

Securities Code: 6457

June 4, 2010

To our shareholders,

Hideto Nishino

President

GLORY LTD.

3-1, Shimoteno 1-chome,

Himeji City, Hyogo

## **Notice of the 64th Ordinary General Meeting of Shareholders**

You are cordially invited to attend the 64th Ordinary General Meeting of Shareholders of GLORY LTD. (the “Company”), which will be held as described below.

In the event that you are unable to attend the meeting in person, you are kindly requested to review the attached Reference Materials for the General Meeting of Shareholders, and exercise your voting rights by stating your approval or disapproval for each of the proposals in the enclosed Voting Card, and return the Voting Card to the Company, or vote via the Company’s voting site\* at <<http://daiko-sb.gcan.jp>>. Whichever method you use, we ask that you please exercise your voting rights no later than 5:15 p.m., Thursday, June 24, 2010 (Tokyo time).

\*Available only in the Japanese language.

- 1. Date & Time** Friday, June 25, 2010, 10:00 a.m.
- 2. Place** Conference Room 67, Wing Building (6th Floor)  
GLORY LTD. Headquarters  
3-1 Shimoteno 1-chome,  
Himeji City, Hyogo

### **3. Agenda**

Matters to be reported:

1. The Business Report, the Consolidated Financial Statements and the Reports of Independent Auditors and the Board of Corporate Auditors on the Consolidated Financial Statements for the 64th term (from April 1, 2009 to March 31, 2010)
2. The Financial Statements for the 64th term (from April 1, 2009 to March 31, 2010)

Proposals to be acted upon:

- Proposal No. 1 Distribution of Retained Earnings
- Proposal No. 2 Election of Nine (9) Directors
- Proposal No. 3 Payment of Bonuses to Directors
- Proposal No. 4 Re-adoption of Countermeasures to Large-Scale Acquisitions of the Shares in the Company (Takeover Defense Measures)

This is a partial translation of the original Japanese text of the “Notice of the 64th Ordinary General Meeting of Shareholders” prepared for the convenience of shareholders. Should there be any discrepancy between any part of this translation and the original Japanese text, the latter shall prevail.

**REFERENCE MATERIALS FOR THE GENERAL MEETING OF SHAREHOLDERS****Proposal No. 1 Distribution of Retained Earnings**

Considering the return of profits to shareholders to be an important management task, the Company's policy in regard to distribution of profits is to continue stable dividends while striving to maintain and enhance sound financial standing in preparation for future business growth. The Company has set the target of attaining a dividend payout ratio of 25% or higher and DOE (dividends on equity) of at least 1.5%, both on a consolidated basis.

In accordance with the above policy, the Company is proposing to pay a year-end dividend of ¥17 per share. As the Company previously paid out ¥16 per share as an interim-period dividend, the total dividend for the fiscal year will be ¥33 per share. Consequently, DOE will be 1.5% and the payout ratio will be 43.4%.

1. Type of dividend asset  
Cash
2. Allocation of dividend asset and total amount of allocation  
¥17 per share of common stock  
Total amount of payout: ¥1,116,711,810
3. Effective date of dividend payment  
June 28, 2010

**Proposal No. 2 Election of Nine (9) Directors**

At the close of this General Meeting of Shareholders, the term of office will expire for all nine (9) Directors. Therefore, we would like shareholders to elect nine (9) Directors.

The candidates for the position of Directors are as follows:

<i>No</i>	<i>Name (date of birth)</i>	<i>Career summary, positions and areas of responsibility in the Company and significant concurrent positions</i>	<i>Number of shares in the Company owned by the candidate</i>
1	Hisao Onoe (Aug. 16, 1935)	Jul. 1961 Joined the Company Jun. 1970 General Manager, General Affairs Dept. Dec. 1970 Director Dec. 1974 Managing Director Jan. 1978 Senior Managing Director Jan. 1980 Vice President & Representative Director Jun. 1989 President & Representative Director Jun. 2001 Chairman of the Board & Representative Director (to present) [Significant Concurrent Positions] President, Himeji Chamber of Commerce and Industry Director, The Himeji Shinkin Bank	487,488

No	Name (date of birth)	Career summary, positions and areas of responsibility in the Company and significant concurrent positions	Number of shares in the Company owned by the candidate
2	Hideto Nishino (Dec. 28, 1940)	Apr. 1963 Joined the Company Apr. 1989 General Manager, Card System Div. Jun. 1989 Director Jun. 1992 Managing Director Jun. 1995 Senior Managing Director Jun. 2000 Vice President & Representative Director Jun. 2001 President & Representative Director (to present)	25,476
3	Norishige Matsuoka (Sep. 5, 1944)	Sep. 1996 Joined the Company Apr. 1997 General Manager, Management Planning Office Jun. 1997 Director Jun. 2001 Managing Director Jun. 2006 Director & Managing Executive Officer Oct. 2006 General Manager, General Affairs Div. (to present) Jun. 2007 Responsible for Administrative departments Jun. 2008 Responsible for Corporate Administrative functions (to present) Director & Senior Managing Executive Officer (to present)	14,200
4	Hirokazu Onoe (Mar. 19, 1948)	Sep. 1970 Joined the Company Apr. 2000 General Manager, Vending Machine & Amusement Systems Business Div. Jun. 2001 Director Jun. 2004 Managing Director Apr. 2005 General Manager, Vending Machine, Amusement & Media Systems Business Jun. 2006 Director & Managing Executive Officer Oct. 2006 Company President, Vending Machine & Amusement Systems Company Jun. 2007 Managing Executive Officer Jun. 2008 Director & Managing Executive Officer (to present) General Manager, Management Planning Office Apr. 2009 General Manager, Corporate Strategy Div. (to present)	8,900

## (TRANSLATION FOR REFERENCE ONLY)

No	Name (date of birth)	Career summary, positions and areas of responsibility in the Company and significant concurrent positions	Number of shares in the Company owned by the candidate
5	Hiroki Sasaki (Feb. 15, 1942)	Apr. 1965 Joined Fuji Iron & Steel Co., Ltd. (now Nippon Steel Corporation) Jun. 1991 General Manager, Export Dept. -I of Nippon Steel Corporation Jun. 1995 Director of Nippon Steel Corporation Apr. 1999 Managing Director of Nippon Steel Corporation Jun. 2001 Vice President & Representative Director of Sanyo Special Steel Co., Ltd. Jun. 2002 President & Representative Director of Sanyo Special Steel Co., Ltd. Jun. 2007 Director & Senior Adviser of Sanyo Special Steel Co., Ltd. Jun. 2008 Director of the Company (to present) [Significant Concurrent Position] Outside Corporate Auditor, KITZ Corporation	1,900
6	Akira Nijjima (Mar. 9, 1944)	Apr. 1969 Joined Pioneer Corporation Sep. 1995 President of Pioneer North America, Inc. Jun. 1997 Director of Pioneer Corporation Mar. 1998 General Manager, International Affairs Division of Pioneer Corporation Sep. 1999 General Manager, Corporate Planning Division of Pioneer Corporation Jun. 2000 Managing Director of Pioneer Corporation Jan. 2001 President, Home Entertainment Company of Pioneer Corporation Jun. 2002 Senior Managing Director of Pioneer Corporation Jun. 2004 Senior Managing Director & Representative Director of Pioneer Corporation Jun. 2008 Director of the Company (to present)	1,400
7	* Yuichi Funabiki (January 1, 1946)	Apr. 1964 Joined the Company Apr. 2000 Deputy Senior General Manager, Money Handling System Headquarters Jun. 2000 Director Apr. 2003 General Manager, Banking System & Equipment Div. Jun. 2003 Managing Director Apr. 2005 Deputy Senior General Manager, Money Handling System Headquarters Jun. 2006 Director & Managing Executive Officer Oct. 2006 Company President, International Operations & OEM Company Jun. 2007 Managing Executive Officer Jun. 2008 Senior Managing Executive Officer (to present) Apr. 2009 Executive General Manager, Money Handling System Business Headquarters (to present)	10,400

