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(Stock Exchange Code 2264)
June 6, 2016

To Shareholders with Voting Rights:

Michio Miyahara
President
Morinaga Milk Industry Co., Ltd.
5-33-1 Shiba, Minato-ku, Tokyo, Japan

NOTICE OF THE 93rd ANNUAL GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders,

We would like to express our appreciation for your continued support and patronage.

You are cordially invited to attend the 93rd Annual General Meeting of Shareholders of Morinaga Milk Industry Co., Ltd. (the "Company"). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or by electronic means (Internet, etc.). Please exercise your voting rights by means of either of the following upon reviewing the accompanying Reference of the Annual General Meeting of Shareholders.

[Exercise of Voting Rights in Writing]

Please indicate your approval or disapproval of the proposals on the enclosed Voting Rights Exercise Form and return it so that it is received by 5:30 p.m., June 28, 2016, Japan time.

[Exercise of Voting Rights by Electronic Means (Internet, etc.)]

Please refer to "Guide to the Exercise of Voting Rights via the Internet, etc." (Page 3) and indicate your approval or disapproval of the proposals by 5:30 p.m., June 28, 2016, Japan time.

- 1. Date and Time:** Wednesday, June 29, 2016 at 10:00 a.m. Japan time (reception starts at 9:00 a.m.)
2. Place: AOYAMA DIAMOND HALL, 3-6-8 Kita-Aoyama, Minato-ku, Tokyo, Japan
3. Meeting Agenda:

- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company's 93rd Fiscal Year (April 1, 2015 - March 31, 2016) and results of audits of the Consolidated Financial Statements by the Accounting Auditors and the Audit & Supervisory Board
 2. Non-consolidated Financial Statements for the Company's 93rd Fiscal Year (April 1, 2015 - March 31, 2016)

Proposals to be resolved:

- Proposal 1: Appropriation of Surplus**
Proposal 2: Partial Amendments to the Articles of Incorporation
Proposal 3: Delegation of the Gratis Allotment of Stock Acquisition Rights for the Purpose of a Takeover Defense
Proposal 4: Election of Eleven (11) Directors
Proposal 5: Election of Three (3) Audit & Supervisory Board Members
Proposal 6: Election of One (1) Substitute Audit & Supervisory Board Member

4. Matters Regarding the Exercise of Voting Rights

1. Exercise of Voting Rights by Proxy

If you are unable to attend the Annual General Meeting of Shareholders, you can have another shareholder, who also has a voting right, act as proxy. In such case, submission of a document in writing certifying the authority as proxy will be required.

2. Handling of Duplicate Voting

- (1) If you exercise your voting rights in duplicate in both writing and via the Internet, the vote exercised via the Internet will be deemed valid.
- (2) If you exercise your voting rights in duplicate via the Internet, your last vote exercised will be deemed valid. Also, if you exercise your voting rights in duplicate on computers, smartphones and/or mobile phones, your last vote exercised will be deemed valid.

3. Disclosure on the Internet

The following 1) and 2) are posted on the Company's website in place of this notice in accordance with laws and regulations and Article 17 of the Company's Articles of Incorporation.

- 1) Notes to consolidated financial statements
- 2) Notes to non-consolidated financial statements

[The Company's website]

<http://www.morinagamilk.co.jp/corporate/ir/stock/info.html>

Consolidated financial statements and non-consolidated financial statements audited by the Audit & Supervisory Board Members and the accounting auditors are the accompanying documents of this notice as well as the notes to consolidated financial statements and notes to non-consolidated financial statements on the Company's website.

4. Notification of Modifications to the Reference Documents for the Annual General Meeting of Shareholders and/or the Accompanying Documents

If it is necessary to modify the contents of the Reference of the Annual General Meeting of Shareholders and/or the accompanying documents, the modified versions will be posted on the Company's website.

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When attending the meeting, please submit the enclosed Voting Rights Exercise Form at reception.

## **Guide to the Exercise of Voting Rights via the Internet, etc.**

If you exercise your voting rights via the Internet, please check the following prior to doing so. If you are attending the meeting, it is unnecessary to exercise your voting rights by mailing or via the Internet, etc.

### **1. Exercise of Voting Rights Website**

- (1) Exercise of your voting rights via the Internet is possible only by accessing the Exercise of Voting Rights Website that is designated by the Company (<http://www.evotep.jp/>), from a computer, smartphone, and/or mobile phone (i-mode, EZweb, or Yahoo! Keitai). (Please note that operation stops from 2:00 a.m. to 5:00 a.m. each day)
- (2) The exercise of voting rights on the Exercise of Voting Rights Website for computers or smartphones may not be possible in certain operating environments due to factors including the use of a firewall when accessing the Internet, the use of antivirus software and/or the use of a proxy server.
- (3) To exercise your voting rights on mobile phones, please use i-mode, EZweb, or Yahoo! Keitai services. For security reasons, you cannot vote by a mobile phone which does not have functions of TLS encrypted transmission or transmission of phone ID information.
- (4) If you have any questions, please contact our Help Desk listed on the next page.  
(Note) “i-mode”, “EZweb”, and “Yahoo!” are trademarks or registered trademarks of NTT DoCoMo Inc., KDDI Corporation and Yahoo! Inc. respectively.

### **2. Exercise of Voting Rights via the Internet**

- (1) On the website for exercise of voting rights (<http://www.evotep.jp/>), please use the log-in ID and temporary password given on your Voting Rights Exercise Form and follow the on-screen instructions to indicate your approval or disapproval of each proposal.
- (2) To prevent unauthorized access by persons who are not qualified shareholders (“impersonation”) and manipulation of voting details, please be aware that shareholders using this site will be asked to change their temporary passwords.
- (3) Every time the Annual General Meeting of Shareholders is convoked, new log-in IDs and temporary passwords will be issued.

3. Cost Incurred in Accessing the Exercise of Voting Rights Website

The costs incurred when accessing the voting website, such as Internet access fees and telephone charges, will be borne by shareholders. Also, fees required to use mobile phones, such as packet transmission fees, will be borne by shareholders.

For inquiries about the system and other matters, contact:

Securities Business Division (Help Desk), Mitsubishi UFJ Trust and Banking Corporation

Phone: (0120) 173-027 (Toll Free) (available from 9:00 to 21:00) (Japan only)

4. Electronic Platform for Exercising Voting Rights

Nominee shareholders such as custodian banks (including standing proxies) can use the Electronic Voting Platform for Institutional Investors, which is operated by ICJ, as a means of exercising voting rights for the meeting only if they submit an application to do so in advance.

# Reference Documents for the Annual General Meeting of Shareholders

## Proposals and References

### Proposal 1: Appropriation of Surplus

In the light of profit for the current fiscal year, future management environment and stable distribution of profits to shareholders, as well as to express our gratitude for your constant support and reinforce our management practices, we propose to appropriate the surplus as follows.

1. Year-end cash dividend
  - (1) Type of dividend property: Cash
  - (2) Allotment of dividend property to shareholders and total amount  
Allotment of dividend property to shareholders: ¥7 per share of the Company's common stock  
Total amount: ¥1,730,470,077
  - (3) Effective date of the dividends of surplus:  
June 30, 2016
2. Other Appropriations of Surplus
  - (1) Item and the amount of surplus to be increased:  
General reserve: ¥500,000,000
  - (2) Item and the amount of surplus to be decreased:  
Retained earnings brought forward: ¥500,000,000

## Proposal 2: Partial Amendments to the Articles of Incorporation

### 1. Reasons for the amendments

- (1) To secure a wider range of venue choices for General Meetings of Shareholders, the Company proposes removing Article 15 of the current Articles of Incorporation that limits the venue where General Meetings of Shareholders may be held, and revising upward the Article numbers from Article 16 onward of the current Articles of Incorporation.
- (2) While establishing a management system that will swiftly respond to changes in the management environment and will clarify the management responsibilities of Directors, the Company proposes shortening the term of office of Directors from the current two years to one year. Additionally, in line with the above, the Company proposes removing Article 24, Paragraph 2 of the current Articles of Incorporation regarding the adjustment of terms of office for Directors.
- (3) Limited to the case where holding a General Meeting of Shareholders is difficult due to unexpected reasons such as disasters, etc., the Company proposes newly establishing Article 49, Paragraph 2 of the amended Articles of Incorporation to allow for dividends from surplus to be made by resolution of the Board of Directors.

### 2. Contents of the amendments

The contents of the amendments are as follows.

(Underlines indicate amended sections.)

| Current Articles of Incorporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Proposed amendments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><u>(Place of Meetings)</u><br/> <u>Article 15</u><br/> <u>General Meetings of Shareholders shall be held either at the head office of the Company or in its vicinity.</u><br/>           (Convener and Chairperson)<br/>           Article <u>16</u> (Omitted)<br/>           to<br/>           (Election of Directors)<br/>           Article <u>23</u> (Omitted)</p>                                                                                                                                                                                                                                                                                                                                                                           | <p>(Removed)<br/><br/>           (Convener and Chairperson)<br/>           Article <u>15</u> (Unchanged)<br/>           to<br/>           (Election of Directors)<br/>           Article <u>22</u> (Unchanged)</p>                                                                                                                                                                                                                                                                                                                                               |
| <p>(Terms of Office of Directors)<br/>           Article <u>24</u><br/>           1. The term of office of a director shall expire at the conclusion of the Annual General Meeting of Shareholders held with respect to the last business year ending <u>within two (2) years following his/her election.</u><br/> <u>2. The term of office of a director elected either to fill a vacancy or in addition to those already in office shall terminate at the time when the term of office of the other directors in office expires.</u><br/>           (Representative Directors and Executive Directors)<br/>           Article <u>25</u> (Omitted)<br/>           to<br/>           (Business Year)<br/>           Article <u>49</u> (Omitted)</p> | <p>(Terms of Office of Directors)<br/>           Article <u>23</u><br/>           1. The term of office of a director shall expire at the conclusion of the Annual General Meeting of Shareholders held with respect to the last business year ending <u>within one (1) year following his/her election.</u><br/><br/>           (Removed)<br/><br/>           (Representative Directors and Executive Directors)<br/>           Article <u>24</u> (Unchanged)<br/>           to<br/>           (Business Year)<br/>           Article <u>48</u> (Unchanged)</p> |
| <p><u>(Year-End Dividend)</u><br/>           Article <u>50</u><br/>           The Company shall, by a resolution of a General Meeting of Shareholders, pay cash dividends of surplus to the shareholders or registered pledgees stated or recorded on the final shareholder registry as of March 31 of each year (hereinafter referred to as</p>                                                                                                                                                                                                                                                                                                                                                                                                    | <p><u>(Distribution of Surplus, etc.)</u><br/>           Article <u>49</u><br/> <u>1.</u> The Company shall, by a resolution of a General Meeting of Shareholders, pay cash dividends of surplus to the shareholders or registered pledgees stated or recorded on the final shareholder registry as of March 31 of each year (hereinafter referred to as</p>                                                                                                                                                                                                     |

|                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>"Year-End Dividends").<br/>(Newly established)</p> <p>(Period of Exclusion concerning Payment of Year-End Dividends)<br/>Article <u>51</u> (Omitted)</p> | <p>"Year-End Dividends").<br/><u>2. Notwithstanding the provision of the preceding paragraph, if unexpected circumstances arise such as a disaster, and the Board of Directors determines that it will be difficult to hold a General Meeting of Shareholders, the Board of Directors may determine via its resolution matters stipulated in Article 459, Paragraph 1, Item 2 to Item 4 such as the distribution of surplus unless otherwise stipulated by laws and ordinances.</u></p> <p>(Period of Exclusion concerning Payment of Year-End Dividends)<br/>Article <u>50</u> (Unchanged)</p> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

### **Proposal 3: Delegation of the Gratis Allotment of Stock Acquisition Rights for the Purpose of a Takeover Defense**

The Company introduced a plan for countermeasures to large-scale acquisitions of the shares in the Company (hereinafter, “the Plan”) with the approval of shareholders at the 90th Annual General Meeting of Shareholders held on June 27, 2013, which is effective until the conclusion of this Meeting.

