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News Release: Mitsui Matsushima Co., Ltd

(1518 TSE 1)

May 12, 2017

To whom it may concern:

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**Continuation of Countermeasures to Large-Scale Purchases of
Company's Shares, etc. (Anti-Takeover Measures)**

Mitsui Matsushima Co., Ltd. (the "Company"; together with its subsidiaries and affiliates, the "Group") at the 158th Annual General Meeting of Shareholders held on June 27, 2014, obtained approval from its shareholders for the "partial amendments to and the continuation of countermeasures to the large-scale purchases of the Company's shares (anti-takeover measures)" (the "Current Plan"). The effective period of the Current Plan is until the close of the 161st Annual General Meeting of Shareholders scheduled to be held on June 23, 2017.

Prior to the expiration of the effective period of the Current Plan, the Company reviewed the Current Plan from a viewpoint of securing and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders, including whether or not the Current Plan should be continued, while also taking into consideration changes in social and economic circumstances as well as various trends related to anti-takeover measures after the commencement of the Current Plan.

The Company hereby announces that, as a result of the review, the Company at its Board of Directors' meeting held today ("Today's BOD Meeting") decided to make partial amendments to the description in the Current Plan and continue the amended plan as the "countermeasures to the large-scale purchases of the Company's shares, etc. (anti-takeover measures)" (the "Plan") until the close of the Annual General Meeting of Shareholders scheduled to be held in June 2020, subject to approval of the shareholders at the 161st Annual General Meeting of Shareholders scheduled to be held on June 23, 2017 (the "161st Shareholders Meeting").

The amendments to the description in the Plan were made mainly to the description related to auditors in the Current Plan in line with the Company's transition to a company with an audit & supervisory committee on June 2016 as well as to "Chapter 2 Special efforts to realize the basic policy" for the purpose of making the details thereof suitable to the present situation. Since other amendments such as wording

refinement are insignificant, there are no substantial changes in the contents of the countermeasures between the Current Plan and the Plan.

The status of the Company's major shareholders as of March 31, 2017 is shown in Appendix 1. Furthermore, at this moment the Company has not received any notice or proposal by a particular third party concerning a large-scale purchase of the Company's shares, etc.

Chapter 1 Basic policy regarding persons who control decisions on the Company's policy for finance and business

The Company as a company whose shares are listed on financial instrument exchanges respects free transactions of the Company's shares, etc. on markets and does not unconditionally refuse large-scale purchases of the Company's shares, etc. by a particular person, as far as they will facilitate the securement and enhancement of the Group's corporate value and, in turn, the common interests of its shareholders. Furthermore, the Company considers that the decisions as to whether or not to accept a proposal of large-scale purchase by a large-scale purchaser and to approve the large-scale purchase should ultimately be left to the judgment of shareholders.

However, there are certain proposals of large-scale purchases of shares, etc. that, if implemented, are likely to damage the corporate value of the Group and, in turn, the common interests of its shareholders, including the possibility that good relationships with stakeholders cannot be kept, as well as those that will not fully reflect the value of the Group, and those that will not provide sufficient information necessary for shareholders to make a final decision.

The view of the Company's Board of Directors (the "Board of Directors") is that, as the directors entrusted by the shareholders, its duty is to, in response to such proposals, secure the time and information necessary for the shareholders, to engage in negotiations with such persons who propose to make a large-scale purchase of shares, etc., and to conduct other necessary acts, thereby securing and enhancing the corporate value of the Group and, in turn, the common interests of its shareholders.

Chapter 2 Special efforts to realize the basic policy

(1) Basic corporate philosophy and management vision

The Company has established a Basic Corporate Philosophy comprising the universal values aimed for by the Group, and a Management Vision that describes the characteristics to be aimed for as a business in order to realize the Philosophy. This Philosophy and Vision serve to indicate the direction that officers and employees of the Group should take when making decisions.

(a) Basic corporate philosophy of the Mitsui Matsushima Group "To Serve People and Society"

For the past century, ever since its inception as a coal mining company in Matsushima, Nagasaki in 1913, the Mitsui Matsushima Group has played a vital role in providing a stable supply of energy to Japan. Based on our Basic Corporate Philosophy "To Serve People and Society," we will develop our businesses aimed at building more

prosperous and energetic communities. In doing so, we look forward to continuing to grow and evolve over the next hundred years.

(b) Management vision of the Mitsui Matsushima Group—Our goals for the next century

- We aim to be a company that is vital to society.
To achieve this, we will proactively pioneer and create new fields of business, and address the needs of society.
- We aim to be known for fairness, openness, and trustworthiness.
To achieve this, our management will focus on balancing financial soundness and risk-taking so that we faithfully serve the needs and interests of all stakeholders.
- We aim to be a company that quickly adapts to changing environments, and flexibly undergoes transformation.
To achieve this, we are keenly alert to various changes and will continue to foster sensitivity and creativity.
- We aim to be a company that rewards hard and valuable work.
To achieve this, we will continue to value and foster a culture of fairness.

(2) Growth strategy of the Group

Since its establishment in 1913, the Group has developed its business mainly focused on coal production by leveraging the expertise and experience in coal mining operations and sophisticated mining technologies that it has cultivated over the years, thereby contributing to the stable supply of energy in Japan.

Meanwhile, performance in the coal production business is greatly influenced by external factors such as coal prices and foreign exchange rates. And in recent years, we see signs of structural changes relating to energy resources, including the rising presence of renewable energy and shale gas, as well as the expected shrinkage of coal consumption in developed economies due to tightening CO₂ emission controls.

In order to adapt to such future changes in the energy resource business and achieve a more stabilized and diversified revenue base, the Group continues to work in the area of coal production and also to develop and cultivate new businesses.

As to the continuous works in the area of coal production, the Group steadily promotes new ongoing projects with our superior coal-related expertise and technical capabilities and improves the profitability of the coal production business through cost-cutting measures for existing projects.

As to developing and cultivating new businesses, the Group has consistently promoted entry into new business fields in recent years, including contract services for recreational facilities and training centers, renewable energy, nursing care, beverage & food packages, fashion and electronic parts. These new business achievements undertaken by the Group so far have become increasingly visible in our performance. The Group continues to promote a more stabilized and diversified revenue base by expanding the new businesses that the Group has entered into and investing in new projects including M&As.