No	Name (date of birth)	Career summary, positions and areas of responsibility in the Company and significant concurrent positions	Number of shares in the Company owned by the candidate
8	* Masahiro Ichitani (October 27,1947)	Mar. 1970 Joined GLORY Shoji Co., Ltd. (now the Company) Apr. 1992 General Manager, Financial Market Sales Dept. of GLORY Shoji Co., Ltd. Jun. 1995 Director of GLORY Shoji Co., Ltd. Jun. 1999 Managing Director of GLORY Shoji Co., Ltd. Jun. 2006 Director of the Company Oct. 2006 Director & Managing Executive Officer Senior General Manager, Sales Div., Financial Business Systems Company Jun. 2007 Managing Executive Officer Company President, Financial Business Systems Company Jun. 2008 Senior Managing Executive Officer (to present) Apr. 2009 Responsible for domestic financial institutions (to present)	16,000
9	* Kiyoshi Kigasawa (May 15, 1950)	Dec. 1986 Joined GLORY Shoji Co., Ltd. (now the Company) Apr. 1990 General Manager, Management Planning Dept. of GLORY Shoji Co., Ltd. Apr. 1995 General Manager, Human Resources Dept. of GLORY Shoji Co., Ltd. Jun. 2003 Director of GLORY Shoji Co., Ltd. Oct. 2006 Executive Officer of the Company General Manager, Human Resources Dept., Personnel Div. (to present) Jun. 2007 Senior Executive Officer (to present)	3,000

## Notes:

1. Candidates for new Directors are marked with (\*).
2. There is no special interest between the Company and the candidates.
3. Hiroki Sasaki and Akira Nijjima are candidates for Outside Directors.
4. The following are items required to be noted about the candidates for Outside Directors:
  - (1) Reason for recommending the candidates for Outside Directors:
    - 1) Hiroki Sasaki possesses considerable experience and global knowledge as management executive and has been playing an important role, as an Outside Director, in ensuring transparency and fairness in the Company's management. Further, he has been providing the Company with valuable advice as a member of the Nomination Advisory Committee and the Compensation Advisory Committee of the Company. It is our judgment that we can strengthen our management organization further by receiving proper advice from him from an independent standpoint regarding our corporate management. We thus recommend his election to the board as an Outside Director for another year.
    - 2) Akira Nijjima has accumulated considerable experience in both international and domestic businesses at an R&D oriented company similar to the Company and possesses valuable global knowledge. He has been playing an important role, as an Outside Director, in ensuring transparency and fairness in the Company's management. Further, he has been providing the Company with valuable advice as a member of the Nomination Advisory Committee and the Compensation Advisory Committee of the Company. It is our judgment that we can strengthen our management organization further by receiving proper advice from him from an independent standpoint regarding our corporate management. We thus recommend his election to the board as an Outside Director for another year.

(2) Number of years of service as Outside Director

At the close of this General Meeting of Shareholders, Hiroki Sasaki and Akira Nijima will have served as Outside Director for two years.

(3) Regarding agreements limiting the liability of Outside Directors

To enable Outside Directors to effectively fulfill their expected roles, the Articles of Incorporation of the Company provide that the Company may conclude agreements with Outside Directors to the effect that liability of Outside Directors be limited. The Company will maintain the existing agreement with each of the candidates for Outside Director, Hiroki Sasaki and Akira Nijima, if they are reelected as Outside Directors as proposed.

Brief summary of the said agreement is as follows:

\* The Outside Director shall be liable for damages up to the minimum amount of liability stipulated in Paragraph 1, Article 425 of the Companies Act should he or she become liable for damages caused to the Company as a result of negligence in the performance of his or her duties.

\* The liability limitation described above shall be applicable in cases where the Outside Director performed the duties that became the cause of liability in good faith and without gross negligence.

### **Proposal No. 3 Payment of Bonuses to Directors**

We propose to pay a total amount of ¥38,900,000 as bonuses to six (6) out of nine (9) Directors, excluding two Outside Directors and a non-executive Director, who were in office at the end of the fiscal year taking into consideration the Company's business performance of the year.

The above amount is calculated according to the policy setting the amount of bonuses at a fixed ratio of consolidated net income. The bonuses for each Director will be determined by the resolution of the Board of Directors.

### **Proposal No. 4 Re-adoption of Countermeasures to Large-Scale Acquisitions of the Shares in the Company (Takeover Defense Measures)**

The Company introduced the plan for countermeasures to large-scale acquisitions of the shares in the Company (takeover defense measures) (the "Current Plan") upon resolution at the meeting of its Board of Directors held on December 26, 2007 and the 62nd Ordinary General Meeting of Shareholders held on June 27, 2008. However, the effective period of the Current Plan will expire at the close of this General Meeting of Shareholders.

The Company's Board of Directors determined at its meeting held on March 26, 2010 to revise the basic policy, effective as of the same date, regarding the persons who control decisions on the Company's financial and business policies (as provided in the main text of Article 118, Item 3 of the Enforcement Regulations of the Companies Act; the "Basic Policy"). It also determined to partially revise the Current Plan and adopt the revised plan (the "Plan") as "a measure to prevent decisions on the Company's financial and business policies from being controlled by persons viewed as inappropriate under the Basic Policy (Article 118, Item 3(b)(2) of the Enforcement Regulations of the Companies Act)" subject to shareholders' approval at this General Meeting of Shareholders.

The Company submits this Proposal to obtain shareholders' approval of re-adoption of the Plan.

## 1. Purpose of Re-adoption of the Plan

### 1.1 Basic Policy

The Company believes that the persons who control decisions on the Company's financial and business policies need to be persons who fully understand the details of the Company's financial and business affairs and the source of the Company's corporate value and who will make it possible to continually ensure and enhance the Company's corporate value and the common interests of its shareholders.

The Company believes that ultimately its shareholders should make the decisions on any proposed acquisition that would involve a transfer of corporate control of the Company. Also, the Company would not reject a large-scale acquisition of the shares, etc. issued by the Company (the "Company's shares, etc.") if it would contribute to the corporate value of the Company and the common interests of its shareholders.

Nonetheless, there are some forms of corporate acquisition that benefit neither the corporate value of the target company nor the common interests of its shareholders, namely, those with a purpose that would obviously harm the corporate value of the target company and the common interests of its shareholders; those with the potential to substantially coerce shareholders into selling their shares; those that do not provide sufficient time or information for the target company's board of directors and shareholders to consider the details of the large-scale acquisition, or for the target company's board of directors to make an alternative proposal; and those that require the target company to discuss or negotiate with the acquirer in order to procure more favorable terms for shareholders than the terms presented by the acquirer.

The Company believes it is essential for its management to fully understand the Company's corporate philosophy and source of the Company's corporate value such as relationships with business partners, local communities, employees or other stakeholders that shape the corporate value and the common interests of shareholders.

Specifically, the Company believes that the source of corporate value is found in (i) the two core technologies that the Company obtained through its long-term research and development activities and are indispensable to the money handling machine business ("mechatronics technology" and "recognition/identification technology") and various technological capabilities incidental thereto, (ii) the know-how that enables the Company to flexibly respond on a global scale to customer needs based on the thorough knowledge regarding the diverse market environment and currency circulation systems of the world, (iii) the group-wide business system integrating the functions from product development to manufacturing, sales and after-sales services both in domestic and international markets, (iv) employees who fully understand the corporate philosophy of the Company and maintain, develop and pass on high technological capabilities and know-how, and (v) the relationship of mutual trust with customers, business partners, local communities and others that the Company has developed based on its technological capabilities, know-how, and systems described in (i) through (iii) above. Understanding the source of the Company's corporate value is essential for its further growth.

If a large-scale acquisition is made without understanding the source of the Company's corporate value, the corporate value of the Company and the common interests of its shareholders would be significantly harmed. The Company believes that persons who would make a large-scale acquisition of the Company's shares in a manner that does not contribute to the corporate value of the Company or the common interests of its shareholders would be inappropriate to control decisions on the Company's financial and business policies. The Company believes that it is necessary to ensure the corporate value of the Company and the common interests of its shareholders by taking the necessary and reasonable countermeasures against a large-scale acquisition by such persons.

## 1.2. The Source of the Company's Corporate Value

Ever since its foundation as a small factory in 1918 and introduction of Japan's first coin counter in 1950, the Company has supplied various money handling machines to domestic or overseas financial institutions, retail industries and other customers based on the Company's unique technological capabilities developed over the years, and has grown as a pioneer in Japan's money handling machine industry. As a company playing an important role in society to provide the products and services that help to improve efficiency of money handling and authentication of money, the Company has been endeavoring to continuously ensure and enhance its corporate value under the corporate philosophy that "we will contribute to the development of a more secure society through a striving spirit and cooperative efforts."

The Company will continue to ensure and enhance the corporate value and the common interests of its shareholders by carrying out the mission to "contribute to social development" through development and provision of money handling machines of unique technology.

The Company believes that the source of the corporate value of the GLORY group ("the Group") is specifically found in the following factors.

