

*[Translation] Please note that the following purports to be a translation from the Japanese original press release. However, in the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

April 7, 2017

To whom it may concern

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**Announcement of the Continuing Implementation of the Plan concerning Large-Scale Purchase of the Shares etc of Onward Holdings Co., Ltd.**

Onward Holdings Co., Ltd. (the **“Company”**) announces that the Board of Directors of the Company has resolved at the Board of Directors’ meeting held today that the continuation of the Plan concerning Large-Scale Purchase of the Shares etc of Onward Holdings Co., Ltd. that was approved by the shareholders at the Annual General Meeting of the Company held on 22 May 2014 ( the **“Current Plan”**) be submitted as a matter to be resolved at the seventieth Annual General Meeting of the Company to be held on 25 May 2017 (the **“2017 AGM”**).

Since the term of the Current Plan ends upon the close of the 2017 AGM, the Company has been giving consideration to the Current Plan as to how it should be as well as whether or not it should be kept, in the light of securing and enhancement of the corporate value and shareholders’ common interest. It is concluded that the Current Plan be partially amended and kept continuing, subject to the shareholders’ approval (herein after, the amended plan for approval shall be the **“Plan”**) . Where the Plan is approved by the Shareholders, the term of the Plan will be from the time of approval at the 2017 AGM to the close of the Annual General Meeting to be held in May 2020.

All the four audit and supervisory board members including two external audit and supervisory board members of the Company have attended as well at the Board of

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Directors' Meeting, at which the Plan has been resolved, and have expressed their opinion that the Plan is believed to be appropriate to deal with large-scale purchases of the shares etc of the Company.

The following are the main changes in the Plan that the Company has reviewed and hereby proposed to amend the Current Plan.

- ① In case of acquisition of the Rights for New Securities from the Purchaser etc, it is definitely provided that the Company shall not deliver economic interest such as cash and the like to the Purchaser etc.
- ② The term of office of members of the Independent Committee shall be changed to three (3) years from one (1) year in line with the effective period of the Plan.
- ③ In addition, terms and expressions have been modified.

#### I. Basic policy on suitable persons who control the decisions on the financial and business policies of the Company ( **“Basic Policy”**)

The Company, as a listed company on the financial stock exchanges, respects freedom of transactions of the Company's shares on the market, and would not necessarily reject the large-scale purchases of the Company's shares by particular person(s) as long as the purchases contribute to the maintenance and enhancement of the corporate value and the common interest of the shareholders of the Company. The Company, also, believes that the ultimate decision on how to deal with an offer of a large-scale purchase of the Company's shares should be left to the shareholders.

Offers of a large-scale purchase, however, some advices do not provide sufficient information for the shareholders to make decisions on the offers; might harm the corporate value of the Company and its group companies, therefore, the common interest of the shareholders of the Company; might not sustain the good relationships with stakeholders; or do not sufficiently appreciate the real value of the Company and its group companies.

In dealing with such a large-scale purchase offer, the Board of Directors of the Company is prepared to discharge its entrusted duty to the shareholders by securing time necessary for shareholders to make decisions and by negotiating for the shareholders with the offeror of a large-scale purchase of the Company's shares, and so forth.

#### II. Measures to achieve the Basic Policy

##### 1. Source of the corporate value of the Company

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The Company decides that the business domain of the Company is a world of fashion that brings freshness and beauty to people's lives. The Company holds the basic business policy of the creation of new life value and lifestyle by proposing "fashion" as a part of living culture, and the contribution to the enhancement of people's lives.

The Company believes that the source of the Company's current corporate value is the years of efforts to propose products with high brand values to customers, and that to maintain and enhance such corporate culture would lead to maximizing the corporate value of the Company and its group companies and the shareholder value.

The Company will operate solid operation aiming at the medium- and long-term goals, continue appropriately allocating the business resources and investing strategically, and become more competitive hence accelerate the corporate growth.

## 2. Measures to enhance corporate value

The Company's medium- to long-term business strategy, as a lifestyle culture enterprise centering on fashion, is basically "Brand-leveraged Management" that refines its brand and maximizes its brand value. The Company believes that the expansion of its business size and the consolidation of its management base through the reinforcement and evolution of the basic actions of 'unique product planning,' 'balanced production between quality and costs,' 'flexible product line for selling products,' 'timely logistics,' 'strong sales force,' 'lively presentations at shops,' 'eye-catching commercial promotions,' and 'taking advantage of the latest IT systems,' will lead to the creation of brand value, hence the enhancement of corporate value.

On April 11, 2016, the Company made public its medium-term management plan for three (3) years commencing from March 1, 2016 and closing February 28, 2019. The Company plans to achieve ¥280 billion for net sales, ¥10 billion for operating income and 5% for ROE for the year ending February 28, 2019 attributable to promotion of omni channels and globalization.

In the fundamental policy of the medium-term management plan, the Company targets to expand the business by virtue of the promotion of "diversification of services provided" and "expansion of customer base". The "diversification of services provided" will be achieved in line with the enhancement of the product value mainly in apparel and enforcement of services increasing customer satisfaction. The "expansion of customer base" will also be achieved in line with the development and expansion of customer contacts in various occasions.

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In the “diversification of services provided”, the Company will not only enhance the value of apparel but also promote to expand business in the fields of accessories including bags and jewelry, and cosmetics having close connection with lifestyles. Furthermore, in the “expansion of customer base”, the Company will provide services connected with holding events and services enhancing customer satisfaction, developing shops to receive longer stay customers, and in the internet related business, the Company will strongly promote omni channels strategy to facilitate customer convenience.

In the core strategy of the medium-term management plan, in the light of further enhancing the value of apparel, in addition to the Company’s outstanding planning power, developing power and technological power, the Company will expand, to produce high value added products in Europe, the Made in Japan production including J ∞ QUALITY, carry out collaborating outside creators and perform seeking the production system well balanced with costs. With a view to expanding the customer base, the Company will achieve to expand the number of Onward membership service, enhance to facilitate purchase convenience attributable to affiliation of inventory data of EC, stores and warehouses, and perform to expand contacts with potential customers by utilizing newly emerging media.

The Company, as an entity trusted by all stakeholders, including its customers, recognizes CSR to be a significant management task that will enhance its social corporate value. The Company, as a lifestyle culture enterprise, will contribute to building a prosperous lifestyle, while at the same time, position “conservation of the earth environment” as a key management task, and aim to become a people- and earth-friendly entity. The Onward Group has adopted “Thinking of the Earth. Clothing Its People” as its environmental concept and continues to take on the challenge of “achieving a balance between the natural environment and the world’s people,” through various corporate activities centered on fashion. The Company will promote environmental and social contribution activities, through such initiatives as providing high-quality products that can be used for a long time; developing state-of-the-art technology, products and services that will reduce the burden on the environment; implementing the Onward Green Campaign, which aims to establish an apparel-recycling system; energy-saving measures at its head office; the adoption of low-emission vehicles; and forest preservation initiatives at the “Tosayama Onward Rainbow Forest.”

