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(Securities Code: 9107)

June 4, 2012

To our Shareholders:

8 Kaigan-dori, Chuo-ku, Kobe, Japan  
**Kawasaki Kisen Kaisha, Ltd.**

Jiro Asakura  
Representative Director,  
President & CEO

## **Notice of the 144th Ordinary General Meeting of Shareholders**

You are cordially invited to attend the 144th Ordinary General Meeting of Shareholders of Kawasaki Kisen Kaisha, Ltd. (hereinafter referred to as “the Company”), details of which are set forth below. If you are unable to attend the meeting, it would be appreciated if you exercise your voting rights by either one of the following methods after reviewing the after-mentioned “Reference Materials for the General Meeting of Shareholders” by 5:00 p.m. on Monday, June 25, 2012 (Japan Standard Time).

### **To exercise your voting rights in writing**

Please complete the enclosed Voting Rights Exercise Form, indicating whether you approve or disapprove of each of the Propositions to be resolved, and return it by postal mail to us.

### **To exercise your voting rights electronically (via the Internet)**

Please refer to “Exercise of Voting Rights via the Internet” shown on pages 13-14, and access the designated voting website (<http://www.web54.net> (in Japanese only)) using the “Voting Code” and “Password” printed on the enclosed Voting Rights Exercise Form. Please follow the instructions on the screen to indicate whether you approve or disapprove of each of the Propositions to be resolved.

**Date and time:** 10:00 a.m. on Tuesday, June 26, 2012 (Japan Standard Time)  
**Location:** Large Hall, Kaiun Club,  
2nd Floor, Kaiun Building,  
6-4, Hirakawa-cho 2-chome, Chiyoda-ku, Tokyo

**Agenda:**

*Matters to be reported:*

1. Business Report, Consolidated Financial Statements and Audit Reports by the Accounting Auditors and the Board of Corporate Auditors on the Consolidated Financial Statements for the Fiscal Year from April 1, 2011 to March 31, 2012
2. Non-consolidated Financial Statements for the Fiscal Year from April 1, 2011 to March 31, 2012

*Matters to be resolved:*

- Proposition 1 Appropriation of Surplus  
Proposition 2 Election of thirteen (13) Directors  
Proposition 3 Election of two (2) Corporate Auditors  
Proposition 4 Renewal of Plan on Countermeasures to Large-Scale Acquisitions of Company Shares (Takeover Defense Measures)

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- For those attending the meeting on the day, please submit the enclosed Voting Rights Exercise Form at the reception desk.
  - In accordance with the provisions of applicable laws and regulations and Article 18 of the Company's articles of incorporation, the "Notes to Consolidated Financial Statements" and "Notes to Non-consolidated Financial Statements" in the documents to be attached for the 144th Ordinary General Meeting of Shareholders are displayed on the Company's website at <http://www.kline.co.jp/ir/stock/meeting/index.html>, and are not included in the documents attached to this Notice.
  - In the event that the exercise of votes is duplicated by both the method of postal mail and the Internet, the vote received last shall be deemed valid. However, if the duplicate votes are received on the same date, the Internet vote shall be deemed valid.
  - If there are any amendments to Reference Materials for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements and/or Non-consolidated Financial Statements, such amendments will be announced on the Company's website at <http://www.kline.co.jp/ir/stock/meeting/index.html> (in Japanese only).

## Reference Materials for the General Meeting of Shareholders

### Proposition 1: *Appropriation of Surplus*

We propose to distribute no dividend for the term as we regrettably had to post a major net loss for the current term. We express our sincere apology to all shareholders for this.

In order to compensate for the loss in unappropriated earned surplus for current term, we also propose to use part of the other reserve in accordance with the provisions of Article 452 of the Companies Act.

- |   |                    |
|---|--------------------|
| (1) The surplus item to be decreased and its amount |                    |
| Other reserve                                       | 40,000,000,000 yen |
| (2) The surplus item to be increased and its amount |                    |
| Unappropriated earned surplus for current term      | 40,000,000,000 yen |

**Proposition 2: Election of thirteen (13) Directors**

The terms of office for all thirteen (13) Directors will expire upon conclusion of this meeting.

It is therefore requested that thirteen (13) Directors be elected at this meeting.

The candidates are:

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
1	Hiroyuki Maekawa (August 2, 1947)	<p>April, 1971      Joined the Company</p> <p>July, 1997      General Manager of Corporate Planning Department, Planning Group</p> <p>June, 1999      Director</p> <p>June, 2000      Managing Director</p> <p>June, 2002      Representative Director, Senior Managing Director</p> <p>April, 2005      Representative Director, President</p> <p>June, 2006      Representative Director, President &amp; CEO</p> <p>April, 2010      Representative Director, Chairman of the board</p> <p>April, 2011      Director, Chairman of the board (Current)</p>	241,000 shares
2	Jiro Asakura (July 31, 1950)	<p>April, 1974      Joined the Company</p> <p>July, 2000      General Manager, Coal &amp; Iron Ore Carrier Group of Bulk Carrier Department</p> <p>April, 2001      General Manager of Coal &amp; Iron Ore Carrier Group</p> <p>June, 2005      Director, General Manager of Coal &amp; Iron Ore Carrier Group</p> <p>June, 2006      Executive Officer, General Manager of Coal &amp; Iron Ore Carrier Group</p> <p>April, 2007      Managing Executive Officer</p> <p>April, 2009      Senior Managing Executive Officer</p> <p>June, 2009      Representative Director, Senior Managing Executive Officer</p> <p>April, 2011      Representative Director, Vice President Executive Officer</p> <p>May, 2011      Representative Director, President &amp; CEO (Current)</p>	56,000 shares

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
3	Takashi Saeki (August 28, 1950)	<p>April, 1974    Joined the Company</p> <p>July, 2002    General Manager of Containerships Business Group</p> <p>July, 2004    General Manger of Corporate Planning Group</p> <p>June, 2005    Director, General Manager of Corporate Planning Group</p> <p>June, 2006    Director, Executive Officer</p> <p>April, 2007    Director, Managing Executive Officer</p> <p>April, 2009    Representative Director, Senior Managing Executive Officer</p> <p>April, 2010    Director, Senior Managing Executive Officer and Executive Vice President of "K" Line America, Inc.</p> <p>June, 2010    Senior Managing Executive Officer and Executive Vice President of "K" Line America, Inc.</p> <p>July, 2010    Senior Managing Executive Director and President of "K" Line America, Inc.</p> <p>June, 2011    Vice President Executive Officer</p> <p>June, 2011    Representative Director, Vice President Executive Officer (Current)</p> <p>Assistant to President &amp; CEO, Control of Drybulk Sector, Energy Transportation Sector</p>	52,000 shares
4	Eizo Murakami (February 23, 1953)	<p>April, 1975    Joined the Company</p> <p>July, 2004    General Manager of Containerships Business Group</p> <p>June, 2005    Director, General Manager of Containerships Business Group</p> <p>June, 2006    Executive Officer</p> <p>April, 2007    Managing Executive Officer</p> <p>April, 2009    Senior Managing Executive Officer</p> <p>June, 2009    Representative Director, Senior Managing Executive Officer (Current)</p> <p>Control of Containerships Sector, Port Business, Car Carrier Sector, Information System</p>	73,000 shares

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
5	Keisuke Yoshida (November 11, 1951)	<p>April, 1974    Joined the Company</p> <p>July, 2001    General Manager of Finance Group</p> <p>June, 2006    Director, Executive Officer</p> <p>April, 2009    Director, Managing Executive Officer</p> <p>April, 2010    Representative Director, Senior Managing Executive Officer (Current)</p> <p>Control of IR&amp;PR, Finance, Corporate Planning, Business Promotion, Logistics</p>	29,000 shares
6	Takashi Torizumi (July 8, 1951)	<p>April, 1975    Joined the Company</p> <p>July, 2001    General Manager of Accounting Group</p> <p>April, 2007    Executive Officer, General Manager of Accounting Group</p> <p>June, 2007    Director, Executive Officer, General Manager of Accounting Group</p> <p>April, 2009    Director, Managing Executive Officer</p> <p>April, 2011    Representative Director, Senior Managing Executive Officer (Current)</p> <p>Control of General Affairs, Legal, Human Resources, Accounting, CSR &amp; Compliance, assistance to Internal Audit</p>	71,000 shares
7	Masami Sasaki (April 22, 1951)	<p>October, 1974    Joined the Company</p> <p>October, 1995    Captain</p> <p>April, 2001    General Manager of Marine Technical Group</p> <p>January, 2003    General Manager of Marine Human Resources Group</p> <p>July, 2004    General Manager of Marine Safety Administration Group</p> <p>April, 2007    Executive Officer</p> <p>April, 2009    Managing Executive Officer</p> <p>June, 2009    Director, Managing Executive Officer</p> <p>April, 2012    Director, Senior Managing Executive Officer (Current)</p> <p>Control of Marine Sector, Technical, Environment</p>	40,000 shares

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
8	Toshiyuki Suzuki (February 22, 1959)	<p>April, 1981    Joined the Company</p> <p>April, 2006    General Manager of Containerships Business Group</p> <p>April, 2008    Executive Officer</p> <p>April, 2011    Managing Executive Officer Director, "K" LINE PTE LTD. (Current)</p> <p>June, 2011    Director, Managing Executive Officer (Current)</p> <p>In charge of IR &amp; PR, Information System, Corporate Planning, Business Promotion, Logistics, Research</p>	43,000 shares
9	Takashi Yamaguchi (January 31, 1959)	<p>April, 1981    Joined the Company</p> <p>June, 2006    General Manager of Car Carrier Planning &amp; Development Group</p> <p>April, 2008    General Manager of Car Carrier Business Group</p> <p>April, 2009    Executive Officer</p> <p>June, 2011    Director, Executive Officer (Current)</p> <p>In charge of General Affairs, Legal, Human Resources, CSR &amp; Compliance</p>	15,000 shares
10	Yukio Toriyama (November 10, 1959)	<p>April, 1983    Joined the Company</p> <p>April, 2010    General Manager of Port Business Group</p> <p>April, 2011    Executive Officer, General Manager of Accounting Group</p> <p>June, 2011    Director, Executive Officer, General Manager of Accounting Group</p> <p>April, 2012    Director, Executive Officer (Current)</p> <p>In charge of Accounting, Finance</p>	21,000 shares
11	Shunichi Arisaka * (September 24, 1958)	<p>April, 1982    Joined the Company</p> <p>April, 2009    General Manager of Ship Planning Group</p> <p>January, 2010    General Manager of Technical Group</p> <p>April, 2012    Executive Officer, General Manager of Environment Management Division (Current)</p> <p>In charge of Technical, Environment</p>	9,000 shares

No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
12	Mitoji Yabunaka (January 23, 1948)	<p>April, 1969    Joined Ministry of Foreign Affairs of Japan (MOFA)</p> <p>August, 1986    Director of Second International Organization Division, Economic Affairs Bureau, MOFA</p> <p>November, 1987    Director of Second North America Division, North American Affairs Bureau, MOFA</p> <p>September, 1990    Senior Research Fellow of International Institute for Strategic Studies (IISS)</p> <p>September, 1991    Permanent Mission of Japan to the UN and Other International Organizations in Geneva</p> <p>April, 1994    Director of Management and Coordination Division, Minister's Secretariat, MOFA</p> <p>July, 1996    Assistant Vice-Minister, MOFA</p> <p>August, 1997    Deputy Director-General of the Asia Pacific Bureau, MOFA</p> <p>October, 1998    Consul General of Japan at Chicago</p> <p>December, 2002    Director-General of Asian and Oceanian Affairs Bureau, MOFA</p> <p>January, 2005    Deputy Minister for Foreign Affairs, MOFA (Economic Affairs)</p> <p>January, 2007    Deputy Minister for Foreign Affairs, MOFA (Political Affairs)</p> <p>January, 2008    Vice-Minister for Foreign Affairs, MOFA</p> <p>August, 2010    Advisor to MOFA (Current)</p> <p>October, 2010    Advisor to Nomura Research Institute, Ltd. (Current) Special Visiting Professor of Ritsumeikan University (Current)</p> <p>June, 2011    Outside Director of the Company (Current)</p>	1,000 shares