- (i) Two core technologies that are indispensable to the money handling business and various technological capabilities incidental thereto

Based on the above-mentioned corporate philosophy, the Group has established two core technologies that support the money handling business, namely "mechatronics technology" to count, sort and transport banknotes or coins and "recognition/identification technology" to discriminate authentic money from counterfeit. These technologies have been applied to various epoch-making products such as Japan's first coin counter introduced in 1950. While refining these core technologies, the Company has strived to develop new products and solutions by combining these technologies with information processing technology and application technology, and unique technologies such as handwriting and seal recognition technology, fingerprint recognition technology, face recognition technology and speech privacy protection technology.

These technologies are an outcome of the Group's flexible response to changes in the times and customers' needs, and earnestly tackling the goal of producing products of higher quality. The Company believes it is extremely important to maintain and efficiently develop these technologies in order to further ensure and enhance the Group's corporate value.

- (ii) Know-how that could respond to the diverse market environment and currency circulation systems of the world

Based on the technologies described in (i) above and the comprehensive capabilities we have accumulated in the domestic market in market analysis, planning, development, technology utilization and product/solution proposal to respond to customers' and society's needs, the Group has expanded its business to overseas markets since 1966, getting familiar with the diverse market environment and currency circulation systems of the world, and has accumulated and developed know-how to respond flexibly to customers' needs on a global scale. The know-how and experiences accumulated and developed both in Japan and overseas over the years are important to the enhancement of the Group's corporate value because they contribute to the attainment of absolute faith not only in the products helping efficient money handling and the authentication of money, but also in the Group itself that is globally expanding its operations.

- (iii) Integrated business system

The Group has established, maintained and developed a business system under which product development,



manufacturing, sales and after-sales services are conducted integrally by the Group companies both in domestic and international markets. This system is another important factor in supporting the operation of the Group as it enables the Group to make effective use of technological capabilities and know-how described in (i) and (ii) above at each stage of product development, manufacturing, sale and after-sales services, and to ensure flexibility of its business strategy, maximize business efficiency, and provide consistent services for customers.

(iv) Employees who fully understand the corporate philosophy of the Company and maintain, develop and pass on high technological capabilities

The Group's corporate philosophy expresses the determination to achieve growth as a sustainable enterprise by contributing to a prosperous society through our uncompromising approach to product development. Based on this philosophy passed on since the foundation of the Company, various unique technologies and know-how have been created, and have contributed as an important factor to support and enhance the Group's corporate value. These technologies and know-how have been continuously passed on ever since the Company's foundation, and the employees who fully understand and share the corporate philosophy, unique technologies and know-how who have maintained, refined and passed on the same and worked together to contribute to the continued the business operation of the Group. That is what supports the current corporate value of the Group. Therefore having these employees is extremely important for the Group to enhance its corporate value in the future.

(v) Relationships of mutual trust with customers, business partners, local communities and other stakeholders that the Group has developed over the years

The Group not only contributes to the promotion of efficient money handling by supplying its products for customers in various markets, such as financial institutions, the retail industry and the like, but also supports the money handling system of countries around the world. Given these business characteristics, the Group is required to do its best to live up to society's trust. The Company's performance over the years has been highly valued by financial institutions and other customers around the world and has been of great help in establishing good relationships of mutual trust with these customers. It is also important to maintain good relationships with business partners and local communities for the steady supply of its products.

In this way, the Company believes it is important to maintain the relationship of mutual trust with customers, business partners, local communities and other stakeholders to further ensure and enhance the Company's corporate value.

As described above, the Company believes that the sources of the Company's corporate value are intimately related to each other, and if any factor is harmed it would harm the corporate value itself of the Company.

The Company believes that continuous development of the source of the Company's corporate value, taking into account the intimate relationship of each factor therein, will lead to ensuring and enhancing the Company's corporate value and the common interests of its shareholders.

### 1.3 Purpose of Re-adoption of the Plan

The Company will re-adopt the Plan for the purpose of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders in accordance with the above-mentioned Basic Policy.

The Company's Board of Directors, as set forth in the Basic Policy, believes that a person who would propose a large-scale acquisition in a manner that does not contribute to the corporate value of the Company or the common interests of its shareholders would be inappropriate to become a person who controls decisions on

the Company's financial and business policies. In order to prevent decisions on the Company's financial and business policies from being controlled by persons viewed as inappropriate and to deter large-scale acquisitions that are detrimental to the corporate value of the Company and the common interests of its shareholders, the Company's Board of Directors has decided that, for occasions when a large-scale acquisition of the Company's shares, etc. or other similar action is made by an acquirer or the Company receives a proposal therefor, it is necessary and essential to have a mechanism that enables the Company's Board of Directors to request the acquirer or the proposing party to provide information concerning the acquisition in advance and ensure the necessary time and information for the shareholders to decide whether or not to accept such proposal, to present shareholders with the Company's management plan or an alternative proposal and to negotiate with the acquirer for the benefit of the shareholders.

For these reasons, the Company's Board of Directors resolved to re-adopt the Plan.

## 2. Plan Details

### 2.1 Procedures for Triggering the Plan

#### (a) Targeted Acquisitions

The Plan will apply in cases where there is an acquisition of Company' shares, etc. or any similar action, or a proposal<sup>1</sup> for such action (except for those separately approved by the Company's Board of Directors); (the "Large-Scale Acquisition"), that falls under (i) or (ii) below. The party effecting the Large-Scale Acquisition (the "Large-Scale Acquirer") shall follow the procedures set forth in the Plan.

- (i) A purchase or other acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariai*)<sup>2</sup> of a holder (*hoyuusha*)<sup>3</sup> amounting to 20% or more of the share certificates, etc. (*kabuken tou*)<sup>4</sup> issued by the Company; or
- (ii) A tender offer (*koukai kaitsuke*)<sup>5</sup> that would result in the owning ratio of share certificates, etc. (*kabuken tou shoyuu wariai*)<sup>6</sup> of share certificates, etc. (*kabuken tou*)<sup>7</sup> after the tender offer and the owning ratio of share certificates, etc. of a person having a special relationship (*tokubetsu kankei-sha*)<sup>8</sup> after the tender offer totaling at least 20% of the share certificates, etc. issued by the Company.

#### (b) Request to the Large-Scale Acquirer for the Provision of Information

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<sup>1</sup> "Proposal" includes solicitation of a third party.

<sup>2</sup> Defined in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act of Japan. This definition is applied throughout this document.

<sup>3</sup> Including persons described as a holder under Article 27-23, Paragraph 3 of the Financial Instruments and Exchange Act of Japan (including persons who are deemed to fall under the above by the Board of Directors of the Company). The same is applied throughout this document.

<sup>4</sup> Defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act of Japan. Unless otherwise provided for in this document, the same is applied throughout this document.

<sup>5</sup> Defined in Article 27-2, Paragraph 6 of the Financial Instruments and Exchange Act of Japan. The same is applied throughout this document.

<sup>6</sup> Defined in Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Act of Japan. The same is applied throughout this document.

<sup>7</sup> Defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan. The same is applied throughout item (ii) of 2.2(a).

<sup>8</sup> Defined in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act of Japan (including persons who are deemed to fall under the above by the Board of Directors of the Company); provided, however, that persons provided for in Article 3, Paragraph 2 of the Cabinet Office Regulations concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from the persons described in Article 27-2, Paragraph 7, Item (i) of the Financial Instruments and Exchange Act of Japan. The same is applied throughout this document.

The Company's Board of Directors will require the Large-Scale Acquirer conducting the Large-Scale Acquisition to submit to the Company's Board of Directors in the form prescribed by the Company, before the Large-Scale Acquisition, a document written in Japanese that includes the information described in each item of the list below (the "Essential Information") and a written undertaking that the Large-Scale Acquirer will, upon the Large-Scale Acquisition, comply with the procedures set forth in the Plan (the "Acquisition Document"). The Company's Board of Directors will promptly provide the Acquisition Document to the Independent Committee.

If the Independent Committee determines that the Acquisition Document does not contain sufficient Essential Information, it may set a reply period and request through the Company's Board of Directors that the Large-Scale Acquirer provide additional information. In such case, the Large-Scale Acquirer should provide such additional information to the Company's Board of Directors within the relevant time limit.

