

May 23, 2016

To Whom It May Concern,

Company Name:	NAGASE & CO., LTD.
Name of Representative:	Kenji Asakura, Representative Director and President
Stock Exchange Listing:	(First Section of the Tokyo Stock Exchange, Code 8012)
Contact:	Akira Takami, General Manager, Finance Division. (TEL:03-3665-3028)

### **Renewal of Policy for Responding to Large-Scale Purchases of the Company Shares (Anti-Takeover Measures)**

At the meeting of the Company's board of directors held on May 28, 2007, the Company adopted a resolution regarding the basic policy related to the way a person is to control the decisions on the Company's financial and business policies (meaning the basic policy as defined in Article 118, item (iii) of the Ordinance for Enforcement of the Companies Act; the "Basic Policy"), and with the shareholders' approval obtained at the 92nd Annual Shareholders Meeting of the Company held on June 27, 2007, the Company introduced the policy for responding to large-scale purchases of the Company shares (anti-takeover measures). Thereafter, following the revision in 2010, the policy was revised at the meeting of the Company's board of directors held on May 20, 2013, pursuant to the unanimous approval of the Company's directors, including outside directors, as announced in the press release titled "Renewal of Policy for Responding to Large-Scale Purchases of the Company Shares (Anti-Takeover Measures)" dated May 20, 2013. The revised policy (the "2013 Plan") was approved by the shareholders at the 98th Annual Shareholders Meeting of the Company held on June 26, 2013, and came into force.

The effective period of the 2013 Plan was specified to end at the close of the annual shareholders meeting of the Company to be held in 2016, and will therefore expire at the close of the 101st Annual Shareholders Meeting of the Company to be held on June 29, 2016 (the "Annual Shareholders Meeting").

The Company hereby announces as follows: before the expiry of the effective period of the 2013 Plan, at the meeting of the Company's board of directors held on May 23, 2016, pursuant to the unanimous approval of the Company's directors, including outside directors, subject to the shareholders' approval at the Annual Shareholders Meeting, the Company has adopted a resolution to partially revise the 2013 Plan and to renew the policy for responding to Large-Scale Purchases (as defined in II.3. below; a person who conducts a Large-Scale Purchase shall be hereinafter referred to as a "Large-Scale Purchaser") of the Company shares (anti-takeover measures), as measures to prevent decisions on the Company's financial and business policies from being controlled by an inappropriate person in light of the Basic Policy (Article 118, item (iii)(b)(2) of the Ordinance for Enforcement of the Companies Act), for the purposes of protecting and enhancing the Company's corporate value and the common interests of its shareholders (the policy after such renewal shall be hereinafter referred to as the "Plan").

The main changes from the 2013 Plan are as follows:

- The upper limit of the Necessary Information Provision Period (as defined in II.5. below) has been set at 60 days, as a general rule.
- Other necessary changes have been made.

The replacement with the Plan has also been supported by all of the Company's four auditors, including two outside auditors, subject to the proper management of the Plan in practice.

If any revision is made to the Companies Act, the Financial Instruments and Exchange Act, or the relevant rules, cabinet orders, cabinet office ordinances, or ministerial ordinances, etc. (collectively, the "Laws and Regulations") (including a change to a name of a law or regulation, or establishment of new Laws and Regulations taking the place of the former Laws and Regulations), and such revision comes into force, then each provision of the Laws and Regulations cited in the Plan shall be read as the corresponding provision of the Laws and Regulations after such revision effectively taking the place of the provision of the former Laws and Regulations, unless otherwise specified by the Company's board of directors.

## **I. Basic Policy**

### **1. Source of the Company's Corporate Value**

Since its foundation as a dyestuff wholesale merchant in Kyoto in 1832, the Company has contributed to the development of industries in Japan, particularly, the chemical industry, and has achieved growth, by introducing foreign advanced chemical technologies, information, and products to Japan, and the Company has established itself as a trading company in technologies and information.

Today, the Company has more than 100 group companies and bases in Japan and overseas in a wide range of business areas, such as functional materials, advanced materials & processing, electronics, automotive & energy, and life & healthcare, based on chemistry. The Company has encouraged global business expansion, not limited within Japan.

In addition, the Company is making efforts to build new business models by organically combining a wide variety of businesses as a trading company with its research and development functions, and its manufacturing and processing functions fostered over a long period, and to be a unique company not only having the functions of both a trading company and a manufacturer, but also using the synergy to the maximum extent, and to respond to customers' needs at a high level.

Thus, the Company considers it the source of the Company's corporate value to have new "functions" based on chemistry, to provide "services" derived from these "functions" around the world, and to continue creating high value-added businesses to solve customers' issues.

### **2. Basic Policy**

The Company, as a listed company, believes that its shareholders are determined through the free trading of shares, as a general rule, and that whether to accept a proposal for a Large-Scale Purchase involving a change to its corporate control as a

stock company is also a matter to be ultimately determined based on individual shareholders' intentions. From such perspective, the Company considers itself bound to its duty to strive for the improvement of its corporate value, and the Company does not believe that it itself should select who will control the decisions on the Company's financial and business policies at its own discretion.

However, it is also considered that in markets, the value of the Company, which makes faithful efforts to improve its corporate value, may not be fairly evaluated in some cases. Large-Scale Purchases of shares may include those that use the opportunity to seek only short-term profits given the purposes, etc., and cause damage to the Company's corporate value and the common interests of its shareholders.

The Company considers that a person who conducts such a Large-Scale Purchase as may cause damage to the Company's corporate value and the common interests of its shareholders is not appropriate as a person who controls the decisions of the Company's financial and business policies.

