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Securities Code: 7979

June 6, 2016

To Our Shareholders:

11 Kamitakamatsu-cho, Fukuine,
Higashiyama-ku, Kyoto
SHOFU INC.
Noriyuki Negoro,
Representative Director , President

Notice of Convocation of the 144th Ordinary Shareholders' Meeting

SHOFU INC. (the "Company") would hereby like to request shareholders to attend the Company's 144th Ordinary Shareholders' Meeting as described below.

If you are unable to attend the meeting on the date, you may also exercise your voting rights in writing. We kindly request you to read the following Reference Document for the Ordinary Shareholders' Meeting, indicate "for" or "against" on each agenda item on the voting form enclosed herewith, and return it no later than 5:00 p.m. on Monday, June 27, 2016.

Sincerely yours,

- 1. Date:** Tuesday, June 28, 2016 at 10:00 a.m.
- 2. Venue:** Shofu Inc. (Headquarters Kosei-kan)
11 Kamitakamatsu-cho, Fukuine, Higashiyama-ku, Kyoto
- 3. Purposes:**
Items to be reported:
 1. The business report, the consolidated financial statements and the results of consolidated financial statement audits by the Accounting Auditor and the Board of Auditors for the 144th business period (from April 1, 2015 to March 31, 2016)
 2. The non-consolidated financial statements for the 144th business period (from April 1, 2015 to March 31, 2016)
Items to be resolved:
 - Agenda No. 1:** Election of Eight (8) Directors
 - Agenda No. 2:** Election of Two (2) Auditors
 - Agenda No. 3:** Election of One (1) Substitute Auditor
 - Agenda No. 4:** Continuation of Policy on Countermeasures to Large-scale Purchases of the Company's Shares, etc.

When you attend the meeting, we kindly request that you submit the enclosed voting form to the receptionist at the venue.

If you exercise your voting rights at Shareholders' Meeting through a proxy, the proxy shall be a shareholder of the Company. Moreover, the proxy shall be limited to one person. Note, the proxy is required to present us with a written instrument evidencing the proxy's power of representation

when attending the Shareholders' Meeting, together with the absent shareholder's Form for Exercise of Shareholder Voting Rights, at the reception desk.

Pursuant to the laws and regulations, and provisions of Article 16 of our Articles of Incorporation, Notes to consolidated financial statements and Notes to non-consolidated financial statements, among the items to be attached to this Notice, are posted on the Company's Japanese-language website (<http://www.shofu.co.jp/>). Therefore, those items are not included in the attachment. Please note that these Notes were audited as part of the consolidated financial statements and non-consolidated financial statements when the Accounting Auditor and the Board of Auditors prepared the Audit Report.

Please note that any revision made by the previous day of the Ordinary Shareholders' Meeting to the accompanying reference materials for the Ordinary Shareholders' Meeting, the business report, the financial statements or the consolidated financial statements, will be published on the Company's website.

We would appreciate your understanding that our executives and employees will wear light clothing (cool biz) at the Ordinary Shareholders' Meeting. We would also appreciate it if you would come to the meeting wearing light clothing as well.

Reference Materials for the Ordinary Shareholders' Meeting

Meeting Agenda and Referential Matters

Agenda No. 1: Election of Eight (8) Directors

The term of office of eight (8) Directors, Noriyuki Negoro, Wataru Fujishima, Yoshinao Nishida, Takashi Chikamochi, Fumitaka Yamazaki, Mikito Deguchi, Kiichi Suzuki, and Kenji Nishida will expire at the conclusion of the Ordinary Shareholders' Meeting. Accordingly, the Company requests the election of eight (8) Directors.

The candidates for Directors are as follows.

Candidate number	Name (Date of birth)	Brief profile, position and responsibility in the Company, and significant concurrent positions	Number of the Company's shares owned
1	Noriyuki Negoro (March 9, 1956)	<p>March 1981 Joined the Company</p> <p>June 2003 Director General Manager, Research & Development Department</p> <p>July 2007 Managing Director General Manager, Research & Development Department</p> <p>June 2008 Managing Director, Research & Development, Quality Assurance and Production General Manager, Research & Development Department</p> <p>April 2009 Managing Director, Research & Development, Quality Assurance and Production</p> <p>June 2009 President (Representative Director)</p> <p>June 2015 Representative Director , President Chief Executive Officer (incumbent)</p> <p>(Reason for nominating him as a candidate for Director) Mr. Noriyuki Negoro belonged to research & development departments and has been involved in the development of various new products since joining the Company, and has proven track records as director in charge of Research & Development, Quality Assurance and Production. After assuming the position of President (Representative Director), he set forth "What the Company should be" on the 100th anniversary of the Company's foundation, and showed the leadership to realize it. We highly evaluate these achievements, and nominate him as a candidate for Director.</p>	49,500 shares

Candidate number	Name (Date of birth)	Brief profile, position and responsibility in the Company, and significant concurrent positions	Number of the Company's shares owned
2	Wataru Fujishima (August 26, 1954)	<p>March 2009 Joined the Company</p> <p>April 2009 General Manager, Finance Department</p> <p>June 2011 Executive Officer</p> <p> General Manager, Finance Department</p> <p>June 2012 Managing Director, Finance, Personnel, General Affairs and Corporate Planning</p> <p>June 2013 Managing Director, Finance, Personnel, General Affairs and Nail Business</p> <p>June 2014 Senior Managing Director (Representative Director), Finance, Personnel, General Affairs and Nail Business</p> <p>December 2014 Senior Managing Director (Representative Director), Finance, Personnel, General Affairs and Nail Business</p> <p> General Manager, Finance Department</p> <p> General Manager, Nail Business Department</p> <p>April 2015 Senior Managing Director (Representative Director), Finance, Personnel, General Affairs and Nail Business</p> <p> General Manager, Nail Business Department</p> <p>June 2015 Representative Director</p> <p> Senior Managing Executive Officer, Finance, Personnel, General Affairs and Nail Business</p> <p> General Manager, Nail Business Department</p> <p>April 2016 Representative Director</p> <p> Senior Managing Executive Officer, Finance, Personnel, General Affairs and Nail Business (incumbent)</p> <p>(Reason for nominating him as a candidate for Director)</p> <p>Mr. Wataru Fujishima has been the director in charge of the management departments since joining the Company, and has proven track records as director in charge of the nail business. Moreover, he has been assuming a heavy responsibility as Representative Director in recent years. We highly evaluate these achievements, and nominate him as a candidate for Director.</p>	20,600 shares

Candidate number	Name (Date of birth)	Brief profile, position and responsibility in the Company, and significant concurrent positions	Number of the Company's shares owned
3	Yoshinao Nishida (November 24, 1950)	<p>March 1973 Joined the Company</p> <p>June 2003 Director General Manager, Sales Department</p> <p>July 2008 Managing Director, Sales and Marketing General Manager, Sales Department</p> <p>June 2009 Managing Director General Manager, Sales Department</p> <p>October 2009 Managing Director</p> <p>June 2011 Managing Director, Sales, Marketing and International</p> <p>June 2012 Managing Director, Sales and International</p> <p>June 2014 Senior Managing Director, Sales and International</p> <p>June 2015 Director Senior Managing Executive Officer, Sales and International (incumbent)</p> <p>(Reason for nominating him as a candidate for Director) Mr. Yoshinao Nishida has been in the sales departments since joining the Company, and is currently assuming a heavy responsibility as director in charge of sales in Japan and overseas, as well as International business. We highly evaluate these achievements, and nominate him as a candidate for Director.</p>	25,000 shares
4	Takashi Chikamochi (September 11, 1955)	<p>March 1981 Joined the Company</p> <p>June 2007 Director General Manager, Tokyo Branch</p> <p>October 2009 Director General Manager, Sales Department</p> <p>June 2011 Senior Executive Officer General Manager, Sales Department</p> <p>June 2012 Director, Marketing</p> <p>June 2015 Director Managing Executive Officer, Marketing (incumbent)</p> <p>(Reason for nominating him as a candidate for Director) Mr. Takashi Chikamochi has been in the sales departments since joining the Company, and is currently assuming a heavy responsibility as director in charge of marketing. We highly evaluate these achievements, and nominate him as a candidate for Director.</p>	26,700 shares