- (i) Details (specifically including name, capital structure, financial position, operation results, details of violation of laws or ordinances in the past (if any), terms of previous transactions by the Large-Scale Acquirer similar to the Large-Scale Acquisition and the effect on the corporate value of the target company subsequent to the transaction) of the Large-Scale Acquirer and its group (including joint holders,<sup>9</sup> persons having a special relationship and persons having a special relationship with a person in relation to whom the Large-Scale Acquirer is the controlled corporation<sup>10</sup>).<sup>11</sup>
- (ii) The purpose, method and terms of the Large-Scale Acquisition (including the amount and type of consideration for the Large-Scale Acquisition, the timeframe of the Large-Scale Acquisition, the scheme of any related transactions, the legality of the Large-Scale Acquisition method, and the feasibility that the Large-Scale Acquisition will be effected).
- (iii) The basis for the calculation of the purchase price of the Large-Scale Acquisition (including the underlying facts and assumptions of the calculation, the calculation method, the numerical data used in the calculation, the details of any expected synergies from any series of transactions relating to the Large-Scale Acquisition including the details of such synergies to be shared with minority shareholders, and the basis for the calculation of such synergies).
- (iv) Financial support for the Large-Scale Acquisition (specifically including the name of the fund providers for the Large-Scale Acquisition (including all indirect fund providers), financing methods and the terms of any related transactions).
- (v) Post-Large-Scale Acquisition management policy, business plan, capital, dividend and asset management policies for the Group.
- (vi) Post-Large-Scale Acquisition policies for the Company's shareholders (other than the Large-Scale Acquirer), employees, business partners, customers, and any other stakeholders in the Company.
- (vii) Any other information that the Independent Committee reasonably considers necessary.

If the Independent Committee recognizes that the Large-Scale Acquirer has initiated the Large-Scale Acquisition without complying with the procedures set forth in the Plan, as a general rule, it will recommend to the Company's Board of Directors to implement a gratis allotment of Stock Acquisition Rights in accordance with 2.1(d)(i) below.

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<sup>9</sup> "Joint holders" are as defined in Article 27-23, Paragraph 5 of the Financial Instruments and Exchange Act of Japan, including persons regarded as a joint holder under Article 27-23, Paragraph 6 of the Financial Instruments and Exchange Act of Japan (including persons who are deemed to fall under the above by the Company's Board of Directors.). The same is applied throughout this document.

<sup>10</sup> Defined in Article 9, Paragraph 5 of the Enforcement Regulation for the Financial Instruments and Exchange Act of Japan.

<sup>11</sup> If an acquirer is a fund, information relating to the matters described in item (i) about each partner and other constituent members is required.

(c) Consideration of Large-Scale Acquisition Terms and Consideration of Alternative Proposals

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

If the Large-Scale Acquirer submits the Acquisition Document and any additional information that the Independent Committee requests, the Independent Committee may set a reply period in consideration of the time required for the Company's Board of Directors to collect information and consider the valuation of the Company, etc. (including consideration by Outside Experts (as defined below), as needed) (up to sixty days after the date upon which the Independent Committee receives such information) and request that the Company's Board of Directors present an opinion on the Large-Scale Acquirer's Large-Scale Acquisition terms (including an opinion to refrain from giving such opinion; the same is applied throughout this document), the materials supporting such opinion, any alternative proposals, and any other information that the Independent Committee considers necessary.

(ii) Independent Committee Consideration

In order to judge on fair and objective grounds, the Independent Committee should receive the information from the Large-Scale Acquirer and the Company's Board of Directors (if the Independent Committee requests the Company's Board of Directors to provide information as set forth above), and conduct its consideration of the Large-Scale Acquisition terms, collection of information on materials such as the management plans and business plans of the Large-Scale Acquirer and the Company's Board of Directors and comparison thereof, and consideration of any alternative plan presented by the Company's Board of Directors, and the like for a period of time that does not, as a general rule, exceed sixty days (provided, however, that in cases such as those described below in 2.1(d)(iii), the Independent Committee may extend this period (the "Independent Committee Consideration Period")) after the date upon which the Independent Committee receives the information. If it is necessary in order to improve the Large-Scale Acquisition terms from the standpoint of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders, the Independent Committee will directly or indirectly discuss and negotiate with the Large-Scale Acquirer.

In order to ensure that the Independent Committee's decision contributes to the Company's corporate value and the common interests of the shareholders, the Independent Committee may, at the cost of the Company, obtain advice from professional third parties independent from the Company and the Independent Committee (including attorneys, certified public accountants, financial advisers, consultants, investment banks, securities firms and the like; "Outside Experts"). If the Independent Committee directly or indirectly requests the Large-Scale Acquirer to provide materials for consideration or any other information, the Large-Scale Acquirer must promptly respond to such request.

(iii) Disclosure of Information

At a time the Independent Committee considers appropriate, the Company will disclose the fact that it has received the Acquisition Document from the Large-Scale Acquirer, the fact that the Independent Committee Consideration Period has commenced, and any matters considered appropriate by the Independent Committee contained in the Essential Information or other information.

(d) Recommendation by the Independent Committee

If the Large-Scale Acquirer emerges, the Independent Committee will make recommendations to the Company's Board of Directors as follows. If the Independent Committee makes recommendations or otherwise to the Company's Board of Directors as listed in (i) through (iii) below,

or otherwise believes it to be appropriate, the Independent Committee will promptly disclose through the Company's Board of Directors an outline of its recommendations and any other matters that the Independent Committee considers appropriate (in the case of extending the Independent Committee Consideration Period, including the period of and reason for such extension).

(i) Recommendations for Triggering the Plan

If the Independent Committee determines that the Large-Scale Acquisition by the Large-Scale Acquirer meets any of the requirements set forth below at 2.2, 'Requirements for the Gratis Allotment of Stock Acquisition Rights' and that the implementation of the gratis allotment of Stock Acquisition Rights is reasonable, the Independent Committee will recommend to the Company's Board of Directors the implementation of the gratis allotment of Stock Acquisition Rights, regardless of whether the Independent Committee Consideration Period has commenced or ended.

However, even after the Independent Committee has already made a recommendation for the implementation of the gratis allotment of Stock Acquisition Rights, if the Independent Committee determines that either of the events below applies, it may make a new recommendation that (i) (on or before the second business day prior to the ex-rights date with respect to the gratis allotment of Stock Acquisition Rights) the Company should suspend the gratis allotment of Stock Acquisition Rights, or (ii) (from the effective date of the gratis allotment of Stock Acquisition Rights and until the day immediately prior to the commencement date of the exercise period of the Stock Acquisition Rights) the Company should acquire the Stock Acquisition Rights for no consideration.

- (A) The Large-Scale Acquirer withdraws the Large-Scale Acquisition or the Large-Scale Acquisition otherwise ceases to exist after the recommendation.
- (B) There is a change in the facts or otherwise upon which the recommendation decision was made, and the Large-Scale Acquisition by the Large-Scale Acquirer does not meet any of the requirements set forth below in 2.2, 'Requirements for the Gratis Allotment of Stock Acquisition Rights,' or it is not reasonable to implement the gratis allotment or allow shareholders to exercise the Stock Acquisition Rights even if the Large-Scale Acquisition by the Large-Scale Acquirer does meet one of the requirements in 2.2 below.

The Independent Committee may reserve its determination recommending the implementation of the gratis allotment of Stock Acquisition Rights until confirmation of the shareholders' intent regarding the implementation is obtained.

(ii) Recommendations for Not Triggering the Plan

If as a result of its consideration of the terms of the Large-Scale Acquirer's Large-Scale Acquisition and discussion, negotiation or the like with the Large-Scale Acquirer, the Independent Committee determines that the Large-Scale Acquisition by the Large-Scale Acquirer does not meet any of the requirements set forth below in 2.2, 'Requirements for the Gratis Allotment of Stock Acquisition Rights,' or that the implementation of the gratis allotment of Stock Acquisition Rights is not reasonable even if the Large-Scale Acquisition by the Large-Scale Acquirer does meet any of the requirements set forth in 2.2 below, the Independent Committee will recommend to the Company's Board of Directors the non-implementation of the gratis allotment of Stock Acquisition Rights, regardless of whether the Independent Committee Consideration Period has commenced or ended.

However, even after the Independent Committee has already made a recommendation for the non-implementation of the gratis allotment of Stock Acquisition Rights, if there is a change in the facts or otherwise upon which the recommendation decision was made and the requirements set forth in (i) above are satisfied, the Independent Committee may make a new recommendation that the Company

should implement the gratis allotment of Stock Acquisition Rights.

(iii) Extension of the Independent Committee Consideration Period

If the Independent Committee does not make a recommendation for either the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights by the expiry of the initial Independent Committee Consideration Period, the Independent Committee will, to the reasonable extent that it is considered necessary for actions such as consideration of the terms of the Large-Scale Acquirer's Large-Scale Acquisition and consideration of alternative proposals, pass a resolution to extend the Independent Committee Consideration Period (and any subsequent extension to the extended period will follow the same procedure).