As described above, the Group will continuously expand its aggressive investment activities against the backdrop of its robust financial base and promote sustainable growth and development by constructing and expanding a stable business portfolio.

(3) Position regarding earnings distributions

The Group positions the distribution of earnings to shareholders as one of its highest management priorities. The basic policy is to continuously distribute earnings to shareholders in line with operating results while retaining sufficient earnings to sustain stable growth in the future and adapt to changes in the operating environment.

(4) Basic view of corporate governance

Companies exist on the basis of confidence from stakeholders including shareholders. In the case of the Group, too, it is essential to seek earnings in order to respond to the needs of stakeholders, but unless the earnings are derived from sound corporate activities, the Company believes that the Group may not survive permanently. With a view to seeking corporate earnings and securing confidence, while also further consolidating these two elements, it is fundamental for corporate management that a solid governance structure is established and that compliance is respected to the full extent, and this will ultimately lead to the enhancement of corporate value.

Based on this policy, the Company transitioned to a company with an audit & supervisory committee in June 2016, which consists of directors with voting rights who act as audit & supervisory committee members (currently served by three directors including two external directors), to further enhance the audit/monitoring functions of the Board of Directors. In addition, the Company has adopted the executive officer system for the purpose of clarifying the division of duties between the decision-making/monitoring functions and the business execution functions, thereby ensuring a structure under which the Board of Directors can take charge of decision-making/monitoring while executive officers take charge of business execution.

Furthermore, for the purpose of having all officers and employees of the Group recognize the importance of corporate ethics and compliance, the Group established the "Mitsui Matsushima Conduct Charter" and delivered a copy of the "Mitsui Matsushima Group Compliance Manual" to each officer and employee, and makes efforts to ensure that compliance is observed to the full extent.

Chapter 3 Measures to prevent persons inappropriate in light of the basic policy from controlling decisions on the Company's policy for finance and business

1. Purpose of the Plan

The purpose of the Plan is to enable a proper response to certain acts of large-scale purchase in order to secure and enhance the corporate value of the Group when such act of large-scale purchase is a purchase of the shares, etc.¹ of the Company for the

¹ Share certificates, etc. as defined in Paragraph 1 of Article 27-23 of the Financial Instruments and Exchange Act. The same applies throughout this document. In the event that the laws and regulations referred to in the Plan (the "Laws") have been revised (including name changes to the Laws and enactment of new laws and regulations taking over the Laws), each provision of the Laws referred to in the Plan will be replaced by the provision of a new law or regulation substantially taking over the Laws after the revision, unless otherwise stipulated by the Board of Directors.

purpose of causing the percentage of the holding of voting rights of a particular shareholder group to become at least 20% of all voting rights or will result in the percentage of the holding of voting rights of a particular shareholder group becoming at least 20% of all voting rights (except for purchases that the Board of Directors approves in advance, whether they are effected by a purchase on a stock exchange securities market, a tender offer or any other specific method of purchase, a "Large-Scale Purchase"; the person who conducts a Large-Scale Purchase, a "Large-Scale Purchaser") and when such Large-Scale Purchase would have a significant impact on the Group's corporate value.

In this context, a particular shareholder group means either (1) the holder² of the Company's shares, etc. and joint holders³ of that holder or (2) a party that conducts a purchase, etc.⁴ of the Company's shares, etc. and special related parties⁵ of that party. The percentage of the holding of voting rights is the percentage of the holding of shares, etc.⁶ of the applicable holders in the case where the particular shareholder group falls under (1) above and the total percentage of ownership of shares, etc.⁷ of the applicable Large-Scale Purchaser and special related parties in the case where the particular shareholder group falls under (2) above.

2. Outline of the Plan

The Plan is made up of the large-scale purchase rules that a Large-Scale Purchaser should follow (section 3. below) and the large-scale purchase defensive measures that the Company could take against a Large-Scale Purchase (section 4. below).

Firstly, the Plan requires, as a large-scale purchase rule, a Large-Scale Purchaser to provide information necessary for shareholders and Board of Directors to reach a decision (section 3.(1) below) and to give the Board of Directors sufficient time to examine and evaluate the proposed purchase (section 3.(2) below).

Secondly, the Plan restricts the requirements for the Board of Directors to resolve to trigger, as the large-scale purchase defensive measures, appropriate defensive measures that are permitted under the Companies Act, other laws and regulations, and the Articles of Incorporation of the Company to cases where the Large-Scale Purchaser does not comply with the large-scale purchase rules or where the Large-Scale Purchase would significantly damage the corporate value of the Group or the common interests of its shareholders (section 4.(2)(3) below).

² Holder as defined in Paragraph 1 of Article 27-23 of the Financial Instruments and Exchange Act, including parties deemed to be holders in accordance with Paragraph 3 of this article. The same applies throughout this document.

³ Joint holder as defined in Paragraph 5 of Article 27-23 of the Financial Instruments and Exchange Act, including parties deemed to be joint holders in accordance with Paragraph 6 of this article. The same applies throughout this document.

⁴ Purchase, etc. as defined in Paragraph 1 of Article 27-2 of the Financial Instruments and Exchange Act, including purchases, etc. on a stock exchange securities market. The same applies throughout this document.

⁵ Special related party as defined in Paragraph 7 of Article 27-2 of the Financial Instruments and Exchange Act; provided, however, that persons provided for in Paragraph 2 of Article 3 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc. by Person Other than Issuer are excluded from the persons described in Item (1) of Paragraph 1 of Article 27-2 of the Financial Instruments and Exchange Act. The same applies throughout this document.

⁶ Percentage of holding of share certificates, etc. as defined in Paragraph 4 of Article 27-23 of the Financial Instruments and Exchange Act. The same applies throughout this document.

⁷ Percentage of ownership of share certificates, etc. as defined in Paragraph 8 of Article 27-2 of the Financial Instruments and Exchange Act. The same applies throughout this document.

3. Large-scale purchase rules

(1) Provision of information to Board of Directors

When a Large-Scale Purchaser attempts to conduct a Large-Scale Purchase, the Large-Scale Purchaser is firstly asked to submit to the representative director of the Company a written document containing covenants that the Large-Scale Purchaser complies with the procedures set forth in the Plan when conducting the Large-Scale Purchase ("Statement") in the form specified by the Company.

