a party deemed by the Company’s board of directors to act in concert with such given party. “Control” means to “control the determination of the financial and business policies” (as defined in Article 3.3 of the Enforcement Regulations of the Companies Act) of other corporations or entities.

rule exercise the Stock Acquisition Rights (provided, however, that certain nonresidents to whom the exemption provision under the applicable law applies may exercise the Stock Acquisition Rights and the Stock Acquisition Rights held by nonresidents will be subject to acquisition by the Company in exchange for shares in the Company as set out in (ii) of paragraph (i) below, 'Acquisition of the Stock Acquisition Rights by the Company.' (Please see Attachment 1, 'Terms and Conditions of Gratis Allotment of Stock Acquisition Rights' for details)).

(h) Assignment of the Stock Acquisition Rights

Any acquisition of the Stock Acquisition Rights by assignment requires the approval of the Company's board of directors.

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

- (i) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Company's board of directors recognizes that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a day separately determined by the Company's board of directors, acquire all of the Stock Acquisition Rights without consideration.
- (ii) On a day separately determined by the Company's board of directors, the Company may acquire all of the Stock Acquisition Rights that have not been exercised before or on the business day immediately prior to such date determined by the Company's board of directors, that are held by parties other than Non-Qualified Parties and, in exchange, deliver shares in the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right. Further, if, on or after the date upon which the acquisition takes place, the Company's board of directors recognizes the existence of any party holding Stock Acquisition Rights other than Non-Qualified Parties, the Company may, on a day falling on a date determined by the Company's board of directors after the date upon which the acquisition described above takes place, acquire all of the Stock Acquisition Rights held by that party that have not been exercised by or on the day immediately prior to such date determined by the Company's board of directors (if any) and, in exchange, deliver shares in the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right. The same will apply thereafter. However, if the Company acquires the Stock Acquisition Rights held by the Non-Qualified Parties, the Company will not

deliver any economic profit such as cash, as consideration for the acquisition.

- (iii) In addition to the above, the Company may, in the Gratis Allotment Resolution, determine matters relating to acquisition of Stock Acquisition Rights including separate Stock Acquisition Rights acquisition events.

For definitions and details of the words and expressions above, please see Attachment 1, 'Terms and Conditions of Gratis Allotment of Stock Acquisition Rights'.

## 2.5 Effective Period, Abolition and Amendment of the Plan

The effective period of the Plan (the "Effective Period") shall be the period until the conclusion of the ordinary general meeting of shareholders relating to the final fiscal year ending within three years after the conclusion of the Annual Shareholders Meeting.

However, if, before the expiration of the Effective Period, (i) a general meeting of shareholders of the Company, or (ii) the Company's board of directors consisting of directors elected at a general meeting of shareholders passes a resolution to abolish the Plan, the Plan shall be abolished at that time.

Further, the Company's board of directors may revise or amend the Plan even during the Effective Period of the Plan, if such revision or amendment is not against the purpose of a resolution of the Annual Shareholders Meeting such as cases where any law, regulation, financial instrument exchange rule or the like concerning the Plan is established, amended or abolished and it is appropriate to reflect such establishment, amendment or abolition, cases where it is appropriate to revise the wording for reasons such as typographical errors and omissions, cases where such revision or amendment is not detrimental to the Company's shareholders, or any similar cases, and subject to the approval of the Special Committee.

If the Plan is abolished, revised, or amended, the Company will promptly disclose facts including the fact that such abolition, modification amendment or alteration has taken place, and (in the event of a modification or amendment) the details of the modification or amendment and any other matters.

## 3. Impact on Shareholders and Investors

### 3.1 Impact on Shareholders and Investors at the Time of Renewing the Plan

At the time of renewing the Plan, no actual gratis allotment of Stock Acquisition Rights will be implemented, resulting in no direct or material impact on shareholders and investors.

### 3.2 Impact on Shareholders and Investors at the Time of the Gratis Allotment of Stock Acquisition Rights

If the Company's board of directors passes a resolution for a gratis allotment of Stock Acquisition Rights, the Company will make a gratis allotment of Stock Acquisition Rights to the shareholders on the Allotment Date provided separately in the Gratis Allotment Resolution of one Stock Acquisition Right per share in the Company held by the Entitled Shareholders. If the shareholders do not pay the exercise price or perform other procedures for exercise of Stock Acquisition Rights described in (b) of 3.3, 'Procedures for Shareholders upon the Gratis Allotment of Stock Acquisition Rights' below during the exercise period of Stock Acquisition Rights, the value of all shares they hold in the Company will be diluted by the exercise of Stock Acquisition Rights by other shareholders. However, it is also possible for the Company to acquire the Stock Acquisition Rights of all shareholders other than Non-Qualified Parties and, in exchange, deliver shares in the Company, in accordance with the procedures set out in (c) of 3.3, 'Procedures for Shareholders upon the Gratis Allotment of Stock Acquisition Rights' below. If the Company carries out that acquisition procedure, all shareholders other than Non-Qualified Parties will come to receive shares in the Company without exercising their Stock Acquisition Rights or paying an amount equivalent to the prescribed exercise price and, in this case, dilution of the value per share in the Company held by the shareholder may result but, as a general rule, no financial dilution of the overall value of shares in the Company held will result.