No.	Name (Date of birth)	Career summaries, positions and areas of responsibility in the Company (Significant concurrent positions)	Number of the Company's shares held
13	Eiichiro Kinoshita * (August 30, 1941)	<p>April, 1964     Joined the Bank of Japan (BOJ)</p> <p>February, 1992     General Manager, Nagoya Branch, BOJ</p> <p>March, 1994     Director-General, Operations Department, BOJ</p> <p>February, 1996     Executive Director, General Manager of Osaka Branch, BOJ</p> <p>September, 1998     Advisor, NTT System Technologies, Inc.</p> <p>December, 1998     Special Advisor, The Boston Consulting Group</p> <p>November, 1999     Director and Chairman, NTT System Technologies, Inc.</p> <p>May, 2001     Advisor, Nagoya Railroad Co., Ltd.</p> <p>June, 2001     Senior Managing Director, Division Director, Railroad Operations HQ, Nagoya Railroad Co., Ltd.</p> <p>June, 2002     Director and Vice President, Nagoya Railroad Co., Ltd.</p> <p>June, 2004     Outside Corporate Auditor, Meitetsu Transport Co., Ltd.</p> <p>June, 2005     Outside Corporate Auditor, YAHAGI CONSTRUCTION CO., LTD.</p> <p>October, 2005     Director and President, Nagoya Railroad Co., Ltd.</p> <p>June, 2008     Director, Meitetsu Transport Co., Ltd. Outside Director, CHUBU-NIPPON BROADCASTING CO., LTD.</p> <p>June, 2009     Director and Chairman, Nagoya Railroad Co., Ltd. Outside Director, YAHAGI CONSTRUCTION CO., LTD.</p> <p>June, 2010     Outside Corporate Auditor, Tokai Tokyo Financial Holdings, Inc. (Current)</p> <p>June, 2011     Supervisory Committee member, The Norinchukin Bank (Current), Director and Executive Advisor, Nagoya Railroad Co., Ltd. (Current)</p>	0 shares

(\* symbol denotes new candidate for director.)

Notes: 1) Mr. Eiichiro Kinoshita, a candidate for Outside Director, is also a member of the Supervisory Committee of The Norinchukin Bank and the Company has loans from this bank. As a member of the Supervisory Committee, however, he has taken no part in credit decisions. Therefore the Company judges that he is fully independent of the Company and there is no possibility that conflict of interest may occur between him and general shareholders. No special interests exist between the Company and any of the other above candidates for Directors.

- 2) Mr. Mitoji Yabunaka and Mr. Eiichiro Kinoshita are candidates for Outside Directors. The Company has notified the stock exchanges where its stock is listed that Mr. Mitoji Yabunaka is appointed as an independent director pursuant to their regulations. And on the condition that this proposal is accepted, the Company plans to appoint Mr. Eiichiro Kinoshita as an independent director pursuant to the regulations of the stock exchanges and notify them of his appointment.
- 3) The Company proposes the election of the candidate for Outside Director, Mr. Mitoji Yabunaka, so that the abundant international experience and knowledge he has accumulated over his many years as a diplomat may be utilized in the management of the Company, even though he has not been directly involved in company management apart from being an Outside Director. Similarly, the Company proposes the election of the candidate for Outside Director, Mr. Eiichiro Kinoshita, so that his abundant financial knowledge based on his many years at financial institutions, along with his experience and wide-ranging knowledge and expertise as a corporate manager over many years, may be utilized in the management of the Company.
- 4) Mr. Mitoji Yabunaka currently serves as Outside Director, and his term of service as Outside Director will be one (1) year upon the conclusion of this General Meeting of Shareholders.
- 5) Mr. Eiichiro Kinoshita is also Director of Nagoya Railroad Co., Ltd. but will retire from that position as of the closing of its Ordinary General Meeting of Shareholders to be held in June 2012.
- 6) The Company has concluded a liability limitation contract with Mr. Mitoji Yabunaka pursuant to Article 427, Paragraph 1 of the Companies Act. If the proposal is accepted, the Company intends to extend the contract with him and newly conclude a similar contract with Mr. Eiichiro Kinoshita. An overview of the contract is as follows. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, when acting in good faith and in the absence of any serious negligence, Outside Director may bear liability of 10,000,000 yen or the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, whichever is higher, for the liabilities stipulated in Article 423, Paragraph 1 of the Companies Act.

**Proposition 3: Election of two (2) Corporate Auditors**

The terms of office for Corporate Auditors Fumio Watanabe and Haruo Shigeta will expire upon conclusion of this meeting.

It is therefore requested that two (2) Corporate Auditors be elected at this meeting.

The Board of Corporate Auditors has already given its prior consent to the submission of this proposition.

The candidates are:

No.	Name (Date of birth)	Career summaries and positions in the Company (Significant concurrent positions)	Number of the Company's shares held
1	Fumio Watanabe (March 15, 1950)	April, 1972      Joined The Dai-Ichi Kangyo Bank, Ltd. June, 2000      Executive Officer, General Manager of Corporate Operations Office September, 2001              Executive Officer April, 2002      Managing Executive Officer, Mizuho Bank, Ltd. October, 2005    President, Mizuho Private Wealth Management Co., Ltd. June, 2008      Outside Corporate Auditor of the Company (Current)	24,000 shares
2	Haruo Shigeta (May 14, 1941)	April, 1979      Professor, Faculty of Law, Kanagawa University June, 1997      Director, Institute for Legal Studies, Kanagawa University June, 1997      Admitted as attorney-at-law (Daiichi Tokyo Bar Association) April, 2000      Professor, Department of Law, Aoyama Gakuin University (until March, 2005) September, 2000              Honorary Professor, Dalian Maritime University, China November, 2003              Attorney at law, L&J Law Office, LPC (Current) April, 2005      Professor, Aoyama Gakuin University Graduate School of Professional Accountancy April, 2009      Professor, Department of Law, Aoyama Gakuin University Outside Corporate Auditor of the Company (Current) April, 2010      Professor Emeritus, Aoyama Gakuin University	11,000 shares

- Notes:
- 1) Mr. Haruo Shigeta, a candidate for Outside Corporate Auditor, also works for L&J Law Office, LPC as an attorney at law and the Company has a business relationship with this law office. Mr. Haruo Shigeta, however, is not involved in any legal cases of the Company. Therefore the Company judges that he is fully independent of the Company and there is no possibility that conflict of interest may occur between him and general shareholders. Mr. Fumio Watanabe has no special interests in the Company.
  - 2) Mr. Fumio Watanabe and Mr. Haruo Shigeta are candidates for Outside Corporate Auditors. The Company has notified the stock exchanges where its stock is listed that Mr. Haruo Shigeta is appointed as an independent auditor pursuant to their regulations.
  - 3) Mr. Fumio Watanabe has abundant knowledge and considerable experience acquired as an executive officer of leading banks and president of a company and Mr. Haruo Shigeta is an expert on corporate legal affairs as a university professor and attorney having considerable expertise and insight, even though he has not been directly involved in company management apart from being an Outside Director. The Company proposes the election of the candidates for Outside Corporate Auditor in the hope that their abundant knowledge, considerable expertise and insight will be utilized in the auditing of the Company.
  - 4) Mr. Fumio Watanabe and Mr. Haruo Shigeta currently serve as Outside Corporate Auditors, and their term of service as Outside Corporate Auditors will be four (4) years and three (3) years two (2) months, respectively, upon the conclusion of this General Meeting of Shareholders.
  - 5) The Company has concluded a liability limitation contract with Mr. Fumio Watanabe and Mr. Haruo Shigeta pursuant to Article 427, Paragraph 1 of the Companies Act. If the proposal is accepted, the Company intends to extend the contract with them. An overview of the contract is as follows.  
Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, when acting in good faith and in the absence of any serious negligence, Outside Corporate Auditor may bear liability of 10,000,000 yen or the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, whichever is higher, for the liabilities stipulated in Article 423, Paragraph 1 of the Companies Act.

**Proposition 4: *Renewal of Plan on Countermeasures to Large-Scale Acquisitions of Company Shares (Takeover Defense Measures)***

The Company, based on the resolution of April 27, 2009 of the board of directors and the approval at the Company's 141st Ordinary General Meeting of Shareholders held on June 24, 2009, updated its Plan on Countermeasures to Large-Scale Acquisitions (Takeover Defense Measures) of Company Shares (hereinafter, the "Current Plan"), as a measure against a takeover action that is judged to harm the shareholders' common interests. The effective period of the Current Plan will end at the closing of the Company's ordinary general meeting of shareholders scheduled to be held in June 2012, and therefore, after making the necessary changes to the Current Plan, the Company would like shareholders to approve the Company Plan on Countermeasures to Large-Scale Acquisitions of Company Shares (Takeover Defense Measures) (which refers to the plan that the Company requests that our shareholders approve in this Proposition, the "Plan").

The main changes to be made to the Current Plan are as follows (for further details, please see B. below):

- The upper limit of the period within which the Acquirer must provide Necessary Information is set forth as 60 days.
- The upper limit of the information provision period of the board of directors on the request by the Independent Committee and the consideration period is clearly set forth as 120 days in total, and it is clearly set forth that the consideration period of the Independent Committee starts at the expiration of the information provision period of the board of directors.
- "Requirements for Acquisition of Share Options Without Contribution" which are used as a standard when determining whether or not to implement an allotment of Share Options without contribution, have been implemented, and their scope has been clarified.
- From the viewpoint of avoiding the situation of shareholders and investors' suffering unforeseen damages, etc., the Company has implemented requirements for cases where the Company will not make effective the allotment without contribution after the Company has resolved to implement the allotment without contribution, and the Company has provided that the Company cannot obtain the Share Options without contribution after the Company has allotted the Share Options.

The Company's 5 corporate auditors, including the outside auditors, expressed the opinion that they approve of the Plan, subject to the condition that the specific operation of the Plan is conducted properly.

## A. The reason for proposition

The businesses of the Company's Group are centered on shipping but extend broadly to buying and selling ships, port transport, non-life insurance agency business, introducing brokerage business, information processing, buying, selling and leasing of real estate, and dispatch of laborers, among others. The Company is dedicated to various measures that seek to contribute to the Company's Corporate Value and Shareholders' Interests. To carry out a management policy aimed at improving corporate value over the long term it is critical, in addition to having an extensive degree of know-how and a wealth of experience, to have a full understanding of the relationships the Company has with its stakeholders, such as its shareholders, customers, trading partners, employees, and regional companies. Without a proper understanding of these relationships, it is impossible for shareholders to appropriately judge how capable the Company will be of realizing its corporate value in the future.

The Company is therefore engaged daily in investor-relations activities so that Company shareholders and investors know what the appropriate value of the Company's shares should be. If, however, the Company suddenly receives a proposal for **Acquisition** (defined in B.2(1) *Procedures for the Plan* below) from an acquirer or a person proposing Acquisition of the Company's shares (collectively, an "**Acquirer**"), it may be particularly difficult for shareholders to make an appropriate decision, within a short time frame, on whether to respond to the proposal for Acquisition or not after achieving a full understanding of all the circumstances relating to the Company's businesses, the corporate value of the Company based on the various measures it is actually implementing, and the specific terms and method of the Acquisition.