Specifically, the Statement should include the following matters.

- 1) Outline of the Large-Scale Purchaser
 - (i) Name or corporate name and its address or location
 - (ii) Position and name of the representative
 - (iii) Purpose and description of business of the corporation or other entity.
 - (iv) Outline of major shareholders or major investors (those in the top 10 in terms of ownership of shares or investment ratio)
 - (v) Contact information in Japan
 - (vi) Laws governing its incorporation
- 2) Number of Company's shares, etc. actually held by the Large-Scale Purchaser and the trading record of the Company's shares, etc. by the Large-Scale Purchaser for 60 days prior to the submission of the Statement
- 3) Outline of the Large-Scale Purchase proposed by the Large-Scale Purchaser, including the class and number of the Company's shares, etc. that the Large-Scale Purchaser intends to acquire through the Large-Scale Purchase as well as the purpose of the Large-Scale Purchase (if there is any other purpose such as the acquisition of control or participation in management, pure investment or policy investment, transfer, etc. of the Company's shares, etc. to a third party after the Large-Scale Purchase, or Act of Important Proposal, etc.⁸, the fact to that effect and the details of the purpose (if there is more than one purpose, all of them must be stated in the Statement)).

Secondly, the Large-Scale Purchaser will, if the above Statement is submitted, be asked to follow the procedures set out below and provide the Board of Directors in writing, prior to the Large-Scale Purchase, with information necessary and sufficient for the Company's shareholders and investors to reach a decision and the Board of Directors to form its opinion concerning the proposal ("Information"). The purpose of the provision of Information is to enable shareholders and investors to reach a proper decision concerning the Large-Scale Purchase and the Board of Directors to properly examine and evaluate the Large-Scale Purchase.

The Board of Directors will, within 10 business days of receipt of the Statement, deliver to the Large-Scale Purchaser a list of Information that is initially required from the Large-Scale Purchaser. General items of the Information are shown below. The Statement and Information required to be submitted hereunder must be prepared in the Japanese language only. In addition, the Company will promptly make an

⁸ Act of Important Proposal, etc. as defined in Paragraph 1 of Article 27-26 of the Financial Instruments and Exchange Act, Paragraph 1 of Article 14-8-2 of the Order for Enforcement of the Financial Instruments and Exchange Act and Article 16 of the Cabinet Office Ordinance on Disclosure of Status of Large Volume Holding of Share Certificates, etc. The same applies throughout this document.

announcement when it receives the Statement from the Large-Scale Purchaser and the provision of the Information by the Large-Scale Purchaser is completed.

- 1) Outline of the specific shareholder group (including the Large-Scale Purchaser) associated with the Large-Scale Purchase (including history, composition of officers, main business activities, major shareholders, group organization chart, securities report for the most recent three years or equivalent documents and consolidated financial statements)
- 2) Objective and specific description of the Large-Scale Purchase
- 3) Percentage of the holding of shares, etc. of and the number of shares, etc. held by the specific shareholder group (including the Large-Scale Purchaser) associated with the Large-Scale Purchase
- 4) Basis for the calculation of purchase price of the Company's shares, etc., source of funds for the purchase and specific description and terms and conditions for the procurement of the funds in relation to the Large-Scale Purchase
- 5) Management policy, management plan, business plan, financial policy, capital policy, dividend policy, numerical targets for management and financial statements for three years after the acquisition of management rights and basis for calculation of these figures to be adopted if the specific shareholder group (including the Large-Scale Purchaser) associated with Large-Scale Purchase acquires management rights in the Group, and candidates for officers who will be recommended at that time and their background
- 6) Prior business and competitive relationships between the specific shareholder group (including the Large-Scale Purchaser) associated with the Large-Scale Purchase and the Group's major business partners
- 7) The Group's role within the group of the Large-Scale Purchaser after the Large-Scale Purchase is effected
- 8) Any changes planned to be made after the Large-Scale Purchase is effected in the relationships with the employees, major business partners, customers, communities and other stakeholders of the Group
- 9) Information concerning the value of consideration if the Large-Scale Purchase is effected in exchange for consideration other than cash
- 10) Written covenants by a person in charge of the Large-Scale Purchaser stating that documents containing Information provided by the Large-Scale Purchaser is true and accurate with regard to all material respects and that these documents contain no misleading or omitted statements with regard to material facts.
- 11) In addition to the above items, any other information that the Board of Directors or the Independent Committee or other body reasonably determines to be necessary.

If the information initially provided by the Large-Scale Purchaser is determined to be insufficient as the Information, the Board of Directors may ask the Large-Scale Purchaser for the provision of additional information by designating a reasonable deadline. If the Board of Directors determines that the Large-Scale Purchaser has provided sufficient Information, it will notify the Large-Scale Purchaser to that effect ("Information Provision Completion Notice") and will promptly disclose this fact. In

addition, the Information provided by the Large-Scale Purchaser will be promptly disclosed to the extent determined necessary and appropriate for the shareholders and the investors to make a decision.

(2) Examinations and evaluations by Board of Directors

Then, the Large-Scale Purchaser is asked to refrain from conducting the Large-Scale Purchase for a period of 60 days (if the Large-Scale Purchase is a purchase of all shares in the Company through a public offering solely in exchange for cash as consideration) or 90 days (in the case of all other Large-Scale Purchases) from the date when the Board of Directors gives Information Provision Completion Notice (the "Evaluation Period"). This is required to allow the Board of Directors to examine and evaluate the Information, to conduct negotiations and discussions with the Large-Scale Purchaser, to form its opinion concerning the Large-Scale Purchase, to prepare and submit an alternative proposal to shareholders and investors, and to take other actions from a viewpoint of securing and enhancing the corporate value of the Company and the common interests of its shareholders.

During the Evaluation Period, the Board of Directors will examine and evaluate the Information provided by the Large-Scale Purchaser while receiving advice from external specialists and other parties and will vote on a resolution as to whether or not it is appropriate to trigger the large-scale purchase defensive measures with respect to the Large-Scale Purchase or the management policy, etc. proposed by the Large-Scale Purchaser, respecting the recommendations of the Independent Committee as much as possible.

