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(Securities code: 6849)

June 7, 2016

**To Shareholders with Voting Rights**

Fumio Suzuki  
Chairman and CEO  
NIHON KOHDEN CORPORATION  
31-4, Nishiochiai 1-chome, Shinjuku-ku,  
Tokyo, Japan

**NOTICE OF THE 65TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

You are cordially invited to attend the 65th Ordinary General Meeting of Shareholders of NIHON KOHDEN CORPORATION (the "Company") to be held as described below.

**If you are unable to attend the meeting, we would appreciate it if you could review the Reference Documents for the General Meeting of Shareholders (described hereinafter) and exercise your voting rights by no later than 5:10 p.m. on Monday, June 27, 2016 (JST), via the internet, etc. or by posting the enclosed Voting Rights Exercise Form with indications of your vote for or against Company's proposals.**

- 1. Date and Time:** Tuesday, June 28, 2016 at 10:00 a.m. (JST)
- 2. Venue:** Fourth floor hall, No. 1 building of the Company's head office, 31-4, Nishiochiai 1-chome, Shinjuku-ku, Tokyo, Japan
- 3. Meeting Agenda:**
- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company's 65th Fiscal Year (from April 1, 2015 to March 31, 2016), and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
  2. Non-Consolidated Financial Statements for the Company's 65th Fiscal Year (from April 1, 2015 to March 31, 2016)

**Proposals to be resolved:**

- Proposal No. 1:** Distribution of Surplus
- Proposal No. 2:** Partial Amendments to the Articles of Incorporation
- Proposal No. 3:** Election of Ten Directors (Excluding Directors Serving as Audit & Supervisory Committee Members)
- Proposal No. 4:** Election of Three Directors Serving as Audit & Supervisory Committee Members
- Proposal No. 5:** Election of One Substitute Director Serving as an Audit & Supervisory Committee Member
- Proposal No. 6:** Determination of the Amount of Remuneration to Directors (Excluding Directors Serving as Audit & Supervisory Committee Members)
- Proposal No. 7:** Determination of the Amount of Remuneration to Directors Serving as Audit & Supervisory Committee Members
- Proposal No. 8:** Renewal of Policy toward Large-Scale Purchases of the Company's Shares

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- When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk for the General Meeting.
  - Any updates to the Reference Documents for the General Meeting of Shareholders and attached documents will be posted on the Company's website at the following URL: (<http://www.nihonkohden.co.jp/>)

# Reference Documents for the General Meeting of Shareholders

## Proposals and References

### Proposal No. 1: Distribution of Surplus

With respect to allocation of profit, the Company adopts a basic policy of continuing stable dividend payments to shareholders over a long period while duly pursuing the assurance of internal reserves to fund activities necessary for future corporate growth such as research and development, capital investments, M&As, and human resource development.

Based on this policy, the Company hereby proposes the distribution of surplus as follows.

#### 1. Matters related to the year-end dividend:

##### (1) Matters concerning allotment of dividend property to shareholders and total amount

18 yen per share of the Company's common stock

Total amount: 1,541,843,046 yen

Note: Combined with the interim dividend (17 yen per share), the total annual dividend for the fiscal year ended March 31, 2016 will be 35 yen per share.

##### (2) Effective date of distribution of surplus

June 29, 2016

#### 2. Other matters related to distribution of surplus:

##### (1) Item of surplus increased and amount

General reserve	7,500,000,000 yen
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##### (2) Item of surplus decreased and amount

Retained earnings brought forward	7,500,000,000 yen
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**Proposal No. 2: Partial Amendments to the Articles of Incorporation**

1. Reasons for the Proposed Amendments

To strengthen supervisory function of the Board of Directors and corporate governance structure of the Company and to enhance soundness and efficiency of the Company’s management with accelerated decision-making and operations realized by delegation of authorities, the Company decided a transition from a Company with an Audit & Supervisory Board to a Company with an Audit & Supervisory Committee. In order to effect the transition aforementioned, partial amendments to the Articles of Incorporation, including establishment of provisions concerning the Audit & Supervisory Committee and Audit & Supervisory Committee Members and deletion of provisions concerning the Audit & Supervisory Board and Audit & Supervisory Board Members, are proposed.

The amendments to the Articles of Incorporation hereunder take effect at the conclusion of this General Meeting of Shareholders.

2. Contents of the Amendments

Details of the proposed amendments are as follows:

(Underlined parts are amended.)

Current Articles of Incorporation	Proposed Amendments
<p style="text-align: center;"><b>CHAPTER I. GENERAL PROVISIONS</b></p> <p><b>Article 1. to 3.</b> (Provisions intentionally omitted)</p> <p><b>(Organs)</b>  <b>Article 4.</b>                      In addition to the General Meeting of Shareholders and Directors, the Company shall have the following organs:                      (1) Board of Directors;                      (2) <u>Audit &amp; Supervisory Board Members;</u>                      (3) <u>Audit &amp; Supervisory Board;</u> and                      (4) Accounting Auditors.</p> <p><b>Article 5. to 18.</b> (Provisions intentionally omitted)</p> <p style="text-align: center;"><b>CHAPTER IV. DIRECTORS AND THE BOARD OF DIRECTORS</b></p> <p><b>(Number of Directors)</b>  <b>Article 19.</b>                      The number of Directors shall not exceed twelve (12).</p> <p style="text-align: center;">(Newly Established)</p> <p><b>(Election of Directors)</b>  <b>Article 20.</b>                      Directors shall be elected by a resolution of the General Meeting of Shareholders.</p>	<p style="text-align: center;"><b>CHAPTER I. GENERAL PROVISIONS</b></p> <p><b>Article 1. to 3.</b> (Unchanged)</p> <p><b>(Organs)</b>  <b>Article 4.</b>                      In addition to the General Meeting of Shareholders and Directors, the Company shall have the following organs:                      (1) Board of Directors;                      (2) <u>Audit &amp; Supervisory Committee; and</u>                      (Deleted)                      (3) Accounting Auditors.</p> <p><b>Article 5. to 18.</b> (Unchanged)</p> <p style="text-align: center;"><b>CHAPTER IV. DIRECTORS AND THE BOARD OF DIRECTORS</b></p> <p><b>(Number of Directors)</b>  <b>Article 19.</b>                      The number of Directors (<u>excluding Directors serving as Audit &amp; Supervisory Committee Members</u>) shall not exceed twelve (12).</p> <p><u>2. The number of Directors serving as Audit &amp; Supervisory Committee Members shall not exceed five (5).</u></p> <p><b>(Election of Directors)</b>  <b>Article 20.</b>                      Directors shall be elected by a resolution of the General Meeting of Shareholders, <u>while making a distinction between Directors serving as Audit &amp; Supervisory Committee Members and other Directors.</u></p>

Current Articles of Incorporation	Proposed Amendments
<p>2. A resolution for the election of Directors shall be made by a majority of the voting rights of the Shareholders present holding not less than one-third (1/3) of the voting rights of the Shareholders who are entitled to exercise voting rights.</p> <p>3. Resolutions on the election of Directors shall be made by no cumulative voting.</p> <p style="text-align: center;">(Newly Established)</p> <p style="text-align: center;">(Newly Established)</p>	<p>2. (Unchanged)</p> <p>3. (Unchanged)</p> <p>4. <u>The Company may elect Substitute Directors serving as Audit &amp; Supervisory Committee Members at a General Meeting of Shareholders in order to prepare for the contingency that the number of Directors serving as Audit &amp; Supervisory Committee Members falls below the required number stipulated by laws and regulations.</u></p> <p>5. <u>The effective term of the resolution pertaining to the election of the Substitute Directors serving as Audit &amp; Supervisory Committee Members in the precedent paragraph shall expire at the commencement of the Ordinary General Meeting of Shareholders for the last business year which ends within two (2) years after such resolution; provided that this shall not preclude shortening the term by a resolution of General Meeting of Shareholders.</u></p>
<p><b>(Term of office of Directors)</b>  <b>Article 21.</b>  The terms of office of Directors shall expire at the conclusion of Ordinary General Meeting of Shareholders held with respect to the latest business year ending within one (1) year after their election to the office.</p> <p style="text-align: center;">(Newly Established)</p>	<p><b>(Term of office of Directors)</b>  <b>Article 21.</b>  The terms of office of Directors (<u>excluding Directors serving as Audit &amp; Supervisory Committee Members</u>) shall expire at the conclusion of Ordinary General Meeting of Shareholders held with respect to the latest business year ending within one (1) year after their election to the office.</p>
<p><b>(Representative Director)</b>  <b>Article 22.</b>  The Board of Directors shall appoint Representative Director(s) by its resolution.</p>	<p>2. <u>The terms of office of Directors serving as Audit &amp; Supervisory Committee Members shall expire at the conclusion of Ordinary General Meeting of Shareholders held with respect to the latest business year ending within two (2) years after their election to the office.</u></p> <p><b>(Representative Director)</b>  <b>Article 22.</b>  The Board of Directors shall appoint Representative Director(s) <u>among Directors (excluding Directors serving as Audit &amp; Supervisory Committee Members)</u> by its resolution.</p>

