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(Securities Code 9001)
May 31, 2018

To Shareholders with Voting Rights:

Yoshizumi Nezu
President and Representative Director
TOBU RAILWAY CO., LTD.
Registered Office: 1-2 Oshiage 1-chome,
Sumida-ku, Tokyo
Head Office: 18-12 Oshiage 2-chome,
Sumida-ku, Tokyo

**NOTICE OF
THE 198TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

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

You are cordially invited to attend the 198th Annual General Meeting of Shareholders of TOBU RAILWAY CO., LTD. (the "Company"). The Meeting will be held for the purposes as described below.

If you are unable to attend the Meeting in person, you may exercise your voting rights either by mail or via the Internet. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 6:15 p.m. on Thursday, June 21, 2018 (Japan time).

- 1. Date and Time:** Friday, June 22, 2018 at 10:00 a.m. (Japan time)
(The reception desk will open at 8:45 a.m.)
- 2. Place:** Nishiki on the 4th floor of TOBU HOTEL LEVANT TOKYO located at 2-2, Kinshi 1-chome, Sumida-ku, Tokyo, Japan
- 3. Purposes:**
 - Items to be reported:**
 1. The Business Report, Consolidated Financial Statements for the Company's 198th Fiscal Year (from April 1, 2017 to March 31, 2018) and results of audits by the Independent Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company's 198th Fiscal Year (from April 1, 2017 to March 31, 2018)
 - Items to be resolved:**
 - Proposal 1:** Appropriation of Surplus
 - Proposal 2:** Partial Amendments to the Articles of Incorporation
 - Proposal 3:** Election of Nine (9) Directors
 - Proposal 4:** Delegation of Gratis Allotment of Stock Acquisition Rights as Takeover Defense Measures
- 4. Predetermined Terms of the Convening:**
 - (1) If you exercise your voting rights both by mail and via the Internet, the vote exercised via the Internet will be counted as valid.
 - (2) If you exercise your voting rights multiple times via the Internet, the last vote exercised will be counted as valid.

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal 1: Appropriation of Surplus

The Company proposes the appropriation of surplus as follows:

Matters regarding year-end dividend

In order to strengthen the management base over the long-term, the Company pays an ordinary dividend with the basic policy of continuing stable dividend payments by ensuring financial soundness as well as comprehensively taking into consideration its business performance and management environment.

Looking ahead to future business performance and business development, the Company would like to pay a year-end dividend for the fiscal year under review as follows:

(1) Type of dividend property

Cash

(2) Distribution of dividend property to shareholders and total amount

¥17.5 per share of common stock of the Company

Total amount: ¥3,697,249,903

(The Company paid an interim dividend of ¥3.50 per share based on the record date of September 30, 2017. On October 1, 2017, the Company conducted a share consolidation in which every five common shares were consolidated into one share. Converted into the amount after the consolidation, the annual dividend, including the interim dividend of ¥17.50 per share, amounts to ¥35 per share, an increase of ¥2.50 per share year on year.

(3) Effective date of distribution

June 25, 2018

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reasons for amendment

With a view to materializing further sustainable growth and mid- to long-term enhancement of corporate value, the Company introduced an Executive Officer system on April 1, 2018

The introduction of the Executive Officer system aims at clarifying execution authorities and responsibilities to establish a framework in which Executive Officers carry out execution of business under the command and supervision of Representative Directors. At the same time, under this system, the Board of Directors shall have the primary role of making decisions on management and supervising business execution, whereby the Board's function is strengthened. Accordingly, Article 13 of the current Articles of Incorporation shall be partially amended.

With respect to Directors with executive titles, one Chairman and Representative Director, who may serve as a convener and chairman of the Board of Directors, and one President and Representative Director, who serves the position of chief executive officer, may be appointed, and thus, Article 16 of the current Articles of Incorporation shall be amended

2. Details of amendments

Details of the amendment are as follows:

(Amended parts are underlined.)

Current	Proposed amendments
<p>(Maximum Number of Directors) Article 13. The number of Directors of the Company shall not exceed <u>twenty (20)</u>.</p> <p>(Representative Directors) Article 16. <u>Based on the resolution of the Board of Directors, one Chairman and Representative Director, one President and Representative Director, along with several Vice Presidents and Representative Directors, Senior Managing Directors and Managing Directors may be selected.</u> 2. <u>Directors that represent the Company shall be Chairman and Representative Director, President and Representative Director, Vice Presidents and Representative Directors and Senior Managing Directors.</u></p>	<p>(Maximum Number of Directors) Article 13. The number of Directors of the Company shall not exceed <u>fifteen (15)</u>.</p> <p>(Representative Directors <u>and Directors with Executive Titles</u>) Article 16. <u>Directors that represent the Company shall be selected by the resolution of the Board of Directors.</u> 2. <u>Based on the resolution of the Board of Directors, one Chairman and Representative Director and one President and Representative Director may be appointed.</u></p>

Proposal 3: Election of Nine (9) Directors

All of the sixteen (16) Directors will complete their respective terms of office at the conclusion of this General Meeting of Shareholders. Accordingly, the election of Nine (9) Directors is proposed.

The candidates are as follows:

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
1	Yoshizumi Nezu (October 26, 1951)	<p>April 1974 Joined the Company</p> <p>April 1988 General Manager with special assignment of Group Administration Office</p> <p>May 1990 General Manager of Group Administration Office</p> <p>June 1990 Director, General Manager of Group Administration Office</p> <p>April 1991 Managing Director</p> <p>June 1993 Representative Director (to present)</p> <p>June 1993 Senior Managing Director</p> <p>June 1995 Vice President and Representative Director</p> <p>June 1999 President and Representative Director</p> <p>April 2018 President & Representative Director and Executive Officer (to present)</p> <p>[Significant concurrent positions]</p> <p>Outside Director, Matsuya Co., Ltd.</p> <p>External Audit & Supervisory Board Member, FUKOKU MUTUAL LIFE INSURANCE COMPANY</p> <p>[Reason for nomination as a candidate for Director]</p> <p>Mr. Yoshizumi Nezu has served in important positions of group administration division, etc., and he is well familiar with general operations of the Group. He also performs his duties by making use of his rich management experience and broad insight as a Director of the Company. From 1999, he has directed management of the Group with strong leadership as President and Representative Director, realizing improved corporate value by enhancing our management foundation. We have determined him to be the proper person for pursuing further improvement of corporate value in the future. Therefore, we nominate him as a candidate for Director again.</p>	400,100 shares

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
2	Kenichi Tsunoda (February 21, 1946)	<p>April 1968 Joined the Company</p> <p>April 1996 General Manager with special assignment of General Planning Office</p> <p>October 1996 General Manager of General Planning Office</p> <p>April 1999 General Manager of Human Resources Department</p> <p>June 1999 Director, General Manager of Human Resources Department</p> <p>June 2001 Managing Director, General Manager of Human Resources Department</p> <p>January 2002 Managing Director, Head of Railway Business Division</p> <p>April 2006 Managing Director</p> <p>June 2007 Representative Director (to present)</p> <p>June 2007 Senior Managing Director</p> <p>June 2014 Vice President and Representative Director</p> <p>April 2018 Vice President & Representative Director and Executive Officer (to present)</p> <p>[Responsibilities in the Company]</p> <p>Overall company affairs</p> <p>Internal Audit Department, Hotel-Business Strategy Department, System Development Department, Group Administration Department, General Affairs and Legal Department, Public Relations Department, Finance and Accounting Department, Asset Management Department and Research Office</p> <p>[Reason for nomination as a candidate for Director]</p> <p>Mr. Kenichi Tsunoda has served in important positions in the railway business division, corporate organization and human resources division and corporate planning division, etc., and he is well familiar with general operations of the Group. He also performs his duties by making use of his rich management experience and broad insight as a Director of the Company. Currently he is demonstrating his leadership in oversight of general business from a perspective of optimizing the Group overall, with the aim of improving our corporate value. We have determined him to be the proper person for pursuing further improvement of corporate value in the future. Therefore, we nominate him as a candidate for Director again.</p>	11,400 shares