In addition, even after the Company's board of directors passes a resolution for gratis allotment of Stock Acquisition Rights, the Company's board of directors may, by following any recommendation of the Special Committee described above at section (d) of 2.2, 'Procedures for the Plan' (except in cases where following such recommendations could be considered a violation of directors' obligation to exercise the duty of due care of a prudent manager), (i) (on or before the effective date of the gratis allotment of Stock Acquisition Rights), cancel the gratis allotment of Stock Acquisition Rights, or (ii) (after the effective date of the gratis allotment of Stock Acquisition Rights and until the day immediately prior to the commencement date of the exercise period of the Stock Acquisition Rights) acquire the Stock Acquisition Rights without consideration. In such cases, no dilution of the value per share in the Company held by the shareholders will result, and it is possible that any shareholders or investors who have sold or bought the shares in the Company expecting to see a dilution of the value per share in the Company may commensurately incur damage as a result of a

fluctuation in the share price.

### 3.3 Procedures for Shareholders upon the Gratis Allotment of Stock Acquisition Rights

#### (a) Procedures for Allotment of Stock Acquisition Rights

If the Company's board of directors passes the Gratis Allotment Resolution, the Company will give public notice of the Allotment Date with respect to the gratis allotment of the Stock Acquisition Rights. In this case, shareholders who are recorded in the Company's final shareholder register on the Allotment Date will become Stock Acquisition Right holders as a matter of course on the effective date of the gratis allotment of Stock Acquisition Rights, and no further procedures, such as applying for such gratis allotment, will be necessary.

#### (b) Procedures for Exercising Stock Acquisition Rights

The Company will, as a general rule, deliver an exercise request form for the Stock Acquisition Rights (in a form prescribed by the Company and containing necessary matters such as the terms and number of the Stock Acquisition Rights for exercise, the exercise date for the Stock Acquisition Rights and the account for the transfer of book-entry stock, as well as representations and warranties regarding matters such as that the shareholders themselves are not Non-Qualified Parties, indemnity clauses and other covenants) and other documents necessary for the exercise of the Stock Acquisition Rights to the shareholders who are recorded in the Company's final shareholder register on the Allotment Date. After the gratis allotment of Stock Acquisition Rights, the shareholders will be issued one share in the Company per Stock Acquisition Right, as a general rule, upon submitting the exercise request form and these necessary documents as instructed by the Company during the exercise period of Stock Acquisition Rights and until acquisition of the Stock Acquisition Rights by the Company becomes effective by ensuring that the exercise request form and these necessary documents reach the place receiving exercise requests for Stock Acquisition Rights and paying to the place receiving exercise requests an amount equivalent to the exercise price determined in the Gratis Allotment Resolution, which will be an amount within the range of one yen and one-half of the fair market value of the Company's stock per Stock Acquisition Right.

#### (c) Procedures for the Acquisition of Stock Acquisition Rights by the Company

If the Company's board of directors determines to acquire the Stock Acquisition Rights, the Company will acquire the Stock Acquisition Rights in accordance with the statutory procedures on the day separately determined by the Company's board of directors.

If the Company acquires the Stock Acquisition Rights from the shareholders other than Non-Qualified Parties, and in exchange, delivers shares in the Company, the shareholders concerned will, as a general rule, come to receive one share in the Company for every one Stock Acquisition Right as consideration for the acquisition by the Company of those Stock Acquisition Rights, without paying an amount equivalent to the exercise price. However, in such case, the shareholders concerned will be separately requested to submit, in a form prescribed by the Company, a document including necessary matters such as the account for the transfer of book-entry stock, representations and warranties regarding matters such as the fact that they are not Non-Qualified Parties, indemnity clauses and other covenants.

The Gratis Allotment Resolution may separately provide for the matters relating to acquisition of the Stock Acquisition Rights including Stock Acquisition Rights acquisition events.

In addition to the above, the Company will disclose information to or notify all of its shareholders with respect to the particulars of the allotment method for Stock Acquisition Rights, exercise method and method for acquisition by the Company after the Gratis Allotment Resolution, so we request that shareholders check these details at that time.

#### **IV. Decisions and Reasoning of the Company's Board of Directors regarding Above Measures**

##### **1. Effective Use of the Company's Property, Appropriate Formation of Corporate Group and Other Special Measures Contributing to Realizing the Basic Policy (measures set out in II. above)**

The Company has implemented measures for enhancing the corporate value set out in section II. above and policies such as strengthening its corporate governance practices as specific measures to continually and persistently enhance the Company's corporate value and the common interests of the Company's shareholders. These measures contribute to the realization of the Basic Policy.

Therefore, these measures comply with the Basic Policy and do not impair the common interests of the Company's shareholders, and are not implemented for the purpose of maintaining the positions of the executives of the Company.

##### **2. Decisions and Reasoning regarding the Measures to Prevent Decisions on the Company's Financial and Business Policies from being Controlled by a Person**

**Viewed as Inappropriate under the Basic Policy (measures set out in III. above)**

2.1 The Plan Fully Satisfies the Basic Policy

The Plan is a mechanism to maintain the corporate value of the Company and, in turn, the common interests of its shareholders by ensuring the necessary time and information is made available for the shareholders to decide whether or not to accept the Acquisition of shares, etc. of the Company and for the board of directors to present an alternative proposal to the shareholders, and by enabling the board of directors to discuss or negotiate with the Acquirer for the benefit of the shareholders when the Acquisition is to be effected. As above, the Plan is in compliance with the Basic Policy.