For those reasons, in order for the Company's shareholders to be able to appropriately make a decision on whether or not to respond to such a proposal for Acquisition, it is necessary to provide shareholders with sufficient information including not only information provided by the Acquirer, but also information provided by the Company's board of directors, who are actually engaged in managing the Company and have a thorough knowledge of the Company's businesses and the details of the various measures noted above as well as opinions and the like on the Acquisition from the Company's board of directors. It is also essential that shareholders are afforded the time necessary and sufficient for them to properly consider all of this information. Further, if from the perspective of ensuring and enhancing the Company's Corporate Value and Shareholders' Interests, the Company believes it is necessary to change or improve the terms and method of the Acquisition, it may be necessary to negotiate with the Acquirer and to propose an alternative proposal. It will therefore be necessary to ensure that the required time is allocated for that purpose.

For shareholders considering whether to continue holding their shares or not, knowing what effects the Acquisition may have on the Company, what the Acquirer's policy is with respect to the Company's relationships with its employees, related companies, customers, trading partners, and

the like, and what management policy and business policy the Acquirer is considering implementing once it can participate in the Company's management are important factors to be considered when considering whether to continue holding their shares or not.

If after promptly evaluating and considering whether or not the terms, method, and other aspects of the Acquisition (including the fundamental Acquirer's post-Acquisition management plans) will contribute to ensuring and enhancing the Company's Corporate Value and Shareholders' Interests the Company's board of directors finds the Acquisition

- will cause obvious damage to the Company's Corporate Value and Shareholders' Interests, such as because it is for the purpose of the Acquirer's acquiring Company shares in pursuit of only its own interests,
- in effect threatens to cause shareholders to have to sell their shares in the Company, or
- will damage the Company's Corporate Value and Shareholders' Interests such as placing shareholders of the Company into a position whereby they are forced to sell their shares in the Company at a low price that does not reflect the Company's true corporate value,

then the Company believes that it will be necessary to invoke appropriate defensive measures against that Acquirer.

In order for the Company to prompt the Acquirer to provide in advance necessary information relating to the Acquisition the Acquirer is attempting and to ensure that the time necessary to evaluate and consider the details of the Acquirer's plan is provided, for the purpose of ensuring and enhancing the Company's Corporate Value and Shareholders' Interests, the Company's board of directors therefore approved the renewing of the Current Plan with partial modification, on the condition it is approved by shareholders. Under the Plan, as well as the Current Plan, defensive measures may be invoked against an Acquirer who has not responded to the Company's requests for the Acquirer to provide sufficient information or to ensure sufficient time for the Company to consider the Acquirer's plans and against an Acquirer making or attempting to make an Acquisition of the Company's shares that will damage the Company's Corporate Value and Shareholders' Interests. By the Company's following these procedures, shareholders will be able to refer to opinions of the board of directors while also considering the Acquirer's proposal and (if an alternative proposal is submitted) any alternative proposals, thus ultimately affording the shareholders an opportunity to appropriately make a decision on whether or not to agree to selling their shares (to make an informed judgment).

## B. Details of the proposition (Details of the Plan)

### 1. Overview of the Plan

#### (1) Purpose

As set out in *A*, the aim of the Plan is to ensure and enhance the Company's Corporate Value and Shareholders' Interests by deterring Acquisitions that threaten to damage the Company's Corporate Value and Shareholders' Interests by ensuring that all shareholders have necessary and sufficient information and time to make appropriate judgments, and by ensuring the opportunity to negotiate with an Acquirer, when a large-scale acquisition is made targeting the Company's shares.

## (2) Establishment of Procedures for the Plan

The Plan sets out the procedures to be taken, for the purpose of first ensuring that the Company's Corporate Value and Shareholders' Interests are ensured and enhanced when an Acquisition targeting the Company's shares is made, for presenting the opinions of the Company's management team and alternative proposals to Company shareholders and for conducting negotiations and the like with an Acquirer after first requesting that the Acquirer provide the Company with information in advance relating to the Acquisition, and providing adequate time for the gathering and considering of information on the Acquirer (please refer to *2 Procedures for the Plan* below).

## (3) Allotment of Share Options Without Contribution Based on Recommendation of Independent Committee

If it can be shown there is a threat that an Acquisition by an Acquirer will damage the Company's Corporate Value and Shareholders' Interests (for further details, please see *3 Requirements for Implementing Allotment of Share Options Without Contribution* below), such as where an Acquirer conducts an Acquisition without following the procedures set out in the Plan, then the Company will make an allotment without contribution (Articles 277 through 279 of the *Companies Act*), to all of the Company's shareholders at that time, of share options that come attached with the two following conditions (the "**Share Options**"; for further details, please see *4 Outline of Allotment of Share Options Without Contribution* below):

- An exercise condition to the effect that no purported exercise of an option by the Acquirer will be valid.
- An acquisition provision which includes the effect that the Company may acquire the Share Options in exchange for shares in the Company from holders other than the Acquirer.

In order to avoid arbitrary judgments of the Company's board of directors on whether or not to make the allotment the Company will obtain a judgment of the Independent Committee, composed only of outside directors, outside auditors, and outside experts who are independent from the management team, which executes the operations of the Company, in accordance with the Regulations of the Independent Committee (for further details, please see *Attachment 1 Overview of Regulations of Independent Committee*).



In addition to the above, if the Independent Committee makes a recommendation to the Company's board of directors to the effect that it would be reasonable to convene a shareholders' meeting and confirm the intention of the shareholders, then the Company's directors must convene such shareholders' meeting. Further, the Company shall strive to ensure transparency in the process of carrying out these procedures by sharing information with its shareholders in a timely manner.

## 2. Procedures for the Plan

### (1) Subject Acquisitions

Under the Plan, if either of the following acts is carried out (an "**Acquisition**"), an allotment without contribution will be made in accordance with the procedures for the Plan.

- ① A purchase or other such acquisition that would result in the holding ratio of share certificates, etc.,<sup>1</sup> of a holder<sup>2</sup> amounting to 20% or more of the share certificates, etc.,<sup>3</sup> issued by the Company.
- ② A tender offer<sup>4</sup> that would result in the owning ratio of share certificates, etc.,<sup>5</sup> of a person who conducts a tender offer and the owning ratio of share certificates, etc. of a person having a special relationship<sup>6</sup> with such person totaling at least 20% of the

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<sup>1</sup> Defined in Article 27-23(4) of the *Financial Instruments and Exchange Act*. Unless otherwise provided for in this document, the same applies throughout this document. If revisions are made to a law or regulation cited in the Plan (including to the name of a law or regulation and the enactment of a new law or regulation that succeeds an old law or regulation), then unless the Company's board of directors separately provides otherwise, the provisions and terms of that law or regulation cited in the Plan are to be read as the provisions and terms of the law or regulation in effect succeeding the provisions and terms of that law or regulation as so revised.

<sup>2</sup> This term has the meaning of *holder* provided for in Article 27-23(1) of the *Financial Instruments and Exchange Act* and includes those persons included as *holder* under Paragraph (3) of that Article (including persons the Company's board of directors recognize as being categorized as such persons). Unless otherwise provided for in this document, the same applies throughout this document.

<sup>3</sup> Defined in Article 27-23(1) of the *Financial Instruments and Exchange Act*. Unless otherwise provided for in this document, the same applies throughout this document.

<sup>4</sup> Defined in Article 27-2(6) of the *Financial Instruments and Exchange Act*. Unless otherwise provided for in this document, the same applies throughout this document.

<sup>5</sup> Defined in Article 27-2(8) of the *Financial Instruments and Exchange Act*. Unless otherwise provided for in this document, the same applies throughout this document.

<sup>6</sup> Defined in Article 27-2(7) of the *Financial Instruments and Exchange Act* (including persons the Company's board of directors recognize as being categorized as such persons). However, persons provided for in Article 3(2) of the *Cabinet Ordinance concerning Disclosure of Tender Offer by Acquirer other than the Issuing Company* are excluded from the persons described in Article 27-2(7)(i) of the *Financial Instruments and Exchange Act*. Specifically, persons who have a special relationship with persons making an Acquisition of stock (defined in Article 27-2(1) of the

share certificates, etc.,<sup>7</sup> issued by the Company.

(2) Requests to the Acquirer for the Provision of Information

Unless otherwise approved by the Company's board of directors, the Company will require any Acquirer attempting an Acquisition provided for in (1) *Subject Acquisitions* above first, before carrying out the Acquisition, to submit to the Company in a form prescribed by the Company a document setting out the information necessary for considering the terms of the Acquisition, which relates to the matters provided in items (A) through (H) below ("**Necessary Information**") and a written undertaking to the effect that in making the Acquisition the Acquirer will comply with the procedures set out in the Plan (those documents collectively, the "**Acquisition Documents**"). When the Company's board of directors has received the Acquisition Documents, it will promptly provide them to the Independent Committee, and if the details set out in the Acquisition Documents are found to be insufficient as Acquisition Documents or insufficient for the purposes of the judgment of shareholders or evaluation and consideration by the Company's board of directors, the Acquirer might be requested to provide additional Necessary Information, and the deadline for making such provision shall be any time within the period of 60 days from the receipt of the Acquisition Documents ("**Necessary Information Provision Period**").

- (A) Details (specifically including name, capital structure, financial position, and state of compliance with laws and regulations) of the Acquirer and its group (including joint holders<sup>8</sup>, persons with a special relationship, and, in the case of funds, each partner and any other constituent member).
- (B) The purpose, method and terms of the Acquisition (including information on the amount and type of payment for the Acquisition, the timeframe of the Acquisition, the scheme of any related transactions, the legality of the Acquisition method, and the probability that the Acquisition will be carried out).
- (C) The basis for the calculation of the purchase price in the Acquisition (including the

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*Financial Instruments and Exchange Act*. The same applies throughout this footnote 6.) certificates, etc. ((1) relation by ownership of shares ((i) a person who jointly acquires or transfers the share certificates, etc., (ii) a person who has agreed to exercise voting rights or other such rights as a shareholder of the issuer (a person in concert), or (iii) a person who has agreed to mutually transfer or acquire share certificates, etc., after the Acquisition), (2) relation as relative, or (3) a person provided for in Cabinet Ordinance (a person who has beneficiary certificates of an investment trust)). Unless otherwise provided for in this document, the same applies throughout this document.

<sup>7</sup> Defined in Article 27-2(1) of the *Financial Instruments and Exchange Act*.

<sup>8</sup> This term means *joint holder* as provided for in Article 27-23(5) of the *Financial Instruments and Exchange Act* and includes persons considered joint holders under Paragraph (6) of that Article (including persons the Company's board of directors recognize as being categorized as such persons). Unless otherwise provided for in this document, the same applies throughout this document.

underlying facts and assumptions of the calculation, the calculation method, the numerical data used in the calculation, and the details of any expected synergies from any series of transactions relating to the Acquisition, including the details of such synergies to be allocated to minority shareholders).

- (D) Financial support for the Acquisition (specifically including the name of the fund providers as well as all indirect fund providers, financing methods, and the terms of any related transactions).
- (E) Post-Acquisition policies for holding and disposition of, and exercise of voting rights pertaining to, Company's stock, etc.
- (F) Fundamental post-Acquisition management policy, business plan, and capital and dividend policies for the Company.
- (G) Post-Acquisition treatment of and policies for the Company's employees, related companies, customers, trading partners, and any other interested parties of the Company.
- (H) Any other information reasonably necessary for considering the terms of the Acquisition.