Candidate number	Name (Date of birth)	Brief profile, position and responsibility in the Company, and significant concurrent positions	Number of the Company's shares owned
5	Fumitaka Yamazaki (May 27, 1961)	<p>March 1981 Joined the Company</p> <p>April 2008 General Manager, Corporate Planning Department</p> <p>June 2011 Executive Officer General Manager, Corporate Planning Department</p> <p>June 2013 Director, Corporate Planning</p> <p>June 2015 Director Managing Executive Officer, Corporate Planning (incumbent)</p> <p>(Reason for nominating him as a candidate for Director) Mr. Fumitaka Yamazaki has been in the management and corporate planning departments since joining the Company, and is currently assuming a heavy responsibility as director in charge of corporate planning. We highly evaluate these achievements, and nominate him as a candidate for Director.</p>	16,900 shares
6	Mikito Deguchi (September 19, 1955)	<p>March 1982 Joined the Company</p> <p>April 2009 General Manager, Research & Development Department</p> <p>June 2011 Executive Officer General Manager, Research & Development Department</p> <p>April 2013 Executive Officer General Manager, Quality Assurance Department</p> <p>June 2013 Executive Officer General Manager, Quality Assurance Department General Manager on Special Assignment, Nail Business Department</p> <p>June 2014 Director, Research & Development, Quality Assurance and Production</p> <p>June 2015 Director Managing Executive Officer, Research & Development, Quality Assurance and Production (incumbent)</p> <p>(Reason for nominating him as a candidate for Director) Mr. Mikito Deguchi has been in the research & development departments since joining the Company, moved to quality assurance departments, and is currently assuming a heavy responsibility as director in charge of research & development, quality assurance and production. We highly evaluate these achievements, and nominate him as a candidate for Director.</p>	12,200 shares

Candidate number	Name (Date of birth)	Brief profile, position and responsibility in the Company, and significant concurrent positions	Number of the Company's shares owned
7	Kiichi Suzuki (May 23, 1949)	<p>April 1973 Joined Mitsui Toatsu Chemicals, Inc.</p> <p>June 2003 Executive Officer of Mitsui Chemicals, Inc.</p> <p>April 2007 Managing Executive Officer of Mitsui Chemicals, Inc.</p> <p>June 2007 Managing Director of Mitsui Chemicals, Inc.</p> <p>June 2009 Senior Managing Director of Mitsui Chemicals, Inc.</p> <p>April 2012 Director Senior Managing Executive Officer of Mitsui Chemicals, Inc.</p> <p>April 2013 Representative Director, Chairman of Mitsui Chemicals Agro, Inc.</p> <p>April 2015 Senior Advisor of Mitsui Chemicals Agro Inc. (incumbent)</p> <p>June 2015 Director of the Company (incumbent)</p> <p>(Reason for nominating him as a candidate for Outside Director)</p> <p>Mr. Kiichi Suzuki is a candidate for Outside Director. Mr. Kiichi Suzuki has extensive experience as a corporate manager; therefore, he is expected to appropriately reflect his broad insights based on such experience to our business. Mr. Kiichi Suzuki's term of office as an outside officer of the Company has been one (1) year as Outside Director.</p>	3,000 shares
8	Kenji Nishida (May 5, 1947)	<p>July 1972 Joined the Chuo Accounting Firm</p> <p>December 1975 Registered as a Certified Public Accountant</p> <p>May 1982 Opened Kenji Nishida Certified Public Accountant Office</p> <p>June 2001 Auditor of the Company</p> <p>June 2015 Director of the Company (incumbent)</p> <p>(Reason for nominating him as a candidate for Outside Director)</p> <p>Mr. Kenji Nishida is a candidate for Outside Director. Mr. Kenji Nishida has detailed knowledge of corporate accounting and finance as a certified public accountant and has sufficient insights to govern corporate management; therefore, the Company has judged that he is expected to serve appropriately as an Outside Director. Mr. Kenji Nishida's term of office as an outside officer of the Company has been fourteen (14) years as Outside Auditor and one (1) year as Outside Director.</p>	15,400 shares

Notes:

1. There are no special interest between the candidates and the Company.
2. The Company has concluded an agreement with Mr. Kiichi Suzuki and Mr. Kenji Nishida which limits their liabilities for damages stipulated in Article 423, Paragraph 1 of the Companies Act to the amount stipulated in laws and regulations. The Company will continue the agreement for limitation of liability

with both of them.

Mr. Kiichi Suzuki and Mr. Kenji Nishida meet the requirements for independent officers in accordance with provisions set forth by Tokyo Stock Exchange, Inc. The Company has registered Mr. Kiichi Suzuki and Mr. Kenji Nishida as independent officers of the Company with the Tokyo Stock Exchange.

Agenda No. 2: Election of Two (2) Auditors

The term of office of Auditors Mitsutsune Matsumura and Yasushi Sakemi will expire at the conclusion of the Ordinary Shareholders' Meeting. Accordingly, the Company requests the election of two (2) Auditors.

With regard to this agenda item, the consent of the Board of Auditors has been obtained.

The candidates for Auditors are as follows.

Candidate number	Name (Date of birth)	Brief profile, position and significant concurrent positions	Number of the Company's shares owned
1	*Kiyoshi Nagahata (December 28, 1954)	<p>March 1977 Joined the Company</p> <p>April 2006 General Manager, General Affairs Department</p> <p>April 2009 General Manager, Internal Audit Department</p> <p>June 2012 Executive Officer General Manager, Group Business Management Department</p> <p>June 2013 Executive Officer General Manager, Corporate Planning Department</p> <p>April 2015 Executive Officer General Manager, General Affairs Department (incumbent)</p> <p>(Reason for nominating him as a candidate for Auditor) Mr. Kiyoshi Nagahata has been in the management departments since he joined the Company, and has profound knowledge of the overall business of the Company including Group companies, based on his business experience. We highly evaluate these achievements, and nominate him as a candidate for Auditor.</p>	10,900 shares
2	Yasushi Sakemi (December 24, 1958)	<p>April 1991 Registered as a practicing attorney</p> <p>April 1993 Joined Tetsuro Sakemi Law Office (currently Sakemi Law Office)</p> <p>June 2004 Auditor of the Company (incumbent)</p> <p>October 2009 Outside Director of CCS Inc. (incumbent)</p> <p>(Reason for nominating him as a candidate for Outside Auditor) Mr. Yasushi Sakemi is the candidate for Outside Auditor. Mr. Yasushi Sakemi has detailed knowledge of corporate legal affairs including the Companies Act as a lawyer and has sufficient insights to govern corporate management; therefore, the Company has judged that he is expected to serve appropriately as an Outside Auditor. Mr. Yasushi Sakemi's term of office as an outside officer of the Company has been twelve (12) years as Outside Auditor.</p>	16,800 shares

Notes:

1. There are no special interests between the candidates and the Company.
2. * indicates a candidate for a new Auditor.
3. The Company has concluded an agreement with Mr. Yasushi Sakemi which limits his liabilities for damages stipulated in Article 423, Paragraph 1 of the Companies Act to the amount stipulated in laws

and regulations. The Company will continue the agreement for limitation of liability with him.

4. Mr. Yasushi Sakemi meets the requirements for independent officers in accordance with provisions set forth by Tokyo Stock Exchange, Inc. The Company has registered Mr. Yasushi Sakemi as independent officer of the Company with the Tokyo Stock Exchange.

Agenda No. 3: Election of One (1) Substitute Auditor

Because the term of Substitute Auditor, Mr. Masatoshi Ohara, expires at the start of the Ordinary Shareholders' Meeting, in order to prepare for the case where the number of Auditors falls short of the number stipulated by laws and regulations, the Company requests the election of one (1) Substitute Auditor.

With regard to this agenda item, the consent of the Board of Auditors has been obtained.

The candidate for Substitute Auditor is as follows.