If the Independent Committee Consideration Period is extended as a result of the resolution described above, the Independent Committee will disclose the reason for the extension and the extended period through the Company's Board of Directors and continue with its information collection, consideration process and similar activities, and use its best efforts to make a recommendation for the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights within the extended period.

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

The Company's Board of Directors, in exercising its role under the Companies Act, will pass a resolution relating to the implementation or non-implementation of a gratis allotment of Stock Acquisition Rights respecting any recommendation by the Independent Committee described above as much as possible.

However, the Company's Board of Directors will convene a General Meeting of Shareholders to confirm the intent of the Company's shareholders regarding the implementation of the gratis allotment of the Stock Acquisition Rights (the "Shareholders Intent Confirmation Meeting") in addition to referring the matter to the Independent Committee, if, before the implementation of the gratis allotment of the Stock Acquisition Rights pursuant to the Plan,

(i) the Board of Directors, taking into consideration various matters such as the terms and time frame of the Large-Scale Acquisition by the Large-Scale Acquirer, determines that it is practically possible to confirm the intent of the Company's shareholders and that the confirmation is appropriate in light of laws and ordinances and the duty of care of a good manager of the Company's Board of Directors, or

(ii) the Independent Committee recommends the implementation of the gratis allotment of Stock Acquisition Rights, subject to the confirmation of the shareholders' intent.

If the Shareholders Intent Confirmation Meeting or the Independent Committee determines or recommends non-implementation of the gratis allotment of the Stock Acquisition Rights, the Company's Board of Directors will not implement the gratis allotment of the Stock Acquisition Rights, as a general rule. The Large-Scale Acquirer must not effect the Large-Scale Acquisition until and unless the Company's Board of Directors makes a resolution for the non-implementation of the gratis allotment of Stock Acquisition Rights or the Shareholders Intent Confirmation Meeting rejects the proposal for implementation of the gratis allotment of the Stock Acquisition Rights.

After the Company's Board of Directors passes a resolution for the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights or after the convocation of the Shareholders Intent Confirmation Meeting, the Board of Directors will promptly disclose an outline of its resolution, and any other matters that it considers appropriate.

## 2.2 Requirements for the Gratis Allotment of Stock Acquisition Rights

The Company intends to implement the gratis allotment of Stock Acquisition Rights by a resolution of the Company's Board of Directors as described above in (e) of 2.1, 'Procedures for Triggering the Plan,' if it is determined that the Large-Scale Acquisition by the Large-Scale Acquirer falls under any of the items below and it is reasonable to implement the gratis allotment of Stock Acquisition Rights. However, the Company's Board of Directors will, without fail, make its determination as to whether the Large-Scale Acquisition of the Large-Scale Acquirer falls under a requirement below and if it is reasonable or not to implement the gratis allotment of Stock Acquisition Rights through the recommendation by the Independent Committee in accordance with (d) of section 2.1 above, 'Procedures for Triggering the Plan.'

- (a) Large-Scale Acquisitions not in compliance with the procedures prescribed in the Plan.
- (b) Large-Scale Acquisitions that threaten to harm the corporate value of the Company and the common interests of its shareholders through actions including any of the actions below:
  - (i) A buyout of share certificates, etc. to require such share certificates, etc. to be compulsorily purchased by the Company at an inflated price.
  - (ii) Management that achieves an advantage for the Large-Scale Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company's material assets.
  - (iii) Diversion of the Company's assets to secure or repay debts of the Large-Scale Acquirer or its group company.
  - (iv) Temporary control of the Company's management to bring about a disposal of high-value assets that have no current relevance to the Company's business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price taking advantage of the opportunity afforded by the sudden rise in share price created by the temporarily high dividends.
- (c) Large-Scale Acquisitions made with no intention of truly participating in corporate management and solely for the purpose of increasing the stock price of the Company and having the Company or its related parties and individuals purchase shares in the Company at an inflated price.
- (d) Certain Large-Scale Acquisitions that threaten to have the effect of coercing shareholders into selling shares, such as coercive two-tiered tender offers (meaning acquisitions of shares including tender offers that do not offer to acquire all shares in the initial acquisition, and set acquisition terms for the second stage that are unfavorable or do not set clear terms for the second stage).
- (e) Large-Scale Acquisitions that do not provide the Company's Board of Directors with the period of time reasonably necessary to produce an alternative proposal to the Large-Scale Acquisition.
- (f) Large-Scale Acquisitions in which the Essential Information or any other information considered reasonably necessary to assess the Large-Scale Acquisition terms is not sufficiently provided to the Company's shareholders.
- (g) Large-Scale Acquisitions whose terms (including amount and type of consideration for the Large-Scale Acquisition, the Large-Scale Acquisition schedule, the legality of the Large-Scale Acquisition method, the probability of the Large-Scale Acquisition being effected, post-Large-Scale Acquisition management policies and business plans, and post-Large-Scale Acquisition policies dealing with the Company's other shareholders, employees, customers, business partners and any other stakeholders in the Company) are significantly inadequate or inappropriate in light of the intrinsic value of the Company.

- (h) Large-Scale Acquisitions that materially threaten to be against the corporate value of the Company or the common interests of shareholders, by destroying the Company's core technologies, know-how to flexibly respond to the needs of business partners or society, the established group-wide business system of the Group, relationships of trust with the Company's employees, customers, business partners, and others, the Company's technical strength or development power, branding power or corporate philosophy and the like, which are indispensable to the generation of the Company's corporate value.

### 2.3 Establishment of the Independent Committee

The Company will establish the Independent Committee, comprised solely of independent outside parties, as an organization that will operate the Plan appropriately, eliminate arbitrary decisions by directors and objectively make substantive decisions on behalf of the shareholders in the event of the triggering or other operation of the Plan. If the Large-Scale Acquisition is actually to be made, the Independent Committee shall substantially determine whether or not that Large-Scale Acquisition could harm the corporate value of the Company and the common interests of its shareholders, and the Company's Board of Directors, in exercising its role under the Companies Act, shall pass a resolution respecting such decision by the Independent Committee as much as possible, in accordance with 2.1, 'Procedures for Triggering the Plan' above.

In addition, the members of the Independent Committee at the time of re-adoption of the Plan will be Outside Directors of the Company, Outside Corporate Auditors of the Company and Outside Experts, who are highly independent from the management of the Company. (Standards for appointing members, requirements for resolution, resolution matters, and other matters concerning the Independent Committee are as described in Attachment 2 'Outline of the Rules of the Independent Committee,' and members of the Independent Committee at the time of re-adoption of the Plan will be as described in Attachment 3 'Profiles of the Members of the Independent Committee.')

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

If the re-adoption of the Plan is approved by the Company's shareholders at this General Meeting of Shareholders, the effective period of the Plan will be the period until the close of the Ordinary General Meeting of Shareholders relating to the last fiscal year ending within three years after the close of this General Meeting of Shareholders.

However, if even before the expiration of the effective period the Company's General Meeting of Shareholders or the Board of Directors passes a resolution to abolish the Plan, the Plan shall be abolished in accordance with that resolution.

Further, the Company's Board of Directors may revise or amend the Plan even during the effective period of the Plan.

If the Plan is abolished, amended or the like, the Company will promptly disclose information including the fact that such abolition, amendment or the like has taken place, and (in the event of an amendment or the like) the details of the amendment and any other relevant matters.

### 2.5 Revision due to amendment to laws and ordinances

The provisions of laws and ordinances referred to under the Plan are subject to the prevailing provisions as



of March 26, 2010. If it becomes necessary after such date to amend the terms and conditions or definitions of terms set forth in the paragraphs above due to the formulation, amendment or abolishment of laws and ordinances, the terms and conditions or definitions of terms set forth in the paragraphs above shall be read accordingly as required to a reasonable extent, taking into consideration the purposes of such formulation, amendment or abolishment.

**(For Reference)**

**I. Impact on Shareholders**

1. Impact on the Company's Shareholders and Investors at Time of Re-adoption of the Plan

The Plan will have no direct or specific impact on the Company's shareholders and investors as a result of the re-adoption. This is because at that time, no actual gratis allotment of Stock Acquisition Rights will be implemented.

2. Impact on the Company's Shareholders and Investors at the Time of the Gratis Allotment of Stock Acquisition Rights

(i) Procedures for Shareholders upon the Gratis Allotment of Stock Acquisition Rights

If the Company's Board of Directors passes a resolution for a gratis allotment of Stock Acquisition Rights, the Company's Board of Directors will also decide the allotment date by the same resolution and give public notice of the allotment date. In this case, the Company will make a gratis allotment of Stock Acquisition Rights to the shareholders who are recorded in the Company's last register of shareholders as of the allotment date (the "Entitled Shareholders") for one Stock Acquisition Right per share in the Company held by the Entitled Shareholders. All Entitled Shareholders will become Stock Acquisition Right holders as a matter of course on the effective date of the gratis allotment of Stock Acquisition Rights, and no further procedures, such as applying for such gratis allotment, will be necessary.