Prior to the expiration of the Plan, the Company has considered the Plan, including whether to continue the Plan, taking into consideration of the changes in circumstances after introducing the Plan. As a result, the Company decided to renew the Plan.

Accordingly, based on the provisions in Article 13 of the Company’s Articles of Incorporation, for the purpose of maintaining and enhancing the Company’s corporate value and common interests of shareholders, we ask for the approval of shareholders for the delegation of the determination to the Board of Directors on matters regarding the gratis allotment of stock acquisition rights with the detail described in 2 below to be used in the renewed Plan.

In renewing the Plan, effective period of the Plan was changed, but no substantial change was made.

#### 1. Reasons for the proposal

We believe that it is ultimately up to the shareholders as a whole to accept or reject acquisition proposals that involve a transfer of control over the company. The Company is not opposed to all large-scale acquisitions of its shares if they do indeed contribute to its corporate value and the common interests of its shareholders.

Nonetheless, there are some large-scale share acquisitions that, in light of their objectives etc., would clearly harm corporate value and the common interests of shareholders, essentially compel shareholders to sell shares, fail to provide the board of directors and shareholders of the target company with sufficient time and information to study the nature and content etc., of the large-scale share acquisition or provide a counterproposal from the board of directors of the target company, unfairly restrict negotiations with the purchaser to secure more advantageous terms and conditions than those initially offered, or otherwise fail to contribute to corporate value and the common interests of shareholders.

The source of the Company’s corporate value lies in the product development capabilities that make optimal use of the amazing power of milk, and the reliability and strength of the brand cultivated through supplying foods. We believe that any party executing the large-scale acquisition who fails to maintain and enhance these elements over the medium- to long-term would significantly injure the Company’s corporate value and the common interests of its shareholders.

In light of these circumstances, the Board of Directors of the Company has reached the decision that it remains absolutely necessary for the Company to have a framework which enables the Board of Directors to negotiate on behalf of shareholders in order to deter large-scale acquisitions that are contrary to the Company’s corporate value and the common interests of shareholders. This framework should also provide the information and time required for shareholders to make a decision as to whether they will respond positively to the proposed large-scale acquisitions and for the Board of Directors to provide shareholders with counterproposals.

#### 2. Description of the Plan

##### (1) Overview of the Plan

The Overview of the Plan is as follows. (For detail, please refer to “Procedures for the Plan” in (2) below.)

##### 1) Purpose

The purpose of the Plan is to protect and enhance the Company’s corporate value and the common interests of shareholders on occasions when it receives a large-scale acquisition proposal for the shares in the Company by ensuring the necessary time and information is made available for the shareholders to decide whether or not to accept such proposal or to discuss and negotiate with the acquirer.

##### 2) Establishment of procedures for the Plan

The Plan establishes procedures to be triggered (for detail, see (2) “Procedures for the Plan” below) in the event of a large-scale acquisition of the Company’s shares etc., a similar action or a proposal to do so (“Acquisition, etc.,” hereinafter). These procedures require the party making the Acquisition, etc. (hereinafter, “Acquirer, etc.,”) to provide information in advance, etc. to achieve the purpose mentioned above in 1).

##### 3) Triggering of the Plan through the gratis allotment of stock acquisition rights



In the event that an Acquirer, etc. fails to follow the procedures set forth in the Plan or is otherwise deemed to obviously threaten Company's corporate value or the common interests of shareholders (for details on the criteria to be satisfied, see (3) "Criteria for gratis allotment of stock acquisition rights" below), the Company will make a gratis allotment of stock acquisition rights to all shareholders excluding the Company at that point in time, attaching conditions upon exercise that do not allow exercise by Acquirer, etc., and providing repurchase conditions under which the Company will acquire the stock acquisition rights in exchange for the Company's shares from all parties other than Acquirer, etc. (the stock acquisition rights are described in more detail in (4) "Outline of gratis allotment of stock acquisition rights" and are referred to as "the Stock Acquisition Rights" hereinafter).

If a gratis allotment of the Stock Acquisition Rights were to take place in accordance with the Plan and all shareholders other than the Acquirer received shares in the Company as a result of those shareholders exercising, or the Company acquiring, those Stock Acquisition Rights, the ratio of voting rights in the Company held by the Acquirer, etc. may be diluted by 50%.

4) Use of the Independent Committee

In order to eliminate arbitrary decisions by the Company's Board of Directors, decisions with respect to the matters such as the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights or the acquisition of Stock Acquisition Rights under the Plan will be made through the objective judgment of an Independent Committee (for detail, see (5) "Establishment of the Independent Committee" below) which is composed of highly independent members such as outside parties. In addition, transparency with respect to the overview of the decisions will be ensured by timely disclosure to all of the Company's shareholders.

(2) Procedures for the Plan

1) Targeted Acquisitions

The Plan will apply in cases where there is an Acquisition, etc. that falls under (a) or (b) below. The Acquirer, etc. shall follow the procedures set out in the Plan.

- (a) An acquisition that would result in the holding ratio of share certificates, etc. (Note 3) of a holder (Note 2) amounting to 20% or more of the share certificates, etc. issued by the Company (Note 1); or
- (b) A tender offer that would result in the owning ratio of share certificates, etc. for share certificates, etc. (Note 6) of the person carrying out the tender offer (Note 5) and the owning ratio of share certificates, etc. of a person having a special relationship (Note 7) with the person carrying out the tender offer totaling 20% or more of the share certificates, etc. issued by the Company (Note 4).

2) Request to the Acquirer, etc. for the Provision of Information

Unless otherwise approved by the Company's Board of Directors, any Acquirer, etc. who will make acquisition will be requested to submit to the Company in a format prescribed by the Company, before executing an Acquisition, a document which includes the information prescribed in each item below (hereinafter, "Required Information"), and a written undertaking that the Acquirer, etc. will comply with the procedures set out in the Plan (hereinafter, "Acquisition Statement").

The Company's Board of Directors will deliver the Acquisition Statement to the Independent Committee as soon as possible after receiving it. If the Independent Committee determines that the description in the Acquisition Statement is insufficient as Required Information, it may set an appropriate reply period and request, directly or through the Company's Board of Directors, that the Acquirer, etc. further provide Required Information. In such case, the Acquirer, etc. should further provide such Required Information within the relevant time limit.

- (a) Details (including the exact name, capital structure, financial position, details and result of previous transactions by the Acquirer, etc. similar to the Acquisition, and the effect the previous transaction had on the corporate value of the target company) of the Acquirer, etc. and its group (including joint holders (Note 8), persons having a special relationship, persons having a special relationship with a person in relation to whom the Acquirer is the controlled corporation (Note 9), and, in the case of funds, each partner and other constituent members).
- (b) The purpose, method and terms of the Acquisition, etc. (including information on the amount and type of consideration for the Acquisition, etc., the Acquisition schedule, the scheme of any related transactions, the legality of the Acquisition method, and the probability of the Acquisition being effected).
- (c) The basis for the calculation of the purchase price of the Acquisition, etc. (including the

underlying facts and assumptions of the calculation, the calculation method, the numerical data used in the calculation, the details of any expected synergies from any series of transactions relating to the Acquisition, etc. and the details of such synergies to be shared with minority shareholders).

- (d) Financial support for the Acquisition, etc. (specifically including the name of the fund providers (including all indirect fund providers), financing methods and the terms of any related transactions).
- (e) Post-acquisition management policy, business plan, capital and dividend policies for the Group.
- (f) Post-acquisition treatment policies for the Company's employees, business partners, customers, and any other stakeholders in the Company.
- (g) Specific measures to avoid any conflict of interest with other shareholders of the Company.
- (h) Any other information that the Independent Committee reasonably considers necessary

If the Independent Committee recognizes that an Acquirer, etc. has initiated an Acquisition, etc. without complying with the procedures set out in the Plan, as a general rule, it will recommend the Company's Board of Directors to implement a gratis allotment of Stock Acquisition Rights in accordance with 4) (a) below, except in particular circumstances where it should continue with its discussion and negotiation with the Acquirer, etc., requesting the submission of the Acquisition Statement and Required Information.

3) Examination of Acquisition Terms, Negotiation with the Acquirer, etc., and Examination of an Alternative Proposal

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

Upon submission of the Acquisition Statement and Required Information, which was additionally requested to submit by the Independent Committee (if any), by the Purchaser etc., the Independent Committee may also request the Company's Board of Directors to submit by an appropriate response deadline (no longer than 30 days) an opinion on the content of the Acquisition, etc. proposed by the Acquirer, etc. (including cases in which opinion is reserved, and so below), documentation of its rationale, counterproposals (if any) and other information and documentation, etc. deemed necessary by the Independent Committee so as to enable comparison and examination, etc. of the Acquisition Statement and Required Information of the Acquirer, etc. against the management plans and valuation of the company etc., of the Company's Board of Directors from the perspectives of protecting and enhancing corporate value and the common interests of shareholders.