### 3. Enforcement of Corporate Governance

The Company has been making sustainable efforts to increase its corporate value, and

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to ultimately earn the deep trust of its customers and shareholders as well as society in general, by reinforcing the corporate governance structure, increasing business efficiency and enhancing the soundness of its business. The Company has appointed highly independent external directors and external audit and supervisory board members since 2005 and has elected two external directors and two external audit and supervisory board members to reinforce the oversight mechanism on its management.

The Company has also adopted the Executive Officer System and has further decided to limit the term of office of its directors to one year.

As its self-supervision mechanism, the Company has established the Compliance Committee, the Risk Management Committee, Internal Auditing Department, etc. in order to shore up its internal control and audit functions. The Company works to strengthen corporate governance by establishing the Company's original "Corporate Governance Policy" in 2016 in accordance with the basic principles of the corporate governance code.

By engaging in these initiatives and enhancing the quality of its corporate governance system, the Company will strive to earn even deeper trust of its customers, shareholders and society in general.

The Company believes that by achieving the above, the Company will be able to make the most of the available business resources, and to maintain and enhance the good relationships with its various stakeholders, which, in turn, will be beneficial to enhancing the corporate value of the Company and its group companies and the shareholders' common interests.

### III Actions to prevent the decisions of the financial and business policy from being controlled by person(s) who is not suitable in the light of the Basic Policy(**"the Plan"**)

#### 1. Purpose of the Plan

The Plan was introduced in accordance with the Basic Policy stated in above I , aiming at increasing and/or securing corporate value and shareholder value of the Company so that the rules that must be followed by person(s) who attempts to purchase significant amount of the shares etc of the Company, shall be clear; so that the shareholders of the Company may have necessary and enough information and time to make decisions; and so that the Board of Directors of the Company may have opportunities to negotiate with the person(s) who attempts the purchase.

#### 2. Outline of the Plan

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The Plan purports to set up rules that must be followed by person(s) who attempts to purchase significant amount of the shares etc of the Company; to announce that under certain circumstances, the Company may resort to measures to defend against the person(s) who attempts to purchase significant amount of shares etc of the Company, which may bring deserved losses to the person(s); and, by announcing these, to make a warning to the person(s) who would not contribute to the Company's corporate value and shareholder value and yet attempts to purchase significant amount of the shares etc of the Company.

The Plan secures transparency by setting up a committee (the **"Independent Committee"**) independent of the Company's executive officers and consisting of the Company's external directors, external audit and supervisory board members or outside experts (e.g., corporate management achievers, former government officials, lawyers, certified public accountants, academia or equivalently qualified persons) pursuant to the Independent Committee Rules (refer to Annexure 1) so as to avoid arbitrary decisions that might be made by the Company's Board of Directors; by the Company's Board of Directors giving the best consideration of the advice made by the Independent Committee before resorting to the measures to defend against the person(s); and by disclosing information to the shareholders timely. The members of the Independent Committee newly set up under the Plan shall be the three persons listed in Annexure 2.

Major shareholders of the Company as at the end of February 2017 are shown in Annexure 3 entitling 'Company's Shares held by Major Shareholders'. The Company confirms that the Company is not at the moment offered to purchase significant amount of shares etc of the Company by anyone.

### 3. Details of the Plan

#### (1) Procedures in the Plan

##### ① Large-scale purchase etc

The Plan shall be applicable where the purchases of the Company's shares described in (i) or (ii) as follows (except such purchases as are accepted by the Board of Directors of the Company) or similar conducts (the **"Large-scale Purchase etc"**) are attempted. Any person who purchases or attempts to purchase (the **"Purchaser etc"**) is requested to follow the procedures provided beforehand by the Plan.

- (i) Such a purchase as would make the holder<sup>1</sup> to hold the holding ratio<sup>2</sup> of 20

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<sup>1</sup> The 'holder' means the holder defined by subsection 1 of section 27-23 of the Financial Instruments and Exchange Act ( *Kinyu-Shohin Torihiki-Ho* ), including the holder under

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per cent or more than 20 per cent of the share etc<sup>3</sup> issued by the Company

- (ii) Such a take over bid as would make the owner and the specially related person(s) to the owner<sup>4</sup> own the share etc obtained by the take over bid<sup>5</sup> by the owning ratio<sup>6</sup> of 20 per cent or more than 20 per cent in total of the share etc<sup>7</sup> issued by the Company

② Prior submission of the “Statement of Intent” to the Company

The Purchaser etc is requested to, before the Purchaser etc conducts the Large-scale Purchase etc, submit a document (the “**Statement of Intent**”) in Japanese language in the form decided by the Company to the Board of Directors of the Company, in which the Purchaser etc takes a pledge to follow the procedures provided by the Plan and so forth in conducting the Large-scale Purchase etc.

The Statement of Intent shall contain the following points.

- (i) Outline of the Purchasers etc
  - (a) name or trade name, address or registered address
  - (b) representative’s title and name
  - (c) business purpose and business details of the company etc

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subsection 3 of the same section, and includes such person(s) as is included into the holder pursuant to subsection 3 of the same section of the same Law. The word hereinafter means the same unless otherwise defined. Where any amendment (including both change of the name of the laws and regulations, and enactment of new laws and regulations that succeed the old laws and regulations) is made to any laws and regulations that are referred to in the Plan, each section of the laws and regulations referred to in the Plan shall be, unless otherwise decided by the Board of Directors of the Company, read to be the section in the effectively succeeding laws and regulations.

<sup>2</sup> The ‘holding ratio’ means the holding ratio defined by subsection 4 of section 27-23 of the Financial Instruments and Exchange Act and the word ‘holding ratio’ hereinafter means the same.

<sup>3</sup> The ‘share etc’ means the share etc defined by subsection 1 of section 27-23 of the Financial Instruments and Exchange Act and the word ‘share etc’ hereinafter means the same, unless otherwise decided.

<sup>4</sup> The ‘specially related person(s) to the owner’ is defined by subsection 7 of section 27-2 of the Financial Instruments and Exchange Act. ‘Specially related person(s) to the owner’ for the purpose of sub-subsection 1 of the same subsection, however, excludes person(s) defined by subsection 2 of section 3 of the Cabinet Office Ordinance regarding disclosure of tender offers by persons(s) except for issuer. The word ‘specially related person(s) to the owner’ hereinafter means the same.

<sup>5</sup> The ‘take over bid’ is defined by subsection 6 of section 27-2 of the Financial Instruments and Exchange Act. The word ‘take over bid’ hereinafter means the same.