### 3. Measures that Contribute to Carrying out the Basic Policy

In order to carry out the Basic Policy discussed above, the Company has adopted a Long-Term Management Policy looking ahead to 2032, when the Company will commemorate 200 years since its foundation, and the **ACE-2020** Mid-Term Management Plan covering five years starting in April 2016, while working to increase our corporate value. The essentials of the Long-Term Management Policy involve challenges for growth and reinforce the management platform for growth. By investing management resources in priority fields and shifting away from business that is reliant on Japan, the Company will take on the challenge to grow with the aim of achieving dramatic growth that cannot be achieved only by extending its existing business, and will reinforce the management foundations that support growth with the aim of building foundations that can contribute to the expansion and globalization of business for the purpose of leading the challenge to grow to a successful conclusion. In order to achieve the objectives of the Long-Term Management Policy, the Company has divided the 17-year period from the 2016 fiscal year into three stages, with the five years from fiscal 2016 to 2020 as Stage 1, positioned as a period of reform, and launched the **ACE-2020** Mid-Term Management Plan ("**ACE**" stands for Accountability, Commitment, and Efficiency). Under the **ACE-2020** Mid-Term Management Plan, we will shift from trading-company oriented thinking to viewing a trading-company as one group function; make maximum use of manufacturing, research, overseas networks, logistics, and investment; and strive to work together as a unified group to create and provide new value to the world. The essentials of the **ACE-2020** Mid-Term Management Plan are two reforms comprised of reform of the profit structure and reform of the corporate culture. The prioritized measures for reforming the profit structure will be to optimize the portfolio and expand and strengthen revenue base. The prioritized measures for reforming the corporate culture will be to comprehensively develop mindsets and strengthen management platform. Growth investment as a means of increasing earnings will be set at 100 billion yen, and funds exceeding cash flows from business activities will be procured primarily through interest-bearing bonds, while increased efficiency in the use of operating capital and replacement of assets will support a stronger financial foundation and stable dividends over the long term.

As discussed above, we will elevate management efficiency and transparency while building harmonious relationships with shareholders, customers, trading partners, employees, regional communities, and other stakeholders in order to move toward an improvement of our corporate value.

## **II. The Plan**

### **1. Purpose of Replacement with the Plan**

The Company, as a listed company, believes that the Company shares should be allowed to be freely traded, as a general rule, and the Company will not completely rule out even a Large-Scale Purchase made without approval of the Company's board of directors (a so-called "hostile takeover"). In addition, the Company understands that whether to accept a purchase of the Company shares involving a change to its corporate control is also a matter to be determined by individual shareholders, and the Company does not believe that it itself should select a party who will control the Company's decisions on its financial and business policies.

However, there are no small number of Large-Scale Purchases of shares that do not serve the Company's corporate value and the common interests of its shareholders; for example, there are those in which the conditions offered by the relevant Large-Scale Purchaser do not fairly reflect the Company's intrinsic value and those that may impede the Company's efforts to ensure smooth relationships with its shareholders, customers, business partners, employees, local communities, and other stakeholders on a mid-to-long-term basis; in addition, there are even those that, given their purposes, etc., would cause obvious damage to the Company's corporate value and the common interests of its shareholders, those that may virtually force the Company's shareholders to sell its shares, and those that do not provide sufficient time or information for the Company's board of directors and shareholders to consider the details of the relevant Large-Scale Purchase or for the Company's board of directors to propose a substitute plan.

Under such circumstances, when the Company receives an offer for a Large-Scale Purchase from an outside purchaser, the Company needs to evaluate the impact of the Large-Scale Purchase on the Company group's corporate value and the common interests of its shareholders by appropriately understanding various elements, such as the Company group's tangible and intangible management resources, the potential effects of long-term measures, and other elements constituting the Company group's corporate value, in addition to the matters mentioned above.

In the context of the above, the Company's board of directors has determined that it is essential to build a framework to control Large-Scale Purchases so that, when a person who attempts to make a Large-Scale Purchase appears, the Company is capable of securing information and time for individual shareholders to make a decision on whether to accept the Large-Scale Purchase and for the Company's board of directors to present a substitute plan to the shareholders, and eliminating Large-Scale Purchases not serving the Company group's corporate value or the common interests of its shareholders by being allowed to negotiate on behalf of the shareholders. Accordingly, the Company's board of directors has determined to replace the 2013 Plan with the Plan as an approach to prevent inappropriate parties, in light of the Basic Policy mentioned above, from controlling the Company's decisions on its financial and business policies.

At present, however, the Company has not received any notice or offer for Large-Scale Purchase from any particular third party.

The status of the Company's major shareholders as of March 31, 2016 is as set forth in Exhibit 1.

## 2. Outline of the Plan

For the purpose of protecting and enhancing the Company's corporate value and the common interests of its shareholders, the Plan provides for the procedures for the Company, when a Large-Scale Purchase is made, to request that the Large-Scale Purchaser provide information regarding the Large-Scale Purchase in advance and to set a period for collecting and reviewing information regarding the purchase, and thereafter to present its management's plan or a substitute plan to its shareholders and to negotiate with the Large-Scale Purchaser.

Where the procedures are not complied with, the Company may take the countermeasure set forth in "Specific Details of the Countermeasure" in II.10. below (allotment of share options without contribution). Implementing the countermeasure may eventually create some detriments, including economic loss, to any Large-Scale Purchaser who has failed to comply with the procedures. On the other hand, where the procedures are complied with, the Company will not take the countermeasure, as a general rule; however, as mentioned in "Handling Where Large-Scale Purchase Is Deemed to Be Contrary to Protection and Enhancement of the Company's Corporate Value and the Common Interests of Shareholders" in II.9.(2)B. below, if a Large-Scale Purchase is found to be contrary to the protection and enhancement of the Company's corporate value and the common interests of its shareholders, the Company may take the countermeasure set forth in "Specific Details of the Countermeasure" in II.10. below (allotment of share options without contribution).

The specific details of the Plan are as set forth in and after 3.

## 3. Definition of Large-Scale Purchase Triggering the Countermeasure

The countermeasure under the Plan may be implemented if an action that falls, or could fall, under either of the following (i) or (ii) (excluding actions approved in advance by the Company's board of directors) (collectively, "Large-Scale Purchases") occurs or is likely to occur:

- (i) purchase or other acquisition of share certificates, etc. (Note 1) issued by the Company which results in the relevant Large-Scale Purchaser's ownership ratio of share certificates, etc. (Note 2) being 20% or more;
- (ii) purchase or other acquisition of share certificates, etc. (Note 3) issued by the Company which results in the sum of the relevant Large-Scale Purchaser's ownership ratio of share certificates, etc. (Note 4) and its specially-related party's (Note 5) ownership ratio of share certificates, etc. being 20% or more.

