

[This English translation is based on the original Japanese and prepared for the convenience of readers unfamiliar with the Japanese language. Please note that when and if any discrepancy arises between the Japanese original and this English translation, the former is authentic.]

May 7, 2014

To whom it may concern;

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Representative Director, President

(Code No. 7735, Tokyo Stock Exchange 1st Section)

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Notice of Continuous Adoption of Policy toward a Large-scale Purchase (Anti-takeover Defenses)

The Company continuously adopted the “Policy toward a Large-scale Purchase (Anti-takeover Defenses)” in the 70<sup>th</sup> ordinary general meeting of shareholders held on June 28<sup>th</sup>, 2011 with the approval of shareholders and with some changes in part from the previous one.

As the effective term of the current Anti-takeover Defenses will expire at the close of the Company’s ordinary general meeting of shareholders scheduled to be held in June, 2014 (hereinafter referred to as “This Shareholders’ Meeting”), the Company has been continuously reviewing how Anti-takeover Defenses should be in light of maintenance and improvement of the Company’s corporate value, and consequently the common interests of its shareholders. The Company hereby informs that as a result of such review, the Board of Directors’ Meeting held today resolved on continuous adoption of Anti-takeover Defenses as the “Policy toward a Large-scale Purchase (Anti-takeover Defenses)” (hereinafter referred to as the “Policy”), subject to approval at This Shareholders’ Meeting.

Each of the Directors and Corporate Auditors of the Company has agreed on the adoption of the Policy on the condition that concrete operation of the Policy be carried out appropriately.

For the contents of the Policy, please refer to the following.

For your information, the Company has received no notice or proposal of a large-scale purchase from any specific third party as of this day.

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I. Basic policy regarding the person or entity who controls decisions on financial and business policies of the Company

The Company, as an entity which is listed in the financial instrument exchange market, believes that whether or not a proposed Large-scale Purchase by a Large-scale Purchaser is accepted by shareholders should ultimately be left to the judgment of the shareholders. Once a Large-scale Purchase is completed, however, the Large-scale Purchaser will acquire control that will enable the Large-scale Purchaser to exert an immediate, significant influence on the Company Group's business. Thus, a Large-scale Purchase may have a material impact on the Company Group's corporate value, and consequently the common interests of its shareholders. In light of such impact, the Company believes that the person or entity to control decisions of the Company's financial and business policies must be one that understands the source of the Company's corporate value and can make it possible to continuously maintain and improve the Company's corporate value, and consequently the shareholders' common interests. For this reason, the Company believes it should make certain preparations in case of appearance of a person or entity who is not appropriate to control decisions of the Company's financial and business policies.

II. Special approaches that will contribute to realization of the source of the Company's corporate value and the basic policy

1. Source of the Company's corporate value

The Company originates from the copper-plate printing business named "Ishida Kyokuzan Printing Office," which was founded in Kyoto in the first year of the Meiji Period. Although the founder (the great-grandfather of Akira Ishida, the current chairman) was a graphic artist who was drawing mainly temples, shrines, and landscapes of Kyoto, he started the printing business in order to introduce the history and culture of Kyoto to more people. However, since printings of photographs for hand-drawing block-paints could not reproduce photo gradations, he strived for domestic production of the "glass screen for photoengraving," which was only an expensive import product at that time. The founder's strong thoughts—"Photo-printing technology is essential for development of Japanese culture and industry"—led to the first domestic commercialization of the glass screen production technology, and in 1943, the Company was founded as a venture business originating from "Ishida Kyokuzan Printing Office".

The Company accomplished an expansion of its business from the field of printing-related machines to the field of electronics including semiconductors manufacturing machines and flat panel displays (“FPD”) manufacturing machines, by applying and developing its core technology, “photolithography<sup>1</sup>,” which had been cultivated through the production of glass screens for photoengraving since the foundation. Today, the Company has acquired the world’s top-share position for multiple products including printing-plate output equipment in its original printing-related field, cleaning equipment for silicon wafers in the semiconductor field, and manufacturing machines accommodating large-glass substrate in the FPD field.

The Company’s management principle is the “Shi Kou Ten Kai (the pursuit of new ideas and development and opening of new businesses, products and markets,” which is to always challenge for creation of a new business, technology, and product based upon the core technology). The idea is advocated now with “Shi Kou Ten Kai (the implementation of reform with a strong will)” and leading not only to cultivation of the Company’s core technology but also to a driving force to positively develop open innovation to supplement and further activate the Company’s core technology.

As such, the Company believes that the corporate value of the Company is something that should be maintained and advanced by the comprehensive technological power which has quickly responded to the market changes of the times with a medium- and long-term standpoints and has enabled the development and production of the group of products desired by the society based upon the photolithography as the core technology, and that it is also the integrity of those including customers, business connections, and employees that is the source of the corporate value of the Company.

## 2. Approaches to improving corporate value

In addition to the aforementioned management principle, the “Shi Kou Ten Kai (the pursuit of new ideas and development and opening of new businesses, products and markets ),” the Company has held up as its corporate philosophies, “Sharing the future,” “Developing better people ,” and “Pursuit of technology .” Under these philosophies, the Company continues being a vibrant corporate body by participation of all employees, and engages in business activities

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<sup>1</sup> “Photolithography” means a technology to create minute patterns using photographic developing technology.

giving consideration not only to its shareholders, customers and business connections, but also to harmony with the local communities and to the environment. Further, the Company has held up as management's visions, "Fit your needs, Fit your future (to materialize the future by meeting expectations.....)," and aims to create a new value in the society through providing innovative solutions and to become a company that can share the future with the stakeholders.

The Company Group is also working on the three-year medium-term management plan, "Challenge2016" beginning from the fiscal year ending March 2015 that is the first year of the plan, and aiming at rebuilding of an excellent earnings business portfolio enabling sustainable growth, not only by harnessing the source of the corporate value as described above, maintaining competition superiority by strengthening our strength more in the existing business domain where much more changes take place rapidly and much more competitions intensify, and achieving the earnings structure reform on which the Company Group has been working since the previous three-year medium-term management plan to reform the high earnings structure, but also by early commercialization in the new business domain such as energy, measurement and inspection, life science, and printed electronics fields. In furtherance thereto, the Company Group is promoting the management by putting more importance on balance sheet and making more efforts to improve financial strength. By working together on achievement of the three-year medium-term management plan, the Company will make more efforts to pursue the interests of all stakeholders and improve the corporate value of the Company, and consequently, the common interests of its shareholders.

### 3. Strengthening of corporate governance

The Company pursues transparency, soundness and efficiency in the corporate management and aims at securing interests of all the stakeholders by strengthening corporate governance. For this purpose, the Company establishes "CSR Promotion Group" and is promoting enhancements of internal control functions, environment, health and safety ("EHS") management which are positioned as critical management agenda.

