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Securities Code: 9045

May 29, 2018

To Our Shareholders:

Yoshifumi Kato
Representative Director & President
Keihan Holdings Co., Ltd.
1-7-31 Otemae, Chuo-ku, Osaka

Notice of the 96th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 96th Ordinary General Meeting of Shareholders of Keihan Holdings Co., Ltd. (the “Company”), which will be held as indicated below.

If you are unable to attend the Meeting in person, you may exercise your voting rights in writing or via the Internet, etc. Please review the attached Reference Documents for General Meeting of Shareholders, and exercise your voting rights following “Exercising Voting Rights” on page 2 so that your vote is received by 6:00 p.m. on Monday, June 18, 2018 (JST).

1. **Date and Time:** Tuesday, June 19, 2018, at 10:00 a.m.
2. **Venue:** Main Hall, 5th floor,
Osaka International Convention Center (Grand Cube Osaka)
5-3-51 Nakanoshima, Kita-ku, Osaka

3. Purpose of the Meeting

Matters to be reported

The Business Report, the Consolidated Financial Statements and the Financial Statements for the 96th fiscal year (from April 1, 2017 to March 31, 2018), and the results of audits of the Consolidated Financial Statements by the Financial Auditor and the Audit and Supervisory Committee

Matters to be resolved

- Proposal No. 1: Dividends of Surplus**
- Proposal No. 2: Election of Eight (8) Directors Who Are Not Audit and Supervisory Committee Members**
- Proposal No. 3: Assignment of Authority Regarding Gratis Allotment of Share Options for Takeover Defense Measures**

◎ When you attend the Meeting, you are kindly requested to present the enclosed voting exercise form at the reception. For the purpose of saving resources, please be sure to bring this notice with you.

◎ If you exercise your voting rights by proxy, another shareholder with voting rights in the Company may attend as your proxy.

Exercising Voting Rights

Exercising voting rights in writing

Please return the enclosed Voting Exercise Form indicating your vote for or against each proposal so that your vote is received by 6:00 p.m. on Monday, June 18, 2018 (JST).

Exercising voting rights via the Internet, etc.

[Instructions for exercising voting rights via the Internet]

Please follow the instructions below and exercise your voting rights by 6:00 p.m. on Monday, June 18, 2018 (JST).

1. Voting website

You can only exercise your voting rights via the Internet by accessing the following dedicated voting website designated by the Company.

Dedicated voting website address: <https://www.web54.net>

2. Handling of votes

- (1) When exercising your voting rights via the Internet, input the “voting right exercise code” and “password” written in the enclosed voting exercise form, and indicate your approval or disapproval of each proposal by following the on-screen instructions.
- (2) Any fees for Internet providers and telecommunication companies (connection fees etc.) incurred by shareholders in using the dedicated voting website are to be borne by the shareholder.

3. Safekeeping of the voting right exercise code and password

- (1) The password is important for authenticating the identity of shareholders. Please handle it with care in the same way as you would your seals or PIN number.
- (2) If you enter your password incorrectly more than a certain number of times, the password will be locked. If you wish to have your password reissued, please complete the procedures by following the on-screen instructions.
- (3) The voting right exercise code provided on the voting exercise form will only be valid for this Meeting.

4. Inquiries regarding the operation of a PC etc. for exercising voting rights

If you have any questions regarding the operation of a PC etc. for exercising voting rights on the website, please contact:

Stock Transfer Agency Web Support, Sumitomo Mitsui Trust Bank, Limited

Tel: 0120-652-031 (toll free and available from 9:00 a.m. to 9:00 p.m., only in Japan)

[Utilizing the electronic voting platform (intended for institutional investors)]

For institutional investors, the electronic voting platform operated by ICJ, Inc., is available for exercising your voting rights for this Meeting.

Treatment of multiple exercises of voting rights

If you exercise your voting rights in duplicate, both in writing and via the Internet, etc., only your vote exercised via the Internet, etc. will be treated as valid. In addition, if you exercise your voting rights via the Internet, etc. multiple times, only the last vote exercised will be treated as valid.

Reference Documents for General Meeting of Shareholders

Proposals and Reference Information

Proposal No. 1: Dividends of Surplus

The Company's basic policy regarding profit-sharing is to continue a stable distribution of profit while considering equity levels and performance to sustainably realize results-based shareholder returns, even amidst drastically changing economic environments. The policy also includes ensuring a stable management foundation of the Group centering on the highly public railway business by working to improve value along our rail lines, as well as striving for active investment and to strengthen financial structure so that the Group is able to grow.

Based on the policy above, we would like to propose to pay a year-end dividend for the current business term as follows.

- (1) Type of dividend property:

Cash

- (2) Matters concerning the allotment of dividend property to shareholders and the total amount of the allotment:

¥20 per share of common shares of the Company

Total cash dividends of ¥2,143,862,640

The Company implemented share consolidation on October 1, 2017, consolidating five (5) shares into one (1) share for the common shares.

Including the midterm dividend of ¥3 per share, the total dividend to be paid during the year will be ¥7 per share (an increase of ¥1) when it is calculated based on the shares before the share consolidation, combining the midterm dividend of ¥3 and the year-end dividend of ¥4. It will be ¥35 per share (an increase of ¥5) when it is calculated based on the shares after share consolidation, combining the midterm dividend of ¥15 and the year-end dividend of ¥20.

- (3) Date on which the dividend of surplus will become effective:

June 20, 2018

Proposal No. 2: Election of Eight (8) Directors Who Are Not Audit and Supervisory Committee Members

The term of office of all the eight (8) Directors who are not Audit and Supervisory Committee Members will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the Company proposes to elect eight (8) Directors who are not Audit and Supervisory Committee Members.

The candidates for Directors who are not Audit and Supervisory Committee Members are as follows:

Candidate No.	Name		Current position in the Company
1	Yoshifumi Kato	Re-election	Representative Director & President, CEO & COO
2	Tatsuya Miura	Re-election	Director (Senior Executive Officer)
3	Michio Nakano	Re-election	Director (Managing Executive Officer)
4	Masaya Ueno	Re-election	Director (Managing Executive Officer)
5	Toshihiko Inachi	Re-election	Director (Managing Executive Officer)
6	Masahiro Ishimaru	Re-election	Director (Managing Executive Officer)
7	Kazuo Tsukuda	Re-election Outside Independent	Director
8	Shuji Kita	Re-election Outside Independent	Director

Candidate No.	Name (Date of birth)		Number of the Company's shares held	The Number of Attendance at the Board of Directors Meetings
1	Yoshifumi Kato (Nov. 25, 1951) Re-election	<ul style="list-style-type: none"> ● Brief career summary and positions Apr. 1975 Joined the Company Jun. 2005 Director, the Company Jun. 2007 Director & Managing Executive Officer, the Company Jun. 2011 Representative Director & President, CEO & COO, the Company (current position) ● Responsibilities General Manager, Corporate Management Office ● Important concurrent positions Representative Director & Chairman, Keihan Electric Railway Co., Ltd. Outside Audit & Supervisory Board Member, Asahi Broadcasting Group Holdings Corporation ● Reason for nomination as a candidate for Director who is not an Audit and Supervisory Committee Member <p>Elected as Director in June 2005, Mr. Yoshifumi Kato currently serves as Representative Director & President, CEO & COO as well as working as General Manager of the Corporate Management Office. Based on his abundant experience and track record we judge that he is an appropriate candidate for Director who is not an Audit and Supervisory Committee Member and we accordingly request that he be reelected.</p>	25,300 shares	12 out of 12 times
2	Tatsuya Miura (Mar. 11, 1957) Re-election	<ul style="list-style-type: none"> ● Brief career summary and positions Apr. 1980 Joined the Company Jun. 2009 Executive Officer, the Company Jun. 2013 Director & Managing Executive Officer, the Company Jun. 2017 Director & Senior Executive Officer, the Company (current position) ● Responsibilities General Manager, BIOSTYLE Promotion Office; Deputy General Manager (Management Strategy Group [New Business] and Business Promotion Group [Railway Line Area Redevelopment]), Corporate Management Office [General Manager of Real Estate Business] ● Important concurrent positions Representative Director & President, Keihan Tatemono Co., Ltd. ● Reason for nomination as a candidate for Director who is not an Audit and Supervisory Committee Member <p>Elected as an Executive Officer in June 2009, Mr. Tatsuya Miura currently serves as Director & Senior Executive Officer (General Manager of Real Estate Business), as well as being responsible for the Group's overall Real Estate Business operations. Based on his abundant experience and track record we judge that he is an appropriate candidate for Director who is not an Audit and Supervisory Committee Member and we accordingly request that he be reelected.</p>	10,100 shares	12 out of 12 times

Candidate No.	Name (Date of birth)		Number of the Company's shares held	The Number of Attendance at the Board of Directors Meetings
3	Michio Nakano (Oct. 17, 1958) Re-election	<ul style="list-style-type: none"> ● Brief career summary and positions Apr. 1981 Joined the Company Jun. 2013 Executive Officer, the Company Jun. 2017 Director & Managing Executive Officer, the Company (current position) ● Responsibilities Deputy General Manager, Corporate Management Office [General Manager of Transportation Business] ● Important concurrent positions Representative Director & President, Keihan Electric Railway Co., Ltd. ● Reason for nomination as a candidate for Director who is not an Audit and Supervisory Committee Member Elected as an Executive Officer in June 2013, Mr. Michio Nakano currently serves as Director & Managing Executive Officer (General Manager of Transportation Business), as well as being responsible for the Group's overall Transportation Business operations. Based on his abundant experience and track record we judge that he is an appropriate candidate for Director who is not an Audit and Supervisory Committee Member and we accordingly request that he be elected. 	6,610 shares	10 out of 10 times (After election of June, 2017)
4	Masaya Ueno (Jan. 13, 1960) Re-election	<ul style="list-style-type: none"> ● Brief career summary and positions Apr. 1982 Joined the Company Jun. 2013 Executive Officer, the Company Jun. 2017 Director & Managing Executive Officer, the Company (current position) ● Responsibilities General Manager, Kyobashi Project Preparation Office; Deputy General Manager, Corporate Management Office; Deputy General Manager, BIOSTYLE Promotion Office [General Manager of Retail Distribution Business] ● Important concurrent positions Representative Director & Chairman, Keihan Ryutsu Systems Co., Ltd. Representative Director & Chairman, KEIHAN DEPARTMENT STORES LTD. Representative Director & President, Bio Market Co., Ltd. ● Reason for nomination as a candidate for Director who is not an Audit and Supervisory Committee Member Elected as an Executive Officer in June 2013, Mr. Masaya Ueno currently serves as Director & Managing Executive Officer (General Manager of Retail Distribution Business), as well as being responsible for the Group's overall Retail Distribution Business operations. Based on his abundant experience and track record we judge that he is an appropriate candidate for Director who is not an Audit and Supervisory Committee Member and we accordingly request that he be elected. 	5,700 shares	10 out of 10 times (After election of June, 2017)

