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(Securities Code 7242)  
June 4, 2019

**To Shareholders with Voting Rights:**

Masao Ono  
Representative Director,  
President Executive Officer  
KYB Corporation  
World Trade Center Bldg.,  
2-4-1, Hamamatsu-cho,  
Minato-ku, Tokyo

**NOTICE OF  
THE 97TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

We would like to express our appreciation for your continued support and patronage.

You are cordially invited to attend the 97th Ordinary General Meeting of Shareholders of KYB Corporation (the “Company”). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or via electromagnetic means (the Internet, etc.). Please exercise your voting rights by 5:15 p.m. on Monday, June 24, 2019 (Japan time), after taking the time to consult the attached reference documents for the General Meeting of Shareholders.

- 1. Date and Time:** Tuesday, June 25, 2019 at 10:00 a.m. (Reception starts at 9:00 a.m.) (Japan time)
- 2. Place:** Sumitomo Fudosan Onarimon Tower,  
“Bellesalle Onarimon Tower” 4th Floor Hall  
1-1-1, Shiba Koen, Minato-ku, Tokyo
- 3. Meeting Agenda:**
- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company’s 97th Fiscal Year (April 1, 2018 - March 31, 2019) and results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
  2. Non-consolidated Financial Statements for the Company’s 97th Fiscal Year (April 1, 2018 - March 31, 2019)
- Proposals to be resolved:**
- Proposal 1:** Election of six (6) Members of the Board of Directors
- Proposal 2:** Election of one (1) Audit & Supervisory Board Member
- Proposal 3:** Election of one (1) Substitute Audit & Supervisory Board Member
- Proposal 4:** Renewal of Countermeasures to Large-Scale Purchase of the Company’s Shares (Takeover Defense Measures)

**4. Exercise of voting rights:**

If you vote both in writing on the Voting Rights Exercise Form and via the Internet, only your vote

placed via the Internet will be counted.

If you vote multiple times via the Internet, only the last vote will be counted.

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- When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk. For the purpose of saving resources, please bring this NOTICE OF THE 97TH ORDINARY GENERAL MEETING OF SHAREHOLDERS to the meeting.  
**We have decided not to prepare gifts for shareholders attending the meeting from this year. We appreciate your understanding on this change.**
  - The following items have been posted on the Company's website (<https://www.kyb.co.jp/>) in accordance with laws and regulations and the provisions of Article 15 of the Articles of Incorporation of the Company and are accordingly not included in this NOTICE OF THE 97TH ORDINARY GENERAL MEETING OF SHAREHOLDERS.
    - Consolidated Statements of Changes in Equity; Notes to the Consolidated Financial Statements
    - Statements of Changes in Equity; Notes to the Non-consolidated Financial StatementsThe Consolidated Financial Statements and the Non-consolidated Financial Statements included in this NOTICE OF THE 97TH ORDINARY GENERAL MEETING OF SHAREHOLDERS are part of the Consolidated Financial Statements and the Non-consolidated Financial Statements audited by the Accounting Auditor and the Audit & Supervisory Board Members for the preparation of the Accounting Audit Report and Audit & Supervisory Board's Report.
  - Any revisions to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements, or the Non-consolidated Financial Statements will be posted on the Company's website (<https://www.kyb.co.jp/>).
  - Please note that persons who are not shareholders, such as non-shareholder proxies or persons accompanying shareholders, are not allowed to attend the meeting.

## Reference Documents for the General Meeting of Shareholders

### Proposal 1: Election of six (6) Members of the Board of Directors

The term of office of all the eight (8) Members of the Board of Directors will expire at the conclusion of this meeting. We propose election of six (6) Members of the Board of Directors.

The candidates for the Members of the Board of Directors are as follows:

#### List of candidates for Members of the Board of Directors

No.	Name	Attributes	Current positions in the Company	Attendance of the meetings of the Board of Directors	
1	Yasusuke Nakajima	(Reappointment)	Representative Director, Chairman	100% (18/18)	
2	Masao Ono	(Reappointment)	Representative Director, President Executive Officer	100% (18/18)	
3	Takaaki Kato	(Reappointment)	Representative Director, Executive Vice President Executive Officer	100% (18/18)	
4	Keisuke Saito	(Reappointment)	Member of the Board of Directors, Senior Managing Executive Officer	100% (18/18)	
5	Rokurou Tsuruta	(Reappointment)	(Candidate for Member of the Board of Directors (Outside)) (Independent Officer)	Member of the Board of Directors (Outside)	95% (17/18)
6	Shuhei Shiozawa	(Reappointment)	(Candidate for Member of the Board of Directors (Outside)) (Independent Officer)	Member of the Board of Directors (Outside)	95% (17/18)

No.	Name (Date of birth)	Career summary, positions, responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
1	<p data-bbox="193 757 406 846">Yasusuke Nakajima (November 2, 1955) (Reappointment)</p> <p data-bbox="193 880 406 969">Term of office as a Member of the Board of Directors: 14 years</p> <p data-bbox="193 1003 406 1093">Attendance of the meetings of the Board of Directors: (18/18)</p>	<p data-bbox="426 275 544 297">April 1979</p> <p data-bbox="426 309 544 331">April 2005</p> <p data-bbox="426 365 544 387">June 2005</p> <p data-bbox="426 465 544 488">April 2007</p> <p data-bbox="426 521 544 544">June 2009</p> <p data-bbox="426 577 544 600">June 2010</p> <p data-bbox="426 633 544 656">June 2011</p> <p data-bbox="426 734 544 757">April 2012</p> <p data-bbox="426 813 544 835">April 2014</p> <p data-bbox="426 913 544 936">June 2015</p> <p data-bbox="426 947 544 969">June 2018</p> <p data-bbox="426 1025 544 1048">January 2019</p> <p data-bbox="426 1104 544 1126">April 2019</p> <p data-bbox="426 1238 1287 1541">[Reasons for proposing him as a candidate for Member of the Board of Directors] He has deep knowledge and a wealth of experience in corporate management. He has steadily promoted management reforms such as reinforced corporate governance and quality management in the Group and structural reforms on the global level. Responsive measures for the nonconforming acts in the inspection process, etc. for seismic isolation/mitigation oil dampers for buildings is an important task in this fiscal year. We expect that he will be an indispensable person as a supervisor working to recover public trust early based on his experience and achievements, as well as his human network, to the utmost extent. Consequently, we reappoint him as a candidate for Member of the Board of Directors.</p>	4,500

No.	Name (Date of birth)	Career summary, positions, responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
2	<p data-bbox="191 784 410 884">Masao Ono (November 7, 1956) (Reappointment)</p> <p data-bbox="191 907 410 996">Term of office as a Member of the Board of Directors: 2 years</p> <p data-bbox="191 1030 410 1120">Attendance of the meetings of the Board of Directors: (18/18)</p>	<p data-bbox="426 268 1292 1153"> April 1979      Joined the Company  January 2004    General Manager, Operations Planning Dept., Automotive  Devices Business Div.  April 2005      General Manager, Operations Planning Dept., Automotive  Components Operations  June 2006      General Manager, Purchasing Dept.  June 2008      General Manager, Purchasing Div.  April 2012      Executive Officer, General Manager, Purchasing Div.  April 2014      Managing Executive Officer, General Manager, Purchasing Div.  April 2016      Senior Managing Executive Officer, in charge of purchasing, in  charge of CSR, General Manager, Corporate Planning Div.  April 2017      Senior Managing Executive Officer, in charge of purchasing, in  charge of audit, General Manager, Corporate Planning Div.  June 2017      Member of the Board of Directors, Senior Managing Executive  Officer, in charge of purchasing, in charge of audit, General  Manager, Corporate Planning Div.  April 2018      Member of the Board of Directors, Senior Managing Executive  Officer, in charge of purchasing, General Manager, Corporate  Planning Div.  June 2018      Member of the Board of Directors, Executive Vice President  Executive Officer, in charge of Special Purpose Vehicles Div.,  domestic affiliate companies and purchasing, General Manager,  Corporate Planning Div.  January 2019    Member of the Board of Directors, Executive Vice President  Executive Officer, in charge of global business strategy, Aircraft  Components Div., domestic affiliate companies and purchasing,  General Manager, Corporate Planning Div.  April 2019      Representative Director, President Executive Officer (current  position) </p> <p data-bbox="426 1187 1292 1612"> [Reasons for proposing him as a candidate for Member of the Board of Directors]  As an officer responsible for executing the mid-term management plan of the Group, he has achieved reinforcement of the business base by strongly promoting management tasks, including organizational reforms and a realignment of the group companies. He also has a wealth of knowledge and experience in the business and operation of the Company, as well as insight in corporate management acquired while supervising the whole business of the Company. We expect that his knowledge and experience will be useful not only for the business management of the Company but also for the accomplishment of important tasks of the Company, including early action on conformation of seismic isolation/mitigation oil dampers for buildings, thorough implementation of recurrence prevention measures such as the establishment of a quality inspection and internal audit system, and reform of the corporate culture, with his strong leadership. Consequently, we reappoint him as a candidate for Member of the Board of Directors. </p>	1,900

No.	Name (Date of birth)	Career summary, positions, responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
3	<p data-bbox="215 651 391 741">Takaaki Kato (June 12, 1957) (Reappointment)</p> <p data-bbox="188 775 416 864">Term of office as a Member of the Board of Directors: 4 years</p> <p data-bbox="188 898 416 987">Attendance of the meetings of the Board of Directors: (18/18)</p>	<p data-bbox="432 275 1289 365">April 1980     Joined The Fuji Bank, Limited (present Mizuho Bank, Ltd.) March 2005     General Manager, Hong Kong Branch, Mizuho Corporate Bank, Ltd. (present Mizuho Bank, Ltd.)</p> <p data-bbox="432 365 1107 398">April 2008     Executive Officer, Mizuho Securities Co., Ltd.</p> <p data-bbox="432 398 1219 432">April 2009     Managing Executive Officer, Mizuho Securities Co., Ltd.</p> <p data-bbox="432 432 1262 488">April 2011     Managing Executive Officer, Mizuho Securities Co., Ltd. and Chairman, Mizuho Securities Asia Limited</p> <p data-bbox="432 488 1235 544">April 2013     Joined the Company, Managing Executive Officer, Deputy General Manager, Finance &amp; Accounting Div.</p> <p data-bbox="432 544 1235 600">June 2014     Managing Executive Officer, General Manager, Finance &amp; Accounting Div.</p> <p data-bbox="432 600 1283 656">April 2015     Senior Managing Executive Officer, General Manager, Finance &amp; Accounting Div.</p> <p data-bbox="432 656 1283 790">June 2015     Member of the Board of Directors, Senior Managing Executive Officer, in charge of audit, in charge of CSR, General Manager, Finance &amp; Accounting Div., General Manager, Corporate Planning Div., and CFO</p> <p data-bbox="432 790 1283 846">April 2016     Member of the Board of Directors, Senior Managing Executive Officer, and CFO</p> <p data-bbox="432 846 1283 902">April 2017     Member of the Board of Directors, Senior Managing Executive Officer, and CFO</p> <p data-bbox="432 902 1257 969">June 2017     Representative Director, Executive Vice President Executive Officer, and CFO (current position)</p> <p data-bbox="427 1003 1294 1339">[Reasons for proposing him as a candidate for Member of the Board of Directors] He has deep knowledge of finance, accounting, and IR, and has promoted IR activities on a global basis based on the wealth of international experience and insight he has acquired and cultivated while working in financial institutions. Fiscal reinforcement of the Company to prepare for the loss caused by the problem of seismic isolation/mitigation oil dampers for buildings is an important task in this fiscal year. We expect that his knowledge and achievements will be indispensable for initiating repeated dialogues with investors through IR activities in an effort to restore public trust and for improving the fiscal health of the Company at an early stage and increasing the corporate value for medium and long terms. Consequently, we reappoint him as a candidate for Member of the Board of Directors.</p>	1,500