<sup>6</sup> The ‘owning ratio’ means the owning ratio defined by subsection 8 of section 27-2 of the Financial Instruments and Exchange Act. The word ‘owning ratio’ hereinafter means the same.

<sup>7</sup> The ‘share etc’ is defined by subsection 1 of section 27-2 of the Financial Instruments and Exchange Act. The word ‘share etc’ in (ii) means the same.

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- (d) details of the major shareholders or major investors (i.e., top 10 in the ratio of share owning or equity investing)
- (e) contact in Japan
- (f) the governing law under which incorporated
- (ii) The number of the share etc held by the Purchaser etc at present and the transaction status of the share etc of the Company by the Purchaser etc during 60 days before the submission of the Statement of Intent
- (iii) Details of the proposal of the Large-scale Purchase etc by the Purchaser etc (including the type and number of the share etc of the Company that the Purchaser etc is planning to obtain by the Large-scale Purchase etc, the purpose of the Large-scale Purchase etc (Where obtaining control of or access to the management of the Company, pure investment or strategic investment, transfer to a third party of the share etc of the Company after obtaining them by the Large-scale Purchase etc, proposal of material subjects etc<sup>8</sup>, or other purposes, state so and describe the details of the purpose. Where more than one purposes, describe every one of them.)).

③ Provision of “Essential Information”

Where the Statement of Intent provided in ② above is submitted, the Purchaser etc is requested to provide necessary and enough information for the Board of Directors to evaluate and examine (the “**Essential Information**”) in Japanese language, to the Company for the shareholders and the Board of Directors of the Company to review and make decisions on the Large-scale Purchase etc.

The Company will mail to the Purchaser etc at the address in Japan provided in ② (i)(e) above, a list of information (the “**Initial Information List**”) to be submitted initially by the Purchaser etc, within 10 business days<sup>9</sup> (the day when the Statement of Intent is received is excluded). The Purchaser etc is requested to provide sufficient information in accordance with the Initial Information List.

Where the information requested in the Initial Information List and provided by the Purchaser etc, is, having considered the details and methods of the Large-scale Purchase etc, reasonably decided by the Board of Directors and the

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<sup>8</sup> ‘Proposal of material subjects’ is defined by subsection 1 of section 27-26 of the Financial Instruments and Exchange Act, subsection 1 of section 14-8-2 of the Ordinance of the Enforcement of the Financial Instruments and Exchange Act (*Kinyu-Shohin Torihiki-Ho Seko-Rei*), and section 16 of the Cabinet Office Ordinance regarding disclosure of the status of the holding of shares etc in large scale. The word ‘Proposal of material subjects’ means the same hereinafter, unless otherwise decided.

<sup>9</sup> ‘Business day’ means such days as are excluded from non-business days of government bodies provided by subsection 1 of section 1 of the Law regarding non-business days of government bodies.



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Independent Committee of the Company not sufficient enough for the shareholders to make decisions on them and for the Board of Directors of the Company to make assessment/examination etc of the Large-scale Purchase etc, the Purchaser etc shall be requested to provide additional information that would be requested by the Board of Directors of the Company.

However, to enable the Company to be provided in an expeditious way the information by the Purchaser etc and to avoid the situation where the Board of Directors of the Company be arbitrarily operated and demand additional information only in attempt to delay the process and so forth, the term of period to provide the information shall be limited up to sixty (60) days starting on the next day of the receipt of the Statement of Intent, (**“Information Providing Period”**), and even where the Essential Information is not sufficiently provided by the end of the term of the Information Providing Period the ‘Board of Directors’ Assessment Time’ ( defined later in the item ④) shall forthwith commence ( However, where the Purchaser etc with reasonable reasons to request time extension, such request may be granted and the Information Providing Period may be extended for suitable period).

Irrespective of the details or method of the Large-scale Purchase etc, the information listed as follows shall be, in principle, listed in the Initial Information List.

- (i) Details (including history, full name, equity capital structure, business details, financial status, executive officer’s name and career record etc) of the Purchaser etc and the group of the Purchaser etc (where co-holder(s)<sup>10</sup>, specially related party and funds are involved, each of the members or constituents of them are required to be specified)
- (ii) Purpose of the Large-scale Purchase etc (the details of the purpose described in the Statement of Intent), the method and details of the Large-scale Purchase (including whether or not intend to have access to the management, the type of consideration and monetary value for the Large-scale Purchase etc, the time for the Large-scale Purchase etc, the related transaction structure, the number of the share etc to be purchased and the total holding ratio of the share etc after the purchase, and the legality of the method of the operation of the Large-scale Purchase etc)
- (iii) Ground for the calculation of the consideration for the Large-scale Purchase etc (including the base facts before calculation; calculation formula; figures

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<sup>10</sup> ‘co-holder(s)’ means the co-holder defined by subsection 5 of section 27-23 of the Financial Instruments and Exchange Act, and the person(s) who is decided to be co-holder by the Board of Directors of the Company based on subsection 6 of the same section. The word ‘co-holder’ shall mean the same hereinafter.

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- used for the calculation and details of synergy to be brought by the chain of transactions initiated by the Large-scale of Purchase etc; where third parties' opinion are obtained in calculation, the name and details of the opinion of the third parties and the reasoning to reach to the final amount of money)
- (iv) Funding arrangement for the Large-scale Purchase etc (including the full name of the fund provider(s) (including one who is the main and substantial provider), the arrangement to obtain the fund, and related transactions)
  - (v) Whether or not the Purchaser etc communicates with a third party in the operation of the Large-scale Purchase etc, and if so, details of the communication and features of the third party
  - (vi) Where the Purchaser etc has made a loan agreement, collateral agreement, buy-back agreement, purchase option agreement, or any other material contract or agreement (the “**Collateral Agreement etc**”) over the share etc of the Company that are already held by the Purchaser etc, describe the nature of the agreement, parties to the agreement, the details of the Collateral Agreement etc such as the subject matter of the Collateral Agreement i.e. the number etc of the share etc
  - (vii) Where the Purchaser etc is scheduled to make the Collateral Agreement etc or any other agreement with a third party, over the share etc of the Company that the Purchaser etc attempts to obtain by the Large-scale Purchase etc, specify the details of the agreement such as the nature of the agreement, the parties to the agreement, and the number of the share etc.
  - (viii) Business policy, business plan, equity capital policy, and dividend policy, of the Company after the Large-scale Purchase etc
  - (ix) Policy how to deal, after the Large-scale Purchase etc, with the interest in the Company of the employees, labor union, traders and customers, of the Company, and local society where the Company is in
  - (x) Specific arrangement to avoid conflict of interest against that of the other shareholders of the Company

The Board of Directors of the Company will disclose immediately the fact that an offer for the Large-scale Purchase etc is made, and disclose appropriately the summary of the offer; and such information as is essential for the shareholders to make decisions on among the Essential Information and other information.