5	<p>Toshihiko Inachi (Dec. 17, 1958)</p> <p>Re-election</p>	<ul style="list-style-type: none"> ● Brief career summary and positions Apr. 1982 Joined the Company Jun. 2013 Executive Officer, the Company Jun. 2017 Director & Managing Executive Officer, the Company (current position) ● Responsibilities Deputy General Manager (Business Promotion Group [Development of Sightseeing Resources]), Corporate Management Office; In charge of Kyoto Area [General Manager of Leisure and Service Business] ● Important concurrent positions Representative Director & Chairman, Hotel Keihan Co., Ltd. Representative Director & President, Keihan Hotels & Resorts Co., Ltd. Representative Director & President, Keihan Stays Co., Ltd. Representative Director & Chairman, Biwako Kisen Steamship Co., Ltd ● Reason for nomination as a candidate for Director who is not an Audit and Supervisory Committee Member Elected as an Executive Officer in June 2013, Mr. Toshihiko Inachi currently serves as Director & Managing Executive Officer (General Manager of Leisure and Service Business), as well as being responsible for the Group's overall Leisure and Service Business operations. Based on his abundant experience and track record we judge that he is an appropriate candidate for Director who is not an Audit and Supervisory Committee Member and we accordingly request that he be elected. 	4,131 shares	10 out of 10 times (After election of June, 2017)
6	<p>Masahiro Ishimaru (Feb. 28, 1962)</p> <p>Re-election</p>	<ul style="list-style-type: none"> ● Brief career summary and positions Apr. 1985 Joined the Company Jun. 2013 Executive Officer, the Company Jun. 2017 Director & Managing Executive Officer, the Company (current position) ● Responsibilities Deputy General Manager (Management Strategy Group [Overall Group Strategy], Business Promotion Group [Marketing Design] and Personnel Division), Corporate Management Office ● Important concurrent positions Director, Keihan Electric Railway Co., Ltd. ● Reason for nomination as a candidate for Director who is not an Audit and Supervisory Committee Member Elected as an Executive Officer in June 2013, Mr. Masahiro Ishimaru currently serves as Director & Managing Executive Officer, as well as being responsible for operations related to Management Strategy Group [Overall Group Strategy], Business Promotion Group [Marketing Design], and Personnel Division, Corporate Management Office. Based on his abundant experience and track record we judge that he is an appropriate candidate for Director who is not an Audit and Supervisory Committee Member and we accordingly request that he be elected. 	6,610 shares	10 out of 10 times (After election of June, 2017)

7	<p>Kazuo Tsukuda (Sep. 1, 1943)</p> <p>Re-election Outside Independent</p>	<p>● Brief career summary and positions</p> <p>Apr. 1968 Joined Mitsubishi Heavy Industries, Ltd.</p> <p>Jun. 2003 Representative Director & President, Mitsubishi Heavy Industries, Ltd.</p> <p>Apr. 2008 Representative Director & Chairman, Mitsubishi Heavy Industries, Ltd.</p> <p>Jun. 2011 Director, the Company (current position)</p> <p>Apr. 2013 Senior Corporate Adviser, Mitsubishi Heavy Industries, Ltd.</p> <p>Jun. 2013 Senior Executive Adviser, Mitsubishi Heavy Industries, Ltd. (current position)</p> <p>● Important concurrent positions</p> <p>Senior Executive Adviser, Mitsubishi Heavy Industries, Ltd.</p> <p>Outside Director, Mitsubishi Research Institute, Inc.</p> <p>Outside Director (Audit and Supervisory Committee Member), Yamaguchi Financial Group, Inc.</p> <p>Outside Director, FANUC CORPORATION</p> <p>● Reason for nomination as a candidate for Director who is not an Audit and Supervisory Committee Member</p> <p>The Company requests the shareholders to elect Mr. Kazuo Tsukuda as Outside Director who is not an Audit and Supervisory Committee Member in the judgment of the Company that he will be able to utilize his abundant experience and excellent insight as a manager in the management and the supervision of the performance of duties of the Company.</p>	0	12 out of 12 times
8	<p>Shuji Kita (Jan. 28, 1943)</p> <p>Re-election Outside Independent</p>	<p>● Brief career summary and positions</p> <p>Apr. 1966 Joined Ministry of International Trade and Industry</p> <p>Jun. 1991 Deputy Director-General, Economic Planning Agency</p> <p>Jun. 1993 Managing Director, HANWA CO., LTD.</p> <p>Feb. 1994 Representative Director & President, HANWA CO., LTD.</p> <p>Apr. 2011 Representative Director & Chairman, HANWA CO., LTD.</p> <p>Jun. 2011 Director, the Company (current position)</p> <p>Apr. 2017 Director & Chairman, HANWA CO., LTD. (current position)</p> <p>● Important concurrent positions</p> <p>Director & Chairman, HANWA CO., LTD.</p> <p>● Reason for nomination as a candidate for Director who is not an Audit and Supervisory Committee Member</p> <p>The Company requests the shareholders to elect Mr. Shuji Kita as Outside Director who is not an Audit and Supervisory Committee Member in the judgment of the Company that he will be able to utilize his abundant experience and excellent insight as a manager in the management and the supervision of the performance of duties of the Company.</p>	2,000 shares	12 out of 12 times

(Notes) 1. Special interests between the Company and the candidates for Directors who are not Audit and Supervisory Committee Members

Mr. Toshihiko Inachi is the Representative Director of Biwako Kisen Steamship Co., Ltd with which the Company engages in transactions such as land and building lease arrangements and monetary loans and so on.

2. Messrs. Kazuo Tsukuda and Shuji Kita are candidates for Outside Directors.

3. In accordance with the rules of the Tokyo Stock Exchange, the Company has registered the names of Directors Kazuo Tsukuda and Shuji Kita as Independent Board Members.

4. Matters concerning candidates for Outside Directors

(1) Mr. Kazuo Tsukuda

- 1) Number of years in office since first appointment as Outside Director of the Company:

At the conclusion of this General Meeting of Shareholders, Mr. Kazuo Tsukuda will have held the post of Outside Director for seven (7) years.

- 2) Liability limitation agreement with the candidate for Outside Director:

The Company has concluded an agreement with Mr. Kazuo Tsukuda to the effect that the liability of him provided for in Article 423, paragraph 1 of the Companies Act shall be limited to 10 million yen or the minimum amount stipulated by laws or regulations, whichever is higher, in the event he acts in good faith without gross negligence. If the election of Mr. Kazuo Tsukuda is approved and resolved, the Company is expected to enter into a similar liability limitation agreement with him upon his appointment at this General Meeting of Shareholders.

(2) Mr. Shuji Kita

- 1) Number of years in office since first appointment as Outside Director of the Company:

At the conclusion of this General Meeting of Shareholders, Mr. Shuji Kita will have held the post of Outside Director for seven (7) years.

- 2) Liability limitation agreement with the candidate for Outside Director:

The Company has concluded an agreement with Mr. Shuji Kita to the effect that the liability of him provided for in Article 423, paragraph 1 of the Companies Act shall be limited to 10 million yen or the minimum amount stipulated by laws or regulations, whichever is higher, in the event he acts in good faith without gross negligence. If the election of Mr. Shuji Kita is approved and resolved, the Company is expected to enter into a similar liability limitation agreement with him upon his appointment at this General Meeting of Shareholders.

Proposal No. 3: Assignment of Authority Regarding Gratis Allotment of Share Options for Takeover Defense Measures

The Company obtained the shareholders' approval at the 93rd ordinary general meeting of shareholders held on June 17, 2015 and renewed a plan for countermeasures to large-scale acquisitions of the shares in the Company (takeover defense measures) (the plan for countermeasures as so renewed is to be referred to as the "Current Plan"). The Current Plan will become invalid upon expiration at the conclusion of this General Meeting of Shareholders.

The Company determined at the Board of Directors meeting held on May 9, 2018 to renew the Current Plan (the renewal of the Current Plan is to be referred to as the "Renewal," and the renewed plan is to be referred to as the "Plan") upon the Current Plan becoming invalid as a measure to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate under the basic policy regarding the persons who control decisions on the Company's financial and business policies (the "Basic Policy"), subject to approval by the shareholders at this General Meeting of Shareholders.

For the purpose of the Renewal, the Company proposes, in accordance with the provisions of Article 12 of its Articles of Incorporation, to obtain the shareholders' approval to assign to the Company's Board of Directors the authority to decide matters relating to the gratis allotment of share options subject to the terms set out in section II 'Details of the Plan' below.

I. Reason for Proposal (Purpose of the Renewal)

1. Basic Policy regarding Persons Who Control Decisions on the Company's Financial and Business Policies

The Company believes that the persons who control decisions on the Company's financial and business policies need to be persons who fully understand the details of the Company's financial and business affairs and the source of the Company's corporate value and who will make it possible to continually and persistently ensure and enhance the Company's corporate value and, in turn, the common interests of its shareholders.

The Company believes that ultimately its shareholders as a whole must make the decision on any

proposed acquisition that would involve a transfer of corporate control of the Company. Also, the Company would not reject a large-scale acquisition of shares if it would contribute to the corporate value of the Company and, in turn, the common interests of its shareholders.

Nonetheless, there are some forms of large-scale acquisitions of shares that benefit neither the corporate value of the target company nor the common interests of its shareholders, including, without limitation, those with a purpose that would obviously harm the corporate value of the target company and, in turn, the common interests of its shareholders, those that threaten to effectively coerce shareholders into selling their shares, those that do not provide sufficient time or information for the target company's board of directors and shareholders to consider the details of the large-scale acquisition or for the target company's board of directors to make an alternative proposal, and those that require the target company to discuss or negotiate with the acquirer in order to procure more favorable terms for shareholders than those presented by the acquirer.