Current Articles of Incorporation	Proposed Amendments
<p><b>Article 23.</b> (Provisions intentionally omitted)</p> <p><b>(Notice of a meeting of the Board of Directors)</b></p> <p><b>Article 24.</b>  Notice of a Meeting of the Board of Directors shall be sent to each Director <u>and Audit &amp; Supervisory Board Member</u> at least three (3) days prior to date of such meeting; provided that in case of urgency, such period may be shortened.</p> <p>2. When the consent of all Directors <u>and Audit &amp; Supervisory Board Members</u> is obtained, a meeting of the Board of Directors may be held without following the procedures for convening the meeting.</p> <p style="text-align: center;">(Newly Established)</p>	<p><b>Article 23.</b> (Unchanged)</p> <p><b>(Notice of a meeting of the Board of Directors)</b></p> <p><b>Article 24.</b>  Notice of a Meeting of the Board of Directors shall be sent to each Director at least three (3) days prior to date of such meeting; provided that in case of urgency, such period may be shortened.</p> <p>2. When the consent of all Directors is obtained, a meeting of the Board of Directors may be held without following the procedures for convening the meeting.</p> <p><b><u>(Delegation of decision regarding execution of important duties)</u></b></p> <p><b>Article 25.</b>  <u>Pursuant to the Article 399-13, Paragraph 6 of the Companies Act, the Company may delegate all or part of a decision regarding important duties (excluding matters set forth in items of Article 399-13, Paragraph 5 of the said act) to a Director by a resolution of the Board of Directors.</u></p>
<p><b>Article 25. to 26.</b> (Provisions intentionally omitted)</p> <p><b>(Remuneration etc. to Directors)</b></p> <p><b>Article 27.</b>  The remuneration, bonus and any other property benefit (hereinafter, “Remunerations”) to be granted to Directors by the Company in consideration of their performance of duty shall be determined by a resolution of the General Meeting of Shareholders.</p>	<p><b>Article 26. to 27.</b> (Unchanged)</p> <p><b>(Remuneration etc. to Directors)</b></p> <p><b>Article 28.</b>  The remuneration, bonus and any other property benefit to be granted to Directors by the Company in consideration of their performance of duty shall be determined by a resolution of the General Meeting of Shareholders, <u>while making a distinction between Directors serving as Audit &amp; Supervisory Committee Members and other Directors.</u></p>
<p><b>Article 28.</b> (Provisions intentionally omitted)</p> <p style="text-align: center;"><b><u>CHAPTER V. AUDIT &amp; SUPERVISORY BOARD MEMBERS AND THE AUDIT &amp; SUPERVISORY BOARD</u></b></p> <p><b><u>(Number of Audit &amp; Supervisory Committee Members)</u></b></p> <p><b>Article 29.</b>  <u>The number of Audit &amp; Supervisory Board Members shall not exceed five (5).</u></p>	<p><b>Article 29.</b> (Unchanged)</p> <p style="text-align: center;"><b><u>CHAPTER V. AUDIT &amp; SUPERVISORY COMMITTEE MEMBERS AND THE AUDIT &amp; SUPERVISORY COMMITTEE</u></b></p> <p style="text-align: center;">(Deleted)</p>

Current Articles of Incorporation	Proposed Amendments
<p><b><u>(Election of Audit &amp; Supervisory Board Members)</u></b>  <b><u>Article 30.</u></b>  <u>Audit &amp; Supervisory Board Members shall be elected by a resolution of the General Meeting of Shareholders.</u></p> <p><u>2. A resolution for the election of Audit &amp; Supervisory Board Members shall be made by a majority of the voting rights of the Shareholders present holding not less than one-third (1/3) of the voting rights of the Shareholders who are entitled to exercise voting rights.</u></p> <p><u>3. The Company may elect Substitute Audit &amp; Supervisory Board Members at a General Meeting of Shareholders in order to prepare for the contingency that the number of Audit &amp; Supervisory Board Members falls below the required number stipulated by laws and regulations.</u></p> <p><u>4. The effective term of the resolution pertaining to the election of the Substitute Audit &amp; Supervisory Board Members in the precedent paragraph shall expire at the commencement of the Ordinary General Meeting of Shareholders for the last business year which ends within four (4) years after such resolution; provided that this shall not preclude shortening the term by a resolution of General Meeting of Shareholders.</u></p>	<p>(Deleted)</p>
<p><b><u>(Term of office of Audit &amp; Supervisory Board Member)</u></b>  <b><u>Article 31.</u></b>  <u>The term of office of Audit &amp; Supervisory Board Members shall expire at the conclusion of the Ordinary General Meeting of Shareholders held with respect to the latest business year ending within four (4) years after their election to the office.</u></p>	<p>(Deleted)</p>
<p><b><u>(Standing Audit &amp; Supervisory Board Members)</u></b>  <b><u>Article 32.</u></b>  <u>The Audit &amp; Supervisory Board shall elect Standing Audit &amp; Supervisory Board Members by its resolution.</u></p>	<p><b><u>(Standing Audit &amp; Supervisory Committee Members)</u></b>  <b><u>Article 30.</u></b>  <u>The Audit &amp; Supervisory Committee may elect Standing Audit &amp; Supervisory Committee Members by its resolution.</u></p>

Current Articles of Incorporation	Proposed Amendments
<p><b><u>(Notice of a meeting of the Audit &amp; Supervisory Board)</u></b>  <b>Article 33.</b>  Notice of a meeting of <u>the Audit &amp; Supervisory Board</u> of the Company shall be sent to each <u>Audit &amp; Supervisory Board Member</u> at least three (3) days prior to the meeting; provided that in case of urgency, such period may be shortened.</p> <p>2. When the consent of <u>all Audit &amp; Supervisory Board Members</u> is obtained, a meeting of the <u>Audit &amp; Supervisory Board</u> may be held without following the procedures for convening the meeting.</p>	<p><b><u>(Notice of a meeting of the Audit &amp; Supervisory Committee)</u></b>  <b>Article 31.</b>  Notice of a meeting of the <u>Audit &amp; Supervisory Committee</u> of the Company shall be sent to each <u>Audit &amp; Supervisory Committee Member</u> at least three (3) days prior to the meeting; provided that in case of urgency, such period may be shortened.</p> <p>2. When the consent of <u>all Audit &amp; Supervisory Committee Members</u> is obtained, a meeting of the <u>Audit &amp; Supervisory Committee</u> may be held without following the procedures for convening the meeting.</p>
<p><b><u>(Method of adopting resolutions of the Audit &amp; Supervisory Board)</u></b>  <b>Article 34.</b>  Matters relating to <u>the Audit &amp; Supervisory Board</u> shall be governed by applicable laws and regulations and these Articles of Incorporation as well as <u>the Audit &amp; Supervisory Board Regulations</u> established by <u>the Audit and Supervisory Board</u>.</p>	<p><b><u>(Method of adopting resolutions of the Audit &amp; Supervisory Committee)</u></b>  <b>Article 32.</b>  Matters relating to the <u>Audit &amp; Supervisory Committee</u> shall be governed by applicable laws and regulations and these Articles of Incorporation as well as <u>the Audit &amp; Supervisory Committee Regulations</u> established by <u>the Audit and Supervisory Committee</u>.</p>
<p><b><u>(Remuneration for Audit &amp; Supervisory Board Members)</u></b>  <b>Article 35.</b>  <u>The Remunerations to be granted to Audit &amp; Supervisory Board Members by the Company in consideration of their performance of duty shall be determined by a resolution of the General Meeting of the Shareholders,</u></p>	<p>(Deleted)</p>
<p><b><u>(Limitation of Liabilities of Audit &amp; Supervisory Board Members)</u></b>  <b>Article 36.</b>  <u>Pursuant to Article 426, Paragraph 1 of the Companies Act, the Company may, by a resolution of the Board of Directors, grant each present or former Audit &amp; Supervisory Board Member, immunity from liability for damages under the provisions of Article 423, Paragraph 1 of the Companies Act to the extent as provided in laws and regulations.</u></p> <p>2. <u>Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with each Audit &amp; Supervisory Board Member to limit liability for damages under the provisions of Article 423, Paragraph 1 of the Companies Act; provided that the limit of the liability under the agreement shall be an amount set by laws and regulations.</u></p>	<p>(Deleted)</p>



Current Articles of Incorporation	Proposed Amendments
<p style="text-align: center;"><b>CHAPTER VI. ACCOUNTS</b></p> <p><b>Article 37, to 40.</b> (Provisions intentionally omitted)</p> <p style="padding-left: 40px;">(Newly Established)</p> <p style="padding-left: 40px;">(Newly Established)</p>	<p style="text-align: center;"><b>CHAPTER VI. ACCOUNTS</b></p> <p><b>Article 33, to 36.</b> (Unchanged)</p> <p style="text-align: center;"><b><u>SUPPLEMENTARY PROVISION</u></b></p> <p><b><u>(Transitional Measures for immunity for Audit &amp; Supervisory Board Members)</u></b></p> <p><b><u>Article 1.</u></b></p> <p><u>Pursuant to Article 426, Paragraph 1 of the Companies Act, the Company may, by a resolution of the Board of Directors, grant each present or former Audit &amp; Supervisory Board Member, immunity from liability for damages arising from their failure to perform duties regarding their conducts before the partial amendments to the Articles of Incorporation resolved at the 65th Ordinary General Meeting of Shareholders take effect to the extent as provided in laws and regulations.</u></p>

**Proposal No. 3:** Election of Ten Directors (Excluding Directors Serving as Audit & Supervisory Committee Members)

The Company will effect a transition to a Company with an Audit & Supervisory Committee under the condition that the Proposal No.2 “Partial Amendments to the Articles of Incorporation” is approved as proposed.

The terms of office for all (ten) Directors will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the election of ten Directors (excluding Directors serving as Audit & Supervisory Committee Members) is proposed.

The resolution of this Proposal No.3 shall become effective under the condition that the Proposal No.2 “Partial Amendments to the Articles of Incorporation” is approved as proposed and such amendments to the Articles of Incorporation take effect.

The candidates are as follows:

No.	Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held	
1	Fumio Suzuki (November 3, 1948)  (Reappointment)	April 1973 April 1994 April 1998 April 1999 June 1999 June 2003 April 2005 April 2006 April 2007 June 2007 June 2008 June 2015	Joined the Company Director and President of Nihon Kohden America, Inc. General Manager of Corporate Planning Department General Manager of Human Resources Dept. Director Managing Director General Manager of System Business Operations General Manager of Biomedical Instrument Technology Center General Manager of General Affairs and Human Resources Dept. Corporate Director and Executive Operating Officer Representative Director and President Chairman and CEO (current position)	79,300 shares
		(Reason for candidacy as a Director, etc.)  Mr. Fumio Suzuki has abundant experience and proven performance record acquired through his career in the Company and its group companies, including management of a foreign subsidiary and Company’s divisions of corporate planning and human resources. In addition, he has been engaged in management of the Company since 2008 as President, and as Chairman and CEO since 2015, as well as increasing the corporate value through practicing the Company’s mid-term business plan “Strong Growth 2017”, and further strengthening of corporate governance of the Company. We anticipate that he will make the most of his expertise and experience of management he has accumulated to date for reinforcement of the Board of Director’s decision-making and supervision of management. Accordingly, we propose that he be nominated to continue in the position of Director.		
2	Hirokazu Ogino (May 28, 1970)  (Reappointment)	April 1995 April 2007 April 2011 June 2011 June 2012 April 2013 June 2013 October 2013 June 2015	Joined the Company President of Nihon Kohden Europe GmbH General Manager of Marketing Strategy Dept. Operating Officer Corporate Director and Operating Officer General Manager of International Operations Corporate Director and Senior Operating Officer President and CEO of Nihon Kohden America, Inc. President and COO (current position)	15,900 shares
		(Reason for candidacy as a Director, etc.)  Mr. Hirokazu Ogino has abundant experience and proven performance record acquired through his career in the Company and its group companies, including management of a foreign subsidiary and the Company’s divisions of marketing strategy and international sales. In addition, he has been engaged in management of the Company since 2015 as President and COO, as well as increasing the corporate value through practicing the Company’s mid-term business plan “Strong Growth 2017”. We anticipate that he will make the most of his expertise and experience of international business he has accumulated to date for reinforcement of the Board of Director’s decision-making and supervision of management. Accordingly, we propose that he be nominated to continue in the position of Director.		