(b) Examination by the Independent Committee

If the Independent Committee determines that the information and materials, including those additionally requested, have been sufficiently provided by the Acquirer, etc. and the Company's Board of Directors (if the Company's Board of Directors is so required as set out in (a) above), it may set an examination period up to 60 days (however, the Independent Committee may extend the period by its resolution in the case of 4) (c) below) (hereinafter, the "Independent Committee Examination Period"). When determining whether or not the information and materials have been sufficiently provided, the Independent Committee shall sufficiently consider to a reasonable extent various facts on the side of the Acquirer, etc., including the fact that the Acquirer, etc. may not necessarily have detailed information with respect to the Company. The Independent Committee will examine the Acquisition terms, collect information on the materials such as the management plans and business plans of the Acquirer, etc. and the Company's Board of Directors and conduct a comparison thereof, and examine any alternative plan presented by the Company's Board of Directors, and the like during the Independent Committee Examination Period. Furthermore, if it is necessary to improve the terms of the Acquisition, etc. from the standpoint of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders, the Independent Committee will directly or indirectly through the Company's Board of Directors discuss and negotiate with the Acquirer, etc. or present the shareholders with the alternative proposal presented by the Company's Board of Directors, or conduct any similar action.

If the Independent Committee directly or indirectly through the Company's Board of Directors requests the Acquirer, etc. to provide materials for examination or any other information, or discuss and negotiate with the Independent Committee, the Acquirer, etc. must promptly respond

to such request.

In order to ensure that the Independent Committee's decision contributes to the Company's corporate value and the common interests of its shareholders, the Independent Committee may at the cost of the Company obtain advice from independent third parties (including financial advisers, certified public accountants, attorneys, consultants or any other experts).

(c) Disclosure of Information to Shareholders

The Independent Committee will directly or through the Company's Board of Directors disclose to all shareholders the fact that an Acquirer, etc. has emerged, the fact that it has received an Acquisition Statement from the Acquirer, etc., the fact that the Independent Committee Examination Period has commenced, the fact that the Company's Board of Directors has presented an alternative plan to the Independent Committee, an overview of Required Information or other information considered appropriate by the Independent Committee, at the timing deemed appropriate by the Independent Committee.

4) Decision criteria by the Independent Committee

If an Acquirer, etc. emerges, the Independent Committee will make recommendations to the Company's Board of Directors as follows. If the Independent Committee makes recommendations or otherwise as listed in (a) through (c) below to the Company's Board of Directors, or otherwise believes it to be appropriate, the Independent Committee will promptly disclose the fact that recommendations or a resolution was made and an outline thereof and any other matters that the Independent Committee considers appropriate (in the case of extending the Independent Committee Examination Period, including the period of and a summary of the reason for such extension).

(a) Recommendations to Make a Gratis Allotment of Stock Acquisition Rights

The Independent Committee shall recommend that Company's Board of Directors make a gratis allotment of Stock Acquisition Rights in the event that the Acquirer, etc. fails to comply with the procedures set forth in the Plan and in the event that investigation of the Acquisition, etc. proposed by the Acquirer, etc. is found to satisfy any of the "Criteria for Gratis Allotment of Stock Acquisition Rights" set forth in (3) below and the Independent Committee determines it appropriate to make a gratis allotment of Stock Acquisition Rights. The Independent Committee may make this recommendation regardless of whether the Independent Committee Examination Period has commenced or concluded.

Notwithstanding, after recommending the gratis allotment of Stock Acquisition Rights, the Independent Committee may issue a new recommendation to suspend the gratis allotment of Stock Acquisition Rights (until the effective date of the gratis allotment) or to acquire the gratis allotment of Stock Acquisition Rights (after the gratis allotment has taken effect) prior to the day that is preceding the commencement date of the Stock Acquisition Rights exercise period (as defined in 6) of (4) "Outline of gratis allotment of Stock Acquisition Rights" below) in the event that it determines any of the following to apply.

- (i) After the recommendation the Acquirer, etc. has withdrawn the Acquisition, etc. or the Acquisition, etc. has ceased to exist for other reasons;
- (ii) Changes have taken place in the facts underlying the decision in the recommendation such that the Acquisition, etc. proposed by the Acquirer, etc. does not satisfy any of the criteria set forth in (3) "Criteria for Gratis Allotment of Stock Acquisition Rights" below, or it is otherwise recognized as inappropriate to make the gratis allotment of Stock Acquisition Rights or allow the Stock Acquisition Rights to be exercised.

(b) Recommendations Not to Make a Gratis Allotment of Stock Acquisition Rights

The Independent Committee shall recommend that the Company's Board of Directors not make a gratis allotment of Stock Acquisition Rights in the event that, as a result of its examination of the Acquisition, etc. proposed by the Acquirer, etc. and/or its consultations and/or negotiations, etc. with the Acquirer, etc., it finds that the Acquisition, etc. proposed by the Acquirer, etc. does not satisfy any of the criteria noted in (3) "Criteria for Gratis Allotment of Stock Acquisition Rights" or that it would be inappropriate to make the gratis allotment of Stock Acquisition Rights even though one or more criteria are satisfied. The Independent Committee may make this recommendation regardless of whether the Independent Committee Examination Period has been expired or not.

Notwithstanding, after recommending that the Company's Board of Directors not make the gratis allotment of Stock Acquisition Rights, the Independent Committee may make a new judgment including the gratis allotment of Stock Acquisition Rights and recommend it to the Company's Board of Directors in the event that there are changes in the facts underlying the recommendation, the Acquisition, etc. proposed by the Acquirer, etc. is found to satisfy any of the "Criteria for Gratis Allotment of Stock Acquisition Rights" set forth in (3) below and the Independent Committee determines it appropriate to make a gratis allotment of Stock Acquisition Rights.

(c) Extensions of the Independent Committee Examination Period

In the event that the Independent Committee fails to reach a decision to recommend or not recommend the gratis allotment of Stock Acquisition Rights by the end of the Independent Committee Examination Period, the Independent Committee may resolve to extend the Independent Committee Examination Period within a reasonable scope (no longer than 30 days) required to examine the Acquisition, etc. proposed by the Acquirer, etc., discuss and negotiate with the Acquirer, etc., or examine counterproposals, etc.

When resolving to extend the Independent Committee Examination Period, the Independent Committee shall continue to collect and examine, etc. information, exerting maximum efforts to arrive at a recommendation regarding a gratis allotment of Stock Acquisition Rights within the extended period.

5) Resolution of the Board of Directors

The Company's Board of Directors shall accord maximum respect to the recommendation of the Independent Committee and shall reach a resolution in a timely manner as the institution designated under the Companies Act to determine whether or not to make a gratis allotment of Stock Acquisition Rights (including suspension of a gratis allotment of Stock Acquisition Rights). Upon reaching a resolution, the Company's Board of Directors shall disclose in a swift manner an outline of the resolution and other such information as deemed appropriate by the Company's Board of Directors. The Acquirer, etc. shall not make the Acquisition, etc. until such time as the Company's Board of Directors resolves whether or not to make a gratis allotment of Stock Acquisition Rights.

(3) Criteria for Gratis Allotment of Stock Acquisition Rights

The Company plans to make a gratis allotment of Stock Acquisition Rights pursuant to a resolution of the Company's Board of Directors as stipulated in 5) of (2) "Procedures for the Plan" above in the event that the Acquisition, etc. proposed by the Acquirer, etc. satisfies any of the following criteria and it is deemed appropriate to make a gratis allotment of Stock Acquisition Rights. As described in 4) of (2) "Procedures for the Plan," a judgment will be sought from the Independent Committee prior to deciding whether the following criteria are satisfied and a gratis allotment of Stock Acquisition Rights should be made.

- 1) In the case where an Acquisition, etc. is not in compliance with provision of information and securing Independent Committee Examination Period as defined in above (2) "Procedures for the Plan" 2), and other procedures set out in the Plan:
- 2) In the case where an Acquisition, etc. that threatens to cause obvious harm to the corporate value of the Company and, in turn, the common interests of its shareholders through actions such as those described below or any similar action:
  - (a) A buyout of share certificates to require such share certificates to be compulsorily purchased by the Company at an inflated price.
  - (b) Management that creates an advantage for the Acquirer, etc. to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company's material assets.
  - (c) Diversion of the Company's assets to secure or repay debts of the Acquirer, etc. or its group companies.
  - (d) Temporary control of the Company's management to bring about a disposal of high-value assets that have no current relevance to the Company's business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price and taking advantage of the opportunity afforded by the sudden rise in share prices created by the

temporarily high dividends.

- 3) Certain Acquisitions that threaten to have the effect of coercing shareholders into selling shares, such as coercive two-tiered tender offers (meaning acquisitions of shares including tender offers that do not offer to acquire all shares in the initial acquisition, and set acquisition terms for the second stage that are unfavorable to shareholders or do not set clear terms for the second stage).
- 4) Acquisitions, etc. whose terms (including amount and type of consideration for the Acquisition, the Acquisition schedule, the legality of the Acquisition method, the probability of the Acquisition being effected, post-Acquisition management policies and business plans, and post-Acquisition policies dealing with the Company's other shareholders, employees, customers, business partners and any other stakeholders in the Company) are inadequate or inappropriate in light of the Company's intrinsic value.
- 5) Acquisitions, etc. that materially threaten to be against the corporate value of the Company or the common interests of shareholders, by destroying relationships with the Company's employees, customers, business partners and the like that support the research and product development system or the production/sales/quality assurance system, which are indispensable to the generation of the Company's corporate value, or social credit or brand value of the Company.

(4) Outline of gratis allotment of Stock Acquisition Rights

An outline of the gratis allotment of Stock Acquisition Rights scheduled to be implemented under the Plan is described below.

1) Number of Stock Acquisition Rights

The Company will implement a gratis allotment of Stock Acquisition Rights in the number equivalent to the final and total number of issued and outstanding shares of the Company (excluding the number of shares of the Company held by the Company at that time) on an allotment date (hereinafter, the "Allotment Date") that is separately determined in a resolution by the Company's Board of Directors relating to the implementation of the gratis allotment of Stock Acquisition Rights (hereinafter, the "Gratis Allotment Resolution").

2) Shareholders Eligible for Allotment

The Company will allot the Stock Acquisition Rights without consideration to those shareholders, other than the Company, who are stated or recorded in the Company's final register of shareholders on the Allotment Date, at a ratio of one Stock Acquisition Right for every one share of the Company held.

3) Effective Date of Allotment of Stock Acquisition Rights

The effective date of the gratis allotment of Stock Acquisition Rights will be separately determined by the Company's Board of Directors in the Gratis Allotment Resolution.