No.	Name (Date of birth)	Career summary, positions, responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
4	<p data-bbox="204 884 397 972">Keisuke Saito (August 18, 1959) (Reappointment)</p> <p data-bbox="204 1010 411 1093">Term of office as a Member of the Board of Directors: 8 years</p> <p data-bbox="204 1131 411 1214">Attendance of the meetings of the Board of Directors: (18/18)</p>	<p data-bbox="432 320 1283 376">April 1983      Joined the Ministry of International Trade and Industry (present Ministry of Economy, Trade and Industry)</p> <p data-bbox="432 383 1219 439">August 2002      General Manager, Beijing Office, Japan-China Economic Association</p> <p data-bbox="432 445 1230 528">September 2005      Director, Industrial Revitalization Division, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry</p> <p data-bbox="432 535 1251 618">July 2007      Director, Industrial Science and Technology Policy Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry</p> <p data-bbox="432 624 1270 680">July 2008      Director, Finance Division, Minister's Secretariat, Ministry of Economy, Trade and Industry</p> <p data-bbox="432 687 1283 770">July 2009      Director-General for Energy Conservation and Renewable Energy Department, Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry</p> <p data-bbox="432 777 963 810">September 2010      Special Adviser of the Company</p> <p data-bbox="432 817 1283 900">June 2011      Member of the Board of Directors, Senior Managing Executive Officer, General Manager, Engineering Div. and General Manager, Corporate Planning Div.</p> <p data-bbox="432 907 1283 990">April 2014      Member of the Board of Directors, Senior Managing Executive Officer, in charge of legal affairs and information technology administration, General Manager, Engineering Div.</p> <p data-bbox="432 996 1283 1111">January 2016      Member of the Board of Directors, Senior Managing Executive Officer, in charge of Information Technology Administration, in charge of Aircraft Components Div., General Manager, Engineering Div.</p> <p data-bbox="432 1117 1299 1200">April 2017      Member of the Board of Directors, Senior Managing Executive Officer, in charge of Aircraft Components Div., General Manager, Hydraulic Components Operations</p> <p data-bbox="432 1207 1283 1290">April 2018      Member of the Board of Directors, Senior Managing Executive Officer, General Manager, Hydraulic Components Operations and General Manager, Aircraft Components Div.</p> <p data-bbox="432 1296 1283 1379">January 2019      Member of the Board of Directors, Senior Managing Executive Officer, General Manager, Seismic Isolation/Mitigation Correspondence Operations (current position)</p> <p data-bbox="427 1417 1299 1749">[Reasons for proposing him as a candidate for Member of the Board of Directors] He has diverse experience and a rich human network gained while working in the Ministry of Economy, Trade and Industry and deep knowledge cultivated in the Company in the areas of engineering, research and development. In the last fiscal year, he proactively worked on the business assignment and achieved remarkable results with his strong leadership as a person responsible for Hydraulic Components Operations. In this fiscal year, we expect that, based on his knowledge and experience, he will be able to appropriately judge and act as a person practically responsible for the early settlement of the problem of seismic isolation/mitigation oil dampers for buildings. Consequently, we reappoint him as a candidate for Member of the Board of Directors.</p>	2,600

No.	Name (Date of birth)	Career summary, positions, responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
5	<p>Rokurou Tsuruta (June 16, 1943) (Reappointment) (Candidate for Member of the Board of Directors (Outside)) (Candidate for Independent Officer)</p> <p>Term of office as a Member of the Board of Directors (Outside): 4 years</p> <p>Attendance of the meetings of the Board of Directors: (17/18)</p>	<p>April 1970      Prosecutor, Tokyo District Public Prosecutors Office April 2005      Superintending Prosecutor, Nagoya High Public Prosecutors Office July 2006      Registered as an attorney (Daini Tokyo Bar Association) June 2007      Outside Director, TEIKOKU PISTON RING CO., LTD. (present TPR Co., Ltd.) (current position) September 2007      Outside Audit &amp; Supervisory Board Member, J. FRONT RETAILING Co., Ltd. June 2012      Outside Corporate Auditor, Sumitomo Mitsui Financial Group, Inc. June 2015      Member of the Board of Directors (Outside) of the Company (current position) May 2017      Outside Director, J. FRONT RETAILING Co., Ltd. June 2017      Outside Corporate Auditor, Sumitomo Mitsui Banking Corporation (current position)</p> <p>[Reasons for proposing him as a candidate for Member of the Board of Directors (Outside)] In consideration of his expertise and experience as an attorney, we expect him to continue giving us useful advices to strengthen the internal control, compliance, etc. of the Company. Consequently, we reappoint him as a candidate for Member of the Board of Directors (Outside). Although he has not participated in corporate management other than as an outside director or outside audit &amp; supervisory board member, we judge that he will duly perform his duties as a Member of the Board of Directors (Outside) for the abovementioned reasons.</p> <p>[Other remarks] During his service as a Member of the Board of Directors (Outside), the nonconforming acts in the inspection process, etc. for seismic isolation/mitigation oil dampers for buildings manufactured by the Company and its subsidiary and the acts of charging based on inappropriate man-hour recording with respect to defense equipment came to light. He was not aware of those facts before they came to light, but had customarily made recommendations regarding the importance of legal compliance and internal control on various occasions such as the Board of Directors' meetings of the Company. After those facts came to light, he has performed his duties appropriately in the cause investigation, preparation of recurrence prevention measures, and promotion and enhancement of compliance.</p> <p>[Significant concurrent positions] Attorney and representative, Tsuruta Rokurou Law Office Outside Director, TPR Co., Ltd. Outside Corporate Auditor, Sumitomo Mitsui Banking Corporation</p>	400



No.	Name (Date of birth)	Career summary, positions, responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
6	<p>Shuhei Shiozawa (September 19, 1955) (Reappointment) (Candidate for Member of the Board of Directors (Outside)) (Candidate for Independent Officer)</p> <p>Term of office as a Member of the Board of Directors (Outside): 3 years</p> <p>Attendance of the meetings of the Board of Directors: (17/18)</p>	<p>April 1981     Assistant, Faculty of Economics, Keio University April 1987     Associate Professor, Faculty of Economics, Keio University April 1991     Visiting researcher, Institut d'Etudes Politiques de Paris April 1994     Professor, Faculty of Economics, Keio University January 2001   Director for International Economic Affairs, Cabinet Office October 2005   Dean, Faculty of Economics, Keio University March 2012     Member of the Board of Directors (Outside), Kenedix, Inc. (current position) June 2016     Member of the Board of Directors (Outside) of the Company (current position) June 2017     Independent Director (Audit &amp; Supervisory Committee member), Ahresty Corporation (current position) April 2019     Professor Emeritus, Keio University (current position) April 2019     President, Tokyo International University (current position)</p> <p>[Reasons for proposing him as a candidate for Member of the Board of Directors (Outside)] We expect him to give us useful opinions and recommendations on finance and CSR of the Company based on his wealth of knowledge and insight as a specialist in economics. Consequently, we reappoint him as a candidate for Member of the Board of Directors (Outside). Although he has not participated in corporate management other than as an outside director or outside audit &amp; supervisory board member, we judge that he will duly perform his duties as a Member of the Board of Directors (Outside) for the above mentioned reasons.</p> <p>[Other remarks] During his service as a Member of the Board of Directors (Outside), the nonconforming acts in the inspection process, etc. for seismic isolation/mitigation oil dampers for buildings manufactured by the Company and its subsidiary and the acts of charging based on inappropriate man-hour recording with respect to defense equipment came to light. He was not aware of those facts before they came to light, but had customarily made recommendations regarding the importance of legal compliance and internal control on various occasions such as the Board of Directors' meetings of the Company. After those facts came to light, he has performed his duties appropriately in the cause investigation, preparation of recurrence prevention measures, and promotion and enhancement of compliance.</p> <p>[Significant concurrent positions] Professor Emeritus, Keio University President, Tokyo International University Member of the Board of Directors (Outside), Kenedix, Inc. Independent Director (Audit &amp; Supervisory Committee member), Ahresty Corporation</p>	200

(Notes)

1. No conflict of interests exists between any of the above candidates and the Company.
2. The Company has designated Mr. Rokuro Tsuruta and Mr. Shuhei Shiozawa, candidates, as independent officers under the rules of the Tokyo Stock Exchange and filed the designations with the Tokyo Stock Exchange. If the reappointment of both Mr. Rokuro Tsuruta and Mr. Shuhei Shiozawa is approved, the Company will continue to designate them as independent officers.
3. Mr. Rokuro Tsuruta and Mr. Shuhei Shiozawa have each entered into an agreement with the Company to limit their liabilities. The Company shall continue the agreement with each of them should they be reappointed.  
The outline of the agreement is as follows:
  - If Mr. Rokuro Tsuruta/Mr. Shuhei Shiozawa becomes liable to the Company for failure to perform his duties as a Member of the Board of Directors (Outside) after the conclusion of this agreement, the maximum amount of his liability shall be twice the value of the annual property benefits that he has received or should receive from the Company as consideration for the execution of his duties during his term of office as calculated by the method provided in Article 113 of the Ordinance for Enforcement of the Companies Act, and any amount in excess of the

maximum amount shall be exempted from the liability, provided that he has conducted his duties in good faith and without gross negligence.

**Proposal 2: Election of one (1) Audit & Supervisory Board Member**

Mr. Osamu Kawase will resign from his position as an Audit & Supervisory Board Member at the conclusion of this meeting. We propose election of one (1) Audit & Supervisory Board Member.

The Audit & Supervisory Board has given its consent to this proposal in advance.

The candidate for Audit & Supervisory Board Member is as follows.

In accordance with the provisions of the Articles of Incorporation, the term of office for the Audit & Supervisory Board Member elected by this meeting will expire on the expiry date of the Audit & Supervisory Board Member who will resign.

