

[**Translation:** Please note that the following purports to be a translation from the Japanese original Notice of Convocation of the 70th Annual General Meeting of Shareholders of Onward Holdings Co., Ltd. prepared for the convenience of shareholders with voting rights. However, in the case of any discrepancy between the translation and the Japanese original, the latter shall prevail. Please also be advised that certain expressions regarding voting procedures for shareholders that are not applicable to the shareholders outside Japan are intentionally omitted or modified to avoid confusion.]

May 2, 2017

TSE# 8016  
SEDOL#6483821JP  
ISIN#JP3203500008

To Our Shareholders:

Onward Holdings Co., Ltd.  
10-5, Nihonbashi 3-chome, Chuo-ku, Tokyo  
Representative Director and President  
Michinobu Yasumoto

**NOTICE OF CONVOCATION OF  
THE 70<sup>TH</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 70th Annual General Meeting of Shareholders of Onward Holdings Co., Ltd. (the “Company”) for the Fiscal Year ended February 28, 2017. The meeting will be held as described below.

If you are unable to attend the aforesaid meeting, your voting rights can be exercised either in writing or via the Internet. We would appreciate your exercise of voting rights by reviewing the “Reference Document Concerning the General Meeting of Shareholders” attached below, indicating whether you approve or disapprove each item on agenda on the enclosed Voting Rights Exercise Form and returning to the Company before 5:40 PM (JST) of May 24, 2017 (Wednesday), or alternatively accessing to the designated website for exercising voting rights.

*In an effort to enhance the convenience of institutional investors, the Company participates in the electronic voting platform operated by ICJ via ProxyEdge® system of Broadridge. For further details, please consult with your custodians, nominees and/or brokers. Voting via Internet other than ICJ platform is only available for registered shareholders in Japan with Japanese language only.*

\* \* \*

## NOTICE OF MEETING

1. **Date and Time:** 10:00 A.M. on May 25, 2017 (Thursday)
2. **Place:** Bellesalle Shiodome, 2nd Floor  
Sumitomo Fudosan Shiodome Hamarikyu Building  
21-1, Ginza 8-chome, Chuo-ku, Tokyo

3. **Purposes:  
Items to Be Reported:**

- (1) Report on Matters of the Business Report and the Consolidated Financial Statements for the 70th Fiscal Year (March 1, 2016 to February 28, 2017) and Results of Audit of the Consolidated Financial Statements by Accounting Auditor and the Audit & Supervisory Board; and
- (2) Report on the Non-Consolidated Financial Statements for the 70th Fiscal Year (March 1, 2016 to February 28, 2017).

**Items to Be Resolved:**

- |                           |  |
|---------------------------|--|
| <b>Agenda Item No. 1:</b> | Appropriation of Retained Earnings   |
| <b>Agenda Item No. 2:</b> | Election of Seven (7) Directors  |
| <b>Agenda Item No. 3:</b> | Continued Implementation of the Plan concerning Large-Scale Purchase of the Shares etc |

4. **Items for Exercising Voting Rights:**

1. **Treatment of duplicated exercises of voting rights in writing and via Internet**

In case that a voting right is exercised by both mail and the Internet, the vote registered via Internet will be recognized as valid.

2. **Treatment of duplicated exercises of voting rights via Internet**

In case that a voting right is exercised more than once via the Internet, only the last vote will be recognized as valid. Similarly, in case that a voting right is exercised via Internet, smartphone or mobile phone, only the last vote will be recognized as valid.

*In an effort to enhance the convenience of institutional investors, the Company participates in the electronic voting platform operated by ICJ via ProxyEdge® system of Broadridge. For further details, please consult with your custodians, nominees and/or brokers. Voting via Internet other than ICJ platform is only available for registered shareholders in Japan with Japanese language only.*