No.	Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
3	Hiroshi Aida (October 8, 1952)  (Reappointment)	April 1973	Joined the Company	23,400 shares
		April 2005	Deputy General Manager of Import Business Operations	
June 2007	General Manager of Import Business Operations (current position)			
June 2007	Operating Officer			
June 2011	Corporate Director and Operating Officer			
June 2015	Corporate Director and Executive Operating Officer (current position)			
(Reason for candidacy as a Director, etc.) Mr. Hiroshi Aida has abundant experience and proven performance record primarily acquired through his career of purchasing goods from manufactures worldwide and his current position in General Manager of Import Business Operations. We anticipate that he will make the most of his expertise and experience he has accumulated to date for reinforcement of the Board of Director's operation and decision-making of management. Accordingly, we propose that he be nominated to continue in the position of Director.				
4	Yoshito Tsukahara (December 25, 1952)  (Reappointment)	July 1980	Joined the Company	17,900 shares
		April 1999	President of Nihon Kohden Kita Kanto Corporation	
April 2002	President of Nihon Kohden Mebiko Higashi Hanbai Corporation			
April 2003	President of Nihon Kohden Tokyo Corporation			
June 2007	Operating Officer			
June 2008	Corporate Director and Operating Officer			
April 2011	General Manager of Sales Operations			
June 2013	Corporate Director and Senior Operating Officer (current position)			
April 2014	General Manager of Wellcare Business Division			
April 2016	General Manager of Recurring Business Division (current position)			
(Reason for candidacy as a Director, etc.) Mr. Yoshito Tsukahara has abundant experience and proven performance record acquired through his career in the Company and its group companies including management of domestic subsidiaries and the Company's domestic sales division, adding to his current position in General Manager of Recurring Business Division. We anticipate that he will make the most of his expertise and experience he has accumulated to date for reinforcement of the Board of Director's decision-making and supervision of management. Accordingly, we propose that he be nominated to continue in the position of Director.				

No.	Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
5	Takashi Tamura (March 22, 1959)  (Reappointment)	April 1983	Joined the Company	18,700 shares
		April 2003	President of Nihon Kohden Kansai Corporation	
		April 2007	General Manager of Sales Operations	
		June 2007	Operating Officer	
		June 2008	Corporate Director and Operating Officer	
		April 2011	General Manager of International Operations	
		April 2013	General Manager of Service Business Division	
		April 2014	General Manager of Customer Service Operations	
		June 2015	Corporate Director and Senior Operating Officer (current position)	
		April 2016	General Manager of Sales Operations (current position)	
(Reason for candidacy as a Director, etc.)				
<p>Mr. Takashi Tamura has abundant experience and proven performance record acquired through his career in the Company and its group companies including management of domestic subsidiaries, and the Company's divisions of international sales and customer service, adding to his current position in General Manager of Sales Operations. We anticipate that he will make the most of his expertise and experience he has accumulated to date for reinforcement of the Board of Director's decision-making and supervision of management. Accordingly, we propose that he be nominated to continue in the position of Director.</p>				
6	Tadashi Hasegawa (June 17, 1959)  (Reappointment)	April 1983	Joined The Saitama Bank Ltd.	1,900 shares
		June 2009	Operating Officer of Saitama Resona Bank Limited	
		June 2011	Senior Operating Officer of Saitama Resona Bank Limited	
		June 2013	Corporate Director and Senior Operating Officer of Saitama Resona Bank Limited	
		March 2014	Retired as Corporate Director and Senior Operating Officer of Saitama Resona Bank Limited	
		April 2014	Joined the Company.	
		June 2014	Operating Officer	
		June 2015	Corporate Director and Senior Operating Officer (current position)	
			[Responsible for finance, legal affairs and human resources]	
(Reason for candidacy as a Director, etc.)				
<p>Mr. Tadashi Hasegawa has plenty of knowledge of finance and accounting acquired through his carrier in banking institution. Additionally, in the Company, he has experienced the responsible position for internal auditing, adding to his current position of Operating Officer responsible for finance, legal and human resource departments. We anticipate that he will make the most of his expertise and experience he has accumulated to date for reinforcement of the Board of Director's decision-making and supervision of management. Accordingly, we propose that he be nominated to continue in the position of Director.</p>				

No.	Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
7	Kazuteru Yanagihara (January 22, 1957)  ( Reappointment)	April 1980	Joined the Company	4,200 shares
		April 2009	Deputy General Manager of Biomedical Instrument Technology Center	
April 2011	General Manager of Technology Promotion Center			
June 2011	Deputy General Manager of Biomedical Instrument Technology Center			
April 2012	General Manager of Biomedical Instrument Technology Center			
June 2012	Operating Officer			
April 2014	General Manager of Strategic Technology Operations (current position)			
		June 2015	Corporate Director and Operating Officer (current position)	
	(Reason for candidacy as a Director etc.)  Mr. Kazuteru Yanagihara has abundant experience and proven performance record primarily acquired through his career of product development adding to his current position in General Manager of Strategic Technology Operations. We anticipate that he will make the most of his expertise and experience he has accumulated to date for reinforcement of the Board of Director's decision-making and supervision of management. Accordingly, we propose that he be nominated to continue in the position of Director.			
8	Fumio Hirose (March 2, 1960)  ( Reappointment)	April 1982	Joined the Company	5,600 shares
		April 2003	President of Nihon Kohden Chushikoku Corporation	
April 2006	Chief Manager of Global Marketing Operations			
April 2009	General Manager of Corporate Planning Department			
June 2009	Operating Officer			
April 2013	General Manager of Ventilator & Anesthesia Device Business Operations (current position)			
June 2015	Corporate Director and Operating Officer (current position)			
	(Reason for candidacy as a Director, etc.)  Mr. Fumio Hirose has abundant experience and proven performance record acquired through his career in the Company and its group companies including management of domestic subsidiaries and the Company's divisions of marketing and corporate planning, adding to his current position in General Manager of Ventilator & Anesthesia Device Business Operations. We anticipate that he will make the most of his expertise and experience he has accumulated to date for reinforcement of the Board of Director's decision-making and supervision of management. Accordingly, we propose that he be nominated to continue in the position of Director.			

No.	Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
9	Masaya Yamauchi (March 20, 1960)	April 1988	Registered as an attorney (Tokyo Bar Association)	0 shares
	(Reappointment) Candidate for Outside Director / Independent Director	September 1993 August 2001 June 2010	Established Nakagawa & Yamauchi Law Office Integrated into Hibiki-Sogo Law Office (current position) Director of the Company (current position)	
(Reason for candidacy as an Outside Director, etc.)				
<p>Mr. Masaya Yamauchi is a candidate for Outside Director.</p> <p>(1) Although Mr. Masaya Yamauchi has not been engaged in corporate management in any capacity other than as an Outside Director or Outside Audit &amp; Supervisory Board Member, he is closely acquainted with corporate legal affairs as an attorney. We anticipate that in his work he will make the most of the expertise and experience he has accumulated to date for providing objective and neutral advices to and for independent supervisory of the Company's management.. Accordingly, we propose that he be nominated to continue in the position of Outside Director. He will have been in office as Outside Director of the Company for six years at the conclusion of this General Meeting of Shareholders.</p> <p>(2) The Company has concluded a liability limitation agreement with Mr. Masaya Yamauchi to limit his liability under the provisions of Article 423, Paragraph 1 of the Companies Act up to the minimum liability amount stipulated in Article 425, Paragraph 1 of the same Act. If his re-election is approved, we will continue the liability limitation agreement with him.</p> <p>(3) The Company has filed with the Tokyo Stock Exchange a notification to establish that Mr. Masaya Yamauchi is an independent director as provided by the Exchange, because he satisfies the requirements therefor.</p>				
10	Minoru Obara (September 29, 1947)	April 1986	Assistant Professor at Dept. of Electrical Engineering, Faculty of Science and Technology, Keio University	0 shares
	(Reappointment) Candidate for Outside Director / Independent Director	April 1993 June 2012 April 2013	Professor at Dept. of Electrical Engineering (current Dept. of Electronics and Electrical Engineering), Faculty of Science and Technology, Keio University Director of the Company (current position) Professor Emeritus at Keio University (current position)	
(Reason for candidacy as an Outside Director, etc.)				
<p>Mr. Minoru Obara is a candidate for Outside Director.</p> <p>(1) Although Mr. Minoru Obara has not been engaged in corporate management in any capacity other than as an Outside Director or Outside Audit &amp; Supervisory Board Member, we anticipate that in his work he will make the most of his knowledge and experience as a university professor specialized in electronics engineering and laser medical treatment for providing objective and neutral advices to and for independent supervisory of the Company's management. Accordingly, we propose that he be nominated to continue in the position of Outside Director. He will have been in office as Outside Director of the Company for four years at the conclusion of this General Meeting of Shareholders.</p> <p>(2) The Company has concluded a liability limitation agreement with Mr. Minoru Obara to limit his liability under the provisions of Article 423, Paragraph 1 of the Companies Act up to the minimum liability amount stipulated in Article 425, Paragraph 1 of the same Act. If his re-election is approved, we will continue the liability limitation agreement with him.</p> <p>(3) The Company has filed with the Tokyo Stock Exchange a notification to establish that Mr. Minoru Obara is an independent director as provided by the Exchange, because he satisfies the requirements therefor.</p>				

Notes: 1. No material conflict of interest exists between the Company and each candidate.