(3) Independent Committee

The Board of Directors establishes the Independent Committee as an organization that works to properly operate the large-scale purchase rules, eliminate arbitrary decisions by the Board of Directors and ensure the objectivity and reasonableness of the Board of Directors' decisions and responses. The Independent Committee shall have at least three and no more than five members, and in order to allow for fair and neutral decisions, the members are to be chosen from among the Company's external directors or external experts, all of whom are independent from the management that executes business of the Company. The Board of Directors will submit the Information and the results of the Board of Directors' evaluations and analysis of the Information to the Independent Committee. The Independent Committee will, upon a request by the Board of Directors for its advice, make recommendations concerning the matters set out below by reference to the results of evaluations and analysis of the Board of Directors and opinions from external specialists while at the same time obtaining from external third parties and examining other information and the like that it determines necessary for its decision.

1) Sufficiency of information provided by Large-Scale Purchaser

During the period until the time when the Board of Directors determines that the Large-Scale Purchaser has completed the provision of the Information, the Independent Committee examines whether the information provided by the Large-Scale Purchaser is sufficient as the Information stipulated in section 3.(1) above

and makes a recommendation to the Board of Directors based on the results of the examination.

- 2) Determination as to whether Large-Scale Purchaser complies with large-scale purchase rules and whether it is appropriate to trigger large-scale purchase defensive measures

The Independent Committee examines whether or not the Large-Scale Purchaser complies with the large-scale purchase rules (section 4.(2) 1) below) and makes a recommendation to the Board of Directors based on the results of the examination. If the Large-Scale Purchaser complies with the large-scale purchase rules, the Independent Committee will, in principle, make a recommendation not to trigger the large-scale purchase defensive measures to the Board of Directors. If it becomes clear that the Large-Scale Purchaser does not comply with the large-scale purchase rules, the Independent Committee will, in principle, make a recommendation to trigger the large-scale purchase defensive measures to the Board of Directors. However, even if the Independent Committee determines that the Large-Scale Purchaser does not comply with the large-scale purchase rules, the Independent Committee may recommend that the large-scale purchase defensive measures not be triggered if it determines that it is not appropriate to trigger the large-scale purchase defensive measures.

- 3) Determination as to whether requirements for triggering large-scale purchase defensive measures are fulfilled and whether it is appropriate to trigger large-scale purchase defensive measures

Even if the Independent Committee determines that the Large-Scale Purchaser complies with the large-scale purchase rules, the Independent Committee may exceptionally make a recommendation to trigger the large-scale purchase defensive measures to the Board of Directors in certain cases where the Independent Committee examines whether or not the Large-Scale Purchase fulfills the requirements for triggering the large-scale purchase defensive measures (section 4.(2) 2) below) and make a recommendation to the Board of Directors based on the result of the examination and then make a recommendation that the Large-Scale Purchase fulfills the requirements for triggering the large-scale purchase defensive measures. However, even if the Independent Committee determines that the Large-Scale Purchase fulfills the requirements for triggering the large-scale purchase defensive measures, it may recommend that the large-scale purchase defensive measures not be triggered if it determines that it is not appropriate to trigger the large-scale purchase defensive measures.

- 4) Other matters to be decided by the Board of Directors with respect to which the Board of Directors asks for advice from the Independent Committee and which the Independent Committee believes that the Board of Directors should ask for its advice

The Independent Committee will make recommendations to the Board of Directors with regard to the above matters.

Please refer to Appendix 2 for the outline of rules for the Independent Committee upon the continuation of the Plan.

In addition, the three persons listed in Appendix 3 will be appointed as the members of the Independent Committee upon the continuation of the Plan.

4. Large-scale purchase defensive measures

(1) Description of large-scale purchase defensive measures

If a Large-Scale Purchaser conducts a Large-Scale Purchase without following the procedures stipulated in the large-scale purchase rules or certain other requirements listed in (2) below for triggering the large-scale purchase defensive measures are fulfilled, the Board of Directors may, respecting as much as possible the Independent Committee's recommendations, pass a resolution to take appropriate large-scale purchase defensive measures, such as the gratis allocation of stock acquisition rights, that are permitted under the Companies Act, other laws and regulations, and the Articles of Incorporation of the Company.

The outline of stock acquisition rights to be issued to shareholders by way of gratis allocation, which is a specific large-scale purchase defensive measure, is provided for in Appendix 4. The stock acquisition rights may be attached with conditions for their exercise to the effect that the relevant shareholder should not belong to a specific shareholder group that holds a certain percentage of the Company's voting rights or above, and acquisition conditions to the effect that the Company may acquire stock acquisition rights in exchange for Company's shares from all shareholders other than the specific shareholder group. The Company may file a shelf registration for the stock acquisition rights to allow flexibility on the issuance of these stock acquisition rights.

(2) Requirements for triggering large-scale purchase defensive measures

The Board of Directors is allowed to pass a resolution to trigger specific large-scale purchase defensive measures only when all of the following requirements have been fulfilled.

1) The Board of Directors may pass a resolution to trigger the large-scale purchase defensive measures in the following cases: when the Large-Scale Purchaser conducts a Large-Scale Purchase without submitting the Statement to the Board of Directors or without providing sufficient information as otherwise provided for in the large-scale purchase rules; when the Large-Scale Purchaser conducts a Large-Scale Purchase before the expiration of the Evaluation Period; or when the Large-Scale Purchaser does not comply with other large-scale purchase rules.

2) When the Large-Scale Purchaser complies with the large-scale purchase rules, the Board of Directors will, in principle, not resolve to trigger the large-scale purchase defensive measures even if as a result of the examination and evaluation of the Statement and the Information the Board of Directors has an opinion against the Large-Scale Purchase, although in some cases the Board of Directors may

express its opinion against the Large-Scale Purchase or submit its alternative proposal for the management policies of the Group and other matters.

However, even if the Large-Scale Purchaser complies with the large-scale purchase rules, the Board of Directors will exceptionally resolve to trigger appropriate large-scale purchase defensive measures if the Independent Committee determines that the Large-Scale Purchase would significantly damage the Group's corporate value or the common interests of its shareholders and makes a recommendation to trigger the large-scale purchase defensive measures. However, even in this case, there is a possibility that the Board of Directors will not trigger the large-scale purchase defensive measures if it determines that it is not appropriate to trigger the large-scale purchase defensive measures. Specifically, if a Large-Scale Purchase falls under any of the categories listed below, it will be considered a Large-Scale Purchase that would significantly damage the Group's corporate value or the common interests of its shareholders.