(Note 1) This refers to "share certificates, etc." as defined in Article 27-23, paragraph (1) of the Financial Instruments and Exchange Act. The same shall apply hereinafter unless otherwise specified.

- (Note 2) This refers to “ownership ratio of share certificates, etc.” as defined in Article 27-23, paragraph (4) of the Financial Instruments and Exchange Act. The same shall apply hereinafter. For the purpose of calculating such ownership ratio of share certificates, etc., (i) a specially-related party as defined in Article 27-2, paragraph (7) of said Act shall be deemed to be a joint holder (meaning a joint holder as defined in Article 27-23, paragraph (5) of the Financial Instruments and Exchange Act and including a person who is deemed to be a joint holder based on paragraph (6) of said Article; hereinafter the same shall apply) of the Large-Scale Purchaser. Additionally, for the purpose of calculating such ownership ratio of share certificates, etc., the most recent information publicly announced by the Company may be used in respect of the total number of the Company’s issued shares.
- (Note 3) This refers to “share certificates, etc.” as defined in Article 27-2, paragraph (1) of the Financial Instruments and Exchange Act. The same shall apply in this item (ii).
- (Note4) This refers to “ownership ratio of share certificates, etc.” as defined in Article 27-2, paragraph (8) of the Financial Instruments and Exchange Act. The same shall apply hereinafter. For the purpose of the calculating such ownership ratio of share certificates, etc., the most recent information publicly announced by the Company may be used in respect of the total number of the Company’s voting rights.
- (Note 5) This refers to a “specially-related party” as defined in Article 27-2, paragraph (7) of the Financial Instruments and Exchange Act; however, regarding the person set forth in item (i) of said paragraph, the person set forth in Article 3, paragraph (2) of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Shares Certificates, etc. by Person Other than Issuer shall be excluded. A joint holder of a Large-Scale Purchaser shall be deemed to be a specially-related party of the Large-Scale Purchaser. The same shall apply hereinafter unless otherwise specified.

#### 4. Submission of Letter of Intention

If a Large-Scale Purchaser intends to make a Large-Scale Purchase, the Large-Scale Purchaser is required to first submit to the Company’s representative director and president a document evidencing its undertaking that the Large-Scale Purchaser will comply with the procedures set forth in the Plan (the “Large-Scale Purchase Rules”) (this document shall be hereinafter referred to as a “Letter of Intention”). The Letter of Intention is required to clearly contain the Large-Scale Purchaser’s name, address, the governing law of its incorporation, its representative’s name, its contact information in Japan, the number of the Company’s share certificates, etc. currently held by the Large-Scale Purchaser, the status of transactions for the Company shares by the Large-Scale Purchaser for a 60-day period before the submission of the Letter of Intention, and an outline of the offered Large-Scale Purchase. Only Japanese shall be used in the Letter of Intention.

When a Letter of Intention is submitted by a Large-Scale Purchaser, the Company will, in accordance with the applicable Laws and Regulations as well as the

regulations of financial instruments exchanges, disclose such matters as the board of directors or the independent committee finds appropriate.

#### 5. Request for Information from Large-Scale Purchasers

Within five business days (the first day of the period shall not be included for the purposes of the calculation) from the Company's receipt of the Letter of Intention mentioned in 4. above, the board of directors shall deliver to the Large-Scale Purchaser a list of information to be provided to the Company's representative director and president ("Large-Scale Purchase Information") in order for the shareholders to make a decision and for the board of directors to form an opinion, and the Large-Scale Purchaser shall promptly provide the information specified in the list.

If the board of directors deems that the information initially provided is insufficient as Large-Scale Purchase Information, it may request at any time that the Large-Scale Purchaser provide sufficient Large-Scale Purchase Information, after setting a reasonable period for submission (up to 60 days (the first day of the period shall not be included for the purposes of the calculation) from the day on which the Company requests that the Large-Scale Purchaser provide additional information; the "Necessary Information Provision Period"). However, the specific details of Large-Scale Purchase Information may vary depending on the details and scale of the relevant Large-Scale Purchase; therefore, if the Company's board of directors deems that the information provided by the expiry of the Necessary Information Provision Period is insufficient in view of the details and scale of the relevant Large-Scale Purchase as well as the specific status of provision of Large-Scale Purchase Information, then it may extend the Necessary Information Provision Period by up to 30 days based on a recommendation of the independent committee. In such cases, the Company's board of directors shall respect the independent committee's opinions to the highest degree.

On the other hand, when the Company's board of directors deems that sufficient Large-Scale Purchase Information has been provided, even before the expiry of the Necessary Information Provision Period, it shall immediately end the Necessary Information Provision Period and commence the Board of Directors Evaluation Period.

When the board of directors deems that the provision of Large-Scale Purchase Information has been completed, the Company will make timely and appropriate disclosure to that effect in accordance with the applicable Laws and Regulations as well as the regulations of financial instruments exchanges.

The items constituting Large-Scale Purchase Information are as follows. Large-Scale Purchase Information shall be provided only in Japanese.

- A) An outline of the Large-Scale Purchaser and its group companies (including the Large-Scale Purchaser's major shareholders or investors and important subsidiaries and affiliates; hereinafter the same shall apply) (such outline shall include the Large-Scale Purchaser's and its group companies' specific names, business details, capital structures, financial details, information regarding experience in business similar to that of the Company and the Company group, records of violations of law in the past 10 years, and their officers' names, career summaries, and records of previous violations of law);