Name (Date of birth)	Brief profile, position and significant concurrent positions	Number of the Company's shares owned
Masatoshi Ohara (April 25, 1951)	April 1979 Registered as a practicing attorney Joined Kikkawa Sogo Law Offices (currently Kikkawa Law Offices)	—
	August 1986 Registered as a practicing attorney in New York	
	April 2004 Specially appointed lecturer at the Osaka City University's School of Law teaching Civil Law	
	April 2010 Part-time lecturer at the Osaka City University's School of Law (incumbent)	

Notes:

1. There are no special interest between the candidate and the Company.
2. Mr. Masatoshi Ohara is the candidate for Substitute Outside Auditor. Mr. Masatoshi Ohara has detailed knowledge of corporate legal affairs including the Companies Act as a lawyer and has sufficient insights to govern corporate management; therefore, the Company has judged that he is expected to serve appropriately as an Outside Auditor.
3. If Mr. Masatoshi Ohara takes office as Outside Auditor, the Company shall enter into an agreement with Mr. Masatoshi Ohara which limits his liabilities for damages stipulated in Article 423, Paragraph 1 of the Companies Act to the amount stipulated in laws and regulations.

Agenda No. 4: Continuation of Policy on Countermeasures to Large-scale Purchases of the Company's Shares, etc.

The Company established the policy relates to countermeasures in response to a large-scale purchases of the Company's shares, etc. (*3) by specific shareholding groups (*1) with the aim of obtaining a 20% or more share of voting rights (*2), or any purchases which would effectively give a specific shareholding group 20% or more share of voting rights (this policy does not make any distinction based on methods of obtaining such shares, whether it be through market transactions, public tenders and offerings, or other methods, but the purchases to which the Company's board of directors has given prior consent are not included. Such purchase shall hereinafter be referred to as "Large-Scale Purchases", and a person that conducts a Large-Scale Purchase shall hereinafter be referred to as a "Large-Scale Purchasers."). The aforementioned policy (hereinafter, the "Existing Policy") was approved, and remains in effect until the conclusion of this Ordinary Shareholders' Meeting.

In Agenda No. 4, the Company would propose that it extend Existing Policy to address such large-scale purchases, albeit with some changes in the content of the countermeasures (hereinafter referred to as the "Policy"), based on Article 40 of the Company's Articles of Incorporation. The proposed changes introduce some essential revisions to the wording of the Existing Policy, but do not make any significant changes to the substance or intent of the Existing Policy.

Please note that the names and career summary of members of the Corporate Value Evaluation Committee in case of extension are provided separately, in "Attachment 1."

Notes:

1. The specific shareholding groups covered by this policy are defined as follows:
 - (i) Any individual, corporation or group of shareholders (as defined in Article 27-23, Paragraph 3 of the Financial Instruments and Exchange Act) holding shares, etc. in the Company (as defined in Article 27-23, Paragraph 1 of the Act), as well as any joint holders (as defined in Article 27-23, Paragraph 5 of the Act, including those deemed to be joint holders pursuant to Paragraph 6 of the same Article); or
 - (ii) Any individual, corporation or group of shareholders who purchases shares, etc. in the Company (the terms "shares, etc." and "purchases" are as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act), regardless of whether the shares, etc. are purchased on a securities exchange, at public auction, or by other means, as well as any specially related parties (as defined in Article 27-2, Paragraph 7 of the Act).
 2. Percentage of voting rights is defined as follows:
 - (i) When the "specific shareholding group" falls under the definition outlined in Note 1, section (i) above, the percentage of shares (as defined in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act) which is held by the specific shareholding group. The number of shares held by joint holders (as defined in the same Note, above) shall be added.
 - (ii) When the "specific shareholding group" falls under the definition outlined in Note 1, section (ii) above, the percentage of the sum of shares, etc. held by the large-scale purchaser and shares, etc. held by any specially related parties (as defined in Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Act).
- In calculating the shareholding ratio, the most recent issue of the Company's annual securities report, quarterly business report, or treasury stock purchase report (whichever was published most recently) shall be used to determine the total number of voting rights (as defined in Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Act) or the total number of outstanding shares (as defined in Article 27-23, Paragraph 4 of the Act).
3. "Shares, etc." is defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act.

I Reasons for the Proposal

1. Preserving the Foundation of Corporate Value

Since the Company was founded, in 1922, its underlying business philosophy has been to “contribution to dentistry through innovative business activities.” The Company has been on the leading edge of product development, introducing a multitude of materials and machines used in dental treatments and techniques, and thus helping to advance the quality of dentistry and dental treatment. Pursuing these business themes, the Company and its corporate group (hereafter, “the Shofu Group”) has expanded the scope of operations and strived to ensure and enhance the Shofu Group’s value and the common interests of shareholders.

The foundation of corporate value of the Shofu Group is based on: (1) R&D capabilities and new product development skills, (2) a business network and infrastructure that supports R&D efforts, (3) production technology that can preserve high quality standards while producing a vast assortment of individual products in relatively small production runs, (4) top-quality, highly motivated employees, and (5) the Shofu Group dedication to supporting dentistry as a part of everyday life.

In addition to preserving the safety and effectiveness of dentistry materials as dental equipment, the Company strives to develop more “natural” products and treatments which improve cosmetic appearance and enhance clinical functionality, to reduce the burden on patients. Since a large percentage of Company products are approved for use by the National Health Insurance program, they must therefore balance both economic and quality concerns.

In order to research and develop such products, it is essential for the Company to not only pursue developments on its own, but also to maintain a broad network of relationships with dentists, dental technicians, dental hygienists and educational institutions that focus on dentistry and orthodontics, to maintain laboratories stocked with the most advanced equipment in the field of dentistry, to remain abreast of all the latest information on products and techniques, and to organically combine these factors. Since its creation in 1922, the Company has worked closely with researchers and educational institutions to promote research activities and developed an effective research and development network and infrastructure with superior research and product development capabilities. This is the foundation of corporate value of the Shofu Group.

The products and equipment used in the dental industry need to be customized to the exact needs of each individual patient. This means that a vast assortment of individual products must be made, so that each one must meet extremely high standards of quality and high quality control. As a company that deals in medical equipment, the Company is responsible for meeting a variety of regulations and ensuring the safety and effectiveness of all its products. The great deal of knowhow that Shofu Group has accumulated over the years, and the employees who have acquired the skills and knowledge to operate the latest equipment and the commitment to help patients preserve the effectiveness and beauty of their own natural teeth are the ones of the Shofu Group’s most valuable assets, that enable us to provide people worldwide with the most effective, safe and high-quality products possible.

As a major contributor to the dental profession, which helps to maintain the “gateway to health” for people around the world, the Company takes its social responsibility very seriously, and the need to earn the reliance and trust of the public is a constant management concern. The Shofu brand is as highly respected as any listed company in the sector, having established a track record for results in the dental industry over a period of many decades. The Shofu Group believes it has built an unshakeable relationship of trust with shareholders, business associates in Japan and overseas, and all of its other stakeholders as

well. This foundation of trust underlies every licensed outlet the Shofu Group operates in Japan and every office in our overseas network. As one of the leading companies in the industry, the Shofu Group has established a solid distribution network that provides the most advanced dental materials and equipment to customers in Japan and abroad. Furthermore, using the technological base it developed in the dental sector, the Shofu Group has also expanded aggressively into related fields such as nail care materials and industrial abrasives.

The culmination of these efforts was the Company's listing on the First Section of the Tokyo Stock Exchange, on March 29, 2012.

To help people around the world maintain their beautiful smiles with shining teeth, the Company will continue to contribute a wide range of products to support the dental health care and dentistry industries, while maintaining a solid operational base that can continue to win the trust of society. In this way, the Shofu Group aims to increase its corporate value and deliver the maximum value to the common interests of shareholders.

2. Basic Policies Regarding the Parties Controlling Decisions on Financial and Business Policies

The Board of Directors of the Company believes that, as a publicly listed company, the Company's shares must be subject to free buying and selling activity, and that it is the shareholders themselves who are ultimately responsible for deciding whether or not to agree to a large-scale purchase by a specific party.