III. Measures for prevention of control of decisions on financial and business policies of the Company by a person or entity regarded inappropriate in light of the basic policy (the Policy)

1. Outline of the Policy

The Policy consists of the Large-scale Purchase Rules to be complied with by any Large-scale Purchaser (described in section 2. below) and the Countermeasures against a Large-scale Purchase which may be taken by the Company (described in section 3. below) in the event of occurrence of purchasing of the Company's shares, etc.<sup>2</sup> which is intended to create, or results in, a situation where the Proportion of Voting Rights Held by a Specific Group of Shareholders accounts for 20% or more (including a purchase on a securities exchange market, a takeover bid and others regardless of specific means of purchase, but excluding the ones to which the Board of Directors has given consent in advance; hereinafter such purchasing shall be referred to as a "Large-scale Purchase," and a purchaser who engages in a Large-scale Purchase shall be referred to as a "Large-scale Purchaser"). The term "Specific Group of Shareholders" as used herein means (i) one or more holders<sup>3</sup> of the Company's shares, etc. and their co-holders<sup>4</sup>; or (ii) one or more persons or entities who make a purchase, etc.<sup>5</sup> of the Company's shares, etc., and their special interested parties.<sup>6</sup> The term "Proportion of Voting Rights Held" as used herein means (a) if the Specific Group of Shareholders falls under (i) above, the proportion of shares, etc. held<sup>7</sup> by the holder(s); and (b) if the Specific Group of Shareholders falls under (ii) above, the total proportion of shares, etc. held<sup>8</sup> by the Large-scale Purchaser(s) and their special interested parties.

First, the Large-scale Purchase Rules as part of the Policy demand that a Large-scale Purchaser provide information necessary for the shareholders and the Board of Directors to make

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<sup>2</sup> The term "shares, etc." means "Share Certificates, etc." as provided for in Article 27-23 Paragraph 1 of the Financial Instruments and Exchange Law; the same applies hereinafter.

<sup>3</sup> The term "holders" means "holder" as provided for in Article 27-23 Paragraph 1 of the Financial Instruments and Exchange Law and includes those who shall be deemed holders pursuant to Paragraph 3 of the same article; the same shall apply hereinafter.

<sup>4</sup> The term "co-holders" means "Joint Holder" as provided for in Article 27-23 Paragraph 5 of the Financial Instruments and Exchange Law and includes those who shall be deemed Joint Holders pursuant to Paragraph 6 of the same article; the same shall apply hereinafter.

<sup>5</sup> The term "purchase, etc." means "Purchase, etc" as provided for in Article 27-2 Paragraph 1 of the Financial Instruments and Exchange Law and includes any purchase, etc. made on the securities market of a stock exchange; the same shall apply hereinafter.

<sup>6</sup> The term "special interested parties" means "Persons in Special Relationship" as provided for in Article 27-2 Paragraph 7 of the Financial Instruments and Exchange Law; the same shall apply hereinafter.

<sup>7</sup> The term "proportion of shares, etc. held" means "Holding Ratio of Share Certificates, etc." as provided for in Article 27-23 Paragraph 4 of the Financial Instruments and Exchange Law, and the number of shares, etc. held (meaning "Number of Share Certificates, etc. Held" as provided for in the same paragraph) by the holder(s) shall be taken into account in the calculation of such proportion.

<sup>8</sup> The term "total proportion of shares, etc. held" means "Share Certificates, etc. Holding Rate" as provided for in Article 27-2 Paragraph 8 of the Financial Instruments and Exchange Law.

their decisions (described in section 2. (1) below) and that a period of time be allowed for the Board of Directors to examine and assess the proposed Large-scale Purchase (described in section 2. (2) below).

Second, Countermeasures against a Large-scale Purchase as part of the Policy allow the Board of Directors to pass resolutions to take appropriate countermeasures that the Board of Directors is allowed to take under the Companies Act or other laws of Japan and the Company's articles of incorporation (described in section 3. (1) below). Countermeasures against a Large-scale Purchase may be taken if and only if a Large-scale Purchaser fails to comply with the Large-scale Purchase Rules or if a Large-scale Purchase causes significant damage to the Company Group's corporate value, and consequently the common interests of its shareholders (described in section 3. (2) and (3) below).

An outline of the Policy is shown in the flow chart in Appendix 1.

## 2. The Large-scale Purchase Rules

### (1) Provision of information to the Board of Directors

A proposed Large-scale Purchaser will be requested to submit to the Board of Directors, prior to commencing the proposed Large-scale Purchase, information necessary and sufficient for shareholders to make decisions and for the Board of Directors to form its opinion (hereinafter referred to as the "Information"). The purpose of this requirement is to ensure that the Board of Directors will be able to examine and assess the proposed Large-scale Purchase in an appropriate manner, and that the shareholders will be able to make appropriate decisions on the proposed Large-scale Purchase.

Specifically, a proposed Large-scale Purchaser who intends to make a Large-scale Purchase will be requested to submit to the Representative Director of the Company a letter of intention stating the proposed Large-scale Purchaser's name, its address or registered office address, the name of its representative, contact details in Japan, the governing law of incorporation (if the proposed Large-scale Purchaser is a foreign legal entity) and an outline of the proposed Large-scale Purchase, and indicating the Large-scale Purchaser's intention to comply with the Large-scale Purchase Rules. Within ten business days following receipt of such letter of intention, the Representative Director of the Company will deliver the proposed Large-scale Purchaser an itemized list of Information, to be initially provided by the proposed



Large-scale Purchaser. The items contained in such list of Information will generally include the following:

- (i) A detail of the Specific Group of Shareholders (including the Large-scale Purchaser) involved in the proposed Large-scale Purchase (including but not limited to the history, composition of officers, principal business activities, principal shareholders, a group organization chart, the asset securities reports or equivalent documents for the most recent three years, consolidated financial statements, and information on the experience in the business similar to that of the Company and others);
- (ii) The purpose (when there are multiple purposes, then all) and specific contents of the proposed Large-scale Purchase;
- (iii) The proportion and the number of shares, etc. held by the Specific Group of Shareholders (including the proposed Large-scale Purchaser) involved in the proposed Large-scale Purchase;
- (iv) The bases for determination of the purchase price of the Company's shares, etc. in the proposed Large-scale Purchase, a proof of funds for purchase, and the specific terms and conditions for financing;
- (v) The following policies and plans to be implemented if the Specific Group of Shareholders (including the proposed Large-scale Purchaser) involved in the proposed Large-scale Purchase takes control of the Group: the management policies, management and business plans, financial, capital and dividend policies, numerical goals for business and financial statements for the three years immediately following acquisition of control and the bases for calculation of such goals, and proposed officers and their career summary;
- (vi) Any and all prior business and competitive relationships between the Specific Group of Shareholders (including the proposed Large-scale Purchaser) involved in the proposed Large-scale Purchase and the main business connections of the Company Group;
- (vii) The expected functions of the Company Group in the Large-scale Purchaser's group following completion of the proposed Large-scale Purchase;
- (viii) Details of any changes to be made following completion of the proposed Large-scale Purchase with respect to relationships with the employees, major business connections, customers, local communities concerned, and other stakeholders of the Company Group;

- (ix) Information on the value of noncash consideration (if any) to be paid for the proposed Large-scale Purchase;
- (x) Recovery policy of the invested capital for Large-scale Purchase;
- (xi) The pledge by the proposed Large-scale Purchaser's person in charge that the statements in the document stating the Information provided by the proposed Large-scale Purchaser are true and accurate in all material respects and do not include any misleading statement or omission of a material fact; and
- (xii) Other information that a director of the Company reasonably considers necessary.