- (i) The purpose of the Large-Scale Purchase or the acquisition of management rights is to manipulate the stock price upward and to force the parties related to the company to repurchase the shares, etc. at a higher price (so-called "green mailer"), despite lacking any intention to truly participate in the corporate management.
- (ii) The purpose of the Large-Scale Purchase or the acquisition of management rights is primarily to transfer the Group's assets required for business management, such as real estate, movable property, intellectual property, know how, corporate confidential information, major business partners and customers, to the specific shareholder group (including the Large-Scale Purchaser) associated with the Large-Scale Purchase (so-called "scorched earth management policy").
- (iii) The purpose of the Large-Scale Purchase or the acquisition of management rights is primarily to divert all or a material part of the Group's assets to collateral for debts or funds for repayment of debts of the specific shareholder group (including the Large-Scale Purchaser) associated with the Large-Scale Purchase.
- (iv) The purpose of the Large-Scale Purchase or the acquisition of management rights in the Group is primarily to acquire temporary control of the corporate management in order to cause the Group to sell or otherwise dispose of the real estate, securities or other valuable assets owned by the Group and to pay a temporarily high dividend out of the profits from the disposition, or by exploiting the opportunity of a temporary sharp increase in the stock price due to the temporarily high dividend, to sell the Company's shares, etc. at a high price.
- (v) An act of purchase that is likely to effectively force shareholders of the Company to sell the Company's shares, etc. held by them, such as by conducting a tender offer without soliciting for the offering of all shares in the first purchase stage and then setting inferior or unclear purchase conditions in the second stage.
- (vi) There is an objective and reasonable basis to determine that the acquisition of control by the Large-Scale Purchaser and the policy for treating customers, employees and other stakeholders of the Company after the acquisition of

control by the Large-Scale Purchaser would destroy the relationships with the shareholders of the Company as well as with customers, business partners, employees and other stakeholders, which constitute the source of the corporate value of the Company, and would thus be likely to significantly damage the corporate value of the Company or would be materially likely to prevent the preservation and enhancement of the Company's corporate value.

- (vii) The terms and conditions of the purchase (the value and type of consideration, timing of the purchase, legality of the purchase method, feasibility of the purchase, and policy for treating employees, business partners, customers and other stakeholders of the Company after the purchase) are significantly insufficient or inappropriate in light of the essence of the corporate value of the Company.

(3) Procedure for triggering large-scale purchase defensive measures

When passing a resolution to trigger specific large-scale purchase defensive measures, the Board of Directors shall follow the procedures set out below and resolve whether it is appropriate to trigger the large-scale purchase defensive measures, while receiving advice from external specialists and other parties and respecting as much as possible the opinions and recommendations of the Independent Committee, in order to ensure that its decisions are objective and reasonable. When a resolution has been passed, the Company will promptly announce the outline of the resolution.

1) When the Large-Scale Purchaser does not comply with the large-scale purchase rules

In principle, the Board of Directors may pass a resolution to trigger the large-scale purchase defensive measures if the Large-Scale Purchaser does not comply with the large-scale purchase rules and the Independent Committee makes a recommendation to trigger the large-scale purchase defensive measures.

2) When the Large-Scale Purchaser complies with the large-scale purchase rules

In principle, the Board of Directors will pass a resolution not to trigger the large-scale purchase defensive measures. However, if the Independent Committee determines that the Large-Scale Purchase has fulfilled the requirements listed in the items under the second paragraph of section (2) 2) above and makes a recommendation to trigger the large-scale purchase defensive measures, the Board of Directors may pass a resolution to trigger the large-scale purchase defensive measures.

In addition, the Board of Directors may, if necessary, hold negotiations and discussions with the Large-Scale Purchaser concerning the improvement of the terms and conditions of the Large-Scale Purchase and submit an alternative proposal as the Board of Directors for the management policy of the Group and other matters to the Company's shareholders and the investors.

However, even after passing a resolution to implement the gratis allocation of stock acquisition rights, the Board of Directors may, until the date prior to the commencement date of the exercise period of the stock acquisition rights, (i) cancel the gratis allocation of stock acquisition rights before the gratis allocation becomes

effective, or (ii) pass a resolution to the effect that the Company will acquire the stock acquisition rights without compensation after the gratis allocation becomes effective, if the Independent Committee gives an advisory opinion that either of the events in 1) or 2) below applies.

- 1) The Large-Scale Purchaser withdraws the Large-Scale Purchase or the Large-Scale Purchase otherwise ceases to exist
- 2) Changes in facts associated with the Large-Scale Purchase occur and the Large-Scale Purchase by the Large-Scale Purchaser does not fall under any of the items under the second paragraph of section (2) 2) above or, even if it falls under any of these items, it is not appropriate to implement the gratis allocation of stock acquisition rights

5. Effective period of the Plan, and abolition of and amendments to the Plan

The effective period of the Plan is for three years until the close of the Annual General Meeting of Shareholders of the Company scheduled to be held in June 2020 if it is approved at the 161st Shareholders Meeting to be held on June 23, 2017.

In addition, even before the expiration of the effective period of the Plan, the Board of Directors may, from the standpoint of securing and enhancing corporate value and common interests of shareholders, revise and review the Plan at any time as long as such revisions are not contrary to the purpose of the entrustment to the Board of Directors in light of the development of related laws and regulations (including cases where any law, regulation, or rule of a financial instruments exchange or the like concerning the Plan is established, amended or abolished and it is appropriate to reflect such establishment, amendment or abolition in the Plan and cases where it is appropriate to revise the wording for reasons such as typographical errors or omissions). Furthermore, if the Board of Directors, which is made up of directors who are elected at the general meeting of shareholders of the Company, passes a resolution to abolish the Plan, the Plan will be abolished accordingly. The Company will promptly make an announcement when the Plan is abolished or amended.