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
3	Hiroaki Miwa (November 23, 1958)	<p>April 1981 Joined the Company</p> <p>October 2005 General Manager with special assignment of Planning and Administration Department, Railway Business Division</p> <p>April 2006 General Manager of Human Resources Department</p> <p>June 2011 Director, General Manager of Human Resources Department</p> <p>June 2015 Managing Director, Head of Lifestyle Service Creation Division and General Manager of Human Resources Department</p> <p>July 2015 Managing Director, Head of Lifestyle Service Creation Division</p> <p>April 2016 Managing Director</p> <p>June 2017 Representative Director (to present)</p> <p>June 2017 Senior Managing Director</p> <p>July 2017 Senior Managing Director, Head of Corporate Planning Division</p> <p>April 2018 Senior Managing Director & Representative Director and Senior Managing Executive Officer, Head of Corporate Planning Division (to present)</p> <p>[Responsibilities in the Company] Corporate Planning Division, Human Resources Department</p> <p>[Significant concurrent position] President, General Incorporated Foundation Tobu Museum</p> <p>[Reason for nomination as a candidate for Director] Mr. Hiroaki Miwa has served in important positions in the corporate organization and human resources division and the real estate business division, etc., and he is well familiar with general operations of the Group. He also performs his duties by making use of his rich management experience and broad insight as a Director of the Company. Currently he is demonstrating leadership primarily in the planning and realization of management strategy of the Group and corporate organization and human resources strategy, which are aimed at improving our corporate value. We have determined him to be the proper person for pursuing further improvement of corporate value in the future. Therefore, we nominate him as a candidate for Director again.</p>	4,500 shares
4	Koichi Sekiguchi (December 22, 1955)	<p>April 1978 Joined the Ministry of Transport</p> <p>August 2010 Senior Deputy Director-General of Railway Bureau of Ministry of Land, Infrastructure, Transport and Tourism</p> <p>August 2011 Deputy Director-General of the Japan Meteorological Agency</p> <p>September 2014 Joined the Company</p> <p>Adviser of Corporate Planning Department</p> <p>June 2015 Director, Deputy Head of Railway Business Division</p> <p>June 2017 Managing Director, Deputy Head of Railway Business Division</p> <p>July 2017 Managing Director, Deputy Head of Railway Business Division and Deputy Head of Corporate Planning Division</p> <p>April 2018 Managing Director and Managing Executive Officer, Deputy Head of Railway Business Division and Deputy Head of Corporate Planning Division (to present)</p> <p>[Responsibilities in the Company] Railway Business Division, Corporate Planning Division</p> <p>[Reason for nomination as a candidate for Director] Mr. Koichi Sekiguchi reflects his rich experience and broad insight in transport policy on management of the Company and he is well familiar with general operations of the Group. He also performs his duties by making use of his rich management experience as a Director of the Company. Currently he is demonstrating leadership primarily in the planning and realization of railway business strategy and management strategy of the Group, which are aimed at improving our corporate value. We have determined him to be the proper person for pursuing further improvement of corporate value in the future. Therefore, we nominate him as a candidate for Director again.</p>	2,100 shares

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
5	Toshiaki Onodera (September 6, 1959)	<p>April 1982 Joined the Company</p> <p>October 2010 General Manager of General Affairs Department and General Manager of Research Office</p> <p>July 2013 General Manager of Transport Department, Railway Business Division and General Manager of Train Crew Training Center</p> <p>June 2015 General Manager of General Affairs and Legal Department and General Manager of Research Office</p> <p>June 2016 Director, General Manager of General Affairs and Legal Department and General Manager of Research Office</p> <p>April 2018 Director and Executive Officer, General Manager of General Affairs and Legal Department and General Manager of Research Office (to present)</p> <p>[Responsibilities in the Company] Public Relations Department</p> <p>[Reason for nomination as a candidate for Director] Mr. Toshiaki Onodera has served in important positions in the general affairs division and the railway business division, etc. He performs his duties by making use of his rich management experience as a Director of the Company and broad insight. Currently he is demonstrating leadership mainly in planning and realization of corporate legal strategy and public relations strategy, which are aimed at improving our corporate value. We have determined him to be the proper person for pursuing further improvement of corporate value in the future. Therefore, we nominate him as a candidate for Director again.</p>	4,900 shares
6	Takashi Kobiyama (December 10, 1961)	<p>April 1984 Joined the Company</p> <p>July 2009 General Manager of Building Leasing Business Department, Real Estate Leasing Sales Division</p> <p>April 2010 General Manager of Building Leasing Business Department, Real Estate Leasing Business Management Division</p> <p>July 2012 General Manager of Building Leasing Business Department, Lifestyle Service Creation Division</p> <p>October 2015 General Manager with special assignment of Public Relations Department</p> <p>April 2016 General Manager of Public Relations Department</p> <p>June 2017 Director, General Manager of Public Relations Department</p> <p>February 2018 Director, General Manager of Hotel-Business Strategy Department</p> <p>April 2018 Director and Executive Officer, General Manager of Hotel-Business Strategy Department (to present)</p> <p>[Responsibilities in the Company] Hotel-Business Strategy Department, Group Administration Department</p> <p>[Reason for nomination as a candidate for Director] Mr. Takashi Kobiyama has served in important positions in the real estate and leasing business division and public relations division, etc. He is utilizing his management experience as a Director of the Company and broad insight to demonstrate leadership in planning and realization of hotel-business strategy and the Group's business strategy, which are aimed at improving our corporate value. We have determined him to be the proper person for pursuing further improvement of corporate value in the future. Therefore, we nominate him as a candidate for Director again.</p>	2,800 shares

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
7	Tsutomu Yamamoto (September 9, 1964)	<p>April 1989 Joined the Company</p> <p>June 2015 General Manager of Finance and Accounting Department</p> <p>June 2017 Director, General Manager of Finance and Accounting Department</p> <p>April 2018 Director and Executive Officer, General Manager of Finance and Accounting Department (to present)</p> <p>[Responsibilities in the Company] System Development Department, Group Administration Department, Finance and Accounting Department and Asset Management Department</p> <p>[Significant concurrent position] Outside Director, TOBU STORE CO., LTD.</p> <p>[Reason for nomination as a candidate for Director] Mr. Tsutomu Yamamoto has served in important positions in the finance and accounting division, etc. He is utilizing his extensive management experience as a Director of the Company and broad insight to demonstrate leadership in planning and realizing the Group's finance and accounting strategy aimed at improving our corporate value, as well as auditing Group companies and providing guidance for improvement based on audit results. We have determined him to be the proper person for pursuing further improvement of corporate value in the future. Therefore, we nominate him as a candidate for Director again.</p>	1,400 shares
8	Mitsuyoshi Shibata (November 5, 1953)	<p>April 1977 Joined Furukawa Electric Co., Ltd.</p> <p>June 2008 Corporate Vice President of Furukawa Electric Co., Ltd.</p> <p>June 2009 Corporate Senior Vice President of Furukawa Electric Co., Ltd.</p> <p>June 2010 Director, Corporate Senior Vice President of Furukawa Electric Co., Ltd.</p> <p>April 2012 President and Representative Director of Furukawa Electric Co., Ltd.</p> <p>April 2017 Chairman of the Board of Furukawa Electric Co., Ltd. (to present)</p> <p>[Significant concurrent positions] Chairman of the Board, Furukawa Electric Co., Ltd.</p> <p>[Reason for nomination as a candidate for Outside Director] Mr. Mitsuyoshi Shibata has rich experience and broad insight as a corporate manager. We have determined that reflecting his experience and insight, etc. on management of the Company and his playing a supervisory role of business execution from an objective point of view, being independent from the management of the Company, will contribute to further improvement of corporate value. Therefore, we nominate him as a candidate for Outside Director. In addition, the Company has determined that he is adequately independent by the "Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members," which objectively determine independence. (The "Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members" of the Company are as described on page 10.)</p>	0 shares