- End -

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- \* If you attend the meeting in person, please submit the Voting Rights Exercise Form enclosed herewith to the receptionist of the Hall. For saving natural resources, please take this notice of convocation with you to the Meeting.
  - \* Notes to Consolidated and Non-Consolidated Financial Statements which should be provided with this Notice of Convocation of the 70th Annual General Meeting of Shareholders shall be announced on the Company's website (<http://www.onward-hd.co.jp/>) in accordance with laws and regulations, and the Articles of Incorporation of the Company. In addition to documents stated in the reference documents attached to the Notice of Convocation of the 70th Annual General Meeting of Shareholders, Notes to Consolidated and Non-Consolidated Financial Statements posted on the Company's website are included in Consolidated and Non-Consolidated Financial Statements audited by Audit & Supervisory Board Members and the Accounting Auditors in the course of preparing Audit Report and Accounting Auditors' Report respectively.
  - \* If any amendment is needed to the Business Report, Consolidated Financial Statements, Non-Consolidated Financial Statements and the Reference Document Concerning the General Meeting of Shareholders, please be advised that such amendment when applicable shall be publicly announced on the Company's website (<http://www.onward-hd.co.jp/>).

**REFERENCE DOCUMENT CONCERNING  
THE GENERAL MEETING OF SHAREHOLDERS**

**Proposals and reference matters:**

**Agenda Item No. 1:                   Appropriation of Retained Earnings**

The Company proposes to appropriate retained earnings as follows.

Matters concerning the year-end dividend:

The Company considers the return of profits to shareholders to be one of the most important management issues, and targets at 35% or more payout ratio. The basic policy is to appropriately distribute profits, which is stable and linked with business performance of the Company.

Under this policy, it is proposed that a year-end dividend for the fiscal year under review be as stated below.

1. Type of dividend property:  
Cash.
2. Allocation of dividends and total amount:  
Twenty-four (24) yen per share of common stock of the Company.  
3,511,498,584 yen total.
3. Effective date for dividend distribution from retained earnings:  
May 26, 2017.

**Agenda Item No. 2: Election of Seven (7) Directors**

The term of office of seven Directors will expire at the closing of this Annual General Meeting of Shareholders. Therefore, it is proposed that seven Directors be elected.

The candidates are as follows:

Candidate No.	Name (Date of Birth)	Summary of Career and Important position(s) of other organizations concurrently assumed	Number of Shares of the Company Owned
1	Takeshi Hirouchi (Nov. 5, 1942)	<p>Apr. 1965    Joined the Company</p> <p>May 1985    Director of the Company</p> <p>Apr. 1991    Managing Director of the Company</p> <p>Apr. 1994    Senior Managing Director of the Company</p> <p>Mar. 1997    Representative Director and President of the Company</p> <p>Mar. 2005    Representative Director and Chairman, and Executive Officer of the Company</p> <p>Sept. 2007   Representative Director, Chairman and CEO of the Company</p> <p>                 Representative Director and Chairman, and Executive Officer of Onward Kashiyama Co., Ltd.</p> <p>Mar. 2009    Representative Director and Chairman of the Company</p> <p>Sept. 2011   Representative Director, Chairman and President of the Company</p> <p>May 2014    Representative Director and Chairman of Onward Kashiyama Co., Ltd.</p> <p>Mar. 2015    Representative Director and Chairman of the Company (current position)</p>	135,383
<p><b>【The reasons for nomination】</b></p> <p>Mr. Takeshi Hirouchi has held various management positions in the Administrative, Sales, International Business and Corporate Planning Divisions and not only has a thorough knowledge of the business of Onward Group (the “Group”), but also has extensive management experience and knowledge. He currently supervises the overall management of the Group as the Representative Director and Chairman and is playing roles appropriately in, for example, making decisions on important management matters and supervising business execution. For these reasons, he has been nominated as a Director candidate for re-election.</p>			

Candi- date No.	Name (Date of Birth)	Summary of Career and Important position(s) of other organizations concurrently assumed	Number of Shares of the Company Owned
2	Michinobu Yasumoto (Sept. 13, 1965)	May 2006    Joined the Company Mar. 2007    Executive Officer of the Company Sept. 2007    Executive Officer of Onward Kashiyama Co., Ltd. Mar. 2009    Executive Officer of the Company Mar. 2011    Managing Executive Officer of the Company Managing Executive Officer of Onward Kashiyama Co., Ltd. May 2014    Director of the Company Director and Managing Executive Officer of Onward Kashiyama Co., Ltd. Sept. 2014    Director and Senior Managing Executive Officer of Onward Kashiyama Co., Ltd. Mar. 2015    Representative Director and President of the Company (current position) Director of Onward Kashiyama Co., Ltd. (current position)  [Important position of other organizations concurrently assumed] Director of Onward Kashiyama Co., Ltd.	32,000
<p><b>【The reasons for nomination】</b></p> <p>Mr. Michinobu Yasumoto has held various management positions in the International Business, Product Planning, Information Systems and Corporate Planning Divisions of the Company and its affiliates and has extensive experience and advanced knowledge. He is currently responsible for the management execution of the Group and is leading its business execution as the Representative Director and President and is playing roles appropriately in, for example, making decisions on important management matters and supervising business execution. For these reasons, he has been nominated as a Director candidate for re-election.</p>			