2.2 The Plan Is Not Detrimental to the Common Interests of the Shareholders and Does Not Aim to Maintain the Positions of Executives of the Company

For the following reasons, the Company believes that the measures to prevent control by persons viewed as inappropriate under the Basic Policy would not be detrimental to the common interests of the Company's shareholders, and that the Plan has not been implemented for the purpose of maintaining the positions of the executives of the Company.

(a) Satisfying the Requirements of the Guidelines for Takeover Defense Measures

The Plan satisfies the three principles set out in the Guidelines Regarding Takeover Defense for the Purposes of Ensuring and Enhancing Corporate Value and Shareholders' Common Interests released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005 and has been designed taking into account the report on Takeover Defense Measures in Light of Recent Environmental Changes published on June 30, 2008 by the Corporate Value Study Group.

(b) Placing High Value on the Intent of Shareholders (Resolution of General Meeting of Shareholders and Sunset Clause)

The Plan will be renewed upon approval at the Annual Shareholders Meeting.

As set out above in section III.2.5, 'Effective Period, Abolition and Amendment of the Plan,' the Plan is subject to a so-called sunset clause setting the Effective Period to approximately three years and if, even before the expiration of the Effective Period of the Plan, (i) the general meeting of shareholders of the Company or (ii) the Company's board of directors consisting of directors elected at a general meeting of shareholders of the Company

passes a resolution to abolish the Plan, the Plan will be abolished at that time. In this regard, the decision of whether to maintain the Plan depends on the intent of the Company's shareholders.

(c) Disclosure of information and emphasis on the decisions of highly independent outside directors

In renewing the Plan, the Company will continue to have the Special Committee make substantial decisions in relation to operations such as implementation of the gratis allotment of the Stock Acquisition Rights.

In addition, if an acquisition of shares in the Company is made, to eliminate arbitrary decisions by the Company's board of directors, the Special Committee solely composed of highly independent outside directors would, as set out above in III.2.2, 'Procedures for the Plan,' and in accordance with the Rules of the Special Committee, make substantial determinations as to whether or not the Acquisition would harm the Company's corporate value and the common interests of its shareholders. Then, the Company's board of directors would pass a resolution on the implementation or non-implementation of a gratis allotment of Stock Acquisitions Rights by following its determinations (except in cases where following such determinations could be considered a violation of directors' obligation to exercise the duty of due care of a prudent manager).

The Special Committee strictly monitors the Company's board of directors so that a gratis allotment of Stock Acquisition Rights is not arbitrarily implemented, and outlines of the Special Committee's decisions are required to be disclosed to all shareholders and investors. The Company will ensure a structure under which the Plan is operated in a transparent way that conforms with the corporate value of the Company and, in turn, the common interests of its shareholders. In addition, to enable the Special Committee to make the substantial decisions in the event of operating the Plan, the Company's board of directors convenes the members of the Committee on a regular basis (once every three months as a general rule) to provide information on the business conditions, etc. of the Company in a timely manner.

The Special Committee at the time of renewing the Plan is expected to consist of five outside directors of the Company, who are highly independent from the management of the Company. (Standards for appointing members, requirements for resolution, resolution matters, and other matters concerning the Special Committee are described in Attachment 2, and the names and business background of members of the Special Committee expected to assume office at the time of renewing the Plan are described in Attachment 3.)

(d) Establishment of Reasonably Objective Requirements

As set out above at section (d) ‘Judgment by the Special Committee,’ of III.2.2, and section III.2.3, ‘Requirements for the Implementation of the Gratis Allotment of Stock Acquisition Rights (no violation of procedures),’ the Company believes that the Plan is established so that a gratis allotment of Stock Acquisition Rights will not be implemented unless reasonable, detailed and objective requirements have been satisfied, and ensures a structure to eliminate arbitrary implementation by the Company’s board of directors.

(e) One Year Term of Office of Directors Who Are Not Audit & Supervisory Committee Members of the Company

The term of office of directors who are not Audit & Supervisory Committee Members of the Company is one year, which allows shareholders to reflect their intent with respect to the Plan through election of directors who are not Audit & Supervisory Committee Members each year even during the Effective Period.

(f) Obtaining the Advice of Outside Experts

As set out above at item (ii) of III.2.2 (c), ‘Consideration of Acquisition Terms, Negotiation with the Acquirer, and Consideration of an Alternative Proposal,’ if an Acquirer emerges, the Special Committee may obtain the advice of independent third parties (financial advisors, certified public accountants, lawyers, consultants and other experts) at the cost of the Company. This is a mechanism to even more securely enhance the objectivity and fairness of the decisions made by the Special Committee.

(g) No Dead-Hand or Slow-Hand Takeover Defense Measures

As stated above in section III.2.5, ‘Effective Period, Abolition and Amendment of the Plan,’ the Plan has been designed so that it may be abolished by a board of directors of the Company made up of directors elected at the Company’s general meeting of shareholders. Therefore, the Plan is not a dead-hand takeover defense measure (a takeover defense measure in which even if a majority of the members of the board of directors are replaced, the triggering of the measure cannot be stopped). Also, as the Company has not adopted a system of staggered terms of office for directors who are not Audit & Supervisory Committee Members, the Plan is not a slow-hand takeover defense measure either (a takeover defense measure in which triggering takes more time to stop due to the fact that the members of the board of directors cannot be replaced all at once).