- B) The purpose, method, and details of the Large-Scale Purchase (including the number of shares to be purchased, the type and amount of the consideration for the Large-Scale Purchase, the timing of the Large-Scale Purchase, the structure of the transactions related to the Large-Scale Purchase (including existence of a plan to squeeze out minority shareholders and the specific method thereof), views regarding the feasibility (if the Large-Scale Purchase is subject to certain conditions, the details of such conditions) and legality of the Large-Scale Purchase and the related transactions, a statement of the likelihood (if any) of, and the reasons for, the delisting of the Company's shares after the Large-Scale Purchase);
- C) Whether there were communications of intention (including communications of intention regarding making any material proposal as defined in Article 27-26, paragraph (1) of the Financial Instruments and Exchange Act ("Material Proposal") to the Company) with a third party in connection with the Large-Scale Purchase and, if such communications of intention were made, the details thereof;
- D) Information regarding the entity calculating the consideration for the purchase, the basis of the calculation (including the amount of synergy and negative synergy expected to arise as a result of a series of transactions related to the Large-Scale Purchase and the calculation basis thereof), and financial support for the purchase (including the specific names of the relevant financing providers (including substantial providers), financing methods, the existence and details of conditions of financing, existence and details of collateral or covenants after financing, and details of the related transactions);
- E) Expected management policy, business plan, dividend policy, financial policy, capital policy, asset utilization, etc. of the Company and the Company group after the completion of the Large-Scale Purchase (if there is any plan to make a Material Proposal to the Company, including the specific details thereof);
- F) Policies for how the employees, business partners, customers, and other interested parties will be situated and treated after the purchase;
- G) Measures for avoiding conflicts of interest with minority shareholders after the purchase;
- H) Whether there is any association with any antisocial forces or terrorist organizations (whether directly or indirectly) (and if there is any association, the details of the association); and
- I) Other such information as the board of directors, the independent committee, etc. reasonably finds necessary.

If the board of directors finds it necessary for the shareholders to make a decision, it shall disclose, in whole or in part, the fact that a Large-Scale Purchase has been offered and the Large-Scale Purchase Information provided to the directors at such time as the board of directors finds appropriate.

In addition, the independent committee may, as necessary, request that the board of directors provide the information provided by the Large-Scale Purchaser, and the



board of directors shall provide the information provided by the Large-Scale Purchaser to the independent committee in response thereto.

If the board of directors deems that a material change has been made to the Large-Scale Purchase Information by the Large-Scale Purchaser after the Company discloses its determination that the provision of the Large-Scale Purchase Information has been completed, the procedures based on the Plan that have been carried out in respect of the Large-Scale Purchase based on the previous Large-Scale Purchase Information (the "Pre-Change Large-Scale Purchase") shall be cancelled, the Large-Scale Purchase based on Large-Scale Purchase Information after such change shall be treated as a different Large-Scale Purchase from the Pre-Change Large-Scale Purchase, and the procedures based on the Plan shall be applied again, by making timely and appropriate disclosure of the fact of the change, the reason, and other information found to be appropriate in accordance with the applicable Laws and Regulations as well as the regulations of financial instruments exchanges.

#### 6. Setting of the Board of Directors Evaluation Period

The board of directors believes that it should be given a 60-day period (in the case of purchasing all shares through a tender offer in which the consideration is only cash in yen; the first day of the period shall not be included for the purposes of the calculation) or a 90-day period (in the case of a Large-Scale Purchase other than those mentioned above; the first day of the period shall not be included for the purposes of the calculation) to evaluate, consider, negotiate, form an opinion, and develop a substitute plan (the "Board of Directors Evaluation Period"), after the provision of Large-Scale Purchase Information is completed, depending on the degree of difficulty of evaluation of the relevant Large-Scale Purchase. During the Board of Directors Evaluation Period, the board of directors will fully evaluate and review the provided Large-Scale Purchase Information with the advice of outside auditors and outside experts, will advisedly form an opinion as the board of directors, and will publicly announce such opinion. If the board of directors finds it necessary, it may negotiate with the relevant Large-Scale Purchaser to improve the conditions for the relevant Large-Scale Purchase, and may present a substitute plan to the shareholders as the board of directors. Any Large-Scale Purchase shall be implemented only after such Board of Directors Evaluation Period has elapsed.

If there is any unavoidable reason for the board of directors' failure to pass a resolution to implement or not to implement the countermeasure during the Board of Directors Evaluation Period; for example, where the independent committee fails to make any recommendation as mentioned in 7. below during the Board of Directors Evaluation Period, the board of directors may extend the Board of Directors Evaluation Period by up to 30 days (the first day of the period shall not be included for the purposes of the calculation) to the extent necessary, based on a recommendation of the independent committee. If the board of directors passes a resolution to extend the Board of Directors Evaluation Period, the Company will make timely and appropriate disclosure of the specific period resolved and the reason why such specific period is necessary, in accordance with the applicable Laws and Regulations as well as the regulations of financial instruments exchanges.

## 7. Establishment of Independent Committee

In order to ensure the objectivity and reasonableness of the manner of carrying out a series of procedures based on the Large-Scale Purchase Rules, including those for making a decision to implement or not to implement the countermeasure, and in order to ensure the objectivity and reasonableness of a decision made where the Large-Scale Purchase Rules are complied with and any measures found to be appropriate to protect the common interests of the shareholders are taken, the Company shall establish an independent committee as an organization independent from the board of directors. The independent committee shall consist of at least three and a maximum of five members, and the members shall be appointed by the board of directors from among outside lawyers, certified public accountants, certified public tax accountants, academic experts, and outside corporate managers, and outside directors and outside auditors falling under any of the above. At the meeting of the board of directors held today, the appointment of the three persons set forth in Exhibit 2 as members was resolved, subject to the shareholders' approval for the Plan at the Annual Shareholders Meeting. The career summaries of the three persons mentioned above are as set forth in Exhibit 2.

Specifically, when a Large-Scale Purchase does not comply with the Large-Scale Purchase Rules, or a Large-Scale Purchase is found to be obviously contrary to the protection and enhancement of the Company's corporate value and the common interests of the shareholders, and when the board of directors makes a decision on whether to implement the countermeasure, the independent committee will make recommendations, in response to the board of directors' inquiries, as to whether the countermeasure is possible to be implemented, and whether it is necessary to confirm the shareholders' intention regarding the implementation of the countermeasure. In addition, the independent committee will provide advice in response to the board of directors' inquiries when the board of directors makes a decision on whether information provided by the Large-Scale Purchaser is adequate or inadequate.

The independent committee may, at the Company's expense, obtain advice from independent third parties (including financial advisers, certified public accountants, lawyers, certified public tax accountants, consultants, and other experts).