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

The number of shares of the Company to be acquired upon exercise of each Stock Acquisition Right (Note 10) (which shall be book-entry stock prescribed in Article 128, Paragraph 1 of the Act on Book Transfer of Corporate Bonds, Shares, Etc.) (the "Applicable Number of Shares") shall be one share unless otherwise adjusted.

5) The Amount to be Contributed upon Exercise of the Stock Acquisition Rights

Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount per share in the Company to be contributed upon exercise of the Stock Acquisition Rights will be an amount separately determined in the Gratis Allotment Resolution within the range between a minimum of one yen and a maximum of any amount equivalent to one-half of the fair market value of one share in the Company. "Fair market value" means the average closing price (including quotations) for regular transactions of the stock of the Company on the Tokyo Stock Exchange on each day during the 90 day period prior to the Gratis Allotment Resolution (excluding the days on which the closing price is not available), with any fraction of a yen after such calculation to be rounded up to the nearest whole yen.

6) Exercise Period of the Stock Acquisition Rights

The commencement date will be a date separately determined by the Board of Directors in the Gratis Allotment Resolution (this commencement date of the exercise period shall be referred to as

the “Exercise Period Commencement Date”), and the period will be a period from one month to three months long as separately determined by the Board of Directors in the Gratis Allotment Resolution; provided, however, that if the Company acquires the Stock Acquisition Rights pursuant to the provision of 9) (b) below, the exercise period for the Stock Acquisition Rights with respect to that acquisition will be up to and including the business day immediately prior to the relevant acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment place for the cash payable upon exercise, the final day will be the preceding business day.

7) Conditions for the Exercise of the Stock Acquisition Rights

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

- (I) Specified large holders (Note 11);
- (II) Joint Holders of specified large holders;
- (III) Specified large purchasers (Note 12);
- (IV) Persons having a special relationship with specified large purchasers;
- (V) Any transferee of or successor to the Stock Acquisition Rights of any party falling under (I) through (IV) without the approval of the Company’s board of directors; or
- (VI) Any affiliated party of any party falling under (I) through (V) (Note 13).

Further, non-residents of Japan who are required to follow certain procedures under foreign laws and regulations to exercise the Stock Acquisition Rights may not as a general rule exercise the Stock Acquisition Rights (provided, however, that certain non-residents to whom the exemption provision under the applicable law applies may exercise the Stock Acquisition Rights and the Stock Acquisition Rights held by non-residents will be subject to acquisition by the Company in exchange for shares in the Company as set out in 9) (b) below).

8) Assignment of the Stock Acquisition Rights

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

9) Acquisition of the Stock Acquisition Rights by the Company

- (a) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Company’s Board of Directors recognizes that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a day separately determined by the Company’s Board of Directors, acquire all of the Stock Acquisition Rights without consideration.
- (b) On a day separately determined by the Company’s Board of Directors, the Company may acquire all of the Stock Acquisition Rights that have not been exercised before or on the business day immediately prior to such date determined by the Company’s Board of Directors, that are held by parties other than Non-Qualified Parties and, in exchange, deliver shares of the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right. The Company may acquire such Stock Acquisition Rights multiple times.

10) Amendments due to the revisions in laws and regulations

The laws and regulations cited in the above are those in effect on April 26, 2016. In the event of the enactment of new laws and regulations or the amendment or repeal of existing laws and regulations etc., such that is necessary to amend the conditions contained herein or the meanings of terminology etc., conditions and terminology meanings etc., will be substituted within a reasonable and appropriate range in accordance with the intentions of the new enactments, amendments or repeals of laws and regulations at the Company’s Board of Directors.

(5) Establishment of the Independent Committee

The Company will establish the Independent Committee as an organization to eliminate arbitrary decisions by the Company’s Board of Directors in relation to the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights under the Plan and objectively carry out the substantial decisions on behalf of the shareholders in the event of triggering and operating the Plan. If the Proposal is

approved at this Annual General Meeting of Shareholders, the Independent Committee after the approval will continue to have three members consisting of outside experts who are highly independent from the management of the Company. (The criteria used to select members of the Independent Committee, its decision-making requirements and its areas of competence, etc. as stated in (Note 14) attached at the end of this Proposal. The career summary of the members of the Independent Committee who are scheduled to assume offices after the renewal of the Plan is as stated in the appendix “Career summary of the members of the Independent Committee.”)

If an Acquisition, etc. is to be actuated, the Independent Committee shall make substantial determination whether or not that Acquisition, etc. could harm the corporate value of the Company and the common interests of its shareholders, and the Company’s Board of Directors shall pass a resolution as the institution designated under the Companies Act while respecting such decision of the Independent Committee to the maximum extent, in accordance with (2) “Procedures for the Plan” above.

(6) Effective Period, Abolition and Amendment of the Plan

The effective period of the delegation of the determination on matters regarding the gratis allotment of Stock Acquisition Rights under the Plan (the “Effective Period”) shall be the period until the conclusion of the Annual General Meeting of Shareholders relating to the final fiscal year ending within three years after the conclusion of this Annual General Meeting of Shareholders.

However, if, before the expiration of the Effective Period, (i) a General Meeting of Shareholders of the Company resolves to abolish the delegation of the determination to the Board of Directors on matters regarding the gratis allotment of Stock Acquisition Rights under the Plan, or (ii) the Company’s Board of Directors consisting of Directors elected at a General Meeting of Shareholders passes a resolution to abolish the Plan, the Plan shall be abolished at that time.

Furthermore, the Company’s Board of Directors may revise or amend the Plan even during the Effective Period of the Plan, if such revision or amendment is not against the purpose of the delegation to be resolved at this Annual General Meeting of Shareholders (such as cases where any law, regulation, financial instrument exchange rule and regulations or the like concerning the Plan is established, amended or abolished and it is appropriate to reflect such establishment, amendment or abolition, cases where it is appropriate to revise the wording for reasons such as typographical errors and omissions, cases where such revision or amendment is not detrimental to the Company’s shareholders or any similar cases), subject to the approval of the Independent Committee.

If the Plan is abolished, revised, amended or otherwise altered, the Company will promptly disclose facts including the fact that such abolition, revision, amendment or alteration has taken place, and (in the event of a revision or amendment) the details of the revision or amendment and any other matters.

(Reference)

The contents of the Plan are as described in 2 above. The Company deems the Plan to be reasonable as detailed below, and its impact on shareholders and investors is as follows. The Company would like approval for this Proposal to shareholders in consideration of these points.

Reasonableness of the Plan:

The Plan is reasonably designed so as to contribute to the Company’s corporate value and the common interests of its shareholders as detailed in (1) through (7) below.

(1) Consistency with Guidelines Regarding Takeover Defense

The Plan is consistent with the three principles articulated in the “Guidelines Regarding Takeover Defense for the Purpose of Protection and Enhancement of Corporate Value and Shareholders’ Common Interests” jointly released by the Ministry of Economy, Trade and Industry and Ministry of Justice on May 27, 2005: (i) Principle of protecting and enhancing corporate value and shareholders’ common interests, (ii) Principle of prior disclosure and shareholders’ will and (iii) Principle of ensuring the necessity and reasonableness of defensive measures. The Plan is also designed to conform to the content of “Takeover Defense Measures in Light of Recent Environmental Changes” announced by the Corporate Value Study Group of the Ministry of Economy, Trade and Industry on June 30, 2008.

(2) Introduction with the purpose of protecting and enhancing the common interests of shareholders

As described in 1. “Reasons for the proposal” above, on occasions when the Company receives a large-scale acquisition proposal for the shares of the Company, the Plan ensures that the necessary time and information is made available for the shareholders to decide whether or not to accept such proposal or for the Company’s Board of Directors to present an alternative proposal, and enables the Board of Directors to negotiate with the Acquirer, etc. for the benefit of the shareholders, thus ensuring and

enhancing the Company's corporate value and the common interests of its shareholders.

(3) Respect for shareholders' will

As mentioned above, the Plan is renewed subject to the resolution for delegation regarding the Plan at this General Meeting of Shareholders.

In addition, as described in 2. (6) "Effective Period, Abolition and Amendment of the Plan," the Plan contains a "sunset clause" with an effective period of approximately three years, and even prior to the expiration of the effective period, the Plan can be terminated with a resolution of the Company's Board of Directors that is composed of the Directors elected at the Company's General Meeting of Shareholders, in the case where it is resolved to abolish the aforementioned delegation. It is therefore believed that the Plan is based on the will of shareholders.

(4) Full and serious consideration of opinions from highly independent outside members and information disclosure

As described in above 2. (5) "Establishment of the Independent Committee," substantial decisions regarding the implementation of gratis allotment of Stock Acquisition Rights and its operation shall be made by the Independent Committee consisting of outside experts who are highly independent. The Independent Committee thus provides strict monitoring against any arbitrary actions on the part of the Company's Board of Directors.

An outline of its determinations is to be disclosed to shareholders, ensuring mechanisms for the transparent operation of the Plan so as to contribute to the Company's corporate value and the common interests of shareholders.

(5) Reasonableness and objectivity of requirements

As stated in above 2 (2) "Procedures for the Plan" 4) and No. 2. (3) "Criteria for Gratis Allotment of Stock Acquisition Rights," the gratis allotment of Stock Acquisition Rights is not made unless pre-determined reasonable and detailed objective requirements are satisfied, and mechanisms have been established to prevent arbitrary implementation by the Company's Board of Directors.

(6) Opinions from outside experts

As stated in above 2. (2) "Procedures for the Plan" 3) (b), in the event that an Acquirer, etc. comes forward, the Independent Committee may, at the Company's expense, seek advice from independent third parties (including financial advisers, certified public accountants, attorneys, consultants or any other experts). This mechanism provides greater assurance of the fairness and objectivity of the determinations of the Independent Committee.

(7) Not a "dead hand" or "slow hand" takeover defense

As noted in 2. (6) "Effective Period, Abolition and Amendment of the Plan," the Plan is designed so that it can be terminated by the Board of Directors consisting of Directors nominated by a large-scale acquirer of share certificates and other equity securities of the Company and elected by a General Meeting of Shareholders.

It does not, therefore, constitute a "dead hand" takeover defense (a takeover defense that cannot be impeded even if the majority of Directors are replaced). Likewise, the Plan does not constitute a "slow hand" takeover defense (a takeover defense that requires time before it can be impeded because members of the Board of Directors cannot be replaced all at once) because the Company does not employ staggered terms for Directors.

Impact on shareholders and investors:

The impact on shareholders and investors at the time of introducing the Plan and at the time of the gratis allotment of Stock Acquisition Rights is as shown below (1) through (3).