Name (Date of birth)	Past experience and significant concurrent positions	Number of shares of the Company held
<p>Junichi Tanaka (May 9, 1961) (New appointment)</p> <p>(Candidate for Audit &amp; Supervisory Board Member (Outside)) (Candidate for Independent Officer)</p>	<p>April 1984      Joined The Yasuda Fire and Marine Insurance Co., Ltd. (present Sampo Japan Nipponkoa Insurance Inc.)</p> <p>September 2014      Senior Vice President, General Manager, Global Business Planning Dept., Sampo Japan Nipponkoa Insurance Inc. Senior Vice President, General Manager, Global Business Planning Dept., Sampo Japan Nipponkoa Holdings, Inc. (present Sampo Holdings, Inc.)</p> <p>April 2016      Executive Vice President, General Manager, Europe &amp; South America, Regional Headquarters, Sampo Japan Nipponkoa Insurance Inc. Executive Vice President, General Manager, Europe &amp; South America, Regional Headquarters, Sampo Japan Nipponkoa Holdings, Inc.</p> <p>October 2016      Executive Vice President, General Manager, Europe &amp; South America, Regional Headquarters, Sampo Holdings, Inc.</p> <p>July 2017      Executive Vice President, Sampo Japan Nipponkoa Insurance Inc. Executive Vice President, Sampo Holdings, Inc.</p> <p>April 2018      CEO of Overseas Insurance Business, Executive Vice President, Sampo Holdings, Inc.</p> <p>June 2018      CEO of Overseas Insurance Business, Director, Executive Vice President, Sampo Holdings, Inc.</p> <p>[Reasons for proposing him as a candidate for Audit &amp; Supervisory Board Member (Outside)] We expect that he will give us useful opinions and recommendations based on the expertise and experience he has acquired while working in a non-life insurance company, mainly from the viewpoint of business operations audit. Consequently, we appoint him as a candidate for Audit &amp; Supervisory Board Member (Outside). He retired from his position as CEO of Overseas Insurance Business, Director, Executive Vice President, Sampo Holdings, Inc. in March 2019.</p> <p>[Significant concurrent positions] None</p>	<p>0</p>

(Notes)

1. No conflict of interests exists between Mr. Junichi Tanaka, a candidate, and the Company.
2. Mr. Junichi Tanaka is a candidate for Audit & Supervisory Board Member (Outside).  
If the election of Mr. Junichi Tanaka as Audit & Supervisory Board Member (Outside) is approved, the Company will designate him as independent officer under the rules of the Tokyo Stock Exchange.
3. The liability limitation agreement with a candidate for Audit & Supervisory Board Member:  
The Company will enter into an agreement with Mr. Junichi Tanaka, a candidate, to limit his liability should he be elected.  
The outline of the agreement is as follows:
  - If Mr. Junichi Tanaka becomes liable to the Company for failure to perform his duties as an Audit & Supervisory Board Member after the conclusion of this agreement, the maximum amount of his liability shall be twice the total value of the annual property benefits that he has received or should receive from the Company as consideration for the execution of his duties during his term of office as calculated by the method provided in Article 113 of the Ordinance for Enforcement of the Companies Act, and any amount in excess of the maximum amount shall be

exempted from the liability, provided that he has conducted his duties in good faith and without gross negligence.

**Proposal 3:** Election of one (1) Substitute Audit & Supervisory Board Member

Mr. Atsushi Shigeta was elected as a Substitute Audit & Supervisory Board Member at the 96th Ordinary General Meeting of Shareholders held on June 22, 2018 by its resolution effective until the commencement of this meeting. To prepare for any case where the number of Outside Audit & Supervisory Board Members becomes less than the number required by laws and regulations, we propose to elect one (1) Substitute Audit & Supervisory Board Member.

Such Substitute Audit & Supervisory Board Member will assume the office of Audit & Supervisory Board Member only if the number of Outside Audit & Supervisory Board Members becomes less than the number required by laws and regulations. His term of office shall be equal to the remaining term of office of his predecessor.

The Audit & Supervisory Board has given its consent to this proposal in advance.

The candidate for Substitute Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Past experience and significant concurrent positions	Number of shares of the Company held
<p>Atsushi Shigeta (March 31, 1957)</p> <p>(Candidate for Substitute Audit &amp; Supervisory Board Member (Outside))</p>	<p>April 1979      Joined The Fuji Bank, Limited (present Mizuho Bank, Ltd.) March 2006      Executive Officer and General Manager, 7th Sales Dept., Mizuho                          Corporate Bank, Ltd. (present Mizuho Bank, Ltd.) April 2008      Managing Executive Officer, Mizuho Corporate Bank, Ltd. May 2010      Senior Managing Director, Tobu Department Store Co., Ltd. May 2011      Representative Director and Senior Managing Executive Officer,                          Tobu Department Store Co., Ltd. April 2013      Representative Director and President, Tobu Department Store                          Co., Ltd. June 2015      Representative Director and President, Tobu Hotel Management                          Co., Ltd. (current position) March 2016      Part-time Audit &amp; Supervisory Board Member, Tokyo Tatemono                          Real Estate Sales Co., Ltd. (current position) June 2017      Outside Audit &amp; Supervisory Board Member, JCU                          CORPORATION (current position) April 2018      Representative Director and President, Sendai Kokusai Hotel Co.,                          Ltd. (current position)</p> <p>[Reasons for proposing him as a candidate for Substitute Audit &amp; Supervisory Board Member (Outside)] We expect that he will give us useful opinions and recommendations to secure soundness of the auditing and corporate management of the Company based on his wealth of experience as a long-time corporate manager. Consequently, we appoint him as a candidate for Substitute Audit &amp; Supervisory Board Member (Outside).</p> <p>[Significant concurrent positions] Representative Director and President, Tobu Hotel Management Co., Ltd. Part-time Audit &amp; Supervisory Board Member, Tokyo Tatemono Real Estate Sales Co., Ltd. Outside Audit &amp; Supervisory Board Member, JCU CORPORATION Representative Director and President, Sendai Kokusai Hotel Co., Ltd.</p>	<p>0</p>

(Notes)

1. No conflict of interests exists between Mr. Atsushi Shigeta, a candidate, and the Company.
2. It has been nine years since Mr. Atsushi Shigeta, a candidate, retired from his position as an Executive of Mizuho Bank, Ltd., a Specified Associated Service Provider of the Company.
3. The liability limitation agreement with a candidate for Substitute Audit & Supervisory Board Member:  
The Company has entered into an agreement with Mr. Shigeta Atsushi to limit his liability on condition that he assumes office as Audit & Supervisory Board Member. The outline of the agreement is as follows:
  - If Mr. Atsushi Shigeta becomes liable to the Company for failure to perform his duties as an Audit & Supervisory Board Member after the conclusion of this agreement, the maximum amount of his liability shall be twice the total value of the annual property benefits that he has received or should receive from the Company as consideration for the execution of his duties during his term of office as calculated by the method provided in Article 113 of the Ordinance for Enforcement of the Companies Act, and any amount in excess of the maximum amount shall be exempted from the liability, provided that he has conducted his duties in good faith and without gross negligence.

**Proposal 4:** Renewal of Countermeasures to Large-Scale Purchase of the Company's Shares (Takeover Defense Measures)

The Company introduced Countermeasures to Large-Scale Purchase of the Company's Shares ("Takeover Defense Measures") with the approval of the shareholders of the Company at the 85th Ordinary General Meeting of Shareholders held on June 26, 2007, and the most recent renewal of the Takeover Defense Measures took place pursuant to a resolution at the 94th Ordinary General Meeting of Shareholders held on June 24, 2016 (hereinafter, the "Present Plan"). However, the effective period of the Present Plan will expire at the conclusion of the 97th Ordinary General Meeting of Shareholders of the Company to be held in June 2019 (hereinafter, "this Shareholders' Meeting"). In an effort to ensure and enhance the Company's corporate value and ultimately shareholders' common interests for the medium and long terms, the Company has continued to review the approach to the Takeover Defense Measures since the renewal of the Present Plan, including the pros and cons of its continuation, in view of the changes of the social and economic situations, the various trends of takeover defense measures and the development of diverse discussions.

As a result, the Company decided at the Board of Directors' meeting held on May 20, 2019 to renew the Present Plan (hereinafter, the plan after the renewal is referred to as the "Plan") subject to the approval of the shareholders at this Shareholders' Meeting, with regard to the framework to avoid control over the Company's financial and business policy decisions by inappropriate entities in light of the Company's basic policy for entities who control the financial and business policy decisions of the Company, in accordance with Article 118, Item 3 of the Ordinance for Enforcement of the Companies Act. We request the approval of the shareholders on this proposal.

For details on the Plan, please refer to the attached document (the timely disclosure document announced as "Renewal of Countermeasures to the Large-scale Purchase of the Company's Shares (Takeover Defense Measures)" dated May 20, 2019).

END

PRESS RELEASE

Company name: KYB Corporation  
Representative: Masao Ono  
Representative Director,  
President Executive Officer  
(Securities code: 7242, TSE (First  
Section))  
Contact: Masaru Tsuboi  
Executive Officer,  
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(Tel: +81-3-3435-6460)

**Renewal of Countermeasures to Large-Scale Purchase of the Company's Shares  
(Takeover Defense Measures)**

KYB Corporation (the "Company") introduced Countermeasures to Large-Scale Purchase of the Company's Shares (Takeover Defense Measures) with the approval of the shareholders of the Company at the 85th Ordinary General Meeting of Shareholders held on June 26, 2007, and the most recent renewal of the Takeover Defense Measures took place pursuant to a resolution at the 94th Ordinary General Meeting of Shareholders held on June 24, 2016 (hereinafter, the "Present Plan"). However, the effective period of the Present Plan will expire at the conclusion of the 97th Ordinary General Meeting of Shareholders of the Company to be held in June 2019 (hereinafter, this "Shareholders' Meeting"). In an effort to ensure and enhance the Company's corporate value and ultimately shareholders' common interests for the medium and long terms, the Company has continued to review the approach to the Takeover Defense Measures since the renewal of the Present Plan, including the pros and cons of its continuation, in view of the changes of the social and economic situations, the various trends of takeover defense measures and the development of diverse discussions.

As a result, the Company decided at the Board of Directors' meeting held today to renew the Present Plan (hereinafter, the plan after the renewal is referred to as the "Plan") subject to the approval of the shareholders at this Shareholders' Meeting with regard to the framework to avoid control over the Company's financial and business policy decisions by inappropriate entities in light of the Company's basic policy for entities who control the financial and business policy decisions of the Company (hereinafter, "the Basic Policy on the Control of the Company"), in accordance with Article 118, Item 3 of the Ordinance for Enforcement of the Companies Act.

All of the Audit & Supervisory Board Members attended the Board of Directors' meeting that determined the Plan, and none of them expressed objections to the Plan.

The status of the Company's shares as of March 31, 2019 is as per Exhibit 1. For your information, no approach or proposal for a large-scale purchase of the Company's shares has been made as of today.

## **I. Basic Policy on the Control of the Company**

As announced on and after October 16, 2018, it has come to light that some seismic isolation/mitigation oil dampers products shipped by the Company that do not conform to performance evaluation standards approved by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) or the standards of our customers were installed in buildings through falsification of performance inspection record data (hereinafter, the “nonconforming acts”).

In response to the nonconforming acts, the Company requested, on September 26, 2018, the Independent External Investigative Committee chaired by Mr. Kouichi Nanba, a lawyer, to follow up on investigations of the facts not only of the nonconforming acts but also of the presence or absence of similar inappropriate acts, as well as to perform cause analyses and provide advice regarding recurrence prevention measures. Thereafter, the Company received an investigative report from the Independent External Investigative Committee (the final version was received on February 4, 2019), examined and confirmed the contents thereof, and analyzed various underlying factors inherent in the problem based on the Company’s own investigation and verification of the facts. Accepting the matters pointed out and recommended by the Independent External Investigative Committee with sincerity, the Company prepared the recurrence prevention measures, resolved to adopt the measures upon deliberation at the meetings of the Board of Directors held on February 5, 2019 and February 13, 2019, and thereupon submitted the Company’s recurrence prevention measures to MLIT together with the investigative report prepared by the Independent External Investigative Committee.

Further, as announced on January 29, 2019, acts of charging based on inappropriate man-hour recording with respect to defense equipment (hereinafter, the “inappropriate recording acts”) have come to light. In response to this, the Company voluntarily reported to the Ministry of Defense on January 28, 2019.

We sincerely apologize to all related parties for causing great concern.

We explain below why the Company will renew the Takeover Defense Measures under these circumstances.