In addition, even after the Company's Board of Directors passes a resolution for gratis allotment of Stock Acquisition Rights, the Company may, by respecting any recommendation by the Independent Committee described above in section (d)(i) of 2.1, 'Procedures for Triggering the Plan,' as much as possible, (i) (on or before the second business day prior to the ex-rights date with respect to the gratis allotment of Stock Acquisition Rights) suspend the gratis allotment of Stock Acquisition Rights, or (ii) (from the effective date of the gratis allotment of Stock Acquisition Rights and until the day immediately prior to the commencement date of the exercise period of the Stock Acquisition Rights) acquire the Stock Acquisition Rights for no consideration. In such cases, no dilution of the value per share in the Company held by the shareholders will result, and it is likely that any investors who have sold or bought the shares in the Company expecting to see such a dilution will be subject to unforeseen loss as a result of a fluctuation in the share price.

(ii) Procedures for Exercising Stock Acquisition Rights

The Company will deliver to the Entitled Shareholders, as a general rule, a document necessary to be submitted for the exercise of the Stock Acquisition Rights (in a form prescribed by the Company and containing necessary matters such as the terms and number of the Stock Acquisition Rights for exercise and the exercise date for the Stock Acquisition Rights, representations and warranties regarding matters such as that the shareholders themselves satisfy the exercise conditions of the Stock Acquisition Rights, indemnity clauses and other covenants, and information necessary to allocate shares of the Company to the account of the Entitled Shareholders) and other documents necessary for the exercise of the Stock Acquisition Rights. After the gratis allotment of Stock Acquisition Rights, the shareholders will be issued one share in the Company per Stock Acquisition Right upon submitting these necessary documents during

the exercise period of Stock Acquisition Rights and, as a general rule, by paying to the place handling such payments the amount equivalent to the exercise price determined in the Gratis Allotment Resolution (defined in Attachment 1), which will be an amount within the range of one yen to one-half of the fair market value of the Company's stock per Stock Acquisition Right.

If the Company's shareholders do not exercise their Stock Acquisition Rights or pay the amount equivalent to the exercise price, the shares they hold in the Company will be diluted by the exercise of Stock Acquisition Rights by other shareholders.

However, it is also possible for the Company to acquire the Stock Acquisition Rights of all shareholders other than Non-Qualified Parties (as defined in Attachment 1 'Outline of the Gratis Allotment of Stock Acquisition Rights,' the same is applied throughout this document) and, in exchange, deliver shares in the Company, in accordance with the procedures set out in (iii) below. If the Company carries out such an acquisition procedure, all shareholders other than Non-Qualified Parties will come to receive shares in the Company without exercising their Stock Acquisition Rights or paying an amount equivalent to the exercise price, and, as a general rule, no dilution of the shares in the Company they hold will result.

(iii) Procedures for the Acquisition of Stock Acquisition Rights by the Company

If the Company's Board of Directors determines to acquire the Stock Acquisition Rights, the Company will acquire the Stock Acquisition Rights from the shareholders other than Non-Qualified Parties in accordance with the statutory procedures on the date separately determined by the Company's Board of Directors, and in exchange, deliver shares in the Company. In this case, the shareholders concerned will, as a general rule, come to receive one share in the Company for each Stock Acquisition Right as consideration for the acquisition by the Company of those Stock Acquisition Rights, without paying the amount equivalent to the exercise price. However, in such case, the shareholders concerned may be separately requested to submit, in the form prescribed by the Company, a written undertaking including representations and warranties regarding matters such as the fact that they are not Non-Qualified Parties, indemnity clauses and other covenants. The shareholders may also be requested to provide information on the account in which shares in the Company to be delivered as consideration for acquisition of the Stock Acquisition Rights are to be allocated.

If the Gratis Allotment Resolution provides for matters relating to acquisition of the Stock Acquisition Rights from the Non-Qualified Parties and the amount of consideration or other matters relating to acquisition, the Company may take procedures in accordance with the provisions of the Gratis Allotment Resolution.

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

## II. Rationality of the Plan

### 1. The Plan Fully Satisfies the Basic Policy

The Plan is a mechanism to maintain the corporate value of the Company and the common interests of its shareholders by ensuring the necessary time and information is available for the shareholders to decide whether or not to accept the Large-Scale Acquisition of the Company's shares, etc. and for the Board of Directors to present alternative proposals to the shareholders, and by enabling the Board of Directors to negotiate with the Large-Scale Acquirer for the benefit of the shareholders when the Large-Scale Acquisition is effected. As above, the Plan is in compliance with the Basic Policy.

### 2 The Plan Is Not Detrimental to the Common Interests of the Shareholders and Does Not Aim to Maintain the Positions of Directors and Corporate Auditors of the Company

For the following reasons, the Company believes that the Plan would not be detrimental to the common interests of the Company's shareholders, 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) Satisfying the Requirements of the Guidelines for Takeover Defense Measures

The Plan satisfies the three principles set out in the Guidelines Regarding Takeover Defense for the Purpose of Protection and Enhancement of Corporate Value and Shareholder's Common Interests released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

#### (ii) Placing High Value on the Intent of Shareholders

As set out above in section 1.3, 'Purpose of Re-adoption of the Plan,' the Company will confirm at this General Meeting of Shareholders the intent of the Company's shareholders regarding whether or not to re-adoption the Plan, and if the Company's shareholders do not approve the re-adoption of the Plan, the Plan will be abolished.

As set forth above in section (e) of 2.1, 'Procedures for Triggering the Plan,' the Company's Board of Directors may confirm the intent of the Company's shareholders at the Shareholders Intent Confirmation Meeting regarding the need to trigger the Plan, if it considers it practically possible to confirm the intent of the Company's shareholders and appropriate in light of laws and ordinances and the duty of care of a good manager of the Company's Board of Directors, or the Independent Committee recommends the implementation of the gratis allotment of Stock Acquisition Rights, subject to the shareholders' confirmation.

Further, the Plan is subject to a so-called sunset clause setting the effective period to approximately three years, and even if before the expiration of the effective period of the Plan the Company's General Meeting of Shareholders or the Board of Directors resolves to abolish the Plan, the Plan will be abolished at that time. In this regard, the life of the Plan depends on the intent of the Company's shareholders.

#### (iii) Disclosure of Information and Emphasis on the Decisions of Highly Independent Outside Parties

As set forth above in section 2.3, 'Establishment of the Independent Committee,' the Independent Committee, composed only of outside members who are independent, will make the substantive decisions for the operation of the Plan, including its triggering.

In addition, members of the Independent Committee at the time of re-adoption of the Plan will be as described in Attachment 3 'Profiles of the Members of the Independent Committee.'

Further, outlines of the Independent Committee's decisions are required to be disclosed to all shareholders, and a structure under which the Plan is operated in a transparent way that serves the corporate value of the Company and the common interests of its shareholders is ensured.

(iv) Establishment of Reasonably Objective Requirements

As set forth above in section (d) of 2.1, 'Procedures for Triggering the Plan,' and section 2.2, 'Requirements for the Gratis Allotment of Stock Acquisition Rights,' the Company believes that the Plan is established so that it will not be triggered unless reasonable and objective requirements have been satisfied, and ensures a structure to eliminate arbitrary triggering by the Company's Board of Directors.

(v) Obtaining the Advice of Outside Experts

As set forth above in section (c)(ii) of 2.1, 'Procedures for Triggering the Plan,' if the Large-Scale Acquirer emerges, the Independent Committee may obtain the advice of Outside Experts independent from the Company and the Independent Committee (including attorneys, certified public accountants, financial advisors and other experts) at the cost of the Company. This is a mechanism to even more securely enhance the objectivity and fairness of the decisions made by the Independent Committee.

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

As stated above in section 2.4, 'Effective Period, Abolition and Amendment of the Plan,' the Plan may be abolished through a resolution of the Company's Board of Directors composed of Directors nominated by a person who acquires a large number of the Company's shares, etc. and elected at a General Meeting of Shareholders.

Therefore, the Plan is not a dead-hand takeover defense measure (a takeover defense measure in which even if a majority of the members of the Board of Directors are replaced, the triggering of the measure cannot be stopped). Also, as the Company has not adopted a system of staggered terms of office, the Plan is not a slow-hand takeover defense measure either (a takeover defense measure in which triggering takes more time to stop due to the fact that the members of the Board of Directors cannot be replaced all at once).