If the Independent Committee finds that an Acquirer has initiated an Acquisition without complying with the procedures set out in the Plan, it will in principle recommend that the Company's board of directors implement an allotment of Share Options without contribution in accordance with item (A) in *(4) Decision-Making Method of Independent Committee* below, except in particular circumstances where the Company should continue with its requests for submission of the Acquisition Documents and the Necessary Information and with its discussions with the Acquirer.

### (3) Consideration by the Independent Committee of Information from the Acquirer

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

When the Independent Committee has determined that the Acquirer has submitted sufficient Acquisition Documents (if the provision of additional information as Necessary Information is required in accordance with (2) above, including such information) or when the Necessary Information Provision Period is terminated, whichever comes earlier, the Independent Committee may request that the Company's board of directors promptly present an opinion on the terms of the Acquirer's Acquisition (including an opinion to the effect it reserves its opinion; the same applies throughout this document) and supporting materials, an alternative proposal, and any other information or materials that the Independent Committee considers necessary within a reasonable period determined by the Independent Committee (up to 30 days; the "**the Board of Directors' Information Provision Period**") in order to compare the information contained in the Acquisition Documents with the business plan and corporate valuation made by the Company's board of directors in light of ensuring and enhancing the Company's Corporate Value and Shareholders' Interests.

#### (B) Independent Committee's Considerations

If the Independent Committee has determined that the information and materials (including those additionally requested) have been sufficiently provided by the Acquirer and the Company's board of directors (if the Company's board of directors has been so required as set out in *(A) Request to the Company's Board of Directors for the Provision of Information* above) or the Necessary Information Provision Period and the Board of Directors' Information Provision Period are terminated, whichever comes earlier, the Independent Committee may set a consideration period (in principle up to 60 days, but the Independent Committee may extend the period by its resolution in accordance with *(C) in (4) Extensions of the Independent Committee's Consideration Period* below; the "**Independent Committee's Consideration Period**").

During the Independent Committee's Consideration Period, the Independent Committee shall consider the terms of the Acquisition, consider alternative proposals provided by the Company's board of directors, and compare information on the business plans of the Acquirer and the Company's board of directors from the perspective of ensuring and enhancing the Company's Corporate Value and Shareholders' Interests based on information and materials provided by the Acquirer and the Company's board of directors. Further, when it is necessary to improve the terms of the Acquisition from the perspective of ensuring and enhancing the Company's Corporate Value and Shareholders' Interests, the Independent Committee will directly or indirectly through the board of directors consult with the Acquirer and propose to

shareholders the alternative proposal provided by the Company's board of directors.

If, during the Independent Committee's Consideration Period, the Independent Committee directly or indirectly through the Company's board of directors requests the Acquirer provide materials for consideration or other information, or that discussions be held, the Acquirer must promptly respond to that request. The same applies if during the Independent Committee's Consideration Period the Company's board of directors requests that the Acquirer provide materials for consideration or other information.

To ensure that the Independent Committee's decision contributes to the Company's Corporate Value and Shareholders' Interests, the Independent Committee may at the Company's cost obtain advice from independent third parties (including financial advisers, certified public accountants, attorneys, consultants, and other experts).

(C) Disclosure of Information to Shareholders

The Independent Committee will promptly disclose, either directly or indirectly through the Company's board of directors, the fact that the Acquisition Documents have been submitted, and provide an outline of them. The Independent Committee will also disclose to shareholders any items of the Necessary Information or other information that it considers appropriate at a time the Independent Committee considers appropriate.

(4) Decision-Making Method of Independent Committee

If an Acquirer emerges, the Independent Committee will follow the procedures set out below and make certain recommendations to the Company's board of directors. If the Independent Committee makes a recommendation or resolution to the board of directors as provided for in any of the items in Item (A) through Item (C) below, or the Independent Committee otherwise believes it appropriate, the Independent Committee will promptly disclose the fact that a recommendation or resolution has been made, provide an outline of such recommendation or resolution, and provide information relating to the matters it believes are appropriate (and, if the Independent Committee makes a resolution to the effect of extending the Independent Committee's Consideration Period in accordance with Item (C) below, include a note to that effect and an outline of the reasons for the extension).

If, when the Independent Committee intends to implement an allotment of Share Options without contribution, it finds it appropriate to obtain a resolution of the shareholders' meeting, it will recommend that the Company's board of directors convene a shareholders' meeting.

(A) Recommendations for Implementation of Allotment of Share Options Without Contribution

If the Acquirer fails to comply with the procedures set out in *(2) Requests to the Acquirer for the Provision of Information* or *(3) Consideration by the Independent Committee of Information from the Acquirer* above, or if as a result of considering the terms of the Acquisition by the Acquirer or discussions with the Acquirer, the Independent Committee determines that the Acquisition by the Acquirer is subject to any of the requirements provided for in *Attachment 2 Requirements for Allotment of Share Options Without Contribution*, then the Independent Committee will recommend the implementation of the allotment of Share Options without contribution to the Company's board of directors, regardless of whether the Independent Committee's Consideration Period has started or ended.

(B) Recommendations for Non-Implementation of Allotment of Share Options Without Contribution

If, as a result of considering the terms of the Acquirer's Acquisition and discussions with the Acquirer, the Independent Committee determines that the Acquisition by the Acquirer does not meet any of the requirements provided for in *Attachment 2 Requirements for Allotment of Share Options Without Contribution*, the Independent Committee will recommend not implementing the allotment of Share Options without contribution to the Company's board of directors, regardless of whether the Independent Committee's Consideration Period has ended or not.

However, even after the Independent Committee has recommended not implementing the allotment of Share Options without contribution, if a change occurs in the factual relationship constituting a premise to the finding leading to the recommendation and the Independent Committee considers the Acquisition by the Acquirer is subject to any of the requirement provided for in *Attachment 2 Requirements for Allotment of Share Options Without Contribution* the Independent Committee may reach a separate decision, including that the Company implement the allotment of Share Options without contribution, and make a new recommendation to the Company's board of directors.

(C) Extension to the Independent Committee's Consideration Period

If the Independent Committee does not reach a decision to recommend either implementing or not implementing the allotment of Share Options without contribution by the expiry of the initial Independent Committee's Consideration Period, the Independent Committee will pass a resolution to extend the Independent Committee's Consideration Period to a reasonable extent considered necessary for such matters as consideration of the

terms of the Acquirer's Acquisition, discussion with the Acquirer, and consideration of an alternative proposal (but by no more than 30 days).

If the Independent Committee's Consideration Period is extended as a result of the resolution described above, the Independent Committee will continue with its information gathering, consideration process, and like activities, to make a recommendation to implement or not implement the allotment of Share Options without contribution within the extended period.

#### (5) Resolution of Meeting of Board of Directors; Convocation of Shareholders' Meeting

If the Company's board of directors receives a recommendation to do so from the Independent Committee, it will promptly pass a resolution relating to implementing or not implementing the allotment of Share Options without contribution, respecting to the maximum extent the recommendation of the Independent Committee.

If the Independent Committee recommends that the Company's board of directors convene a shareholders' meeting, the Company's board of directors will, unless convening the meeting is unduly difficult, promptly take procedures necessary so that the meeting is held as soon as practicably possible. The Company's board of directors will, in accordance with the matters decided in such shareholders' meeting, resolve to implement the allotment of Share Options without contribution or not to implement the allotment of Share Options without contribution. The Acquirer must not start any Acquisition procedures for the Plan until the Company's board of directors passes a resolution to implement or not implement the allotment of Share Options without contribution.

Once the resolution provided for above is obtained from the board of directors or the shareholders' meeting, the Company's board of directors will promptly disclose an outline of the resolution and any other matters that it considers appropriate.

### **3. Requirements for Implementing Allotment of Share Options Without Contribution**

If an Acquisition by an Acquirer falls under any of the requirements provided for in *Attachment 2 Requirements for Allotment of Share Options Without Contribution*, the Company will implement the allotment of Share Options without contribution in accordance with a resolution of its board of directors as provided for in 2(5) above. Whether an Acquisition by an Acquirer meets requirements provided for in *Attachment 2 Requirements for Allotment of Share Options Without Contribution* shall be determined following the judgment of the Independent Committee in accordance with 2(4) above.

However, if before the day determined by the board of directors, which is also before the day

four business days prior to the reference date of the allotment of Share Options, (a) it has become obvious that the shareholding ratio of the Acquirer has fallen below 20 percent, (b) a public takeover bid consistent with Acquisition by the Acquirer is initiated, and the shareholding ratio of the Acquirer will not be 20 percent or more as a result of expiration or revocation of the open takeover bid, or (c) the board of directors reasonably acknowledges that the menace from such Acquirer has ceased, the board of directors may determine, by resolution by the above date, not to make effective the allotment of Share Options without contribution determined by resolution.

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

An outline of the allotment of Share Options without contribution scheduled to be implemented under the Plan appears below (for further details on the Share Options, please see *Attachment 3 Terms and Conditions of Allotment of Share Options Without Contribution*).

##### (1) Number of Share Options

The Company will implement an allotment of Share Options without contribution in the number equivalent to the final and total number of issued shares in the Company (but excluding the number of shares in the Company held by the Company at that time) on an allotment date (the “**Allotment Date**”) to be separately determined in a resolution by the Company’s board of directors relating to the allotment of Share Options without contribution (“**Allotment Resolution**”).

##### (2) Shareholders Eligible for Allotment

The Company will allot the Share Options without contribution to those shareholders, other than the Company, who are entered or recorded in the Company’s final register of shareholders on the Allotment Date, at a ratio of one (1) Share Option for every share in the Company held.

##### (3) Effective Date of Allotment of Share Options Without Contribution

The effective date of the allotment of Share Options without contribution will be separately determined in the Allotment Resolution.

##### (4) Number of Shares to be Acquired upon Exercise of the Share Options

The number of Company shares (which will be “transfer shares,” as defined in Article 128(1) of the *Act on Transfer of Bonds, Shares, etc.*, and which attract the application of that *Act*) to be acquired upon exercise of each Share Option (the “**Applicable Number of Shares**”) will be separately determined by the board of directors of the Company in the Allotment Resolution.



#### (5) Amount to be Contributed upon Exercise of the Share Options

Contributions upon exercise of the Share Options are to be in cash, and the amount per share in the Company to be contributed upon exercise of the Share Options will be an amount separately determined in the Allotment Resolution within the range between a minimum of one yen and a maximum of any amount equivalent to one-half of the fair market value of the Company's stock per share. "**Fair Market Value**" means the average closing price (including quotations) for regular transactions of the Company's shares on the Tokyo Stock Exchange on each day during the 90-day period before the Allotment Resolution (excluding days on which no closing price is available), with any fraction of a yen resulting from the calculation rounded up to the nearest whole yen.

#### (6) Exercise Period of the Share Options

The commencement date will be a date separately determined in the Allotment Resolution, and the period will be from 1 month to 3 months long as separately determined in the Allotment Resolution. However, if the Company acquires the Share Options under Paragraph ① and ② of (9) *Acquisition of the Share Options by the Company* below, the exercise period for the Share Options with respect to that acquisition will be up to and including the business day immediately before the relevant acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment place for the cash payable upon exercise, the final day will be the preceding business day.

#### (7) Conditions for the Exercise of the Share Options

The following persons in principle may not exercise the Share Options (persons categorized as ① through ⑥ below collectively, "**Non-Qualified Persons**"):

- ① Specified Large Holders.<sup>9</sup>
- ② Joint Holders of Specified Large Holders.
- ③ Specified Large Purchasers.<sup>10</sup>
- ④ Persons having a Special Relationship with Specified Large Purchasers.