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## Attachment 1

### Terms and Conditions of Gratis Allotment of Stock Acquisition Rights

#### I. Determination of Matters relating to Gratis Allotment of Stock Acquisition Rights

##### 1. Details and Number of Stock Acquisition Rights

The details of the stock acquisition rights (individually or collectively, the “Stock Acquisition Rights”) to be allotted to the shareholders shall be as set out in II below, and the number of the Stock Acquisition Rights is equivalent to the final and total number of issued shares in the Company (excluding the number of shares in the Company held by the Company at that time) on an allotment date (the “Allotment Date”) that is separately determined in a resolution by the Company’s board of directors relating to the gratis allotment of Stock Acquisition Rights (“Gratis Allotment Resolution”).

##### 2. Shareholders Eligible for Allotment

The Company will allot the Stock Acquisition Rights without consideration to those shareholders, other than the Company, who are recorded in the Company’s final register of shareholders on the Allotment Date, at a ratio of one Stock Acquisition Right for every one share in the Company held.

##### 3. Effective Date of Gratis Allotment of Stock Acquisition Rights

The effective date of the gratis allotment of Stock Acquisition Rights will be separately determined in the Gratis Allotment Resolution.

#### II. Details of Stock Acquisition Rights

##### 1. Number of Shares to be Acquired upon Exercise of the Stock Acquisition Rights

- (1) The number of shares in the Company to be acquired upon exercise of each Stock Acquisition Right (the “Applicable Number of Shares”) shall be one share. However, in the case of a stock split or stock consolidation by the Company, the Applicable Number of Shares shall be adjusted using the formula set out below. Fractions less than one fractional share shall be disregarded and no cash adjustment shall be made.

Applicable Number of Shares after adjustment = Applicable Number of Shares before adjustment × Ratio of stock split or consolidation

- (2) The Applicable Number of Shares after adjustment shall be effective, in the case of a stock split, as of the date immediately after the record date of the stock split, and in the case of a stock consolidation, after the effective date of the stock consolidation.
- (3) In addition to Item (1) above, in the case of an act that changes or is likely to change the total number of issued of the Company (excluding the number of shares of the Company held by the Company) such as a gratis allotment of shares, merger, and corporate division, if the Applicable Number of Shares must be adjusted, the Applicable Number of Shares shall be

reasonably adjusted taking into consideration the terms and conditions of that act.

## 2. The Amount to be Contributed upon Exercise of the Stock Acquisition Rights

- (1) Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the total amount of contributions shall be the Exercise Price (as defined in Item (2) below) multiplied by the Applicable Number of Shares.
- (2) The amount per share in the Company to be contributed upon exercise of the Stock Acquisition Rights (the “Exercise Price”) will be an amount separately determined in the Gratis Allotment Resolution within the range between a minimum of one yen and a maximum of any amount equivalent to one-half of the fair market value of one share in the Company. “Fair market value” means the average closing price (including quotations) for regular transactions of the stock of the Company on the Tokyo Stock Exchange on each day during the ninety day period prior to the Gratis Allotment Resolution (excluding the days on which closing price is not available), with any fraction of a yen after such calculation to be rounded up to the nearest whole yen.

## 3. Exercise Period of the Stock Acquisition Rights

The commencement date will be a date separately determined in the Gratis Allotment Resolution, and the period will be a period from one month to three months long as separately determined in the Gratis Allotment Resolution; provided, however, that if the Company acquires the Stock Acquisition Rights pursuant to the provision of item (2) of paragraph 7 below, the exercise period for the Stock Acquisition Rights with respect to that acquisition will be up to and including the business day immediately prior to the relevant acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment place for the cash payable upon exercise, the final day will be the preceding business day.

## 4. Conditions for the Exercise of the Stock Acquisition Rights

- (1) The following parties may not exercise the Stock Acquisition Rights (the parties falling under (i) through (vi) below shall collectively be referred to as “Non-Qualified Parties”):
  - (i) Specified Large Holders;
  - (ii) Joint Holders of Specified Large Holders;
  - (iii) Specified Large Purchasers;
  - (iv) Persons having a Special Relationship with Specified Large Purchasers;
  - (v) Any transferee of or successor to the Stock Acquisition Rights of any party falling under (i) through (iv) without the approval of the Company’s board of directors; or
  - (iv) Any Affiliated Party of any party falling under (i) through (v).

The terms used above shall have the following meanings:

- (i) “Specified Large Holder” means a party the Company’s board of directors deems is a holder (as defined in Article 27-23, Paragraph

1 of the Financial Instruments and Exchange Law, including any person who is deemed as a holder under Article 27-23, Paragraph 3 of the Financial Instruments and Exchange Law) of shares, etc. (refers to “Share Certificates, etc.” as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Law; the same applies hereinafter unless otherwise provided for) issued by the Company and whose holding ratio of shares, etc. (refers to “the Ownership Ratio of Share Certificates, etc.” as defined in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Law) in respect of such shares, etc. is at least 20%.