The Board of Directors of the Company forwards to the Independent Committee all of the information submitted by the Purchaser etc, and where the Independent Committee decides the information submitted is not sufficiently regarded as the Essential Information, the Board of Directors of the Company may be requested by the Independent Committee to request the Purchaser etc to submit additional information.

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Where the Board of Directors of the Company agrees that the Purchaser etc has satisfactorily provided the Essential Information, the Board of Directors of the Company notifies (the **“Notice of Satisfactory Information”**) so to the Purchaser etc, and immediately discloses the same as well.

Information Providing Period ends on the earlier date of which the date that the Board of Directors of the Company notifies the Notice of Satisfactory Information or the date that reaches the upper limit of the Information Providing Period.

④ Assessment period for the Board of Directors

The Board of Directors of the Company will upon the end of the Information Providing Period, immediately set up and immediately disclose, the period of time (**“Assessment Period for the Board of Directors”** or **“Assessment Time”**) of either (i) or (ii) as follows, the commencement of which is the day after the Notice of Satisfactory Information, according to the level of difficulty to assess the Large-scale Purchase etc, so as to assess, examine, negotiate, form opinions, and consider alternatives.

- (i) Maximum 60 days where a take over bid for all of the share etc of the Company for consideration in cash (in Japanese Yen) only
- (ii) Maximum 90 days where the other Large-scale Purchase etc

Irrespective of (i) and (ii) above, the Assessment Time by the Board of Directors may be extended where the Board of Directors rationally sees it insufficient to review the information and the specific time extension and the specific reasons for the extension will be notified to the Purchaser etc as well as disclosed to the shareholders. The time extension shall be up to 30 days.

The Board of Directors of the Company shall, within the Assessment Time by the Board of Directors and if necessary with advice of outside experts etc, fully assess and examine the Essential Information provided by the Purchaser etc, and examine, in the light of the maintenance and enhancement of the corporate value and shareholder value of the Company, the details of the Large-scale Purchase etc offered by the Purchaser etc.

The Board of Directors of the Company shall, by such assessment etc, carefully form the opinion of the Board of Directors of the Company, and disclose the opinion in an appropriate manner and on appropriate time to the shareholders as well as notify the opinion to the Purchaser etc. The Board of Directors of the Company shall, if sees fit, negotiate conditions or manners of the Large-scale Purchase etc with the Purchaser etc, and, in fact, may submit an alternative proposal to the shareholders.

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⑤ Advice by the Independent Committee on Resorting to Defense Measures

Upon emergence of the Purchaser etc, the Independent Committee shall, within the Assessment Time by the Board of Directors during which the Board of Directors of the Company make advice, following the procedures provided subsequently, to the Board of Directors of the Company on whether or not the Board of Directors of the Company should resort to measures to defend. To warrant the advice of the Independent Committee being constructive to the maintenance and enhancement of the corporate value and shareholder value of the Company, the Independent Committee will be able to consult, at the Company's expense, third parties independent of the management of the Company (including investment banks, securities brokerage/underwriting companies, financial advisers, certified public accountants, lawyers, consultants and other experts). Where the Independent Committee makes advice of either (i) or (ii) as follows to the Board of Directors of the Company, the Board of Directors of the Company shall immediately disclose the fact that there were the advice, the summary of the advice and other matters that the Board of Directors of the Company sees fit.

- (i) Where the Purchaser etc does not follow the procedures provided by the Plan or where the Large-scale Purchase etc by the Purchaser etc is decided substantially to harm the corporate value and the common interest of the shareholders of the Company:

The Independent Committee would make advice to the Board of Directors of the Company to resort to the counter measures, where the Purchaser etc does not follow the procedures provided by the Plan, or where the Large-scale Purchase etc by the Purchaser etc is decided substantially to harm the corporate value and the common interest of the shareholders of the Company, and the Independent Committee decides it is reasonable to resort to the counter measures.

Where the Large-scale Purchase is judged to fall under one of the cases described in Annexure 4-1, the Large-scale Purchase etc would in principle be decided substantially harmful to the corporate value and the common interest of the shareholders of the Company.

- (ii) Where a Large-scale Purchase etc by the Purchaser etc is concerned to be harmful to the corporate value and the common interest of the shareholders:

The Independent Committee would, even if advice (i) above is not applicable but where the Large-scale of Purchase etc by the Purchaser etc is concerned to be harmful to the corporate value and the common interest of the

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shareholders of the Company and the Independent Committee decides it is reasonable to resort to the counter measures, make advice to the Board of Directors of the Company to ask shareholders' opinion on the details of the counter measures and on whether or not the counter measures be resorted to. Where the Large-scale Purchase etc is judged to fall under one of the cases described in Annexure 4-2, the Large-scale of Purchase etc would in principle be concerned harmful.

- (iii) Where the Large-scale of Purchase etc by the Purchaser etc is decided not harmful to the corporate value and the common interest among the shareholders of the Company:

The Independent Committee would, except the advice provided by (i) and (ii), make advice not to resort to the counter measures.

⑥ Shareholders' Opinion and Resolution of the Board of Directors

The Board of Directors of the Company shall immediately resolve whether or not resorting to the counter measures to the extent reasonable in the light of the maintenance and enhancement of the corporate value and the common interest among the shareholders, by paying utmost respect to the advice made by the Independent Committee provided by ⑤ above.

Where the Independent Committee, under ⑤(ii) above, makes advice to the Board of Directors of the Company to ask shareholders' opinion on the details of the counter measures and on whether or not the counter measures be resorted to, the Board of Directors of the Company shall, except the case that it will be impossible or extremely difficult, convene a general meeting of shareholders to ask shareholders' opinion ("**Shareholders' Forum**") as quickly as possible. A Shareholders' Forum to ask shareholders' opinion may be held together with either Annual General Meeting or Extraordinary General Meeting.

The Assessment Period for the Board of Directors shall be ended upon the resolution to hold a Shareholders' Forum by the Board of Directors of the Company. The Board of Directors of the Company shall, when the shareholders resolve to resort to the counter measures at the Shareholders' Forum, resolve to resort to the countermeasures and to proceed to the necessary procedures in accordance with the resolution at the Shareholders' Forum. The Board of Directors of the Company shall, when the shareholders do not approve the agenda to resort to the counter measures at the Shareholders' Forum, resolve not to resort to the counter measures.

The Board of Directors of the Company shall immediately disclose the outcome of

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the votes at the Shareholders' Forum, and other matters that the Board of Directors of the Company and Independent Committee think appropriate.

The Board of Directors shall, once the Board of Directors has resolved and whether the resolution is to trigger the counter measure or not, immediately disclose the summary of the resolution and other matters that the Board of Directors and Independent Committee thinks appropriate.