In particular, the Company believes that the following elements are essential for the Company to ensure and enhance the corporate value of the Company and, in turn, the common interests of its shareholders, and that these elements are the source of the Company's corporate value: (i) the maintenance and strengthening of good relationships of mutual trust with stakeholders (including customers, shareholders, business partners, employees, and local communities) cultivated through the expansion of a life-stage network including the expansion of the railway business, (ii) the sharing of the management principle, public mission, and management vision by the management of the Company and its employees as well as the improvement of management style, (iii) the establishment of a stable management foundation, a deep understanding of the facilities, human resources, and technologies that support the railway business, capital investment with a mid- to long-term perspective (including capital investment in safety measures), safety management and employee education and training to safely carry out daily transportation, and continual promotion of a corporate culture in which the top priority is to ensure safety and security, which are elements required as a corporate group that engages in highly public business (including the railway business, in which the Company is responsible for the safety of many customers), and (iv) the accumulation of methods and ideas to develop the Keihan brand, use the brand as a driving force for new business expansion, and display the collective strength of the Company group to the maximum extent by generating synergies through intimate cooperation between the railway business and other businesses and improving the attractiveness of the Keihan area. Unless the acquirer in a proposed large-scale acquisition of the shares in the Company understands the source of the corporate value of the Company, as well as the details of the financial and business affairs of the Company, and will ensure and enhance these elements over the mid- to long-term, the corporate value of the Company and the common interests of its shareholders would be harmed.

The Company believes that persons who would make a large-scale acquisition of the shares in the Company in a manner that does not contribute to the corporate value of the Company or the common interests of its shareholders would be inappropriate as persons who control decisions on the Company's financial and business policies. The Company believes that it is necessary to ensure the corporate value of the Company and, in turn, the common interests of its shareholders by taking the necessary and reasonable countermeasures to large-scale acquisitions by such persons.

2. The Source of the Company's Corporate Value and Special Measures to Realize the Basic Policy

(1) The Source of the Company's Corporate Value

Since the Keihan Group opened its railway business in 1910 between Tenmabashi and Gojo, it has provided intercity transportation in the Kyoto, Osaka, and Shiga areas for over a century. Centered around the railway business, the Keihan Group, with the Company at its core, has expanded its businesses in a wide range of areas closely tied to daily life.

Against the backdrop of its extremely important public mission of providing safe, precise, fast, and comfortable transportation as a corporate group that engages in the railway business, in which it is responsible for the safety of many customers, the Keihan Group currently bases its business expansion in the "Keihan area," where its public transportation network of railways and buses is located, and is

establishing real estate, retail, and leisure and services businesses in the Keihan area and steadily expanding beyond the areas along railway under its management principle of “creating a comfortable living environment and contributing to society by establishing a network of dreams, hope, and trust.”

Based on that management principle and public mission, the Keihan Group established a new management vision, “Beautiful Keihan line areas; becoming a Keihan Group connected to the world,” which looks ahead to 2050. The Keihan Group will endeavor to create value and achieve global expansion in order to continue its sustainable growth in future business environments, which may change drastically from the present environment. The Keihan Group will create value for communities and for tourism and promote that value to the world at large so that more people choose Keihan line areas as places they want to live and to visit, in addition to which it will endeavor to gain greater sympathy from the world for the Keihan Group by creating lifestyles that contribute to achieving a sustainable society and to develop its business across Asia using the Keihan line areas as its business foundation.

The Company believes that the following elements are essential for the Company to ensure and enhance the corporate value of the Company and, in turn, the common interests of its shareholders, and that these elements are the source of the Company’s corporate value: (i) the maintenance and strengthening of good relationships of mutual trust with stakeholders (including customers, shareholders, business partners, employees, and local communities) cultivated through the expansion of a life-stage network including the expansion of the railway business, (ii) the sharing of the management principle, public mission, and management vision by the management of the Company and its employees as well as the improvement of management style, (iii) the establishment of a stable management foundation, a deep understanding of the facilities, human resources, and technologies that support the railway business, capital investment with a mid- to long-term perspective (including capital investment in safety measures), safety management and employee education and training to safely carry out daily transportation, and continual promotion of a corporate culture in which the top priority is to ensure safety and security, which are elements required as a corporate group that engages in highly public business (including the railway business, in which the Company is responsible for the safety of many customers), and (iv) the accumulation of methods and ideas to develop the Keihan brand, use the brand as a driving force for new business expansion, and display the collective strength of the Company group to the maximum extent by generating synergies through intimate cooperation between the railway business and other businesses and improving the attractiveness of the Keihan area.

(2) Measures to Enhance Corporate Value

As the first phase towards achieving the management vision, the Keihan Group has established a long-term management strategy with FY2026 as the target year and strives to build a suitable foundation for the group to achieve sustainable growth. Specific measures for a three-year period based on this long-term management strategy are set out as the medium-term management plan (for FY2018 to FY2020).

Summaries of the long-term management strategy and medium-term management plan are as follows.

(i) Basic policy

As its main strategies, the Keihan Group will proceed with three endeavors: revitalizing Keihan line areas, co-creating sightseeing opportunities, and creating relatable contents. Additionally, as preparations for achieving the management vision, the Keihan Group will endeavor to build its area portfolio and to promote innovations for the next generation. For the three years of the medium-term management plan, the Keihan Group has taken up the theme of “lifestyle, community, and creating excitement,” and having taken the first step of the growth stage under the previous medium-term management plan, it will endeavor to create exciting, new value in the lifestyles of our customers and in communities along Keihan lines.

(ii) Main strategies

- (1) Revitalizing Keihan line areas: creating beautiful Keihan line areas through urban renewal centered around stations

The Keihan Group will promote urban development centered around stations that makes use of each area's history, culture, industry, and other characteristics, achieve renewal along beautiful and appealing Keihan line areas by connecting those locations with a transportation network, and increase the number of residents and visitors to those areas. The Keihan Group has set "restoring the Osaka east-west corridor and creating communities beginning with stations" as priority measures and will promote the development of key locations along the Osaka east-west corridor, such as Yodoyabashi, Kyobashi, Nakanoshima, and Tenmabashi. Additionally, focusing on the areas connected to Hirakatashi and the Osaka east-west corridor, the Keihan Group will renew stations and surrounding areas in a way suited to the characteristics of the area and strive to achieve synergy with community development in inner cities.

(2) Co-creation of sightseeing opportunities: local areas and Keihan Group together creating sightseeing opportunities and promoting global exchange

In the growing tourism market, the Keihan Group will use its overall strengths to create sightseeing opportunities together with local areas, provide and promote appealing sightseeing experiences focused on Kyoto, and increase both domestic and overseas visitors. The Keihan Group has set "strengthening tourism and inbound business focused on Kyoto" as priority measures, and in addition to developing key areas within Kyoto, such as the Kyoto Station area, Shijo Kawaramachi, and Sanjo, the Keihan Group will promote efforts to expand sightseeing routes focusing on Rakuhoku, Higashiyama, Fushimi, and the Uji area. Moreover, the Keihan Group will link those efforts with the "flow of water" sightseeing route connecting Mt. Hiei and Lake Biwa to Osaka through Kyoto and will create sightseeing routes and sightseeing contents that increase the appeal of Kyoto sightseeing.

(3) Creating relatable contents: creating products, services, and businesses with which customers can identify

The Keihan Group will endeavor to create products, services, and businesses that improve the value of customers' lifestyles while also contributing to resolving environmental issues and other issues facing society, and it will strive to become a group that customers identify with and choose. The Keihan Group has set "BIOSTYLE: making Keihan the customers' choice" as a priority measure, and it will open a flagship facility in Shijo Kawaramachi as a base for promoting BIOSTYLE, which the Keihan Group offers as a new lifestyle, and will steadily develop contents and expand its business. Additionally, the Keihan Group will incorporate BIOSTYLE into the products and services of each business throughout the group and develop products and services with which customers can identify.

(iii) Preparations for achieving management vision

(1) Building area portfolio

The Keihan Group will focus not only the tourism business, but also on other business development in Kyoto and will expand the group's business opportunities.

While placing the highest priority on implementing the main strategies, the Keihan Group will expand its business area by using the know-how cultivated through the Keihan line areas to progress with business development beyond the areas along railway and growing markets overseas.

(2) Promoting innovations for the next generation

The Keihan Group will advance innovations for products, services, and businesses and strive to evolve into a corporate group with high productivity and rich creativity in preparation for environmental changes including ICT technology innovations.

(iv) Strategies for each business

(1) Transportation business

The transportation business will aim to strengthen the management foundation by improving earning power and business efficiency through the creation of new demands and the strengthening of the transportation network in preparation for the decrease in the number of people living and working in the Keihan line areas that is expected in the future, and it will bear the role of further increasing the value of the Keihan Group's brand of safety and peace of mind, which is its foundation.

(2) Real estate business

The real estate business will further the diversification of its development menu and contents in both the short-term turnover and long-term holding types of business and will expand opportunities for earnings through a variety of uses of real estate. Additionally, this business will progress with acquiring and developing real estate that will serve as a foundation for expanding the businesses of the Keihan Group inside and outside of Keihan line areas as well as overseas, and it will fulfill the role of growth driver for the group.

(3) Retail business

As consumers' senses of values are changing, the retail business will promote to develop new styles of business and to increase the value of products, services, and stores in order to offer a lifestyle with which customers can identify. Additionally, this business will increase earnings through provision of commercial contents that contribute to the main strategies. Moreover, it will promote strengthening of existing business structure and improvement of profitability.

(4) Leisure and services business

The leisure and services business will promote to steadily develop with the growth of the tourism market and to increase the earnings of the hotel business. Additionally, this business will fulfill the central function of performing sales and marketing for sightseeing products across the Keihan Group and will strive to attract customers to Keihan line areas and to strengthen sightseeing contents.