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## Attachment 1

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

#### 1. Number of Stock Acquisition Rights

The Company will implement a gratis allotment of Stock Acquisition Rights to the same number as the final and total number of outstanding shares in the Company (excluding the number of shares in the Company held by the Company at that time) on a certain date (the “Allotment Date”) that is separately determined in a resolution by the Company’s Board of Directors relating to the gratis allotment of Stock Acquisition Rights (the “Gratis Allotment Resolution”).

#### 2. Shareholders Eligible for Allotment

The Company will allot one Stock Acquisition Right for each share in the Company held by the shareholders, other than the Company, who are recorded in the Company’s final register of shareholders on the Allotment Date.

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

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

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

The number of shares in the Company to be acquired upon exercise of each Stock Acquisition Right (the “Applicable Number of Shares”) shall, as a general rule, be one share.

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

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

#### 6. Exercise Period of the Stock Acquisition Rights

The commencement date will be a date separately determined in the Gratis Allotment Resolution (this commencement date of the exercise period shall be referred to as the “Exercise Period Commencement Date”), and the period will be a period from one month to three months long as separately determined in the Gratis Allotment Resolution; provided, however, that if the Company acquires the Stock Acquisition Rights pursuant to the provisions of paragraph 9. (ii) below, the exercise period for the Stock Acquisition Rights with respect to that acquisition will be up to and including the day immediately prior to the relevant acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment place

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

7. Conditions for the Exercise of the Stock Acquisition Rights

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

- (I) Specified Large Holders;<sup>1</sup>
- (II) Joint Holders of Specified Large Holders;
- (III) Specified Large Purchasers;<sup>2</sup>
- (IV) Persons having a Special Relationship with Specified Large Purchasers;
- (V) Any transferee of or successor to the Stock Acquisition Rights of any party falling under (I) through (IV) without the approval of the Company’s Board of Directors; or
- (VI) Any Affiliated Party of any party falling under (I) through (V).<sup>3</sup>

Further, nonresidents of Japan who are required to follow certain procedures under foreign laws and regulations to exercise the Stock Acquisition Rights may not, as a general rule, exercise the Stock Acquisition Rights (provided, however, that the Stock Acquisition Rights held by nonresidents will be subject to acquisition by the Company in exchange for shares in the Company as set out in (ii) of paragraph 9. below, ‘Acquisition of the Stock Acquisition Rights by the Company,’ subject to compliance with the laws and regulations). In addition, anyone who fails to submit a written undertaking, in the form prescribed by the Company and containing representations and warranties regarding matters such as the fact that he or she satisfies the exercise conditions of the Stock Acquisition Rights, indemnity clauses and other covenants, may not exercise the Stock Acquisition Rights.

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<sup>1</sup> “Specified Large Holders” means, in principle, parties who are holders of share certificates, etc. issued by the Company and whose holding ratio of share certificates, etc. in respect of such share certificates, etc. is at least 20% (including any party who is deemed to fall under the above by the Company’s Board of Directors); provided, however, that parties that the Company’s Board of Directors recognizes as parties whose acquisition or holding of share certificates, etc. of the Company is not contrary to the Company’s corporate value or the common interests of shareholders or certain other parties that the Board of Directors determines in the Gratis Allotment Resolution are not Specified Large Holders. The same is applied throughout this Attachment 1.

<sup>2</sup> “Specified Large Purchasers” means, in principle, parties who make a public announcement of purchase, etc. (as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act; the same is applied throughout this Note 2) of share certificates, etc. (as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act; the same is applied throughout this Note 2) issued by the Company through a tender offer and whose ratio of ownership of share certificates, etc. in respect of such share certificates, etc. owned by such parties after such purchase, etc. (including similar ownership as prescribed in Article 7, Paragraph 1 of the Order of the Enforcement of the Financial Instruments and Exchange Act) is at least 20% when combined with the ratio of ownership of share certificates, etc. of a person having a special relationship (including any party who is deemed to fall under the above by the Company’s Board of Directors); provided, however, that parties that the Company’s board of directors recognizes as parties whose acquisition or holding of share certificates, etc. of the Company is not contrary to the Company’s corporate value or the common interests of shareholders or certain other parties that the Company’s board of directors determines in the Gratis Allotment Resolution are not Specified Large Purchasers. This is applied throughout this Attachment 1.

<sup>3</sup> An “Affiliated Party” of a given party means a person who substantially controls, is controlled by, or is under common control with such given party (including any party who is deemed to fall under the above by the Company’s Board of Directors), or a party deemed by the Company’s Board of Directors to act in concert with such given party. “Control” means to “control the determination of the financial and business policies” (as defined in Article 3, Paragraph 3 of the Enforcement Regulations of the Corporation Act) of other corporations or entities.

8. Assignment of the Stock Acquisition Rights

Any acquisition of the Stock Acquisition Rights by assignment requires the approval of the Company's Board of Directors.

9. Acquisition of the Stock Acquisition Rights by the Company

- (i) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Company's Board of Directors recognizes that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a date separately determined by the Company's Board of Directors, acquire all of the Stock Acquisition Rights for no consideration.
- (ii) On a date separately determined by the Company's Board of Directors, the Company may acquire all of the Stock Acquisition Rights that have not been exercised before or on the day immediately prior to such date determined by the Company's Board of Directors, that are held by parties other than Non-Qualified Parties and, in exchange, deliver shares in the Company to the number equivalent to the number of the Applicable Number of Shares for each Stock Acquisition Right.

Further, if on or after the date upon which the acquisition takes place the Company's Board of Directors recognizes the existence of any party holding Stock Acquisition Rights other than Non-Qualified Parties, the Company may, on a date determined by the Company's Board of Directors after the date upon which the acquisition described above takes place, acquire all of the Stock Acquisition Rights held by that party that have not been exercised by or on the day immediately prior to such date determined by the Company's Board of Directors (if any) and, in exchange, deliver shares in the Company to the number equivalent to the Applicable Number of Shares for each Stock Acquisition Right. The same will apply thereafter.

Other matters relating to the acquisition of the Stock Acquisition Rights may be determined in the Gratis Allotment Resolution if necessary.

10. Delivery of the Stock Acquisition Rights in the Case of Merger, Absorption-type Demerger (*kyushu bunkatsu*), Incorporation-type Demerger (*shinsetsu bunkatsu*), Share Exchange (*kabushiki koukan*), and Share Transfer (*kabushiki iten*)

These matters will be separately determined in the Gratis Allotment Resolution.

11. Issuance of Certificates Representing the Stock Acquisition Rights

Certificates representing the Stock Acquisition Rights will not be issued.

12. Other

In addition to the matters above, the details of the Stock Acquisition Rights will be separately determined in the Gratis Allotment Resolution.

## Attachment 2

### Outline of the Rules of the Independent Committee

1. The Independent Committee shall be established by resolution of the Company's Board of Directors.
2. There shall be no less than three members of the Independent Committee, and the Company's Board of Directors shall elect the members from (i) Outside Directors of the Company, (ii) Outside Corporate Auditors of the Company, and (iii) other outside experts who are independent from the management that executes the business of the Company (the "Outside Experts"). However, such experts must be experienced corporate managers, former government employees, parties with knowledge of the investment banking industry, attorneys, certified public accountants, researchers whose research focuses on the Companies Act of Japan or the like, or parties of similar qualifications, and 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 or similar provision.
3. Unless otherwise determined by resolution of the Company's Board of Directors, the term of office of members of the Independent Committee shall be until the close of the Ordinary General Meeting of Shareholders relating to the last fiscal year ending within three years after the close of this General Meeting of Shareholders. However, the term of office of any member of the Independent Committee who is an Outside Director or Outside Corporate Auditor shall end at the same time they cease to be an Outside Director or Outside Corporate Auditor (except in the case of their re-appointment).
4. The Independent Committee shall make decisions on the matters listed below and make recommendations to the Company's Board of Directors containing the details of and reasons for the recommendation. Respecting such recommendations of the Independent Committee as much as possible, the Company's Board of Directors shall make decisions exercising its role under the Companies Act of Japan (or if the General Meeting of Shareholders otherwise passes a resolution for the implementation of the gratis allotment of Stock Acquisition Rights as set out in (a) below, in accordance with such resolution). Each member of the Independent Committee and each Director of the Company must make such decisions solely with a view to whether or not the corporate value of the Company and the common interests of its shareholders will be enhanced, and they must not serve their own interests or those of the management of the Company.
  - (a) The implementation or non-implementation of the gratis allotment of Stock Acquisition Rights.
  - (b) The suspension of the gratis allotment of Stock Acquisition Rights or the gratis acquisition of Stock Acquisition Rights.
  - (c) Any other matters that are for determination by the Company's Board of Directors in respect to which it has consulted the Independent Committee.