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
9	Takaharu Ando (August 31, 1949)	<p>April 1972 Joined National Police Agency August 1999 Director of Public Security Bureau of Tokyo Metropolitan Police Department August 2004 Director General of Commissioner General's Secretariat of National Police Agency June 2009 Commissioner General of National Police Agency</p> <p>[Significant concurrent positions] Outside Director, NITORI Holdings Co., Ltd. External Director, AMUSE INC. Outside Director, ZENSHO HOLDINGS CO., LTD.</p> <p>[Reason for nomination as a candidate for Outside Director] Mr. Takaharu Ando has rich experience of serving in important positions, such as Commissioner General of National Police Agency, and broad insight, as well as experience of serving as outside directors at other companies. We have determined that reflecting his experience and insight, etc. on management of the Company and his playing a supervisory role of business execution from an objective point of view, being independent from the management of the Company, will contribute to further improvement of corporate value. Therefore, we nominate him as a candidate for Outside Director. Although he has not engaged in corporate management in a role other than as an outside officer, based on the reasons described above, we have deemed that he will provide appropriate supervision and advice for overall management as an Outside Director of the Company. In addition, the Company has determined that he is adequately independent by the "Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members," which objectively determine independence. (The "Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members" of the Company are as described on page 10.)</p>	0 shares

(Notes)

1. Mr. Hiroaki Miwa is the President of the General Incorporated Foundation Tobu Museum, to which the Company entrusts the business concerning operations of the Tobu Museum.
2. If election of Mr. Mitsuyoshi Shibata and Mr. Takaharu Ando is approved, the Company will enter into liability limitation agreements with them in accordance with Article 423 Paragraph 1 of the Companies Act to limit their liabilities to the amount stipulated by laws and regulations when they act in good faith without gross negligence.
3. Mr. Mitsuyoshi Shibata is scheduled to assume the office of outside director of Isuzu Motors Limited on June 28, 2018 and outside statutory auditor of Asahi Mutual Life Insurance Company on July 3, 2018.
4. Mr. Mitsuyoshi Shibata serves as Director of Furukawa Electric Co., Ltd. (Furukawa Electric), and in July 2013, Furukawa Electric and its subsidiary received a decision from the European Commission to impose a fine in relation to a cartel on transactions of wire harness products for automobiles. In addition, in December 2013, Furukawa Electric received a cease and desist order and a surcharge payment order from the Japan Fair Trade Commission in connection with overhead power transmission line construction ordered by Tokyo Electric Power Company, and in January 2014, in connection with the same construction ordered by The Kansai Electric Power Company, Incorporated. In April 2014, Furukawa Electric received a decision from the European Commission to impose a fine for violation of competition law in relation to the power cable business (Against such decision, Furukawa Electric has filed a case with the General Court of the European Union to seek cancelation of the fine or reduction of its amount.) In August 2014, Furukawa Electric received a decision from a Chinese authority to impose a fine for violation of the Antimonopoly Act of China in relation to a cartel on transactions of automobile parts. Mr. Mitsuyoshi Shibata was not aware of the above matters until the time they became clear, and since then, he has made efforts, recognizing that compliance is essential for all business activities, to further ensure compliance with laws and regulations and spread corporate ethics, based on reports including recommendations on measures to prevent recurrence received from third-party investigation committees, mainly composed of outside experts. Moreover, he has been implementing measures to prevent recurrence, such as establishing and improving internal rules and procedures to prevent the occurrence of such issues, ensuring education on compliance with laws and regulations, and strengthening monitoring by the Internal Audit Department. In addition, by continuing these activities, he is striving to ensure compliance.
5. The Company will designate Mr. Mitsuyoshi Shibata and Mr. Takaharu Ando as Independent Directors as specified by the Tokyo Stock Exchange and notified the same Exchange to that effect.
6. Mr. Mitsuyoshi Shibata and Mr. Takaharu Ando are new candidates for Director.

(Reference)

Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members

The Company deems Outside Directors and Outside Audit & Supervisory Board Members to be independent when they do not fall under any of the following items.

- (1) A principal shareholder who holds 10% or more of the total number of voting rights of the Company at the end of the fiscal year, or its executive person
- (2) Of the lenders to the Company, a financial institution or other principal creditor that the Company depends upon for funding to the extent that it is not replaceable at the end of the fiscal year, or its executive person
- (3) Of the business partners of the Company, a party which receives the payment of 2% or more of the consolidated operating revenue for the fiscal year from the Company at the end of such fiscal year, or its executive person
- (4) Of the business partners of the Company, a party which pays to the Company at the end of the fiscal year of the party 2% or more of the consolidated operating revenue for such fiscal year, or its executive person
- (5) A person who receives from the Company donations or subsidies of an annual amount exceeding ¥10 million during the fiscal year, or its executive person
- (6) An attorney, certified public accountant, tax accountant, consultant or the like who receives from the Company compensation other than the compensation as Director or Audit & Supervisory Board Member of an annual amount exceeding ¥10 million during the fiscal year
- (7) A person who belongs to an organization, at the end of the fiscal year, such as a corporation (law firm, audit firm, tax accountant firm, consulting firm, etc.) or a union that receives from the Company money or other financial benefits whose amount exceeds 2% of consolidated operating revenue for the fiscal year of such organization
- (8) A person who served as an executive person of the Company or its subsidiaries during the past 10 years
- (9) The “fiscal year” mentioned in Items 1 to 7 falls under a year within the past three years.
- (10) When a person who falls under any of Items 1 to 8 serves in an important position, his/her spouse or relatives within the second degree of kinship

Proposal 4: Delegation of Gratis Allotment of Stock Acquisition Rights for the Takeover Defense Measures

The Countermeasures to Large-scale Purchase of Shares of the Company (Takeover Defense Measures) (hereinafter the “Existing Plan”) was approved at the 195th Annual General Meeting of Shareholders held on June 26, 2015, with a view to ensuring and enhancing the Company’s corporate value and common interests of its shareholders, as well as the safety of transport provided by the Company as the basis of the customer confidence. However, the effective period of the Existing Plan will expire at the conclusion of this General Meeting of Shareholders. In order to continue to fulfill the purpose mentioned above, we have reviewed a renewal of the Existing Plan, taking into account the Company’s management environment and opinions from its shareholders. As a result, with respect to takeover defense measures in which requirements for gratis allotment of the Stock Acquisition Rights (trigger criteria) are limited (hereinafter we refer to the hereby proposed takeover defense measures as the “Plan”), we ask for your approval to delegate to the Board of Directors of the Company decisions on matters regarding gratis allotment of stock acquisition rights, following the procedures as described below in “3. Details of the Plan,” pursuant to Article 12 of the Articles of Incorporation of the Company.

1. Reasons for necessity of the resolution on delegation regarding gratis allotment of stock acquisition rights (purpose of adopting the Plan)

Tobu Group operates diversified and composite businesses, including “transportation,” “leisure,” “real estate” and “retail distribution”, as a corporate group contributing to the development of the areas along its railway lines, through the businesses that closely support customers’ daily lives. The Group believes that the core element of such business activities should be the provision of “safety and security,” and that it is critically important to fulfill its corporate social responsibility through achieving sustainable growth along with local communities, as a corporate group that supports customers’ lives, by promoting eco-friendly management while constantly generating profit from its business operations. It also believes that to keep providing “safety and security,” which are the basis of confidence in all businesses, and to keep maintaining as ever the basic principles concerning its public mission as a transportation business operator, should be fundamental for the entire Tobu Group.

Aiming for future sustainable growth, under the Tobu Group Management Policy, which aims to create attractive destinations full of energy along the Tobu lines, providing the residents with comfortable lifestyle, Tobu Group has established the “Long-Term Management Framework” that provides the “basic management direction” etc. from a long-term perspective, of which the “Medium-Term Business Plan” that addresses specific measures for the four-year period is based on. The Group will also continue to ensure and enhance corporate value and common interests of shareholders by actively promoting investments in sustainable growth, creating its roadmap from a mid- to long-term perspective, and further enhancing shareholder return while maintaining financial strength.

As mentioned above, the Company is determined to further pursue its initiatives for the purpose of ensuring and enhancing its corporate value and common interests of its shareholders, as well as ensuring and enhancing safety, public interest and user benefit in the transportation business. However, we have recently observed cases in the Japanese stock market, etc., in which large-scale purchase of shares of a company was forced through on a one-sided basis, without obtaining consent of the management of the targeted company.