Candidate No.	Name (Date of Birth)	Summary of Career and Important position(s) of other organizations concurrently assumed	Number of Shares of the Company Owned
3	Akinori Baba (Jan. 23, 1968)	<p>Apr. 1990    Joined the Company</p> <p>Mar. 2004    Executive Officer of the Company</p> <p>Mar. 2005    Managing Executive Officer of the Company</p> <p>Sept. 2007    Managing Executive Officer of Onward Kashiyama Co., Ltd.</p> <p>Mar. 2010    Director and Managing Executive Officer of Onward Kashiyama Co., Ltd.</p> <p>Sept. 2011    Representative Director and President, and Executive Officer of Onward Kashiyama Co., Ltd.</p> <p>May 2012    Director of the Company</p> <p>May 2017    Director, Vice President of the Company in charge of Next Generation Business Development of the Company (current position)</p>	63,800
<p><b>【The reasons for nomination】</b></p> <p>Mr. Akinori Baba has a deep-rooted knowledge of the Company's business, as well as extensive experience and advanced expertise. At the Company group, he has held positions in the Sales and Product Planning divisions. Mr. Baba has also served as Representative Director and President, and Executive Officer, of Onward Kashiyama Co. Ltd., a mainstay Group company. In this role, he promoted the brand business and worked to expand business domains in response to increasingly diverse markets. He currently plays an important role in the Company as Vice President in charge of Next Generation Business Development. For these reasons, he has been nominated as a Director candidate for re-election.</p>			

Candidate No.	Name (Date of Birth)	Summary of Career and Important position(s) of other organizations concurrently assumed	Number of Shares of the Company Owned
4	Masaaki Yoshizawa (Feb. 19, 1946)	<p>Apr. 1968    Joined the Company</p> <p>May 2003    Managing Director of the Company</p> <p>Mar. 2005    Director and Managing Executive Officer of the Company</p> <p>Sept. 2007    Managing Director of the Company Director and Managing Executive Officer of Onward Kashiyama Co., Ltd.</p> <p>Mar. 2009    Representative Director and President of Onward Resort and Golf Inc. (current position)</p> <p>Mar. 2011    Senior Managing Director of the Company Director and Senior Managing Executive Officer of Onward Kashiyama Co., Ltd.</p> <p>Mar. 2014    Senior Managing Director, General Manager in charge of the Administrative Division of the Company (current position)</p> <p>[Important positions of other organizations concurrently assumed] Representative Director and President of Onward Resort &amp; Golf Co., Ltd.</p>	27,000
<p><b>【The reasons for nomination】</b></p> <p>Mr. Masaaki Yoshizawa has held various management positions in the Administrative Division and group companies including those overseas and has extensive experience as a senior management executive and considerable knowledge in finance, accounting and treasury. He currently holds the position of Senior Managing Director and is playing roles appropriately in charge of the Administrative Division of the Group. For these reasons, he has been nominated as a Director candidate for re-election.</p>			