As a listed company, we consider that the shares of the Company are to be freely traded by shareholders and investors, and that any proposal for a large-scale purchase of the Company’s shares or similar actions shall not be denied out of hand and shall ultimately be judged by the free opinions of shareholders.

However, the Japanese capital market once showed a trend of large-scale purchases of shares or similar actions being forced on target corporations unilaterally without the consent of the management of the target corporations. We cannot deny that such actions may possibly be forced on the Company in the future. Especially since the announcement of the nonconforming acts, the share price of the Company has declined significantly and has been stagnant, which has caused a situation that would make it easy to bring about a proposal of a Large-Scale Purchase of the Company’s Shares or similar actions.

We believe that a person who controls the financial and business policy decisions of the Company should be a person who fully understands the management principles, the various sources of the corporate value of the Company, and the Company’s relationship of trust with the stakeholders supporting the Company, and works to ensure and enhance the Company’s corporate value and shareholders’ common interests for the medium and long terms. In light of the recent situation of the Group, the nonconforming acts necessitate an appropriate response through consultation with the related parties, and the inappropriate recording acts necessitate full cooperation with the special investigation by the Ministry of Defense. In order to bring this work to completion, such a person needs to amass the power of the Group by exercising strong leadership with the trust of the officers and employees of the Group. Therefore, we consider that any person who may impair the Company’s corporate value and shareholders’ common interests by an inappropriate proposal for a large-scale purchase or similar actions is inappropriate as an entity that controls the financial and business policy decisions of the Company.

## **II. Effective Use of the Company’s Assets, Formation of an Appropriate Business Group, and Other Special Efforts to Contribute to the Realization of the Basic Policy**

The Company implements the following measures in an effort to ensure and enhance the Company’s corporate value and shareholders’ common interests for the medium and long terms, in order to have many investors continually invest in the Company for the long term. We believe that this effort will contribute to the realization of the Basic Policy on the Control of the Company described in I. above.

### **1. Efforts to enhance corporate value under the “Key Initiatives for the Medium Term”**

The fiscal year 2019 ending March 2020 is the final year of the medium-term management plan covering the period from fiscal year 2017 to fiscal year 2019. Under the slogan of “A GLOBAL KYB - CHALLENGE



& INNOVATION-,” the Company has implemented each of the Key Initiatives for the Medium Term. In fiscal year 2018, however, the nonconforming acts and inappropriate recording acts came to light, causing a loss of the trust that had built up since the start of business. In fiscal year 2019, the year positioned as the “1st year for KYB’s revival,” we will promptly and strongly implement the following measures based on recurrence prevention measures and compliance with rules and laws, in an effort to restore trust.

(1) Investigation into the causes of the nonconforming acts, and recurrence prevention measures

1) Cause of the nonconforming acts

We recognize the following underlying factors as background causes of the nonconforming acts based on what we learned by examining and confirming the contents of the report prepared by the Independent External Investigative Committee in response to our request to follow up on confirmation of the facts of the nonconforming acts, perform an investigation of the presence or absence of similar inappropriate acts, as well as to perform cause analyses and provide advice regarding recurrence prevention measures, and also based on the Company’s own investigation and verification:

The chief underlying factors we recognize relate to corporate culture, business management system, quality inspection system, and the internal auditing function. Each of these factors involves the following elements: the corporate culture factor involves (i) a lack of normative consciousness and (ii) reluctance to confront the truth; the business management system factor involves (i) factory management based on assumptions of orders received, (ii) failure of the information sharing system, (iii) monopolization of important business, and (iv) problems in commercialization; the quality inspection system factor involves (i) inadequacy of inspection and (ii) poor prevention of inspection machine malfunctions; and the internal audit function factor involves (i) inadequacy of quality audits and (ii) inadequacy of audits in response to similar cases of improper quality. We believe that the aforesaid factors are caused by a mix of matters, including a weak inclination to follow the norm when confronting a normative problem, failure to cope squarely with the vulnerability of business activities, and weak activities to detect irregularity due to a lack of effective methods to prevent irregularity.

2) Recurrence prevention measures

Accepting the recommendations for recurrence prevention measures by the Independent External Investigative Committee with sincerity, the Company prepared the following recurrence prevention measures:

We will proceed with the following actions thoroughly and continually: (i) fostering a strict normative consciousness and reforming our corporate culture by (a) entrenching compliance management and (b) reforming the consciousness of all of our officers and employees; (ii) evaluating our business activities and reviewing our business management system and information-sharing system, etc. by (a) operating a well-balanced business management system, (b) thoroughly implementing job rotation, and (c) developing a system to absorb information and feedback; (iii) improving our inspection system and methods by (a) improving our inspection system and (b) implementing measures to prevent inspection machine malfunctions; and (iv) strengthening our internal audit and control system by (a) reinforcing our internal quality audit system and (b) strengthening the management of our subsidiaries and affiliates.

\* For details of the investigative report by the Independent External Investigative Committee on the nonconforming acts and the investigation of causes conducted and the recurrence prevention measures prepared by the Company, please refer to “About the investigative report by the independent external investigative committee on the nonconforming acts on seismic isolation/mitigation oil dampers products for buildings manufactured by the Company and its subsidiaries” and “About the cause investigation and recurrence prevention measures regarding the nonconforming acts on seismic isolation/mitigation oil dampers products for buildings manufactured by the Company and its subsidiaries” issued by the Company on February 13, 2019.

Investigative report by the Independent External Investigative Committee (Japanese version only)

[https://www.kyb.co.jp/company/progress/progress\\_20190213\\_02.pdf](https://www.kyb.co.jp/company/progress/progress_20190213_02.pdf)

Investigation of causes and recurrence prevention measures (Japanese version only)

[https://www.kyb.co.jp/company/progress/progress\\_20190213\\_01.pdf](https://www.kyb.co.jp/company/progress/progress_20190213_01.pdf)

(2) Management

Safety First, Quality Management, Compliance, Full implementation of recurrence prevention measures, Early conformation of seismic isolation/mitigation oil dampers products, Reorganization of underperforming businesses and business bases and specialization into core businesses

The Company has worked to strengthen corporate governance while meeting the expectations of the

stakeholders through the realization of sustainable growth and the enhancement of corporate value and fulfilling its social responsibilities as a company contributing to society. In response to the nonconforming acts, however, the Company newly established the Seismic Isolation/Mitigation Correspondence Operations for prompt and polite response and has also expanded the Internal Control Office by establishing the Internal Control Department which is responsible for comprehensive planning and coordination of corporate governance.

Further, the Company has established the Special Audit Committee for Anti-Corruption, a neutral organization chaired by an outside director, to oversee the risk of illegal acts in an effort to reinforce oversight.

Also, we are putting in place a BCP (business continuity plan) as well as BCM (business continuity management) to meet customer demands, and increasing the effectiveness of our crisis management system.

Accordingly, we make proactive efforts for social support/contribution activities (non-business activities), and make contributions to the sound development of society.

### (3) Automotive Components Operations

#### Scrap & Build, Mind Reset & Reborn

KYB Group has expanded production and sales overseas in order to meet customer needs for globalization. Global automobile sales are expected to increase in the near future mainly in Asia and India. We will further reconstruct the revenue base of the overseas plants that we have developed toward a steady course in accordance with the market, customers, and business strategy. We will also aim to receive orders for value-added products by establishing new product/technology systems that can fully satisfy customer's technological needs and improving systems. Under the small business unit system set in place in the middle of this fiscal year, we will enhance both our administrative level and flexibility.

### (4) Hydraulic Components Operations

#### Establish a revenue base that does not rely on quantity, Be relied upon by customers

Demand in the construction machinery market has rapidly recovered since 2017 mainly in China and is expected to continue developing in 2019. For the middle-size excavators, however, growth slowed down in China and Asia. Demand in the market for mini excavators and other construction machinery is expected to continue to show steady growth at the highest levels. The production capacity of the Company continues to lag behind demand. We will establish a revenue base that does not rely on quantity and improve our competitive power against fluctuating demand by boosting the effects of the reorganization in China and domestically and by strengthening the activities to receive orders for products other than excavators. We are making efforts to further strengthen our sales and development systems to earn the trust of customers.

### (5) System Products Operations

#### Early conformation of seismic isolation/mitigation oil dampers products

In the system products operations, we will complete the production of oil dampers products for replacement by September 2020 and will endeavor to achieve early conformation and recurrence prevention as early as possible.

### (6) Aircraft Components Operations

#### Early resolution of the problem of charging based on inappropriate man-hour recording with respect to defense equipment

In the aircraft components operations, we will promptly investigate the causes and begin acting toward the implementation of recurrence prevention measures. We will clear up the present confusion in production and restore customer trust.

### (7) Specially Equipped Vehicles Operations

#### Reinforce our system to promptly respond to demand fluctuations and after-sales service

In the specially equipped vehicle operations, we will establish a system to promptly respond to demand fluctuations and strengthen our after-sales service in Japan, and optimize our revenue base in overseas markets such as India.

### (8) Technology and Product Development

#### Imagine the future and link the achievements of the engineering division to revenue increase

With an aim to improve quality for design/production technology from a customer viewpoint toward the realization of quality management, we will improve environmental infrastructure in the world's five poles (Japan, Europe, China, ASEAN, and North America); promote globalization of CAE technology, functional safety support and technology standards, and control quality problems; and foster and promote IoT (Internet of things) and AI (Artificial Intelligence) technologies throughout the Group.

In the creation of new products and new technologies, we will promptly provide customers with products that meet market needs leading to further orders by effectively developing technology and products in collaboration with business and grasping the technology trends with help from our European Technical Center, based on our long-term strategies for products and technology (road map). By deeply cultivating and fostering core technologies and conducting research and development focused on business development, we will endeavor to pursue cutting-edge hydraulic pressure technology and dehydration technology and achieve the advancements in the speed and development of technology to cope with the changing needs.

#### (9) Human Resources Development

Train and retain human resources that can act from a global mindset and point of view, use human resources to maximize diversity, and implement personnel management measures toward restoring trust

We have promoted the development of an environment where diverse human resources can play active roles, through initiatives we have devised such as the training of professional human resources that can act from a global mindset and point of view and the reformation of personnel administration to respond to the changes of social structure. In response to the nonconforming acts, however, we will proceed to raise the level of normative consciousness toward restoring trust and developing a workplace where people can work in good health both physically and mentally within a challenging and engaging atmosphere, in compliance with rules and laws.

#### (10) *Monozukuri* (manufacturing expertise)

Efforts toward an innovative production line

We are proactively promoting automation through activities focused on design quality and production innovation using our own highly developed production technology, manufacturing methods and equipment utilizing IoT and AI. We are working to construct an innovative production line that will reduce lead-time and space by half and double productivity, in our efforts for global *monozukuri*.

KYB Group will make efforts to reform the corporate structure focused on making itself lean and strong, while steadily implementing the above key initiatives toward a restoration of trust.

## 2. Basic Concept for Corporate Governance

The Company aims at sustainable and stable growth and enhancement of corporate value with its mission of contributing to society including the development of its stakeholders based on the following management principles:

<Management Principles>

“By serving technologies and products that make people’s life safe and comfortable, KYB Group dedicates to the society.”

1. We shall build a corporate culture full of vitality, and hold high goals.
2. We shall value sincerity, cherish nature, care for the environment.
3. We shall constantly pursue creativity, contribute to the prosperity of customers, shareholders, suppliers and society.