- (ii) “Joint Holder” is defined in Article 27-23, Paragraph 5 of the Financial Instruments and Exchange Law, and includes any party who is deemed to be a joint holder by the board of directors of the Company in accordance with Article 27-23, Paragraph 6 of the Financial Instruments and Exchange Law.
  - (iii) “Specified Large Purchaser” means a person the Company’s board of directors deems makes an acquisition or other onerous transfer, or any similar action (the “Acquisition”) and whose ratio of ownership of shares, etc. (refers to “the Ownership Ratio of Share Certificates, etc.” as defined in Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Law; the same applies hereinafter) in respect of such shares, etc. owned by such person after such purchase, etc. (including similar ownership as prescribed in Article 7, Paragraph 1 of the Order of the Enforcement of the Financial Instruments and Exchange Law) is at least 20% when combined with the ratio of ownership of shares, etc. of a person having a special relationship.
  - (iv) “Person having a Special Relationship” is defined in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Law (including any party who is deemed to be a person having a special relationship by the board of directors of the Company); however, those parties provided for in Article 3, Paragraph 2 of the Cabinet Ordinance concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from those parties prescribed in Article 27-2, Paragraph 7, Item (1) of the Financial Instruments and Exchange Law.
  - (v) An “Affiliated Party” of a given party means a person the Company’s board of directors deems substantially controls, is controlled by, or is under common control with such given party, or a party deemed by the Company’s board of directors to act in concert with such given party. “Control” means to “control the determination of the financial and business policies” (as defined in Article 3, Paragraph 3 of the Enforcement Regulations of the Companies Act) of other corporations or entities.
- (2) Notwithstanding paragraph 4(1), the parties set out in (i) through (iv) below do not fall under the Specified Large Holders or the Specified Large Purchasers:

- (i) the Company, its subsidiaries (as defined in Article 8, Paragraph 3 of the Regulations concerning Terminology, Forms and Method of Preparation of Financial Statements, etc.) or its affiliates (as defined in Article 8, Paragraph 5 of the Regulations concerning Terminology, Forms and Method of Preparation of Financial Statements, etc.);
  - (ii) a party that the board of directors of the Company recognizes as a party that will fall under a Specified Large Holder set out in (i) of paragraph (1) above and has no intention to control the Company and that will not fall under a Specified Large Holder set out in (i) of paragraph (1) above due to a disposal of the shares, etc. of the Company held within ten days after falling under a Specified Large Holder set out in (i) of paragraph (1) above (provided, however, that the ten day period may be extended by the board of directors of the Company);
  - (iii) a party that the board of directors of the Company recognizes as a party that involuntarily fell under a Specified Large Holder set out in (i) of paragraph (1) above by acquiring treasury stock or for any other reason (excluding cases where the party thereafter newly acquires the Company's shares, etc. at its own discretion); or
  - (iv) a party that the board of directors of the Company recognizes as a party whose acquisition or holding of shares, etc. of the Company (an "Acquisition") is not contrary to the Company's corporate value and, in turn, the common interests of shareholders. (The Company may separately determine that an Acquisition by a party who is deemed to fall under a Non-Qualified Party by the board of directors of the Company is not contrary to the Company's corporate value and, in turn, the common interests of shareholders. If the board of directors of the Company determines that an Acquisition will not be contrary to the Company's corporate value or common interests of shareholders under fixed conditions, these conditions must be satisfied for such determination to be made.)
- (3) Under the applicable foreign laws and ordinances, if a party located under a jurisdiction of such laws and ordinances is required for the purposes of exercising the Stock Acquisition Rights to (i) perform specified procedures, (ii) satisfy specified conditions (including prohibition of exercise for a certain period of time or submission of specified documents), or (iii) both perform such procedures and satisfy such conditions (collectively, the "Governing Law Exercise Procedures and Conditions"), such party may exercise the Stock Acquisition Rights only if the board of directors of the Company determines that it fully performs or satisfies the Governing Law Exercise Procedures and Conditions, and such party shall not exercise the Stock Acquisition Rights only if the board of directors of the Company determines that it fails to fully perform or satisfy the Governing Law Exercise Procedures and Conditions; provided, however, that the board of directors of the Company shall bear no obligation to implement or satisfy any Governing Law Exercise Procedures and Conditions which are required in order for the party under such jurisdiction to

exercise the Stock Acquisition Rights. In addition, if a party located under such jurisdiction is not permitted to exercise the Stock Acquisition Rights under laws and ordinances of such jurisdiction, such person who resides in such jurisdiction shall not exercise the Stock Acquisition Rights.

- (4) Notwithstanding paragraph (3) above, a party located in the United States may exercise the Stock Acquisition Rights, only if (i) such party represents and warrants that it is an accredited investor as defined in Rule 501(a) of the U.S. Securities Act of 1933, and (ii) such party covenants to resell the shares of the Company to be acquired upon exercise of the Stock Acquisition Rights held by such party only through a regular transaction at the Tokyo Stock Exchange (not on the basis of any previous arrangements and without previous solicitation). In such case only, the Company shall perform or satisfy the Governing Law Exercise Procedures and Conditions under Regulation D of the U.S. Securities Act of 1933 and U.S. state laws that are required to be performed or satisfied by the Company for exercise of the Stock Acquisition Rights by a party located in the United States. A party located in the United States shall not exercise the Stock Acquisition Rights if the board of directors of the Company determines that such party is not permitted to legally exercise the Stock Acquisition Rights under the U.S. Securities Act due to a change in the law of the United States or some other reason, even though such party satisfies the conditions as described in Items (i) and (ii) above.
  - (5) A holder of the Stock Acquisition Rights may exercise the Stock Acquisition Rights only if such holder submits to the Company (i) the documents certifying the provisions for representations and warranties under which such holder does not correspond to a Non-Qualified Party where such holder has no intention to exercise the Stock Acquisition Rights on behalf of a person who does correspond to a Non-Qualified Party and such holder satisfies the conditions for the exercise of the Stock Acquisition Rights, the provisions for indemnification and other provisions determined by the Company, and (ii) other documents required under laws and ordinances.
  - (6) Even if a holder of the Stock Acquisition Rights is unable to exercise the Stock Acquisition Rights in accordance with the provisions of this paragraph 4, the Company shall not be liable to such holder of the Stock Acquisition Rights for damages or any other obligations.
5. Capital and capital reserve increased upon the issue of shares upon exercise of the Stock Acquisition Rights

The amount of capital and capital reserve of the Company's shares to be issued upon exercise of the Stock Acquisition Rights shall be separately determined in the Gratis Allotment Resolution.