(3) Strengthening of Corporate Governance

On April 1, 2016, the Company transitioned to a holding company structure in order to achieve sustainable growth and enhance corporate value by addressing such tasks as further improving the competitiveness of each business, expanding the Keihan Group's business, creating new businesses through collaboration with other industries and through M&A, and enhancing the value of areas along railway with a mid- to long-term perspective. Additionally, in order to further accelerate the speed with which the Company addresses these tasks, pursuant to a related proposal approved at the 95th ordinary general meeting of shareholders held on June 20, 2017, the Company transitioned to a company with an audit and supervisory committee as of that date in order to further strengthen corporate governance in such ways as (i) further increasing the speed of managerial decision-making by delegating the determination of a significant portion of material business execution to the Directors, (ii) enhancing the supervisory function of the Board of Directors by utilizing the rich experiences and excellent insights of the Outside Directors, and (iii) strengthening auditing and supervisory functions by having Audit and Supervisory Committee Members with voting rights in the Board of Directors be responsible for auditing. Further, the Company had previously set the term of office of Directors as one year in order to clarify who among the management bears responsibility to the shareholders, and following the transition to a company with audit and supervisory committee, the term of office for Directors who are not Audit and Supervisory Committee Members continues to be one year.

Furthermore, at present, five of the Company's thirteen Directors are Outside Directors who are independent from the Company (two of whom are Outside Directors who are not Audit and Supervisory Committee Members). The Company endeavors to further strengthen its corporate governance in such ways as enhancing the supervisory and oversight functions of these Outside Directors over the Company's management and achieving highly transparent management.

3. Purpose of the Plan

The Renewal is in line with the ‘Basic Policy regarding Persons Who Control Decisions on the Company’s Financial and Business Policies’ set out in section I.1 above for the purpose of ensuring and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders and will be effected subject to shareholder approval at this General Meeting of Shareholders.

As set out in the Basic Policy, the Company’s Board of Directors believes that persons who would propose a large-scale acquisition in a manner that does not contribute to the corporate value of the Company or the common interests of its shareholders would be inappropriate as persons who control decisions on the Company’s financial and business policies. The purpose of the Plan is to prevent decisions on the Company’s financial and business policies from being controlled by persons deemed inappropriate, to deter large-scale acquisitions that are detrimental to the corporate value of the Company and, in turn, the common interests of its shareholders, and on the occasion that the Company receives a large-scale acquisition proposal from an acquirer, to enable the Company’s Board of Directors to present an alternative proposal to the shareholders or ensure necessary time and information for the shareholders to decide whether or not to accept the large-scale acquisition proposal, and to enable the Board of Directors to negotiate for the benefit of the shareholders.

The Company has not received any proposal of a large-scale acquisition of shares in the Company to date from a specific third party. Major shareholders of the Company as of March 31, 2018 are listed in the section entitled ‘Major Shareholders of the Company’ below.

II. Details of the Plan

1. Plan Outline

An outline of the Plan is set out below.

(1) Establishment of Procedures

The Plan sets out procedures necessary to achieve the ‘Purpose of the Plan’ stated in I.3 above, including requirements for acquirers to provide information in advance in the case that the acquirer intends to make an acquisition of 20% or more of the Company’s share certificates, etc. (See II.2(1) ‘Procedures for the Plan’ below for details.)

(2) Triggering of the Plan by the Gratis Allotment of Share Options

The acquirer may effect a large-scale acquisition of the Company’s share certificates, etc. only after the Company’s Board of Directors determines not to trigger the Plan in accordance with the procedures set out in the Plan.

In cases such as where an acquirer effects a large-scale acquisition without following the procedures set out in the Plan, or where it is considered that an acquisition threatens to cause obvious harm to the corporate value of the Company and, in turn, the common interests of its shareholders (see II.2(2) ‘Requirements for the Gratis Allotment of Share Options’ below for details of the triggering requirements), the Company will allot share options (the principal details of which are described below in II.2(3) ‘Outline of the Gratis Allotment of Share Options’; the relevant share options are hereinafter referred to as “Share Options”) with (a) an exercise condition that does not allow the acquirer to exercise rights (except where certain exceptional events occur), and (b) an acquisition provision to the effect that the Company may acquire the share options in exchange for the Company’s shares from persons other than the acquirer by means of a gratis allotment to all shareholders, except the Company, at that time.

If a gratis allotment of Share Options were to take place in accordance with the Plan and all shareholders other than the acquirer, etc. received shares in the Company as a result of those shareholders exercising or the Company acquiring those Share Options, the ratio of voting rights in the Company held by the acquirer may be diluted by up to approximately 50% compared to before the gratis allotment took place.

(3) Use of the Corporate Value Committee and Convocation of a Shareholders Meeting

The Company will obtain an objective determination with respect to matters such as the implementation or non-implementation of the gratis allotment of Share Options or the acquisition of Share Options in accordance with the Plan from the Corporate Value Committee (see II.2(4) ‘Establishment of the Corporate Value Committee’ below for details), which is solely composed of outside parties who are highly independent from the Company, in order to eliminate arbitrary decisions by Directors. In addition, the Company’s Board of Directors may, if prescribed in the Plan, convene a meeting of shareholders to confirm the intent of the Company’s shareholders (see (f) of II.2(1) ‘Procedures for the Plan’ below for details; the relevant meeting of shareholders is hereinafter referred to as the “Shareholders Meeting”) and may confirm the intent of the shareholders regarding the implementation of the gratis allotment of share options.

Transparency with respect to the course of these procedures will be ensured by timely disclosure of information to the Company’s shareholders.

2. Plan Details (Measures to Prevent Decisions on the Company’s Financial and Business Policies from being Controlled by Persons Deemed Inappropriate Under the Basic Policy)

(1) Procedures for the Plan

(a) Targeted Acquisitions

The Plan will be applied in cases where any purchase or other acquisition of share certificates, etc. of the Company that falls under (i) or (ii) below or any similar action or any proposal (Note 1) for such action (except for such action as the Company’s Board of Directors separately determines not to be subject to the Plan; the “Acquisition”) takes place.

- (i) A purchase or other acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariai*) (Note 2) of a holder (*hoyuusha*) (Note 3) totaling at least 20% of the share certificates, etc. (*kabuken tou*) (Note 4) issued by the Company; or
- (ii) A tender offer (*koukai kaitsume*) (Note 5) that would result in the party conducting the tender offer’s ownership ratio of share certificates, etc. (*kabuken tou shoyuu wariai*) (Note 6) after the acquisition in the tender offer and the ownership ratio of share certificates, etc. after the acquisition in the tender offer of a person having a special relationship (*tokubetsu kankei-sha*) (Note 7) totaling at least 20% of the share certificates, etc. (*kabuken tou*) (Note 8) issued by the Company.

The party intending to make the Acquisition (the “Acquirer”) shall follow the procedures prescribed in the Plan, and the Acquirer must not effect the Acquisition until and unless the Company’s Board of Directors resolves not to implement the gratis allotment of Share Options in accordance with the Plan.

(b) Request to the Acquirer for the Provision of Information

The Acquirer conducting the Acquisition must submit to the Company a document in the form prescribed by the Company describing, among others, the information described in each item of the list below (“Essential Information”) and legally binding undertaking that the Acquirer will comply with the procedures set out in the Plan when conducting the Acquisition (signed by or affixed with the name and seal of the representative of the Acquirer and to which no conditions or reservations are attached), a qualification certificate of the person who signed or affixed its name and seal to that document, and a document certifying the existence of the Acquirer (such as a certified copy of commercial registration) (collectively, the “Acquisition Documents”) before effecting the Acquisition. The Acquisition Documents and any other materials submitted by the Acquirer to the Company or the Corporate Value Committee must be written in Japanese.

If the Company’s Board of Directors receives the Acquisition Documents, it will promptly send them to the Corporate Value Committee.

If the Corporate Value Committee determines that the Acquisition Documents do not contain

sufficient Essential Information, it may set a reply period as appropriate and request that the Acquirer provide additional information. In this case, the Acquirer must submit such additional information within the reply period. The reply period shall not exceed 60 days after the date upon which the Corporate Value Committee receives the Acquisition Documents.

- (i) Details (including information regarding the name, capital structure, background or history, description of business, financial position, experience in any business similar to the Company's business, and terms of any previous transactions by the Acquirer which are similar to the Acquisition) of the Acquirer and its group (including joint holders (Note 9), persons having a special relationship, persons having a special relationship with a person in relation to whom the Acquirer is the controlled corporation (Note 10), and (if the Acquirer or its group is a fund) each partner and other constituent members).
- (ii) The purpose, method, and terms of the Acquisition (including the amount and type of consideration for the Acquisition, the timeframe of the Acquisition, the scheme of any related transactions, the legality of the Acquisition method, and the probability of the Acquisition being effected).
- (iii) Details of communications with a third party at the time of the Acquisition (if any).
- (iv) The basis for the calculation of the purchase price of the Acquisition (including facts and assumptions that constitute grounds for the calculation, the calculation method, numerical information used for the calculation, details concerning the synergies that are expected to be realized by the series of transactions arising out of the Acquisition (including details of synergies to be distributed to other shareholders), and the basis for the calculation of such synergies).
- (v) Information relating to any previous acquisition of the share certificates, etc. of the Company by the Acquirer.
- (vi) Financial support for the Acquisition (including the names of providers of funds (including all indirect providers of funds) for the Acquisition, financing methods, and the terms of any related transactions).
- (vii) Post-Acquisition management policy, business plan, capital policy, dividend policy, and asset utilization policy for the Keihan Group (including transportation policy, safety management policy, investment policy, fare policy, and other policies regarding the transportation business).
- (viii) Policies dealing with the Company's shareholders (other than the Acquirer), employees, business partners, clients, and other stakeholders of the Company.
- (ix) Specific measures to avoid any conflict of interest with other shareholders in the Company if the Acquirer intends to carry out any measures that may give rise to such conflict of interest.
- (x) Information on any relationships with an anti-social force.
- (xi) Any other information that the Corporate Value Committee reasonably considers necessary.

If the Corporate Value Committee determines that the Acquirer has commenced an Acquisition without following the procedures set out in the Plan, the Corporate Value Committee will, in principle, recommend the implementation of the gratis allotment of Share Options to the Company's Board of Directors as detailed in (d)(i) below, except in any specific case where further discussion or negotiation with the Acquirer to request the submission of the Acquisition Documents and provision of Essential Information is necessary.