⑦ Suspension of Counter measures

After the Board of Directors of the Company resolves to resort to the counter measures under the procedures provided by ⑥ above, or even after the counter measures are commenced, (i) where the Purchaser etc withdraws the attempt of the Large-scale Purchase etc or (ii) where the base facts on which the Board of Directors made decisions regarding whether or not the counter measures should be resorted to, has changed and where it is concluded not justifiable to resort the counter measures in the light of the corporate value and the common interest among the shareholders, then the Board of Directors of the Company shall suspend the counter measures.

The Board of Directors of the Company shall, after passing such resolution as above, immediately disclose the summary of the resolution and other matters that the Board of Directors thinks appropriate.

⑧ Commencement of the Large-scale Purchase etc

The Purchaser etc shall accept and follow the procedures provided in the Plan, and shall not be allowed to commence the Large-scale Purchase etc until the Board of Directors resolves whether or not to resort to the counter measures.

(2) Details of the Counter Measures in the Plan

The counter measures to be resorted to after the Board of Directors of the Company resolves under (1)⑥ above, shall be an allotment of the option right to acquire shares ("**Right for New Securities**") for free of charge. The outline of the free charge allotment of the Right for New Securities shall be stated in Annexure 5 entitling the "Outline of the allotment of the free charge Right for New Securities".

The Board of Directors of the Company may, after the resolution of resorting to the counter measures or after the commencement of the counter measures, suspend the counter measures as is provided by (1)⑦ above. For example, where the Board of Directors of the Company resolves to allot the Right for New Securities for free charge and where the Purchaser etc withdraws the Large-scale Purchase etc and subsequently the Board of Directors of the Company makes a resolution under (1)

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⑦ above, the counter measures can be suspended by suspending the free allotment of the Right for New Securities before the record date when to decide the subscriber shareholders, and by the Company obtaining the Right for New Securities for free charge after the effective date of the free allotment of the Right for New Securities and before the commencement date of exercise of the Right for New Securities.

(3) The effective period, abolition and alteration of the Plan

The Plan shall be effective from time of approval, subject to the approval of the Plan at the 2017 AGM, to the close of the Annual General Meeting to be held in May 2020.

If a General Meeting of the Company resolves an alteration or abolition of the Plan before the expiration of the valid period, the Plan shall be altered or abolished subsequently to the resolution. Also, where the Board of Directors consisting of only the Directors appointed by a General Meeting of the Company resolves to abolish the Plan, the Plan shall be abolished as at the time.

The Board of Directors of the Company may amend or alter the Plan in terms of formalities due to amendments of the Companies Act, the Financial Instruments and Exchange Act, other laws and ordinances, or changes of the regulations of the Financial Instrument Exchange, or due to changes of their interpretation or practice or due to changes of the taxation system or court precedent etc, with the approval of the Independent Committee. The Board of Directors of the Company shall ask for the approval of shareholders at the earliest possible general meeting of shareholders, when the Board of Directors of the Company would proceed to any material alternation to the Plan which might affect substantially the shareholders.

Where the Plan is abolished or materially altered, the Company shall immediately disclose the fact that the Plan is abolished or altered, and where altered, the details of the alteration and other matters that the Board of Directors of the Company thinks appropriate.

4. Reasonableness of the Plan

(1) Satisfaction of all of the requirements provided by the Guidelines regarding Takeover Defense

The Plan satisfies the three principles (principle of maintenance and enhancement of corporate value and common interest of shareholders, principle of prior disclosure and shareholder decision, and principle of necessity and justifiability) that are provided by the “Guidelines regarding Takeover Defense for the Purpose of Protection and Enhancement of Corporate Value and Shareholders’ Common

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Interests” announced by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27 2005. The Plan, also, takes into consideration of the insights presented in the ‘Anti-takeover measures in the latest environments’ published by the Corporate Value Study Group on 30 June 2008.

The continuing implementation of the Plan purports the maintenance and enhancement of the corporate value and common interest among the shareholders (refer to 2 above), and the Plan does request disclosure of the details of itself and feedback of the shareholders, investors and Purchasers etc on it (refer to 3(1)). Also, the Plan, as the measure to prevent the management from resorting to the counter measures abusively so as to protect the management’s interest, provides objective conditions to satisfy before resorting to the counter measures (refer to 3(1)), and sets up the Independent Committee to warrant transparency (refer to 2) as well as allows the Board of Directors to abolish it anytime (refer to 3(3)). Further, the Plan is carefully made to cause less harm, if any, to the shareholders except the Purchaser etc as is explained in paragraph 5 above.

(2) Continuing implementation of the Plan to maintain and enhance the corporate value and common interest of the shareholders of the Company

As is explained in the paragraph 1 above, the continuing implementation of the Plan purports to maintain and enhance the corporate value and common interest of the shareholders of the Company, by making it possible, where the Large-scale of Purchase etc of the shares etc of the Company is attempted, to secure necessary information and time for the shareholders to decide whether or not the Large-scale Purchase etc be accepted, or for the Board of Directors of the Company to offer an alternative proposal, or to negotiate with the Purchaser etc on behalf of the shareholders and so forth.

(3) Respect of Shareholders’ Opinion

This Plan shall continue upon approval of the shareholders at the 2017 AGM of the Company. The Plan shall be altered or abolished even after the approval of the Plan with the resolution to do so at a general meeting of shareholders (refer to 3(3)). Therefore, opinion of shareholders of the Company shall be fully respected at introduction, alternation and abolishment of the Plan.

Unless the Independent Committee advises to resort to the counter measures because the Purchaser etc commences the Large-scale Purchase etc without following the procedures provided by the Plan or because the Large-scale Purchase etc is to harm substantially the corporate value and common interest among the shareholders; or unless the Independent Committee advises not to resort to the counter measures, the



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Plan means to ask directly shareholders' opinion on whether or not the counter measures be resorted to.

#### (4) Respect of Independent Outsiders' Opinion and Disclosure

On the continuing implementation of the Plan, the Company sets up, to prevent the Board of Directors from making arbitrary decisions, and to secure objectivity and rationality of judgment and counter measures by the Board of Directors of the Company, the Independent Committee as an advisory body to the Board of Directors.

The Company shall, where appropriate, disclose to the shareholders the summary of the decisions of the Independent Committee, which would make the operation of the Plan transparent, therefore, be beneficial to the corporate value and common interest of the shareholders.

#### (5) Objective Requirements before Resorting to Counter Measures

As is explained in 3(1) above, the Plan would not allow the counter measures to be resorted to, unless reasonable and objective requirements are satisfied, so as to prevent the Board of Directors of the Company from resorting arbitrarily to the counter measures.