Nevertheless, as a global supplier of dental materials, it is necessary for management of the Company to understand the elements that constitutes the corporate value, such as tangible or intangible management resources, potential effects of the provident measures, and a certain social responsibility which demands that the Company contribute to dentistry in a global scale, furthermore, contribute to "dental health" and "beauty" of individuals. To preserve and continuously enhance such corporate value, it is essential that management implement policies with a mid-to-long term perspective, which center on the aforementioned foundation of the Shofu Group's corporate value. If the people who are entrusted with the role of determining and implementing financial and strategic policies do not maintain such a comprehensive, mid-to-long term perspective, there is a danger that they might make decisions that could weaken corporate value, and thus damage the interests of all those who are stakeholders in the Shofu Group companies.

The Company's IR efforts are intended to ensure that the shareholders and investors can always understand the appropriate value of the shares. However, when a particular investor or investor group sets out to purchase a large stake in the Company, for other investors and existing shareholders to properly determine whether or not the offered price and conditions are appropriate, especially within a short term, it is essential that they receive prompt and adequate information from both the prospective purchaser and the Company's Board of Directors. Furthermore, for those who intend to maintain their shares in the Company continuously, information regarding the effect of such large-scale purchase on the Shofu Group, the purchaser's management policies and business plans for the Company after taking part in the Shofu Group management, and the reactions or opinions from the Board of Directors of the Company to the purchasers would be vital for making decisions.

Based on these considerations, the Company believes that, in order for all the shareholders to make informed decisions on large-scale purchases, large-scale purchasers must comply with the basic set of rules that the Company established and publicly announced, governing the actions of large-scale purchasers (hereafter to be known as the "Rules on Large-Scale Purchases"; details are provided in Section II, below). Under such rules, a large scale purchaser must provide the Board of Directors of the Company with necessary and sufficient information on its proposed Large-Scale Purchase, prior to any such purchase, and wait for adequate time for the Board of Directors to evaluate this information, and then wait for the Board of Directors and/or the General Shareholders' Meeting to decide upon

countermeasures, such as implementing issuance of the stock acquisition rights. Only after this process has been completed should the large-scale purchaser start acquiring shares of the Company.

II Contents of the Proposal (Basic Policy and Measures to Prevent Company's Financial and Business Policies from Being Controlled by Parties who are Inappropriate in Light of Basic Policies Regarding Control of the Company)

In light of the basic rules regarding the parties controlling decisions on financial and business policies discussed in Section I above (hereinafter, the "Basic Policies Regarding Control of the Company"), in case of Large-Scale Purchase, the Company requests the Large-Scale Purchaser to comply with a coherent set of rules (Rules on Large-Scale Purchases). The rules stipulate the actions that the Company shall take in cases where the purchaser complies with the rules, and in cases where the purchaser fails to comply with the rules, to ensure that the Company is prevented from being controlled by parties who are inappropriate in light of Basic Policies Regarding Control of the Company.

1. Reasons for Maintaining the Policy

As noted in Section I above, the Company believes that, in order for all the shareholders to make informed decisions on large-scale purchases, Large-Scale Purchasers must comply with the Rules for Large-Scale Purchases that the Company established and publicly announced. Under such rules, a Large-Scale Purchaser must provide the Board of Directors with necessary and sufficient information regarding its proposed Large-Scale Purchase, prior to such purchase, and wait for adequate time for the Board of Directors to evaluate this information, and then wait for the Board of Directors and/or the General Shareholders' Meeting to decide upon countermeasures, such as implementing issuance of the stock acquisition rights. Only after this process has been completed should the Large-Scale Purchaser start acquiring shares of the Company.

After receiving this information from the Large-Scale Purchaser, the Company's Board of Directors shall start reviewing such information as soon as possible, and evaluate and consider the purchaser's plans by seeking the advice of outside experts including financial advisors, certified public accountants, lawyers and consultants (hereinafter, the "Outside Experts"), then form an opinion and make it public. If it is deemed necessary, the Board of Directors shall provide the Large-Scale Purchaser with suggestions for changes to their plans, and will negotiate these revisions in good faith, or provide shareholders with alternative proposals. By following this procedure, the Company can ensure that shareholders are able to consider the views of the Board of Directors, to evaluate the Large-Scale Purchaser's plans as well as the Company's alternative proposals, if any. Thus, existing shareholders will have an opportunity to make an informed decision on whether or not to allow the Large-Scale Purchaser to proceed with their stock acquisition.

The proposal lays out the basic policies governing the Board of Directors' actions depending upon whether or not the prospective purchaser complies with the Rules for Large-Scale Purchases. The Company hereby proposes continuation of the Policy as measures to deal with Large-Scale Purchase conducted by parties who are inappropriate to control the Company in light of Basic Policies Regarding Control of the Company.

2. Establishment of a Corporate Value Evaluation Committee

To ensure that the Policy is applied properly, and to prevent arbitrary decisions by the Board of Directors, the Company shall establish a Corporate Value Evaluation Committee. This Committee shall consist of at least three members who shall be selected from among the Company's Outside Directors and Outside Auditors, or other knowledgeable independent experts (*4), in order to ensure that the Committee is able to make fair and neutral decisions. An overview of the Corporate Value Evaluation Committee is provided in Attachment 2.

The advice of the Corporate Value Evaluation Committee shall be sought, and its opinions given the utmost consideration by the Board of Directors, whenever the Board faces key decisions relating to the invocation of the Policy. This includes:

- Decisions on whether or not the Large-Scale Purchaser has complied with the Rules on Large-Scale Purchases (see Section II, 4. (1), below)
- Decisions on whether the period of time for the Board to consider purchase plans should be extended (see Section II, 3. (2), below)
- Decisions on whether corporate value will be adversely affected, and whether or not the common interests of existing shareholders will be significantly damaged by the Large-Scale Purchase (see Section II, 4. (2) a., below)
- Decisions on whether or not to implement, alter or terminate countermeasures (see Section II, 4. (1) – (4), below).

In addition, if the Corporate Value Evaluation Committee deems that the Large-Scale Purchaser will not adversely affect corporate value, and will not significantly damage the common interests of existing shareholders, it may recommend that the Large-Scale Purchaser's plans do not need to be discussed by a General Shareholders' Meeting, or recommend that countermeasures such as the issuance of stock acquisition rights are not necessary (see Section II, 4. (2) b., below). The Board of Directors shall give the utmost consideration to these recommendations.

When necessary, the Corporate Value Evaluation Committee shall recommend that additional views and opinions be sought from sources, including Outside Experts, independent of both the Board and the Advisory Committee. When such views are sought, the Company shall bear the expense of obtaining such views, except in extraordinary instances where the request for additional opinion is deemed inappropriate.

All meetings of the Corporate Value Evaluation Committee shall, in principle, take place only when all members are present, and shall make decisions on the basis of majority vote. In the event that a member of the Corporate Value Evaluation Committee is incapacitated or unavoidably prevented from taking part, meetings of the Corporate Value Evaluation Committee may be conducted with a majority of members present, and decisions may be made on the basis of the majority of members present.

Notes:

4. "Independent experts" refers to corporate executives with extensive past management experience, someone with an intimate knowledge of investment banking, lawyers, certified public accountants, academics who specialize in companies Act and related subjects, or individuals of equivalent standing and expertise.

3. Rules on Large-Scale Purchases

(1) Provision of Information

The Rules on Large-Scale Purchases of the Company require that the Large-Scale Purchaser (i) provide the Board of Directors with necessary and sufficient information regarding its proposed Large-Scale Purchase prior to such purchase; (ii) give the Board of Directors a certain period of time to evaluate the purchase plans; and (iii) allow the Board of Directors or the General Shareholders' Meeting to make a decision on countermeasures, such as the issuance of stock acquisition rights, before starting the Large-Scale Purchase.

Specifically, to comply with the Rules on Large-Scale Purchases, the Large-Scale Purchaser shall submit a "letter of intent" to the Representative Director of the Company, specifying the name and address of the purchaser, the law/jurisdiction governing the purchaser's incorporation (if any), the name of the purchaser's Representative, the purchaser's contact address in Japan, and a summary of the purpose or reasons for the Large-Scale Purchase. In addition, they shall provide necessary and sufficient information (hereafter, "Necessary Information") for the Board of Directors to form an opinion on the purchase, and for the Company's shareholders to make an informed decision on whether to allow the purchase to proceed.