Candi- date No.	Name (Date of Birth)	Summary of Career and Important position(s) of other organizations concurrently assumed	Number of Shares of the Company Owned
5	Hisayuki Ichinose (Sept. 24, 1955)	<p>Apr. 1979    Joined the Company</p> <p>Mar. 2006    Executive Officer of the Company</p> <p>Sept. 2007    Executive Officer of Onward Kashiyama Co., Ltd.</p> <p>Mar. 2013    Managing Executive Officer of the Company</p> <p>                  Managing Executive Officer of Onward Kashiyama Co., Ltd.</p> <p>Mar. 2015    Director and Managing Executive Officer of Onward Kashiyama Co., Ltd. (current position)</p> <p>May 2015    Director of the Company</p> <p>Mar. 2017    Managing Director of the Company, General Manager in charge of Secretary Office, Corporate Communications, Human Resources and General Affairs (current position)</p> <p>[Important positions of other organizations concurrently assumed]</p> <p>Director and Managing Executive Officer of Onward Kashiyama Co., Ltd.</p>	11,000
<p><b>【The reasons for nomination】</b></p> <p>Mr. Hisayuki Ichinose has held various management positions in the Sales and Administrative Divisions and has extensive experience and performance record. He currently holds a concurrent position as the Director and Managing Executive Officer of Onward Kashiyama Co. Ltd., the core business company of the Group. In particular, he is playing roles appropriately in charge of the Secretary Office, Corporate Communications, Human Resources and General Affairs, and has been reorganizing HR and operational system in compliance with various legal reforms as Managing Director of the Company. For these reasons, he has been nominated as a Director candidate for re-election.</p>			

Candidate No.	Name (Date of Birth)	Summary of Career and Important position(s) of other organizations concurrently assumed	Number of Shares of the Company Owned
6	Hachiro Honjo (Aug. 31, 1940)	<p>Apr. 1987 Representative Director and Executive Vice President of ITO EN, Ltd.</p> <p>May 1988 Representative Director and President of ITO EN, Ltd.</p> <p>May 2005 Director of the Company (current position)</p> <p>May 2009 Representative Director and Chairman of ITO EN, Ltd. (current position)</p> <p>[Important position of other organizations concurrently assumed] Representative Director and Chairman of ITO EN, Ltd.</p>	20,000
<p><b>【The reasons for nomination】</b></p> <p>Mr. Hachiro Honjo has been discharged his responsibility as an Outside Director of the Company from drawing on his business and management experience as an executive. He has accumulated from a broad knowledge without being restricted by that of the industry to which the Company belongs. Because we regard that he is an appropriate person who can supervise business execution, he has been nominated as an Outside Director candidate for re-election.</p>			
7	Yoshihide Nakamura (Oct. 22, 1942)	<p>June 1998 Corporate Managing Executive Officer of Sony Corporation</p> <p>June 2000 Representative Director and President of Sony Chemical Corporation</p> <p>June 2004 Corporate Managing Executive Officer of Sony Corporation</p> <p>July 2006 Representative Director and President of ULDAGE Inc. (current position)</p> <p>May 2007 Director of the Company (current position)</p> <p>[Important positions of other organizations concurrently assumed] Representative Director and President of ULDAGE Inc.</p>	1,000
<p><b>【The reasons for nomination】</b></p> <p>Mr. Yoshihide Nakamura has been discharged responsibility as an Outside Director of the Company from drawing on his business and management experience and broad knowledge. Because we regard that he is an appropriate person who can supervise business execution, he has been nominated as an Outside Director candidate for re-election.</p>			

(Notes)

1. Each candidate stated above has no special interests in the Company
2. Messrs. Hachiro Honjo and Yoshihide Nakamura are candidates for Outside Directors. The Company submitted Notifications of Independent Directors/Audit & Supervisory Board Members to the Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc. that the Company designated both Messrs. Hachiro Honjo and Yoshihide Nakamura as Independent Directors.
3. The independence of Outside Directors and the agreement to limit Directors' liability:
  - (1) The independence of Outside Directors:
    - (i) The duration of Mr. Hachiro Honjo's assumption of the office as Outside Director of the Company will have been twelve years upon the closing of this General Meeting of Shareholders.
    - (ii) The duration of Mr. Yoshihide Nakamura's assumption of the office as Outside Director of the Company will have been ten years upon the closing of this General Meeting of Shareholders.
    - (iii) Both of the candidates for Outside Directors are satisfied with "Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members" (pp.12-13).
  - (2) Agreement with Outside Director to limit liabilities:

The Company has concluded an agreement with Messrs. Hachiro Honjo and Yoshihide Nakamura to limit their liabilities prescribed in Article 423 Paragraph (1) of the Companies Act to the minimum liability amount as prescribed in Article 427 Paragraph (1) of the Companies Act. In the event of the re-election of Messrs. Honjo and Nakamura is approved, the Company is going to continue to conclude such an agreement with them.