If the information initially submitted by the proposed Large-scale Purchase is considered insufficient as the Information, the Board of Directors may request the proposed Large-scale Purchaser to provide additional information until sufficient Information has been provided.

The fact of the appearance if the Board of Directors of the Company acknowledges an appearance of Large-scale Purchaser, and the fact of the receipt if the Board of Directors receives the Information, will be immediately disclosed to the shareholders. All or part of the contents, etc. of the Information provided by the proposed Large-scale Purchaser will be disclosed to the extent deemed necessary and appropriate for shareholders to make decisions, whenever deemed necessary and appropriate.

(2) Examination and assessment by the Board of Directors

If the Board of Directors of the Company judges that a Large-scale Purchaser completed the provision of the Information to the Board of Directors, the Board will immediately notify the Large-scale Purchaser of such completion and the start and end dates of the following assessment period of the Board of Directors, and disclose such information to the shareholders. The Board of Directors of the Company sets a sixty-day period from the date of dispatch of such notification (in the case of the purchase of all Company shares by a takeover bid with cash-only consideration) or a ninety-day period (in the case of any other Large-scale Purchase) as the period for examination, negotiation, opinion formation and alternative plan preparation by the Board of Directors of the Company (hereinafter referred to as the "Board's Assessment Period"). The proposed Large-scale Purchaser will be requested to refrain from conducting the proposed Large-scale Purchase for the Board's Assessment

Period. The purpose of this requirement is to give the Board of Directors time to examine and assess the Information, to negotiate and discuss with the Large-scale Purchaser, to form the Board of Directors' opinion on the proposed Large-scale Purchase, and to prepare and offer alternative plans to the Company's shareholders, in order to protect the corporate value of Company, and consequently, the common interests of the Company's shareholders.

During the Board's Assessment Period, the Board of Directors will examine and assess the Information so provided taking into account recommendations of the Independent Committee and advice from outside experts, etc., will carefully form the Board's opinion on the proposed Large-scale Purchase or the management policies, etc. that the Large-scale Purchaser wishes to adopt, will notify the Large-scale Purchaser, and will timely and appropriately announce to the shareholders.

### (3) Independent Committee

Although the Board of Directors of the Company judges whether series of procedures were accomplished in compliance with the Large-scale Purchase Rules, and whether the Company takes Countermeasures against the Large-scale Purchase deemed necessary and substantial for the protection of the Company's corporate value, and consequently the common interests of its shareholders, the Board of Directors will establish an Independent Committee as a body to appropriately apply the Large-scale Purchase Rules and to prevent the Board from making arbitrary decisions. The Independent Committee will have at least three but no more than seven members, who will be appointed from the Company's outside Directors, outside Corporate Auditors or outside experts who are independent of the management operating the Company's business, in order to enable the committee to make fair and neutral decisions. For an outline of the Independent Committee Regulations, please refer to Appendix 2. The candidates for the members of the Independent Committee are shown in Appendix 3.

During the Board's Assessment Period, the Board of Directors will provide the Independent Committee with the Information and the results of the Board's assessment and analysis of the Information. In response to inquiries by the Board, the Independent Committee will, by taking into account the results of the Board's assessment and analysis and outside experts' opinions and by obtaining for itself and reviewing information, etc. considered necessary for making decisions, make recommendations on: (i) whether the

information provided by the proposed Large-scale Purchaser is sufficient; (ii) whether the proposed Large-scale Purchaser has complied with the Large-scale Purchase Rules; (iii) whether the conditions for taking Countermeasures against a Large-scale Purchase have been met; (iv) whether to confirm the shareholders' intentions as to whether or not to take Countermeasures against a Large-scale Purchase; and (v) other matters which should be determined by the Board of Directors and on which the advice of the Independent Committee has been sought by the Board of Directors.

The Board of Directors will form and announce its opinion while respecting the recommendations of the Independent Committee as much as possible. If necessary, the Board of Directors may negotiate and discuss with the proposed Large-scale Purchaser in order to improve the terms of the proposed Large-scale Purchase, or it may present to the shareholders an alternative proposal for management policies, etc. of the Company Group.

(4) Confirmation of shareholders' intentions

If the Independent Committee makes recommendation to the Board of Directors to confirm the shareholders' intentions with regard to the content of the Countermeasures and their approval or disapproval to take such Countermeasures against the Large-scale Purchase, the Board of Directors shall conduct a Shareholders Vote in Shareholders' Intentions Confirmation Meeting as a procedure to confirm shareholders' intentions. Shareholders' Intentions Confirmation Meeting may take place together with the Company's ordinary general meeting of shareholders or extraordinary general meeting of shareholders.

If Shareholders Vote is to be conducted, the Board of Directors shall promptly set a record date for the Shareholders Vote (the "Voting Record Date") to determine shareholders who can exercise rights to vote, which shall be publicly announced at least two weeks prior to the Voting Record Date. The shareholders who can exercise rights to vote in Shareholders Vote are the shareholders registered or recorded in the latest register of shareholders as of the Voting Record Date, and one right to vote shall be given per voting right.

Also, at the Shareholders' Intentions Confirmation Meeting, the Board of Directors shall again present to all the present shareholders as of the Voting Record Date, the opinion of the Board of Directors as to the Large-scale Purchase and related actions provided in (2) above.

The Shareholders' intentions shall be determined by affirmative vote of majority of the shares with voting rights of the shareholders present at the Shareholders Intentions Confirmation Meeting. The Board of Directors shall promptly disclose the voting result and any other matters which the Board of Directors considers appropriate.

(5) Resolution of the Board of Directors

The Board of Directors shall, fully respecting recommendations given by the Independent Committee provided in (3), or in accordance with the decision made by the Shareholders Intention Confirmation Meeting provided in (4), promptly pass a resolution to take or not take Countermeasures against Large-scale Purchase in the view of maintaining and improving the Company's corporate value, and consequently the shareholders' common interests.