## 8. Resolution by the Board of Directors, Holding of Shareholders Meeting

The board of directors shall, with the highest degree of respect for the independent committee's recommendations, adopt a resolution to implement, not to implement, or cancel the countermeasure, or any other necessary resolution.

In addition, if the board of directors finds it necessary to confirm the shareholders' intention regarding implementation of the countermeasure, it may also submit a proposal to the shareholders meeting. In such case, the board of directors shall promptly call the shareholders meeting so that a shareholders meeting can be held as soon as practicable.

If a proposal to implement the countermeasure is passed at the shareholders meeting, the board of directors shall perform necessary procedures in accordance with the shareholders meeting's decision (if a resolution to the effect that the authority to make a decision on the matters regarding implementation of the countermeasure is delegated to the board of directors is adopted at the

shareholders meeting, the board of directors shall adopt a resolution to implement the countermeasure).

On the other hand, if a proposal to implement the countermeasure is rejected at the shareholders meeting, the board of directors shall adopt a resolution not to implement the countermeasure.

If the board of directors adopts a resolution to implement, not to implement, or cancel the countermeasure, or any other necessary resolution, or adopts a resolution to call a shareholders meeting as mentioned above, the board of directors will immediately disclose the outline of the resolution and other information found to be appropriate to the shareholders in accordance with the applicable Laws and Regulations and the regulations of financial instruments exchanges.

## 9. Policy for Responding to Large-Scale Purchases

### (1) Where the Large-Scale Purchase Rules Are Not Complied with

If a Large-Scale Purchaser fails to comply with the Large-Scale Purchase Rules, the board of directors may resist the Large-Scale Purchase only due to such violation by taking the countermeasure set forth in “Specific Details of the Countermeasure” in II.10. below (allotment of share options without contribution) for the purpose of protecting the Company’s corporate value and the common interests of the shareholders.

Implementing the countermeasure may eventually create some detriments, including dilution of economic value of shares or other economic loss, decrease in the percentage of voting rights, and disadvantages in exercising voting rights, to any Large-Scale Purchaser who has failed to comply with the Large-Scale Purchase Rules.

Therefore, the Large-Scale Purchase Rules aim to call Large-Scale Purchasers’ attention in advance so that they will not commence any Large-Scale Purchase without reference to these rules.

In addition, it is noted that a Large-Scale Purchaser using the tender offer systems is required to take certain designated measures in advance in accordance with the relevant laws and regulations; for example, such Large-Scale Purchaser is required to take measures allowing it to withdraw the tender offer where the countermeasure is implemented, in order not to suffer any unexpected loss.

### (2) Where the Large-Scale Purchase Rules Are Complied with

#### A. General Handling

Where the relevant Large-Scale Purchaser complies with the Large-Scale Purchase Rules, even if the board of directors has a contrary intention regarding such Large-Scale Purchase, the board of directors will be limited to attempting to persuade the shareholders by expressing a contrary opinion regarding the offered purchase, or by presenting a substitute plan, and will not implement any countermeasure against such Large-Scale Purchase, as a general rule. Individual shareholders will be required to make a decision on whether to accept the purchase offered by the Large-Scale Purchaser with

due consideration of the offered purchase and the opinion, substitute plan, etc. regarding the offered purchase presented by the Company.

B. Handling Where Large-Scale Purchase Is Deemed to Be Contrary to Protection and Enhancement of the Company's Corporate Value and the Common Interests of Shareholders

Even where the Large-Scale Purchase Rules are complied with, however, if the relevant Large-Scale Purchase is found to be obviously contrary to the protection and enhancement of the Company's corporate value and the common interests of the shareholders, the board of directors or the shareholders meeting, as the case may be, may resist the Large-Scale Purchase by taking the countermeasure set forth in "Specific Details of the Countermeasure" in II.10. below (allotment of share options without contribution) at such time as it finds appropriate.

Specifically, if the relevant Large-Scale Purchase is found to fall under any of cases (i) through (ix) below, the Large-Scale Purchase will be deemed to be obviously contrary to the protection and enhancement of the Company's corporate value and the common interests of its shareholders:

- (i) Where the Large-Scale Purchaser is found not to have a bona fide intention of participating in the management of the Company, but to be acquiring the Company shares for the purpose of making parties related to the Company buy back the shares at an inflated share price (a so-called "green mailer");
- (ii) Where the Large-Scale Purchaser is found to be acquiring the Company shares for the purpose of temporarily controlling the management of the Company and thereby causing it to transfer to the Large-Scale Purchaser or its group companies, intellectual property, know-how, trade secrets, or major business partners and customers which are essential to the Company group's business operation;
- (iii) Where the Large-Scale Purchaser is found to be acquiring the Company shares with the intention of inappropriately utilizing the Company group's assets as collateral or funds for repayment of the obligations of the Large-Scale Purchaser or its group companies after taking control over the management of the Company;
- (iv) Where the Large-Scale Purchaser is found to be acquiring the Company shares for the purpose of temporarily controlling the management of the Company and thereby causing it to sell, or otherwise dispose of, its real properties, securities, or other high-priced assets which are irrelevant to the Company group's business for the time being, and to then distribute high dividends temporarily with the gains from such disposition or selling of the shares at a high price, seizing the opportunity of a sharp rise of the share price due to temporary high dividend payments;
- (v) Where the conditions for acquisition (including, but not limited to, the type of the consideration for the purchase, price and the calculation basis, content, timing, method, potential illegality, feasibility, etc.) of the Company's share certificates, etc. proposed by the Large-Scale

Purchaser are found to be substantially inadequate or inappropriate in light of the Company's corporate value with reasonable grounds;

- (vi) Where the purchase method of the Company shares proposed by the Large-Scale Purchaser is found to be such a method that the shareholders' opportunity for assessment or freedom of choice may be restricted, or that may virtually force the shareholders to sell the Company shares, as exemplified by an oppressive two-tiered acquisition (meaning a purchase method of shares in a manner that the terms for the second-stage purchase are set more disadvantageously or are unclear in the event all of the Company shares are not solicited for purchase in the first-stage of purchase);
- (vii) Where it is found that as a result of the Large-Scale Purchase, the protection and enhancement of the Company's corporate value may be substantially impeded with reasonable grounds; for example, where the Large-Scale Purchaser's acquisition of control is expected to cause material damage to the Company's corporate value, including the interests of its shareholders, customers, business partners, employees, and other stakeholders of the Company;
- (viii) Where the Large-Scale Purchaser is found to be inappropriate as a controlling shareholder of the Company from a perspective of public policy; for example, where the Large-Scale Purchaser's management members or major shareholders include a person who has a relationship with an antisocial force; or
- (ix) In other cases equivalent to any of (i) through (viii) above, and where the Large-Scale Purchase is found to be contrary to the protection and enhancement of the Company's corporate value and the common interests of its shareholders.