Within ten business days after the receipt of this “letter of intent”, the Board of Directors shall present the Large-Scale Purchaser with an initial list of items detailing the Necessary Information needed to evaluate the purchase. After examining this information, if the Board of Directors deems the information provided to be insufficient to permit an informed decision, the Board shall request the Large-Scale Purchaser to present additional information, until the purchaser has fully complied with the requirement to provide Necessary Information.

The list below itemizes part of the general items required as Necessary Information. The content of Necessary Information may differ depending upon the characteristics of the Large-Scale Purchaser, and purpose or intent of the Large-Scale Purchase.

- 1) An overview of the Large-Scale Purchaser (including information on the nature of the purchaser’s business, capital structure, past experience in businesses similar to those conducted by the Shofu Group, and other general information on its business experience) as well as of the Large-Scale Purchaser’s group (including Joint Holders and Specially Related Parties, as defined above, and fund participants, in the case of an investment fund.)
- 2) The objectives and substances of the Large-Scale Purchase (including the intended amount and type of purchase consideration, the timing of the purchase, structure of related transactions, legality of the purchase and feasibility of purchase, including related transactions, etc.)
- 3) The basis for calculating the appropriate value of the shares of the Company to be purchased and the financial resources backing the purchase, including the names of specific financial backers (including those providing substantial financial backing), the method of financing and the substances of any related transactions.
- 4) The specific names of any management candidates that the purchaser intends to nominate as members of the Shofu Group’s management team (including their past experience in businesses related to those engaged in by the Shofu Group), and any plans or intentions the Large-Scale Purchaser has relating to management policies, business plans, financial plans, capital policies, dividend payout policies, utilization of assets, etc.
- 5) Any plans or intentions which might alter the basic substance of the Shofu Group’s relations with business partners, customers, employees or other stakeholders, after the Large-Scale Purchase is finalized.

The Board of Directors of the Company will disclose information on the Large-Scale Purchase, including the fact that a Large-Scale Purchase was proposed and Large-Scale Purchaser provided the Necessary Information to the Board of Directors, in full or in part, to its shareholders if the Board of Directors deems it necessary for the shareholders to make a decision on the matter, at a time that the Board of Directors deems most appropriate.

(2) Board of Directors Assessment Period

Based on the difficulty of assessing the proposed Large-Scale Purchase, the Board of Directors of the Company will set a specific period of time to review and consider the Necessary Information, evaluate the intended purchase, negotiate, prepare the Board’s official statement of opinion, and prepare any alternative proposals. In principle, this period (hereafter referred to as the “Board Assessment Period”) shall be set at 60 days (when the Company’s shares will all be acquired via public trading on a stock exchange, and paid for at yen-denominated face value, in cash) or 90 days (in cases where the details of the planned purchase differ from those described above). Furthermore, once the Necessary Information has been received, the Board shall promptly disclose this fact, as well as the date of conclusion of the Board Assessment

Period.

During the Board Assessment Period, the Board of Directors shall work in consultation with the Corporate Value Evaluation Committee to thoroughly assess and consider the information provided, and will seek advice from Outside Experts as needed. The Board of Directors shall give the utmost consideration to the opinions and recommendations of the Corporate Value Evaluation Committee, carefully formulate its opinion, and release it to the public. If necessary, the Board may negotiate terms with the Large-Scale Purchaser in order to improve the conditions of the offer, or may formulate alternative plans and proposals, to be presented to the Company's shareholders.

If, the Board of Directors is unable to make any decision on whether or not to implement countermeasures, or on whether or not it is necessary to call a General Shareholders' Meeting for a compelling reason, such as the Corporate Value Evaluation Committee's failure to issue any opinion or recommendation on whether or not to implement countermeasures, or on whether or not it is necessary to call a General Shareholders' Meeting within the Board Assessment Period), the Board may extend the Period by up to 30 days. This decision shall be made only after consultation with the Corporate Value Evaluation Committee, and giving the utmost consideration to the Committee's recommendations. In the event that it does decide to extend the Board Assessment Period, in accordance with the pertinent laws and market regulations governing financial products, it shall promptly disclose this decision to its shareholders, providing detailed reasons for the extension, and the precise number of additional days chosen for the extension.

(3) Decision by the General Shareholders' Meeting

The Corporate Value Evaluation Committee shall consider the information and shall advise the Board of Directors to hold a General Shareholders' Meeting on whether or not to take countermeasures including the issuance of stock acquisition rights. Exceptions to this procedure may be made if: (i) countermeasures are already advisable, because the Large-Scale Purchaser failed to comply with the Rules on Large-Scale Purchases; (ii) countermeasures are already advisable because the Large-Scale Purchase would erode corporate value and significantly damage the common interests of existing shareholders, for the reasons outlined in Section II, 4, (2), a., (a) or (b); or (iii) the Corporate Value Evaluation Committee has evaluated the Large-Scale Purchaser's plans for a Large-Scale Purchase, and decides that such countermeasures should not be taken. Based on the Corporate Value Evaluation Committee's recommendations, the Board of Directors shall hold a General Shareholders' Meeting and implement the issuance of stock acquisition rights or other countermeasures as an agenda item for the General Shareholders' Meeting. And the item shall be dealt with at the shareholders' meeting via the process outlined below:

The stance of shareholders in the Company is to be determined by majority vote at a General Shareholders' Meeting pursuant to the Companies Act (hereinafter, the "General Shareholders' Meeting"). It is the Company's intention to make a decision on the response to a Large-Scale Purchase, including the issue of whether or not to take countermeasures, on the basis of the voting results at the General Shareholder Meeting. After receiving the Necessary Information presented by a purchaser who follows the Rules on Large-Scale Purchases, if necessary, the Board of Directors shall quickly establish a date of record (hereinafter, the "Date of Record") to govern those eligible to take vote at the General Shareholders' Meeting, and shall publicize this date in accordance with the method outlined in Company's Articles of Incorporation, at least two weeks prior to the Date of Record.

- 1) Shareholders who have the right to vote on the issue at the General Shareholders' Meeting shall be those listed on the most recent shareholders

register as of the Date of Record.

- 2) The vote at the General Shareholders' Meeting shall be held in accordance with the rules laid out in the Companies Act and Article 41 of the Company's Articles of Incorporation. At least one-third of all voting rights must be represented by the shareholders present, in order for the vote to be valid, and the decision shall be based on a majority of voting rights held by the shareholders present.
- 3) Any members of the specific shareholding group shall not begin to acquire shares in the Company until after the conclusion of the General Shareholders' Meeting.
- 4) In the event of substantive changes to the details of the Large-Scale Purchase, even if the changes occur after the Date of Record has been set, the Date of Record may be changed, or the General Shareholders' Meeting may be postponed or cancelled at the discretion of the Board of Directors.

4. Policy towards Large-Scale Purchasers

(1) In Cases Where the Large-Scale Purchaser Fails to Comply with the Rules on Large-Scale Purchases

If the Large-Scale Purchaser fails to comply with the Rules on Large-Scale Purchases, regardless of the manner in which the shares are purchased, the Board of Directors may issue stock acquisition rights or take any other countermeasures that are permissible under the Companies Act and any related regulations as well as the Company's Articles of Incorporation, to defend against the Large-Scale Purchaser's actions, preserve the corporate value of the Company and protect the common interests of existing shareholders. When determining whether or not the Large-Scale Purchaser has failed to comply with the Rules on Large-Scale Purchases, and whether or not to take countermeasures, the Board of Directors shall seek the advice of Outside Experts and shall give the utmost consideration to recommendations by the Corporate Value Evaluation Committee.

The Board of Directors shall select specific countermeasures based on their judgement of what course of action is most appropriate, at the time. An example of countermeasures that might be taken, in the form of stock acquisition rights distributed to shareholders as a free distribution (stock dividends) is provided in Attachment 3. However, the Board may, if it so chooses, decide to place specific conditions on the exercise of these rights or the valid exercise period, in order to enhance their effectiveness; for example, by requiring that the shareholder demonstrate that they do not belong to a specific shareholding group that holds a substantial percentage of voting shares, before they may exercise the stock acquisition rights.