If the Board of Directors makes any resolution provided above, the Board of Directors shall promptly disclose the abstract of the resolution and other matters which the Board of Directors judges appropriate, whether the content of the resolution is to take or not to take Countermeasures against Large-scale Purchase.

(6) Termination of implementation suspension of Countermeasures against a Large-scale Purchase

After making resolution to take, or after implementing, the Countermeasures against Large-scale Purchase in accordance with the procedures provided in (5) above, if any precondition in which the resolution was based on has changed, such as any changes made to terms and conditions as to the Large-scale Purchase or termination of the Large-scale Purchase by Large-scale Purchaser, the Board of Directors may give reconsideration upon consultation with the Independent Committee, and make resolution as to termination or suspension of implementation of Countermeasures to Large-scale Purchase, respecting the recommendations of the Independent Committee as much as possible.

If such resolution is made, the Board of Directors will immediately notify the Large-scale Purchaser of, and disclose to the shareholders, the abstract of the resolution and any other matters which the Board of Directors judges appropriate.

3. Countermeasures against a Large-scale Purchase

(1) Contents of Countermeasures against a Large-scale Purchase

If a Large-scale Purchaser conducts a Large-scale Purchase without complying with the Large-scale Purchase Rules or otherwise if any of the conditions for taking Countermeasures against a Large-scale Purchase described in (2) below is met, the Board of Directors may pass a resolution to issue rights to subscribe for new shares or to take any other appropriate Countermeasures against a Large-scale Purchase that the Board of Directors is permitted to take under the Companies Act or other laws and the Company's articles of incorporation.

Appendix 4 outlines the conditions for subscription applicable to any issuance of rights to subscribe for new shares by gratis allotment to existing shareholders as a specific Countermeasure against a Large-scale Purchase. These rights to subscribe for new shares may be subject to certain conditions for exercise, such as that a shareholder who exercises the warrant must not belong to a Specific Group of Shareholders with the Proportion of Voting Rights Held exceeding a certain proportion of the total voting rights. The Company may submit registration for issuance of rights to subscribe for new shares in order to issue rights to subscribe for new shares in an expeditious manner.

(2) Conditions for taking Countermeasures against a Large-scale Purchase

The Board of Directors may pass a resolution to take specific Countermeasures against a Large-scale Purchase if and only if any of the following conditions is met:

(a) If the Large-scale Purchaser conducts the Large-scale Purchase without submitting a letter of intention or otherwise without providing sufficient information to the Board of Directors pursuant to the Large-scale Purchase Rules, or if the Large-scale Purchaser conducts the Large-scale Purchase before the elapse of the Board's Assessment Period, or otherwise if the Large-scale Purchaser fails to comply with the Large-scale Purchase Rules, the Board of Directors may pass a resolution to take Countermeasures against the Large-scale Purchase.

(b) If the Large-scale Purchaser complies with the Large-scale Purchase Rules, the Board of Directors will not, in principle, pass a resolution to take Countermeasures against the proposed Large-scale Purchase, even if the Board of Directors has formed a view against the proposed Large-scale Purchase as a result of examination and

assessment of the contents of the letter of intention and the Information, although the Board of Directors may express itself against the proposed Large-scale Purchase or may present its alternative proposals for management policies, etc. of the Company Group. Whether or not to accept the Large-scale Purchase is left to the judgment of the shareholders, taking into account the content of Large-scale Purchase and opinions and alternative proposals, etc. presented by the Board of Directors on the Large-scale Purchase.

However, even if the Large-scale Purchaser complies with the Large-scale Purchase Rules, the foregoing does not preclude the Board of Directors, with fully respecting the recommendation from the Independent Committee and obtaining approval from Shareholders Intentions Confirmation Meeting if necessary, from passing a resolution to take Countermeasures against the Large-scale Purchase deemed necessary and substantial if the Large-scale Purchase is considered to cause significant damage to the Company's corporate value, and consequently the common interests of its shareholders. Specifically, we believe that if a Large-scale Purchase falls under any of the following, it will cause significant damage to the Company's corporate value, and consequently the common interests of its shareholders:

- (i) If the purpose of the Large-scale Purchase or the acquisition of control is not to truly participate in the management of the Company but to inflate the price of shares, etc. of the Company and force persons involved in the Company to purchase them at a high price (so-called greenmail tactics);
- (ii) If the main purpose of the Large-scale Purchase or the acquisition of control is to transfer real property, movable property, intellectual property rights, know-how, trade secret information, main business connections, customers and/or other assets of the Company necessary for the Company's business operation to the Specific Group of Shareholders (including the Large-scale Purchaser) involved in the Large-scale Purchase (so-called scorched-earth tactics);
- (iii) If the main purpose of the Large-scale Purchase or the acquisition of control is to appropriate all or substantial part of the Company's assets as security for obligations or funds for debt payment of the Specific Group of Shareholders (including the Large-scale Purchaser) involved in the Large-scale Purchase;

- (iv) If the main purpose of the Large-scale Purchase or the acquisition of control is to sell or otherwise dispose of real property, securities and other expensive assets owned by the Company by temporarily controlling operation of the Company and use proceeds from such disposal to cause the Company to pay high dividends temporarily or to sell shares, etc. of the Company at high prices by taking advantage of surging share prices due to temporary high dividends;
- (v) If the proposed Large-scale Purchase is likely to practically force the shareholders to sell the shares, by such means as failing to make a tender offer for all shares in the initial buying but setting disadvantageous or unclear conditions for buying in a second tender offer (so-called second-step squeeze-out merger );
- (vi) If the proposed Large-scale Purchaser's acquisition of control and its policy, etc. for treatment of the Company's customers, employees and other stakeholders following the acquisition of control are considered on reasonable grounds to be likely to damage the Company's corporate value, including the interests not only of the Company's shareholders but also of its customers, business connections, employees and other stakeholders, or to be likely to hinder the maintenance and improvement of the Company's corporate value;
- (vii) If the conditions for purchase (including the price and kind of consideration, timing of purchase, lawfulness of the purchase method, probability of the purchase being conducted, and policy for treatment of the Company's employees, business connections, customers and other stakeholders following purchase) are inadequate or inappropriate in light of the nature of the Company's corporate value.; and
- (viii) In addition to the preceding items, in the case the Large-scale Purchase all of the followings:
  - (a) It is objectively and reasonably presumed to be likely to damage to the Company's corporate value, and consequently the common interests of its shareholders; or
  - (b) If Countermeasures against the Large-scale Purchase is not taken at that time, it is or is likely to be unavoidable to damage to the Company's corporate value, and consequently the common interests of its shareholders.