In order to fulfill the corporate social responsibility as to contribution to the society as well as to meet shareholders’ expectations through realization of sustainable and stable growth and the increase of corporate value, we pursue a speedy and efficient management structure, a highly fair and transparent management supervisory function, and continuous efforts to strengthen and enhance our corporate governance by the following basic policies.

<Basic Policies>

1. We shall respect the rights of shareholders, and ensure the equal and fair treatment of all shareholders.
2. We shall take the benefits of stakeholders into consideration and endeavor to appropriately cooperate with

those stakeholders.

3. We shall disclose not only the information in compliance with the relevant laws and regulations, but also actively provide the important and/or useful information to stakeholders for their well-informed decision making.
4. The Board of Directors shall be cognizant of its fiduciary responsibility and accountability to shareholders, and shall appropriately fulfill its roles and responsibilities in order to promote sustainable and stable corporate growth and increase corporate value, profitability, and capital efficiency.
5. We shall engage in constructive dialogue with shareholders, and make efforts to obtain shareholders' support regarding the Company's Business Policies and also reflect shareholders' opinions and concerns in the improvement of management.

### **III. Contents of the Plan (Efforts to avoid Control over Financial and Business Policy Decisions by Inappropriate Entities in Light of the Basic Policy on the Control of the Company)**

#### **1. Purpose of Introduction of the Plan**

For the management of the Company, aiming to enhance or ensure corporate value and shareholders' common interests for the medium and long terms, a wide range of know-how, a wealth of experience, and a full understanding of the relationships constructed with stakeholders such as customers, employees and clients etc. are indispensable. Without a full understanding of the business characteristics of the Company, shareholders will not be able to appropriately judge the shareholder value which may be realized in the future. Upon a sudden execution of a large-scale purchase, shareholders are obliged to promptly and appropriately judge whether the purchase price offered by those conducting the large-scale purchase is reasonable in comparison with the Company's corporate value and shareholders' common interests. For this judgment, it is essential for shareholders to be provided necessary and sufficient information from both the Board of Directors of the Company and the large-scale purchaser. The concept of the management policy and business plan which the large-scale purchaser may pursue when joining the management of the Company is an important piece of information for shareholders to study when they intend to continue holding the shares of the Company. The opinions of the Board of Directors of the Company about the said large-scale purchase will be similarly important for shareholders.

Considering the above, the Board of Directors of the Company reached the conclusion that, upon a large-scale purchase, the large-scale purchaser should provide necessary and sufficient information on the large-scale purchase in advance to allow shareholders to appropriately judge the large-scale purchase. After this information is provided, the Board of Directors of the Company will announce its opinion on the large-scale purchase based on careful examinations and the advice of external experts (financial advisors, certified public accountants, lawyers, consultants and other experts) as necessary. The Board of Directors will negotiate for improvement of conditions for the large-scale purchase and propose an alternative plan to shareholders as necessary. Through this process, shareholders will be able to examine both the proposal of the large-scale purchaser and an alternative plan proposed by the Board of Directors of the Company, if any, by referring to the opinions of the Board of Directors of the Company. Thus, the shareholders will be given the necessary information and opportunity to make a final decision.

Accordingly, the Board of Directors of the Company considers that a large-scale purchase conducted based on a certain rational guideline will be conducive to the Company's aim to enhance or ensure the Company's corporate value and shareholders' common interests over the medium and long terms. The Company decided to establish a guideline on the information to be provided in the case of a large-scale purchase, as described below (hereinafter, the "Large-scale Acquisitions Rule"), and to renew the Plan (please see the flow chart in Exhibit 2), subject to the approval of the shareholders at this Shareholders' Meeting, as Takeover Defense Measures including the Company's policy toward large-scale purchases, in an effort to avoid control over financial and business policy decisions by inappropriate entities who attempt a large-scale purchase, in light of the Basic Policy on the Control of the Company described in I. above.

#### **2. Purchase of the Company's Shares Subject to the Plan**

"Purchase of the Company's Shares subject to the Plan" shall mean an act, with the intention of bringing the specified shareholder group's (Note 1) proportion of voting rights (Note 2) to 20% or more, of purchasing share certificates, etc. of the Company (Note 3), or the act of purchasing share certificates, etc. of the Company resulting in the specified shareholder group's proportion of voting rights of 20% or more (regardless of specific purchase methods such as market transaction or tender offer, and excluding a purchase previously approved by the Board of Directors, in both acts; hereinafter, such a purchase is referred to as a

“large-scale purchase” and a person who conducts such a purchase is referred to as a “Large-scale Purchaser.”)

Note 1: Specified shareholder group means:

- (i) Holders (meaning those who are included among the holders based on Article 27-23, Paragraph 3 of the Financial Instruments and Exchange Act (including those recognized to apply by the Board of Directors of the Company); hereinafter the same shall apply.) of the share certificates, etc. (share certificates, etc. provided in Article 27-23, Paragraph 1 of the same Act) of the Company and joint holders (joint holders provided in Article 27-23, Paragraph 5 of the same Act and including those deemed as joint holders based on Paragraph 6 of the same Article; hereinafter the same shall apply) thereof or,
- (ii) those who conduct purchase, etc. (purchase, etc. provided in Article 27-2, Paragraph 1 of the same Act and including transactions in the Financial Instruments Exchange Markets) of share certificates, etc. (including share certificates, etc. provided in Article 27-2, Paragraph 1 of the same Act) of the Company and persons in special relationships (persons in special relationships provided in Article 27-2, Paragraph 7 of the same Act; hereinafter the same shall apply).

Note 2: Proportion of voting rights means:

- (i) If the specified shareholder group corresponds to (i) of Note 1, the holding ratio of the share certificates, etc. (the holding ratio of the share certificates, etc. provided in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act. In this case, the number of share certificates, etc. held by the joint holders of such holders (the number of share certificates, etc. provided in the same Paragraph) shall be added. In the calculation of such holding ratio of share certificates, etc., persons in special relationships defined in Article 27-2, Paragraph 7 of the same Act, financial institutions who have concluded financial advisor contracts with the Large-scale Purchasers such as investment banks and securities firms, and agents of tender offeror and brokerage lead managers of the Large-scale Purchasers shall be deemed to be joint holders of the Large-scale Purchasers) of such holders or,
- (ii) if the specified shareholder group corresponds to (ii) of Note 1, the total of the holding ratio of the share certificates, etc. of such purchasers and persons in special relationships (the holding ratio of share certificates, etc. provided in Article 27-2, Paragraph 8 of the same Act).

In calculating the proportion of voting rights, the total amount of voting rights and outstanding shares stated in the most recently submitted annual securities report, semi-annual securities report, or share buyback report may be used.

Note 3: Share certificates, etc. shall correspond to either share certificates, etc. provided in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act or share certificates, etc. provided in Article 27-2, Paragraph 1 of the same Act.

### **3. Establishment of Independent Panel**

The Board of Directors of the Company will make the final judgment on whether or not a series of procedures has been taken according to the Large-scale Purchase Rule, or, even if the Large-scale Purchase Rule is observed, whether or not countermeasures against the large-scale purchase should be taken because the said large-scale purchase is expected to severely undermine the Company's corporate value and shareholders' common interests. In order to implement the Plan appropriately and prevent an arbitrary decision by the Board of Directors of the Company, so as to secure objectivity and rationality of the decision, we will establish an Independent Panel similar to the Present Plan (for an overview of the Independent Panel Regulations, please see Exhibit 3).

The number of panel members of the Independent Panel shall be three (3) or greater, and in order to enable fair and neutral judgment, the panel members shall be elected from among Member of the Board of Directors (Outside) and Audit & Supervisory Board Member (Outside) of the Company who are independent from the management responsible for business execution. The Independent Panel currently consists of two Members of the Board of Directors (Outside) and one Audit & Supervisory Board Member (Outside). With regard to the names and brief career histories of the members of the Independent Panel who are to assume office after the conclusion of this Shareholders' Meeting, please see Exhibit 4.

Before implementing the countermeasures, the Board of Directors of the Company shall consult with the Independent Panel on whether or not to do so. The Independent Panel shall recommend to the Board of Directors of the Company whether or not the situation allows the Board of Directors of the Company to implement the countermeasures, after careful evaluation and examination of the large-scale purchase from the

viewpoint of ensuring and enhancing the Company's corporate value and shareholders' common interests for the medium and long terms. The Board of Directors of the Company shall decide on the implementation of the countermeasures with utmost respect to the recommendations of the Independent Panel. An outline of the recommendations of the Independent Panel shall be announced as needed.

In order to ensure that the judgment of the Independent Panel will contribute to the Company's corporate value and shareholders' common interests, the Independent Panel may obtain advice from independent third-party experts (financial advisors, certified public accountants, lawyers, consultants, and other experts) at the expense of the Company, as needed.

#### **4. Overview of the Large-scale Purchase Rule**

##### **(1) Submission of the Letter of Intent by the Large-scale Purchaser to the Company in advance**

Prior to conducting a large-scale purchase or the proposal of a large-scale purchase, Large-scale Purchasers who intend to conduct the large-scale purchase must first submit to the Representative Director of the Company a pledge on observance with the Large-scale Purchase Rule, along with a Letter of Intent written in Japanese language, including the following information:

- (i) Name and address of the Large-scale Purchaser
- (ii) Governing law for incorporation
- (iii) Name of the representative
- (iv) Contact in Japan
- (v) Outline of the large-scale purchase to be proposed and such

In case of receipt of the Letter of Intent from a Large-scale Purchaser, the Board of Directors of the Company shall promptly announce its receipt and, if deemed necessary, its contents.

##### **(2) Provision of Necessary Information by the Large-scale Purchaser**

Within ten (10) business days from the day following the day of receipt of a complete Letter of Intent (including all of items (i) through (v) of (1) above), the Board of Directors of the Company shall issue to the Large-scale Purchaser a written document describing the documentation required to be submitted to the Board of Directors of the Company as information on the large-scale purchase, and, in accordance with this written document, the Large-scale Purchaser must submit to the Board of Directors of the Company the required information in writing on the large-scale purchase (hereinafter, "the Necessary Information"). Further, provision of the Necessary Information based on the Large-scale Purchase Rule and other notices or communication to the Company, Japanese should be the only language to be used.

The Necessary Information usually includes the items below. Specific contents of the Necessary Information may differ according to the attributes of the Large-scale Purchaser and purpose and contents of the large-scale purchase. In any case, the Necessary Information must be limited to a range necessary and sufficient to allow the shareholders to form judgments and allow the Board of Directors of the Company to construct opinions.