(2) In Cases Where the Large-Scale Purchaser Complies with the Rules on Large-Scale Purchases

a. Principles

So long as the Large-Scale Purchaser complies with the Rules on Large-Scale Purchases, even if it is opposed to the Large-Scale Purchase, the Board of Directors of the Company shall not, in principle, take any countermeasures against the Large-Scale Purchaser without obtaining resolution of General Shareholders' Meeting. Instead, the Board of Directors may fulfill management's accountability and allow the shareholders of the Company to make appropriate decision, by expressing dissenting opinions, or by offering alternative proposals. The final decision on whether or not to implement countermeasures shall be made by the shareholders at the General Shareholders' Meeting, after duly considering the Large-Scale Purchaser's proposal, the Board

of Director's opinion of the proposal or any alternative proposals.

There are circumstances under which the Board of Directors may determine that, even though the Large-Scale Purchaser has complied with the Rules on Large-Scale Purchases, the proposed Large Scale Purchase will erode corporate value and significantly damage the common interests of shareholders, and that it is therefore appropriate to take countermeasures in order to protect corporate value and the common interests of shareholders. Below are specific types of circumstances in which a Large-Scale Purchase would, in principle, erode corporate value and compromise the interests of existing shareholders. In order to ensure objectivity and rationality of its decisions on whether such exceptional response is warranted, the Board of Directors shall consider nature of Large-Scale Purchaser, specific substance of the Large-Scale Purchase and effect of the Large-Scale Purchase on the corporate value and common interest of shareholders, based on the Necessary Information provided by the Large-Scale Purchaser, including the proposed basic management policies after purchase, and the advice of Outside Experts. In deciding whether or not to implement countermeasures, the Board of Directors shall give utmost consideration to the recommendations of Corporate Value Evaluation Committee.

- (a) If the intent of the Large-Scale Purchaser involves any of the following actions, it would clearly and seriously affect the corporate value of the company, and infringe the common interests of existing shareholders.
 - 1) The purchaser intends to acquire a substantial share of Company stock and then demand that the Company repurchase the shares at a higher price.
 - 2) The purchaser intends to use their temporary influence on the Company operations to acquire some the Company's assets at a reduced cost, or otherwise realize a gain for the purchaser, to the detriment of the Company itself.
 - 3) The purchaser plans to divert the assets of the Company and use them as security for, or as a means to repay, debts owed by the purchaser or the purchaser's group affiliates.
 - 4) The purchaser intends to use their temporary influence over the Company operations to engage in activities that are not connected with core business, such as selling off valuable assets owned by the Company, in order to temporarily boost profits and then distribute the inflated profit amount as dividends, for the purpose of either profiting from the dividends, or driving up the price of the Company's shares in order to re-sell the purchaser's shares at a profit.
- (b) Common interests would be infringed if the purchaser plans to conduct coercive, two-tiered tender offers (offers to acquire shares in which the conditions for the second purchase are clearly less advantageous than the first, or where the conditions for the second purchase are not specified) or any other plans that would effectively pressure shareholders to sell their shares.

b. Recommendations to Forego Countermeasures

The Corporate Value Evaluation Committee shall review and evaluate the information provided by the Large-Scale Purchaser regarding the Large-Scale Purchase. If, after considering the matter, the Corporate Value Evaluation Committee determines that the Large-Scale Purchase will not have an adverse

effect on corporate value or the common interests of shareholders, and that the fact of this Large-Scale Purchase need not be deliberated by a General Shareholders' Meeting, the Corporate Value Evaluation Committee shall recommend that the Board of Directors not pursue any countermeasures. This recommendation shall be provided promptly, regardless of whether or not the Board Assessment Period is complete.

On the other hand, if there are any changes in the details and conditions of the purchase after it has provided this recommendation to forego countermeasures, the Corporate Value Evaluation Committee may withdraw this recommendation and provide a different recommendation.

(3) Resolution by the Board of Directors

Unless there is some special and obvious reason why such a decision would run counter to the Board of Directors' duty to uphold due care of management, the Board shall make its decision as an organ under the Companies Act, on whether or not to implement countermeasures such as the issuance of stock acquisition rights, on the basis of the vote taken at the General Shareholders' Meeting, and after giving the utmost consideration to recommendations by the Corporate Value Evaluation Committee, making the decision without delay.

After the Board of Directors has made its decision, in accordance with laws and regulations and rules of the relevant financial instruments exchanges, it shall disclose both a summary of the decision and any other details that the Board of Directors views as appropriate, in a timely and appropriate manner.

(4) Suspension or Termination of Countermeasures

Even after the Board and/or the General Shareholders' Meeting have made a decision to implement countermeasures, if the Board of Directors determine that conditions have changed to the extent that countermeasures are no longer necessary (for example, if the Large-Scale Purchaser withdraws or alters their plan to make a Large-Scale Purchase), the Board of Directors may decide to alter or cancel the countermeasures, after giving the utmost consideration to recommendations by the Corporate Value Evaluation Committee.

For example, if the Board of Directors determines that the countermeasures are no longer necessary, under the circumstances such as the Large-Scale Purchaser withdraws or alters their plan to make a Large-Scale Purchase after the Board of Director has approved a free distribution of stock acquisition rights and the names of shareholders who are entitled to receive a free distribution have already been identified, the Board of Director may cancel the countermeasures as follows:

- 1) If the decision is made prior to the free allocation of the stock acquisition rights, the Board of Directors may, based on the recommendations of the Corporate Value Evaluation Committee, cease the free allocation of the rights.
- 2) If the decision is made after the free allocation of the stock acquisition rights, but prior to their exercise date, the Board of Directors may, based on the recommendations of the Corporate Value Evaluation Committee, re-acquire the rights for free.

In either case, the Board of Directors shall disclose information on the details of cancellation of the countermeasures, to the extent recommended by the Corporate Value Evaluation Committee.

5. Influence on Shareholders and Investors

(1) Influence of the Rules on Large-Scale Purchases, on Shareholders and Investors

The objective of the Rules on Large-Scale Purchases is to ensure that, if a Large-Scale

Purchaser is contemplating a Large-Scale Purchase, the existing shareholders receive sufficient information to make an informed decision on whether or not to agree to the purchase and the Company's Board of Directors' opinion on the purchase, and are presented with any alternative plans or proposals by the Board of Directors of the Company. The Board of Directors believe that these Rules are beneficial to protect the corporate value, and the common interests of its shareholders, by ensuring that the existing shareholders have enough information to make an appropriate decision on whether or not to accept the Large-Scale Purchase. In short, the Company believes that the Rules on Large-Scale Purchases are in the best interests of shareholders and investors, because it ensures that they are able to make informed investment decisions.

As explained in Section II, 4. above, please note that the Company's decisions in response to a Large-Scale Purchase will differ depending upon whether or not the Large-Scale Purchaser complies with the Rules on Large-Scale Purchases. Therefore, the Company hereby ask shareholders of the Company and investors to pay attention to any movements of the Large-Scale Purchaser.

(2) Influence of Countermeasures on Shareholders and Investors

If a Large-Scale Purchaser fails to comply with the Rules on Large-Scale Purchases, the Board of Directors may take any countermeasures that are permissible under the Companies Act, the Company's Articles of Incorporation and other regulations, for the purpose of protecting corporate value and the common interests of shareholders. However, given the form and structure of the countermeasures, the Company believes that their implementation will not cause any legal or economic damage to existing shareholders (with the exception of shareholders who are themselves involved in the Large-Scale Purchase that the countermeasures are intended to address, or are members of the Large-Scale Purchaser's shareholding group). If and when the Board of Directors of the Company decides to implement any specific countermeasures, it shall disclose the information in a timely and appropriate manner, in accordance with laws and regulations.

In the event that the countermeasures adopted include the issuance of stock acquisition rights without contribution, the shareholders may be required to pay a certain sum of money within the specified period of time, in order to exercise those rights and receive their shares. If the Board of Directors decides to re-acquire those rights, it may do so without paying an amount equivalent to the exercise price, by simply issuing new stock to the shareholders in exchange for the acquisition rights. The company shall provide details separately on how the procedures will be carried out, in accordance with all relevant laws and regulations, if and when an actual decision is made to issue stock acquisition rights.