(1) Impact on Shareholders and Investors at the Time of Renewing the Plan

At the time of renewing the Plan, only the decision-making authority is delegated to the Board of Directors on matters regarding the gratis allotment of Stock Acquisition Rights based on a resolution at the General Meeting of Shareholders, and no actual gratis allotment of Stock Acquisition Rights will be implemented, resulting in no direct or material impact on shareholders and investors.

(2) Impact on Shareholders and Investors at the Time of the Gratis Allotment of Stock Acquisition Rights  
When a gratis allotment of Stock Acquisition Rights is made in pursuant to the procedures for the Plan,



the Company, in principle, will make a gratis allotment of Stock Acquisition Rights to the shareholders who are stated or recorded in the Company's final register of shareholders on the Allotment Date provided separately in the Gratis Allotment Resolution (hereinafter, "Shareholders Eligible for Allotment") of one Stock Acquisition Right per share of the Company held by the entitled shareholders. If the shareholders do not pay the amount equivalent to the prescribed exercise price or perform other procedures for exercise of Stock Acquisition Rights as detailed in (3) "Procedures required of shareholders in conjunction with gratis allotment of Stock Acquisition Rights" (ii) below during the exercise period of Stock Acquisition Rights, the value of all shares they hold in the Company will be diluted by the exercise of Stock Acquisition Rights by other shareholders. However, it is also possible for the Company to acquire the Stock Acquisition Rights of all shareholders other than Non-Qualified Parties and, in exchange, deliver shares of the Company by following the procedures detailed in (3) "Procedures required of shareholders in conjunction with gratis allotment of Stock Acquisition Rights" (iii) below. If the Company carries out that acquisition procedure, all shareholders other than Non-Qualified Parties will come to receive shares in the Company without exercising their Stock Acquisition Rights or paying an amount equivalent to the prescribed exercise price and, in this case, dilution of the value per share in the Company held by the shareholder may result but, as a general rule, no financial dilution of the overall value of shares in the Company held will result.

In addition, even after the Gratis Allotment Resolution is passed, the Company may, by respecting any recommendations of the Independent Committee described above at 2. (2) "Procedures for the Plan" 4) (a) to the maximum extent, (i) (on or before the effective date of the gratis allotment of Stock Acquisition Rights) cancel the gratis allotment of Stock Acquisition Rights, or (ii) (after the effective date of the gratis allotment of Stock Acquisition Rights and until the day immediately prior to the commencement date of the exercise period of the Stock Acquisition Rights) acquire the Stock Acquisition Rights without consideration. In such cases, no dilution of the value per share in the Company held by the shareholders will result, and it is possible that any shareholders or investors who have sold or bought the shares in the Company expecting to see a dilution of the value per share in the Company may commensurately incur damage as a result of a fluctuation in the share price.

(3) Procedures required of shareholders in conjunction with gratis allotment of Stock Acquisition Rights

(i) Procedures for gratis allotment of Stock Acquisition Rights

In the event that the Gratis Allotment Resolution is passed at the Company's Board of Directors, the Company's Board of Directors will define an Allocation Date for the gratis allotment in such resolution and announce it. In this case, primarily, one new stock acquisition rights shall be allocated gratis to one share of the Company held by the Shareholders Eligible for Allotment. Shareholders Eligible for Allotment shall become as a matter of course the holders of Stock Acquisition Rights on the date when the gratis allotment of Stock Acquisition Rights becomes effective. Therefore, such shareholders shall not be required to take any procedure for application.

(ii) Stock Acquisition Rights exercise procedures

The Company will in principle send to Shareholders Eligible for Allotment a Stock Acquisition Rights Exercise Request Form (in the standard format of the Company, including the nature and number of the Stock Acquisition Rights exercised, the date of Stock Acquisition Rights exercise, and other required information including account to be used for share transfer, together with representations regarding satisfaction of exercise conditions for the Stock Acquisition Rights, indemnity terms and other covenants) and other documentation required for the exercise of Stock Acquisition Rights.

After the gratis allotment of Stock Acquisition Rights, during the Stock Acquisition Rights exercise period and prior to the effectuation of acquisition of Stock Acquisition Rights by the Company, to shareholders who submit Exercise Request Form and other required documents and pay the amount equivalent to the exercise price at the place accepting requests for the exercise within the range between a minimum of one yen and a maximum of any amount equivalent to one-half of the fair market value of one share of the Company designated by the Company's Board of Directors in Gratis Allotment Resolution, one Company's share will be issued, in principal, per Stock Acquisition Right when Exercise Request Form and other required documents arrive at the place accepting requests for the exercise of Stock Acquisition Rights.

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

In the event that the Company's Board of Directors resolves to acquire Stock Acquisition Rights,

the Company will acquire Stock Acquisition Rights on the date specified separately by the Company's Board of Directors and in accordance with statutory procedures.

In such case, if the Company acquires Stock Acquisition Rights from shareholders other than Non-Qualified Parties and in exchange, deliver shares of the Company, such shareholders shall receive one share of the Company per Stock Acquisition Right in principle in exchange for the Company's acquisition of the Stock Acquisition Rights without paying the monetary amount equivalent to the exercise price. In such cases, however, such shareholders may be required to submit the Company's standard forms containing required information including account to be used for share transfer, representations that the shareholder is not a Non-Qualified Party, indemnity terms and other covenants.

For other detailed matters in addition to above, regarding the allotment method of Stock Acquisition Rights, exercise method and method of acquisition by the Company, please check the information to be disclosed or notified to shareholders after the determination thereof in Gratis Allotment Resolution.

- (Note 1) As defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act, and so throughout this Proposal unless specifically noted to the contrary.
- (Note 2) Including parties included under "owner" pursuant to Article 27-23, Paragraph 3 of the Financial Instruments and Exchange Act (including parties so designated by the Company's Board of Directors), and so throughout this Proposal.
- (Note 3) As defined in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act, and so throughout this Proposal.
- (Note 4) As defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act.
- (Note 5) As defined in Article 27-2, Paragraph 6 of the Financial Instruments and Exchange Act, and so throughout this Proposal.
- (Note 6) As defined in Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Act, and so throughout this Proposal.
- (Note 7) As defined in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act (including parties so deemed by the Company's Board of Directors). Notwithstanding, the parties as set forth in Article 3, Paragraph 2 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc. by Person Other Than the Issuer shall be excluded from the parties listed in Paragraph 1 of the said article, and so throughout this Proposal.
- (Note 8) Refers to "Joint Holders" pursuant to Article 27-23, Paragraph 5 of the Financial Instruments and Exchange Act, including parties deemed to be Joint Holders pursuant to Paragraph 6 of the said article (including parties so designated by the Company's Board of Directors), and so throughout this Proposal.
- (Note 9) As defined in Article 9, Paragraph 5 of the Order for Enforcement of the Financial Instruments and Exchange Act.
- (Note 10) In the event that the Company issues class shares in the future (see Article 2, Item 13 of the Companies Act), this shall refer to 1) the Company's shares issued upon execution of Stock Acquisition Rights, and 2) shares distributed in exchange for acquisition of Stock Acquisition Rights, in either case to be of the same class as the shares currently issued (ordinary shares) by the Company as at the time this Annual General Meeting of Shareholders is convened.
- (Note 11) "Specified large holders" shall refer to holders of share certificates or other equity securities issued by the Company, whose holding ratios are, by the Company's Board of Directors, deemed to be 20% or more of the total share certificates and other equity securities issued by the Company.
- (Note 12) "Specified large holders" shall refer to acquirers who make an announcement regarding acquisition, etc. (as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act, and so for the remainder of this Note 12) of share certificates and other equity securities (as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act, and so for the remainder of this Note 12) issued by the Company through tender offer, who after the acquisition, etc. will possess (including cases defined in Article 7, Paragraph 1 of the Order for Enforcement of the Financial Instruments and Exchange Act) the Company's shares in a holding ratio in aggregate with person having a special relationship deemed to be 20% or more of the total issued and outstanding shares of the Company, by the Company's Board of Directors.
- (Note 13) "Affiliated parties" shall refer to parties who are deemed by the Company's Board of Directors to exert control over or to be controlled by or to be jointly controlled by another party, or to parties deemed by the Company's Board of Directors to act in a coordinated manner. "Control" shall refer to "a state where decisions on financial and business policies" of other companies, etc. "are being controlled" (as defined in Article 3, Paragraph 3 of the Ordinance for Enforcement of the Companies Act).
- (Note 14) In the Independent Committee Regulations, matters as following are stipulated.
- Membership of the Independent Committee shall consist of at least three persons who are independent from the management team executing the business of the Company. The members are to be selected by the Company's Board of Directors from among: (i) External Directors of the Company, (ii) External Audit & Supervisory Board Members of the Company and (iii) outside experts. "Outside experts" shall be corporate managers with proven track records, persons who are well-versed in investment banking or the Company's business fields, legal counsel, certified public accountants, researchers with primary focus on the Companies Act, or other similar persons, and the said persons shall be required to enter into a contract with the Company that includes a duty of care as designated separately by the Company's Board of Directors.
  - Members of the Independent Committee shall serve until the conclusion of the Annual General Meeting of Shareholders relating to the final fiscal year ending within three years after the conclusion of this Annual General

Meeting of Shareholders. However, this shall not apply if stipulated to the contrary by resolution of the Company's Board of Directors. Members of the Independent Committee who were External Directors or External Audit & Supervisory Board Members of the Company and who no longer serve in those capacities shall simultaneously terminate their service on the Independent Committee (unless specifically reappointed).

- The Independent Committee shall render decisions on the matters set forth in the Plan.
- Members of the Independent Committee may convene meetings of the Independent Committee. Resolutions of the Independent Committee shall in principle require the attendance of all members of the Independent Committee and the approval of a majority in attendance.

## Profiles of the Members of the Independent Committee

The following three persons have been nominated as members of the Independent Committee at the time of renewing the Plan.