- (i) Details (specific name, investment ratio, contents of business, career or corporate history, capital composition, financial status, total number of outstanding shares, existence of any legal violations over the past 10 year period (if any, an outline), number of the Company's shares held, history of buying and selling the Company's shares; name, brief history, number of shares held, and existence of any legal violations in the past (if any, an outline), number(s) of the Company's shares held and history of buying and selling the Company's shares with regard to officers) of the Large-scale Purchaser and its group (including major shareholders or investors, principal subsidiaries and affiliates, joint holders, and persons in special relationships; and, in a case where the Large-scale Purchaser is a fund or entity invested by funds, its principal partners, investors (whether direct or indirect), other constituent members, executive partners, and persons who continually provide advice on investment; hereinafter, the same shall apply).
- (ii) Specific contents of the internal control system of the Large-scale Purchaser and its group and the effectiveness and status thereof.
- (iii) Purpose (specific contents of the purpose disclosed in the Letter of Intent), method and contents (including the price and class of consideration (in a case where securities, etc. are used as consideration, the class and exchange rate of the said securities, etc.; in a case where securities, etc. and money are used as consideration, the class and exchange rate of the said securities, etc. and amount of money), timing of the purchase, structure of related transactions, legality of the method of the large-scale purchase, feasibility of the large-scale purchase and related transactions, and, in a case where the Company's shares will be delisted after the completion of the large-scale purchase, the extent and the reason thereof; to be submitted together with the written opinion of a qualified lawyer

- on the legality of the method of the large-scale purchase).
- (iv) Basis for calculating the price of the large-scale purchase (the basis for calculation includes: the specific calculation base; in a case where the money for consideration differs from the market price and/or from the price of the transaction conducted recently by the Large-scale Purchaser, the amount of difference, the calculation method, the specific contents of basis for conversion in case of any difference in purchase price according to class of shares, numerical information used for the calculation, the details of synergy expected to arise through the series of transactions regarding the purchase, etc., and the dis-synergy amount and basis for calculating the same; and in a case where an opinion is obtained from a third party for calculation, the name of the said third party and an outline of the opinion and specific circumstances in which the price was determined based on the said opinion).
  - (v) Existence of any communication of intent with a third party on the large-scale purchase (including communication of intent to act of making important decision, etc. (“Act of Making Important Decision” provided in Article 27-26, Paragraph 1 of the Financial Instruments and Exchange Act) to the Company) and, if such communication of intent exists, the specific situation and contents of the communication of intent.
  - (vi) Source of funds for the Large-scale Purchase (balance of a deposit by class of deposit in the case of a deposit, the specific name and type of business of the fund provider (including the substantial fund provider (whether direct or indirect)), the procurement method, the amount to be procured, the existence of any conditions pertaining to the execution of the funding, the existence of any collateral and pledge after the provision of the funding, the contents of the collateral and pledge, if any, and the contents of related transactions.).
  - (vii) If there are any existing lease agreements, collateral agreements, reselling agreements, agreements to purchase with a promise, or other significant contracts or agreements regarding the Company’s shares already held by the Large-scale Purchaser (hereinafter, the “collateral agreements, etc.”), the specific contents of the collateral agreements, etc., such as the types of agreement, the counterparties of the agreements, and the quantities, etc. of shares subject to the agreements.
  - (viii) In a case where the Large-scale Purchaser plans to conclude collateral agreements, etc. or other agreements with third parties regarding the Company’s shares that the Large-scale Purchaser plans to obtain in the large-scale purchase, the specific contents of the collateral agreements, etc. or other agreements with third parties, including the types of agreement, the counterparties of the agreements, and the quantities of shares subject to the agreements.
  - (ix) Candidates for officers (including information about their experience in the same kind of business as that of the Company and the Group), management policy, business plan, financial plan, cash plan, investment plan, capital policy, and dividend policy of the Company and the Group (including plans for organization restructuring, reorganization of the business group, dissolution, selling of the assets of the Company, provision of collateral and other disposition, expected after the completion of the large-scale purchase).
  - (x) Whether or not there will be any changes in the relationships with the customers, clients, employees, officers, or local public organizations in the locations where the Company’s laboratories, factories, or other facilities are located, or the relationships with other interested parties related to the Company and the Group, and if so, the contents of the changes.
  - (xi) In a case where the large-scale purchase is conducted for the purpose of pure investment or investment for other purpose than profits, the shareholding policy, purchase and sale policy, and policy of exercising voting rights after the large-scale purchase and the reasons for those policies, and in a case where the large-scale purchase is conducted as non-pure investment for the purpose of long-term capital tie-up, the necessity thereof.
  - (xii) In a case where the purpose of the large-scale purchase is to conduct an Act of Making Important Decision or a case where an Act of Making Important Decision may possibly be made after the large-scale purchase, information on the purpose, contents, necessity, and timing of the Act of Making Important Decision and on the specific case or cases where the Acts of Important Decision will be made.
  - (xiii) In a case where an additional purchase of the Company’s shares is intended after the large-scale purchase, the reasons and contents thereof.
  - (xiv) Regulatory items that will possibly apply to the large-scale purchase based on laws and regulations in Japan and abroad, and the probability of obtaining approvals, permissions or authorizations required from the relevant governments in Japan and abroad or from third parties based on the anti-monopoly law and other laws and regulations (to be submitted together with a written opinion of a qualified lawyer on these matters).
  - (xv) The probability that permissions and authorizations necessary in Japan and abroad for the management

of the Company group will be maintained, and the probability that the various relevant laws and regulations in Japan and abroad will be observed after the completion of the large-scale purchase.

- (xvi) Existence of any relationship (whether direct or indirect) with anti-social forces or terrorism-related organizations, and, if any, the details of such relationship and any existing policy to deal with them.
- (xvii) Other matters deemed to be reasonably necessary by the Board of Directors of the Company or the Independent Panel.

The Board of Directors of the Company may establish a time-limit on the provision of information by the Large-scale Purchaser, as needed, from the viewpoint of prompt implementation of the Large-scale Purchase Rule. If, however the Large-scale Purchaser requests an extension based on rational grounds, the Board of Directors of the Company may extend it.

If the information provided initially is considered to be insufficient after careful examination, the Board of Directors of the Company may continue to request the Large-scale Purchaser additional information until the Necessary Information is collected, within a reasonable time-limit, if needed.

If the Board of Directors of the Company considers that all of the Necessary Information has been provided by the Large-scale Purchaser, the Board of Directors of the Company shall notify the Large-scale Purchaser to that effect, provide the Necessary Information to the Independent Panel, and announce the same.

If, despite the request by the Board of Directors of the Company for additional provision of the Necessary Information, the Large-scale Purchaser reasonably explains any difficulty entailed in providing a portion of the additional information, the Board of Directors of the Company may start the evaluation and examination as described in (3) hereinafter, even though the Necessary Information requested by the Board of Directors of the Company has not been fully collected.

The Necessary Information provided to the Board of Directors of the Company shall be provided to the Independent Panel, and, if it is deemed necessary for shareholders to make judgment, the Necessary Information shall be announced in full or in part at the point the Board of Directors of the Company considers it appropriate.

### (3) Evaluation and examination, etc. by the Board of Directors

In accordance with the difficulty of evaluation, etc. of the large-scale purchase, the Board of Directors of the Company will establish a time span for the evaluation, examination, negotiations, formation of opinions, and preparation of an alternative plan by the Board of Directors of the Company (hereinafter, the “BOD’s Evaluation Period”), of up to a maximum of 60 days in the case of a purchase of all of the Company’s shares by tender offer with only cash (JPY currency) as consideration, or a maximum of 90 days in other cases of large-scale purchase, after the Large-scale Purchaser has provided all of the Necessary Information to the Board of Directors of the Company. Therefore, the large-scale purchase shall start only after the elapse of the BOD’s Evaluation Period.

During the BOD’s Evaluation Period, the Board of Directors of the Company will carefully form an opinion of the Board of Directors of the Company, paying utmost respect to the recommendations of the Independent Panel, after fully evaluating and examining the Necessary Information and receiving any necessary advice from independent external experts (financial advisors, certified public accountants, lawyers, consultants and other specialists), and announce such opinion. The Board of Directors of the Company may also negotiate with the Large-scale Purchaser for improvement of the conditions of the large-scale purchase and propose an alternative plan to the shareholders, as needed.

## 5. Policy toward Large-scale Purchase

### (1) Case where the Large-scale Purchaser Observes the Large-scale Purchase Rule

If the Large-scale Purchaser observes the Large-scale Purchase Rule, the Board of Directors of the Company will limit its attempts to persuade the shareholders by presenting objections against the proposed large-scale purchase and the proposal of an alternative plan, and, in principle, will not take countermeasures against the large-scale purchase. The shareholders will judge whether or not to accept the Large-scale Purchaser’s proposal by considering the proposal of the large-scale purchase, opinions on the proposal and the alternative plan submitted by the Company, if any.

Even in the case where the Large-scale Purchase Rule is observed, the Board of Directors of the Company may exceptionally take countermeasures that can be legitimately taken under the provisions of the Companies Act or other laws or the Articles of Incorporation of the Company, such as the allotment of share options without contribution, in compliance with duty of due care of prudent manager, if the Board of Directors of the Company decides that the said large-scale purchase corresponds to any of the cases (i) to (ix) below, for example, and would result in a serious impairment of the Company’s corporate value and shareholders’



common interests, such as an irreparable damage to the Company.

Such specific method to be taken shall be one that the Board of Directors of the Company judges as most appropriate at such time. Exhibit 5 presents an outline of the allotment of share options without contribution that the Board of Directors of the Company may, for example, select as a countermeasure. If an allotment of share options without contribution is actually conducted, conditions may be established in consideration of the effectiveness of the allotment as a countermeasure, such as the addition of a condition for the exercise of share option whereby those who exercise share option should not belong to the specified shareholder group including the Large-scale Purchaser, or a condition for acquisition whereby the Company will acquire share option from those entitled to receive share option in exchange for the Company's shares.

- (i) The share purchase conducted without any real intention to join the management of the Company, but rather to require the parties concerned with the Company to purchase the share certificates at an inflated price (so-called "green mailer" case).
- (ii) The share purchase conducted for the purpose of so-called "scorched earth management," whereby the intellectual property rights, know-how, confidential corporate information, principal clients and customers necessary for business management of the Company are transferred to the Large-scale Purchaser and its group companies through a temporary gain of control of the management of the Company.
- (iii) The share purchase conducted for the expected appropriation of the assets of the Company as collateral for the debt of the Large-scale Purchaser and its group companies and resource for liquidation after the Large-scale Purchaser takes control of the management of the Company.
- (iv) The share purchase conducted for the purpose of gaining temporary control of the management of the Company in order to sell or dispose of high-value assets such as real estate and securities with no immediate relation to the business of the Company and to pay a one-time high dividend with the proceeds from such disposals, or to sell the Company's shares at a high price by taking advantage of the sharp rise in the share price due to such a one-time high dividend.
- (v) The method proposed by the Large-scale Purchaser for the purchase of the Company's shares is deemed to restrict the shareholders' opportunity or discretion to judge, as in the case of a so-called "Coercive Two-Tiered Takeovers" (the Large-scale Purchaser initially effects a tender offer or another method of purchase by not targeting all of the Company's shares and setting conditions for a second tiered purchase that are unfavorable or equivocal for shareholders), and practically coerce shareholders to sell their Company's shares.
- (vi) The conditions of purchase of the Company's shares proposed by the Large-scale Purchaser (including but not limited to the class and amount of consideration, the basis for calculating such amount, any other specific details of the conditions, any illegality, and feasibility) are considered to be remarkably insufficient or inappropriate in light of the Company's corporate value, by which the Company's corporate value and shareholders' common interests will be severely undermined.
- (vii) The acquisition of control by the Large-scale Purchaser is considered to destroy the Company's relationships with customers, employees, local society, or other parties of interest, by which the Company's corporate value and shareholders' common interests will be severely undermined.
- (viii) The corporate value of the Company in a case where the Large-scale Purchaser acquires control is considered to be obviously inferior to that in a case where the said Large-scale Purchaser does not acquire control on a medium and long-term basis, by which the Company's corporate value and shareholders' common interests will be severely undermined.
- (ix) The Large-scale Purchaser is considered to be inappropriate as a controlling shareholder of the Company from the viewpoint of public order and good morals in such a case where the management, principal shareholders, or investors of the Large-scale Purchaser include persons related with anti-social forces or terrorism-related organizations, by which the Company's corporate value and shareholders' common interests will be severely undermined.