6. Revisions due to amendments to laws and regulations

The provisions of laws and regulations referred to in the Plan are based on the prevailing provisions as of May 12, 2017, and if it becomes necessary after that date to revise the terms and conditions or definitions of terms set out in the paragraphs above due to the establishment, amendment or abolishment of laws and regulations, the Board of Directors may read accordingly the terms and conditions or definitions of terms set out in the paragraphs above to a reasonable extent, taking into consideration the purposes of such establishment, amendment or abolishment.

Chapter 4 Rationale for the Plan

1. The guidelines relating to anti-takeover measures being satisfied

The Plan satisfies all of the three principles (namely, the principles of securing and enhancing the corporate value and common interests of shareholders, the prior

disclosure and respect for shareholders' intention, and securing the necessity and reasonableness) that are provided in the "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" published by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005. In addition, the Plan is based on the "Takeover Defense Measures in Light of Recent Environmental Changes" published by the Corporate Value Study Group of the Ministry of Economy, Trade and Industry on June 30, 2008. Furthermore, the Plan is consistent with the purpose of various rules prescribed by the Tokyo Stock Exchange with respect to the adoption of anti-takeover measures.

2. Objective of securing and enhancing corporate value and common interests of shareholders

As explained in Chapter 1 above, the Plan will be continued for the purpose of securing and enhancing the Group's corporate value and common interests of its shareholders by enabling the securement of necessary information and time for the shareholders to decide on whether or not to accept a Large-Scale Purchase and for the Board of Directors to submit an alternative proposal and also by enabling negotiations with the Large-Scale Purchaser and the like for the shareholders.

In addition, the Company believes that the large-scale purchase rules and the large-scale purchase defensive measures and requirements for triggering these measures set out in Chapter 3 are reasonable in light of the purpose of securing and enhancing the Group's corporate value and common interests of its shareholders, and the Company further believes that they do not inappropriately restrict any Large-Scale Purchases that could contribute to the securement and enhancement of the Group's corporate value and common interests of its shareholders.

3. Prior disclosure

The large-scale purchase rules and large-scale purchase defensive measures and the requirements for triggering these measures under the Plan are specifically and clearly set out in Chapter 3 above, and the Company believes that these descriptions provide sufficient predictability for shareholders, investors and Large-Scale Purchasers.

4. Continuation procedures for the Plan and possibility of revisions and abolishment of the Plan

The Board of Directors decided to continue the Plan upon the unanimous approval of all directors (including two external directors) at the Board of Directors' meeting held on May 12, 2017.

Also, as explained in section 5. of Chapter 3 above, the Plan may be abolished by the directors who were nominated by a party that has purchased a large volume of the Company's shares, etc. and elected at a general meeting of shareholders. Therefore, the Plan is not a so-called "dead hand anti-takeover measure" (in which the triggering of the Plan may not be prevented even if a majority of the members of the board of directors are replaced).

In addition, the Plan is not a slow-hand anti-takeover measure (in which triggering takes more time to stop due to the fact that all members of the board of directors

cannot be replaced at once) either, since it does not necessarily take an unfair period of time to prevent an anti-takeover measure from being triggered by replacing the members of the board of directors, which consists of directors with a term of office of two years (who are audit & supervisory committee members) and directors with a term of office of one year (who are not audit & supervisory committee members). Consequently, the Company believes that, through a resolution at the general meeting of shareholders, the intention of shareholders may be reflected in decisions concerning the continuation and abolishment of, or amendments to, the Plan.

5. Securing objectiveness and reasonableness of decisions by Board of Directors

As explained in section 4.(2) of Chapter 3 above, the Plan stipulates objective and clear requirements for triggering the large-scale purchase defensive measures, thereby eliminating as much as possible the chance of any arbitrary decisions by the Board of Directors concerning whether or not the relevant Large-Scale Purchase falls under any of these requirements.

In addition, as explained in section 4.(3) of Chapter 3, the Plan stipulates procedures for triggering the large-scale purchase defensive measures, thereby eliminating arbitrary decisions by the Board of Directors.

Consequently, the Company believes that the Plan secures a sufficient framework for ensuring that the decisions of the Board of Directors are objective and reasonable when passing any resolution to trigger the large-scale purchase defensive measures.

Chapter 5 Effect of the Plan on shareholders and investors

1. Effect of large-scale purchase rules on shareholders and investors

The large-scale purchase rules are established solely to provide a set of rules that a Large-Scale Purchaser should comply with when conducting a Large-Scale Purchase and the introduction of these rules does not involve the issuance of stock acquisition rights or other shares. Consequently, there is no effect on the interests or rights of shareholders and investors.

The large-scale purchase rules make it possible for the Company's shareholders to reach an appropriate decision concerning a Large-Scale Purchase based on information that is necessary and sufficient. As a result, the Company believes that the rules contribute to the common interests of the Company's shareholders.

The response of the Company to a Large-Scale Purchase may differ depending on whether or not the Large-Scale Purchaser complies with the large-scale purchase rules. Therefore, shareholders and investors are requested to closely monitor the actions of Large-Scale Purchasers.

2. Effect of triggering large-scale purchase defensive measures on shareholders and investors

Triggering the large-scale purchase defensive measures may result in a loss of legal rights or economic benefits to the specific shareholder group associated with the Large-Scale Purchase, but the Company assumes no special losses caused to the legal rights or economic benefits of other shareholders. If the Board of Directors passes a resolution to trigger the large-scale purchase defensive measures, this will be

appropriately disclosed in a timely manner in accordance with laws, regulations and securities exchange rules.

When the issuance of stock acquisition rights to shareholders by way of gratis allocation is implemented as a large-scale purchase defensive measure, each shareholder recorded on the Company's final shareholder register on the record date, which is to be determined and publicly announced by the Board of Directors, will receive stock acquisition rights in proportion to the number of shares owned by that shareholder. Furthermore, when exercising the stock acquisition rights, shareholders must make payment of a certain amount of money within the designated period in order to acquire new shares, and shareholders who do not perform this procedure will see a dilution in their percentage of holding of voting rights. However, in some cases, the terms and conditions for issuance of stock acquisition rights may include an acquisition provision allowing the Company to acquire the stock acquisition rights in exchange for the delivery of the Company's shares, and if the Company takes this acquisition procedure, shareholders holding stock acquisition rights to be acquired will receive the Company's shares without making any cash payment (in this case, these shareholders may be separately required to submit a written document in the form designated by the Company to state their covenants that they do not belong to the specific shareholder group or other matters).