2. Present responsibilities of each candidate at the Company are described in [ ].

**Proposal No. 4:** Election of Three Directors Serving as Audit & Supervisory Committee Members

The Company will effect a transition to a Company with an Audit & Supervisory Committee under the condition that the Proposal No.2 “Partial Amendments to the Articles of Incorporation” is approved as proposed. Accordingly, the election of three Directors serving as Audit & Supervisory Committee Members is proposed. The resolution of this Proposal No.4 shall become effective under the condition that the Proposal No.2 “Partial Amendments to the Articles of Incorporation” is approved as proposed and such amendments to the Articles of Incorporation take effect.

The Audit & Supervisory Board has consented to this proposal.

The candidates are as follows:

No.	Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
1	Kazuo Ikuta (May 29, 1956)  (New appointment)	April 1980 April 2006  April 2009 June 2009	Joined the Company Senior Manager of Finance Department, General Administrative Division General Manager of Finance Department Operating Officer (current position) [Responsible for corporate governance]	13,600 shares
	(Reason for candidacy as a Director serving as an Audit & Supervisory Committee Member, etc.) Mr. Kazuo Ikuta has abundant experience and plenty of knowledge of finance and accounting primarily acquired through his career of Company’s business in finance, accounting, and affairs relating to information system adding to his former position of General Manager of Finance Department and current position of Operating Officer responsible for corporate governance. We anticipate in his work with the Company’s audit system he will make the most of his expertise and experience he has accumulated to date for supervision of the Board of Directors from the view point of non-managing Director. Accordingly, we propose that he be elected as Director serving as an Audit & Supervisory Committee Member.			
2	Masahiro Kawamura (August 19, 1949)  (New appointment) Candidate for Outside Director / Independent Director	June 1977 March 1979 August 1979  June 2010	Registered as a Tax Account Registered as a Certified Public Accountant Joined Kawamura Tax Accounting Office (current position) Audit and Supervisory Board Member of the Company(current position)	0 shares
	(Reason for candidacy as an Outside Director serving as an Audit & Supervisory Committee Member, etc.) Mr. Masahiro Kawamura is a candidate for Outside Director. (1) Although Mr. Masahiro Kawamura has not been engaged in corporate management in any capacity other than as an Outside Director or Outside Audit & Supervisory Board Member, we anticipate that in his work with the Company’s audit system he will make the most of the expertise and experience acquired through his affairs of accountant to date for independent supervision of the Company’s management. Accordingly, we propose that he be elected as Outside Director serving as an Audit & Supervisory Committee Member. He is currently in the position of Outside Audit & Supervisory Board Member of the Company and he will have been in office of such position for six years at the conclusion of this General Meeting of Shareholders. (2) If his election is approved, we will conclude a liability limitation agreement with Mr. Masahiro Kawamura, to limit his liability under the provisions of Article 423, Paragraph 1 of the Companies Act up to the minimum liability amount stipulated in Article 425, Paragraph 1 of the same Act which the Company has concluded with him as an Outside Audit & Supervisory Board Member. (3) Mr. Masahiro Kawamura will be elected as an outside director serving as an audit and supervisory committee member of Daitogyorui Co., Ltd at the ordinary general meeting of shareholders of the company on June 2016. No material conflict of interest exists between the Company and Daitogyorui Co., Ltd. (4) The Company has filed with the Tokyo Stock Exchange a notification to establish that Mr. Masahiro Kawamura is an independent director as provided by the Exchange, because he satisfies the requirements therefor.			

No.	Name (Date of birth)	Career summaries, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
	Shigeru Kawatsuhara (February 14, 1952)  (New appointment) Candidate for Outside Director / Independent Director	April 1975 April 2002 April 2004 June 2005 April 2008 May 2014 March 2015 April 2016	Joined Toko, Inc. Senior Manager of Sales Department 1, Sales Operations, Toko, Inc. General Manager of Sales Center, Toko, Inc. Corporate Director and General Manager of Sales Center, Toko, Inc. President of Toko, Inc. Chairman of Toko, Inc. Senior Advisor of Toko, Inc. Part-time Advisor of Toko, Inc. (current position)	0 shares
3	(Reason for candidacy as an Outside Director serving as an Audit & Supervisory Committee Member, etc.) Mr. Shigeru Kawatsuhara is a candidate for Outside Director. (1) We anticipate that in his work with the Company's audit system he will make the most of his excellent expertise and abundant experience of the management of a company acquired through his carrier in Toko, Inc. for independent supervision of the Company's management. Accordingly, we propose that he be elected as Outside Director serving as an Audit & Supervisory Board Member. (2) If his election is approved, we will conclude a liability limitation agreement with Mr. Shigeru Kawatsuhara, to limit his liability under the provisions of Article 423, Paragraph 1 of the Companies Act up to the minimum liability amount stipulated in Article 425, Paragraph 1 of the same Act which the Company has concluded with him as an Outside Audit & Supervisory Board Member. (3) The Company has filed with the Tokyo Stock Exchange a notification to establish that Mr. Shigeru Kawatsuhara is an independent director as provided by the Exchange, because he satisfies the requirements therefor.			

- Notes: 1. No material conflict of interest exists between the Company and each candidate.  
2. Present responsibilities of each candidate at the Company are described in [ ].



**Proposal No. 5:** Election of One Substitute Director Serving as an Audit & Supervisory Committee Member

The Company will effect a transition to the Company with an Audit & Supervisory Committee under the condition that the Proposal No.2 “Partial Amendments to the Articles of Incorporation” is approved as proposed. Accordingly, the election of One Director serving as an Audit & Supervisory Committee Member is proposed in order to prepare for the contingency that the number of Directors serving as Audit & Supervisory Committee Members falls below the required number stipulated by laws and regulations.

If this election is approved, the effectiveness of the election may be cancelled by a resolution of the Board of Directors with the consent of the Audit & Supervisory Committee only before the newly elected Substitute Director serving as an Audit & Supervisory Committee Member assumes office as an Director serving as an Audit & Supervisory Committee Member.

The resolution of this Proposal No.5 shall become effective under the condition that the Proposal No.2 “Partial Amendments to the Articles of Incorporation” is approved as proposed and such amendments to the Articles of Incorporation take effect.

The Audit & Supervisory Board has consented to this proposal.

The candidate is as follows:

Name (Date of birth)	Career summaries, positions, and significant concurrent positions		Number of shares of the Company held
Sumio Moriwaki (March 3, 1957)  Candidate for Outside Director (New appointment)	April 1981	Registered as an attorney (Daini Tokyo Bar Association) Joined Ishii Law Office	0 shares
April 1991	Partner, Ishii Law Office (current position)		
June 2007	Member of the Independent Committee of the Company (current position)		
June 2011	Substitute Audit & Supervisory Board Member of the Company (current position)		
<p>(Reason for candidacy as a Substitute Outside Director serving as an Audit &amp; Supervisory Committee Member, etc.)</p> <p>Mr. Sumio Moriwaki is a candidate for Substitute Outside Director serving as an Audit &amp; Supervisory Committee Member.</p> <p>(1) Although Mr. Sumio Moriwaki has not been directly engaged in corporate management, he is closely acquainted with corporate legal affairs as an attorney. We anticipate that in his work with the Company’s audit system he will make the most of the expertise and experience he has accumulated to date for independent supervision of the Company’s management. Accordingly, we propose that he be elected as Substitute Audit &amp; Supervisory Committee Member.</p> <p>(2) If Mr. Sumio Moriwaki assumes office as Audit &amp; Supervisory Board Member, the Company intends to conclude a liability limitation agreement with him to limit his liability under the provisions of Article 423, Paragraph 1 of the Companies Act up to the minimum liability amount stipulated in Article 425, Paragraph 1 of the same Act.</p>			

Notes: No material conflict of interest exists between the Company and Mr. Sumio Moriwaki

**Proposal No. 6:** Determination of the Amount of Remuneration to Directors (Excluding Directors Serving as Audit & Supervisory Committee Members)

With respect to the amount of Remuneration to Directors of the Company, it was approved by at the 56th Ordinary General Meeting of Shareholders held on June 8, 2007 that the total amount shall be within the limit of 400 million yen a year.

The Company will effect a transition to the Company with an Audit & Supervisory Committee under the condition that the Proposal No.2 “Partial Amendments to the Articles of Incorporation” is approved as proposed. Accordingly, pursuant to the provisions of Article 361 Paragraph 1 and 2 of the Companies Act, revision of the amount of Remuneration to Directors (in this Proposal No.6, such term “Directors” excludes Directors serving as Audit & Supervisory Committee Members) to be within 400 million yen (including the maximum amount of Remuneration to Outside Directors, 30 million yen), which shall not include portions of the Directors’ salary as employees of the Company, is proposed.

Currently the Company has 10 Directors (including 2 Outside Directors). If Proposal No.2 “Partial Amendments to the Articles of Incorporation” and Proposal No.3 “Election of Ten Directors (Excluding Directors Serving as Audit & Supervisory Committee Members)” are approved as proposed, the Company will have 10 Directors (including 2 Outside Directors).

The resolution of this Proposal No.6 shall become effective under the condition that the Proposal No.2 “Partial Amendments to the Articles of Incorporation” is approved as proposed and such amendments to the Articles of Incorporation take effect.

**Proposal No. 7:** Determination of the Amount of Remuneration to Directors Serving as Audit & Supervisory Committee Members:

The Company will effect a transition to the Company with an Audit & Supervisory Committee under the condition that the Proposal No.2 “Partial Amendments to the Articles of Incorporation” is approved as proposed. Accordingly, pursuant to the provisions of Article 361 Paragraph 1 and 2 of the Companies Act, taking into consideration the economic situation and other general circumstances, the determination of the amount of Remuneration to Directors Serving as Audit & Supervisory Committee Members to be within 80 million yen per a year, is proposed.

If Proposal No.2 “Partial Amendments to the Articles of Incorporation” and Proposal No.4 “Election of Three Directors Serving as Audit & Supervisory Committee Members” are approved as proposed, the Company will have 3 Directors serving as Audit & Supervisory Committee Members.

The resolution of this Proposal No.7 shall become effective under the condition that the Proposal No.2 “Partial Amendments to the Articles of Incorporation” is approved as proposed and such amendments to the Articles of Incorporation take effect.

## **Proposal No. 8: Renewal of Policy toward Large-Scale Purchases of the Company's Shares**

The Company adopted the policy toward large-scale purchases of the Company's shares (hereinafter referred to as the "Former Basic Rule") based on the shareholder approval at the 56th General Meeting of Shareholders held on June 28, 2007, and its renewal with partial amendment was approved at the 59th and 62nd General Meeting of Shareholders held on June 29, 2010 and June 26, 2013. However, the effective period of the Former Basic Rule will expire at the conclusion of this General Meeting of Shareholders.