#### (6) No dead-hand or slow-hand measure

As is explained in 3(3) above, the Plan can be abolished anytime by the resolution of the Board of Directors consisting of the directors appointed by a Company's General Meeting. That makes the Plan not being a dead-hand measure (i.e. the counter measure by the Plan is not a measure that cannot be stopped even if the majority members of the Board of Directors are replaced.).

Since the term of the office of the members of the Board of Directors of the Company is one year, the Plan is not a slow-hand measure (i.e. the counter measure by the Plan is not a measure that takes time to stop because all of the Board's members cannot be replaced at once.).

### 5. Effect on the Shareholders and investors

#### (1) Effect on the Shareholders and investors by the continuation of the Plan

At the time of the continuation of the Plan, the Right for New Securities shall not be allotted. That makes the Plan, by the continuation, would not directly bring any change on the legal right or economic interest, of the shares of the Company that are

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held by the shareholders.

## (2) Effect on the Shareholders and investors at the Free Allotment of the Right for New Securities

Where the Board of Directors resolves to resort to the counter measures, and where the Right for New Securities are allotted for free charge, up to one Right for New Securities against one held share shall be allotted for free to the shareholders registered in the Members' List as at the date of allotment that will be decided separately. That means that at the time of the free allotment of the Right for New Securities, the collective value of the shares held by the shareholders would not be diluted, although the value of each share may be diluted; therefore that the legal right and economic interest of the shares held by the shareholders would not be expected to actually change.

The Purchaser etc may, however, receive consequential effects on the legal right or economic interest of the Purchaser etc by the counter measures.

Where the Board of Directors of the Company resolves to allot the Right for New Securities for free charge, and yet where the Board of Directors decided to suspend the counter measures by following the procedures provided by 3(1)⑦ above, the market price of the shares of the Company may change accordingly. For example, after the shareholders who should be allotted for free charge the Right for New Securities are decided, and where the Company suspends the counter measures and obtains the free allotment of the Right for New Securities without issuing new shares, the economic value of each share held by the shareholders would not be diluted. In such case, please be aware that those shareholders and investors who have sold the shares on an assumption that the economic value of the shares would be diluted, may incur loss by the fluctuation of the share price.

Where discriminatory conditions are placed on exercising or obtaining the Right for New Securities, the legal right and economic interest of the Purchaser etc in exercising or obtaining the Right for New Securities may be influenced, but no direct and specific influence on the legal right and economic interest of the shareholders and investors except the Purchaser etc is expected.

## (3) Things to be done by the Shareholders at the Free Allotment of the Right for New Securities

The shareholders registered or recorded on the final version of the Shareholders List as at the allotment date of the Right for New Securities, shall automatically become

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the holders of the Right for New Securities, therefore, need not apply for the allotment. When the Company shall obtain the Right for New Securities subject to call, the shareholders of the Company, other than the Purchaser etc shall receive share(s) of the Company without payment in exercising the Right for New Securities, therefore, it is not necessary for the shareholders to take such procedures as payments, etc.

For details of allotment, exercise of the Right for New Securities, obtainment by the Company, and issuance of share(s) of the Company etc, please refer to the further disclosure or notice at times by the Company that will be made pursuant to the applicable laws and regulations and the Financial Instruments and Exchange Act, after the Board of Directors' resolution of the free allotment of the Right for New Securities.

End

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Annexure 1

### **Summary for The Independent Committee Rules**

1. The Independent Committee is established by the Board of Directors' resolution as an advisory body to the Board of Directors, which purports to prevent the Board of Directors from making arbitrary decisions on resorting to the counter measures etc against the Large-scale Purchase etc, and to warrant objective and reasonable decisions and responses by the Board of Directors.
2. The commissioners of the Independent Committee (the **"Independent Committee"**) consists of not less than three members appointed by the resolution of the Board of Directors of the Company out of (1) external directors, (2) external audit and supervisory board members, or (3) outside experts (corporate management achievers, former government officials, lawyers, certified public accountants, academia or equally qualified experts). The Company makes an agreement with each member of the Independent Committee in which the member of the Independent Committee agrees to owe to the Company duty of good manager and the obligation for confidentiality.
3. The term of the office of commissioner is from the date of appointment to either the conclusion of the final Annual General Meeting in the fiscal year that ends within three years from the appointment or the date that is agreed later between the Company and the Independent Committee, unless the Board of Directors resolves otherwise.
4. The Independent Committee is convened by the representative director(s) of the Company or individual member(s) of the Independent Committee.
5. The chair of the Independent Committee is elected by and among the members of the Independent Committee.
6. In principle, the quorum is reached by the attendance of all the members and a resolution is made by the majority of the attendance. Where a member or members is/are unable to make the meeting by accident or for any other material reason, however, the quorum is reached by the attendance of not less than a half number of the members and a resolution is made by the majority of the attendance.
7. The Independent Committee discusses and resolves on the matters listed in (1) to (4) as follows, and provides advice with reasoning to the Board of Directors of the Company.

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- (1) Whether or not to resort to the counter measures provided by the Plan (including the case that shareholders' opinion should be asked)
- (2) Suspension or withdrawal of the counter measures provided by the Plan
- (3) Abolition or amendment of the Plan
- (4) Other matters that may be consulted by the Board of Directors at times in relation to the Plan

Each member of the Independent Committee must discuss and resolve at the meeting of the Independent Committee solely in the light of the benefit to the corporate value and common interest of the shareholders of the Company, and must not for the private interest of the member's own or the management of the Company.

8. The Independent Committee may, if necessary, invite to the meeting of the Independent Committee the Company's directors, audit and supervisory board members, employees or other personnel whom the Independent Committee thinks necessary, and request their opinions or explanations on the matters that the Independent Committee wishes to hear.
9. In discharging its duties, the Independent Committee may obtain advice, at the Company's costs, from outside experts independent of the management of the Company (including investment banks, security companies, financial advisers, certified public accountants, lawyers, consultants, and other experts).

End

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Annexure 2

**Personal Records of the Independent Committee Members**

Mr. Hachiro Honjo

April 1987	Representative Director and Executive Vice President, ITO EN, LTD
May 1988	Representative Director and President, ITO EN, LTD
May 2005	External Director of the Company (current position)
May 2009	Representative Director and Chairman, ITO EN, LTD (current position)

Mr. Jotaro Yabe

June 1997	Secretary General, the Executives of General Secretariat, Japan Fair Trade Commission
July 1998	Vice Head Trustee, Fair Trade Association
April 2004	Professor, Jissen Women's University
May 2005	External Audit and Supervisory Board Member of the Company (current position)
September 2007	External Audit and Supervisory Board Member of Onward Kashiyama Co., Ltd.
April 2008	Trustee of the Yokohama City University (current position)

Mr. Tsutomu Shiozaki

April 1962	Junior Judge, Kyoto District Court
April 1979	Judicial Research Official, Supreme Court
March 1992	Judge at Hakodate District Court, Presiding Judge at Family Court of the Hakodate District Court
April 1994	Judge, Chief of Departments, Nagoya High Court
March 1996	Judge, Chief of Departments, Tokyo High Court
December 2000	Attorney at Law, Registration at Daiichi Tokyo Bar Association (current position)
January 2001	Professor, Faculty of Law, Toin University of Yokohama
April 2004	Professor, Law Research, Law School, Hosei University

(Notes)

1. The Company filed Messrs. Hachiro Honjo and Jotaro Yabe as "Independent Directors/Auditors" under the regulations of Tokyo Stock Exchange and to Nagoya Stock Exchange.
2. Each member stated above has no special interests in the Company including advisory contracts.