If the countermeasures are judged to be implemented exceptionally as above, the Board of Directors of the Company shall consult with the Independent Panel on whether or not to implement the countermeasures in advance, and the Independent Panel shall make recommendations within the BOD's Evaluation Period of 4. (3) above after full examination of the necessity and reasonableness of its implementation, in order to secure the objectivity and rationality of the judgment.

In respect of implementing countermeasures, the Board of Directors of the Company may undertake procedures to confirm the will of the shareholders if the Independent Panel recommends to the Board of Directors of the Company that the will of the shareholders be confirmed, or, even in a case where no such recommendation is made, if the Board of Directors of the Company considers it appropriate to confirm the

will of shareholders.

The Board of Directors of the Company shall decide whether or not to implement the countermeasures with the utmost respect to the recommendations of the Independent Panel and intent of the shareholders.

(2) Case where the Large-scale Purchaser Does Not Observe the Large-scale Purchase Rule

If the Large-scale Purchaser does not observe the Large-scale Purchase Rule, the Board of Directors of the Company may act against the large-scale purchase by taking the countermeasures mentioned in (1) above for the purpose of protecting the Company's corporate value and shareholders' common interests, irrespective of the specific method of purchase. Upon deciding the implementation of countermeasures, the Board of Directors of the Company shall judge whether or not to implement the countermeasures with the utmost respect to the recommendations of the Independent Panel, after full examination of the necessity and reasonableness of the countermeasures.

(3) Suspension, etc. of Implementation of the Countermeasures

If the Board of Directors of the Company considers that the implementation of the countermeasures is inappropriate in cases such as where the said Large-scale Purchaser revokes or changes the large-scale purchase after the Board of Directors of the Company decides to implement the countermeasures in cases (1) or (2) above, the said countermeasures may be suspended with due consideration of the opinion or recommendation of the Independent Panel. If the Board of Directors of the Company considers that the implementation of the countermeasures is inappropriate in response to the revocation or changes of the large-scale purchase by the Large-scale Purchaser after the shareholders entitled to the share option in the case of an allotment of share option without contribution is fixed, for example, the implementation of the countermeasures may be suspended at the recommendation of the Independent Panel, by cancelling the said allotment of share option without contribution during the period until the day preceding the effective date of the allotment. After the allotment of share option without contribution, the Company shall acquire without compensation the said share option during the period until the day preceding the commencement of the exercise period of the said share option (the shareholders will lose the share option due to the acquisition of the share option by the Company).

Such suspension of the implementation of the countermeasures will be disclosed in a timely and appropriate manner together with the matters that the Independent Panel considers to be necessary, in accordance with laws, regulations and the regulations of the financial instruments exchange on which the Company is listed.

## **6. Impact, etc. of the Plan on Shareholders and Investors**

(1) Impact, etc. of the Large-scale Purchase Rule on Shareholders and Investors

The Large-scale Purchase Rule in the Plan aims to ensure opportunities to provide the shareholders with information and the opinions of the Board of Directors of the Company, the body actually responsible for the management of the Company, as necessary to enable shareholders to judge whether or not to accept the large-scale purchase and to enable the Board of Directors of the Company to submit an alternative plan to the shareholders. Accordingly, the shareholders will be able to appropriately judge whether or not to accept the large-scale purchase based on sufficient information, which in turn will protect the Company's corporate value and shareholders' common interests. The establishment of the Large-scale Purchase Rule is a premise for shareholders and investors to make appropriate judgments on investment, and contributes to their benefit.

As mentioned in 5. above, the policy of the Company toward the large-scale purchase differs subject to whether or not the Large-scale Purchaser observes the Large-scale Purchase Rule. Shareholders and investors are requested to watch the trend of Large-scale Purchasers.

(2) Impact on Shareholders and Investors by Implementation of Countermeasures

The decision by the Board of Directors of the Company on taking specific countermeasures as described in 5. above for the purpose of protecting the Company's corporate value and shareholders' common interests shall be disclosed in a timely and appropriate manner in accordance with laws, regulations and the regulations of the financial instruments exchange on which the Company is listed.

A situation where the shareholders other than the Specified shareholder group including a Large-scale Purchaser suffer any special loss in their legal right or economic aspects is not assumed at the time of implementation of countermeasures. In a case where the allotment of share option without contribution is conducted as a countermeasure, for example, shareholders as of the allotment date will be allotted the share option without contribution according to the number of shares held. If the Company afterwards takes procedures to acquire the share option with the acquisition provision attached, shareholders other than the

specified shareholder group including the Large-scale Purchaser will not be specially prejudiced, because they will receive the Company's shares as consideration for acquisition of the said share option by the Company.

In a case where the Company cancels the issue of the said share option or acquires without compensation the share option issued according to the decision of the Board of Directors of the Company following the recommendations of the Independent Panel (the shareholders will lose the share option due to the purchase of share option without contribution by the Company), shareholders or investors who have conducted transactions on the assumption that the value of the Company's shares would be diluted may possibly suffer a corresponding loss due to the change of the share price.

The specified shareholder group including the Large-scale Purchaser may possibly be prejudiced in their legal right or economic aspects as a result of the implementation of countermeasures in a case where they do not observe the Large-scale Purchase Rule or even in a case where they observe the Large-scale Purchase Rule but the said large-scale purchase is nonetheless considered to severely undermine the Company's corporate value and shareholders' common interests. The Plan is announced in order to promote awareness in advance so that a Large-scale Purchaser will not violate the Large-scale Purchase Rule.

### (3) Procedures Required for Shareholders on the Implementation of Countermeasures

In a case where allotment of share option without contribution, for example, is conducted, shareholders as of the allotment date receive the said allotment of the share option without applying for acceptance of such option, and in a case where the Company takes procedures to acquire the share option with the acquisition provision, shareholders will receive the Company's shares as consideration for the acquisition of the share option by the Company without paying an amount corresponding to the exercise price of the share option. Therefore, no procedures of application or payment with respect to the share option are required. In this case, however, the Company may separately request the shareholders who will receive the allotment of the share option to submit a written document in the form designated by the Company, pledging that the shareholders do not belong to the specified shareholder group including the Large-scale Purchaser.

Details of these procedures shall be disclosed in a timely and appropriate manner in accordance with the laws, regulations and the regulations of the financial instruments exchange on which the Company is listed, when the allotment of share option without contribution is actually conducted.

## **7. Commencement, Effective Period, Renewal, and Abolition of the Plan**

The Plan takes effect from the day when it is approved at this Shareholders' Meeting and shall remain in effect from the conclusion of this Shareholders' Meeting to the conclusion of the 100th Ordinary General Meeting of Shareholders to be held in June 2022.

In cases (i) where the shareholders' meeting resolves the abolition of the Plan and (ii) where the Board of Directors of the Company consisting of Directors elected at the shareholders' meeting of the Company resolves the abolition of the Plan, the Plan shall be abolished at that time, even after renewal of the Plan takes effect based on the approval at a shareholders' meeting.

During the effective period, the Board of Directors of the Company may change the Plan with approval at the Shareholders' Meeting, according to a review made as needed from the viewpoint to ensure and enhance the Company's corporate value and shareholders' common interests for the medium and long terms.

The contents of the decisions made by the Board of Directors of the Company on renewal, change, abolition, etc. of the Plan shall be promptly disclosed.

During the effective period, the Board of Directors of the Company may amend or change the Plan with the approval of the Independent Panel, as needed, in a case where an establishment, change or abolition is implemented of the laws, regulations and the regulations of the financial instruments exchange on which the Company is listed, etc. and it is necessary to reflect them, and in a case where amendment of wording is considered to be appropriate for reasons of errors, omissions, etc., provided that such amendment will not prejudice shareholders.

## **IV. That the Plan is in Accordance with the Basic Policy on the Control of the Company, Consistent with the Company's Corporate Value and Shareholders' Common Interests, and Not for the Purpose of Maintaining the Position of the Corporate Officers of the Company**

### (1) Satisfying Requirements of the Guidelines with Regard to the Takeover Countermeasures

The Plan satisfies the three principles stipulated in the "Guidelines Regarding Takeover Defense for the Purpose of Protection and Enhancement of Corporate Value and Shareholder's Common Interests," published by the Ministry of Economy and Ministry of Justice on May 27, 2005, i.e. the principle of protecting and

enhancing corporate value and the interests of shareholders as a whole, the principle of prior disclosure and shareholders' will and the principle of ensuring the necessity and reasonableness).

The Plan is also based on the contents of the report, "Takeover Defense Measures in Light of Recent Environmental Changes" published on June 30, 2008 by the Corporate Value Study Group established in the Ministry of Economy, Trade and Industry and the "Principle 1.5 Anti-Takeover Measures" of the "Corporate Governance Code" announced publicly by the Tokyo Stock Exchange on June 1, 2015.

(2) Introduction for the Purpose of Ensuring and Enhancing Shareholders' Common Interests

As described in III 1. above, "Purpose of Introduction of the Plan," the Plan is introduced for the purpose of ensuring and enhancing the Company's corporate value and shareholders' common interests for the medium and long terms, in the case of a large-scale purchase of the Company's shares, by making it possible for the shareholders to judge whether or not to accept the said large-scale purchase and by ensuring that the Board of Directors of the Company has the necessary information and time to submit an alternative plan and negotiate with the Large-scale Purchaser, etc. on behalf of the shareholders.

(3) Emphasis on the Judgment of Highly Independent Outsiders and Disclosure of Information

The substantial judgment on the implementation of the countermeasures shall be made by consulting with the Independent Panel consisting only of highly independent outsiders, and by the utmost respect to the recommendations of the Independent Panel. Thus, a scheme for the transparent implementation of the Plan in a manner appropriate for the Company's corporate value and shareholders' common interests is ensured.

(4) The Plan Valuing the Will of Shareholders

The Plan takes effect from the day when it is approved at this Shareholders' Meeting upon inquiring the will of the shareholders with regard to the Plan. Thus, the will of the shareholders will be reflected.

In a case where a change or abolition of the Plan is resolved at the Shareholders' Meeting, the Plan will be changed or abolished at that time, even before the expiry of the effective period after the renewal of the Plan. Thus, such change or abolition is based on the reasonable will of shareholders.