Name: Teruaki Hashimoto

## Career summary

|              |                                                                                                  |
|--------------|--------------------------------------------------------------------------------------------------|
| 1943         | Born                                                                                             |
| April 1966   | Joined MITSUI & CO., LTD.                                                                        |
| May 1989     | Joined Toyo Suisan Kaisha, Ltd.                                                                  |
| June 1995    | Representative Director and President of Toyo Suisan Kaisha, Ltd.                                |
| July 2003    | Representative Director and Chairman of Sanyu Koami Co., Ltd. (currently MITSUI FOODS CO., LTD.) |
| October 2006 | Advisor of MITSUI & CO., LTD.                                                                    |
| October 2006 | Director and Counselor of MITSUI FOODS CO., LTD.                                                 |
| June 2008    | Counselor of MITSUI FOODS CO., LTD.                                                              |

Name: Taneji Shirato

## Career summary

|                |                                                                                                                     |
|----------------|---------------------------------------------------------------------------------------------------------------------|
| 1940           | Born                                                                                                                |
| April 1964     | Joined NISSAN MOTOR CO., LTD.                                                                                       |
| September 1971 | Master of Business Administration at School of Business, New York University                                        |
| November 1971  | Joined Peat Marwick Mitchel (currently KPMG)                                                                        |
| August 1972    | Certified Public Accountant of the United States                                                                    |
| December 1975  | Certified as a foreign certified public accountant by the Ministry of Finance (currently Financial Services Agency) |
| April 1980     | Established Shirato Foreign Certified Public Accountant Office (to present)                                         |

Name: Wataru Sueyoshi

## Career summary

|               |                                                                                          |
|---------------|------------------------------------------------------------------------------------------|
| 1956          | Born                                                                                     |
| April 1983    | Registered as attorney, joined Mori Sogo Law Offices (currently Mori Hamada & Matsumoto) |
| January 1990  | Partner of Mori Sogo Law Offices (currently Mori Hamada & Matsumoto)                     |
| April 2007    | Established Sueyoshi Sogo Law Offices                                                    |
| December 2009 | Sueyoshi Sogo Law Offices changed its name to STW & Partners (to present)                |

Note 1. Mr. Teruaki Hashimoto served at MITSUI & CO., LTD. and MITSUI FOODS CO., LTD, both of which have ongoing sales transactions of dairy products, etc. with the Company. Values of such transactions with each of the two companies respectively account for less than 2% of the Company's consolidated net sales. The Company therefore judged that the independence of Mr. Teruaki Hashimoto is sufficiently secured.

Note 2. No special interest exists between other candidates for Committee member and the Company.

#### Proposal 4: Election of Eleven (11) Directors

If Proposal 2: “Partial Amendments to the Articles of Incorporation” is approved as originally proposed, the terms of office of Directors of the Company will be changed from two years to one year, and the terms of office of all of the ten (10) Directors will expire at the conclusion of the meeting. Accordingly, we propose the election of eleven (11) Directors, including two (2) External Directors, thereby increasing the number of Directors by one (1), in order to strengthen management systems.

The candidates for Director are as follows.

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Name<br>(Date of birth)              | Past experience, positions, responsibilities,<br>and significant concurrent positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Number of<br>shares of the<br>Company held |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Michio Miyahara<br>(January 4, 1951) | <p>April 1975      Joined the Company</p> <p>April 1997      General Manager of Production Department, Tokyo Tama Plant</p> <p>April 2001      General Manager of Morioka Plant</p> <p>June 2003      Managing Officer and General Manager of Engineering Section,<br/>Production Department</p> <p>June 2005      Executive Managing Officer and General Manager of Production<br/>Department</p> <p>February 2006    Executive Managing Officer and General Manager of<br/>Manufacturing Division</p> <p>June 2007      Senior Executive Managing Officer and General Manager of<br/>Manufacturing Division</p> <p>June 2007      Senior Managing Director, Senior Executive Managing Officer<br/>and General Manager of Manufacturing Division</p> <p>June 2009      Director and Executive Vice President</p> <p>February 2010    Director, Executive Vice President, Managing Officer and<br/>General Manager of Sales &amp; Marketing Division 2</p> <p>June 2011      Representative Director and Executive Vice President</p> <p>June 2012      Representative Director and President<br/>to present</p> <p>[Significant concurrent positions]<br/>President and Representative Director, Japan Dairy Trade Co., Ltd.<br/>President, Japan Dairy Association<br/>Chairman, Tokyo Milk Association</p> | 68,000                                     |
| <p>&lt;Reasons for selection as candidate&gt;<br/>Aside from holding posts in the manufacturing and sales operations of the Company, Mr. Michio Miyahara has served as an executive in related organizations, and possesses specialized knowledge regarding the dairy industry. Additionally, from 2007 onward, he has experienced important duties as Director, and from 2012, he has managed the Group as Representative Director and President. By utilizing this knowledge and experience, the Company expects that he can contribute to further growth and improvement in corporate value of the Group, and his reappointment as candidate for Director is requested.</p> |                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                            |

| No. | Name<br>(Date of birth)            | Past experience, positions, responsibilities,<br>and significant concurrent positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Number of<br>shares of the<br>Company held |
|-----|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| 2   | Junichi Noguchi<br>(June 30, 1950) | <p>April 1973      Joined the Company</p> <p>June 1997      General Manager of Chain Store Department 1 and Chain Store Department 2, Kansai Branch</p> <p>November 1999    General Manager of Beverage &amp; Dessert Sales Department, Kansai Branch</p> <p>April 2001      General Manager of Planning &amp; Development Department, Beverage &amp; Dessert Division</p> <p>June 2003      Managing Officer and General Manager of Retail Department</p> <p>February 2006    Managing Officer and General Manager of Fresh Products Division</p> <p>June 2007      Managing Director, Executive Managing Officer and General Manager of Sales &amp; Marketing Division</p> <p>June 2009      Senior Managing Director, Senior Executive Managing Officer and General Manager of Sales &amp; Marketing Division</p> <p>February 2010    Senior Managing Director, Senior Executive Managing Officer and General Manager of Sales &amp; Marketing Division 1</p> <p>June 2014      Director, Executive Vice President, Managing Officer and General Manager of Sales &amp; Marketing Division 1</p> <p>June 2015      Representative Director, Executive Vice President, Managing Officer and General Manager of Sales &amp; Marketing Division to present</p> <p>[Responsibilities at the Company]<br/>Assistant to President, Sales and Marketing</p> <p>[Significant concurrent positions]<br/>Chairman, Japan Ice Cream Association<br/>Chairman, Ice Cream and Frozen Dessert Fair Trade Council</p> | 57,000                                     |
|     |                                    | <p>&lt;Reasons for selection as candidate&gt;</p> <p>Aside from holding posts in the sales operation of the Company, Mr. Junichi Noguchi has served as an executive in related organizations, and possesses specialized knowledge regarding the dairy industry. Additionally, from 2007 onward, he has experienced important duties as Director, and from 2015, he has managed the Group as Representative Director and Executive Vice President. By utilizing this knowledge and experience, the Company expects that he can contribute to further growth and improvement in corporate value of the Group, and his reappointment as candidate for Director is requested.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                            |
| 3   | Kazuo Aoyama<br>(May 7, 1952)      | <p>April 1975      Joined the Company</p> <p>December 2000    General Manager of Production Department, Tokyo Plant</p> <p>December 2005    General Manager of Tokyo Plant</p> <p>April 2008      General Manager of Quality Assurance Department</p> <p>June 2011      Managing Officer and General Manager of Tokyo Tama Plant</p> <p>June 2013      Director, Executive Managing Officer and General Manager of Manufacturing Division</p> <p>June 2014      Managing Director, Executive Managing Officer and General Manager of Manufacturing Division to present</p> <p>[Responsibilities at the Company]<br/>Manufacturing, Quality Assurance, Dairy Farm Services, and Distribution</p> <p>[Significant concurrent positions]<br/>Chairman, Committee for Milk Container Environmental Issues<br/>President, Association for Recycling of Paper Containers for Beverages</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 23,000                                     |
|     |                                    | <p>&lt;Reasons for selection as candidate&gt;</p> <p>Aside from holding posts in the manufacturing operation of the Company, Mr. Kazuo Aoyama has served as an executive in related organizations, and possesses specialized knowledge regarding the dairy industry. Additionally, from 2011 onward, he has experienced important duties as Managing Officer, and from 2013, he has been involved in management as Director. By utilizing this knowledge and experience, the Company expects that he can contribute to further growth and improvement in corporate value of the Group, and his reappointment as candidate for Director is requested.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                            |

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Name<br>(Date of birth)            | Past experience, positions, responsibilities,<br>and significant concurrent positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Number of<br>shares of the<br>Company held |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Teiichiro Okawa<br>(June 21, 1956) | <p>April 1982      Joined the Company</p> <p>June 2001      General Manager of Nutritional Food Development Section,<br/>Nutritional Science Laboratory</p> <p>December 2006    General Manager of Nutritional Food Development Department,<br/>Nutritional Science Laboratory</p> <p>June 2012      General Manager of Food Research &amp; Development Institute</p> <p>June 2013      Managing Officer and General Manager of Food Research &amp;<br/>Development Institute</p> <p>June 2015      Managing Director, Executive Managing Officer and General<br/>Manager of Food Research &amp; Development Institute</p> <p>November 2015    Managing Director<br/>to present</p> <p>[Responsibilities at the Company]<br/>Research &amp; Development</p>                                                                                                                                                                                                                     | 24,000                                     |
| <p>&lt;Reasons for selection as candidate&gt;</p> <p>Aside from holding posts in the research &amp; development division of the Company, Mr. Teiichiro Okawa has served as an executive in related organizations, and possesses specialized knowledge regarding the dairy industry. Additionally, from 2013 onward, he has experienced important duties as Managing Officer, and from 2015, he has been involved in management as Director. By utilizing this knowledge and experience, the Company expects that he can contribute to further growth and improvement in corporate value of the Group, and his reappointment as candidate for Director is requested.</p> |                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                            |
| 5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Tsuyoshi Minato<br>(June 23, 1964) | <p>April 1988      Joined the Company</p> <p>April 2004      General Manager of Administration Department, Tama Plant</p> <p>September 2005    General Manager of Executive Secretary Office, General Affairs<br/>Department</p> <p>April 2007      General Manager of Executive Secretary Section, General<br/>Affairs Department</p> <p>November 2007    General Manager of Special Affairs Department</p> <p>June 2010      Managing Officer and General Manager of Special Affairs<br/>Department</p> <p>June 2015      Director, Executive Managing Officer, Deputy General Manager<br/>of Special Affairs Division and General Manager of Special<br/>Affairs Department</p> <p>November 2015    Director, Executive Managing Officer and Deputy General<br/>Manager of Special Affairs Division<br/>to present</p> <p>[Responsibilities at the Company]<br/>Special Affairs<br/>[Significant concurrent positions]<br/>Councilor, Hikari Kyokai (Hikari Association)</p> | 7,000                                      |
| <p>&lt;Reasons for selection as candidate&gt;</p> <p>Aside from holding posts in the administration operation of the Company, Mr. Tsuyoshi Minato has served as an executive in related organizations, and possesses specialized knowledge regarding the dairy industry. Additionally, from 2010 onward, he has experienced important duties as Managing Officer, and from 2015, he has been involved in management as Director. By utilizing this knowledge and experience, the Company expects that he can contribute to further growth and improvement in corporate value of the Group, and his reappointment as candidate for Director is requested.</p>            |                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                            |