5. In addition to the matters prescribed above, the Independent Committee shall conduct the matters listed below.
  - (a) Determination whether the Large-Scale Acquisition should be made subject to the Plan.
  - (b) Determination of the information that the Large-Scale Acquirer and the Company's Board of Directors should provide to the Independent Committee, and the deadline for the provision of that information.
  - (c) Examination and consideration of the terms of the Large-Scale Acquirer's Large-Scale Acquisition.
  - (d) Discussion and negotiation with the Large-Scale Acquirer.
  - (e) Request for alternative proposals from the Company's Board of Directors and consideration of the alternative proposals.
  - (f) Determination regarding extension of the Independent Committee Consideration Period.
  - (g) Any other matters prescribed in the Plan that the Independent Committee may conduct.
  - (h) Any matters that the Company's Board of Directors separately determines that the Independent Committee may conduct.
6. If the Independent Committee decides that the details stated in the Acquisition Document are inadequate as Essential Information, it shall request that the Large-Scale Acquirer provide additional information. Further, if the Independent Committee receives from the Large-Scale Acquirer the Acquisition Document and any additional information that it requests, it may request that the Company's Board of Directors provide within a certain period an opinion regarding the terms of the Large-Scale Acquisition by the Large-Scale Acquirer and materials supporting that opinion, any alternative proposals, and any other information that the Independent Committee may consider necessary from time to time.
7. In order to collect the necessary information, the Independent Committee may request the attendance of a Director, Corporate Auditor or employee of the Company, or any other party that the Independent Committee considers necessary, and may require explanation of any matter it requests.
8. The Independent Committee may, at the Company's expense, obtain the advice of a professional Outside Expert, independent from the Company and the Independent Committee (including attorneys, certified public accountants, financial advisers) or perform other similar actions.
9. Any member of the Independent Committee may convene a meeting of the Independent Committee when the Large-Scale Acquisition arises, or at any other time.
10. As a general rule, resolutions of meetings of the Independent Committee shall pass with a majority when all of the members of the Independent Committee are in attendance (including attendance via

(TRANSLATION FOR REFERENCE ONLY)

video conference or telephone conference; the same is applied throughout this document). However, in unavoidable circumstances a resolution may pass with a majority vote when a majority of the members of the Independent Committee are in attendance.

---End---

### Attachment 3

#### Profiles of the Members of the Independent Committee

Hisashi Sawada (Born on May 26, 1947)

Career Background

April 1976	Registered as Attorney-at-Law Joined Nomura Kiyomi Law Office
March 1978	Established Sawada Law Office (now Sawada Nakajo Law Office) (to present)
June 1994	Outside Corporate Auditor, Yamato Kogyo Co., Ltd. (to present)
June 2006	Auditor, Hyogo Shinkin Bank (to present) Outside Corporate Auditor, Shinki Bus., Co. Ltd (to present)

Hiroki Sasaki (Born on February 15, 1942)

Outside Corporate Auditor of the Company

Career Background

April 1965	Joined Fuji Iron & Steel Co., Ltd. (now Nippon Steel Corporation)
June 1995	Director, Nippon Steel Corporation
April 1999	Managing Director, Nippon Steel Corporation
June 2001	Vice President & Representative Director, Sanyo Special Steel Co., Ltd.
June 2002	President & Representative Director, Sanyo Special Steel Co., Ltd.
June 2007	Director & Senior Advisor, Sanyo Special Steel Co., Ltd.
June 2008	Outside Director of the Company (to present)
June 2009	Outside Corporate Auditor, KITZ Corporation (to present)

Akira Niijima (Born on March 9, 1944)

Outside Corporate Auditor of the Company

Career Background

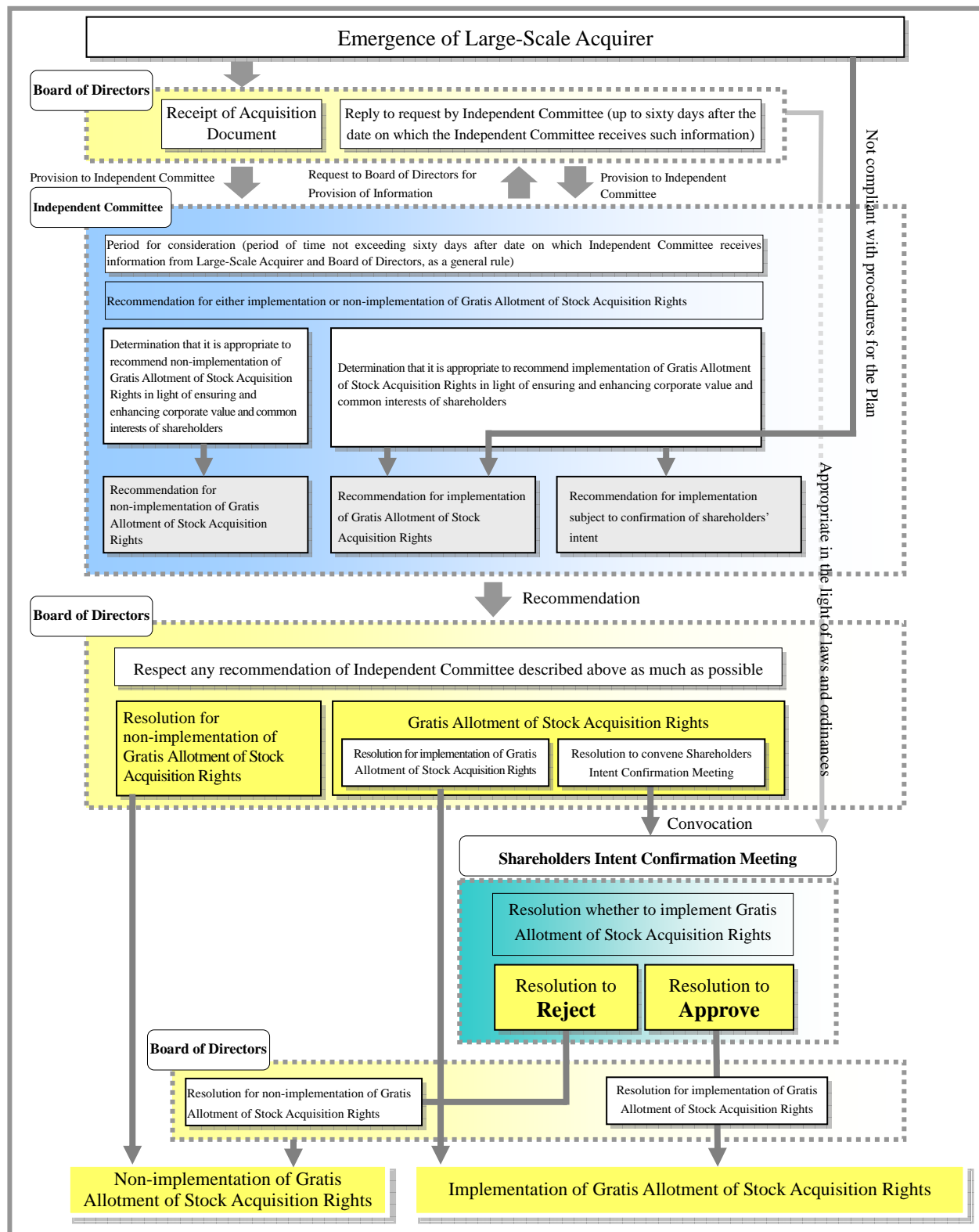
April 1969	Joined Pioneer Corporation
June 1997	Director, Pioneer Corporation
June 2000	Management Director, Pioneer Corporation
June 2002	Senior Management Director, Pioneer Corporation
June 2004	Senior Management Director & Representative Director, Pioneer Corporation
June 2008	Outside Director of the Company (to present)

No prospective Independent Committee member detailed above has any special interest in the Company.

---End---

**Exhibit**

**Flow Chart for Implementation/Non-implementation of Gratis Allotment of Stock Acquisition Rights under Countermeasures to Large-Scale Acquisitions**



- \* At a time considered appropriate, the Company will fully or partially disclose to the shareholders the fact that it has received a proposal for a large-scale acquisition from the Large-Scale Acquirer and the Essential Information provided to the Company's Board of Directors deemed necessary for the Company's shareholders to make a decision.
- \* The flow chart above is provided solely as a reference to the Plan to contribute to your understanding of the overview of the Plan. Please refer to the main text of the press release for the details of the Plan.

---End---