(3) Procedures for taking Countermeasures against a Large-scale Purchase

To ensure objective and reasonable judgments of the Board of Directors, the Board must respect opinions and recommendations of the Independent Committee as much as possible and must obtain approval from the Board of Corporate Auditors before passing a resolution to take specific Countermeasures against a Large-scale Purchase and follow decisions made by Shareholders Intentions Confirmation Meeting if there is any.

4. Effective term and abolishment and modification of the Policy

This Policy will be referred as an agenda item to the ordinary general meeting of shareholders for the fiscal year ending March 31, 2014 (to be held in June 2014), and if approval of a majority of the voting rights of attending shareholders is obtained, its effective term shall be until the conclusion of This Shareholders' Meeting.

From the viewpoint of the maintenance and improvement of the Company's corporate value, and consequently the common interests of its shareholders, and by taking into account status of developments of applicable laws and regulations, this Policy will be reviewed from time to time and may be abolished or, with the scope of the delegation by the resolution of this Shareholders' Meeting, modified at any time before expiration of its effective term if a resolution to do so is passed at an ordinary general meeting or an extraordinary general meeting of shareholders or at a meeting of the Board of Directors of the Company. In this case, the fact of such abolishment or modification, and the content of such modification, and any other matters which the Board of Directors acknowledges appropriate shall be disclosed to all the shareholders.

With respect to the fate of this Policy following the conclusion of the ordinary general meeting of the Company's shareholders to be held in June 2017, the Policy will be revised as necessary and the shareholders will be asked if they wish to maintain the Policy or to adopt a new policy.

IV. Reasonableness of the Policy

1. The Policy is in line with the basic policy

The Policy sets forth the Large-scale Purchase Rules and Countermeasures against a Large-scale Purchase.

The Policy demands a proposed Large-scale Purchaser to provide in advance the Board

of Directors with necessary and sufficient information regarding the proposed Large-scale Purchase and to commence any Large-Scale Purchase only after the elapse of the Board's Assessment Period, and clearly states that the Board of Directors of the Company may exercise countermeasures against Large-scale Purchasers who do not comply with the Large-scale Purchase Rules.

The Policy also clearly states that even when the Large-scale Purchase Rules is being complied with, if the Company's Board of Directors considers a Large-scale Purchase by a Large-scale Purchaser to be one that would cause significant damage to the Company's corporate value, and consequently the common interests of the Company's shareholders, the Company's Board of Directors may exercise countermeasures against the Large-scale Purchaser which are considered appropriate for protecting the Company's corporate value, and consequently, the common interests of the Company's shareholders.

As such, the Policy is in line with the basic policy.

2. The Policy will not undermine the common interests of Company's shareholders

As described in part I above, the basic policy is premised on respecting the common interests of the Company's shareholders. The Policy is designed along the line of the way of thinking in the basic policy, and is intended to ensure provisions of information which are necessary for the shareholders to judge whether or not to accept a Large-scale Purchase and opinions of the Company's Board of Directors, and provisions of opportunities for the shareholders to receive a proposal for alternative plans. The Company believes that the Policy will not undermine the common interests of the Company's shareholders, but rather, will be beneficial for such interests, because the Policy will enable the Company's shareholders and investors to make appropriate investment decisions.

Further, in addition to the condition under which the shareholders' approval is required for the Policy to become effective, it is possible for the shareholders to indicate their intentions through election of Directors even during the effective term of the Policy because the term of the Company's Directors is one year. Also, the Policy is not anti-takeover defenses of dead-hand type (anti-takeover defenses which unreasonably limit the exercise of the rights of shareholders for they cannot be abolished or their implementation cannot be prevented even by replacing the majority of the members of the board of directors) or of slow-hand type (anti-takeover defenses

which take time to abolish them or to prevent their implementation because the members of the board of directors cannot be replaced at once). That even an abolishment of the Policy is possible if so desired by the shareholders ensures, the Company believes, that the Policy will not undermine the Company's shareholders' common interests.

3. The Policy is not intended for maintenance of the positions of the Company's officers

The Policy demands a compliance with the Large-scale Purchase Rules and allows to implement Countermeasures against a Large-scale Purchase to the extent necessary to protect the Company's corporate value, and consequently, the shareholders' common interests, while standing on the principle that the issue of whether or not to accept a Large-scale Purchase should ultimately be left to the judgment of the shareholders. Under the Policy, the conditions under which the Company's Board of Directors implements Countermeasures against a Large-scale Purchase are disclosed in advance and in detail, and the Countermeasures against a Large-scale Purchase by the Company's Board of Directors will be implemented in accordance with the provisions of the Policy. The Company's Board of Directors is not allowed to effectuate or extend the Policy by itself; the shareholders' approval is required.

Also, when an important judgment relating to the Policy is made, such as when the Company's Board of Directors takes Countermeasures against a Large-scale Purchase with regard to a Large-scale Purchase, advice by outside experts, etc. will be obtained as necessary, and consultation is made with the Independent Committee which consists of the members independent of the management operating the Company's business, and the Company's Board of Directors is required to respect recommendations of the said Committee as much as possible. Moreover, to respect the shareholders' intentions, the Policy allows for taking the procedure to confirm the shareholders' intention as necessary. The procedures to ensure fair application of the Policy by the Company's Board of Directors are incorporated therein.

Accordingly, the Company believes it is apparent that the Policy is not intended for maintenance of the positions of the Company's officers.

V. Effects of the Policy on shareholders and investors

1. Potential effects of the Large-scale Purchase Rules on shareholders and investors

The Large-scale Purchase Rules are mere rules to be complied with by any Large-scale

Purchaser in conducting their Large-scale Purchase and do not provide for issuance of any rights to subscribe for new shares or other shares, etc. Therefore, the Large-scale Purchase Rules do not have any effects on the rights or interests of shareholders or investors.

The Large-scale Purchase Rules enable the Company's shareholders to make appropriate decisions as to a Large-scale Purchase based on sufficient and necessary information. The Company thus believes that the Large-scale Purchase Rules contribute to the maintenance and improvement of corporate value of the Company, and consequently, the common interests of its shareholders.

Please note that the Company may take different measures toward different Large-scale Purchases depending on whether or not the Large-scale Purchasers comply with the Large-scale Purchase Rules. Shareholders and investors are requested to pay attention to the attitudes of Large-scale Purchasers.

2. Potential effects of implementation of Countermeasures against a Large-scale Purchase on shareholders and investors

If Countermeasures against a Large-scale Purchase are taken, they may impair the legal rights or economic interests of shareholders belonging to the Specific Group of Shareholders involved in the Large-scale Purchase. However, these countermeasures are not intended to cause specific damage to the legal rights or economic interests of other shareholders. If the Board of Directors passes a resolution to take Countermeasures against a Large-scale Purchase, appropriate disclosure will be made in a timely manner pursuant to applicable laws and regulations and the rules of Financial Instruments Exchange.