End

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Annexure 3

**Company's Shares held by Major shareholders**

Top 10 Major Shareholders of the Company (as at the end of February 2017)

Name of the shareholder	Shares (,000)	R a t i o ( % )
Kashiyama Scholarship Foundation	8,710	5.9
Japan Trustee Services Bank, Ltd. (Trust A/C No. 9)	6,539	4.4
BNYML-Non Treaty Account	5,039	3.4
Isetan Mitsukoshi Ltd.	5,001	3.4
Japan Trustee Services Bank, Ltd. (Trust A/C)	4,701	3.2
Nippon Life Insurance Company	4,671	3.1
ESOP for the customer companies of Onward Holdings	4,535	3.1
The Master Trust Bank of Japan, Ltd (Trust A/C)	4,470	3.0
The Dai-ichi Life Insurance Company, Limited	4,200	2.8
Marui Group Co. Ltd.	3,417	2.3

(Notes)

1. Shares less than one thousand in number is rounded down.
2. Investment Ratio less than one decimal place is rounded down.
3. Investment Ratio is after deduction of 21,609 thousand shares of the Company's own shares

End

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Annexure 4-1

**Cases of Substantial Harm to the Corporate Value and Common Interest of the Shareholders**

1. Where the Purchaser etc is decided to purchase or attempt to purchase not for the purpose to get involved with the management of the Company but solely for the purpose to initiate the increase of the share price and sell the share etc of the Company to the Company or related person(s) at higher price, that is, where the Purchaser etc is decided to be a so called green mailer.
2. Where the Purchaser etc is decided to purchase the share etc of the Company for the purpose to control the management of the Company temporarily until the Purchaser etc transfers to the Purchaser etc or its group companies, such asset of the Company or its group companies as the intellectual property right, know-how, confidential corporate information, main traders, or customers etc, which are essential to the business management of the Company and its group companies.
3. Where the Purchaser etc is decided to purchase the share etc of the Company for the purpose to use, after the Purchaser etc obtains the control of the management of the Company, the asset of the Company or its group companies for collateral or repayment for the debts of the Purchaser etc or its group companies.
4. Where the Purchaser etc is decided to purchase the share etc of the Company for the purpose to obtain the control of the management temporarily, and to dispose of such valuable asset as real estate properties or securities etc that may not be directly related to the businesses of the Company for the moment, so as to obtain a high dividend in short term, or so as to make significant profits from the sales of the share etc of the Company once the share price soars sharply by virtue of the high dividend.
5. Where the Purchaser etc is concerned to propose the purchase of the share etc of the Company in such a way as restricts opportunities or freedom of the shareholders to make decisions and actually forces the shareholders to sell the share etc of the Company, for instance, so called the coercive two-tiered tender offer (such a purchase etc of share etc as a take over bid in which the Purchaser etc does not propose to purchase all of the share etc of the Company in the first phase of the purchase, but does set up conditions disadvantageous or unclear to the shareholders in the second phase of the purchase).

End



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Annexure 4-2

**Cases of Possible Harm to Corporate Value and Common Interest among Shareholders**

1. Where the conditions of the purchase of the share etc proposed by the Purchaser etc (the type and monetary amount of consideration for the purchase, the base of price calculation, details of other conditions (including, but not limited to, the time and method of the purchase), lawfulness, feasibility etc) are decided to be substantially insufficient or unsuitable in the light of the corporate value of the Company
2. Where it is concerned to interfere the maintenance or enhancement of the corporate value and common interest of the shareholders, for instance, to destroy the relationships with the parties who are the source of corporate value i.e. customers, traders, employees, local society and other stakeholders of the Company as well as the shareholders of the Company, and to harm the corporate value and common interest of the shareholders, once the Purchaser etc obtains the control of the management of the Company

End

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Annexure 5

### **Summary of the Free Allotment of the Right for New Securities**

1. Total Number of the Right for New Securities to be Allotted

The total number of the Right for New Securities to be allotted for free charge, is to be decided later by the resolution of the free charge allotment of the Right for New Securities (the **“Resolution of Allotment”**) at the Board of Directors’ Meeting, and to the limit of the same number as the final number of the issued shares in total (the Company’s own shares as at the same point of time exclusive) as at a certain date (the **“Allotment Date”**) decided by the Resolution of Allotment.

2. Shareholders to be allotted

The Right for New Securities is to be allotted for free charge, according to the Resolution of Allotment and up to one Right for New Securities against one ordinary share (the Company’s own share as at the same point of time exclusive) held by the shareholders who are registered in the final version of the Shareholder List as at the Allotment Date of the Right for New Securities.

3. Effective Day of the Free Allotment of the Right for New Securities

To be decided later by the Resolution of Allotment by the Board of Directors of the Company

4. Type and number of the shares as the subject matter of the Right for New Securities

The subject matter of the Right for New Securities is the ordinary share of the Company in type and the total number of the subject matter (the **“Number of Shares”**) is to be decided by the Resolution of Allotment in the ratio of maximum one share against one Right for New Securities. Where the Company splits up or merges shares, however, there is to be appropriate adjustment.

5. Asset to be invested in exercising of the Right for New Securities and Price

The investment by the exercise of the Right for New Securities is to be made by currency, and the invested asset for one ordinary share of the Company is not less than one Japanese Yen, which is to be finally decided by the Resolution of Allotment.

6. Restriction on transfer of the Right for New Securities

Any transfer or transmission of the Right for New Securities requires the approval by the Board of Directors of the Company.

7. Conditions before exercising the Right for New Securities

*[Translation] Please note that the following purports to be a translation from the Japanese original press release. However, in the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

(1) A certain level of the large amount holder<sup>11</sup>, (2) Co-holder of the certain level of large amount holder, (3) A certain level of the large amount of purchaser<sup>12</sup>, (4) Specially related person to a certain level of the large amount of purchaser, (5) Person who is transferred or assigned from the person of (1) to (4) the Right for New Securities without approval of the Board of Directors of the Company, or (6) Person<sup>13</sup> related to the person of (1) to (5) (collectively called the **“Non-Suitable Person”**) cannot exercise the Right for New Securities. The details of the conditions before exercising the Right for New Securities are to be decided later by the Resolution of Allotment.