6. Restrictions on transfers of the Stock Acquisition Rights

- (1) Any acquisition of the Stock Acquisition Rights by assignment requires the approval of the Company's board of directors.
- (2) If a party who intends to exercise the Stock Acquisition Rights is located outside Japan and is unable to exercise the Stock Acquisition Rights in

accordance with the provisions of paragraphs 4(3) and 4(4) (excluding a Non-Qualified Party), then the board of directors of the Company shall determine if it gives an approval set out in paragraph (1) above considering the following events:

- (i) whether or not a written pledge prepared and signed or sealed by the transferor and transferee (including provisions for representations and warranties, provisions for indemnification and provisions for penalties with respect to the matters described in (ii) through (iv) below) is submitted with respect to the transfer of all or part of the Stock Acquisition Rights by a person who resides in such jurisdiction;
- (ii) whether or not it is clear that the transferor and transferee do not correspond to a Non-Qualified Party;
- (iii) whether or not it is clear that the transferee is not located in such jurisdiction and does not intend to accept the Stock Acquisition Rights for a party located in such jurisdiction;
- (iv) whether or not it is clear that the transferee does not intend to accept the Stock Acquisition Rights for a Non-Qualified Party.

7. Acquisition of the Stock Acquisition Rights by the Company

- (1) At any time on or before the date immediately prior to the first day of the exercise period of the Stock Acquisition Rights, if the Company's board of directors recognizes that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a day separately determined by the Company's board of directors, acquire all of the Stock Acquisition Rights without consideration.
- (2) On a day separately determined by the Company's board of directors, the Company may acquire all of the Stock Acquisition Rights that have not been exercised before or on the business day immediately prior to such date determined by the Company's board of directors, that are held by parties other than Non-Qualified Parties and, in exchange, deliver shares in the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right. Further, if, on or after the date upon which the acquisition takes place, the Company's board of directors recognizes the existence of any party holding stock acquisition rights other than Non-Qualified Parties, the Company may, on a day falling on a date determined by the Company's board of directors after the date upon which the acquisition described above takes place, acquire all of the stock acquisition rights held by that party that have not been exercised by or on the day immediately prior to such date determined by the Company's board of directors (if any) and, in exchange, deliver shares in the Company in the number equivalent to the number of the Applicable Number of Shares for every one stock acquisition right. The same will apply thereafter. However, if the Company acquires the stock acquisition rights held by the Non-Qualified Parties, the Company will not deliver any economic profit such as cash, as consideration for the acquisition.

- (3) In addition to the above, the Company may, in the Gratis Allotment Resolution, determine matters relating to acquisition of stock acquisition rights including separate stock acquisition rights acquisition events.
8. Delivery of the Stock Acquisition Rights and the conditions thereof in the event of amalgamation (limited to the amalgamation under which the Company becomes a dissolved company), merger, consolidation, share exchange and share transfer shall be separately determined in the Gratis Allotment Resolution.
9. Issuance of the Stock Acquisition Right Certificates
- No Stock Acquisition Right Certificate of the Stock Acquisition Rights shall be issued.
10. Revision due to amendments to laws and ordinances

The provisions of laws and ordinances referred to above are subject to the provisions enforced as of April 28, 2017. If after such date the meanings of the provisions or terminology set forth above are required to be revised due to establishment, amendment or abolishment of laws and ordinances, the Company's board of directors may as a matter of course impute the meanings of the provisions or words set forth above differently to a reasonable extent taking into consideration the intention of such establishment, amendment or abolishment.

## Attachment 2

### Outline of the Rules of the Special Committee

- The Special Committee shall be established by resolution of the Company's board of directors.
- There shall be no less than three members of the Special Committee. The Special Committee will consist of outside directors of the Company who are independent from the management that executes the business of the Company.
- The term of office of members of the Special Committee shall be until the date of expiry of the term of office of each member as a director of the Company.
- The Special Committee shall make decisions on the matters listed below and make recommendations to the Company's board of directors containing the details of and reasons for the recommendation. By following the recommendations of the Special Committee (except in cases where following such recommendations could be considered a violation of directors' obligation to exercise the duty of due care of a prudent manager), the Company's board of directors shall make resolutions on implementation or non-implementation of a gratis allotment of the stock acquisition rights (or, if the Company submits a proposal for the implementation of the gratis allotment of stock acquisition rights to a general meeting of shareholders of the Company, in accordance with the resolution of such meeting of shareholders of the Company). Each member of the Special Committee and each director of the Company must make such decisions solely from the perspective of whether or not the corporate value of the Company and the common interests of its shareholders will be enhanced, and they must not serve the purpose of their own interests or those of the management of the Company.
  - (a) The implementation or non-implementation of the gratis allotment of stock acquisition rights (including convening a general meeting of shareholders and submitting a proposal for the implementation of the gratis allotment of stock acquisition rights to a general meeting of shareholders of the Company).
  - (b) The cancellation of the gratis allotment of stock acquisition rights or the gratis acquisition of stock acquisition rights.
  - (c) Any other matters to be determined by the Company's board of directors in respect to which it has consulted the Special Committee.
- In addition to the matters prescribed above, the Special Committee shall conduct the matters listed below.
  - (a) Determining whether the Acquisitions should be made subject to the Plan.
  - (b) Determining the information that the Acquirer and the Company's board of directors should provide to the Special Committee, and the deadline for the

provision of that information.