If any rights to subscribe for new shares are to be issued by gratis allotment to existing shareholders as a Countermeasure against a Large-scale Purchase, the rights to subscribe for new shares will be allotted to shareholders whose names are registered or recorded in the register of shareholders as of the record date to be specified by the Board of Directors and publicly announced, depending on the number of shares held by each shareholder. In addition, when exercising rights to subscribe for new shares, shareholders who wish to obtain new shares are requested to pay a certain amount of money within the designated period. A shareholder who fails to comply with these procedures will face a reduction in its value of the Company stocks. However, if the Board of Directors creates acquisition provisions allowing the Company to

acquire rights to subscribe for new shares and to deliver shares of the Company in exchange for such rights and if the Company follows the procedures for such acquisition, then a shareholder holding the rights to subscribe for new shares subject to such acquisition will receive shares of the Company without paying any money, and therefore will not face a reduction in value of the Company stocks that the shareholders own (in this case, such shareholder may be requested to separately submit a written pledge in the form designated by the Company stating, among others, that it does not belong to the Specified Group of Shareholders).

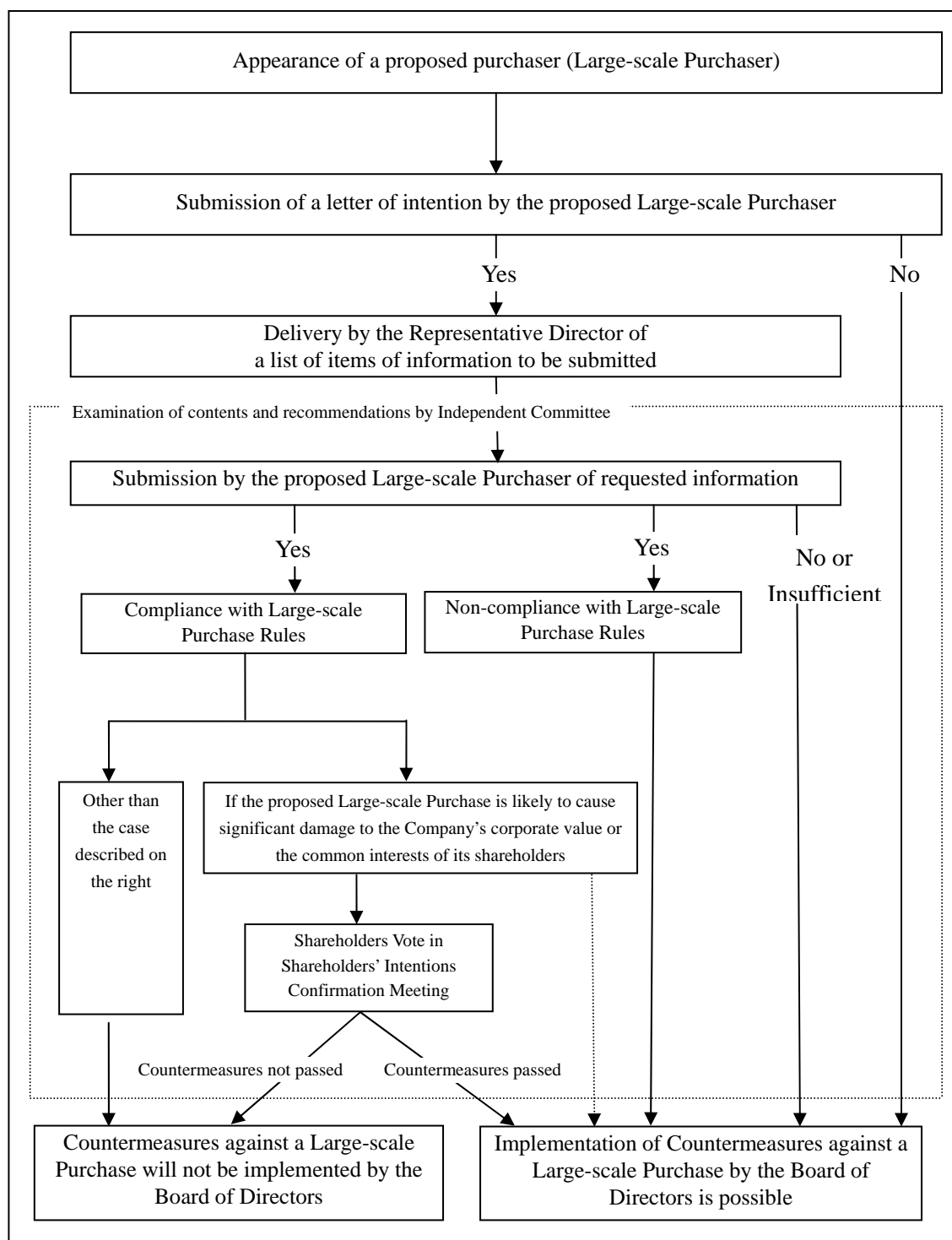
With respect to the details, etc. of how the rights to subscribe for new shares will be allotted, how the rights to subscribe for new shares will be exercised, and how the Company will acquire the rights to subscribe for new shares, as the Company will disclose the information or give a notice to the shareholders after the Company's Board of Directors resolves on the Countermeasures against a Large-scale Purchase, please see the contents of such disclosure or notice.

3. Potential effects of termination of implementation of Countermeasures against a Large-scale Purchase on shareholders and investors

If the rights to subscribe for new shares by gratis allotment to existing shareholders as a specific Countermeasure against a Large-scale Purchase are issued and the Company terminates the gratis allotment or acquires the new shares by gratis allotment free of cost pursuant to the procedure described in section 2.(6) of part III above after the shareholders who should receive the rights to subscribe for new shares by gratis allotment are determined, the value of each Company stock will not face a reduction. Therefore, please note that the shareholders and investors who bought or sold based on the premise that the value of each Company stock will face a reduction may incur loss accordingly upon fluctuation of stock price.

End.

Flow Chart of the Policy



Note 1: Matters to be considered by the Independent Committee in response to inquiries by the Board of Directors include:

(i) Whether the proposed Large-scale Purchaser has provided sufficient information; (ii) whether the proposed Large-scale Purchaser has complied with the Large-scale Purchase Rules; (iii) whether the conditions for taking Countermeasures against a Large-scale Purchase have been met.; and (iv) whether or not to confirm the shareholders' intentions as to take Countermeasures against a Large-scale Purchase.

Note 2: Cases of failure to comply with the Large-scale Purchase Rules include: cases where a letter of intention has not been submitted; cases where the Large-scale Purchase is conducted without the provision of sufficient information; and cases where the Large-scale Purchase is conducted before the elapse of the Board's Assessment Period.