Furthermore, if the Board of Directors should decide to suspend or terminate the issuance of stock acquisition rights, after considering the recommendations of the Corporate Value Evaluation Committee, the Company shall reclaim the rights for free, with no dilution in the shares or share price. Therefore, if any investor purchased or sold shares on the assumption that the rights issue would dilute the shares, it is possible that they could suffer a valuation loss due to subsequent changes in the share price.

6. Period of Validity and Expiration of the Policy

Provided the shareholders approve the Policy proposal at this Ordinary Shareholders' Meeting, it shall take immediate effect upon conclusion of the meeting. It shall remain in force until conclusion of the Ordinary Shareholders' Meeting regarding the last fiscal year within three years after the date of its approval. The policy shall be submitted for re-approval at that same General Shareholders' Meeting (inclusive of any proposals for changes or revisions). Even during the effective period of the Policy, it shall be open to any revisions which serve to strengthen or enhance its ability to

preserve corporate value or bolster the common interests of shareholders, or any revisions which may become necessary in light of changes in applicable laws and regulations, rules on financial products trading or the listing requirements of applicable securities exchanges. If such changes become necessary, the Company shall promptly disclose the substances of, and reasons for the changes.

Attachment 1

Career Summary of members of Corporate Value Evaluation Committee

The following 5 persons will be the members of the Corporate Value Evaluation Committee, upon the re-approval of the Policy.

Takehiko Ueta

[Brief profile]

Born in 1940	
March 1964	Graduated from the Faculty of Law, Kyoto University
April 1964	Joined DKS Co. Ltd.
June 1990	Director, DKS Co. Ltd.
January 1995	Managing Director, DKS Co. Ltd.
June 1998	Representative Director , President, DKS Co. Ltd.
April 2004	Director and Senior Advisor, DKS Co. Ltd.
June 2004	Advisor, DKS Co. Ltd.
June 2007	External Director, Takara Holdings Inc.
June 2007	External Director, Takara Shuzo Co., Ltd.

There are no special interest between Mr. Takehiko Ueta and the Company.

Yasunori Fujii

[Brief profile]

Born in 1942	
March 1965	Graduated from the Faculty of Economics, Kyoto University
April 1965	Joined National Tax Agency
July 1990	Director of Public Relations Division, National Tax Agency
July 1992	Director of Large Enterprise Examination Division, National Tax Agency
July 1994	President, National Tax College
July 1995	Head of Examination Office (specialist), Financial Affairs Committee, The House of Representatives
July 1999	Director, New Tokyo International Airport Authority
September 2002	Professor, the College of Economics, Nihon University
December 2012	Lecturer, the College of Economics, Nihon University (incumbent)
April 2013	Professor, University of East Asia (incumbent)

There are no special interest between Mr. Yasunori Fujii and the Company.

Masatoshi Ohara

[Brief profile]

Born in 1951	
March 1976	Graduated from Faculty of Law, Waseda University
April 1979	Registered as a practicing attorney at Osaka Bar Association Joined Kikkawa Sogo Law Offices (currently Kikkawa Law Offices)
August 1986	Passed the bar exam in the State of New York Registered as a practicing attorney in New York
April 2004	Specially appointed lecturer at the Osaka City University's School of Law teaching Civil Law
June 2005	Substitute Auditor of the Company (incumbent)
April 2010	Part-time lecturer at the Osaka City University's School of Law (incumbent)

Mr. Masatoshi Ohara is a Substitute Auditor of the Company. There are no special interest between Mr. Ohara and the Company.

Kenji Nishida

[Brief profile]

Born in 1947	
March 1971	Graduated from Faculty of Business Administration, Kobe University
July 1972	Joined the Chuo Accounting Firm
December 1975	Registered as a Certified Public Accountant
May 1982	Left the Chuo Accounting Firm Opened Kenji Nishida Certified Public Accountant Office
June 2001	Auditor of the Company
June 2015	Director of the Company (incumbent)

Mr. Kenji Nishida is an Outside Director as defined in the Article 2, Paragraph 15 of the Companies Act. There are no special interest between Mr. Nishida and the Company.

Yasushi Sakemi

[Brief profile]

Born in 1958	
March 1982	Graduated from School of Law, Meiji University
April 1991	Registered as a practicing attorney
June 2004	Auditor of the Company (incumbent)
October 2009	Outside Director of CCS Inc. (incumbent)

Mr. Yasushi Sakemi is an Outside Auditor, Article 2, Paragraph 16 of the Companies Act. There are no special interest between Mr. Sakemi and the Company.

Overview of the Corporate Value Evaluation Committee

1. Establishment

The Corporate Value Evaluation Committee was established by resolution of the Board of Directors of the Company.

2. Members

The Committee shall consist of at least three members, nominated by the Board of Directors and elected from among a field of candidates such as Outside Directors of the Company, Outside Auditors of the Company, executives of other companies with extensive management experience, individuals with investment banking experience, lawyers, certified public accountants, academics who specialize in Companies Act or related subjects, or other individuals with equivalent experience, who are independent of influence from the management members of the Company.

3. Period of Appointment

Members of the Corporate Value Evaluation Committee shall be appointed to terms commencing at the conclusion of this Ordinary Shareholders' Meeting, and ending on the conclusion of the Ordinary Shareholders' Meeting for the last fiscal year that ends within three years from the conclusion of this Ordinary Shareholders' Meeting, and the length of the term should be the same afterwards; provided, however, that the term may be altered by resolution of the Board of Directors. In the case of Corporate Value Evaluation Committee members who are also Outside Directors of the Company or Outside Auditors, of the Company, the term of appointment to the Corporate Value Evaluation Committee shall end on the same date that their term of office as Directors or Auditors concludes (except in cases where they are re-elected as Outside Directors or Outside Auditors).

If any member of the Corporate Value Evaluation Committee should resign, or for some reason be unable to complete their term, a replacement shall be appointed by resolution of the Board of Directors, from among the candidates listed in section 2. above. The newly appointed member's term shall end on the date specified for the Committee member who they replaced.

4. Requirements for Resolutions

In principle, resolutions of the Corporate Value Evaluation Committee shall be passed by a majority vote, at a meeting in which all Committee members are present. If for some unavoidable reason, such as an accident, a member is absent from a meeting, resolutions may be adopted on the basis of a majority vote of all members present, provided that more than half of the Committee members are present and voting.

If a resolution of the Corporate Value Evaluation Committee receives an equal number of "Aye" and "Nay" votes, the Committee shall inform the Board of Directors that it is unable to make a decision on the resolution.

5. Items for Deliberation

The Corporate Value Evaluation Committee shall, in principle, consider issues that fall into one of the categories listed below, when asked to do so by the Board of Directors of the Company. The recommendations they present to the Board of Directors shall include both their decision on the issue, and the reasons for the decision. In making their decisions, the members of the Corporate Value Evaluation Committee shall consider only whether or not there is likely to be an adverse impact on corporate value, or on the common interests of shareholders. They shall not give any consideration to potential merits or demerits for themselves, or for Directors of the Company.

- 1) Decisions relating to whether the Rules on Large-Scale Purchases apply to a given Large-Scale Purchase
- 2) Decisions on what specific information Large-Scale Purchaser should provide to the Board of Directors, as part of the Necessary Information
- 3) Examination and evaluation of the content of the Large-Scale Purchaser's Large-Scale Purchase
- 4) Decisions on whether or not the Large-Scale Purchase could potentially damage corporate value or infringe the common interests of existing shareholders
- 5) Decisions on whether or not the Large-Scale Purchaser has complied with the Rules on Large-Scale Purchases
- 6) Decisions on whether or not to extend the Board Assessment Period
- 7) Decisions on whether or not to call a General Shareholders' Meeting to consider the possible implementation of countermeasures
- 8) Decisions on whether or not to implement, forego, change or terminate countermeasures
- 9) Decisions on whether or not to continue, alter or eliminate the Rules on Large-Scale Purchases
- 10) Any other issues presented to the Corporate Value Evaluation Committee for consideration, by the Board of Directors.