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<sup>9</sup> "**Specified Large Holder**" means a party the Company's board of directors considers a holder of share certificates, etc., issued by the Company whose holding ratio of share certificates, etc., for those share certificates, etc., is at least 20%.

<sup>10</sup> "**Specified Large Purchaser**" means a person who makes a public announcement for purchase, etc. (as defined in Article 27-2(1) of the *Financial Instruments and Exchange Act*; the same applies throughout this footnote) of share certificates, etc. (as defined in Article 27-2(1) of the *Financial Instruments and Exchange Act*; the same applies throughout this footnote) issued by the Company through a tender offer and whose owning ratio of share certificates, etc., relating to the ownership (including similar ownership as prescribed in Article 7(1) of the *Order for the Enforcement of the Financial Instruments and Exchange Act*) after the purchase, etc., the Company's board of directors considers will be at least 20% when combined with the owning ratio of share certificates, etc., of a person having a special relationship with such person.

- ⑤ A person who without the approval of the Company's board of directors has been transferred, or has succeeded to, the Share Options of a person to categorized as any of ① through ④.
- ⑥ Any Affiliated Person<sup>11</sup> of any person categorized as any of ① through ⑤.

Nonresidents of Japan who are required to follow certain procedures under foreign laws and regulations to exercise the Share Options in principle may not exercise the Share Options (however, certain nonresidents to whom exemptions under applicable law apply may exercise the Share Options, and the Share Options held by nonresidents will be subject to acquisition by the Company in exchange for Company shares as set out in Paragraph ① of (9) *Acquisition of the Share Options by the Company* below; for details, please see *Attachment 3 Terms and Conditions of Allotment of Share Options Without Contribution*).

#### (8) Assignment of the Share Options

An acquisition of the Share Options by assignment requires the approval of the Company's board of directors.

#### (9) Acquisition of the Share Options by the Company

- ① On a date which is to be separately determined by the resolution of the board of directors and which falls after the allotment without contribution takes effect, the Company may acquire unexercised Share Options which (held by persons who are verified not to be a Non-Qualified Person, including persons who are provided in 8.(c) and (d) in *Attachment 3 Terms and Conditions of Allotment of Share Options Without Contribution*; referred to as the "Exercisable Share Options" in ② below) may be exercised in accordance with the provisions of 8.(a) and (b) in *Attachment 3 Terms and Conditions of Allotment of Share Options Without Contribution*, by delivering the whole number portion of the Company's common shares, which is the product of the number of Share Options involved in the acquisition multiplied by the number of shares to be issued by one (1) Share Option.
- ② On a day which is to be separately determined by the board of directors and which falls after the allotment without contribution takes effect, the Company may acquire

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<sup>11</sup> An "**Affiliated Person**" of a given person means a person the Company's board of directors considers substantially controls, is controlled by, or is under common control with the given person (including persons the Company's board of directors consider as being categorized as such a person), or a person considered by the Company's board of directors to act in concert with the given person. "**Control**" means to "control decisions on the financial and business policies" (as defined in Article 3(3) of the *Ordinance for Enforcement of the Companies Act*) of other corporations or entities.

unexercised Share Options other than the Exercisable Share Options, by delivering a number of Share Options identical to the number of Share Options involved in the acquisition, with limitations on the exercise by Non-Qualified Persons and certain persons such as a non-resident who cannot utilize the provision of exclusion under the applicable laws and regulations of such foreign country (in accordance with provisions including transfer approval, as stipulated by the board of directors). A delivery of cash shall not be made for the above acquisition.

- ③ In addition to the above, matters relating to the acquisition of Share Options will be provided for separately if required by the Allotment Resolution.

For the definitions and details of the words and expressions above, please see *Attachment 3 Terms and Conditions of Allotment of Share Options Without Contribution*.

## **5. Effective Period of the Plan**

The effective period of the Plan ends on the close of the ordinary shareholders' meeting held for the business year ending on March 31, 2015.

## **6. Abolition and Amendment of the Plan**

Even before the effective period of the Plan has ended, as described in 2 (2) ② (iii) of *For shareholders' reference*, it is possible to abandon the Plan at anytime by resolution of the board of directors through election or dismissal of Directors by ordinary resolution of the ordinary shareholders' meeting. The Company's board of directors might revise or change the Plan to an extent that can be considered reasonably necessary as a result of changes in, or changes in interpretation or the operation of, the *Companies Act*, the *Financial Instruments and Exchange Act*, other laws or regulations, or the rules of financial instruments exchanges or changes in tax systems, or due to court decisions, or the like.

If the Plan is abolished or changes, the Company will promptly in accordance with applicable laws and regulations and the rules of financial instruments exchanges disclose the fact of the abolishment or change and any other matter the board of directors considers appropriate.

(For shareholders' reference)

The possible effects on the shareholders and investors due to the continuous application of the Plan are as mentioned in 1. below. In addition, the Company believes that the Plan has rationality, as mentioned in 2. below. The Company would like our shareholders to fully consider these points, and approve this Proposition.

## **1 IMPACT ON SHAREHOLDERS**

### ***(1) Impact on Shareholders Upon Renewal of Current Plan***

The actual allotment of Share Options without contribution will not be carried out at the time the Current Plan is renewed. The Plan will therefore have no direct concrete affect on the legal rights and economic interests of shareholders with respect to the shares of the Company at the time the Current Plan is renewed.

### ***(2) Impact on Shareholders and Investors at the Time of Allotment of Share Options Without Contribution***

If the Company's board of directors or shareholders' meeting passes a resolution for an allotment of Share Options without contribution, the Company will make an allotment of Share Options without contribution to the shareholders on the Allotment Date provided for separately in the Allotment Resolution of one (1) Share Option per share in the Company held by entitled shareholders. If the shareholders do not pay the exercise price or perform other procedures for exercise of the Share Options provided for in Paragraph (ii) of *(3) Procedures Necessary for Shareholders upon the Allotment of Share Options Without Contribution* below during the exercise period of the Share Options, the shares they hold in the Company will be diluted by the exercise of Share Options by other shareholders. However, the Plan makes it also possible for the Company to simultaneously acquire all of the Share Options, and assign the Company's shares to those Share Options that fulfill the conditions for the exercise of Share Options in accordance with the procedures provided for in Paragraph (iii) of *(3) Procedures Necessary for Shareholders upon the Allotment of Share Options Without Contribution* below. If the Company carries out that acquisition procedure, all shareholders other than Non-Qualified Persons will receive shares in the Company without exercising their Share Options or paying an amount equivalent to the exercise price, and this may dilute the value per share in the Company held by the shareholder, but in principle there will not be any financial dilution of the overall value of shares held in the Company.

From the viewpoint of avoiding the situation that shareholders and investors who made sales or purchases, etc. based on the premise that the dilution of the value per one (1) share of the Company

would suffer unforeseen damages caused by such change in share price, the Company does not plan to suspend the allotment without contribution or to acquire the Share Options without contribution which were allocated on or after the day three business days prior to the reference day of the allocation of the Share Options, and even on or before the day four business days prior to the reference day of the allocation without contribution, the Company shall not make a resolution not to make effective the allotment of Share Options without contribution, except as provided in B.3 above.

***(3) Procedures Necessary for Shareholders upon the Allotment of Share Options Without Contribution***

***(i) Procedures for Allotment of Share Options***

If the Company's board of directors passes the Allotment Resolution, the Company will give public notice of the Allotment Date with respect to the allotment of Share Options without contribution. In this case, shareholders who are entered or recorded in the Company's final register of shareholders on the Allotment Date will automatically become option-holders on the effective date of the allotment of Share Options without contribution, so no further procedures, such as applying for the allotment, will be necessary.

***(ii) Procedures for Exercising Share Options***

The Company will in principle deliver an exercise request form for the Share Options (in a form prescribed by the Company and containing the necessary matters—such as the terms and number of the Share Options for exercise, the exercise date for the Share Options, and the account for transfer of the transfer shares—as well as representations and warranties regarding matters such as that the shareholders themselves are not Non-Qualified Persons, as well as indemnity clauses, and other covenants) and other documents necessary for the exercise of the Share Options to the shareholders who are entered or recorded in the Company's final register of shareholders on the Allotment Date.

After the allotment of Share Options without contribution, the shareholders will be issued shares in the Company to be acquired upon exercise of each Share Option

- upon submitting, in accordance with the Company's prescribed method, the exercise request form and other necessary documents during the exercise period for the Share Options and before acquisition of Share Options by the Company becomes effective,
- once the exercise request form and other necessary documents have reached the place handling such requests, and
- by paying to the place handling such requests an amount equivalent to the exercise price determined in the Allotment Resolution, which will be an amount within the range of one

yen and one-half of the fair market value of the Company's stock per share.

(iii) Procedures for Acquisition of Share Options by Company

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

If the Company provide shares in the Company to shareholders other than Non-Qualified Persons in exchange for the acquisition of the Share Options, the shareholders concerned will in principle come to receive shares in the Company to be acquired upon exercise of each Share Option as compensation for the acquisition by the Company of those Share Options, without paying an amount corresponding to an exercise price. However, in that case, the shareholders concerned will be separately requested to submit, in a form prescribed by the Company, a document setting out necessary matters—such as the account for transfer of the transfer shares—and including representations and warranties regarding matters such as the fact that they are not Non-Qualified Persons, as well as indemnity clauses, and other covenants.

In addition to the above, the Company will disclose information or notify all of its shareholders with respect to the particulars of the allotment method for the Share Options, the exercise method, and the method for acquisitions by the Company once they have been determined in the Allotment Resolution.

**2 DECISIONS AND REASONING OF THE COMPANY'S BOARD OF DIRECTORS REGARDING ABOVE MEASURES**

***(1) Decisions and Reasoning Regarding the Special Measures to Realize the Basic Policy***

The Company's fundamental philosophy behind its measures for enhancing its corporate value by management plans, and its policies for strengthening its corporate governance practices is formulated as a specific policy aimed at maximizing the Company's Corporate Value and Shareholders' Interests and contributing to the realization of the Basic Policy.

These measures are therefore in line with the Basic Policy and are consistent with the Company's Corporate Value and Shareholders' Interests. They are not implemented for the purpose of maintaining the positions of the directors and the corporate auditors of the Company.

***(2) Decisions and Reasoning regarding the Measures for Preventing Decisions on Company's Financial and Business Policies from being Controlled by Inappropriate Persons in Light of Company's Basic Policy (B. Above)***

**① *The Plan is in Line with the Basic Policy***

The Plan is a mechanism to ensure and enhance the Company's Corporate Value and Shareholders' Interests by ensuring the necessary time and information is made available for the shareholders to decide whether or not to accept an Acquisition by an Acquirer targeting the share certificates, etc., (defined in Article 27-2(1) of the *Financial Instruments and Exchange Act.*) of the Company and for the board of directors to present an alternative proposal to the shareholders, and by enabling the board of directors to talk or negotiate with the Acquirer for the benefit of the shareholders when the Acquisition is to be effected. As above, the Plan is in line with the Basic Policy.

**② *The Measures Are Not Detrimental to the Corporate Value and Shareholders' Interests and Do Not Aim to Maintain the Positions of Directors and Statutory Auditors of the Company***

For the reasons set out below, the Company believes that in light of the Basic Policy, the Plan is not detrimental to the Company's Corporate Value and Shareholders' Interests, and that it has not been implemented for the purpose of maintaining the positions of the directors and the corporate auditors of the Company.