- (c) Examination and consideration of the terms of the Acquirer's Acquisitions.
  - (d) Negotiation and discussion with the Acquirer.
  - (e) Request for an alternative proposal from, consideration of the alternative proposal by and presentation of the alternative proposal to the Company's board of directors.
  - (f) Approval of modification or amendment of the Plan.
  - (g) Any other matters prescribed under the Plan that the Special Committee may conduct.
  - (h) Any matters that the Company's board of directors separately determines that the Special Committee may conduct.
- If the Special Committee decides that the details stated in the Acquisition Document and the information provided are inadequate as Essential Information, it shall request that the Acquirer provide additional information. Further, if the Special Committee receives from the Acquirer the Acquisition Document and any additional information that it requests, it may request that the Company's board of directors provide within a certain period an opinion regarding the terms of the Acquisition by the Acquirer and materials supporting that opinion, an alternative proposal (if any), and any other information and materials that the Special Committee may consider necessary from time to time.
  - If it is necessary in order to have the terms of the Acquirer's Acquisition revised from the standpoint of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders, the Special Committee shall either directly or indirectly through the Company's board of directors discuss and negotiate with the Acquirer, or present to shareholders the alternative plan presented by the Company's board of directors or conduct any similar action.
  - In order to collect the necessary information, the Special Committee may request the attendance of a director or employee of the Company, or any other party that the Special Committee considers necessary, and may require explanation of any matter it requests.
  - The Special Committee may, at the Company's expense, obtain the advice of an independent third party (including financial advisers, certified public accountants, lawyers, consultants and other experts) or similarly obtain advice.
  - Any member of the Special Committee may convene a meeting of the Special Committee when an Acquisition arises, or at any other time.
  - A resolution of the Special Committee may pass with a majority of voting rights when a majority of the members of the Special Committee are in attendance.

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## Attachment 3

### Profiles of the Members of the Special Committee

The following five persons were nominated as members of the Special Committee when the Plan was renewed. All members of the committee are outside directors as stipulated in Article 2, Clause 15 of the Companies Act. The Company has registered them as Outside Directors with the Tokyo Stock Exchange. There are no special interests between the members and the Company.

#### Hideaki Omiya

##### Business Background

Apr. 2007	Director, Senior Executive Vice President of Mitsubishi Heavy Industries, Ltd.
Apr. 2008	President and CEO of Mitsubishi Heavy Industries, Ltd.
Apr. 2013	Chairman of the Board of Mitsubishi Heavy Industries, Ltd. (current position)
Jun.2014	Outside Director of the Company (current position)
Jun.2016	Outside Director of Mitsubishi Corporation (current position)

#### Mari Matsunaga

##### Business Background

Apr. 1977	Joined Japan Recruit Center Co., Ltd. (present Recruit Holdings Co., Ltd.)
Jul. 1986	Editor in chief of Shushoku Journal published by Recruit Holdings Co., Ltd.
Jul. 1988	Editor in chief of Travaille published by Recruit Holdings Co., Ltd
Jul. 1997	Joined NTT Mobile Communications Network, Inc. (now NTT DoCoMo, Inc.), Head of Planning Office for Gateway Business Dept.
Apr. 2000	Representative, Mari Matsunaga Office, Inc.
Jun. 2012	Outside Director, MS&AD Insurance Group Holdings, Inc. (current position)
Jun. 2012	Outside Director of TERUMO CORPORATION (current position)
Jun. 2014	Outside Director, ROHTO Pharmaceutical Co., Ltd. (current position)
Jun. 2016	Outside Director of the Company (current position)

#### Michihiro Nara

##### Business Background

Apr. 1974	Registered as an attorney-at-law
Apr. 2006	Vice President of Japan Federation of Bar Associations
Apr. 2006	Chairman of Daiichi Tokyo Bar Association
Mar. 2011	Member of Legislative Council of the Ministry of Justice
Jun. 2013	Audit & Supervisory Board Member of the Company
Jun. 2014	Outside Director of the Board, Oji Holdings Corporation (current position)
Jun. 2015	Outside Corporate Auditor of NIHON TOKUSHU TORYO CO., LTD. (current position)

- Jun. 2016 Outside Director of Audit & Supervisory Committee Members, CHORI CO., LTD. (current position)
- Jun. 2016 Outside Director and Audit & Supervisory Committee Members of the Company (current position)

Chikami Tsubaki

Business Background

- Apr. 1970 Joined EBARA-Infilco Co., Ltd. (now EBARA CORPORATION)
- May. 1975 Joined Asahi & Co. (now KPMG AZSA LLC)
- Mar. 1979 Registered as Certified Public Accountant
- Jul. 1999 Managing Director of Asahi & Co. (now KPMG AZSA LLC)
- Jul. 2004 Chief Executive of the Japanese Institute of Certified Public Accountants
- Jun. 2013 Outside Audit & Supervisory Board Member of NKSJ Holdings, Inc. (now Sampo Holdings, Inc.) (current position)
- Jun. 2014 Statutory Auditor of HEIWA REAL ESTATE CO., LTD. (current position)
- Jun. 2016 Outside Director and Audit & Supervisory Committee Member of the Company (current position)