When the Board of Directors has passed a resolution to implement the gratis allocation of stock acquisition rights as a large-scale purchase defensive measure and the Board of Directors cancels the gratis allocation of stock acquisition rights or acquires the stock acquisition rights so allocated without compensation in accordance with the procedures set out in section 4.(3) of Chapter 3 above after shareholders who are eligible to receive the gratis allocation of stock acquisition rights are confirmed, shareholders and investors who have bought or sold the shares after the confirmation of shareholders eligible to receive the gratis allocation of stock acquisition rights may incur commensurate damage due to fluctuation on the stock price because there will be no dilution of the value per share as a result of the cancellation or acquisition by the Company.

- End -

Status of Shares of the Company (March 31, 2017)

- Authorized shares 30,000,000
- Shares issued 13,867,757
- Shareholders 9,815 (including the Company)

- Major shareholders

Rank	Name of shareholders	Number of shares held (hundreds)	Percentage of shares held (%)
1	Japan Trustee Services Bank, Ltd. (Trust account)	6,972	5.34
2	Isao Nasu	5,637	4.32
3	Japan Trustee Services Bank, Ltd. (Trust account 9)	4,060	3.11
4	The Master Trust Bank of Japan, Ltd. (Trust account)	3,584	2.74
5	Sumitomo Mitsui Banking Corporation	3,318	2.54
6	The Shinwa Bank, Ltd.	3,268	2.50
7	Naohiko Nakajima	3,000	2.30
8	Japan Trustee Services Bank, Ltd. (Trust account 5)	2,540	1.92
9	CBNY DFA INTL SMALL CAP VALUE PORTFOLIO (Permanent substitute Citibank, Ltd.)	2,501	1.91
10	MSCO CUSTOMER SECURITIES	2,298	1.76

(Note) Percentages of shares held are calculated after the deduction of the Company's shares of treasury stock (803,234shares).

Outline of Rules for Independent Committee

1. Composition of the Committee

The Independent Committee (hereinafter referred to as the "Committee") shall have at least three members and no more than five members (hereinafter referred to individually as "member"; and collectively as "members"). Members will be selected by the Board of Directors from among external directors, who are independent of the management that executes business. The Board of Directors may also select external experts as a member, who are independent of the management that executes business and have signed an engagement agreement with the Company stating that they will perform the duty of care of a good manager for the duties of a member, up to the number of members set out above.

2. Term of office

The term of office of each member is until the close of the Annual General Meeting of Shareholders for the last fiscal year ending within three years from the date on which the member was selected. However, this does not apply in cases where the Board of Directors separately provides for by its resolution.

3. Authority of the Committee

(1) The Committee shall reach decisions as the Committee concerning the following matters after examinations and evaluations and then make recommendations to the Board of Directors based on these decisions and reasons for the decisions:

- 1) The sufficiency of information provided by the Large-Scale Purchaser;
- 2) Whether or not the Large-Scale Purchaser complies with the large-scale purchase rules and whether it is appropriate to trigger the large-scale purchase defensive measures;
- 3) Whether or not requirements for triggering the large-scale purchase defensive measures have been fulfilled and whether it is appropriate to trigger the large-scale purchase defensive measures; and
- 4) Other matters to be determined by the Board of Directors with respect to which the Board of Directors has asked the Committee for advice or which the Committee believes that the Board of Directors should ask for its advice.

(2) In addition to the items listed above, the Committee shall perform the following tasks:

- 1) Examinations and evaluations of information, materials and other items provided to the Committee by the Large-Scale Purchaser and the Board of Directors;
- 2) Requests to the Board of Directors to submit alternative proposals and examinations and evaluations of the alternative proposals; and

- 3) In addition to the above items, matters that the Board of Directors has designated as tasks that the Committee may perform.

(3) The Committee may make the following instructions based on the premise that it provides recommendations to the Board of Directors concerning the following matters:

- 1) Requests for the provision of additional information to the Large-Scale Purchaser when the Committee determines that the information already provided by the Large-Scale Purchaser is insufficient as the Information;
- 2) Opinions concerning the announcement of the fact that a proposal for a Large-Scale Purchase has been made and of all or part of the information provided by the Large-Scale Purchaser;
- 3) Announcement when the Committee determines that the information provided by the Large-Scale Purchaser is sufficient as the Information; and
- 4) Negotiations with the Large-Scale Purchaser to improve the terms and conditions of the Large-Scale Purchase.

4. Resolutions of the Committee

Resolutions of the Committee are to be passed by a majority of the members present at a meeting where all members are in attendance. However, when there is an unavoidable reason that prevents attendance by all members, resolutions may be passed by a majority of the members present at a meeting where at least two-thirds of all members are in attendance.

5. Other matters

(1) To collect information necessary, the Committee may ask for the attendance of the Company's directors, employees and other individuals that the Committee believes are necessary and ask these individuals for explanations of the matters that the Committee believes are necessary for it to make a recommendation.

(2) The Committee may, at the Company's expense, receive the advice of third parties (including financial advisers, attorneys, certified public accountants, consultants and other specialists) who are independent of the management that execute business.

Career Summary of Candidates for Independent Committee Members

The following three individuals are scheduled to be candidates for members of the Independent Committee under the Plan:

Takashi Shinohara (Date of Birth: December 7, 1954)

Career summary

Apr. 1977	Joined Chuo Audit Corporation
Mar. 1980	Registered as Certified Public Accountant
Jan. 1982	Opened CPA Shinohara Takashi Office (to present)
May 1984	Registered as Certified Public Tax Accountant
May 2007	Audit & Supervisory Board Member of Best Denki Co., Ltd. (to present)
Jan. 2010	Representative Partner of Shinohara and Ueda Tax Corporation (to present)
Jun. 2010	External Director of the Company

Notes:

1. Mr. Takashi Shinohara is an external director as set out in Item (15) of Article 2 of the Companies Act.
2. Mr. Shinohara is an external director who acts as a substitute audit & supervisory committee member.
3. There is no special interest between the Company and Mr. Shinohara.