In order to make an appropriate decision on the matters listed above, the Corporate Value Evaluation Committee must have the necessary and adequate information. Therefore if the Committee should require advice from Outside Experts (financial advisors, certified public accountants, lawyers, management consultants, etc.), it shall be provided at the Company expense.

Summary of Stock Acquisition Rights

1. Eligibility and conditions for receiving the stock acquisition rights

Those shareholders who are listed on the most recent shareholders record as of the Date of Record designated by the Board of Directors of the Company shall receive one stock acquisition right for every one share of the Company's common stock that they hold (this distribution shall not apply to treasury stock held by the Company), but with no compulsion to exercise the rights.

2. Number and type of new shares to be issued

The stock acquisition rights entitle the bearer to acquire newly issued shares of the Company's common stock. The maximum number of new shares to be issued will be determined by taking the maximum number of shares that the Company is authorized to issue, and subtracting the number of shares issued and outstanding as of the Date of Record designated by the Board of Directors (i.e. not including treasury stock held by the Company). The Board will then separately designate the number of new shares that apply to each right issued (hereafter, the "Pertaining Number of Shares"). If the Company should conduct a stock split or reverse stock split, this number shall be adjusted accordingly.

3. Total number of stock acquisition rights issued

The number of rights issued shall be determined separately by the Board of Directors. The Board may conduct additional free rights distributions.

4. Value of assets to be contributed upon exercise of each stock acquisition right (exercise price)

The value of asset to be contributed upon exercise of each stock acquisition right (exercise price) shall be determined by the Board of Directors, and shall be set at no less than ¥1 per share.

5. Restrictions on transfer of stock acquisition rights

Any transfer or receipt of stock acquisition rights must be approved by the Board of Directors.

6. Conditions for exercising the stock acquisition rights

In principle, shareholders who belong to a "specific shareholding group", which controls 20% or more of voting rights in the Company may not exercise the stock acquisition rights. In addition, as a general rule, nonresidents of Japan who are required to follow certain procedures under foreign laws or ordinances in order to exercise stock acquisition rights, may not exercise these rights (provided, however, that such nonresidents of Japan may exercise the stock acquisition rights if they can enjoy exemption from such procedures under foreign laws and ordinances. On the other hand, the Company may re-acquire the rights from overseas residents in return for shares of the Company stock, as set out below in section 8, if said procedure complies with the applicable laws or ordinances). In addition, all shareholders who exercise their rights must provide written representation, in the form prescribed by the Company, confirming that they do not belong to the "specific shareholding group," and meet other requirements (unless the Company itself chooses not to require such representation). Details of this requirement shall be determined separately, by the Board of Directors of the Company. Those who fail to submit the required written document may not exercise the stock acquisition rights.

7. Exercise period for the stock acquisition rights

In allotment of share options without contribution resolution, the starting date of that period

(hereafter, the “exercise period” and the “exercise period commencement date”) shall be set separately, by the Board of Directors. The exercise period shall be from one to three months in length. If the final day of the exercise period, as calculated from the exercise period commencement date, is a non-business day for the financial institution charged with collecting the exercise payments, the exercise period shall end on the business day immediately preceding that day.

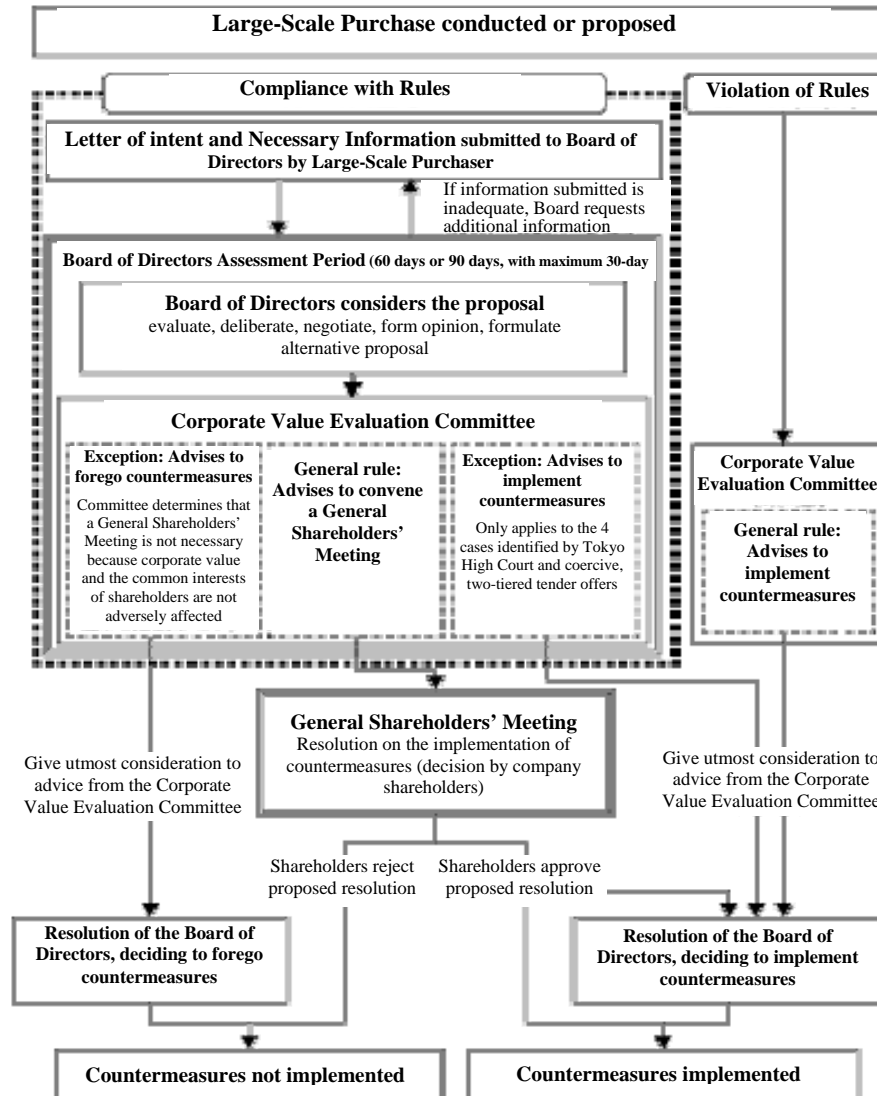
8. Repurchase of stock acquisition rights by the Company

- 1) If, at any time prior to the exercise period commencement date, the Board of Directors should determine that it is advisable for the Company to re-acquire the stock acquisition rights, the Company may reacquire the rights for free, on a date determined separately by the Board of Directors.
- 2) On a date determined separately by the Board of Directors, the Company may re-acquire all rights that have not yet been exercised by that date (excluding those held by parties that are not qualified to exercise the rights because they belong to a specified shareholding group, or because they have not provided written representation of that fact, in the form requested by the Company. Some shareholders may be excluded from this requirement, at the Company’s discretion). Any rights that have not been exercised by the day prior to the date designated by the Board of directors shall be reacquired, in exchange for shares of the Company’s stock. The number of shares exchanged upon reacquisition of the rights shall be equal to the number of shares covered by the acquisition rights.

If, on or after the date on which the Company reacquires the shares, the Board of Directors recognizes the existence of any individual shareholder who is still in the possession of stock acquisition rights, and who is qualified to exercise the rights (provided they do not belong to the “specific shareholding group,” and are prepared to make written submission to the Company, as outlined in the first sentence section 8., 2)), the Board of Directors may decide, at its discretion and on a date determined by the Board of Directors, to re-acquire the shares even though the original date of reacquisition has passed. The number of shares exchanged upon reacquisition of the rights shall be equal to the number of shares covered by the acquisition rights.

(Reference Material)

Flowchart Showing Implementation of the Policy on Large-Scale Purchases (Countermeasures Against Hostile Purchaser)



Note: The above flowchart is only for informational purposes, to summarize the Policy. For precise details on the policy, please refer to the Notification of General Shareholders' Meeting, pages 12 - 30, and our press release (Japanese) dated May 13, 2016.