Naturally, the Company would not flatly refuse all large-scale purchases of its shares, insofar as they may contribute to ensuring and enhancing its corporate value and common interests of its shareholders, as well as ensuring and enhancing safety, public interest and user benefit in the transportation business.

However, there may be cases of large-scale purchase of shares in a company that are found not to contribute to ensuring and enhancing such targeted company’s corporate value and common interests of its shareholders, as well as ensuring and enhancing safety, public interest and user benefit in the transportation business, as they should, judging from their objectives, etc., clearly damage the efforts to ensure and enhance the corporate value of such targeted company and common interests of its shareholders, as well as ensuring and enhancing safety, public interest and user benefit in the

transportation business, or may effectively coerce shareholders into selling their shares, or do not provide enough time and information for the Board of Directors and shareholders of the targeted company to fully review terms of the purchase, or for the Board of Directors of the targeted company to prepare alternative proposals.

The Company believes that it is essential for the Company to continue to provide “safety and security” as the basis of its management, and pursue management from a mid- to long-term perspective, as well as keep maintaining and promoting as ever the basic principles concerning its public mission as a transportation business operator, in order to continuously ensure and enhance its corporate value and common interests of its shareholders.

In the event that the aforementioned management style should be switched, by the large-scale purchaser of shares of the Company, to a management style in pursuit solely of short-term profit, it should impair the efforts to ensure and enhance its corporate value and common interests of its shareholders, as well as those to ensure and enhance safety, public interest and user benefit in the transportation business.

In view of the aforementioned circumstances, the Board of Directors of the Company reached a conclusion that it is essential, for the purpose of preventing the inappropriate purchase of shares of the Company from impairing the efforts to ensure and enhance its corporate value and common interests of its shareholders, as well as those to ensure and enhance safety, public interest and user benefit in the transportation business, to maintain a framework against such large-scale purchase before it actually happens, which ensures sufficient information and time for shareholders to decide whether or not to accept the proposal for the purchase, and for the Board of Directors of the Company to prepare alternative proposals, enabling negotiating with the purchaser for the benefit of shareholders.

The Existing Plan was approved by our shareholders at the Annual General Meeting of Shareholders held on June 26, 2015. However, the effective period of the Existing Plan will expire at the conclusion of this Annual General Meeting of Shareholders. Accordingly, the Board of Directors has decided to continue to adopt Takeover Defense Measures at normal times as described below in “3. Details of the Plan,” subject to an approval at this Annual General Meeting of Shareholders.

Currently, the Company does not face any specific threat such as an improper purchase of the Company’s shares as described above.

2. Outline of the Plan

The outline of the Plan is as follows.

(1) Purpose

The Plan is intended, in the event of a large-scale purchase of shares of the Company, to ensure and enhance its corporate value and common interests of its shareholders, as well as to ensure and enhance safety, public interest and user benefit in the transportation business, through managing to secure necessary and sufficient information and time for shareholders to make an appropriate judgment, as well as the opportunity for the Company to negotiate with the purchaser.

(2) Establishment of procedures

The Plan sets forth procedures required to fulfill its purpose described in (1) above, including requesting that the purchaser provides information in advance when any party intends to conduct a purchase exceeding 20% of share certificates, etc., of the Company. (For further details of the procedures, please refer to “3. (1) Procedures related to the Plan” below.)

(3) Triggering of the Plan by gratis allotment of stock acquisition rights

If a purchaser does not comply with the procedures established in the Plan to purchase, or if it is likely that the purchase will clearly damage the efforts to ensure and enhance the Company’s corporate value and common interests of its shareholders, as well as to ensure and enhance safety, public interest and user benefit in the transportation business (for further details of the requirements, please refer to “3. (2) Requirements for gratis allotment of the Stock Acquisition Rights” below), stock acquisition rights (hereinafter the “Stock Acquisition Rights” and their outline is described in “3. (3) Outline of gratis allotment of the Stock Acquisition Rights” below) are allotted to all of the shareholders as of the

allotment date by gratis allotment of the Stock Acquisition Rights, subject to the condition for exercise that the purchaser, etc., is not allowed to exercise such rights, and the terms of acquisition which allows the Company to acquire the stock acquisition right from parties other than the purchaser, etc.

If gratis allotment of the Stock Acquisition Rights is conducted in compliance with the Plan and the Company's shares are delivered to the shareholders other than the purchaser, etc., in association with the exercise of such rights or acquisition of such rights by the Company, the purchaser's voting rights ratio of the Company's shares may be diluted to 50% or less compared with the ratio prior to the gratis allotment.

(4) Use of the Independent Committee

In order to prevent arbitrary decisions by the Board of Directors of the Company, the decision on whether to implement or not to implement a gratis allotment of the Stock Acquisition Rights or to acquire such rights shall be made by the Independent Committee (for further details, please refer to "3. (5) Establishment of the Independent Committee" below), established to consist exclusively of the members independent from the management engaged in execution of business of the Company, in an objective manner and with transparency secured by information disclosure to the shareholders.

Even in the case where the Independent Committee finds it reasonable to implement the gratis allotment of the Stock Acquisition Rights, if the Committee believes that such implementation should be finalized subject to the resolution of the General Meeting of Shareholders, the Committee recommends the Board of Directors of the Company to convene the General Meeting of Shareholders and submit thereto the proposal for implementing the gratis allotment of the Stock Acquisition Rights. Unless it involves extreme difficulty in holding such General Meeting for reasons including practicality, the Board of Directors of the Company shall make resolution to promptly convene a General Meeting of Shareholders and submit thereto such proposal.

3. Details of the Plan

(1) Procedures related to the Plan

A. Purchase, etc., subject to the Plan

The Plan is intended for the purchase of the Company's share certificates, etc., which falls under (i) or (ii) below or any similar act (hereinafter the "Purchase, etc.")

Any party that intends to conduct the Purchase, etc. (hereinafter the "Purchaser, etc.") shall follow the procedures set out under the Plan.

If the Purchase, etc. is found not to comply with the procedures set out under the Plan, the Independent Committee makes recommendation to the Board of Directors of the Company for implementation of gratis allotment of the Stock Acquisition Rights.

(i) A purchase in which total holding ratio (Note 4) of the holder (Note 2) and its joint-holders (Note 3) of the share certificates, etc., (Note 1) issued by the Company exceeds 20%

(ii) A public tender offer in which total ratio of the offeror's holding (Note 7) of share certificates, etc., (Note 5) issued by the Company, subject to the tender offer (Note 6), and the specially related parties' (Note 8) holding of such share certificates, etc., exceeds 20%

(Note 1) As defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act

(Note 2) Includes any party comprising a "holder" under Article 27-23, Paragraph 3 of the Financial Instruments and Exchange Act (including any party that is approved by the Board of Directors of the Company to fall under this).

(Note 3) As defined in Article 27-23, Paragraph 5 of the Financial Instruments and Exchange Act. Include any party deemed to be a "joint holder" under Article 27-23, Paragraph 6 of the Act.

(Note 4) As defined in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act.

(Note 5) As defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act.

(Note 6) As defined in Article 27-2, Paragraph 6 of the Financial Instruments and Exchange Act.

(Note 7) As defined in Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Act.

(Note 8) As defined in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act

(including any party that, the Board of Directors believes, meets such definition). However, the parties stipulated in Article 3, Paragraph 1 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc. by Person Other Than the Issuer are excluded from the parties listed in Item 1 of the same paragraph.

B. Request for provision of information to the Purchaser, etc.

Unless otherwise provided for by the Board of Directors of the Company, the Purchaser, etc., who intends to conduct the Purchase, etc., will be requested to submit, prior to the execution of such Purchase, etc., a document (hereinafter collectively referred to as the "Purchase Statement") containing information stipulated in the following items (hereinafter the "Required Information") as well as the pledge to the effect that such Purchaser, etc., will comply with the procedures set out under the Plan when conducting the Purchase, etc., written in Japanese using a form determined by the Company.

If the Board of Directors of the Company receives the Purchase Statement mentioned above, it shall promptly provide the statement to the Independent Committee.

If the Independent Committee decides that the details stated in such Purchase Statement are inadequate as Required Information, the Committee may request that the Purchaser, etc., provide additional information within a specified period (of up to 60 days). In such case, the Purchaser, etc., is required to provide such additional information within such period.