**(i) It Satisfies the Requirements of the Guidelines for Takeover Defense Measures**

The Plan fully satisfies the 3 principles set out in the Guidelines Regarding Takeover Defense for the Purposes of Ensuring and Enhancing Corporate Value and Shareholders' Common Interests released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005. (The 3 principles, as set out in the *Guideline*, are (1) the "principle of protecting and enhancing corporate value and shareholders' common interests," (2) the "principle of prior disclosure and shareholders' will," and (3) the "principle of ensuring the necessity and reasonableness of defensive measures.") Also, the plan conforms to the opinions offered in "Takeover Defense Measures in Light of Recent Environmental Changes" made by the Corporate Value Study Group of the Ministry of Economy, Trade and Industry and dated June 30, 2008.

**(ii) The renewal of the Current Plan is for the purpose of ensuring and enhancing the Company's Corporate Value and Shareholders' Interests**

The Current Plan is renewed in order to ensure, for the purpose of ensuring and enhancing the Company's Corporate Value and Shareholders' Interests, (a) the prior provision of information from an Acquirer that is necessary in relation to the Acquisition being attempted by the Acquirer and (b) the period of time necessary for evaluating and considering the details of the Acquisition.

(iii) Placing High Value on Shareholders' Will

The Company intends to renew the Current Plan at the Ordinary Shareholders' Meeting on the condition that the proposal for the Plan is approved and adopted as a resolution with the endorsement of a majority of the voting rights of shareholders in attendance.

In certain circumstances, set out in B.2(5) above, the Company's board of directors may convene a shareholders' meeting and ask shareholders to consider whether or not to implement an allotment of Share Options without contribution.

Further, as set out in B.2(5) above, the effective period of the Plan is the approximately 3-year period ending on the close of the ordinary shareholders' meeting held for the business year ending on March 31, 2015. Even if the above mentioned period has not elapsed, since the term of office of the Company's Directors is one year, and the Company has not employed a system to differentiate the terms of office of the Company's Directors, and the Articles of Incorporation of the Company does not include a requirement for the dismissal of a Company Director which is stricter than the simple majority which is stipulated by laws, it is possible for the Plan to be abandoned by resolution of the board of directors by election or dismissal of Directors based on a one-time ordinary resolution of an ordinary shareholders' meeting. This means that the intention of the shareholders will be reflected in this point as well.

(iv) Establishment of Reasonable and Objective Requirements for Invoking Defensive Measures

As set out in B.3 above, the Plan is established so that the allotment of Share Options without contribution cannot be implemented without reasonable and objective requirements first being met, thus ensuring a framework that prevents arbitrary invocation by the Company's board of directors.

(v) Establishment of Independent Committee

The Company has established the Independent Committee as an organ of the Company to eliminate arbitrary decisions of the board of directors and to make independent judgments in managing the implementation of the allotment of Share Options without contribution for the benefit of the Company's shareholders.

The Independent Committee shall comprise 3 or more members, who must be either an outside director, an outside statutory auditor, or an outside expert who is independent from the management team. The Independent Committee must execute the operations of the Company (at the time of renewal of the Current Plan, there are scheduled to be 3 members of the Independent Committee: Mitoji Yabunaka and Eiichiro Kinoshita, outside directors of the Company; and Haruo



Shigeta, an outside auditor of the Company). There is no special relationship between the Company and any of the candidate members of the Independent Committee, and each candidate is highly independent from the Company's management team (please see Attachment 4 for the names and backgrounds of the candidates).

As set out above at B.2, if an Acquisition targeting the Company's shares is initiated, the Independent Committee will, in accordance with the Regulations of the Independent Committee, consider the Acquisition and whether or not it will harm the Company's Corporate Value and Shareholders' Interests, and the board of directors will make its decision respecting the decision of the Independent Committee to the maximum extent.

These measures therefore ensure that the Company has a mechanism to prevent the Plan from being operated, and the defensive measures being invoked, arbitrarily by the board of directors.

(vi) No Dead-Hand Takeover Defense Measures

As stated above in B.6, the Plan has been designed so that it may be abolished at any time by the board of directors, even before the effective period of the Plan has ended. It is not, therefore, a dead-hand takeover defense measure (a takeover defense measure that cannot be stopped once invoked, even if a majority of the members of the board of directors are replaced). And nor is it a slow-hand takeover defense measure (a takeover defense measure that requires a significant amount of time to stop because members of the board of directors cannot be replaced all at once).

## **Attachment 1 Overview of Regulations of Independent Committee**

- The Independent Committee will be established by resolution of the Company's board of directors.
- There will be no less than three members of the Independent Committee, and the Company's board of directors shall elect the members from outside directors of the Company, outside statutory auditors of the Company and other outside experts, who are independent from the management who engage in the business of the Company. However, the outside experts on this committee must have executed with the Company an agreement separately specified by the Company's board of directors that contains a provision obligating them to exercise the duty of care of a good manager and certain other provisions.
- Unless otherwise determined in a resolution by the Company's board of directors, the term of office of members of the Independent Committee will be until the close of the ordinary shareholders meeting held for the business year ending on March 31, 2015. However, the term of office of any member of the Independent Committee who is an outside director or outside statutory auditor will automatically end when he/she ceases to be a director or statutory auditor of the Company (except in the case of his/her re-appointment).
- The Independent Committee will make decisions on the matters listed below and make recommendations to the Company's board of directors containing the details of and reasons for the decisions. Each member of the Independent Committee must make his/her decision on such resolutions with a view to whether or not his/her decision will benefit the Company's Corporate Value and Shareholders' Interests, and he/she must not serve solely his/her own interests or those of the management of the Company.
  - (1) The implementation or non-implementation of the allotment of Share Options without contribution (including the convocation of the shareholders' meeting).
  - (2) Not to make effective the allotment of Share Options without contribution.
  - (3) Any other matters that are for determination by the Company's board of directors in respect to which it has consulted the Independent Committee.
- In connection with the matters prescribed above, the Independent Committee shall conduct the matters listed below.
  - (1) Determine whether the Acquisition should be made subject to the Plan.
  - (2) Determine the information that the Acquirer and the Company's board of directors should provide to the Independent Committee, and the deadline for the provision of that information.
  - (3) Examine and consider the terms of the Acquirer's Acquisition.
  - (4) Compare information on the business plans of the Acquirer and the Company's board of directors.
  - (5) Consult directly, or indirectly through the board of directors, with the Acquirer.

- (6) Request the presentation of an alternative proposal and consider the alternative proposal made by the Company's board of directors.
  - (7) Establish or extend the Independent Committee's Consideration Period.
  - (8) Approve modifications and amendments to the Plan.
  - (9) Conduct any other matters prescribed in the Plan for which the Independent Committee is authorized.
  - (10) Conduct any matters regarding which the Company's board of directors separately gives authority to the Independent Committee.
- If the Independent Committee decides that the Acquisition Documents in their entirety or any of the details stated in the Acquisition Documents are not sufficient as Necessary Information, it will request that the Acquirer additionally provide Necessary Information. Further, if the Independent Committee receives from the Acquirer the Acquisition Documents and any additional Necessary Information that it requests, it may request that the Company's board of directors provide within a reasonable and pre-determined period an opinion regarding the conditions of the Acquisition by the Acquirer and materials supporting that opinion, an alternative proposal (if any), and any other information, documents or the like that the Independent Committee may consider necessary from time to time.
  - When necessary, the Independent Committee will either directly or indirectly through the board of directors consult with the Acquirer in order to improve the terms of the Acquirer's Acquisition from the perspective of ensuring and enhancing the Corporate Value and Shareholders' Interests, or propose to the shareholders an alternative proposal of the Company's board of directors.
  - In order to collect the necessary information, the Independent Committee may request the attendance of a director, statutory auditor, executive officer, or employee of the Company, or any other party that the Independent Committee considers necessary, and may require explanation from them.
  - The Independent Committee may, at the Company's expense, obtain the advice of, or written opinion from, an independent third party (including financial advisers, certified public accountants, attorneys, consultants and other experts), etc.
  - Any member of the Independent Committee may convene a meeting of the Independent Committee when an Acquisition arises, or at any other time.
  - Resolutions of meetings of the Independent Committee will in principle pass with a majority when all members of the Independent Committee are in attendance. However, in unavoidable circumstances, including when any of the members of the Independent Committee is unable to attend, a resolution may be passed with a majority of voting rights when a majority of the members of the Independent Committee are in attendance.

—End of Attachment 1—

## **Attachment 2 Requirements for Allotment of Share Options Without Contribution**

- (1) The Acquisition does not comply with procedures for the Plan, such as ensuring the provision of information and the Independent Committee's Consideration Period provided for in B.2(2).
- (2) The Acquisition threatens to cause obvious damage to the Company's Corporate Value and Shareholders' Interests as a result of an act listed below or other similar act:
  - (a) Speculative buying of the Company's stocks or an act requiring the Company to buy back its stocks at an inflated price (greenmailing).
  - (b) Temporary control of the Company's management that achieves an advantage for the Acquirer to the detriment of the Company, such as by transferring to the Acquirer or any of its group companies Company's assets necessary for managing a business of the Company or its Group companies, intellectual property rights, know-how, trade secrets, details of primary trading partners, and customers.
  - (c) Diversion of assets of the Company or of any of its Group companies after the Acquirer takes control of the management of the Company in order to secure or repay debts of the Acquirer or any of its group companies.
  - (d) Temporary control of the Company's management to bring about a disposal of high-value assets (such as real estate, movables, securities) and either declare temporarily high dividends from the profits of such disposal or sell the shares at a high price and take advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends.
- (3) An Acquisition that threatens to have the effect of coercing shareholders into selling shares, such as coercive two-tiered tender offers (meaning purchases of stocks, such as through tender offers, that do not solicit all of the stocks (defined in Article 27-2(1) of the *Financial Instruments and Exchange Act*. The same applies throughout this (3)) in the initial purchase stage and instead set purchase terms for the second stage that are unfavorable to shareholders or do not clearly set terms for the second stage).
- (4) Acquisitions whose terms (including amount and type of payment, the basis for the calculation of the purchase price in the Acquisition, the Acquisition schedule, the legality of the Acquisition method, the probability of the Acquisition being effected, and post-Acquisition management policies) are seriously insufficient or inappropriate in light of the Company's Corporate Value and Shareholders' Interests.

- (5) Acts which realize the interests of the Acquirer, its group companies or other related parties by unfairly damaging the important management resources that are the source of the Company's corporate value (technology and know-how, knowledge and information of specific market sectors, relationships of trust with trading partners cultivated over many years, and human resources in specialist fields) through the Acquirer acquiring control of the Company.

—End of Attachment 2—

### **Attachment 3 Terms and Conditions of Allotment of Share Options Without Contribution**

#### **1 Method of Allotment of Share Options (Allotment of Share Options Without Contribution)**

The Company will, in accordance with Articles 277, 278, and 279 of the *Companies Act*, allot share options without contribution to shareholders entered or recorded in the Company's final register of shareholders on a date to be provided for as the allotment date (the "**Allotment Date**") by the Company's board of directors in a resolution for the allotment of Share Options without contribution (the "**Allotment Resolution**") at a ratio of one (1) Share Option for every share in the Company held (but excluding the number of ordinary shares in the Company held by the Company at that time).

#### **2 Total Number of Share Options to be Allotted**

The number of shares equal to the final and total number of issued shares of the Company (but excluding the number of shares in the Company held by the Company at that time) on the Allotment Date.

#### **3 Effective Date of Allotment of Share Options Without Contribution**

A date to be provided for separately by the Company's board of directors in the Allotment Resolution.

#### **4 Type of Shares Subject to Share Options**

The type of shares subject to the Share Options are ordinary shares of the Company (which will be "transfer shares," as defined in Article 128(1) of the *Act on Transfer of Bonds, Shares, etc.*, and which attract the application of that *Act*).