Before the Former Basic Rule expires, the Company resolved at the Board of Directors meeting held on May 10, 2016 to renew the Former Basic Rule as a measure to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate (as set forth in Article 118, Paragraph 3 (b) (2) of the Ordinance for Enforcement of the Companies Act), subject to approval at this General Meeting of Shareholders (hereinafter the amended policy shall be referred to as the "Basic Rule"). The Company hereby requests the Meeting of Shareholder's approval on adaptation of the Basic Rule.

The Basic Rule shall remain in effect from the expiration of the Former Basic Rule until the conclusion of this General Meeting of Shareholders for the last fiscal year ending within three years after this General Meeting of Shareholders.

The Basic Rule is not revised from the Former Basic Rule and Independent Committee members are changed. Overview of the Basic Rule is added and there is a minor change of expression or addition of words.

### **I. Basic Principles regarding persons who control decisions on the Company's financial and business policies**

The Company believes that persons involved in financial and operational decision-making processes should demonstrate an adequate understanding of the Company's corporate philosophy, the diversity of sources of corporate value, and the importance of maintaining the trust and confidence of the many stakeholders who constitute the foundations of the Company, and should also have the ability and capacity to enhance the corporate value of the Company and in turn the common interests of the shareholders over the medium to long term.

The Company believes that its shareholders should make the final decision as to whether to accept a Large-Scale Purchase. The Company does not necessarily reject Large-Scale Purchases if they would contribute to the corporate value and the common interests of the shareholders.

However, the Company cannot rule out the possibility of an inappropriate Large-Scale Purchase that may harm corporate value and benefits for all shareholders. Some examples are, but not limited, the following:

- those with a purpose that would apparently harms corporate value and common interests of the shareholders ;
- those with the potential to practically coerce shareholders to sell shares; or
- those that do not provide sufficient disclosure of information on the proposal given to and sufficient time allowed for the Board of Directors and shareholders to review the proposal.

A person who proposes a Large-Scale Purchase or equivalent undertaking that would not contribute to the corporate value of the Company or the common interests of the shareholders shall be deemed unsuitable for involvement in the financial and operational decisions of the Company. A necessary and appropriate response shall be applied to the actions of such persons in order to preserve the corporate value and common interests of the shareholders.

### **II. The Source of Corporate Value of the Company and Special Initiatives for Realization of the Basic Principles**

#### **1. The Source of Corporate Value of the Company**

Founded in 1951 under the vision of Fighting Disease with Electronics, the Company has supplied medical institutions with various medical devices across the globe as one of the top medical electronic equipment manufacturers. The Company provides an extensive line-up of medical equipment using advanced technology, ranging from physiological measuring equipment such as EEGs and ECGs, patient monitors and treatment equipment such as defibrillators and AEDs to basic healthcare devices and home medical appliances.

In the industry of medical equipment, it is essential to identify needs of customers such as doctors, nurses, engineers and patients adhering tightly to actual medical care scene and to continue to develop and provide timely user-oriented products. Given that medical equipment has a direct bearing on human lives, it is vital to maintain the highest standards of quality and safety and to provide full customer service and support so that products can be used with total confidence.

The Company believes that its main sources of corporate value include technology development in

collaboration with end users in clinical practice; a loyal clientele base in Japan and around the world; a commitment to quality products and services backed by development, production, sales and service teams; and a solid brand reputation established over many years in the industry.

The Company has been nurturing expertise and know-how and wealth of experience accumulated since its foundation and has been maintaining good cooperative relationship with domestic and overseas customers established through collaboration between industry, government and academia, all of which helped the Company strengthen capability of technological development and provide high-value added products with high international competitiveness. And the confidence the Company gained from its customers, clients and other stakeholders through many years of business activities is now the valuable assets of the Company, or, its brand, which cannot be replaced by anything else.

## **2. Measures for the Enhancement of Corporate Value**

### **(1) Corporate Philosophy and Mid-to Long-Term Management Strategy**

The Company's corporate philosophy is "we contribute to the world by fighting disease and improving health with advanced technology, and create a fulfilling life for our employees." as a medical electronics manufacturer. Based on its corporate philosophy, the Company aims at achieving sustained group growth and enhancement of its corporate value.

In 2010, the Company set out a long-term vision, The CHANGE 2020 –The Global Leader of Medical Solutions–, for the next ten years. The vision describes a future where the Company aims to (1) lead the world in the development of revolutionary breakthrough technology, (2) achieve the highest level of quality in the world, and (3) attain top share in applicable global markets. The target for the period ending March 2020 is sales of ¥200 billion, operating income of ¥25 billion and overseas sales ratio of 35%.

The Company implements its four-year mid-term business plan, Strong Growth 2017, towards realizing its long-term vision. The Company aims to achieve sustainable growth in Japan under the Japanese government's future vision to reorganize the medical and nursing care systems by 2025 and achieve strong growth in international markets. The Company will aggressively execute the following six key strategies and enhances its operation base to ensure growth.

#### **a. Pursue the highest level of quality in the world**

The Company will enhance its credibility as a leading medical equipment manufacturer by ensuring quality in every activity of every division across the entire of the Company's Group, from development and design to production, logistics, sales and services, to keep its customers satisfied and ensure that customers around the world recognize the Company for its superior quality products, sales and services.

#### **b. Strengthen technological development capabilities**

The Company will further reinforce its technological strength and speed of development processes. To this end, the Company will strengthen its R&D organization to address the needs of clinical practice swiftly and flexibly. The Company will also promote industry-government-academia collaboration as well as collaboration with other companies both inside and outside Japan.

#### **c. Strengthen business expansion by region**

The Company will strive to achieve strong growth internationally and take steps to reinforce its business expansion in the Americas, Europe and Asia. Specifically, the Company will focus initiatives on strengthening business activities in Japan, the U.S. and emerging markets including BRICs.

#### **d. Achieve further growth in core businesses**

The Company will take steps to achieve further growth in its core businesses both inside and outside Japan in order to expand its global market share and establish a stable and consistent revenue base.

#### **e. Develop new businesses**

The Company aims to develop new core businesses by in-house development, alliances, M&A and other measures. The Company will pursue the development and introduction of medical equipment designed to improve medical safety, address lifestyle-related diseases, dementia, and intractable diseases. The Company will also pursue solutions for an integrated community care system.

#### **f. Consolidate corporate fundamentals**

In order to adapt to changes in the business environment and become the world's leader in medical equipment, the Company will foster a more robust business structure that is globalized, efficient, profitable and fast-paced as well as implement CSR activities aimed at sustainable growth and strengthen its human resource development initiatives.

The Company continues to enhance the corporate value of it and in turn the common interests of the shareholders as well as contribute to the society through addressing the challenge of healthcare by technological development and providing customers with safety and security.

## (2) Target Management Indices

The Company aims to increase ROE to enhance corporate and shareholder value. The Company sets its target consolidated ROE at 13.5% in its four-year mid-term business plan, Strong Growth 2017.

In order to achieve the target, the Company will focus on increasing sales and profits by implementing Strong Growth 2017. The Company will also improve efficiency of assets by measures such as reduction of inventories as well as enhance shareholder return.

(Reference) Consolidated ROE

FY2013	FY2014	FY2015
15.0%	11.9%	10.7%

## 3. Strengthening of Corporate Governance

To realize its corporate philosophy, the Company aims at achieving sustained growth and establishing reliance as a company that is highly evaluated by the customers, shareholders, clients and society in all aspects including products, service, technology, financial strength, quality of employees, and other points. In order to realize this basic policy and increase corporate value over the mid-to long-term, the Company recognizes that enhancing corporate governance, by establishing a management structure aiming at improving the soundness, transparency and efficiency of management, is an important management issue.

As part of the Company's commitment to better corporate governance, the Company has introduced an operating officer system that provides a clear segregation between managerial decision making and supervisory functions on directors and the execution of operations on operating officers. The Company also appoints two highly independent Outside Directors to strengthen the management supervisory functions at the Board.

The Company decided the transition to a Company with Audit & Supervisory Committee to further enhance corporate governance. The transition is subject to the approval at this General Meeting of Shareholders. The Company will also establish a nominations and remuneration advisory committee, of which the majority of members are Outside Directors, as voluntary advisory committee of the Board.

## III. Purpose and Contents of the Basic Rule

### 1. Purpose of the Basic Rule

The Basic Rule has been introduced as a measure to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate (as defined in the Basic Principles described in I above).

Based on the perspective of protecting and increasing corporate value and benefits for all shareholders, the purpose of the Basic Rule is, (i) to clarify the procedures that should be taken by a Large-Scale Purchaser when conducting Large-Scale Purchase of shares of the Company, (ii) to ensure necessary and sufficient information and time that allow shareholders to make appropriate judgment, and (iii) to ensure opportunity to the Company to negotiate with the Large-Scale Purchaser and offer shareholders alternative plans.

Currently the Board of Directors is not received any proposal regarding Large-Scale Purchases of the Company's share certificates or other securities by specific third parties. The Company's major shareholders as of March 31, 2016 are listed in Reference Material (5).

### 2. Contents of the Basic Rule

#### (1) Overview of the Basic Rule

The flowchart of an outline of the Basic Rule is described in Reference Material (1). Other overview of the Basic Rule is as follows:

Effective Period	3 years
Targeted Holding Ratio	20%
Deliberation Period	Purchase via a cash: 60 days Others: 90 days
Deliberation Body	Independent Committee
Decision making on Trigger of Defense Measures	The Board of Directors makes decision, fully respecting the opinion of the Independent Committee
Shareholders' Meeting	Convened when the Independent Committee recommends
Defense Measures	Gratis allotment of stock acquisition rights

#### (2) Targeted Large-Scale Purchase

The Basic Rule will be applied to cases where there is Large-Scale Purchase that falls under (a) or (b) below; or any similar action (except where the action has been previously approved by the Board of Directors

of the Company). Hereafter a person or a company intending to conduct a Large-Scale Purchase shall be referred to as "Large-Scale Purchaser" and referred to as "Large-Scale Purchaser Group" combined with persons in special relationship as defined in Paragraph 7, Article 27-2 of the Financial Instruments and Exchange Act.