- (i) Details (including information on specific names, capital structure, personal careers or corporate history, business operations, financial conditions and experiences in businesses similar to the Company's business) of the Purchaser, etc., and its group (including joint-holders (Note 9), specially related parties and (in the case of funds) partners and other members).
- (ii) Purpose, method and contents of the Purchase, etc. (including the amount and classes of considerations for the Purchase, etc., the timing of the Purchase, etc., the scheme of related transactions and the legality of the method of the Purchase, etc.)
- (iii) Existence of communications with any third party for the Purchase, etc., and in the case where communications exist, the contents of such communications.
- (iv) Basis for the calculation of the price of the Purchase, etc. (including the facts and assumptions forming the premise of the calculation, the calculation method, information on numerical data used in such calculation and the results expected from a series of transactions related to the Purchase, etc. (including the details of the distribution to other shareholders) and the basis for the calculation of such results.)
- (v) Financial support for the Purchase, etc. (including specific names of funds providers (including substantial providers) for the Purchase, etc., the funding methods, and the details of related transactions)
- (vi) Management policy, business plan, capital policy, dividend policy and policy on the use of assets, etc., (including transportation policy, safety management policy, investment policy and passengers fares policy, etc., in the transportation business) of the Group after the Purchase, etc.
- (vii) Contents and plans of safety measures in the Company's business, the amount of investment for safety measures, the safety management policy draft and the name, career summary and view on safety of the candidate safety administrator, etc., after the Purchase, etc.
- (viii) Treatment and handling policies on the Company's stakeholders including the Company's employees, labor union, business partners and customers, etc., after the Purchase, etc.
- (ix) Specific measures to avoid conflict of interest with other shareholders of the Company.
- (x) Other information that the Independent Committee decides is reasonably necessary.

(Note 9) Refers to a joint holder stipulated in Article 27-23, Paragraph 5 of the Financial Instruments and Exchange Act, and includes any party that is deemed a joint holder pursuant to Paragraph 6 of the same Article (including any party that the Board of Directors believes meets such definition).

If the Independent Committee believes that the Purchaser, etc., has initiated the Purchase, etc., without complying with the procedures established in the Plan, the Independent Committee shall, in

principle, makes recommendation to the Board of Directors for implementation of gratis allotment of the Stock Acquisition Rights, as described in D (i) below, unless there are special circumstances where the Company should continue discussions and negotiations with the Purchaser, etc., to request that the Purchaser, etc., submits the Purchase Statement and Required Information.

C. Review of the details of the Purchase, etc., negotiation with the Purchaser, etc., and review of alternative proposals

(i) Request for provision of information to the Board of Directors of the Company

If the Purchaser, etc., submits the Purchase Statement and information additionally requested by the Independent Committee from the perspective of ensuring and enhancing the Company's corporate value and common interests of its shareholders, as well as ensuring and enhancing safety, public interest and user benefit in the transportation business, in order to make comparisons with the management plan, business plan, etc., established by the Board of Directors of the Company, the Independent Committee may request that the Board of Directors of the Company provides its opinions regarding the details of the Purchase, etc., by the Purchaser, etc. (including the withholding of opinions; the same shall apply hereinafter), along with supporting documents, as well as the alternative proposal and other information that the Committee believes is necessary as appropriate, within a reasonable period for responding (of up to 30 days in principle). In such case, the Board of Directors of the Company shall present its opinion and alternative proposal as described above to the Independent Committee.

(ii) Review, etc. by the Independent Committee

If the Independent Committee requests information on the Purchaser, etc., and makes a request to the Board of Directors of the Company for information described above, the Independent Committee reviews the details of the Purchase, etc., collects information and makes comparisons of the business plan, etc., of the Purchaser, etc., and the Board of Directors of the Company and reviews the alternative proposal provided by the Board of Directors of the Company, within 60 days in the case of Purchase, etc., whose consideration is paid in yen, or within 90 days in other cases of Purchase, etc., starting from the date of receiving such information (provided, however, that in the case provided for in D (iii) below, the Committee may extend such period for up to another 30 days) (hereinafter the "Independent Committee Consideration Period"). In addition, if necessary for improving the details of such Purchase, etc., from the perspective of ensuring and enhancing the Company's corporate value and common interests of its shareholders, as well as ensuring and enhancing safety, public interest and user benefit in the transportation business, the Independent Committee may, directly or via the Board of Directors of the Company, discuss and negotiate with the Purchaser, etc., on improvement, etc., of the purchase conditions, or present the alternative proposal provided by the Board of Directors of the Company to the shareholders.

To ensure that the decisions of the Independent Committee are made for the sake of ensuring and enhancing the Company's corporate value and common interests of its shareholders, as well as ensuring and enhancing safety, public interest and user benefit in the transportation business, the Independent Committee may, at the Company's expenses, obtain advice from independent third parties (including financial advisors, certified public accountants, lawyers, consultants and other experts).

In addition, if the Independent Committee requests, directly or via the Board of Directors of the Company, provision of review materials and other information and discussions and negotiations, the Purchaser, etc., must promptly respond to such requests.

(iii) Disclosure of information

The Company promptly discloses to its shareholders information to the effect that a Purchase Statement has been received from a Purchaser, etc., and that the Independent Committee Consideration Period has commenced, and Required Information and other information considered appropriate by the Independent Committee at a time considered appropriate by the Independent Committee.

D. Recommendations by the Independent Committee

If a Purchaser, etc., appears, the Independent Committee shall perform a review as described in C. above and make recommendations, etc., to the Board of Directors of the Company as follows.

If the Independent Committee makes recommendations, etc., to the Board of Directors of the Company in accordance with (i) to (iii) below, the Independent Committee promptly discloses the outline of the said recommendations, etc., and other matters considered appropriate by the Independent Committee (including the outline of the period and grounds for such extension, if the Independent Committee Consideration Period is extended in accordance with (iii) below), via the Board of Directors of the Company.

(i) Recommendations for the triggering of the Plan

If the Purchaser, etc., does not comply with the procedures established in the Plan, or if the Purchase, etc., by the Purchaser, etc., is found, following the review of the details of the Purchase, etc., and discussions and negotiations with the Purchaser, etc., to constitute a situation that meets one of the criteria set out under “(2) Requirements for gratis allotment of the Stock Acquisition Rights” below, reasonably justifying the judgment to implement gratis allotment of stock acquisition rights, the Independent Committee makes recommendation to the Board of Directors of the Company for such implementation.

However, if the Committee judged that it falls under either of the following events, even after recommending implementation of gratis allotment of the Stock Acquisition Rights, prior to the commencement of the exercise period for the Stock Acquisition Rights, the Committee is allowed to make new recommendations to the effect that the Company should suspend gratis allotment of the Stock Acquisition Rights in the case where such gratis allotment has not yet become effective, or the Company should gratuitously acquire the Stock Acquisition Rights in the case where such gratis allotment has become effective.

- I. The case where the Purchaser, etc., withdrew the Purchase, etc., or other cases where the Purchase, etc., no longer exists after such recommendation was made.
- II. The case where the facts on which such recommendation was based have changed and the Purchase, etc., by the Purchaser, etc., does not meet any of the criteria set out under “(2) Requirements for gratis allotment of the Stock Acquisition Rights” below, or the case where, even if the Purchase, etc., meets either of such requirements, it is inappropriate to implement gratis allotment of the Stock Acquisition Rights or admit the exercise of such Rights.

Even in the case where the Independent Committee finds it reasonable to implement the gratis allotment of the Stock Acquisition Rights, if the Committee believes that such implementation should be finalized subject to the resolution of the General Meeting of Shareholders, the Committee recommends the Board of Directors of the Company to convene the General Meeting of Shareholders and submit thereto the proposal for implementing the gratis allotment of the Stock Acquisition Rights.

(ii) Recommendations for the non- triggering of the Plan

Following the review of the details of the Purchase, etc., and discussions and negotiations with the Purchaser, etc., if the Purchase, etc., by the Purchaser, etc., is found not to meet any of the criteria set out under “(2) Requirements for gratis allotment of the Stock Acquisition Rights” below, or if, even though the Purchase, etc., is found to meet either of such requirements, it is found inappropriate to implement gratis allotment of the Stock Acquisition Rights, the Independent Committee makes recommendation to the Board of Directors of the Company not to implement the gratis allotment of the Stock Acquisition Rights.