(Reference)

### **Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members**

When a candidate for Outside Director or Outside Audit & Supervisory Board Member applies to any of the following, the Company considers that the candidate does not have the independence as Outside Director/Outside Audit & Supervisory Board Member.

1. Relationship with a company at which a person engaged in business execution<sup>1</sup> of the Company assumes a director or corporate executive position

Any person engaged in business execution of a company at which a person engaged in business execution of the Company assumes a corporate executive position.

2. Major business partner

Any party that considers the Company as a major business partner<sup>2</sup> or a person engaged in business execution of the party, or any major business partner of the Company<sup>3</sup> or a person engaged in business execution of the business partner.

3. Accounting auditor firm of the Company

Any person belonging to an accounting auditor firm that performs audits concerning the Company based on the Companies Act or the Financial Instruments and Exchange Act.

4. External specialist

Any external specialist who receives a considerable amount<sup>4</sup> of money or other assets in addition to remuneration as an Outside Director or an Audit & Supervisory Board Member (such specialist refers to an attorney-at-law, accountant, tax accountant, patent attorney, judicial scrivener, consultant, etc.; if the party receiving the aforesaid assets is a corporation, union, or any other forms of organization, the person belonging to such organization).

5. Recipient of contribution

Any party receiving a considerable amount<sup>5</sup> of contribution from the Company (if the party receiving the aforesaid contribution is a corporation, union, or any other forms of organization, the person engaged in business execution at such organization).

6. Major shareholder

Any party or a person engaged in business execution of a respective company that beneficially holds 10% or more of the Company's voting rights.

7. Former relevant person

Any person that was applicable to any of 1. through 5. above in the past five years.

[Translation]

8. Next of kin

Next of kin of person applicable to any of 1 through 7 above (excluding person of no importance).

Notes:

- 1 “A person engaged in business execution” refers to an executive director executive officer, general manager or employee (including adviser) .
- 2 “Any party that considers the Company as a major business partner” refers to a party that has received from the Company an amount of payment equivalent to over 2% of its annual net sales in the most recent fiscal year.
- 3 “Major business partner of the Company” refers to a party that has paid the Company an amount equivalent to over 2% of the annual net sales of the Company or a party whose outstanding loan to the Company exceeds 2% of the total assets of the Company, in the most recent fiscal year.
- 4 “A considerable amount” with respect to assets received in the most recent fiscal year refers to, in case the party that has received the assets concerned is an individual, an annual amount of 10 million yen, and in case the party is a corporation, union, or any other forms of organization, an amount over 2% of consolidated net sales or total revenue of the organization.
- 5 “A considerable amount” with respect to contribution received in the most recent fiscal year refers to, an annual amount of 10 million yen or 2% of the total revenue, whichever is higher.

**Agenda Item No. 3:** Continued Implementation of the Plan concerning Large-Scale Purchase of the Shares etc

Onward Holdings Co., Ltd. (the “**Company**”) announced that the Board of Directors of the Company has resolved at the Board of Directors’ meeting held on April 7, 2017 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 May 22, 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 May 25, 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 & Supervisory Board Members including two Outside Audit & Supervisory Board Members of the Company have attended as well at the Board of 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.

The Details of the Plan are as follows.

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 Instrument 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

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 yen for net sales, 10 billion yen for operating income and 5% for ROE for the fiscal 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.

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<sup>∞</sup>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 company. 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 has been promoting 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 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 Outside Directors and Outside Audit & Supervisory Board Members since 2005 and has elected two Outside Directors and two Outside Audit & 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

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 Outside Directors, Outside Audit & 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 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
  - (d) details of the major shareholders or major investors (i.e., top 10 in the ratio of share owning or equity investing)

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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 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.

- (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 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.

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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.

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 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

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<sup>10</sup> The ‘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.

- (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.

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.

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 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 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)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 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 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 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 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.

**Summary for The Independent Committee Rules**

1. The Independent Committee is established by the Board of Directors Company that will be made pursuant to the applicable laws and regulations and the Financial Instruments and Exchange Act, after the Boardons 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) Outside Directors, (2) Outside Audit & 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.
  - (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 & 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).