Tetsuya Notabe (Date of Birth: August 10, 1958)

Career summary

Apr. 1991	Registered as Attorney-at-Law
Apr. 1991	Joined Yoshiaki Kawano Law Office
Apr. 1997	Opened Kawano & Notabe Law Office (to present)
Apr. 2012	Deputy Director of Japan Legal Support Center Fukuoka District Office (to present)
Jun. 2013	External Audit & Supervisory Board Member of the Company
Jun. 2016	External Director (Audit & Supervisory Committee Member) of the Company (to present)
Apr. 2017	Permanent Member of Fukuoka Bar Association (to present)

Notes:

1. Mr. Tetsuya Notabe is an external director as set out in Item (15) of Article 2 of the Companies Act.
2. There is no special interest between the Company and Mr. Notabe.
3. The Company has notified the Tokyo Stock Exchange and the Fukuoka Stock Exchange that Mr. Notabe is an independent officer.

Hiroyuki Nagato (Date of Birth: July 29, 1951)

Career summary

Apr. 1981	Registered as Attorney-at-Law
Apr. 1986	Opened Hiroyuki Nagato Law Office (to present)
Jun. 2002	External Audit & Supervisory Board Member of the Company
Jun. 2010	External Audit & Supervisory Board Member of Ohishi Sangyo Co., Ltd.
Mar. 2013	Audit & Supervisory Board Member of Fujiseiki Co., Ltd (to present)
Jun. 2015	External Director of Ohishi Sangyo Co., Ltd. (to present)

Note:

There is no special interest between the Company and Mr. Hiroyuki Nagato.

Outline of Stock Acquisition Rights

1. Stockholders eligible to receive stock acquisition rights and conditions for allocation

The Company will allocate to each shareholder recorded on the final shareholder register on the record date, which is to be determined and publicly announced by the Board of Directors, one stock acquisition right for each share held by that shareholder (except for the common stock of the Company held by the Company).

2. Type and number of shares to be acquired upon the exercise of stock acquisition rights

The type of shares to be acquired upon the exercise of stock acquisition rights is the common stock of the Company, and the maximum number of shares to be acquired will be the total number of authorized shares of the Company less the number of issued shares of common stock of the Company (except for the common stock of the Company held by the Company) as of the record date, which is to be determined by the Board of Directors. The Board of Directors shall separately determine the number of shares to be acquired in exchange for each stock acquisition right. However, the applicable number of shares will be adjusted as required if the Company conducts a stock split or stock consolidation.

3. Total number of stock acquisition rights to be allocated

The Board of Directors shall determine the total number of stock acquisition rights to be allocated.

4. Amount of payment for stock acquisition rights

Stock acquisition rights will be allocated without compensation.

5. Value of assets to be contributed upon exercise of stock acquisition rights

The value of assets to be contributed upon the exercise of each stock acquisition right will be an amount not less than one yen that will be determined by the Board of Directors.

6. Restrictions on transfers of stock acquisition rights

Transfers of stock acquisition rights require the approval of the Company.

7. Exercise period for stock acquisition rights and other matters

The Board of Directors shall separately determine the exercise period, acquisition provisions and other necessary matters concerning the stock acquisition rights.

8. Conditions for exercise of stock acquisition rights
Stock acquisition rights may not be exercised by (i) a specified large holder⁹, (ii) a joint holder of a specified large holder, (iii) a specified large-scale purchaser¹⁰, (iv) a special related party of a specified large-scale purchaser, or (v) a party who is a transferee of, or successor to, the stock acquisition rights of any of the parties set out in items (i) through (iv) above without the approval of the Board of Directors, or (vi) a related party¹¹ of any of the parties set out in items (i) through (v) above. The Board of Directors shall separately determine other details of the conditions for the exercise of stock acquisition rights.
9. Acquisition terms
The Company may, at any time up to and including the day prior to the first day of the exercise period for the stock acquisition right, acquire all stock acquisition rights without compensation on a date separately designated by the Board of Directors if the Board of Directors believes that the acquisition of stock acquisition rights by the Company is appropriate.
The Company may, on a date separately designated by the Board of Directors, acquire all stock acquisition rights held by parties other than non-qualified parties that have not been exercised by the business day prior to the date designated by the Board of Directors, and in exchange, deliver the applicable number of the Company's shares to be acquired for each stock acquisition right.
10. Stock acquisition right certificates
The Company will not issue stock acquisition right certificates.

-End-

⁹ A specified large holder is a party that holds shares, etc. issued by the Company and whose percentage of holding of shares, etc. with respect to the applicable shares, etc. is at least 20%, or a party that the Board of Directors deems applicable to the above. However, this does not apply to any party that the Board of Directors recognizes as a party whose acquisition and holding of the Company's shares, etc. will not be contrary to the corporate value of the Company and, in turn, the common interests of its shareholders or other parties separately designated by the Board of Directors in the resolution to implement the gratis allocation of stock acquisition rights.

¹⁰ A specified large-scale purchaser is a party that has made a public announcement of its intention to purchase or otherwise acquire shares, etc. (shares, etc. as defined in Paragraph 1 of Article 27-2 of the Financial Instruments and Exchange Act; the same applies in this footnote) issued by the Company through a tender offer and the total percentage of the holding of shares, etc. of this party after the purchase, etc. (including similar ownership as provided for in Paragraph 1 of Article 7 of the Order for Enforcement of the Financial Instruments and Exchange Act) together with those held by its special related parties with respect to the applicable shares, etc. will be at least 20%, or a party that the Board of Directors deems applicable to the above. However, this does not apply to any party that the Board of Directors recognizes as a party whose acquisition and holding of the Company's shares, etc. will not be contrary to the corporate value of the Company and, in turn, the common interests of its shareholders or other parties separately designated by the Board of Directors in the resolution to implement the gratis allocation of stock acquisition rights.

¹¹ A related party of a particular party is a party that substantially controls, or is controlled by, or is under common control with, that particular party (including a party that the Board of Directors deems applicable to the above), or a party that is deemed by the Board of Directors to substantially act in concert with such particular party. In this context, "control" means to "control the decisions of the financial and business policies" (as defined in Paragraph 3 of Article 3 of the Companies Act Enforcement Regulations) of other corporations or entities.