However, even after recommending not to implement the gratis allotment of the Stock Acquisition Rights, if the facts on which such recommendation was based change, and the situation comes to fall under the cases where recommendations are made for triggering the Plan as described in (i) above, the Committee is allowed to make a new recommendation to the effect that the gratis allotment of the Stock Acquisition Rights should be implemented.

(iii) Extension of the Independence Committee Consideration Period

If the Independent Committee has not made a recommendation to implement or not to implement the gratis allotment of the Stock Acquisition Rights (including recommendation to convene a General Meeting of Shareholders and submit thereto the proposal for implementing the gratis allotment of the Stock Acquisition Rights) by the termination of the Independence Committee Consideration Period, the Committee makes resolution to extend the Independence Committee Consideration Period within the time frame required for review of the details of the Purchase, etc., discussion and negotiation with the Purchaser, etc., and review of alternative proposals. However, such extension shall be up to 30 days.

If the Independent Committee Consideration Period is extended by the resolution above, the Independent Committee shall continue the collection of information and review and make recommendation to implement or not to implement the gratis allotment of the Stock Acquisition Rights (including recommendation to convene a General Meeting of Shareholders and submit thereto the proposal for implementing the gratis allotment of the Stock Acquisition Rights) within the extended period.

E. Resolution by the Board of Directors

The Board of Directors of the Company, as a body under the Companies Act, shall make resolution to implement, or not to implement, the gratis allotment of the Stock Acquisition Rights, fully respecting the aforementioned recommendation by the Independent Committee.

However, the Board of Directors of the Company shall, in the event of the recommendation by the Independent Committee for convening the General Meeting of Shareholders, and submitting thereto the proposal for implementing the gratis allotment of the Stock Acquisition Rights, make resolution to promptly convene a General Meeting of Shareholders and submit thereto such proposal, unless it involves extreme difficulty in holding such General Meeting for reasons including practicality. If the proposal for implementing the gratis allotment of the Stock Acquisition Rights is approved at the General Meeting of Shareholders, the Board of Directors of the Company shall perform the procedures required for the gratis allotment of the Stock Acquisition Rights following the resolution at the General Meeting of Shareholders. (If the resolution is made to the effect that decisions on matters regarding the gratis allotment of the Stock Acquisition Rights shall be delegated to the Board of Directors of the Company at the General Meeting of Shareholders, the Board of Directors of the Company shall make resolution to implement the gratis allotment of the Stock Acquisition Rights.) If the proposal for the implementing the gratis allotment of the Stock Acquisition Rights is rejected at the General Meeting of Shareholders, the Board of Directors of the Company shall make resolution not to implement the gratis allotment of the Stock Acquisition Rights.

If resolutions are made at the Board of Directors of the Company or at the General Meeting of Shareholder as mentioned above, the Board of Directors of the Company shall promptly disclose information on the outline of such resolutions and other matters that the Board of Directors of the Company decides are appropriate.

The Purchaser, etc., shall not execute the Purchase, etc., before the Board of Directors of the Company makes resolution not to implement the gratis allotment of the Stock Acquisition Rights.

(2) Requirements for gratis allotment of the Stock Acquisition Rights

If the act, etc., of the Purchaser, etc., falls under either of the following events and it is found reasonable to implement the gratis allotment of the Stock Acquisition Rights, the Company shall implement the gratis allotment of the Stock Acquisition Rights, upon resolution at the Board of Director of the Company or the General Meeting of Shareholders as provided for in “E. of (1) Procedures related to the Plan.”

As mentioned above in “D. of (1) Procedures related to the Plan,” the Independent Committee shall review whether the implementation of the gratis allotment of the Stock Acquisition Rights meets either of the following requirements and is found reasonable, and never fail to make recommendation to implement, or not to implement the gratis allotment (including recommendation to convene a General Meeting of Shareholders and submit thereto the proposal for implementing the gratis allotment of the Stock Acquisition Rights). The Board of Directors of the Company shall make decisions, fully respecting

such recommendations.

- (i) A Purchase, etc., without intention to participate in the management of the Company but with a purpose to raise the Company's stock price by buying up the Company's share certificates, etc., and make the Company's related parties purchase the Company's share certificates, etc., at a high price
 - (ii) A Purchase, etc., to achieve an advantage for the Purchaser, etc. to the detriment of the Company, such as temporary control of the Company's management in order to transfer assets, etc. of the Company or the Group companies to such Purchaser, etc. and its group companies, etc., at a low cost
 - (iii) A Purchase, etc., to control business operations of the Company for the diversion of assets of the Company or the Group companies as funds for security or reimbursement of obligations of the Purchaser, etc., or its group companies, etc.
 - (iv) A Purchase, etc., to temporarily control the Company's management to bring about the disposal of the assets, etc. of the Company or the Group companies, with the intention to declare temporarily high dividends from the profits earned from the disposal, or to sell the share certificates, etc., of the Company at a high price, waiting for a surge in their price resulting from such temporarily high dividends
 - (v) A Purchase, etc., that is likely to virtually force shareholders into selling their shares, such as coercive two-tiered tender offers (purchase of shares such as tender offer, whereby no solicitations for purchasing all the shares are made in the initial purchase, and disadvantageous purchase terms are set or the purchase terms are not made explicitly clear in the second stage)
- (3) Outline of gratis allotment of the Stock Acquisition Rights

The outline of the gratis allotment of the Stock Acquisition Rights that will be implemented under the Plan is as follows.

A. Number of the Stock Acquisition Rights

We allot the same number of the Stock Acquisition Rights as the final total number of issued shares of the Company (excluding the number of the Company's shares that the Company holds on the date below) on a date (hereinafter the "Allotment Date") separately determined by a resolution (hereinafter the "Resolution for Gratis Allotment of the Stock Acquisition Rights") made by the Board of Directors of the Company or the General Meeting of Shareholders for the gratis allotment of the Stock Acquisition Rights.

B. Shareholders eligible for allotment

Gratis Allotment of the Stock Acquisition Rights is implemented to all shareholders of the Company, except for the Company, registered on the Company's final shareholder registry as of the Allotment Date, at a ratio of one (1) Stock Acquisition Right for one (1) share of the Company held by the shareholder.

C. Effective date for gratis allotment of the Stock Acquisition Rights

The date shall be separately determined by the Resolution for Gratis Allotment of the Stock Acquisition Rights.

D. Number of shares to be acquired upon the exercise of the Stock Acquisition Rights

In principle, the number of the Company's shares to be acquired upon exercise of one (1) Stock Acquisition Right (hereinafter the "Applicable Number of Shares") shall be one (1) share.

E. Amount of assets to be contributed upon the exercise of the Stock Acquisition Rights

The purpose of contributions made upon the exercise of the Stock Acquisition Rights shall be cash. The amount of assets per share of the Company to be contributed upon the exercise of the Stock Acquisition Rights shall be an amount separately determined by the Resolution for Gratis Allotment of the Stock Acquisition Rights, within the range between the lower limit of one yen and the upper limit of 50% of the market price of one such share. The "Market price" means the amount equivalent to the average closing prices (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 (excluding the days when trades were not made) prior to the Resolution for Gratis Allotment of the

Stock Acquisition Rights, with any fractions less than one yen to be rounded up to the nearest whole yen.

F. Exercise Period of the Stock Acquisition Rights

The commencement date (hereinafter the “Exercise Period Commencement Date”) of the exercise period shall be separately determined and the period shall be separately determined by the Resolution for Gratis Allotment of the Stock Acquisition Rights; provided, however, if the Company acquires the Stock Acquisition Rights in accordance with the provisions of I (ii) below, the exercise period of the Stock Acquisition Rights with respect to such acquisition shall end on the preceding day of such acquisition. Furthermore, if the final day of the exercise period falls on a holiday for the place handling payment of the cash to be paid upon exercise, the preceding business day shall be the final day.