| No. | Name<br>(Date of birth)               | Past experience, positions, responsibilities,<br>and significant concurrent positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Number of<br>shares of the<br>Company held |
|-----|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| 6   | Yoichi Onuki<br>(December 4, 1959)    | April 1983<br>February 2006<br>May 2008<br>February 2010<br>June 2011<br>November 2014<br>June 2015<br>April 2016<br>to present<br>[Responsibilities at the Company]<br>Strategic Planning, Public Relations, Administration, and others                                                                                                                                                                                                                                                                                                                                                          | 7,000                                      |
|     |                                       | <p>&lt;Reasons for selection as candidate&gt;<br/>Mr. Yoichi Onuki has held posts in the sales and administration operations of the Company and possesses specialized knowledge regarding the dairy industry. Additionally, from 2011 onward, he has experienced important duties as Managing Officer, and from 2015, he has been involved in management as Director. By utilizing this knowledge and experience, the Company expects that he can contribute to further growth and improvement in corporate value of the Group, and his reappointment as candidate for Director is requested.</p> |                                            |
| 7   | Shigemi Kusano*<br>(May 26, 1957)     | April 1980<br>May 2002<br>April 2008<br>June 2011<br>June 2013<br>January 2014<br>to present                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 13,000                                     |
|     |                                       | <p>&lt;Reasons for selection as candidate&gt;<br/>Mr. Shigemi Kusano has held posts in the manufacturing operation of the Company and possesses specialized knowledge regarding the dairy industry. Additionally, from 2013 onward, he has experienced important duties as Managing Officer in executive posts. By utilizing this knowledge and experience, the Company expects that he can contribute to further growth and improvement in corporate value of the Group, and his appointment as candidate for Director is requested.</p>                                                         |                                            |
| 8   | Mitsumasa Saito*<br>(January 1, 1958) | April 1980<br>June 2008<br>May 2009<br>June 2011<br>June 2012<br>to present                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 22,000                                     |
|     |                                       | <p>&lt;Reasons for selection as candidate&gt;<br/>Mr. Mitsumasa Saito has held posts in the manufacturing and administration operations of the Company and possesses specialized knowledge regarding the dairy industry. Additionally, from 2011 onward, he has experienced important duties as Managing Officer in executive divisions. By utilizing this knowledge and experience, the Company expects that he can contribute to further growth and improvement in corporate value of the Group, and his appointment as candidate for Director is requested.</p>                                |                                            |



| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Name<br>(Date of birth)             | Past experience, positions, responsibilities,<br>and significant concurrent positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Number of<br>shares of the<br>Company held |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| 9                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Kenichi Ohara*<br>(January 6, 1958) | <p>January 1982    Joined Kelly Clark Company (until October 1982)</p> <p>December 1982    Joined Hagoromo Canning Company (until April 1986)</p> <p>April 1986    Joined Future Marketing Co., Ltd.</p> <p>November 1986    General Manager, Business Promotion Department (until October 1987) of Future Marketing Co., Ltd.</p> <p>December 1987    Joined the Company</p> <p>April 2004    General Manager, Food Service &amp; Institutional Foods Department, Tokyo Office</p> <p>June 2005    General Manager, Dessert and Yogurt Department, Beverage &amp; Dessert Division</p> <p>February 2006    General Manager, Dessert and Yogurt Marketing Department, Fresh Products Division</p> <p>June 2007    Seconded to Chez Forest Co. Ltd. (Representative Director and President)</p> <p>June 2010    Managing Officer and Deputy General Manager, Tokyo Office</p> <p>June 2012    Managing Officer and Deputy General Manager, Sales &amp; Marketing Division 1 to present</p>                                               | 11,000                                     |
| <p>&lt;Reasons for selection as candidate&gt;</p> <p>Mr. Kenichi Ohara has held posts in the sales operation of the Company and possesses specialized knowledge regarding the dairy industry. Additionally, from 2010 onward, he has experienced important duties as Managing Officer in executive posts, and has been involved in the management of affiliated companies. By utilizing this knowledge and experience, the Company expects that he can contribute to further growth and improvement in corporate value of the Group, and his appointment as candidate for Director is requested.</p>                                               |                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                            |
| 10                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Kyoko Okumiya<br>(Jun 2, 1956)      | <p>April 1984    Registered as an Attorney at law (Dai-ichi Tokyo Bar Association)</p> <p>                  Joined Iwata Godo law firm (until August 2000)</p> <p>September 2000    Joined Tanabe &amp; Partners law firm (present)</p> <p>September 2001    Secretary, Civil Action and Civil Execution Act Session, Legislative Council of Ministry of Justice (until February 2004)</p> <p>August 2003    Audit and Inspection Commissioner, City of Kawasaki (until July 2015)</p> <p>February 2006    Member of Defense Procurement Council of Ministry of Defense (until March 2014)</p> <p>June 2014    External Audit &amp; Supervisory Board Member of NEC Corporation (present)</p> <p>June 2014    External Director of DC Co., Ltd. (present)</p> <p>June 2014    External Director of the Company to present</p> <p>[Significant concurrent positions]</p> <p>Attorney at law (Tanabe &amp; Partners)</p> <p>External Director of DC Co., Ltd.</p> <p>External Audit &amp; Supervisory Board Member of NEC Corporation</p> | 2,000                                      |
| <p>&lt;Reasons for selection as candidate&gt;</p> <p>Although Ms. Kyoko Okumiya has no experience of direct involvement in corporate management, she has specialized knowledge as an attorney at law, and has been an External Director of the Company from June 2014, she is contributing to the sound management of the Company from an independent position and with an objective perspective based on her insight concerning law and regulation and companies and society. To continue to receive advice and recommendations toward management from these perspectives, her reappointment as candidate for External Director is requested.</p> |                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                            |

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Name<br>(Date of birth)             | Past experience, positions, responsibilities,<br>and significant concurrent positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Number of<br>shares of the<br>Company held |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| 11                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Shoji Kawakami<br>(October 4, 1949) | <p>April 1974      Joined Toyota Motor Co., Ltd. (current Toyota Motor Corporation)</p> <p>January 1994    General Manager of Cost Accounting Office, Accounting Division, Accounting Group of Toyota Motor Corporation</p> <p>January 1998    Seconded to Kuozui Motors, Ltd. as Vice President</p> <p>January 2000    Senior Vice President of Kuozui Motors, Ltd.</p> <p>January 2001    General Manager, Affiliated Business Department, Accounting Division</p> <p>January 2005    Seconded to AISAN INDUSTRY CO., LTD.</p> <p>June 2005       Transferred to AISAN INDUSTRY CO., LTD. as Director</p> <p>June 2007       Managing Director of AISAN INDUSTRY CO., LTD.</p> <p>June 2008       Senior Executive Managing Officer and Representative Director of AISAN INDUSTRY CO., LTD.</p> <p>June 2013       Part-time Advisor of AISAN INDUSTRY CO., LTD. (until June 2014)</p> <p>June 2015       External Director of the Company to present</p> | 1,000                                      |
| <p>&lt;Reasons for selection as candidate&gt;</p> <p>Mr. Shoji Kawakami possesses a wealth of experience, having served as General Manager of Affiliated Business Department, Accounting Division of Toyota Motor Corporation and had a managerial role at AISAN INDUSTRY CO., LTD. He was also involved in an overseas business at Kuozui Motors, Ltd., and has contributed to the management of the Company from an independent position as an External Director of the Company from June 2015. To continue to receive advice and recommendations toward management from these wide insights, his reappointment as candidate for External Director is requested.</p> |                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                            |

(Note 1) \* indicates a new candidate for Director.

(Note 2) Japan Dairy Trade Co., Ltd., where Mr. Michio Miyahara serves as President and Representative Director, is an affiliate of the Company but has no significant transactions with the Company. No special interest exists between any of the other candidates for Director and the Company.

(Note 3) Ms. Kyoko Okumiya and Mr. Shoji Kawakami are candidates for External Director.

(Note 4) The Company has registered Ms. Kyoko Okumiya and Mr. Shoji Kawakami with the Tokyo Stock Exchange as independent directors. If their reelections are approved and they assume office, the Company intends to maintain their registrations as independent directors.

(Note 5) Ms. Kyoko Okumiya will have served as an External Director for two years since June 2014 upon the conclusion of this Annual General Meeting of Shareholders.

(Note 6) Mr. Shoji Kawakami will have served as an External Director for one year since June 2015 upon the conclusion of this Annual General Meeting of Shareholders.

(Note 7) The Company has entered into liability limitation agreements with Ms. Kyoko Okumiya and Mr. Shoji Kawakami. If their reelections are approved at this Annual General Meeting of Shareholders and they assume office, the Company intends to extend these agreements. The outline of the agreement is as follows:

- 1) If an External Director is liable to the Company for damages pursuant to Article 423, Paragraph 1 of the Companies Act, his/her liability shall be limited to the minimum liability amount stipulated by laws and regulations.
- 2) The limitation of liability stated above is only applicable if an External Director is in good faith and is not grossly negligent in performing his/her duties.

### Proposal 5: Election of Three (3) Audit & Supervisory Board Members

The term of office of Audit & Supervisory Board Members Sadao Bunya, Nobuo Iijima, and Mieko Tomita will expire at the conclusion of this Annual General Meeting of Shareholders. Accordingly, we propose the election of three (3) Audit & Supervisory Board Members.

The Audit & Supervisory Board has given its consent to this proposal.

The candidates are as follows.