Yoshio Shirai

Business Background

- Jun. 2001 Member of the Board of Directors, TOYOTA MOTOR CORPORATION
- Jun. 2003 Managing Officer, TOYOTA MOTOR CORPORATION
- Jun. 2005 Senior Executive Member of the Board of Directors, TOYOTA MOTOR CORPORATION
- Jun. 2007 Executive Vice President, Member of the Board, Hino Motors, Ltd.
- Jun. 2008 President, Member of the Board, Hino Motors, Ltd.
- Jun. 2013 Councilor, Hino Motors, Ltd. (current position)
- Jun. 2013 Vice Chairman, Toyota Tsusho Corporation
- Jun. 2015 Advisor, Toyota Tsusho Corporation (current position)
- Jun. 2016 Outside Director and Audit & Supervisory Committee Member of the Company (current position)

---End---

## Attachment 4

### Criteria for Independence of Outside Directors

The Company has established the criteria below to objectively determine whether potential Outside Directors are independent.

1. A person is not independent if:
  - (1) The person considers the Company to be a major business partner<sup>1</sup>, or has served as an executive<sup>2</sup> within the past five years in an entity for which the Company is a major business partner;
  - (2) The person is a major business partner<sup>3</sup> of the Company or has served as an executive within the past five years in an entity that is a major business partner of the Company.
  - (3) The person is a business consultant, certified public accountant, or lawyer who has received a large sum of money or other forms of compensation<sup>4</sup> (other than remuneration as an officer) from the Company or has, within the past three years, performed duties equivalent to those of an executive as an employee of a corporation or group, such as a union, that has received a large sum of money or other forms of compensation from the Company;
  - (4) The person is a major shareholder<sup>5</sup> of the Company or has, within the past five years, been an executive or Audit & Supervisory Board Member of an entity that is a major shareholder of the Company;
  - (5) The person is an executive or Audit & Supervisory Board Member of an entity in which the Company is currently a major shareholder;
  - (6) The person is a major lender<sup>6</sup> to the Company or has been an executive of a major lender to the Company within the past five years;
  - (7) The person has been employed by an auditing firm that has conducted a legal accounting audit of the Company within the past five years;
  - (8) The person has been employed by a leading managing underwriter of the Company within the past five years;
  - (9) The person has received a large donation<sup>7</sup> from the Company or, within the past three years, has performed duties equivalent to those of an executive as an employee of a corporation or a group, such as a union, that has received a large donation from the Company;
  - (10) The person came from an entity that employs someone from the Company as an Outside Director; or
  - (11) A spouse or relative within the second degree of kinship of a person having the interests listed in (1) through (9) above.
2. Even if any of the foregoing criteria apply to a potential Outside Director, the Company can elect that person as an Outside Director if that person satisfies the requirements for Outside Directors set forth in the Companies Act, and the Company deems the person suitable as an Outside Director of the Company in light of his or her personality, knowledge, experience, or other qualifications upon explaining and announcing the reasons thereof.

## Notes

- 1: A person (usually a supplier) considers the Company to be a major business partner if 2% or more of its consolidated net sales (consolidated revenue) has come from the Company in any fiscal year within the past three years.
- 2: “Executive” means an executive officer, executive director or operating officer, or an employee occupying a senior management position of department manager or higher.
- 3: A person (usually a buyer) is a major business partner if 2% or more of the Company’s consolidated revenue has come from that partner in any fiscal year within the past three years.
- 4: “A large sum of money or other forms of compensation” means an average annual amount for the past three years that is:
  - i) no less than 10 million yen for an individual; or
  - ii) no less than 2% of the annual revenues in any fiscal year for a group.
- 5: “Major shareholder” means a shareholder who directly or indirectly holds 10% or more of the voting rights.
- 6: “A major lender” means a financial institution or other major creditor that is indispensable for the Company’s financing and on which the Company depends to the extent that it is irreplaceable in any fiscal year within the past three years.
- 7: “Large donation” means a donation whose annual average amount for the past three years exceeds either:
  - i) 10 million yen or
  - ii) 30% of the annual expense of the group, whichever is higher.

---End---

## Exhibit

### Major Shareholders of the Company (as of March 31, 2017)

#### 1. Major shareholders of the Company

Name of Shareholders	Number of Shares Held	Shareholding ratio (%)
Sanko Kigyo Kabushiki Kaisha	20,000,000	5.67
Japan Trustee Services Bank, Ltd.(Trust Account)	16,797,700	4.76
The Master Trust Bank of Japan, Ltd.(Trust Account)	13,957,500	3.96
Seiko Holdings Corporation	12,000,000	3.40
Yasuo Hattori	11,932,612	3.38
Noboru Hattori	11,199,936	3.17
The Dai-ichi Life Insurance Company, Limited	8,736,000	2.47
Mizuho Trust & Banking Co., Ltd., Retirement benefit trust, Mizuho Bank, Ltd. account, Beneficiary of the retrust, Trust & Custody Services Bank, Ltd.	8,153,800	2.31
Seiko Epson Corporation Employees' Shareholding Association	7,564,504	2.14
Ichigo Trust Pte. Ltd.	6,766,200	1.92
Total	117,108,252	33.23

(Note 1)

Although the Company holds 47,231,657 shares of treasury stock, the Company is excluded from the above list of major shareholders. And Shareholding ratio is calculated without this treasury stock.

---End---

#### **Inquiries**

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