G. Conditions for the exercise of the Stock Acquisition Rights

A (I) specified large-scale holder (Note 10), (II) joint holder of and person in special relationship with the specified large-scale holder, (III) specified large-scale purchaser (Note 11), (IV) joint holder of or person in special relationship with the specified large-scale purchaser, (V) any person who has been transferred or inherited the Stock Acquisition Rights from any person who falls under (I) through (IV) above, without obtaining approval of the Board of Directors of the Company, or, (VI) any affiliated person (Note 12) who falls under (I) through (V) above (hereinafter collectively referred to as the “Unqualified Persons”) may not exercise the Stock Acquisition Rights in principle. In addition, non-residents who are required to perform certain procedures for exercising the Stock Acquisition Rights under the applicable foreign laws and regulations may not exercise the Stock Acquisition Rights, in principle. (However, certain non-residents, such as those to whom exemption provisions may be applied under the applicable foreign laws and regulations, are allowed to exercise the Stock Acquisition Rights. Furthermore, the Stock Acquisition Rights of non-residents may also be subject to acquisition by the Company with consideration of shares of the Company, as described in I. below.)

(Note 10) A “Specified large-scale holder” means, in principle, a person who holds share certificates etc., issued by the Company and whose holding ratio of share certificates, etc. of the Company is 20% or more (including any person who is deemed by the Board of Directors of the Company to fall under these). However, any person whose acquisition or holding of share certificates, etc., of the Company is deemed by the Board of Directors of the Company not to be detrimental to ensuring and enhancing the Company’s corporate value and common interests of its shareholders, as well as ensuring and enhancing safety, public interest and user benefit in the transportation business (the Board of Directors of the Company is allowed to make such judgment at all times, and, if the Board of Directors of the Company judged that it shall not be detrimental to ensuring and enhancing the Company’s corporate value and common interests of its shareholders, as well as ensuring and enhancing safety, public interest and user benefit in the transportation business, subject to certain conditions, this shall only apply when such conditions are met) and other certain persons who are separately determined by the Resolution for Gratis Allotment of the Stock Acquisition Rights shall not fall under specified large-scale holders.

(Note 11) A “specified large-scale purchaser” means, in principle, a person who makes a public announcement to make a Purchase, etc., (as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act) of share certificates, etc., (as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act) issued by the Company through a tender offer and whose total holding ratio of share certificates, etc., in terms of the person’s holding (including the case provided for in Article 7, Paragraph 1 of the Order for Enforcement of the Financial Instruments and Exchange Act as being equivalent thereto) after such Purchase, etc., added with the holding ratio of the person in special relation therewith, exceeds 20% (including a person who is deemed to fall under them by the Board of Directors of the Company). However, any person whose acquisition or holding of share

certificates, etc., of the Company is deemed by the Board of Directors of the Company not to be detrimental to ensuring and enhancing the Company's corporate value and common interests of its shareholder (the Board of Directors of the Company is allowed to make such judgment at all times, and, if the Board of Directors of the Company judged that it shall not be detrimental to ensuring and enhancing the Company's corporate value and common interests of its shareholders subject to certain conditions, this shall only apply when such conditions are met) and other certain persons who are separately determined by the Resolution for Gratis Allotment of the Stock Acquisition Rights shall not fall under specified large-scale purchasers.

(Note 12) An "affiliated person" of a certain party means a person who is deemed by the Board of Directors of the Company to be a person who substantially controls the certain party, is controlled by the certain party, or is in common control of the certain party (including a person who is deemed by the Board of Directors of the Company to fall under this), or a person who is deemed by the Board of Directors of the Company to be a person who acts in cooperation with such party. The term "control" as used herein means "to control decisions on financial and business policies" of other companies, etc. (as defined in Article 3, Paragraph 3 of the Ordinance for Enforcement of the Companies Act).

H. Transfer of the Stock Acquisition Rights

Any acquisition of the Stock Acquisition Rights through transfer requires an approval by the Board of Directors of the Company.

I. Acquisition of the Stock Acquisition Rights by the Company

(i) At any time before one day prior to the Exercise Period Commencement Date, if the Board of Directors of the Company deems that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a date separately determined by the Board of Directors of the Company, acquire all of the Stock Acquisition Rights without consideration.

(ii) Upon the arrival of the date separately determined by the Board of Directors of the Company, the Company may acquire all of the Stock Acquisition Rights held by persons other than the Unqualified Persons that have not been exercised one day prior to the date determined by the Board of Directors of the Company, and, in exchange, deliver shares of the Company in the number of the Applicable Number of Shares for every one (1) Stock Acquisition Right. Furthermore, if, after the date upon which the aforesaid acquisition takes place, the Board of Directors of the Company recognizes the existence of a person other than the Unqualified Persons among persons who hold the Stock Acquisition Rights, the Company may, upon the arrival of the date separately determined by the Board of Directors of the Company after the date upon which the acquisition described above takes place, acquire all of the Stock Acquisition Rights held by that person that have not been exercised up to the date prior to a date separately determined by the Board of Directors of the Company and, in exchange, deliver shares of the Company in the number of the Applicable Number of Shares for every one (1) Stock Acquisition Right. The same shall apply thereafter. The details of the condition for acquisition of the Stock Acquisition Rights shall be determined by the Resolution for Gratis Allotment of the Stock Acquisition Rights

J. Grant of the Stock Acquisition Rights in the case of merger (limited to cases where the Company is to be dissolved as a result of merger), absorption-type company split, incorporation-type company split, exchange of shares and transfer of shares

The details of such grant shall be separately determined by the Resolution for Gratis Allotment of the Stock Acquisition Rights.

K. Issuance of stock acquisition right certificates

Stock acquisition right certificates related to the Stock Acquisition Rights shall not be issued.

L. Revisions due to amendment of laws and regulations, etc.

The provisions of the laws and regulations referred to above are subject to the provisions of any laws and ordinances effective as of May 17, 2018. If it becomes necessary after such date to revise

the terms and conditions or definitions of terms set out in the aforesaid paragraphs due to the establishment, amendment or abolishment of laws and regulations, the terms and conditions or definitions of terms set out in the aforesaid paragraphs may be read or replaced accordingly to a reasonable extent, taking into consideration the purposes of such establishment, amendment or abolishment.

(4) Procedures for introducing the Plan

Pursuant to Article 12 of the Articles of Incorporation of the Company (Note 13), the introduction of the Plan shall be subject to the condition that, at this General Meeting of Shareholder, a proposal is submitted to the effect that the authority to decide matters regarding the gratis allotment of the Stock Acquisition Rights shall be delegated to the Board of Directors of the Company subject to the condition provided in the Plan and such proposal is approved.

(Note 13) Article 12 of the Articles of Incorporation of the Company stipulates that “any matters regarding the gratis allotment of stock acquisition rights shall be decided by a resolution of the Board of Directors of the Company or a resolution of the General Meeting of Shareholders or a resolution of the Board of Directors of the Company based on the delegation of the power by a resolution at a General Meeting of Shareholders.”

(5) Establishment of the Independent Committee

For the introduction of the Plan, the Company shall establish the Independent Committee as a body that eliminates any arbitrary decision made by the Board of Directors of the Company and makes substantial decisions related to the operation of the Plan including its triggering from an objective standpoint and for the benefit of shareholders.

The members of the Independent Committee at the time of the introduction of the Plan shall consist of two Outside Directors of the Company and one outside expert, both of whom are highly independent from the Company and its management. (Details of the members of the Independent Committee at the time of the introduction of the Plan are as described below in “Names and career summary of the members of the Independent Committee.”)

When the Purchase, etc., is actually executed, as is described above in “(1) Procedures related to the Plan,” the Independent Committee shall make a substantial decision on whether or not such Purchase, etc., will impair the efforts to ensure and enhance the corporate value and common interests of its shareholders, as well as those to ensure and enhance safety, public interest and user benefit in the transportation business, and make recommendation to the Board of Directors of the Company to implement, or not to implement, the gratis allotment of the Stock Acquisition Rights (Even in the case where the Independent Committee finds it reasonable to implement the gratis allotment of the Stock Acquisition Rights, if the Committee believes that such implementation should be finalized subject to the resolution of the General Meeting of Shareholders, the Committee makes a recommendation to convene the General Meeting of Shareholders and submit thereto the proposal for implementing the gratis allotment of the Stock Acquisition Rights.) The Board of Directors of the Company shall make a resolution under the Companies Act, fully respecting such decision made by the Committee.