#### 8. Obtainment of the Right for New Securities by the Company

The Company may, on the date decided by the Board of Directors of the Company, obtain the Right for New Securities owned by person except the Non-Suitable Person in exchange of the number in accord of the ordinary shares of the Company to one Right for New Securities. Provided, however, that in case of Non-Suitable Person acquiring the Rights for New Securities, any economic interest such as cash and the like for consideration shall not be delivered to such Non-Suitable Person. The details of the conditions before obtaining are to be decided later by the Resolution of Allotment.

#### 9. Free Obtainment at Suspension of the Counter Measures

Where the Board of Directors suspends the counter measures, or where the Board of

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<sup>11</sup> Holders of the share etc issued by the Company and the holding ratio of the share etc is more than 20 percent, or the person who the Board of Directors of the Company decides to be so equivalent to, however, excluding the person who the Board of Director of the Company decides not to be harmful to the corporate value and common interest of the shareholders, in the person obtaining or holding the share etc of the Company, and other persons who are decided to be excluded later by the Resolution of Allotment.

<sup>12</sup> Person who has announced to purchase by operating a take over bid etc (such a purchase etc as is defined by subsection 1 of section 27-2 of the Financial Instruments and Exchange Act, the word, take over bid in the main text means the same.) the share etc issued by the Company, and the holding ratio of the share etc by the person (including a person defined by subsection 1 of section 7 of the Ordinance of the Enforcement of the Financial Instruments and Exchange Act (*Kinyu-Shohin Torihiki-Ho Sekorei*) after the purchase etc together with the share etc held by a person specially related to the person, becomes more than 20 percent, or the person who the Board of Directors decides to be so equivalent, however, excluding the person who the Board of Directors decides not harmful to the corporate value and common interest of the shareholders in the person obtaining or holding the share etc of the Company and other persons who are decided to be excluded by the Resolution of Allotment. Hereinafter the same shall prevail.

<sup>13</sup> Person ‘related’ to the person means a person who actually controls the person, is controlled by the person or is controlled together with the person (including a person who the Board of Directors of the Company decides so equivalent) or a person who the Board of Directors of the Company decides be acting cooperatively with the person. ‘Control’ means ‘control of the financial and business policy’ of other companies etc (as is defined by subsection 3 of section 3 of the Ordinance of Enforcement of the Companies Act.

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Directors of the Company decides so in the Resolution of Allotment, the Company may obtain all of the Right for New Securities for free charge.

10. Period for Right for New Securities

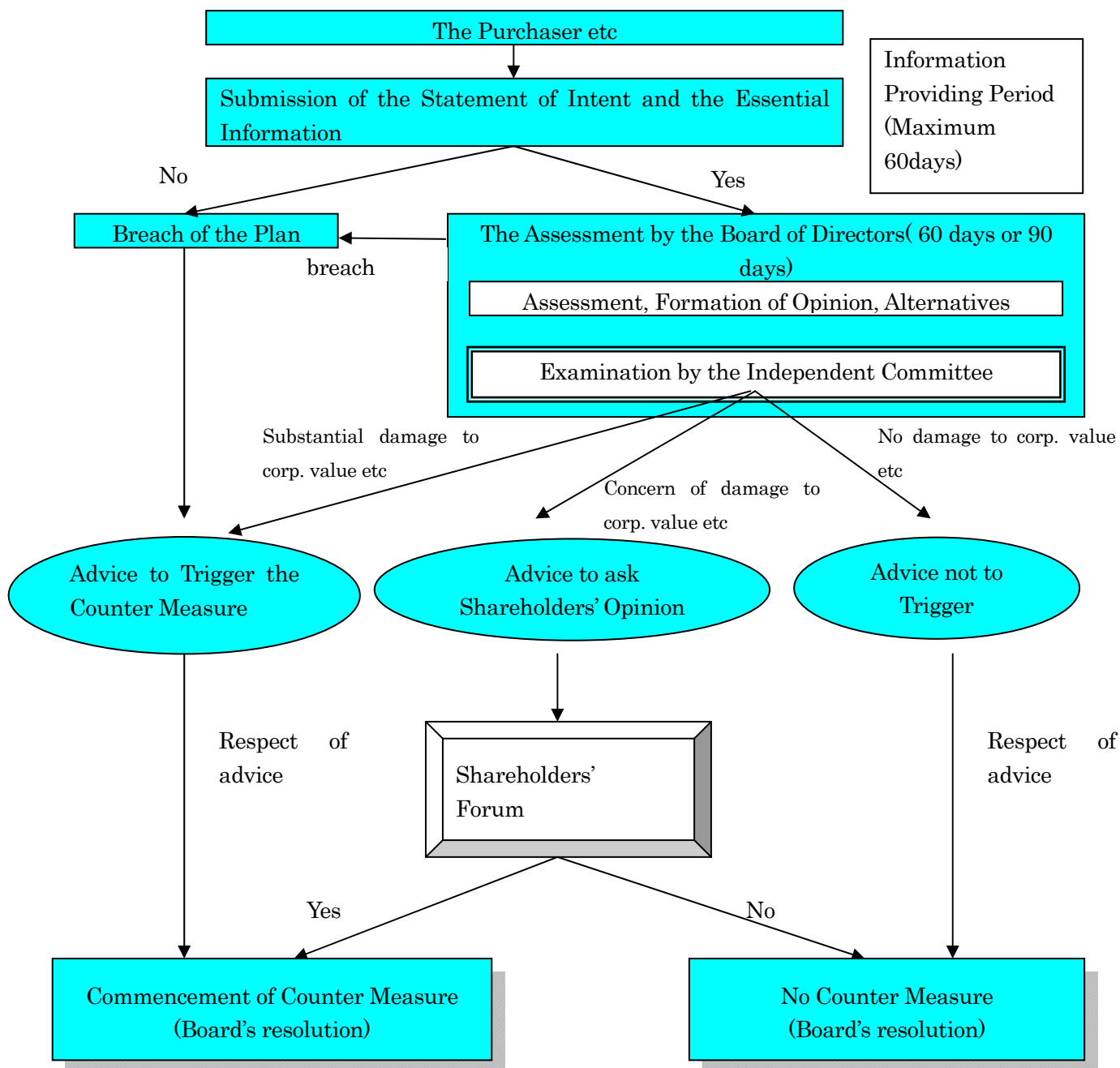
On the period of time during which exercising the Right for New Securities, and the other material matters, the Board of Directors is to decide later by the Resolution of Allotment.

End

[Translation] Please note that the following purports to be a translation from the Japanese original press release. However, in the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

(Reference)

Flow Chart of the Procedures in the Plan



\* This is only a flow chart summarizing the Plan. Please refer to the main text for the details of the Plan.