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Name<br>(Date of birth)            | Past experience, positions,<br>and significant concurrent positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Number of<br>shares of the<br>Company held |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Nobuo Iijima<br>(June 27, 1950)    | <p>April 1973      Joined the Company</p> <p>June 2003      General Manager of Ice Cream Department</p> <p>June 2005      Managing Officer and General Manager of Ice Cream Department</p> <p>June 2007      Managing Officer and General Manager of Kansai Branch</p> <p>May 2008      Managing Officer and General Manager of Retail Department</p> <p>May 2009      Executive Managing Officer and General Manager of Retail Department</p> <p>February 2010   Executive Managing Officer and General Manager of Retail Department, Sales &amp; Marketing Division 1</p> <p>June 2010      Seconded to Morinaga-Hokuriku Milk Industry Co., Ltd. (Representative Director and President)</p> <p>June 2012      Full-time Audit &amp; Supervisory Board Member to present</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 26,000                                     |
| <p>&lt;Reasons for selection as candidate&gt;</p> <p>Aside from holding posts in the sales operation of the Company, Mr. Nobuo Iijima has served as an executive in related organizations, and possesses specialized knowledge regarding the dairy industry. Additionally, from 2012 onward, he has audited the Group as Full-time Audit &amp; Supervisory Board Member. As the Company can expect effective audits from such knowledge and experience, his reappointment as candidate for Audit &amp; Supervisory Board Member is requested.</p> |                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                            |
| 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Koji Kimura*<br>(February 8, 1950) | <p>April 1972      Joined the Company</p> <p>June 2001      General Manager, Management Information System Department</p> <p>June 2003      Managing Officer and General Manager, Management Information System Department</p> <p>February 2006   Managing Officer and General Manager of Corporate Strategic Planning Department</p> <p>June 2007      Executive Managing Officer and General Manager of Corporate Strategic Planning Department</p> <p>June 2007      Director, Executive Managing Officer, General Manager of Corporate Strategic Planning Department</p> <p>May 2008      Director, Executive Managing Officer, General Manager of Corporate Strategic Planning Department, and General Manager of Public Relations and IR Department</p> <p>May 2009      Director, Executive Managing Officer, General Manager of Corporate Strategic Planning Department, and General Manager of Affiliated Businesses Department</p> <p>June 2009      Executive Managing Officer and General Manager of Affiliated Businesses Department</p> <p>January 2010    Seconded to RIZAN CORPORATION (Representative Director and President)</p> <p>June 2015      Retired from Representative Director and President of RIZAN CORPORATION to present</p> | 39,000                                     |
| <p>&lt;Reasons for selection as candidate&gt;</p> <p>Mr. Koji Kimura has held posts in the administration operation of the Company and possesses specialized knowledge regarding the dairy industry. Additionally, from 2007 to 2009, he was involved in management as Director. As the Company can expect effective audits from such knowledge and advanced ability to gather information via intrapersonal relationships, his appointment as candidate for Audit &amp; Supervisory Board Member is requested.</p>                               |                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                            |

| No.                                                                                                                                                                                                                                                                                                                                                                                                                     | Name<br>(Date of birth)           | Past experience, positions,<br>and significant concurrent positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Number of<br>shares of the<br>Company held |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| 3                                                                                                                                                                                                                                                                                                                                                                                                                       | Masahiko Ikaga*<br>(May 14, 1955) | <p>October 1979    Joined Tohmatsu Aoki Audit Corporation (currently Deloitte Touche Tohmatsu LLC)</p> <p>May 1988        Director of Tohmatsu Touche &amp; Ross Consulting Co. (currently ABeam Consulting Ltd.)</p> <p>May 1990        Partner of Tohmatsu Aoki Audit Corporation</p> <p>April 1993      Director of Tohmatsu Consulting Co., Ltd. (currently Deloitte Tohmatsu Consulting LLC)</p> <p>March 2000     Representative Director and President of Tohmatsu Consulting Co., Ltd. (currently Deloitte Tohmatsu Consulting LLC)</p> <p>October 2010   Director and Chairman of Tohmatsu Consulting Co., Ltd. (currently Deloitte Tohmatsu Consulting LLC) (until November 2013)</p> <p>November 2013 Chief Strategy Officer of Deloitte Touche Tohmatsu LLC (until November 2015)</p> <p>March 2016     Retired from Partner of Deloitte Touche Tohmatsu LLC</p> <p>April 2016      Established Masahiko Ikaga Certified Public Accountant Office</p> <p>May 2016       Representative Director of Prajna Link Co., Ltd. (present) to present</p> <p>[Significant concurrent positions]<br/>Representative of Masahiko Ikaga Certified Public Accountant Office<br/>Representative Director of Prajna Link Co., Ltd.</p> | 0                                          |
| <p>&lt;Reasons for selection as candidate&gt;<br/>Mr. Masahiko Ikaga has knowledge of finance and accounting as a certified public accountant and a wealth of experience and wide insights as a corporate manager. As the Company can expect him to reflect this knowledge and experience in the audit of the Company, his appointment as candidate for External Audit &amp; Supervisory Board Member is requested.</p> |                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                            |

(Note 1) \* indicates a new candidate for Audit & Supervisory Board Member.

(Note 2) No special interest exists between each candidate and the Company.

(Note 3) Mr. Masahiko Ikaga is a candidate for External Audit & Supervisory Board Member.

(Note 4) If election of Mr. Masahiko Ikaga is approved and he assumes office, the Company intends to register him as a new independent auditor.

(Note 5) If election of Mr. Masahiko Ikaga is approved and he assumes office, the Company intends to enter into a liability limitation agreement with him. The outline of the agreement is as follows:

- 1) If an External Audit & Supervisory Board Member is liable to the Company for damages pursuant to Article 423, Paragraph 1 of the Companies Act, his/her liability shall be limited to the minimum liability amount stipulated by laws and regulations.
- 2) The limitation of liability stated above is only applicable if an External Audit & Supervisory Board Member is in good faith and is not grossly negligent in performing his/her duties.

**Proposal 6: Election of One (1) Substitute Audit & Supervisory Board Member**

To prepare for a contingency in which the number of Audit & Supervisory Board Members falls below the minimum stipulated by laws and regulations, we propose the election of one (1) Substitute Audit & Supervisory Board Member as a substitute for the External Audit & Supervisory Board Members Mr. Takatomo Yoneda and Mr. Masahiko Ikaga, who will assume office as an External Audit & Supervisory Board Member, provided that Proposal 5: “Election of Three (3) Audit & Supervisory Board Members” is approved.

The validity of the election under this proposal may only be cancelled prior to the assumption of office based on resolution by the Board of Directors upon consent of the Audit & Supervisory Board.

The Audit & Supervisory Board has given its consent to this proposal.

The candidate for the Substitute Audit & Supervisory Board Member is as follows.

| Name<br>(Date of birth)        | Past experience, positions,<br>and significant concurrent positions                                                                                         | Number of<br>shares of the<br>Company held |
|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| Ichiro Kato<br>(April 1, 1955) | April 1983 Registered as an Attorney at law (Tokyo Bar Association)<br>Joined Kobori Godo Law Firm (current Murata, Kato, Komori<br>Law Firm)<br>to present | 0                                          |

<Reasons for selection as candidate>

Mr. Ichiro Kato is expected to be capable of objectively auditing the company’s management in view of his professional knowledge of legal matters as an attorney at law and abundant experience of commercial issues.

(Note 1) No special interest exists between the candidate Mr. Ichiro Kato and the Company.

(Note 2) Mr. Ichiro Kato is a candidate for Substitute External Audit & Supervisory Board Member.

(Note 3) If Mr. Ichiro Kato is appointed as the External Audit & Supervisory Board Member, the Company intends to enter into a liability limitation agreement with Mr. Kato.

- 1) If an External Audit & Supervisory Board Member is liable to the Company for damages pursuant to Article 423, Paragraph 1 of the Companies Act, his/her liability shall be limited to the minimum liability amount stipulated by laws and regulations.
- 2) The limitation of liability stated above is only applicable if an External Audit & Supervisory Board Member is in good faith and is not grossly negligent in performing his/her duties.

## Reference

[Standards for Determining Independence of External Executives]

If External Directors, External Audit & Supervisory Board Members, and candidates thereof fulfill the following conditions, the Company will determine that they possess adequate independence from the Company.

- (1) The person is not currently an Executive Director, etc., (Note 2) of the Group (Note 1), and was not an Executive Director, etc., of the Group in the past. For External Audit & Supervisory Board Members, in addition to the above, the person was not a Non-executive Director of the Group.
- (2) Within the present fiscal year and within the past three fiscal years, none of the following items applied.
  - 1) The person holds the Group as a major transaction partner (Note 3) or is an Executive Director, etc., of said transaction partner.
  - 2) The person is a major transaction partner of the Group (Note 4) or is an Executive Director, etc., of said transaction partner.
  - 3) The person is a consultant, accounting specialist, or legal specialist that receives a significant amount of cash (Note 5) or other property other than executive remuneration. Additionally, if the party receiving said property is an organization such as a corporation or association, then a person affiliated with said organization.
  - 4) The person is a major shareholder of the Company (Note 6) or is an Executive Director, etc., of said major shareholder.
  - 5) The person is from an organization such as a corporation or association that receives donations or support exceeding a certain amount (Note 7) from the Group.
- (3) The person is not currently a spouse or relative to within the second degree of a person to which any of the following apply.
  - 1) An Executive Director, etc., or a Non-executive Director of the Group. However, for persons who are employees also serving as Executive Directors, etc., this is limited to significant employees (Note 8).
  - 2) Significant persons (Note 9) to which any of (2) 1) to 5) apply.
- (4) The person is not a Director, Audit & Supervisory Board Member, Executive, Managing Officer, or employee of a company with which the Group has a mutual seconding of Directors, Audit & Supervisory Board Members, Executives, or Managing Officers.
- (5) None of the following items apply to the person.
  - 1) Persons with which there may be a conflict of interest with general shareholders.
  - 2) Persons with a total term of office exceeding eight (8) years.

(Note 1) The Group refers to the Company and subsidiaries of the Company.

(Note 2) Executive Directors, etc., refer to Executive Directors, Executives, Managing Officers, Managers, and other employees.

(Note 3) Persons who hold the Group as a major transaction partner are persons that receive payment from the Group of 2% or more of total annual consolidated net sales of said transaction partner.

(Note 4) Major transaction partners of the Group are persons to which any of the following apply.

- 1) Persons whose payment to the Group is 2% or more of total annual consolidated net sales of the Group.
- 2) A financial institution whose balance of loans to the Group as of the end of the fiscal year comprises 2% or more of total consolidated assets of the Group.

(Note 5) A significant amount of cash is 10 million yen per annum or 2% or more of consolidated net sales or total revenue for said corporation, whichever amount is greater, on average for the past three fiscal years.

(Note 6) Major shareholders are shareholders that hold stocks that account for 10% or more of total voting rights.

(Note 7) A certain amount is 10 million yen per annum or 30% or more of total annual expenses for said corporation, whichever amount is greater, on average for the past three fiscal years.

(Note 8) Significant employees are employees that are in upper levels of management, such as General Managers or higher.

(Note 9) Significant persons are certified public accountants, attorneys (including so-called associates), corporate directors, and committee members, etc., or persons that can objectively and rationally be said to possess a similar level of significance.