- (a) A purchase or other acquisition that would result in the holding ratio (\*1) of share certificates (\*2) of a holder and its joint holder (\*3) amounting to 20% or more of share certificates or other securities issued by the Company; or
- (b) A tender offer (\*4) that would result in the ownership ratio of share certificates (\*5) of a tender offerer (\*6) and persons in special relationship (\*7) totaling 20% or more of share certificates or other securities issued by the Company (\*8).

The Large-Scale Purchaser Group must follow the procedures set out in the Basic Rule, and may not commence a Large-Scale Purchase until the Board of Directors of the Company decides whether or not to implement the gratis allotment of stock acquisition rights as a Defense Measure (see (6) below) in accordance with the Basic Rule.

Notes:

- (\*1) Holding Ratio as defined in Paragraph 4, Article 27-23 of the Financial Instruments and Exchange Act.
- (\*2) Share certificates or other securities as defined in Paragraph 1, Article 27-23 of the Financial Instruments and Exchange Act.
- (\*3) Holder includes persons described as a holder in Paragraph 3, Article 27-23 of the Financial Instruments and Exchange Act; joint holder as defined in Paragraph 5, Article 27-23 of the Financial Instruments and Exchange Act, including persons considered to be joint holders in Paragraph 6, Article 27-23 of the Financial Instruments and Exchange Act.
- (\*4) Tender Offer as defined in Paragraph 6, Article 27-2 of the Financial Instruments and Exchange Act.
- (\*5) Ownership ratio as defined in Paragraph 8, Article 27-2 of the Financial Instruments and Exchange Act.
- (\*6) Tender offerer as defined in the text of Paragraph 1, Article 27-2 of the Financial Instruments and Exchange Act.
- (\*7) Persons in special relationship as defined in Paragraph 7, Article 27-2 of the Financial Instruments and Exchange Act.
- (\*8) Share certificates or other securities as defined in Paragraph 1, Article 27-2 of the Financial Instruments and Exchange Act.

### (3) Submission of a Statement of Intent of Purchase

- a. A Large-Scale Purchaser Group, prior to making a Large-Scale Purchase, must first submit a proposal of Large-Scale Purchase which includes the following items and a written statement containing a pledge to comply with the Basic Rule (together with a proposal of Large-Scale Purchase, referred to as a "Statement of Intent of Purchase") to the Board of Directors. Statement of Intent of Purchase and additional information described in C below must be made in the Japanese language.
  - i) An overview of the Large-Scale Purchaser Group, including the Large-Scale Purchaser's name, address, governing law for incorporation, structure of the ownership, contact information in Japan, description of business, financial conditions, etc.
  - ii) The purpose, method and terms of the Large-Scale Purchase
  - iii) Purchase price of the Company's shares and the basis for its determination thereof
  - iv) Source of funds for the purchase, including names of the lenders and repayment plan in case of borrowing
  - v) When the Large-Scale Purchase is not made in cash, type of considerations and basis for its evaluation thereof
  - vi) Management policies, business plans, capital policies, and dividend policies for the Company that the Large-Scale Purchaser intends to adopt after the completion of the Large-Scale Purchase
  - vii) Policies on the treatment of employees, clients, customers, and other stakeholders that the Large-Scale Purchaser intends to adopt after the completion of the Large-Scale Purchase
  - viii) Any other information that the Board of Directors or the Independent Committee reasonably considers necessary
- b. The Board of Directors will disclose the information as regards to the fact that a Large-Scale Purchase has been proposed as well as the information included in the Statement of Intent of Purchase submitted to the Board of Directors in a timely manner, when deemed appropriate.
- c. Upon receipt of the Statement of Intent of Purchase, the Board of Directors of the Company shall immediately forward the document to the Independent Committee. Should the Board of Directors and the Independent Committee determine that the contents included in the Statement of Intent of Purchase

are deemed insufficient or unclear, they may set a reply period and require the Large-Scale Purchaser Group to provide additional information directly or via the Board of Directors to the reasonable extent. The Board of Directors and Independent Committee may continue to require additional information until such time as necessary and sufficient information has been provided, subject to a maximum response period of 60 days from the initial receipt of the Statement of Intent of Purchase. If, however, the Large-Scale Purchaser Group reasonably explains why it is difficult to provide parts of the additional information requested by the Board of Directors of the Company and the Independent Committee, the Independent Committee may finish the negotiations regarding information provision with the Large-Scale Purchaser Group and begin deliberation as described in (4) below before all of the information requested has been provided in full.

(4) Deliberation made by the Independent Committee

- a. To eliminate arbitrary decisions by the Board of Directors and to ensure fair judgment as regards to the compliance with the Basic Rule by the Large-Scale Purchaser Group and as regards to whether Defense Measures should be triggered, the Company establishes the Independent Committee, in accordance with resolution at the Board of Directors, comprised of three or more Independent Committee members. Those members are appointed by the Board of Directors from Outside Directors or Independent Outside Advisors (See Reference Material (3) for the outline of the Independent Committee, and Reference Material (4) for candidates for members of the Independent Committee).
- b. The Board of Directors shall, after a Large-Scale Purchase or Large-Scale Purchase proposal, promptly requests the Independent Committee to be convened.
- c. The Independent Committee shall, as an advisory body of the Board of Directors, review and examine the contents of the Statement of Intent of Purchase and alternative plans (if such alternative plans are submitted by the Board of Directors) and submit an opinion as regards to whether Defense Measures should be triggered to the Board of Directors attached with basis of such opinion. Deliberation made by the Independent Committee, shall be disclosed in a timely and appropriate manner. The Independent Committee shall deliberate on the following items:
  - i) Status of compliance with the Basic Rule by the Large-Scale Purchaser Group
  - ii) Examination as to whether the information provided in the Statement of Intent of Purchase is deemed necessary and sufficient in light of items described in 2. (3) a.
  - iii) Request to the Large-Scale Purchaser Group for additional information or conduct an interview with the Large-Scale Purchaser Group
  - iv) Examination of contents included in the Statement of Intent of Purchase and information additionally provided
  - v) Examination of alternative plans submitted by the Company
  - vi) Evaluation of results of discussions and negotiations conducted by the Board of Directors with the Large-Scale Purchaser Group
  - vii) As to whether to convene a General Meeting of Shareholders in relation to the use of Defense Measures
  - viii) As to whether Defense Measures should be triggered
  - ix) As to whether Defense Measures should be cancelled
  - x) Other items that should be determined by the Board of Directors, among which are consulted to the Independent Committee
- d. The Independent Committee, when it deems necessary to compare the details of the relevant Large-Scale Purchase proposal described on the Statement of Intent of Purchase with the Company's business plans, may set a reasonable reply period (up to 60 days) and request that the Board of Directors present (i) an opinion on the contents of proposal of the relevant Large-Scale Purchase, (ii) supporting materials and alternative proposal (if any), and (iii) any other information or materials that the Independent Committee considers necessary and appropriate.
- e. The Board of Directors of the Company shall provide the above information and other materials as requested by the Independent Committee. The Board of Directors may, when necessary, discuss and negotiate with the Large-Scale Purchaser Group and offer shareholders alternative plans.
- f. Should the Independent Committee determine that sufficient and necessary information regarding the Large-Scale Purchase has been provided, it will notify the relevant Large-Scale Purchaser of the fact that it has commenced a process of the Deliberation on the prospective Large-Scale Purchase proposal. Then the Independent Committee makes Deliberation within a set period of time (hereinafter referred to as "Deliberation Period"). Such Deliberation Period shall be either (i) or (ii) below, depending on the difficulty level for reviewing the Large-Scale Purchase proposal.
  - i) A 60-day period shall be granted for a prospective Large-Scale Purchase in which all shares of the

Company are to be purchased via a cash offer in Japanese yen

- ii) A 90-day period shall be granted for any prospective Large-Scale Purchase other than (i) above
- g. The Independent Committee may, at the expense of the Company, seek advice from independent outside experts which include financial advisors, certified public accountants, attorneys, academic experts, etc. to ensure that its decision ensures and enhances the Company's corporate value and common interests of its shareholders.

(5) Recommendations by the Independent Committee

a. Recommendation for the triggering of a Defense Measure

The Independent Committee shall, where it adjudges that the Large-Scale Purchase falls into any one of the following categories, recommend the implementation of Defense Measures in the form of gratis allotment of stock acquisition rights to the Board of Directors, except where it is deemed necessary to obtain further information from or conduct further negotiations or discussions with the Large-Scale Purchaser.

The Independent Committee may, if it is uncertain whether the Large-Scale Purchase will fall into the categories ii) through iv), recommend the implementation of Defense Measures subject to the approval of a General Meeting of Shareholders in advance (hereinafter referred to as the "Shareholders' Meeting").

- i) If the Large-Scale Purchaser Group does not comply with the Basic Rule (including the case in which a written statement containing a pledge to comply with the Basic Rule is not submitted)
  - ii) Cases in which it is clear that the relevant Large-Scale Purchase damages common interests of shareholders of the Company which includes:
    - Buying out the Company's share certificates in order to require such share certificates to be compulsorily purchased by the Company or the parties concerned with the Company at an inflated price (so-called "green mailer" case)
    - Management that achieves an interest for the Large-Scale Purchaser Group to the detriment of the Company, such as temporarily taking control of the Company in order to acquire important assets of the Company (including intangible assets such as intellectual properties, know-how, and customer base, etc.) at low prices
    - Diverting the Company's assets as collateral for or repayment of debts of the Large-Scale Purchaser Group
    - Temporary control of the Company's management to dispose the assets of the Company so that the Large-Scale Purchaser may cause the Company to temporarily distribute high dividends or sell the shares at a temporarily higher price as a result of the high dividends
  - iii) Cases that threaten to have the effect of forcing the Company's shareholders into selling their shares, such as coercive two-tiered tender offers (meaning acquisitions of shares including tender offers that do not offer to acquire all shares in the initial acquisition, and set unfavorable acquisition terms for the second stage or do not set clear terms for the second stage)
  - iv) In the event that conditions for the purchase (including the amount and type of considerations, the purchase schedule, legality, probability of the purchase, post-purchase management policies and business plans) are significantly insufficient or inappropriate from the Company's intrinsic value
- b. Recommendation for the non-triggering of a Defense Measure

In the event that the Independent Committee does not consider the Large-Scale Purchase to warrant the use of Defense Measures, it shall recommend to the Board of Directors that Defense Measures should not be used. Such a recommendation may be made regardless of the expiry of the Deliberation Period.