Note 3: The Board's Assessment Period means a sixty day period (in the case of the purchase of all Company shares by a takeover bid with cash-only consideration) or a ninety day period (in the case of any other Large-scale Purchase) following the day on which the Company issues a notice that the proposed Large-scale Purchaser completed the provision of information to the Company.

## Outline of the Regulations of the Independent Committee

### 1. Composition

The Independent Committee (hereinafter referred to as the “Committee”) shall consist of three (3) to seven (7) members (hereinafter referred to as “Members”) and shall be appointed by the Board of Directors from outside Directors and outside Corporate Auditors who are independent of the management operating the Company’s business. In addition, the Board of Directors may appoint outside experts who are independent of the management operating the Company’s business as Members.

### 2. Term

The term of Members shall commence upon their appointment and end at the conclusion of the ordinary general meeting of shareholders for the last fiscal year ending within three (3) years following their appointment; provided, however, that the foregoing shall not apply if otherwise is determined by a resolution of the Board of Directors.

### 3. Authority of the Committee

- (1) The Committee shall make decisions on the following matters and shall advise the Board of Directors of the contents of such decisions, together with the reasons thereof:
  - (i) Whether the Large-scale Purchaser has provided sufficient information;



- (ii) Whether the Large-scale Purchaser has complied with the Large-scale Purchase Rules;
  - (iii) Whether the conditions for taking Countermeasures against the proposed Large-scale Purchase have been met;
  - (iv) Whether or not to confirm the shareholders' intentions as to take Countermeasures against
    - a Large-scale Purchase; and
  - (v) Other matters which should be determined by the Board of Directors and on which the advice of the Independent Committee has been sought by the Board of Directors.
- (2) In addition to the matters listed in the preceding paragraph, the Committee shall perform the following duties:
- (i) Examination and assessment of information, documents, etc. provided by the Large-scale Purchaser and the Board of Directors;
  - (ii) Submission to the Board of Directors of requests for submission of alternative plans, and examination and assessment of the alternative plans;
  - (iii) Any other tasks on which the Committee has been authorized by the Board of Directors to work.
- (3) The Committee may give instructions to the Board of Directors on the following matters:
- (i) A potential request to the Large-scale Purchaser to provide additional information, if the Committee has concluded that the information provided by the Large-scale Purchaser is insufficient as the requisite Information defined in the Policy;
  - (ii) Potential public disclosure of the proposal of a Large-scale Purchase made to the Company and all or part of the information provided by the Large-scale Purchaser;◦

- (iii) Potential public disclosure of the information provided by the Large-scale Purchaser, if the Committee has concluded that such information is sufficient as the Information; and
- (iv) Negotiation with the Large-scale Purchaser for improvement of the conditions for the proposed Large-scale Purchase.

#### 4. Resolutions by the Committee

In principle, a resolution by the Committee shall be passed at a meeting attended by all Members when it is voted for by a majority of the Members in attendance; provided, however, that under unavoidable circumstances, a resolution may be passed at a meeting attended by at least two thirds of all Members when it is voted for by a majority of the Members in attendance. In case of a tie vote, the chairman shall have the casting vote.

#### 5. Other Matters

(1) In order to collect necessary information, the Committee may demand the attendance of specific Directors, Corporate Auditors, employees and any other persons whose attendance is deemed necessary by the Committee, and may request such required attendees to provide information considered necessary for the Committee to make recommendations.

(2) The Committee may, at the Company's expense, obtain advice from third parties (including financial advisors, lawyers, certified public accountants, consultants and other experts) who are independent of the management operating the Company's business.

End.

## Brief Personal History of Candidates for Independent Committee Members

The following six (6) persons are the candidates for the Independent Committee Members.

Name ( Date of birth )	Brief personal history [Significant concurrent position]	Number of Company shares held (unit: in thousand shares) [ as of end of March 2011 ]
<p>Toyoomi Nagata ( January 18, 1938 )</p>	<p>September 1965: Research Assistant, History Department, Faculty of Letters, Ritsumeikan University            April 1970: Appointed Associate Professor, Faculty of Letters, Ritsumeikan University            September 1974: Fellow of the American Council of Learned Societies (ACLS), Princeton University            April 1979: Appointed Professor, Faculty of Letters, Ritsumeikan University            September 1984: Senior Fulbright Scholar, Columbia University and the Graduate Center of New York City University            September 1988: Senior Fellow of the American Council of Learned Societies (ACLS), the New School for Social Research            April 1993: Appointed Dean, Faculty of Letters, Ritsumeikan University            April 1997: Appointed Vice Chancellor, The Ritsumeikan Trust and Vice President, Ritsumeikan University            January 1999: Appointed Chancellor, The Ritsumeikan Trust and President, Ritsumeikan University            February 2007-present: Appointed Chairperson of the Board of Trustees, The Ritsumeikan Trust</p> <p>[Significant concurrent position] The President of the Ritsumeikan Trust</p>	0
<p>Yoshio Tateishi ( November 1, 1939 )</p>	<p>April 1963: Joined Tateisi Electronics Co. (current Omron Corporation)            May 1973: Appointed Director of the same            June 1976: Appointed Managing Director of the same            June 1983: Appointed Senior Managing Director of the same            June 1987: Appointed Representative Director and President of the same            June 2000: Appointed Outside Director of West Japan Railway Company            June 2003-present: Appointed Representative Director and Chairman of Omron Corp.            June 2006-present: Appointed Director of the Company            May 2007-present: Appointed Chairman, Kyoto Chamber of Commerce and Industry            June 2011-present: Appointed Honorary Chairman of Omron Corporation</p> <p>[Significant concurrent position] Chairman, Omron Corporation Chairman, Kyoto Chamber of Commerce and Industry</p>	20
<p>Takeshi Isayama ( March 8, 1943 )</p>	<p>April 1967: Joined Ministry of International Trade and Industry (current Ministry of Economy, Trade and Industry)            August 1996: Appointed Director of Trade Bureau            July 1997: Appointed Director of Trade Policy Bureau            June 1998: Appointed Commissioner of Japan Patent Office            October 1999: Appointed Advisor to Mitsui Marine &amp; Fire Insurance Co., Ltd. (current Mitsui Sumitomo Insurance Co., Ltd.)            September 2000: Appointed Guest professor at Asia Pacific Research Center, Stanford University, U.S.A.            September 2001: Appointed Vice Chairman of Nissan Motor Co., Ltd.            April 2005: Appointed Guest Professor at Graduate School of Technology Management, Tokyo University of Agriculture and Technology            June 2005: Appointed Outside Director of Terumo Corporation            August 2005: Appointed Member of AIST Advisory Board, National Institute of Advanced Industrial Science and Technology            March 2007: Appointed Outside Director of The Seiyu Co., Ltd.            June 2007: Appointed Director of the Company            October 2007: Appointed Chairman of Carlyle Japan LLC            May 2009: Appointed Outside Director of Renault S.A.S.            July 2010: Senior Adviser of Carlyle Japan LLC            July 2011-present: Appointed Outside Director of Fidelity International Limited            June 2013-present: Appointed Senior adviser of the Company</p> <p>[Significant concurrent position] Outside Director, Fidelity International Limited</p>	26