- (c) Consideration of Acquisition Terms, Negotiation with the Acquirer, and Consideration of an Alternative Proposal
 - (i) Request to the Company's Board of Directors for the Provision of Information

If the Acquirer submits the Acquisition Documents and the additional information that the Corporate Value Committee requests (if any), the Corporate Value Committee may set a reasonable reply period (up to 30 days) and request that the Company's Board of Directors present an opinion (including an opinion to refrain from giving such opinion; hereinafter the same) on the Acquirer's Acquisition terms and materials

supporting such opinion, an alternative proposal (if any), and any other information that the Corporate Value Committee considers necessary from time to time.

(ii) Corporate Value Committee Consideration

The Corporate Value Committee will conduct its consideration of the Acquisition terms, collection of information such as the management plans and business plans of the Acquirer and the Company's Board of Directors and comparison thereof, and consideration of any alternative proposal presented by the Company's Board of Directors, and the like for a period that will not exceed 60 days after the date upon which the Corporate Value Committee receives the information from the Acquirer and (if the Corporate Value Committee requests the Company's Board of Directors to provide information as set out in (i) above) the Company's Board of Directors (the period for information collection and consideration by the Corporate Value Committee is hereinafter referred to as the "Corporate Value Committee Consideration Period"); provided, however, that the Corporate Value Committee may extend such period in the cases set out in (d)(iii) below. Further, if it is necessary in order to improve the terms of the Acquisition from the standpoint of ensuring and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders, the Corporate Value Committee will directly or indirectly discuss and negotiate with the Acquirer or present the alternative proposal from the Company's Board of Directors to the Company's shareholders or conduct similar actions.

In order to ensure that the Corporate Value Committee's decision contributes to the Company's corporate value and, in turn, the common interests of its shareholders, the Corporate Value Committee may, at the cost of the Company, obtain advice from independent third parties (including financial advisers, certified public accountants, certified public tax accountants, lawyers, consultants or any other experts). If the Corporate Value Committee directly or indirectly requests the Acquirer to provide materials for consideration or any other information, or to discuss and negotiate with the Corporate Value Committee, the Acquirer must promptly respond to such request.

(d) Recommendations by the Corporate Value Committee

If an Acquirer emerges, the Corporate Value Committee will make recommendations to the Company's Board of Directors as follows.

(i) Recommendations for Triggering the Plan

If the Corporate Value Committee determines that any of the trigger events set out below in II.2(2) 'Requirements for the Gratis Allotment of Share Options' (collectively, "Trigger Events") exists with respect to the Acquisition, the Corporate Value Committee will, regardless of whether the Corporate Value Committee Consideration Period has commenced or ended, recommend the implementation of the gratis allotment of Share Options to the Company's Board of Directors except in any specific case where further provision of information by the Acquirer or discussion or negotiation with the Acquirer is necessary. If it is concerned that an Acquisition may fall under the second Trigger Event ("Trigger Event (2)") set out in II.2(2) 'Requirements for the Gratis Allotment of Share Options' below, the Corporate Value Committee may recommend implementation of the gratis allotment of Share Options subject to confirming the shareholders' intent in advance.

Notwithstanding the foregoing paragraph, even after the Corporate Value Committee has already made a recommendation for the implementation of the gratis allotment of Share Options, if the Corporate Value Committee determines that either of the events in (A) or (B) below applies, it may make a new recommendation that (i) (on or before the second business day prior to the ex-rights date with respect to the gratis allotment of Share Options) the Company should cancel the gratis allotment of Share Options, or (ii) (from the effective date of the gratis allotment of Share Options and until the day immediately prior to the commencement date of the exercise period of the Share Options) the Company should acquire the Share Options for no consideration.

(A) The Acquirer withdraws the Acquisition or the Acquisition otherwise ceases to exist after the recommendation.

(B) There is no longer any Trigger Event due to a change or the like in the facts or other matters on which the recommendation decision was made.

(ii) Recommendations for Not Triggering the Plan

If the Corporate Value Committee determines that there is no Trigger Event after considering the terms of the Acquisition by the Acquirer or discussing and negotiating with the Acquirer, the Corporate Value Committee will recommend the non-implementation of the gratis allotment of Share Options to the Company's Board of Directors, regardless of whether the Corporate Value Committee Consideration Period has ended.

However, even after the Corporate Value Committee has already made a recommendation for the non-implementation of the gratis allotment of Share Options, if a Trigger Event arises due to a change in the facts or other matters on which the recommendation was made or any other reason, the Corporate Value Committee may make a new recommendation that the Company should implement the gratis allotment of Share Options.

(iii) Extension of the Corporate Value Committee Consideration Period

If the Corporate Value Committee does not reach a recommendation for either the implementation or non-implementation of the gratis allotment of Share Options by the end of the initial Corporate Value Committee Consideration Period, the Corporate Value Committee will make a resolution to extend the Corporate Value Committee Consideration Period to the extent that it is considered necessary for actions such as consideration of the terms of the Acquirer's Acquisition, negotiation with the Acquirer, and consideration of an alternative proposal (up to 30 days).

If the Corporate Value Committee Consideration Period is extended by the above resolution, the Corporate Value Committee will continue to collect information, deliberate, and perform similar activities, and use its best efforts to make a recommendation for the implementation or non-implementation of the gratis allotment of Share Options within the extended period.

(e) Resolutions by the Board of Directors

The Company's Board of Directors will pass a resolution relating to the implementation or non-implementation of a gratis allotment respecting to the maximum extent the above recommendation by the Corporate Value Committee. However, if a Shareholders Meeting is held pursuant to (f) below, the Company's Board of Directors shall make a resolution in accordance with the resolution of that Shareholders Meeting.

(f) Convocation of the Shareholders Meeting

When implementing the gratis allotment of Share Options pursuant to the Plan, the Company's Board of Directors may convene a Shareholders Meeting in accordance with the Companies Act and the Company's Articles of Incorporation and confirm the intent of the Company's shareholders regarding the implementation of the gratis allotment of Share Options, if (i) the Corporate Value Committee recommends implementation of the gratis allotment of Share Options subject to obtaining prior approval from the Shareholders Meeting in accordance with (d)(i) above, or (ii) the applicability of Trigger Event (2) becomes an issue in respect of the Acquisition and the Board of Directors determines it appropriate to confirm the shareholders' intent taking into consideration the time required to convene the Shareholders Meeting or other matters pursuant to the duty of care of a good manager.

(g) Information Disclosure

When operating the Plan, the Company will disclose, in a timely manner, information on the progress of each procedure set out in the Plan (including the fact that the Acquisition Documents have been submitted, the fact that the Corporate Value Committee Consideration Period has commenced, and the fact that the Corporate Value Committee Consideration Period has been extended, as well as an outline of the extension) or an outline of recommendations made by the Corporate Value Committee, an outline of resolutions by the Company's Board of Directors, an outline of resolutions by the Shareholders Meeting of the Company, and other matters that the Corporate Value Committee or the Company's Board of Directors considers appropriate, in accordance with the applicable laws and ordinances or the rules of the financial instruments exchange.

(2) Requirements for the Gratis Allotment of Share Options

The requirements to trigger the Plan to implement a gratis allotment of Share Options are as follows.

As described above in (d) through (f) of II.2(1) 'Procedures for the Plan,' the Company's Board of Directors will, without fail, make a determination as to whether any of the following requirements applies to an Acquisition and if it is reasonable or not to implement the gratis allotment of Share Options based on the recommendation of the Corporate Value Committee or the resolution of the Shareholders Meeting.

Trigger Event (1)

The Acquisition is not in compliance with the procedures prescribed in the Plan (including cases where reasonable time and information necessary to consider the details of the Acquisition or to present an alternative proposal to the Acquisition is not offered) and it is reasonable to implement the gratis allotment of Share Options.

Trigger Event (2)

The Acquisition falls under any of the conditions below and it is reasonable to implement the gratis allotment of Share Options.

- (a) An Acquisition that threatens to cause obvious harm to the corporate value of the Company and, in turn, the common interests of its shareholders through any of the following actions:
 - (i) A buyout of share certificates, etc. to require such share certificates, etc. to be compulsorily purchased by the Company or the Company's affiliates at a high price.
 - (ii) Management that achieves an advantage for the Acquirer 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.
 - (iii) Diversion of the Company's assets to secure or repay debts of the Acquirer or its group company.
 - (iv) Temporary control of the Company's management to bring about the 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 taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends.
- (b) Certain Acquisitions that threaten to effectively coerce shareholders into selling shares, such as coercive two-tiered tender offers (meaning acquisitions of shares including tender offers, in which no offer is made to acquire all shares in the initial acquisition, and acquisition terms for the second stage are set that are unfavorable or unclear).
- (c) Acquisitions to which the financial terms (including the amount and type of consideration and the timing and method of payment of consideration) are inadequate or inappropriate in light of the Company's intrinsic value.
- (d) Acquisitions that threaten to oppose the corporate value of the Company and, in turn, the common interests of its shareholders, due to the terms of the Acquirer's proposal (including the legality of the Acquisition method, probability of the Acquisition being effected, post-Acquisition management policy and business plan, and policies dealing with the Company's other shareholders, customers, business partners, employees, local communities, and other stakeholders of the Company after the Acquisition, as well as the financial terms of the Acquisition) being inadequate or inappropriate, such as an Acquisition that materially interferes with the maintenance and strengthening of relationships of mutual trust with stakeholders, the sharing of the management principle by the management and employees of the Company, a safe and secure transportation system in the railway business, and intimate cooperation between the railway business and other businesses, which are indispensable to the generation of the Company's corporate value.

(3) Outline of the Gratis Allotment of Share Options

Following is an outline of the gratis allotment of Share Options to be implemented under the Plan.

- (a) Number of Share Options

The Company will implement a gratis allotment of Share Options in the same number as the most recent total number of issued shares in the Company (excluding the number of shares in the Company held by the Company at that time) on a certain date (the “Allotment Date”) that is separately determined in a resolution by the Company’s Board of Directors or by the Shareholders Meeting relating to the gratis allotment of Share Options (the “Gratis Allotment Resolution”).

(b) Shareholders Eligible for Allotment

The Company will effect a gratis allotment of Share Options to shareholders, other than the Company, who are entered or recorded in the Company’s most recent register of shareholders on the Allotment Date, at a ratio of one Share Option for each share in the Company held.