(6) Resolution of the Board of Directors

- a. The Board of Directors make the decision as to whether Defense Measures should be triggered, fully respecting the opinion of the Independent Committee, except where a Shareholders' Meeting is held as described in (7) below, in which case the decision of the Board of Directors shall be based on the resolution adopted at the Shareholders' Meeting.
- b. The Board of Directors may, when necessary, discuss and negotiate with the Large-Scale Purchaser Group even after the triggering of the Defense Measures. Such discussions or negotiations may result in material change in matters which were the basis of the judgment made by the Board of Directors to trigger a Defense Measure, which includes the Large-Scale Purchaser Group proposing any change in matters that may affect the basis of the Large-Scale Purchase. In such circumstances, the Company, in accordance with resolution at the Board of Directors, may cancel the Defense Measures after consulting with the Independent Committee on the condition. (The announcement of such cancellation shall be



disclosed in a timely and appropriate manner in accordance with the relevant legislation and the regulations of Financial Instruments Exchanges). Specifically, the Company may stop the gratis allotment of stock acquisition right, or acquire all of the allocated stock acquisition free of charge.

(7) Convocation of the Shareholders' Meeting

If the Independent Committee recommends the implementation of Defense Measures subject to the approval of the Shareholders' Meeting in advance as described in (5) a. above, the Board of Directors may promptly convene the Shareholders' Meeting in accordance with the law on the issue of gratis allotment of stock acquisition rights in accordance with the Basic Rule.

(8) Information disclosure

The Company shall provide information in a timely and appropriate manner regarding the status and progress of procedures set out in the Basic Rule (including receipt of the Statement of Intent to Purchase and commencement of the Deliberation Period) as well as summaries of recommendations provided by the Independent Committee, decisions made by the Board of Directors, resolutions approved by the Shareholders' Meeting, and any other information deemed appropriate by the Independent Committee or the Board of Directors, in line with the Basic Rule and in accordance with the relevant legislation and the regulations of Financial Instruments Exchanges.

(9) Gratis allotment of stock acquisition rights

Where a gratis allotment of stock acquisition rights is implemented as a Defense Measure in accordance with the Basic Rule, the implementation thereof shall be undertaken as detailed in Reference Material (2).

(10) Effective term and abolition or amendment of the Basic Rule

- a. Basic Rule shall remain in effect from the introduction thereof after being adopted at this General Meeting of Shareholders until the conclusion of the General Meeting of Shareholders for the last fiscal year ending within three years after this General Meeting of Shareholders. Continuance of the implementation of the Basic Rule shall be presented again to the General Meeting of Shareholders of the Company for approval.
- b. The Basic Rule may be changed or revised at the Board of Directors before the expiration of the effective term to reflect possible revisions of laws and ordinances and rules of financial instruments exchanges, or other reasons, on the condition that such changes or revisions are not inconsistent with the resolution of this General Meeting of Shareholders. The Basic Rule shall be abolished when (a) a General Meeting of Shareholders of the Company passes a resolution to abolish the Basic Rule, or (b) the Board of Directors passes a resolution to abolish the Basic Rule. When the Basic Rule is amended or abolished, timely and appropriate disclosure of the fact that such amendment or abolishment shall be made by the Board of Directors.

(11) Interpretation of the laws and ordinances

The provisions of the laws and ordinances referred in the Basic Rule are based on the laws and ordinances effective as of May 10, 2016. If the meanings of the provisions or terms as set forth in each item referred therein are required revisions due to the enactment, amendment or abolishment of laws and ordinances after May 10, 2016, the Board of Directors may interpret the meanings of the provisions or terms as set forth in each item therein to the reasonable extent as required, taking into consideration of the purposes of such enactment, amendment or abolishment.

#### **IV. Impact on shareholders and investors**

##### **1. Impact on shareholders and investors upon introduction of the Basic Rule**

At the time of introduction of the Basic Rule, no actual gratis allotment of stock acquisition rights will be implemented. Accordingly, it is expected that the introduction of the Basic Rule will have no economic impact on shareholders and investors.

##### **2. Impact when Defense Measures are triggered**

When the Board of Directors implements Defense Measures with the purpose of protecting the common interest of its shareholders, a gratis allotment of stock acquisition rights will be implemented on the registered shareholders of the Company as of the Allotment Date that will separately be determined by the Board of Directors, at a ratio of one stock acquisition right per one share held. In order to exercise stock acquisition rights, shareholders are required to pay 1 Japanese Yen for each stock acquisition right during the prescribed

period in addition to performing prescribed procedures. If the shareholders do not perform the aforementioned procedure during the prescribed period, the shares they hold in the Company will be diluted. If the stock acquisition rights are issued with the condition that such rights may be compulsorily acquired by the Company, the shareholders receive the Company's shares as consideration for acquired stock acquisition rights. In such cases, shareholders are not required to make any payment and the shares they hold in the Company will not be diluted.

### **3. Impact upon the cancellation of the Defense Measures**

In the event that the Company either cancels the gratis allotment of stock acquisition rights or purchases the allocated rights on a gratis basis after the registered shareholders of the Company as of the Allotment Date are confirmed, the shares they hold in the Company will not be diluted. In such cases, subsequent fluctuations in the share price could potentially disadvantage investors who have purchased or sold stock on the expectation of dilution of the price per share.

## **V. Rationale of the Basic Rule**

### **1. Fully satisfying the requirements of the Guidelines Regarding Takeover Defense**

The Basic Rule fully satisfies the three principles, "Principle of protecting and enhancing corporate value and shareholders' common interests", "Principle of prior disclosure and shareholders' will" and "Principle of ensuring the necessity and reasonableness" set out in the "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

### **2. Respecting the intent of shareholders**

The Basic Rule will be introduced subject to the approval at this General Meeting of Shareholders. As the term of Directors is 1 year (the term of Directors serving as an Audit & Supervisory Committee Member is 2 years, if the transition to a Company with Audit & Supervisory Committee is approved by this General Meeting of Shareholders), intention of the shareholders regarding the Basic Rule may be reflected through election of board members that takes place every year. If the General Meeting of Shareholders makes a resolution to abolish the Basic Rule after its introduction, the Basic Rule will be abolished at that time to reflect the intent of the shareholders.

### **3. Elimination of arbitrary decisions by the Board of Directors**

To eliminate arbitrary decisions by the Board of Directors and to ensure fair judgment as regards to compliance with the Basic Rule by the Large-Scale Purchaser Group and as regards to whether Defense Measures should be triggered, the Company establishes the Independent Committee, in accordance with the resolution at the Board of Directors. The Board of Directors makes the decision as to whether Defense Measures should be triggered, fully respecting the opinion of the Independent Committee. The Board of Directors also complies with the resolution of the Shareholders' Meeting, if the Independent Committee recommends the implementation of Defense Measures subject to the approval of the Shareholders' Meeting in advance.

By disclosing outlines of the Deliberation to the shareholders, the Independent Committee ensures a structure which contributes to the corporate value of the Company and the common interests of its shareholders.

### **4. Establishing reasonably objective requirements for the triggering of the Defense Measures**

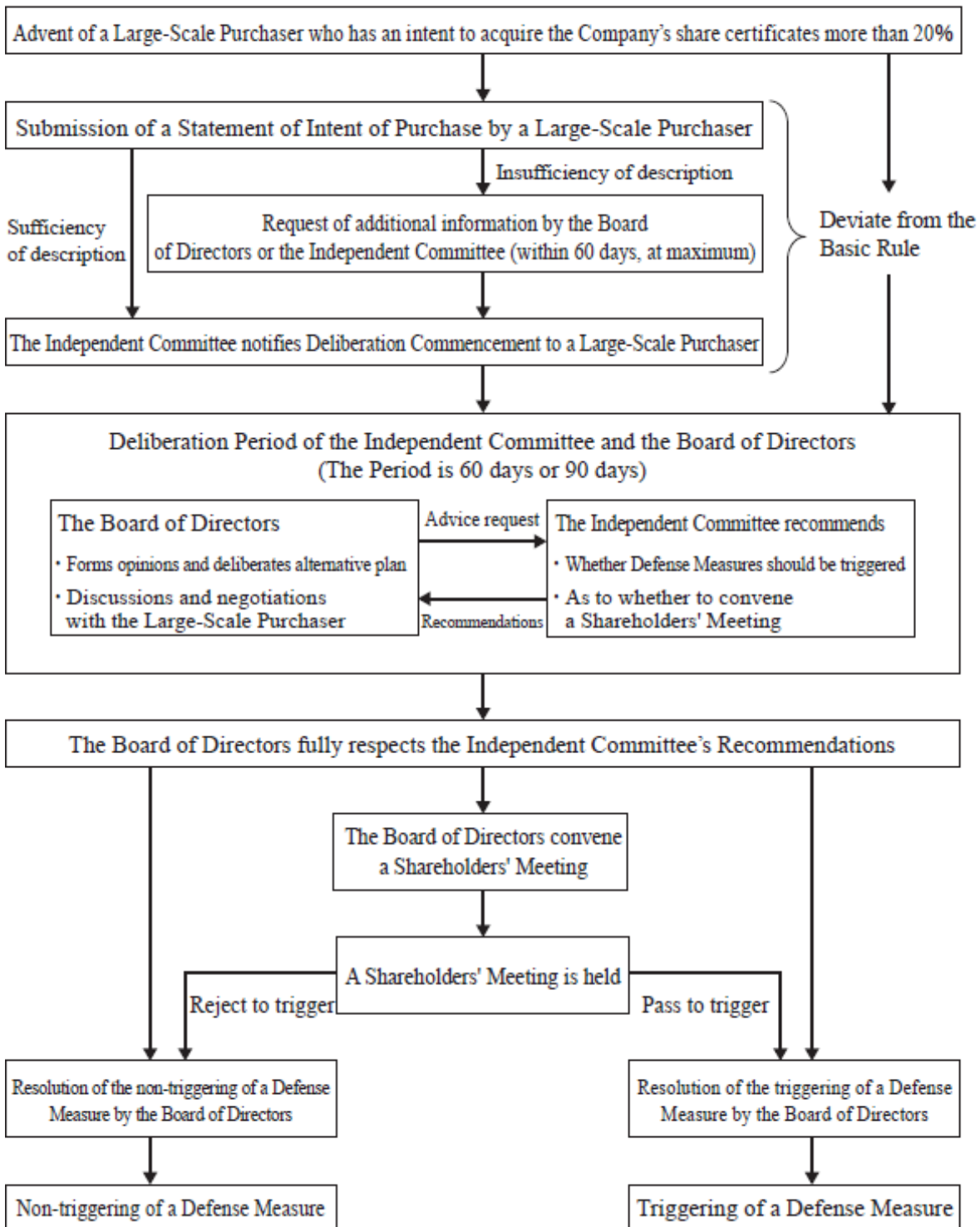
As set out in III 2. (5) a., Defense Measures established by the Basic Rule will not be triggered unless pre-determined reasonable and objective requirements have been satisfied, which ensures a structure to eliminate arbitrary triggering of the Defense Measures by the Board of Directors.