When considering and making a decision on whether the relevant Large-Scale Purchase is found to be contrary to the protection and enhancement of the Company's corporate value and the common interests of its shareholders, the board of directors will consider the specific details of the Large-Scale Purchaser and the Large-Scale Purchase (purpose, method, subject, type of consideration for acquisition, price, etc.) and the impact of the Large-Scale Purchase on the corporate value and the common interests of the shareholders based on information provided by the Large-Scale Purchaser, including the management policies, etc. after the purchase. In order to ensure the objectivity and reasonableness of such decision, the board of directors will make inquiries to, and receive recommendations from, the independent committee as to whether the relevant Large-Scale Purchase is found to be contrary to the protection and enhancement of the Company's corporate value and the common interests of its shareholders at such time as the board of directors finds appropriate.

#### 10. Specific Details of the Countermeasure

The countermeasure to be implemented by the Company against a Large-Scale Purchase based on the Plan shall be an allotment of share options without contribution. The outline of such allotment of share options without contribution (the share options to be issued shall be hereinafter referred to as the "Share

Options”) to be implemented as a countermeasure against a Large-Scale Purchase is as set forth in Exhibit 3. Where an allotment of the Share Options without contribution is actually implemented, the exercise period, conditions for exercise, provisions for acquisition, etc. may be provided for by taking into consideration their effectiveness and reasonableness as a countermeasure against the Large-Scale Purchase, including: (i) a condition to exercise to the effect that a certain Large-Scale Purchaser specified by the board of directors pursuant to the designated procedures or its joint holder or specially-related party, or a person who the board of directors finds to be a person who is substantially controlled by these persons or who acts together with these persons shall not be allowed to exercise the rights, or (ii) a provision for acquisition to the effect that when the Company acquires a part of the Share Options, the Company may only acquire the Share Options owned by the Share Options holders other than a certain Large-Scale Purchaser specified by the board of directors pursuant to the designated procedures and its joint holder and specially-related party, and a person who the board of directors finds to be a person who is substantially controlled by these persons or who acts together with these persons.

### **III. Effective Period and Continuation, Abolishment, and Amendment of the Plan**

With regard to the Plan, the Company intends to submit a proposal at the Annual Shareholders Meeting, and to have the proposal be approved by the shareholders. If the shareholders approve it, the effective period of the Plan shall end at the close of the Company’s annual shareholders meeting to be held in 2019.

However, even before the expiry of the effective period, if (i) a proposal for abolishment of the Plan is approved at a shareholders meeting, or (ii) a resolution to abolish the Plan is adopted at a meeting of the board of directors, the Plan shall be abolished at the time. Therefore, the Plan may be abolished at any time in accordance with the shareholders’ intention.

In addition, since the term of office of a director of the Company is set at one year, the issue of whether to continue, abolish, or change the Plan will be considered and discussed at the meeting of the board of directors to be first held after the close of the annual shareholders meeting of this year or thereafter.

For the purposes of protecting and enhancing the corporate value and the common interests of its shareholders, the Company may also review the Plan as necessary or change the Plan, to the extent that it is considered not to be contrary to the intentions of the shareholders approving the Plan, at a meeting of the board of directors other than the meeting of the board of directors to be first held after the close of the annual shareholders meeting. If the board of directors makes any material changes beyond minor changes due to changes in laws, etc., such changes will be submitted, as agenda items, to the annual shareholders meeting to be first held after such changes, and will be subject to the shareholders’ approval.

If a resolution to abolish or change the Plan is adopted, the Company will promptly disclose to the shareholders all information that the board of directors or the independent committee considers appropriate, in accordance with the applicable Laws and Regulations as well as the regulations of financial instruments exchanges.

#### **IV. Reasonableness of the Plan**

The Plan meets the three principles as stipulated in the “Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders’ Common Interests” released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005 ((i) the principle of protecting and enhancing corporate value and shareholders’ common interests, (ii) the principle of prior disclosure and shareholders’ will, and (iii) the principle of ensuring necessity and reasonableness) as follows, and the Plan fully adheres to the content of the “Takeover Defense Measures in Light of Recent Environmental Changes” released on June 30, 2008, by the Corporate Value Study Group established within the Ministry of Economy, Trade and Industry, and “Principle 1.5 Anti-Takeover Measures” of “Japan’s Corporate Governance Code [Final Proposal]” released on March 5, 2015, by the Tokyo Stock Exchange; and thus the Plan is highly reasonable.

- (i) Replacement with the Plan for the Purpose of Protecting and Enhancing the Company’s Corporate Value and the Common Interests of Shareholders

The Plan provides for the procedures for the relevant Large-Scale Purchaser, when a Large-Scale Purchase is made, to provide information regarding the Large-Scale Purchase in advance, and for the Company to set a period for collecting and reviewing information regarding such purchase, and thereafter to present its management’s plan or a substitute plan to the shareholders, and to negotiate with the Large-Scale Purchaser. Thus, it is intended to replace the 2013 Plan with the Plan for the purpose of protecting and enhancing the corporate value and the common interests of the shareholders.

- (ii) Reliance on Reasonable Intention of Shareholders

Because the shareholders’ intention will be confirmed at the Annual Shareholders Meeting, the Plan relies upon the shareholders’ reasonable intention and is designed to reflect the shareholders’ intention regarding the continuance of the takeover defense measures.