(c) Effective Date of Gratis Allotment of Share Options

The effective date of the gratis allotment of Share Options will be separately determined in the Gratis Allotment Resolution.

(d) Number of Shares to be Acquired upon Exercise of the Share Options

The number of shares in the Company to be acquired upon exercise of each Share Option (the “Applicable Number of Shares”) shall, in principle, be one share.

(e) Amount to be Contributed upon Exercise of Share Options

Contributions upon exercise of the Share Options are to be in cash, and the amount per share in the Company to be contributed upon exercise of the Share Options (the “Exercise Price”) will be an amount separately determined in the Gratis Allotment Resolution within the range of a minimum of one yen and a maximum of the 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 common 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 trades are not made), with any fraction less than one yen after such calculation to be rounded up to the nearest whole yen.

(f) Exercise Period of the Share Options

The commencement date of the exercise period will be a date separately determined 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 separately determined in the Gratis Allotment Resolution; provided, however, that if the Company acquires the Share Options as set out in (ii) of paragraph (i) ‘Acquisition of Share Options by the Company’ below, the exercise period for the Share Options with respect to that acquisition will be up to and including the day immediately prior to the relevant acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment location for the cash payable upon exercise, the final day will be the business day immediately prior to that date.

(g) Conditions for Exercise of Share Options

Except where any exceptional event (Note 11) occurs, the following parties may not exercise the Share Options (the parties falling under (I) through (VI) below shall collectively be referred to as “Non-Qualified Parties”):

- (I) Specified Large Holders (Note 12);
- (II) Joint holders of Specified Large Holders;
- (III) Specified Large Purchasers (Note 13);
- (IV) Persons having a special relationship with Specified Large Purchasers;
- (V) Any transferee of, or successor to, the Share Options of any party listed in (I) through (IV) above without the approval of the Company’s Board of Directors; or
- (VI) Any Affiliated Party (Note 14) of any party falling under (I) through (V) above.

Further, nonresidents of Japan who are required to follow certain procedures under applicable

foreign laws and ordinances to exercise the Share Options may not as a general rule exercise the Share Options (provided, however, that certain nonresidents, such as those who may use exemption provisions under applicable foreign laws and ordinances, will be able to exercise the Share Options and that the Share Options held by nonresidents will be subject to acquisition by the Company in exchange for shares in the Company as set out in (ii) of paragraph (i) 'Acquisition of Share Options by the Company' below, on the condition that the relevant acquisition by the Company complies with applicable laws and ordinances). In addition, anyone who fails to submit a written undertaking, in the form prescribed by the Company and containing representations and warranties regarding matters such as the fact that he or she satisfies the exercise conditions of the Share Options, indemnity clauses and other covenants, may not exercise the Share Options.

(h) Assignment of Share Options

Any acquisition of the Share Options by assignment requires the approval of the Company's Board of Directors.

(i) Acquisition of Share Options by the Company

(i) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Company's Board of Directors deems that it is appropriate for the Company to acquire the Share Options, the Company may, on a day separately determined by the Company's Board of Directors, acquire all of the Share Options for no consideration.

(ii) On a date separately determined by the Company's Board of Directors, the Company may acquire all of the Share Options that have not been exercised before or on the day immediately prior to such date determined by the Company's Board of Directors, that are held by parties other than Non-Qualified Parties (if any) and, in exchange, deliver shares in the Company in the number equivalent to the Applicable Number of Shares for each Share Option. In addition, if, on or after the date upon which the acquisition takes place, the Company's Board of Directors recognizes the existence of any party holding Share Options other than Non-Qualified Parties, the Company may, on a date determined by the Company's Board of Directors that falls after the date upon which the acquisition described above takes place, acquire all of the Share Options held by that party that have not been exercised by or on the day immediately prior to such date determined by the Company's Board of Directors (if any) and, in exchange, deliver shares in the Company in the number equivalent to the number of the Applicable Number of Shares for each Share Option. The same will apply thereafter. The Company does not expect to acquire Share Options held by Non-Qualified Parties by delivering economic benefits such as money thereto.

(j) Delivery of Share Options in Case of Merger (limited to a merger whereby the Company is extinguished), Absorption-type Demerger (*kyushu bunkatsu*), Incorporation-type Demerger (*shinsetsu bunkatsu*), Share Exchange (*kabushiki koukan*), and Share Transfer (*kabushiki iten*)
These matters will be separately determined in the Gratis Allotment Resolution.

(k) Issuance of Certificates Representing the Share Options

Certificates representing the Share Options will not be issued.

(l) Other

In addition, the details of the Share Options will be separately determined in the Gratis Allotment Resolution.

(4) Establishment of the Corporate Value Committee

Even after the Renewal, the Company will maintain the Corporate Value Committee as an organization that will eliminate arbitrary decisions by Directors and objectively make substantive determinations on behalf of the shareholders in the event of triggering or other operation of the Plan. The members of the Corporate Value Committee at the time of the Renewal will be two Outside Directors of the Company and one outside expert, all of whom are highly independent from the management of the Company (standards for appointing members, requirements for resolutions, resolution matters, and other

matters concerning the Corporate Value Committee are as described in the section entitled ‘Outline of the Rules of the Corporate Value Committee’ below, and the members of the Corporate Value Committee at the time of the Renewal will be as described in the section entitled ‘Names and Profiles of the Members of the Corporate Value Committee’ below).

If an Acquisition were to actually occur, this Corporate Value Committee would, as set out above in II.2(1) ‘Procedures for the Plan,’ make substantive determinations as to whether or not the Acquisition would have a detrimental effect on the corporate value of the Company and, in turn, the common interests of shareholders. Then, the Company’s Board of Directors would pass a resolution taking into consideration those determinations to the maximum extent (however, if a Shareholders Meeting is held pursuant to (e) of II.2(1) ‘Procedures for the Plan,’ above, the Company’s Board of Directors would pass a resolution in accordance with the resolution of that Shareholders Meeting).

(5) Effective Period, and Abolition or Amendment of the Plan

The period for the authority to decide matters relating to the gratis allotment of Share Options under the Plan as assigned by a resolution of this General Meeting of Shareholders (the “Effective Period”) will be the period until the conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within three years after the conclusion of this General Meeting of Shareholders.

However, if, before the expiration of the Effective Period, (a) the Company’s Board of Directors resolves to withdraw the abovementioned assignment to the Board of Directors of the authority to decide matters relating to the gratis allotment of Share Options under the Plan, or (b) the Company’s Board of Directors resolves to abolish the Plan, the Plan will be abolished at the time of such resolution.

Further, the Company’s Board of Directors may revise or amend the Plan even during the Effective Period of the Plan, in cases where the revision or amendment is not contrary to the purpose of the resolution of this General Meeting of Shareholders (including cases where the Financial Instruments and Exchange Act, any other law or ordinance, or any rule of a financial instruments exchange or the like is established, amended, or abolished and it is appropriate to reflect such establishment, amendment, or abolition in the Plan, cases where it is appropriate to revise the wording for reasons such as typographical errors and omissions, and cases where the revision or amendment does not cause any disadvantage to the Company’s shareholders) and subject to the approval of the Corporate Value Committee.

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

(6) Revision Due to Amendment to Laws and Ordinances

The provisions of laws and ordinances referred to under the Plan are subject to the prevailing provisions as of May 9, 2018. If it becomes necessary after such date to revise the terms and conditions or definitions of terms set out in the paragraphs above due to the establishment, amendment or abolishment of laws and ordinances, the terms and conditions or definitions of terms set out in the paragraphs above will be read accordingly as required to a reasonable extent, taking into consideration the purposes of such establishment, amendment or abolishment.

3. Impact on Shareholders

(1) Impact on Shareholders and Investors Upon Renewal

At the time of the Renewal, the Plan will have no direct or material impact on shareholders and investors because the resolution of the meeting of shareholders will only delegate the authority to determine to make a gratis allotment of Share Options to the Board of Directors and no actual gratis allotment of Share Options will be implemented.

(2) Impact on Shareholders and Investors by Implementation of the Gratis Allotment of Share Options

If the Company's Board of Directors resolves to make a gratis allotment of Share Options, it will also decide the Allotment Date in the same resolution and give public notice of this Allotment Date. In this case, the Company will make a gratis allotment of Share Options to shareholders who are listed or recorded in the Company's most recent register of shareholders on the Allotment Date (the "Entitled Shareholders") for one Share Option per share in the Company held by the Entitled Shareholders, and therefore the value of the entirety of the shares they hold in the Company will not be diluted as long as they exercise their Share Options and pay an amount equivalent to the exercise price. However, if the Company's shareholders do not exercise their Share Options or pay the amount equivalent to the exercise price, the value of the entirety of the shares they hold in the Company will be diluted by the exercise of Share Options by other shareholders. However, it is also possible for the Company to acquire the Share Options of all shareholders other than Non-Qualified Parties and, in exchange, deliver shares in the Company, in accordance with the procedures set out in section (b) of 3(4) 'Procedures Necessary for Shareholders Relating to the Gratis Allotment of Share Options' below. If the Company carries out such acquisition procedures, all shareholders other than Non-Qualified Parties will come to receive shares in the Company without exercising their Share Options or paying an amount equivalent to the exercise price and, in principle, there will be no subsequent dilution of the value of the entirety of the shares in the Company they hold.

All Entitled Shareholders will become Share Option holders as a matter of course on the effective date of the gratis allotment of Share Options, and no further procedures, such as applying for such gratis allotment, will be necessary.

In addition, even after the Company's Board of Directors resolves to make a gratis allotment of Share Options, the Company may, by respecting any recommendation of the Corporate Value Committee described above in section (d)(i) of 2(1) 'Procedures for the Plan,' to the maximum extent, (i) (on or before the second business day prior to the ex-rights date with respect to the gratis allotment of Share Options) cancel the gratis allotment of Share Options, or (ii) (from the effective date of the gratis allotment of Share Options and until the day immediately prior to the commencement date of the exercise period of the Share Options) acquire all Share Options for no 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 investors who have sold or bought the shares in the Company expecting to see such a dilution will suffer unexpected damage as a result of a fluctuation in the price of shares in the Company.