### **5. No dead-handed or slow-handed takeover defense measures**

The Basic Rule may be abolished by a meeting of the Board of Directors composed of Directors who are elected at the Company's General Meeting of Shareholders in accordance with a person who acquired a large quantity of share certificates or other securities of the Company. Accordingly, the Basic Rule is not a dead-handed takeover defense measure (a takeover defense measure in which even if a majority of the members of the Board of Directors are replaced, the triggering of the measure cannot be stopped). Further, since the appointment terms of the Directors are not staggered, the Basic Rule is not a slow-handed takeover defense measure (a takeover defense measure that requires a considerable period of time to repeal because the Directors cannot all be replaced at once).

Reference Material (1):

Flowchart of response procedures in the event of a Large-Scale Purchase of Company share certificates or other securities



Note: This flowchart is an outline of the Basic Rule. For details of the Basic Rule, please refer to the text.

## **Reference Material (2): Terms and Conditions of the Stock Acquisition Rights**

### **1. Total number of stock acquisition rights to be issued**

The maximum number of stock acquisition rights is the number of outstanding shares of the Company (excluding the number of shares of the Company held by the Company at that time) on a date that is determined as an allotment date by a resolution at the Board of Directors regarding issuance of the stock acquisition rights (hereinafter referred to as the "Allotment Date").

### **2. Shareholders to whom the stock acquisition rights are granted and terms and conditions of allotment thereof**

One stock acquisition right will be granted for each share held by shareholders, other than the Company, who are recorded in the last register of shareholders of the Company as of the Allotment Date.

### **3. Class and number of shares issued upon the exercise of stock acquisition rights**

Class of shares subject to stock acquisition rights is common stock and the number of shares issued upon the exercise of stock acquisition rights shall be one share for each stock acquisition right. If the Company conducts a stock split or reverse stock split after the issuance of stock acquisition rights, number of shares issued will be adjusted.

### **4. Issue price of stock acquisition rights**

Stock acquisition rights are issued without considerations as they are allotted to shareholders without considerations.

### **5. Amount to be paid upon exercising the stock acquisition rights**

The amount required to be paid to exercise a stock acquisition right is one Japanese Yen for each common stock of the Company. If the stock acquisition rights are issued with the condition that such rights may be compulsorily acquired by the Company, the shareholders receive the Company's shares as considerations for acquired stock acquisition rights. Accordingly the shareholders are not required to make any payment.

### **6. Restriction on transfer of stock acquisition rights**

Any transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.

### **7. Conditions for the exercise of the stock acquisition rights**

Except where previously agreed by the Board of Directors, persons affiliated with a Large-Scale Purchaser Group which has an intent to acquire 20% or more of the total voting rights of the Company are not generally permitted to exercise their stock acquisition rights. Further details of this requirement will be determined separately by the Board of Directors.

### **8. Exercise period of the stock acquisition rights**

The period for exercising stock acquisition rights and other terms and conditions shall be determined separately by the Board of Directors. The Board of Directors may impose conditions that gives it the right to obtain stock acquisition rights from holders thereof (except from those holders who are not permitted to exercise their stock acquisition rights as described in 7. above) and to issue one share per acquisition right thus obtained.

### Reference Material (3) Outline of the Independent Committee

1. The Independent Committee shall be comprised of three members or more. The members of the Independent Committee shall be elected from Outside Director of the Company or outside experts (including attorneys, licensed tax accountants, certified public accountants, academic experts, experienced corporate managers, and parties with knowledge of the investment banking industry) and may not be those included in the following categories (1) to (5). The Chairman of the Independent Committee shall be elected by mutual election by the members of the Committee.
  - (1) Major shareholders (shareholders holding over 5% of the outstanding shares of the Company), a person in special relationship (as defined in Paragraph 7, Article 27-2 of the Financial Instruments and Exchange Act) with the major shareholders, or a person representing the interest thereof
  - (2) A person who is or was a Director or an employee of an affiliate of the Company (An affiliate refers to a company in which the Company holds the majority of voting rights and includes a company in which a subsidiary or a sub-subsubsidiary of the Company holds the majority of voting rights).
  - (3) A person who is a Director, an Executive Officer or an employee of a company which has a significant business relationship with the Company or a company which had a significant business relationship with the Company in the past 3 years. (A company which has a significant business relationship with the Company refers to a company which has paid to the Company or has received from the Company a total amount which exceeds the higher of the ¥100 million per year or 2% of annual consolidated sales of the relevant company in consideration of goods or services.)
  - (4) A person who receives or received in the past 3 years a substantial amount of compensation (¥10 million or higher per year) as an advisor to the Company (including a corporate attorney and a management consultant, etc. and excluding an Outside Director)
  - (5) Close relatives of a person described in (1) to (4) above (relatives within 2 degrees of relationship or relatives living together)
2. The term of office of members of the Independent Committee shall be 3 years provided that their re-appointment shall not be prevented.
3. The Independent Committee shall review and examine the contents of the Statement of Intent of Purchase and alternative plans (if such alternative plans are submitted by the Board of Directors) and submit an opinion as regards to whether Defense Measures should be triggered to the Board of Directors attached with basis of such opinion. The Independent Committee shall deliberate on the following items:
  - i) Status of compliance with the Basic Rule by the Large-Scale Purchaser Group
  - ii) Examination as to whether the information provided in the Statement of Intent of Purchase is deemed necessary and sufficient in light of items described in 2. (2) a.
  - iii) Request to the Large-Scale Purchaser Group for additional information or conduct an interview with the Large-Scale Purchaser Group
  - iv) Examination of contents included in the Statement of Intent of Purchase and information additionally provided
  - v) Examination of alternative plans submitted by the Company
  - vi) Evaluation of results of discussions and negotiations conducted by the Board of Directors with the Large-Scale Purchaser Group
  - vii) As to whether to convene a General Meeting of Shareholders in relation to the use of Defense Measures
  - viii) As to whether Defense Measures should be triggered
  - ix) As to whether Defense Measures should be cancelled
  - x) Other items that should be determined by the Board of Directors, among which are consulted to the Independent Committee
4. As a general rule, a resolution shall be adopted with the attendance of all members of the Independent Committee and by the majority of voting rights. Under a circumstance which is deemed unavoidable, a resolution may be adopted with a majority of voting rights when a majority of the members of the Independent Committee holding the voting rights as regards to the relevant resolution are in attendance.

#### Reference Material (4): Candidates for members of The Independent Committee

Masaya Yamauchi

Born in 1960

(Career Summary)

April 1988 Registered as an attorney (Tokyo Bar Association)

September 1993 Established Nakagawa & Yamauchi Law Office

August 2001 Integrated into Hibiki-Sogo Law Office (current position)

June 2010 Director of the Company (current position)

June 2010 Member of the Independent Committee of the Company (current position)

- Mr. Masaya Yamauchi is the current Company's Outside Director and a candidate (reappointment) for an Outside Director at this General Meeting of Shareholders.
- The Company has filed with the Tokyo Stock Exchange a notification to establish that Mr. Yamauchi is an independent officer as provided by the Exchange, because he satisfies the requirements therefor.
- No material conflict of interest exists between the Company and Mr. Yamauchi.

Minoru Obara

Born in 1947

(Carrier Summary)

April 1986 Assistant Professor at Dept. of Electrical Engineering, Faculty of Science and Technology, Keio University

April 1993 Professor at Dept. of Electrical Engineering (Current Dept. of Electronics and Electrical Engineering), Faculty of Science and Technology, Keio University

June 2012 Director of the Company (current position)

April 2013 Professor Emeritus at Keio University (current position)

- Mr. Minoru Obara is the current Company's Outside Director and a candidate (reappointment) for an Outside Director at this General Meeting of Shareholders.
- The Company has filed with the Tokyo Stock Exchange a notification to establish that Mr. Obara is an independent officer as provided by the Exchange, because he satisfies the requirements therefor.
- No material conflict of interest exists between the Company and Mr. Obara.

Masahiro Kawamura

Born in 1949

(Career Summary)

June 1977 Registered as a Tax Accountant

March 1979 Register as a Certified Public Accountant

August 1979 Joined Kawamura Tax Accounting Office (current position)

June 2010 Outside Corporate Auditor of the Company (current position)

June 2010 Member of the Independent Committee of the Company (current position)

- Mr. Masahiro Kawamura is the current Company's Outside Corporate Auditor and a candidate for an Outside Director serving as an Audit & Supervisory Committee Member at this General Meeting of Shareholders.
- The Company has filed with the Tokyo Stock Exchange a notification to establish that Mr. Kawamura is an independent officer as provided by the Exchange, because he satisfies the requirements therefor.
- No material conflict of interest exists between the Company and Mr. Kawamura.

Shigeru Kawatsuhara

Born in 1952

(Career Summary)

April 1975 Joined TOKO, INC.

April 2002 Senior Manager of Sales Department 1, Sales Operations, TOKO, INC.

April 2004 General Manager of Sales Center, TOKO, INC.

June 2005 Corporate Director and General Manager of Sales Center, TOKO, INC.

April 2008 President of TOKO, INC.

May 2014 Chairman of TOKO, INC.

March 2015 Senior Advisor of TOKO, INC.

April 2016 Part-time Advisor of TOKO, INC. (current position)

- Mr. Kawatsuhara is a candidate for an Outside Director serving as an Audit & Supervisory Committee Member at this General Meeting of Shareholders.
- The Company will file with the Tokyo Stock Exchange a notification to establish that Mr. Kawatsuhara is an independent officer as provided by the Exchange, because he satisfies the requirements therefor.
- No material conflict of interest exists between the Company and Mr. Kawatsuhara.