#### **5 Number of Shares to be Acquired upon Exercise of the Share Options**

- (a) The number of shares in the Company to be acquired upon exercise of each of the Share Options (the "**Applicable Number of Shares**") shall be provided for separately by the Company's board of directors in the Allotment Resolution. However, in the case of a share split or share consolidation by the Company, the Applicable Number of Shares is to be adjusted using the formula set out below. Anything less than one fractional share is to be disregarded and no cash adjustment will be made.

$$\text{Applicable Number of Shares after adjustment} = \text{Applicable Number of Shares before adjustment} \times \text{Ratio of share split or consolidation}$$

- (b) The Applicable Number of Shares after adjustment is effective, in the case of a share split, as of the date immediately after the record date of the share split and, in the case of a share consolidation, as of the date immediately after the effective date of the share consolidation.
- (c) In addition to Paragraph (a) above, if the Company is to carry out an act that will change or is likely to change the total number of issued shares of the Company (but excluding the number of shares of the Company held by the Company), such as an allotment of shares without contribution, merger, or corporate demerger, and that will require the Applicable Number of Shares to be adjusted, the Applicable Number of Shares will be reasonably adjusted taking into consideration the terms and conditions of that act.

## **6 The Amount to be Contributed upon Exercise of the Share Options; Method of Calculating that Amount**

- (a) Contributions upon exercise of the Share Options are to be in cash, and the total amount of contribution is calculated by multiplying the Exercise Price (as defined in Paragraph (b) below) by the Applicable Number of Shares.
- (b) The amount per share in the Company to be contributed upon exercise of the Share Options (the “**Exercise Price**”) will be an amount separately determined by the Company’s board of directors in the Allotment Resolution within the range between a minimum of one yen and a maximum of any amount equivalent to one-half of the fair market value of the Company’s stock per share. “**Fair Market Value**” means the average closing price (including quotations) for regular transactions of the Company’s shares on the Tokyo Stock Exchange on each day during the 90-day period before the Allotment Resolution (excluding days on which no closing price is available), with any fraction of a yen resulting from the calculation rounded up to the nearest whole yen.

## **7 Exercise Period of the Share Options**

The commencement date will be a date separately determined by the Company’s board of directors in the Allotment Resolution, and the period will be from 1 month to 3 months long as separately determined by the Company’s board of directors in the Allotment Resolution. However, if the Company acquires the Share Options under Paragraph (a) and (b) of *11 Acquisition of the Share Options by the Company* below, the exercise period for the Share Options with respect to that acquisition will be up to and including the business day immediately before the relevant acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment place for the

cash payable upon exercise, the final day will be the preceding business day.

## 8 Conditions for the Exercise of the Share Options

- (a) The following persons may not exercise the Share Options (persons categorized (i) through (vi) below collectively, “**Non-Qualified Persons**”):
- (i) Specified Large Holders.
  - (ii) Joint Holders of Specified Large Holders.
  - (iii) Specified Large Purchasers.
  - (iv) Persons with a Special Relationship with Specified Large Purchasers.
  - (v) A person who without the approval of the Company’s board of directors has been transferred, or has succeeded to, the Share Options of a person categorized in any of (i) through (iv).
  - (vi) Any Affiliated Person of any person categorized as any of (i) through (v).

The terms used above have the following meanings:

- (1) “**Specified Large Holder**” means a party the Company’s board of directors considers a holder (including any person who is described as a holder under Article 27-23(3) of the *Financial Instruments and Exchange Act*) of share certificates, etc. (as defined in Article 27-23(1) of the *Financial Instruments and Exchange Act*; the same applies throughout this Attachment unless otherwise provided for) issued by the Company and whose holding ratio of share certificates, etc. (as defined in Article 27-23(4) of the *Financial Instruments and Exchange Act*) for those share certificates, etc. is at least 20%.
- (2) “**Joint Holder**” is defined in Article 27-23(5) of the *Financial Instruments and Exchange Act* and includes any person who is considered a joint holder by the board of directors of the Company in accordance with Article 27-23(6) of the *Financial Instruments and Exchange Act*.
- (3) “**Specified Large Purchaser**” means a person who makes a public announcement for purchase, etc. (as defined in Article 27-2(1) of the *Financial Instruments and Exchange Act*; the same applies throughout this Attachment) of share certificates, etc. (as defined in Article 27-2(1) of the *Financial Instruments and Exchange Act*; the same applies throughout this Attachment) issued by the Company through a tender offer (as defined in Article 27-2, Paragraph 6 of the *Financial Instruments and Exchange Act*) and whose owning ratio of share certificates, etc., (as defined in Article 27-2(8) of the *Financial Instruments and Exchange Act*; the same applies throughout this Attachment) relating to the ownership (including similar ownership as prescribed in Article 7(1) of the *Order*



for the Enforcement of the Financial Instruments and Exchange Act) after the purchase, etc., the Company's board of directors considers will be at least 20% when combined with the owning ratio of share certificates, etc., of a person having a special relationship with such person.

(4) “**Person with a Special Relationship**” is defined in Article 27-2(7) of the *Financial Instruments and Exchange Act* (including any party who is considered by the Company's board of directors to be a person with a special relationship with a Specified Large Holder or a Specified Large Purchaser). However, persons provided for in Article 3(2) of the *Cabinet Ordinance concerning Disclosure of Tender Offer by Acquirer other than the Issuing Company* are excluded from the persons described in Article 27-2(7)(i) of the *Financial Instruments and Exchange Act*.

(5) An “**Affiliated Person**” of a given person means a person the Company's board of directors considers substantially controls, is controlled by, or is under common control with a given person, or a person considered by the Company's board of directors to act in concert with a given person. “**Control**” means to “control decisions on the financial and business policies” (as defined in Article 3(3) of the *Ordinance for Enforcement of the Companies Act*) of other corporations or entities.

(b) Notwithstanding Section (a) above, the persons set out in (1) through (4) below are not categorized as Specified Large Holders or Specified Large Purchasers:

(1) The Company, its subsidiaries (as defined in Article 8(3) of the *Regulations for Terminology, Forms and Method of Preparation of Financial Statements*) or its affiliates (as defined in Article 8(5) of the *Regulations concerning Terminology, Forms and Method of Preparation of Financial Statements*).

(2) A person that the board of directors of the Company recognized as a person that meets the requirements set out in (a)(i) above but who had no intention to control the Company and is no longer categorized as a Specific Large Holder set out in (a)(i) above as a result of a disposal of the share certificates, etc., of the Company that the person held within 10 days after it came to be categorized as a Specific Large Holder set out in (a)(i) above (however, the 10-day period may be extended by the board of directors of the Company).

(3) A party that the board of directors of the Company recognizes as a party that involuntarily came to be categorized as a Specific Large Holder set out in (a) (i) above as a result of acquiring shares in the Company or some other reason (unless, however, the person subsequently newly acquires the Company's share certificates, etc. at its own

discretion).

- (4) A person who the Company's board of directors recognizes as a person whose acquisition or holding of share certificates, etc. of the Company (an "**Acquisition**") is not contrary to the Company's Corporate Value and Shareholders' Interests. (The Company's board of directors may separately determine that an Acquisition by a person considered by the Company's board of directors to be categorized as a Non-Qualified Person is not contrary to the Company's Corporate Value and Shareholders' Interests. However, if the Company's board of directors has provided that an Acquisition will not be contrary to the Company's Corporate Value and Shareholders' Interests under certain conditions, those conditions must be satisfied for that determination to be made.)
- (c) If, to exercise the Share Options, a person located in a foreign jurisdiction is required, under the applicable laws and regulations of that jurisdiction, to (i) perform specified procedures, (ii) satisfy specified conditions (including prohibition of exercise for a certain period of time or submission of specified documents), or (iii) both perform such procedures and satisfy such conditions (collectively, the "**Foreign Exercise Procedures and Conditions**"), that person may exercise the Share Options only if the Company's board of directors determines that the person has fully performed or satisfied the Foreign Exercise Procedures and Conditions, and that person may not exercise the Share Options if the board of directors of the Company determines that the person fails to fully perform or satisfy the Foreign Exercise Procedures and Conditions. However, the board of directors of the Company is under no obligation whatsoever to perform or satisfy any Foreign Exercise Procedures and Conditions that may be required for the person under that jurisdiction to exercise the Share Options. If a party located under a foreign jurisdiction is not permitted to exercise the Share Options under the laws and regulations of that jurisdiction, then that person may not exercise the Share Options.
- (d) Notwithstanding Paragraph (c) above, a person located in the United States may exercise the Share Options only if (i) the person represents and warrants that it is an accredited investor as defined in Rule 501(a) of the *U.S. Securities Act* of 1933, and (ii) the person covenants to resell the shares of the Company to be acquired upon exercise of the Share Options held by the party only through a regular transaction at the Tokyo Stock Exchange (not on the basis of any previous arrangements and without previous solicitation). Only under these circumstances will the Company perform or satisfy the Foreign Exercise Procedures and Conditions under Regulation D of the *U.S. Securities Act* of 1933 and U.S. state laws that are required to be performed or satisfied by the Company for exercise of the Share Options by a person located in the United States. A person located in the United States may not exercise the Share Options if the board of directors of the Company determines that the person is not permitted to legally exercise the Share Options under the *U.S. Securities Act* as a result of a

change in the law of the United States or some other reason, even if the person satisfies the conditions set out in items (i) and (ii) of this paragraph above.

- (e) A holder of the Share Options may exercise the Share Options only if the holder submits to the Company (i) a document containing representations and warranties by the holder, such as that the holder is not categorized as a Non-Qualified Person and is not exercising the Share Options for a person who is categorized as a Non-Qualified Person and that the holder has satisfied the exercise conditions of the Share Options, and provisions for indemnification and covenanting other matters as determined by the Company, and (ii) other documents required under laws and regulations.
- (f) Even if a holder of the Share Options is unable to exercise the Share Options in accordance with the provisions of this Section 8, the Company is not in any way whatsoever liable to the holder of the Share Options for damages or any other liability.

## **9 Capital and capital reserve increased upon the issue of shares upon exercise of the Share Options**

The amount of capital and capital reserve of the Company's shares to be issued upon exercise of the Share Options will be separately determined in the Allotment Resolution.

## **10 Restrictions on transfers of the Share Options**

- (a) An acquisition of the Share Options by assignment requires the approval of the Company's board of directors.
- (b) If a person who intends to exercise the Share Options is located outside Japan and is unable to exercise the Share Options in accordance with Paragraph (c) or (d) of Section 8 above (excluding a Non-Qualified Person), then the board of directors of the Company will determine whether or not to give the approval provided for in Paragraph (a) above after considering the following:
  - (1) whether or not a written pledge prepared and signed by, or affixed with the name and seal of, the transferor and transferee (and including representations and warranties, indemnification provisions, and provisions for penalties with respect to the matters provided for in (2) through (4) below) is submitted with respect to the transfer of all or part of the Share Options by the person residing in that jurisdiction;
  - (2) whether or not it is clear that the transferee is not categorized as a Non-Qualified Person;

- (3) whether or not it is clear that the transferee is not located in that jurisdiction and does not intend to accept the Share Options for a party located in that jurisdiction;
- (4) whether or not it is clear that the transferee does not intend to accept the Share Options for a Non-Qualified Person.