(3) Impact on Shareholders and Investors Upon Exercise or Acquisition of Share Options After Implementation of the Gratis Allotment of Share Options

It is assumed that Non-Qualified Parties will suffer detriment with respect to their legal rights and in economic respects upon exercise or acquisition of Share Options because discriminative conditions are expected to be added for such exercise or acquisition. However, even in this case, the Company does not anticipate any situation where shareholders and investors other than Non-Qualified Parties incur any particular loss with respect to their legal rights or in economic respects relating to the shares in the Company they hold. Please note that transfer of share options themselves is restricted, so if shares in the Company are delivered to the Company's shareholders as a result of exercise of Share Options or acquisition of Share Options by the Company on and after the Allotment Date, recovery of invested capital through transfer may be restricted to such extent with respect to the value of the shares in the Company they hold that pertain to Share Options for the period until shares in the Company are recorded in transfer accounts of the Company's shareholders.

(4) Procedures Necessary for Shareholders in Relation to the Gratis Allotment of Share Options

(a) Procedures for Exercising Share Options

The Company will deliver, as a general rule, a document necessary to be submitted for the exercise of the Share Options (in the form prescribed by the Company and containing necessary matters such as the terms and number of Share Options for exercise, the exercise date for the Share Options, and transfer accounts for recording shares in the Company, as well as representations and warranties regarding matters such as that the shareholders themselves satisfy the exercise conditions of the Share Options, indemnity clauses, and other covenants) and other documents necessary for the exercise of the Share Options to the Entitled Shareholders. After the gratis allotment of Share Options, the shareholders will be delivered, as a

general rule, one share in the Company in exchange for each Share Option upon submitting these necessary documents during the exercise period of Share Options and by paying to the payment location an amount per share equivalent to the exercise price of Share Options that is prescribed in the Gratis Allotment Resolution within the range of a minimum amount of one yen and a maximum amount of half of the market value of one share in the Company. The exercise of the Share Options by Non-Qualified Parties is subject to provisions separately prescribed by the Company in accordance with the purpose of section (g) of 2(3) 'Outline of the Gratis Allotment of Share Options.'

Pursuant to the provisions of the Act on Book-Entry Transfer of Corporate Bonds and Shares, if a shareholder of the Company exercises the Share Options, such shareholder is required to notify the Company of an account other than a special account to be used as a transfer account for recording shares in the Company that will be delivered as a result of such exercise. Please note that the Company's shareholders are required to open a transfer account such as a securities account in advance when exercising the Share Options.

(b) Procedures for the Acquisition of Share Options by the Company

If the Company's Board of Directors determines to acquire the Share Options, the Company will acquire the Share Options in accordance with the statutory procedures from the shareholders other than Non-Qualified Parties, on the date separately determined by the Company's Board of Directors and deliver shares in the Company in exchange for the Share Options. In this case, the shareholders concerned will come to receive one share in the Company in principle as consideration for the acquisition by the Company of those Share Options, without paying the amount equivalent to the exercise price. However, in such case, the shareholders concerned will be separately requested to submit, in the form prescribed by the Company, a written undertaking including representations and warranties regarding matters such as the fact that they are not Non-Qualified Parties, indemnity clauses and other covenants. In addition, such shareholders may be requested to provide information of transfer accounts for recording shares in the Company that will be delivered in consideration for acquisition of Share Options.

If the Gratis Allotment Resolution provides for acquisition of Share Options from Non-Qualified Parties and for other matters regarding acquisition, the Company may take actions in accordance with such provisions.

(c) Other matters

In addition, the Company will disclose information to or notify all of its shareholders with respect to the particulars of the allotment method, exercise method and method for acquisition by the Company after these matters are determined in the Gratis Allotment Resolution, so we request that shareholders check these details at that time.

Notes:

- Note 1: "Proposal" includes any act of soliciting a third party.
- Note 2: Defined in Article 27-23.4 of the Financial Instruments and Exchange Act. The same applies throughout this proposal.
- Note 3: Including persons described as a holder under Article 27-23.3 of the Financial Instruments and Exchange Act (including persons who are deemed to fall under the above by the Board of Directors of the Company). The same applies throughout this proposal.
- Note 4: Defined in Article 27-23.1 of the Financial Instruments and Exchange Act. The same applies throughout this proposal unless otherwise provided for.
- Note 5: Defined in Article 27-2.6 of the Financial Instruments and Exchange Act. The same applies throughout this proposal.
- Note 6: Defined in Article 27-2.8 of the Financial Instruments and Exchange Act. The same applies throughout this proposal.

- Note 7: Defined in Article 27-2.7 of the Financial Instruments and Exchange Act (including persons who are deemed to fall under the above by the Board of Directors of the Company); provided, however, that persons provided for in Article 3.2 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc. by Person other than Issuer are excluded from the persons described in Article 27-2.7(i) of the Financial Instruments and Exchange Act. The same applies throughout this proposal.
- Note 8: Defined in Article 27-2.1 of the Financial Instruments and Exchange Act.
- Note 9: Defined in Article 27-23.5 of the Financial Instruments and Exchange Act, including persons regarded as a joint holder under Article 27-23.6 of the Financial Instruments and Exchange Act (including persons who are deemed a joint holder by the Company's Board of Directors). The same applies throughout this proposal.
- Note 10: Defined in Article 9.5 of the Order for Enforcement of the Financial Instruments and Exchange Act.
- Note 11: Specifically, the Company intends to set out that an "exceptional event" means when (x) the Acquirer cancels or revokes the Acquisition, or promises that it will not conduct any subsequent Acquisition, after the Gratis Allotment Resolution and the Acquirer or other Non-Qualified Parties dispose of their shares in the Company through a securities firm appointed and authorized by the Company to do so, and (y) the Acquirer's holding ratio of share certificates, etc. determined by the Company's Board of Directors (when calculating the holding ratio of share certificates, etc., Non-Qualified Parties other than the Acquirer and its joint holders are deemed to be the Acquirer's joint holders, and Share Options held by Non-Qualified Parties, the exercise conditions of which have not been satisfied, are excluded) (the "Non-Qualified Parties' Shareholding Ratio") falls below the lower of (i) the Non-Qualified Parties' Shareholding Ratio before the Acquisition, or (ii) 20%, the Acquirer or other Non-Qualified Parties making the disposal may exercise Share Options to the extent that the number of shares to be issued or delivered upon exercise of the Share Options is up to the number of shares disposed of and to the extent of the ratio under either (i) or (ii) above. Detailed conditions and procedures for exercise of Share Options by Non-Qualified Parties will be determined separately in the Gratis Allotment Resolution.
- Note 12: "Specified Large Holder" means, in principle, a party who is a holder of share certificates, etc. issued by the Company and whose holding ratio of share certificates, etc. in respect of such share certificates, etc. is at least 20% (including any party who is deemed applicable to the above by the Company's Board of Directors); provided, however, that a party that the Company's Board of Directors recognizes as a party whose acquisition or holding of share certificates, etc. of the Company is not contrary to the Company's corporate value or the common interests of shareholders (such recognition may be made by the Company's Board of Directors at any time; additionally, if the Company's Board of Directors recognizes that an acquisition or holding of share certificates, etc. of the Company is not contrary to the Company's corporate value or the common interests of shareholders subject to certain conditions, such conditions must be satisfied) or a certain other party separately determined in the Gratis Allotment Resolution is not a Specified Large Holder. The same applies throughout this proposal.
- Note 13: "Specified Large Purchaser" means, in principle, a person who makes a public announcement of purchase, etc. (as defined in Article 27-2.1 of the Financial Instruments and Exchange Act; the same applies throughout this Note 13) of share certificates, etc. (as defined in Article 27-2.1 of the Financial Instruments and Exchange Act; the same applies throughout this Note 13) issued by the Company through a tender offer and whose ratio of ownership of share certificates, etc. in respect of such share certificates, etc. owned by such person after such purchase, etc. (including similar ownership as prescribed in Article 7.1 of the Order for Enforcement of the Financial Instruments and Exchange Act) is at least 20% when combined with the ratio of ownership of share certificates, etc. of a person having a special relationship

(including any party who is deemed to fall under the above by the Company's Board of Directors); provided, however, that a party that the Company's Board of Directors recognizes as a party whose acquisition or holding of share certificates, etc. of the Company is not contrary to the Company's corporate value or the common interests of shareholders (such recognition may be made by the Company's Board of Directors at any time; additionally, if the Company's Board of Directors recognizes that an acquisition or holding of share certificates, etc. of the Company is not contrary to the Company's corporate value or the common interests of shareholders subject to certain conditions, such conditions must be satisfied) or a certain other party separately determined in the Gratis Allotment Resolution is not a Specified Large Purchaser. The same applies throughout this proposal.

Note 14: An "Affiliated Party" of a given party means a person who substantially controls, is controlled by, or is under common control with such given party (including any party who is deemed to fall under the above by the Company's Board of Directors), or a party deemed by the Company's Board of Directors to act in concert with such given party, or certain other party separately determined in the Gratis Allotment Resolution. "Control" means to "control the determination of the financial and business policies" (as defined in Article 3.3 of the Enforcement Regulations of the Companies Act) of other corporations or entities.

III. Rationale of the Plan

1. Ensuring and Enhancing Corporate Value and, in Turn, Shareholders' Common Interests

The purpose of the Renewal is to, pursuant to the Basic Policy, maintain the corporate value of the Company and, in turn, the common interests of its shareholders by ensuring the necessary time and information is made available for the shareholders to decide whether or not to accept the Acquisition of share certificates, etc. of the Company and for the Company's Board of Directors to present an alternative proposal to the shareholders, and by enabling the Board of Directors to negotiate with the Acquirer for the benefit of the shareholders when the Acquisition is to be effected.

2. Satisfying the Guidelines for Takeover Defense Measures and Other Requirements

The Plan satisfies all of the three principles set out in "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005, namely, the principles of:

- ensuring and enhancing the corporate value and shareholders' common interests;
- prior disclosure and respect for shareholder intent; and
- ensuring necessity and reasonableness.

In addition, the Plan is also in line with the purpose of various regulations regarding the introduction of takeover defense measures prescribed by the Tokyo Stock Exchange.

3. Placing High Value on the Intent of Shareholders

The Renewal will be effected through the adoption of a resolution for delegation relating to the Plan at this General Meeting of Shareholders. Accordingly, if the delegation is not approved at this General Meeting of Shareholders, the Renewal will not be effected.