**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	Outside 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	Outside Audit & Supervisory Board Member of the Company (current position)
September 2007	Outside Audit & 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/Audit & Supervisory Board Members" 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.

**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)	Ratio (%)
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

**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).

**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

**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  
(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

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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.

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 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.

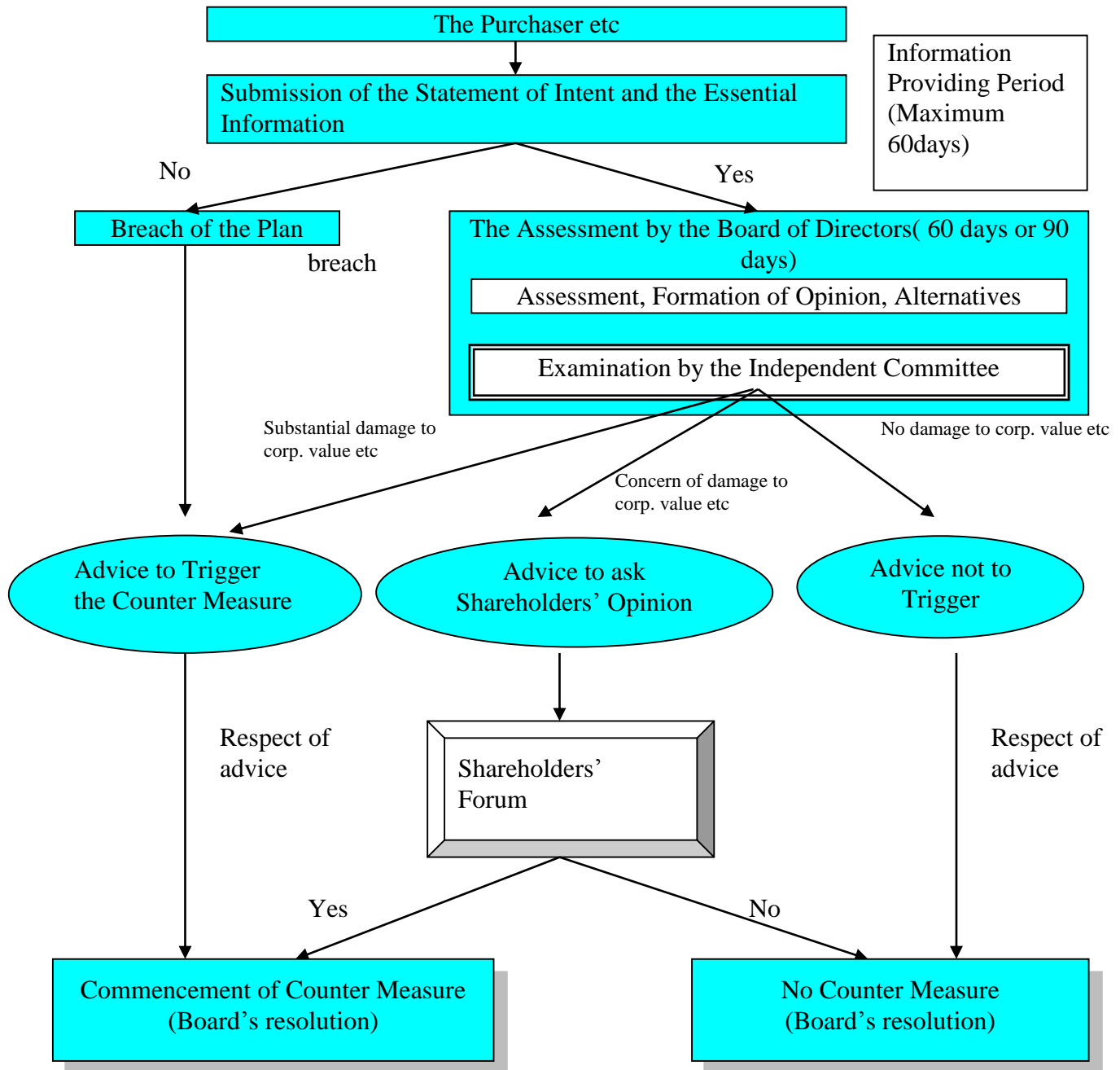
10. Period for Right for New Securities

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.

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<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.

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.

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