- (iii) Emphasis on Highly Independent Outsiders’ Decisions

In connection with the execution of the Plan, the Company has established an independent committee as an advisory organization to eliminate any arbitrary decision by the board of directors and to make a substantive and objective decision on behalf of the shareholders with regard to implementing the countermeasure.

It is provided that the board of directors’ decisions under the Plan shall be required to pay the highest degree of respect to recommendations made by the independent committee which is an organization independent from the board of directors; therefore, it can be said that the Plan has secured a mechanism to prevent the countermeasure from being arbitrarily implemented by the board of directors.

In addition, it is provided that the independent committee shall consist of at least three and a maximum of five members, and that in order to allow fair and neutral decisions to be made, the members shall be appointed by the

board of directors from among outside lawyers, certified public accountants, certified public tax accountants, academic experts, and outside corporate managers who are independent from the Company's management members executing its business and who have no special interest in the Company or its management members, and outside directors and outside auditors falling under any of the above.

(iv) Obtaining Outside Experts' Opinion

In implementing the countermeasure, the board of directors of the Company will conduct deliberations with advice from outside professional advisors as needed. Through such process, objectivity and reasonableness will be ensured with regard to decisions of the board of directors of the Company.

(v) Establishment of Reasonable and Objective Requirements for Implementation of the Countermeasure

As stated in II.9.(1) "Where the Large-Scale Purchase Rules Are Not Complied with" and II.9.(2) "Where the Large-Scale Purchase Rules Are Complied with" above, the countermeasure under the Plan cannot be implemented unless reasonable, detailed, and objective requirements for implementation designated in advance are met; therefore, it can be said that the Plan has secured a mechanism to prevent the countermeasure from being arbitrarily implemented by the board of directors.

(vi) Prior Disclosure

The Company is making prior disclosure of the Plan in order to increase predictability for the shareholders and investors as well as Large-Scale Purchasers and to ensure a fair opportunity for the shareholders to make a selection.

In the future as well, the Company intends to make timely and appropriate disclosure as needed in accordance with applicable Laws and Regulations as well as the regulations of financial instruments exchanges.

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

As stated in III. "Effective Period and Continuation, Abolishment, and Amendment of the Plan" above, because it is provided that the Plan may be abolished at any time by the Company's shareholders meeting or board of directors consisting of directors appointed by the shareholders meeting, it is not a so-called "dead-hand" type takeover defense measure (a takeover defense measure which cannot be prevented from being implemented even if the majority of members of the board of directors is replaced).

In addition, because the Company has set the term of office of a director at one year, the Plan is not a so-called "slow-hand" type takeover defense measure (a takeover defense measure which requires time to be blocked because the members of the board of directors cannot be replaced all at once).



## **V. Impact on Shareholders and Investors**

### **1. Impact of Large-Scale Purchase Rules on Shareholders and Investors**

The purposes of the Large-Scale Purchase Rules are to secure information and time necessary for individual shareholders to make a decision on whether to accept a Large-Scale Purchase, to provide an opinion of the board of directors which is actually in charge of the management of the Company, and to secure the opportunity for the shareholders to receive the presentation of a substitute plan. This enables the shareholders to make an appropriate decision on whether to accept the Large-Scale Purchase with sufficient information and time, which will lead to the protection of the common interests of the shareholders.

Therefore, the Company believes that the establishment of the Large-Scale Purchase Rules will contribute to the avoidance of a situation where the shareholders and investors are forced to make a decision without being provided sufficient information and time, and will serve the Company's corporate value and the common interests of the shareholders and investors. As stated in II.9.(1) "Where the Large-Scale Purchase Rules Are Not Complied with" and II.9.(2) "Where the Large-Scale Purchase Rules Are Complied with" above, however, the Company's policies for responding to Large-Scale Purchases vary depending on whether the relevant Large-Scale Purchaser complies with the Large-Scale Purchase Rules; therefore, the shareholders and investors are required to pay attention to the Large-Scale Purchaser's actions.

If a situation arises that makes it inappropriate to implement the countermeasure after starting the procedures to implement the countermeasure and the board of directors determines, with the highest degree of respect for the independent committee's recommendations and with due consideration of advice obtained from outside experts as necessary, that it is not appropriate to maintain the implementation of the countermeasure, then the board of directors may cancel the countermeasure. Specifically, after allotting share options without contribution, the board of directors may cancel the allotment of share options without contribution, or may obtain all the share options allotted without contribution. In such a case, because the value of the Company shares would not be diluted, any investor who sold or purchased the Company shares on the premise of a dilution of the value of the Company shares may suffer commensurate losses depending on fluctuations in the share price.

### **2. Impact on Shareholders and Investors at the Time of Implementing the Countermeasure**

Where a Large-Scale Purchaser does not comply with the Large-Scale Purchase Rules, or where a Large-Scale Purchaser complies with the Large-Scale Purchase Rules but the Large-Scale Purchase is found to be obviously contrary to the protection and enhancement of the Company's corporate value and the common interests of its shareholders, the board of directors may resist the Large-Scale Purchase by taking the countermeasure set forth in II.10 "Specific Details of the Countermeasure" above (allotment of share options without contribution) for the purpose of protecting and enhancing the Company's corporate value and the common interests of its shareholders; however, under the mechanism of the countermeasure, the board of directors does not foresee a situation wherein the shareholders (excluding the Large-Scale Purchaser) may suffer any special loss in respect of their legal rights or economic benefits.

With regard to allotment of share options without contribution, there are no necessary procedures for the shareholders to perform. However, in order for the shareholders to be entitled to any allotment of share options without contribution, the shareholders are required to be recorded on the final shareholders registry as of the record date for the allotment of share options without contribution that will be separately set and publicly announced by the board of directors or the shareholders meeting, as the case may be. In addition, to exercise the share options, the shareholders are required to make a designated amount of payment during a designated period. The Company will separately inform the shareholders of the details of the procedures when an allotment of share options without contribution is determined to be actually made, pursuant to laws and regulations.