In addition, the Company's Board of Directors is, in certain cases, required to confirm the intent of the Company's shareholders relating to whether or not to trigger the Plan at a Shareholders Meeting.

Further, as described in II.2(5) 'Effective Period, and Abolition or Amendment of the Plan' above, the Plan is subject to a so-called sunset clause setting the Effective Period of approximately three years and if, even before the expiration of the Effective Period of the Plan, a meeting of shareholders of the Company resolves to withdraw the resolution for the delegation above, the Plan will be abolished at that time. In this regard, the life of the Plan depends on the intent of the Company's shareholders.

4. Disclosure of Information and Emphasis on the Decisions by Highly Independent Outside Parties

As described in II.2(4) 'Establishment of the Corporate Value Committee' above, substantive

decisions on triggering or other operation of the Plan will be made by the Corporate Value Committee, which is composed of Outside Directors and outside experts who are highly independent from the Company.

In addition, the Corporate Value Committee will disclose outlines of its decisions to the shareholders and will ensure a structure under which the Plan is operated in a transparent way in a manner that is consistent with the corporate value of the Company and, in turn, the common interests of its shareholders.

5. Establishment of Reasonable and Objective Requirements

As set out above at sections (d) through (f) of II.2(1) 'Procedures for the Plan,' and section II.2(2) 'Requirements for the Gratis Allotment of Share Options,' the Company believes that the Plan is established so that it will not be triggered unless reasonable and objective requirements have been satisfied, and ensures a structure to eliminate arbitrary triggering by the Company's Board of Directors.

6. Obtaining the Advice of Third-Party Experts

As set out above at section (c)(ii) of II.2(1) 'Procedures for Triggering the Plan,' if an Acquirer emerges, the Corporate Value Committee may obtain the advice of independent third parties, including financial advisors, certified public accountants, certified public tax accountants, lawyers, consultants and other experts at the cost of the Company. This is a mechanism to even more securely enhance the objectivity and fairness of the decisions made by the Corporate Value Committee.

7. Term of Office of the Company's Directors Who Are Not Audit and Supervisory Committee Members Being One Year

The term of office of Directors who are not Audit and Supervisory Committee Members, who comprise a majority of the Company's Directors, is one year, which enables, even during the Effective Period of the Plan, the intent of the Company's shareholders in regard to the appropriateness of the Plan to be reflected through the annual election of Directors.

8. No Dead-Hand or Slow-Hand Takeover Defense Measures

As stated above in section II.2(5) 'Effective Period, and Abolition or Amendment of the Plan,' the Plan may be abolished by a person who acquires a large number of share certificates, etc. in the Company through an election at a general meeting of shareholders of Directors nominated by that person and through a resolution of the Company's Board of Directors attended by the so-elected Directors. Therefore, the Plan is not a dead-hand takeover defense measure (a takeover defense measure in which even if a majority of the members of the Board of Directors are replaced, the triggering of the measure cannot be stopped).

Also, as the Company has set the term of office of Directors who are not Audit and Supervisory Committee Members, who comprise a majority of the Company's Directors, as one year and has not adopted a system of staggered terms of office for Directors who are not Audit and Supervisory Committee Members, the Plan is also not a slow-hand takeover defense measure, wherein triggering takes more time to stop due to the fact that all Directors who are not Audit and Supervisory Committee Members cannot be replaced at once.

Outline of the Rules of the Corporate Value Committee

- The Corporate Value Committee shall be established by resolution of the Company's Board of Directors.
- There shall be no less than three members of the Corporate Value Committee, and the Company's Board of Directors shall elect the members from (i) Outside Directors of the Company and (ii) other outside experts who are independent from the management that executes the business of the Company. However, such outside experts must be corporate managers, parties with knowledge of the investment banking industry, former government employees, lawyers, certified public accountants, academic experts, or parties of similar qualifications, and must have executed with the Company an agreement separately specified by the Company's Board of Directors that contains a provision obligating them to exercise the duty of care of a good manager or similar provision.
- Unless otherwise determined by a resolution of the Company's Board of Directors, the term of office of members of the Corporate Value Committee will be until the conclusion of the ordinary general meeting of shareholders relating to the final fiscal year ending within three years after the conclusion of this General Meeting of Shareholders. However, the term of office of any member of the Corporate Value Committee who is an Outside Director shall end at the same time they cease to be an Outside Director (except in the case of their re-appointment).
- The Corporate Value Committee shall make decisions on the matters listed below and make recommendations to the Company's Board of Directors containing the details of and reasons for the recommendations. Respecting such recommendations of the Corporate Value Committee to the maximum extent, the Company's Board of Directors shall make resolutions (however, regarding the implementation or non-implementation of the gratis allotment of Share Options set out in (1) below, if otherwise resolved at the Shareholders Meeting, the Company's Board of Directors shall comply with that resolution). Each member of the Corporate Value Committee and each Director of the Company must make such decisions solely with a view to whether or not the corporate value of the Company and the common interests of its shareholders will be enhanced, and they must not serve the purpose of their own interests or those of the management of the Company.
 - (1) The implementation or non-implementation of the gratis allotment of Share Options.
 - (2) The cancellation of the gratis allotment of Share Options or the gratis acquisition of Share Options.
 - (3) Any other matters that are for determination by the Company's Board of Directors in respect to which it has consulted the Corporate Value Committee.
- In addition to the matters prescribed above, the Corporate Value Committee shall conduct the matters listed below.
 - (1) Determining whether the Acquisitions should be made subject to the Plan.
 - (2) Determining the information that the Acquirer and the Company's Board of Directors should provide to the Corporate Value Committee, and the deadline for the provision of that information.
 - (3) Examination and consideration of the terms of the Acquirer's Acquisitions.
 - (4) Negotiation and discussion with the Acquirer.
 - (5) Request for an alternative proposal and other information, materials, and the like considered necessary to the Company's Board of Directors and consideration of the alternative proposal.
 - (6) Determination for extension of the Corporate Value Committee Consideration Period.
 - (7) Approval of revision or amendment of the Plan.
 - (8) Any other matters that the Plan prescribes that the Corporate Value Committee may conduct.
 - (9) Any matters that the Company's Board of Directors separately determines that the Corporate Value Committee may conduct.
- If the Corporate Value Committee decides that the details stated in the Acquisition Document are inadequate as Essential Information, it will request that the Acquirer provide additional information. Further, if the Corporate Value Committee receives from the Acquirer the

Acquisition Document and any additional information that it requests, it may, after prescribing a reasonable reply deadline, request that the Company's Board of Directors provide an opinion regarding the terms of the Acquisition by the Acquirer and materials supporting that opinion, an alternative proposal (if any), and any other information that the Corporate Value Committee may consider necessary from time to time.

- If it is necessary in order to have the terms of the Acquirer's Acquisition improved from the standpoint of ensuring and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders, the Corporate Value Committee shall either directly or indirectly discuss and negotiate with the Acquirer, or present to shareholders the alternative proposal of the Company's Board of Directors or conduct any similar action.
- In order to collect the necessary information, the Corporate Value Committee may request the attendance of a Director or employee of the Company, or any other party that the Corporate Value Committee considers necessary, and may require explanation of any matter it requests.
- The Corporate Value Committee may, at the Company's expense, obtain the advice of independent third parties, including financial advisers, certified public accountants, certified public tax accountants, lawyers, consultants and other experts.
- Any member of the Corporate Value Committee may convene a meeting of the Corporate Value Committee when an Acquisition arises, or at any other time.
- As a general rule, resolutions of meetings of the Corporate Value Committee shall pass with a majority when all of the members of the Corporate Value Committee are in attendance (including attendance via video conference or telephone conference; hereinafter the same). However, in unavoidable circumstances a resolution may pass with a majority of voting rights when a majority of the members of the Corporate Value Committee are in attendance.

Names and Profiles of the Members of the Corporate Value Committee

The following three persons are expected to be the initial members of the Corporate Value Committee following the Renewal.

Kazuo Tsukuda

April 1968	Joined Mitsubishi Heavy Industries, Ltd.
June 2003	Representative Director & President, Mitsubishi Heavy Industries, Ltd.
April 2008	Representative Director & Chairman, Mitsubishi Heavy Industries, Ltd.
June 2011	Director, the Company (current position)
April 2013	Senior Corporate Adviser, Mitsubishi Heavy Industries, Ltd.
June 2013	Senior Executive Adviser, Mitsubishi Heavy Industries, Ltd. (current position)

Koichi Kusao

April 1990	Attorney at law (current position)
June 2011	Outside Audit & Supervisory Board Member, Daito Chemix Corporation (current position)
June 2016	Audit & Supervisory Board Member, the Company
June 2016	Outside Audit & Supervisory Board Member, FUJI OIL HOLDINGS INC. (current position)
June 2017	Director, Audit and Supervisory Committee Member, the Company (current position)

Takehiko Yamamoto

April 1975	Joined Mitsui O.S.K. Lines, Ltd.
June 2009	Director, Senior Managing Executive Officer, Mitsui O.S.K. Lines, Ltd.
June 2010	Representative Director, Executive Vice President, DAIBIRU CORPORATION
June 2011	Representative Director, President Chief Executive Officer, DAIBIRU CORPORATION
April 2016	Representative Director, Chairman, DAIBIRU CORPORATION (current position)

*Mr. Kazuo Tsukuda and Mr. Koichi Kusao are Outside Directors.

Major Shareholders
(As of March 31, 2018)

Name of Shareholder	Number of shares held (thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,267	3.05
Sumitomo Mitsui Trust Bank, Limited	3,000	2.80
Sumitomo Mitsui Banking Corporation	2,942	2.75
Japan Trustee Services Bank, Ltd. (Trust Account)	2,942	2.74
Nippon Life Insurance Company	1,891	1.77
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,611	1.50
STATE STREET BANK WEST CLIENT - TREATY 505234	1,479	1.38
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,363	1.27
JP MORGAN CHASE BANK 385151	1,332	1.24
Japan Trustee Services Bank, Ltd. (Trust Account 1)	1,215	1.13

- *1 The Company holds 5,989,571 treasury shares but is excluded from the above major shareholders.
 *2 Shareholding ratios are calculated excluding treasury shares.
 *3 The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its trade name on April 1, 2018 to MUFG Bank, Ltd.

End