(5) Neither a Dead-Hand Type Takeover Defense Measure nor a Slow-Hand Type Takeover Defense Measure

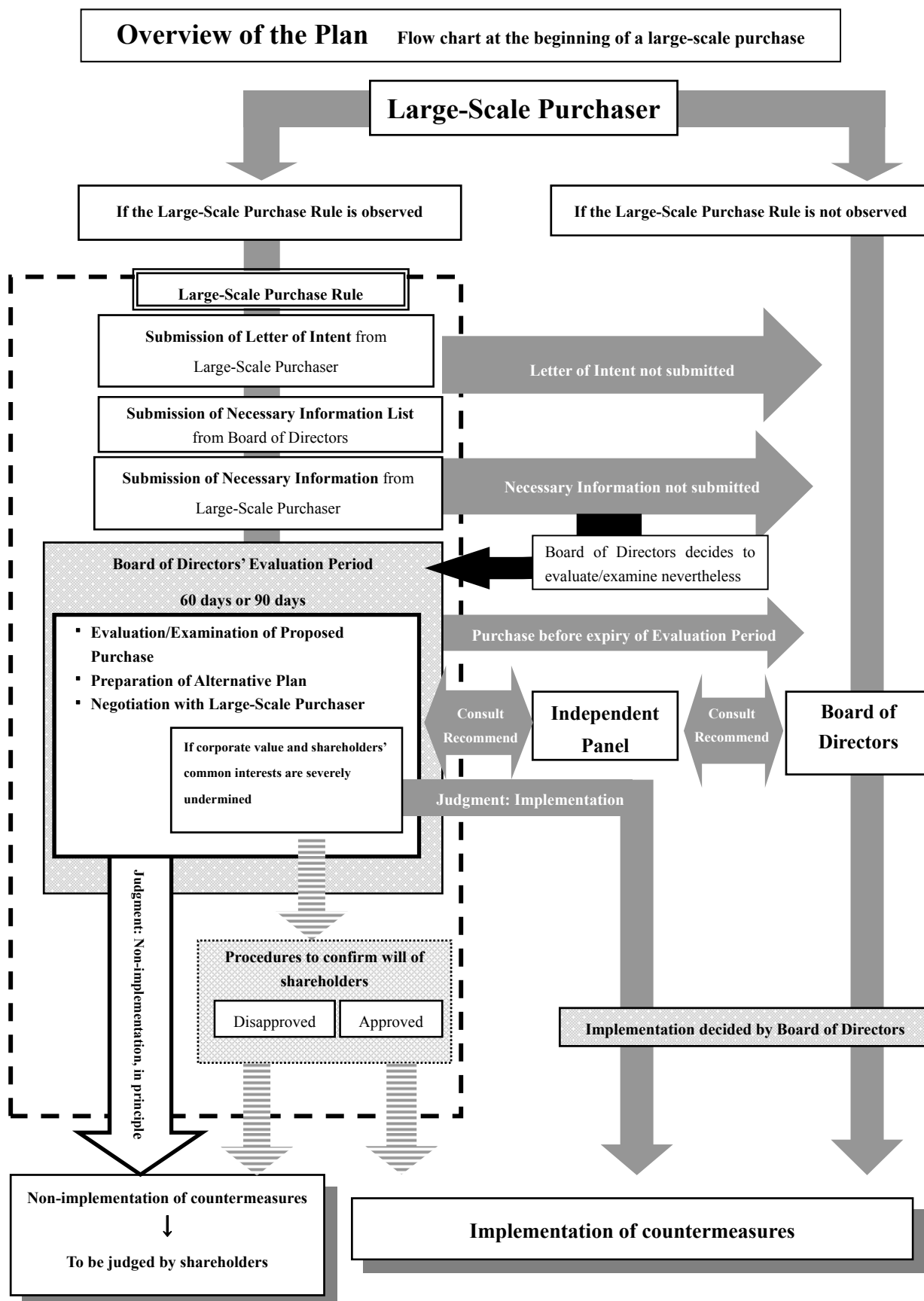
As stated in III 7. above, "Commencement, Effective Period, Renewal, and Abolition of the Plan," the Plan may be abolished by the Board of Directors of the Company, a body consisting of the Directors elected at the shareholders' meeting of the Company. Thus, it is possible for a person who purchases a large amount of the Company's shares to have Directors appointed at the shareholders' meeting of the Company and then to have the Plan abolished by the Board of Directors of the Company consisting of such Directors. Therefore, the Plan is not a dead-hand type takeover defense measure (a takeover defense measure whose implementation cannot be avoided even after a majority of the constituent members of the Board of Directors are replaced). Moreover, as the Company has not adopted a system of staggered terms of office, the Plan is not a slow-hand type takeover defense measure (a takeover defense measure whose implementation cannot be avoided until sufficient time has elapsed, as it is impossible to replace the constituent members of the Board of Directors in one round).

**The status of the Company's shares (as of March 31, 2019)**

1. Total Number of Authorized Shares      57,300,000 shares
2. Common Stock Issued                      25,748,431 shares
3. Number of Shareholders                    16,693
4. Major Shareholders (Top 10)

Shareholders' Name	Status of shareholding	
	Shareholdings (Thousands of shares)	Shareholding ratio (%)
TOYOTA MOTOR CORPORATION	1,965	7.7
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,324	5.2
Meiji Yasuda Life Insurance Company	1,005	3.9
Hitachi Construction Machinery Co., Ltd.	892	3.5
KYB suppliers' stock ownership	784	3.1
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	612	2.4
The Ogaki Kyoritsu Bank, Ltd.	591	2.3
Mizuho Bank, Ltd.	491	1.9
Japan Trustee Services Bank, Ltd. (Trust Account 9)	419	1.6
Japan Trustee Services Bank, Ltd. (Trust Account 5)	408	1.6

(Note) Shareholding ratio is calculated after the deduction of own shares (204,834 shares)



(Note) This chart describes the flow of typical procedures to facilitate understanding of the Plan and does not always show the entire procedure. For details, please read the main text.

### **Overview of the Independent Panel Rules**

- The Independent Panel shall be established by the resolution of the Board of Directors of the Company.
- The number of members of the Independent Panel shall be three (3) or greater. In order to enable fair and neutral judgment, Panel members shall be elected by the Board of Directors of the Company from among Member of the Board of Directors (Outside) and Audit & Supervisory Board Member (Outside) of the Company who are independent from the management responsible for business execution.
- The Independent Panel shall recommend to the Board of Directors of the Company the contents of determination by the Independent Panel with respect to the matters consulted upon by the Board of Directors of the Company, together with the reasons and bases for the same, in principle. Each member of the Independent Panel shall make such determination with a view to contributing to the Company's corporate value and common interests of shareholders.
- The Independent Panel may obtain advice from investment banks, securities firms, lawyers, and other external experts at the expense of the Company.
- Resolutions of the Independent Panel shall be made by a majority of the members present at a meeting attended by a majority of the members.

### Brief Career Histories of the Independent Panel Members

The following three (3) persons are planned to be members of the Independent Panel after the renewal of the Plan:

Rokurou Tsuruta

Date of Birth:

June 16, 1943

(History)

April 1970	Prosecutor, Tokyo District Public Prosecutors Office
April 2005	Superintending Prosecutor, Nagoya High Public Prosecutors Office
July 2006	Registered as an attorney (Daini Tokyo Bar Association)
June 2007	Outside Director, TEIKOKU PISTON RING CO., LTD. (present TPR Co., Ltd.) (current position)
September 2007	Outside Audit & Supervisory Board Member, J. FRONT RETAILING Co., Ltd.
June 2012	Outside Corporate Auditor, Sumitomo Mitsui Financial Group, Inc.
June 2015	Member of the Board of Directors (Outside) of the Company (current position)
May 2017	Outside Director, J. FRONT RETAILING Co., Ltd.
June 2017	Outside Corporate Auditor, Sumitomo Mitsui Banking Corporation (current position)

Shuhei Shiozawa

Date of Birth:

September 19, 1955

(History)

April 1981	Assistant, Faculty of Economics, Keio University
April 1987	Associate Professor, Faculty of Economics, Keio University
April 1994	Professor, Faculty of Economics, Keio University
January 2001	Director for International Economic Affairs, Cabinet Office
October 2005	Dean, Faculty of Economics, Keio University
March 2012	Member of the Board of Directors (Outside), Kenedix, Inc. (current position)
June 2016	Member of the Board of Directors (Outside) of the Company (current position)
June 2017	Independent Director (Audit & Supervisory Committee member), Ahresty Corporation (current position)
April 2019	Professor Emeritus, Keio University (current position)
April 2019	President, Tokyo International University (current position)

Junichi Tanaka

Date of Birth:

May 9, 1961

(History)

April 1984	Joined The Yasuda Fire and Marine Insurance Co., Ltd. (present Sampo Japan Nipponkoa Insurance Inc.)
September 2014	Senior Vice President, General Manager, Global Business Planning Dept., Sampo Japan Nipponkoa Insurance Inc. Senior Vice President, General Manager, Global Business Planning Dept., Sampo Japan Nipponkoa Holdings, Inc. (present Sampo Holdings, Inc.)
April 2016	Executive Vice President, General Manager, Europe & South America, Regional Headquarters, Sampo Japan Nipponkoa Insurance Inc. Executive Vice President, General Manager, Europe & South America, Regional Headquarters, Sampo Japan Nipponkoa Holdings, Inc.
October 2016	Executive Vice President, General Manager, Europe & South America,



Regional Headquarters, Sompo Holdings, Inc.  
July 2017 Executive Vice President, Sompo Japan Nipponkoa Insurance Inc.  
Executive Vice President, Sompo Holdings, Inc.  
April 2018 CEO of Overseas Insurance Business, Executive Vice President, Sompo  
Holdings, Inc.  
June 2018 CEO of Overseas Insurance Business, Director, Executive Vice  
President, Sompo Holdings, Inc.  
June 2019 Scheduled to assume office as Audit and Supervisory Board Member  
(Outside) of the Company

No conflict of interests exists between the above Independent Panel members and the Company.

## **Outline of Allotment of Share Options Without Contribution**

### **1. Shareholders entitled to the allotment of Share Options without contribution, and issuance conditions**

One Share Options will be allotted for each share of common shares of the Company (excluding the shares of common shares of the Company held by the Company) held by shareholders recorded in the latest shareholders' register as of the record date determined by the Board of Directors of the Company, without additional payment by the shareholders.

### **2. Class and number of shares to be issued upon the exercise of the Share Options**

The Class of shares to be issued upon the exercise of the Share Options shall be shares of the common shares of the Company. The total number of shares to be issued at maximum shall be the number of shares obtained by deducting the number of issued shares of common shares of the Company (excluding the shares of common shares of the Company held by the Company) from the total number of authorized shares of the Company as of the record date determined by the Board of Directors of the Company. The number of shares to be issued for one Share Options shall be separately decided by the Board of Directors of the Company. In case the Company conducts a share split or a share consolidation, however, necessary adjustments shall be made.

### **3. Total number of Share Options to be issued**

The total number of Share Options to be issued shall be the number determined separately by the Board of Directors of the Company. The Board of Directors of the Company may conduct allotments of Share Options multiple times.

### **4. Price for investment upon the exercise of the Share Options (amount to be paid)**

The price for investment upon the exercise of the Share Options (amount to be paid) shall be no less than JPY 1 and shall be determined by the Board of Directors of the Company. In any case where the Board of Directors of the Company decides to acquire the Share Options, shareholders may be granted new shares as a consideration for their Share Options by the Company without paying the amount corresponding to the exercise price.

### **5. Restriction on transfer of the Share Options**

Acquisition of the Share Options by transfer of the said Share Options requires the approval of the Board of Directors of the Company.

### **6. Exercise conditions for the Share Options**

The exercise conditions for the Share Options shall include a condition whereby those who receive Share Options should not belong to the specified shareholder group including the Large-scale Purchaser (excluding those previously approved by the Board of Directors of the Company). Details shall be separately determined by the Board of Directors of the Company.

### **7. Exercise period for the Share Options**

The date on which the allotment of the Share Options becomes effective, exercise period, acquisition provisions, and other necessary matters with respect to the Share Options shall be separately determined by the Board of Directors of the Company. The acquisition provisions may stipulate that the Company may acquire the Share Options held by persons other than persons who are not permitted to exercise the Share Options due to the exercise conditions of 6. above and issue the shares of common shares of the Company in the number of shares per Share Options separately determined by the Board of Directors of the Company, and that the Company may acquire the Share Options without consideration and without issuing the Company's shares for the Share Options.