End

Exhibit 1

**Status of Major Shareholders**

Name of shareholders	Number of shares held (Thousand shares)	Shareholding ratio (%)
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	6,780	5.34
The Master Trust Bank of Japan, Ltd. (Trust account)	6,208	4.89
Sumitomo Mitsui Trust Bank, Limited	5,776	4.55
Japan Trustee Services Bank, Ltd. (Trust account)	4,941	3.89
Sumitomo Mitsui Banking Corporation	4,377	3.45
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	4,018	3.16
Nippon Life Insurance Company	3,589	2.83
Reiko Nagase	3,565	2.81
Mitsui Sumitomo Insurance Company, Limited	2,951	2.32
Hiroshi Nagase	2,946	2.32

(Note)

1. In addition to the above, there are 377,300 treasury shares held by the Company, and the shareholding ratio is calculated excluding these treasury shares.
2. The number of shares is rounded down to the nearest multiple of 1,000.
3. The number of shares held by Hiroshi Nagase includes the number of shares held under the name of the Officers Stock Ownership Plan of NAGASE & CO., LTD.

Exhibit 2

**Names and Career Summaries of Independent Committee Members**

The members of the initial independent committee at the time of the replacement with the Plan are scheduled to be the following three persons:

[Name] **Hidenori Nishi**  
Outsider director of the Company  
Born on January 6, 1951

(Career Summary):	April 1975	Joined KAGOME CO., LTD.
	June 2000	Director of said company
	June 2003	Executive officer and director of said company
	June 2005	Managing executive officer and director of said company
	June 2008	Senior managing executive officer and director of said company
	April 2009	Representative director and president of said company
	January 2014	Representative director and chairman of said company
	June 2014	Director of the Company <present>
	March 2016	Director, chairman of the KAGOME CO., LTD. <present>

Mr. Nishi has no special interest in the Company.

[Name] **Nobumasa Kemori**  
Outside director of the Company (to be appointed at the Company’s annual shareholders meeting to be held on June 29, 2016)  
Born on April 12, 1951

(Career Summary):	September 1980	Joined Sumitomo Metal Mining Co., Ltd.
	June 2006	Managing executive officer and director of said company
	June 2007	Representative director and president of said company
	June 2013	Representative director and chairman of said company<present>
	June 2016	To be appointed as a director of the Company

Mr. Kemori has no special interest in the Company.

[Name] **Hidekado Miyaji**

University professor (substitute auditor of the Company)

Born on February 11, 1952

(Career Summary): April 1975	Official, Income Tax Division, National Tax Agency
July 1982	District Director, Mikuni Tax Office, Kanazawa Regional Taxation Bureau
July 1987	Director, Police Administration Department, Iwate Prefectural Police Headquarters
July 1991	Consul, Consulate General of Japan In New York
July 1996	Director, National Tax Agency
July 1999	Director, Second Examination Department, Tokyo Regional Taxation Bureau
July 2002	Director, Research Department, National Tax College
August 2003	Professor, Faculty of Social-Human Environmentology, Daito Bunka University <present>

Mr. Miyaji has no special interest in the Company.

### **Outline of Share Options**

1. Method of Allotment of Share Option (Allotment of Share Options without Contribution)

Share options shall be allotted to the shareholders recorded in the final shareholders registry as of the record date for the allotment specified in a resolution by the board of directors or the shareholders meeting (as the case may be) (the “Resolution for Allotment of Share Options without Contribution”) regarding allotment of share options without contribution pursuant to Article 278 of the Companies Act at the ratio of one share option per one share held (excluding the Company shares held by the Company as of that date).

2. Total Number of Share Options to Be Issued

The total number of share options to be issued shall be separately specified in the Resolution for Allotment of Share Options without Contribution.

3. Effective Date of Allotment of Share Options without Contribution

The effective date of allotment of share options without contribution shall be separately specified in the Resolution for Allotment of Share Options without Contribution.

4. Class of Shares Underlying Share Options

The class of shares underlying share options shall be the Company’s common shares.

5. Total Number of Shares Underlying Share Options

- (1) The number of shares underlying share options per share option (the “Number of Underlying Shares”) shall be separately specified in the Resolution for Allotment of Share Options without Contribution.

- (2) The total number of shares underlying share options shall be up to the number obtained by deducting the total number of issued shares as of the Resolution for Allotment of Share Options without Contribution (excluding the number of the Company shares held by the Company at that time) from the total number of authorized shares specified in the Company’s articles of incorporation.

6. Amount to Be Paid in Upon Exercise of Share Options

The assets to be invested upon exercise of share options shall be money, and the amount to be paid in shall be the amount not less than one yen separately specified in the Resolution for Allotment of Share Options without Contribution.

7. Exercise Period

The exercise period of share options shall be separately specified in the Resolution for Allotment of Share Options without Contribution.

8. Restriction on Transfer

Share options shall be transferred only with approval of the board of directors.

9. Conditions for Exercise

The conditions for exercise of share options shall be separately specified in the Resolution for Allotment of Share Options without Contribution (the Company may provide for a condition to exercise to the effect that a certain Large-Scale Purchaser specified by the board of directors pursuant to the designated procedures or its joint holder or specially-related party, or a person who the board of directors finds to be a person who is substantially controlled by these persons or who acts together with these persons shall not be allowed to exercise the rights).

10. Provision for Acquisition

Subject to either (a) the relevant Large-Scale Purchaser's violation of the Large-Scale Purchase Rules or occurrence of any other certain event or (b) the arrival of the date separately specified by the board of directors, the Company may, in accordance with the board of directors' resolution, provide for a provision for acquisition to the effect that the Company may only acquire all the share options or the share options owned by the share option holders other than a certain Large-Scale Purchaser specified by the board of directors pursuant to the designated procedures and its joint holder and specially-related party, and a person who the board of directors finds to be a person who is substantially controlled by these persons or who acts together with these persons. The details shall be separately specified in the Resolution for Allotment of Share Options without Contribution.

11. Acquisition without Contribution

If the board of directors determines that it is not appropriate to maintain the implementation of the countermeasure, or in other cases separately specified in the Resolution for Allotment of Share Options without Contribution, the Company may acquire all the share options without contribution.

12. Other

The Company shall make a shelf registration regarding the issuance of share options.

End