<p>Toru Matsumoto ( April 3, 1962 )</p>	<p>November 1989: April 1992:  July 1997: January 2000-present:  June 2002:</p>	<p>Passed Japanese bar examination Member of Osaka Bar Association and Japan Federation of Bar Associations Joined Oh-Ebashi LPC &amp; Partners Member of New York State Bar Association Established Matsumoto Sogo Law Office (current Aqua Yodoyabashi Law Offices) Appointed Outside Director of the Company</p> <p>[Significant concurrent position] Attorney, Aqua Yodoyabashi Law Offices</p>	<p>9</p>
<p>Tsutomu Tsutsumi ( December 29,1949 )</p>	<p>April 1973: October1993:  October1995:  October1999: June 2003:  June 2007: June 2011-present:  June 2012-present:</p>	<p>Joined The Bank of Kyoto, Ltd. Appointed General Manager, Kumiya-ma-cho Branch of the same bank. Appointed Director,Credit department loan and administration division of the same bank. Appointed Director, General Affairs Dept of the same bank. Appointed Director and Manager of General Affairs Dept., Head Office of the same bank. Appointed Corporate Auditor of the same bank Appointed President and Representative Director, Kyoyu Syoji Co., Ltd. Appointed Corporate Auditor of the Company</p> <p>[Significant concurrent position] Representative Director and President , Kyoyu Syoji Co., Ltd.</p>	<p>3</p>
<p>Kenzaburo Nishikawa (November1, 1955)</p>	<p>April 1978: October 1998: June 2000:  April 2002:  June 2004: June 2007: June 2009:  June 2011: February 2014-present :</p>	<p>oined The Shiga Bank, Ltd. Appointed General Manager, Giou Branch of the same bank. Appointed General Manager, Kousei Cyuou Branch of the same bank. Appointed General Manager, Marutamachi Branch of the same bank. Appointed General Manager, Minakuchi Branch of the same bank. Appointed General Manager, Hikone Branch of the same bank. Appointed Director and General Manager, Osaka Branch of the same bank. Appointed Managing Director of the same bank Appointed President and Representative Director, SHIGAGIN LEASE CAPITAL CO.,LTD</p> <p>[Significant concurrent position] President and Representative Director, SHIGAGIN LEASE CAPITAL CO.,LTD</p>	<p>0</p>

(Note)

1. Of Independent Committee Member Candidates, Messrs. Yoshio Tateishi, and Tsutomu Tsutsumi have been appointed Outside Directors, , and the Company has reported them to Tokyo Stock Exchange, Inc. as independent directors/auditors, and Mr. Kenzaburo Nishikawa is a nominee of Outside Corporate Auditor, and the Company will report him to Tokyo Stock Exchange, Inc. as independent directors/auditors.
2. Special interest between Candidates for Independent Committee Members and the Company
  - (1) Dr. Toyoomi Nagata is Chairperson of the Board of Trustees , The Ritsumeikan Trust. The Company has established a relationship with Ritsumeikan University, through various joint research and contract research programs and others, but the amount of such transactions is not material.
  - (2) Mr. Yoshio Tateishi is Chairman and Representative Director of OMRON Corporation. The Company has engaged in purchasing, sales, and other transactions with OMRON Corporation, but the amount of such transactions is not material.
  - (3) There is no special interest between Mr. Takeshi Isayama and the Company.
  - (4) Mr. Toru Matsumoto is an attorney with Aqua Yodoyabashi Law Offices. The Company has contracted for legal services from the law offices, but the amount of such transaction is not material.
  - (5) There is no special interest between Mr. Tsutomu Tsutsumi and the Company.
  - (6) There is no special interest between Mr. Kenzaburo Nishikawa and the Company.

Outline of Conditions for Subscription for Rights to Subscribe for New Shares

1. Shareholders who are entitled to receive rights to subscribe for new shares and conditions for allotment thereof:

Each of the shareholders whose names are recorded in the register of shareholders as of the record date to be specified and publicly announced by the Board of Directors shall be allotted one right to subscribe for new shares per one share held by the shareholder (except any and all ordinary shares held by the Company as treasury stock).

2. Type and number of shares to be acquired upon exercise of rights to subscribe for new shares:

The type of shares to be acquired upon exercise of rights to subscribe for new shares shall be common stock, and the number of shares to be acquired upon exercise of one right to subscribe for new shares shall be one share; provided, however, that necessary adjustments shall be made if the Company conducts a share split or share consolidation.

3. Total number of rights to subscribe for new shares to be allotted:

The total number of rights to subscribe for new shares to be allotted shall be determined by the Board of Directors up to 620,000,000 rights to subscribe for new shares. The Board of Directors may allot rights to subscribe for new shares more than once within the said maximum total number of rights to subscribe for new shares.

4. Amount to be paid for each right to subscribe for new shares:

Zero yen

5. Value of property to be contributed upon exercise of a right to subscribe for new shares:

The value of property to be contributed upon exercise of a right to subscribe for new shares shall be one Japanese yen or more to be determined by the Board of Directors.

6. Restriction on transfer of right to subscribe for new shares:

Rights to subscribe for new shares may only be transferred with the approval of the Company.

7. Exercise period and other conditions of rights to subscribe for new shares:

Exercise period, conditions of exercise, acquisition provisions and other conditions of rights to subscribe for new shares shall be determined by the Board of Directors.

End.

## Major shareholders as of March 31, 2014

Major Shareholders	Number of shares [thousands]	Shareholding ratio [%]
The Master Trust Bank of Japan, Ltd. (Accounting in trust)	25,979	10.95
Japan Trustee Services Bank, Ltd. (Accounting in trust)	18,774	7.91
Nippon Life Insurance Company	9,661	4.07
The Bank of Kyoto, Ltd.	6,730	2.84
Resona Bank, Limited	4,562	1.92
Dainippon Screen's Business Partners Shareholders' Association Synchronize	4,558	1.92
The Shiga Bank, Ltd.	4,241	1.79
Dainippon Screen's Employees Shareholders' Association	4,230	1.78
The Bank of Tokyo-Mitsubishi UFJ, Ltd .	3,923	1.65
BNP Paribas	3,599	1.52

\*While Dainippon Screen Mfg. Co., Ltd. holds 16,625,067 shares in treasury stock, this is not included in the above list of major shareholders.

\*Shareholding ratio is calculated based on outstanding shares excluding treasury stock.