## **11 Acquisition of the Share Options by the Company**

- (a) On a date which is to be separately determined by the resolution of the board of directors and which falls after the allotment without contribution takes effect, the Company may acquire unexercised Share Options which (held by persons who are verified not to be the Acquirer, including persons who are provided for in 8.(c) and (d) above; referred to as the “Exercisable Share Options” in 11.(b) below) may be exercised in accordance with the provisions of 8.(c) and (d) as defined above, by delivering the whole number portion of the Company’s common shares, which is the product of the number portion of the Company’s common shares, which is the product of the number of Share Options involved in the acquisition multiplied by the number of shares to be issued by one (1) Share Option.
- (b) On a date which is to be separately determined by the resolution of the board of directors and which falls after the allotment without contribution takes effect, the Company may acquire unexercised Share Options other than the Exercisable Share Options, by delivering a number of Share Options identical to the number of Share Options involved in the acquisition, with limitations on the exercise by Non-Qualified Persons and certain persons such as non-residents who cannot utilize the provision of exclusion under the applicable laws and regulations of such foreign countries (in accordance with provisions including transfer approval, as stipulated by the board of directors). A delivery of cash shall not be made for the above acquisition.
- (c) In addition to the above, matters relating to the acquisition of Share Options will be provided for separately by the Company’s board of directors if necessary in the Allotment Resolution.

## **12 Matters Concerning Delivery, and Conditions for Delivery, of the Share Options in Event of Merger (Limited to Merger Where Company Is Dissolved Company), absorption-type demerger, incorporation-type demerger, share exchange, and share transfer**

Any such matters will be separately determined by the Company’s board of directors in the Allotment Resolution.

### **13 Issuance of Share Option Certificates**

The Company will not issue Share Option certificates.

### **14 Revision due to Amendments to Laws and Regulations**

The provisions of laws and regulations referred to above are those provisions current as of May 22, 2012. If after that date the meanings of the provisions or words used above are required to be revised due to the establishment, amendment, or abolishment of laws and regulations, the Company's board of directors may as a matter of course impute the meanings of the provisions or words used above differently to the extent reasonable taking into consideration the intention of that establishment, amendment or abolishment of law or regulation.

—End of Attachment 3—

## **Attachment 4 Background of the Members of the Independent Committee**

### **1 Mitoji Yabunaka**

April 1969 Joined the Ministry of Foreign Affairs of Japan (MOFA)  
December 2002 Director-General of Asian and Oceanian Affairs Bureau, MOFA  
January 2005 Deputy Minister for Foreign Affairs (Economic Affairs)  
January 2007 Deputy Minister for Foreign Affairs (Political Affairs)  
January 2008 Vice-Minister for Foreign Affairs, MOFA  
August 2010 Advisor to MOFA (Current)  
October 2010 Advisor to Nomura Research Institute, Ltd. (Current)  
October 2010 Special Visiting Professor of Ritsumeikan University (Current)  
June 2011 Outside Director of the Company (Current)

### **2 Eiichiro Kinoshita**

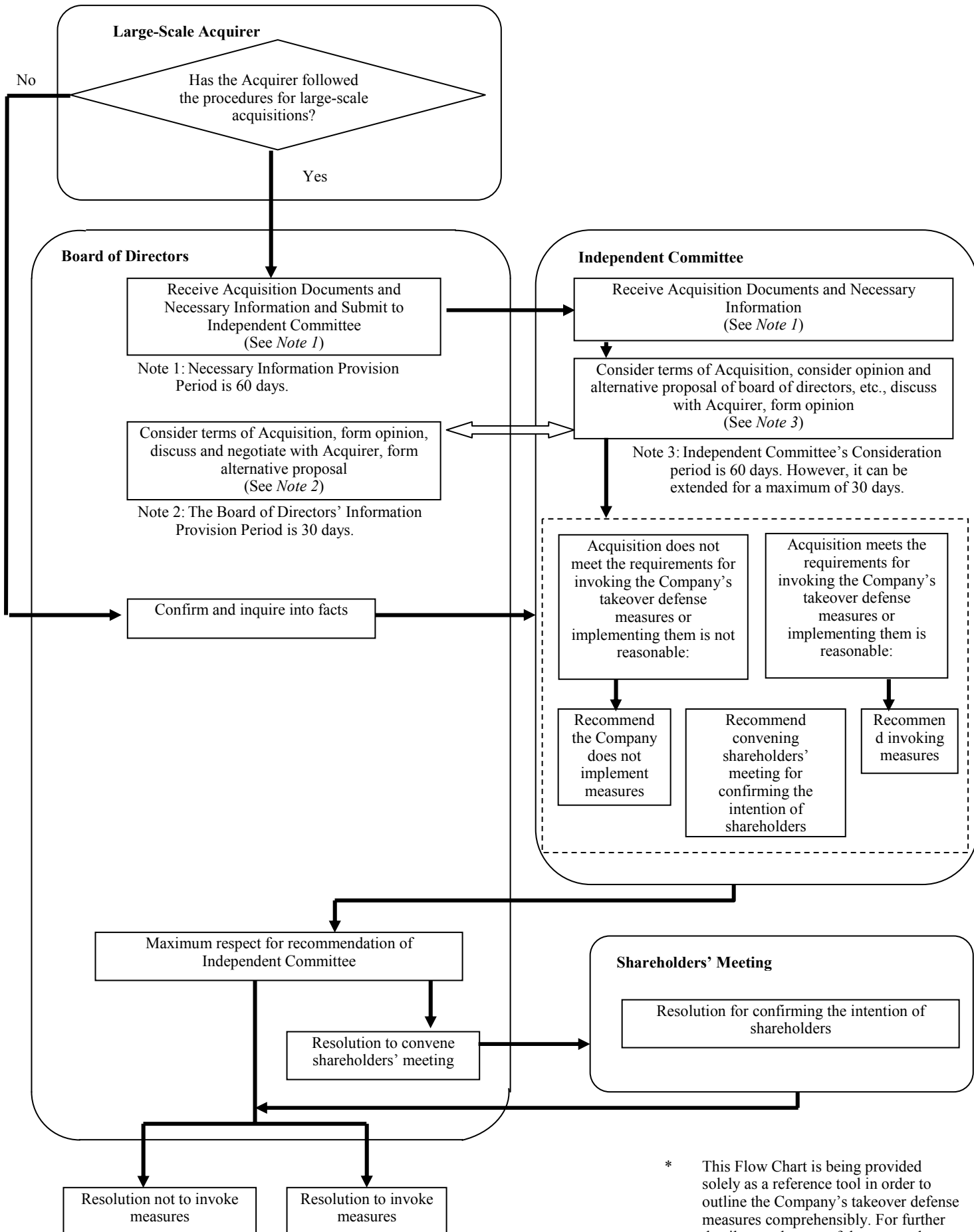
April 1954 Joined the Bank of Japan (BOJ)  
February 1996 Executive Director, General Manager of Osaka Branch, BOJ  
September 1998 Advisor, NTT System Technologies, Inc.  
December 1998 Special Advisor, The Boston Consulting Group  
November 1999 Director and Chairman, NTT System Technologies, Inc.  
May 2001 Advisor, Nagoya Railroad Co., Ltd  
October 2005 Director and President, Nagoya Railroad Co., Ltd  
June 2009 Director and Chairman, Nagoya Railroad Co., Ltd  
June 2010 Outside Corporate Auditor, Tokai Tokyo Financial Holdings, Inc. (Current)  
June 2011 Supervisory Committee member, The Norinchukin Bank (Current)  
June 2011 Director and Executive Advisor, Nagoya Railroad Co., Ltd. (Current)  
June 2012 Outside Director of the Company-to-be

### **3 Haruo Shigeta**

April 1979 Professor, Faculty of Law, Kanagawa University  
June 1997 Director, Institute for Legal Studies, Kanagawa University  
June 1997 Admitted as attorney-at-law (Daiichi Tokyo Bar Association)  
April 2000 Professor, Department of Law, Aoyama Gakuin University  
September 2000 Honorary Professor, Dalian Maritime University, China  
November 2003 Attorney-at-law, L&J Law Office, LPC (Current)  
April 2005 Professor, Aoyama Gakuin University Graduate School of Professional Accountancy  
April 2009 Outside Corporate Auditor of the Company (Current)  
April 2010 Professor Emeritus, Aoyama Gakuin University

—End of Attachment 4—

## Flow Chart of Takeover Defense Plan



\* This Flow Chart is being provided solely as a reference tool in order to outline the Company's takeover defense measures comprehensively. For further details, see the text of the press release.

June 4, 2012

To our Shareholders

Kawasaki Kisen Kaisha, Ltd.

### **Exercise of Voting Rights via the Internet**

Please carefully read and understand the following matters before you exercise your voting rights via the Internet.

1. Website for voting

You can only exercise your voting rights via the Internet by accessing the following dedicated website.

The dedicated website address : <http://www.web54.net>

2. Handling of votes

- (1) You need the “Voting Code” and the “Password” printed on the enclosed Voting Rights Exercise Form. Enter your vote of “for” or “against” by following the instructions on the screen.
- (2) The deadline for voting is 5:00 p.m. on Monday, June 25, 2012 (Japan Standard Time). An early exercise of your vote would be very much appreciated.
- (3) If you exercise your voting rights multiple times, the one that reaches us last will be recorded as the effective vote. If both a vote via the Internet and by postal mail arrives on the same day, the one exercised via the Internet will be recorded as the effective vote.
- (4) You shall bear connection fees payable to the providers and communication expenses payable to telecommunication carriers (including dialup connection charges) to exercise your voting rights via the Internet.

3. Handling of “Password” and “Voting Code”

- (1) The password is a means to verify identity of a person who exercises voting rights as the shareholder in question. Be sure to keep the password as well as your registered seal and security code in a safe place.
- (2) If you repeatedly enter a wrong password for a certain number of times, it will be blocked and disabled. If you wish to have a password reissued, please follow the instructions on the screen for the necessary procedures.
- (3) The “Voting Code” printed on the enclosed Voting Rights Exercise Form is valid only for the 144th Ordinary General Meeting of Shareholders.

4. System requirements

To exercise your voting rights via the Internet, you need the following systems environment:

- (1) The resolution of your monitor screen should be at least 800 x 600 (SVGA).
- (2) The following applications must be available:
  - a. For web browser: Microsoft® Internet Explorer Ver. 5.01 SP2 (or higher)
  - b. For PDF file browser: Adobe® Acrobat® Reader™ Ver. 4.0 (or higher); Adobe® Reader® Ver.6.0 (or higher)
    - \* Internet Explorer, Adobe® Acrobat® Reader™, and Adobe® Reader® are the registered trademarks or trademarks, or product names of Microsoft Corporation and Adobe Systems Incorporated, respectively, used in the United States and other countries.
    - \* These software programs are distributed free of charge from the respective companies' websites.
- (3) If your browser, ad-in tools or such like have a pop-up blocker function, it must be deactivated (or temporarily deactivated), and the setting for privacy protection must also allow use of cookies on this site.



- (4) If you have any problem with connecting to the site above, it may be caused by the setting of your firewall proxy server, security software or other items. Please check your software settings.
5. Computer-related technical inquiries, etc.
- (1) If you have any technical inquiries regarding the operation of a personal computer, etc. for voting on this site, contact the following:  
Dedicated phone line for Securities Agency Web Support, Sumitomo Mitsui Trust Bank, Limited  
[Telephone number within Japan] 0120-652-031  
(Business hours: 9:00 – 21:00 except Saturdays, Sundays and official holidays)
- (2) If you have any other inquiries, contact the following:
- a. Shareholders who have an account at a security firm  
Contact the security firm where you have an account.
- b. Shareholders who do not have an account at a security firm (shareholders who have a separate account)  
Securities Agency Business Center, Sumitomo Mitsui Trust Bank, Limited  
[Telephone number within Japan] 0120-782-031  
(Business hours: 9:00 – 17:00 except Saturdays, Sundays and official holidays)

\* For institutional investors

Institutional investors may also use the “Electronic Voting Rights Exercise Platform” operated by ICJ to electronically exercise the voting rights for this General Meeting of Shareholders.