(6) Effective period, abolishment and amendment of the Plan

The period during which the authority of making decisions on matters regarding the gratis allotment of the Stock Acquisition Rights is delegated by a resolution at a General Meeting of Shareholders as described above in “(4) Procedures for introducing the Plan” (hereinafter the “Effective Period”) expires at the conclusion of the Annual General Meeting of Shareholders for the last one of the fiscal years that will end within three years after the conclusion of this Annual General Meeting of Shareholders.

However, the Plan shall be abolished at any time before the expiry of its effective period, subject to (i) the resolution of the General Meeting of Shareholders of the Company, to withdraw the aforementioned delegation to the Board of Directors for the decisions on the matters related to gratis allotment of stock acquisition rights with respect to the Plan, or subject to (ii) the resolution of the Board of Directors of the Company to abolish the Plan.

Even during the Effective Period of the Plan, if it is necessary to revise or amend the Plan (including cases where the Financial Instruments and Exchange Act or other laws and regulations or stock exchange

rules, etc., is newly established, amended or abolished and it is appropriate to reflect such establishment, amendment or revision on the Plan, cases where it is appropriate to revise any expression due to misspelling and cases that do not cause disadvantages to the shareholders), the Board of Directors of the Company may revise or amend the Plan subject to an approval by the Independent Committee as long as such revision or amendment does not conflict with the purpose of the delegation by a resolution of the General Meeting of Shareholders described in “(4) Procedures for introducing the Plan.”

If the Plan was abolished, revised or amended, the Company shall promptly disclose the facts of such abolishment, revision or amendment and (in the case of revision or amendment) the details of such revision or amendment and other related matters.

4. Rationality of the Plan

(1) Satisfying the requirements of the Guidelines Regarding Takeover Defense, etc.

The Plan shall satisfy the three principles set forth in the “Guidelines Regarding Takeover Defense for the Purposes of Ensuring and Enhancing Corporate Value and Common Interests of Shareholders” announced by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005. Furthermore, the Plan shall conform to the “Takeover Defense Measures in Light of Recent Environmental Changes” published by the Corporate Value Study Group on June 30, 2008.

(2) Respecting the shareholders’ intention

As described above in “3. (4) Procedures for introducing the Plan,” the Plan shall be introduced by a resolution for the delegation related to the Plan at the General Meeting of Shareholders of the Company.

As described above in “3. (6) Effective period, abolishment and amendment of the Plan,” the Plan adopts the so-called “sunset clause” with an effective period of about three years. Furthermore, the Plan shall be abolished at any time before the expiry of its effective period, subject to the resolution of the General Meeting of Shareholders of the Company to withdraw the aforementioned delegation to the Board of Directors of the Company, or subject to the resolution of the Board of Directors of the Company to abolish the Plan. In this context, the intentions of the shareholders will be reflected on the existence of this Plan.

In addition, the term of office for the Company’s Directors is one year and the shareholders’ intention on whether the Plan should be abolished or not will be verified through the election of Directors at an Annual General Meeting of Shareholders.

Furthermore, even in the case where the Independent Committee finds it reasonable to implement the gratis allotment of the Stock Acquisition Rights, if the Committee believes that such implementation of gratis allotment of the Stock Acquisition Rights should be finalized subject to the resolution of the General Meeting of Shareholders, the Committee recommends the Board of Directors of the Company to convene the General Meeting of Shareholders and submit thereto the proposal for implementing the gratis allotment of the Stock Acquisition Rights. Unless it involves extreme difficulty in holding such General Meeting for reasons including practicality, the Board of Directors of the Company shall make resolution to promptly convene a General Meeting of Shareholders and submit thereto a proposal for the implementation of the gratis allotment of the Stock Acquisition Rights, which enables direct verification of the shareholders’ intentions when necessary.

(3) Focus on decisions made by highly independent external persons and information disclosure

As described above in “3. (5) Establishment of the Independent Committee,” substantial decisions related to the operation of the Plan including its triggering shall be made by the Independent Committee, established to consist exclusively of the members independent from the management engaged in execution of business of the Company.

The outline of such decisions shall be disclosed to the shareholders, ensuring a framework for transparent operation of the Plan, suitable for ensuring and enhancing the Company’s corporate value and common interests of its shareholders, as well as ensuring and enhancing safety, public interest and user benefit in the transportation business.

(4) Establishment of rational and objective requirements

As described above in “D. in 3. (1) Procedures related to the Plan” and “3. (2) Requirements for

gratis allotment of the Stock Acquisition Rights,” the Plan is designed so that the Plan will not be triggered unless rational and objective requirements are met, ensuring a framework for preventing arbitrary triggering of the Plan by the Board of Directors of the Company.

(5) Obtaining opinions of third-party experts

As described above in “C (ii) in 3. (1) Procedures related to the Plan,” if a Purchaser, etc., actually appeared, the Independent Committee may, at the expense of the Company, obtain advice from independent third parties (including financial advisors, certified public accountants, lawyers, consultants and other experts), strongly ensuring the fairness and objectivity of the decisions made by the Independent Committee.

(6) No dead-hand or slow-hand takeover defense measures

As described above in “3. (6) Effective period, abolishment and amendment of the Plan,” it is possible that a person who made a large-scale purchase of share certificates, etc. of the Company, at the General Meeting of Shareholders, elects Directors nominated by himself/herself, and through the Board of Directors comprising such Directors, abolishes the Plan. Therefore, the Plan is not a dead-hand takeover defense measure (takeover defense measure whose triggering cannot be blocked even if a majority of the Directors is replaced).

The term of office of Directors of the Company is one year and the Company does not employ a system of staggered term of office for Directors. Thus, the Plan is not a slow-hand takeover defense measure (takeover defense measure that requires considerable time to block the triggering of such measure since it is impossible to replace members of the Board of Directors at one time).

5. Impacts on shareholders

(1) Impacts on shareholders and investors at the time of introduction of the Plan

At the time of introduction of the Plan, the authorization to make decisions for gratis allotment of the Stock Acquisition Rights is delegated to the Board of Directors of the Company based on a resolution at the General Meeting of Shareholders, and the gratis allotment of the Stock Acquisition Rights itself is not implemented. Thus, at this point, there is no specific and direct impact on shareholders and investors.

(2) Impacts on shareholders and investors at the time of the gratis allotment of the Stock Acquisition Rights

A. Procedures for gratis allotment of the Stock Acquisition Rights and procedures for registration of transfer of shares

If the Board of Directors of the Company resolves to implement the gratis allotment of the Stock Acquisition Rights, the Board of Directors of the Company determines an Allotment Date in such resolution and makes a public notice of such fact. In such case, one Stock Acquisition Right is allotted gratuitously to one share of the Company held by a shareholder (hereinafter the “Entitled Shareholders”) who is recorded in the Company’s final shareholder registry as of the Allotment Date. Since the Entitled Shareholders automatically become holders of the Stock Acquisition Rights on the Effective Date of the gratis allotment of the Stock Acquisition Rights, they are not required to make application and other procedures.

However, even if a Resolution for Gratis Allotment of the Stock Acquisition Rights is once made, fully respecting the recommendation by the Independent Committee provided for in the proviso of “D (i) of 3. (1) Procedures related to the Plan” above, prior to the day before the Exercise Period Commencement Date of the gratis allotment of the Stock Acquisition Rights, the Company may suspend the gratis allotment of the Stock Acquisition Rights in the case where such gratis allotment has not yet become effective, or the Company may gratuitously acquire the Stock Acquisition Rights in the case where such gratis allotment has become effective. In such cases, the value per share is not diluted, and thus investors who sold or bought the Company’s shares assuming that the value per share would be diluted may incur certain loss due to fluctuations in stock price.

B. Procedures for the exercise of the Stock Acquisition Rights

In principle, the Company will send to the Entitled Shareholders a request form for the exercise of the Stock Acquisition Rights (a document using a form specified by the Company that contains

required items such as content, number, and the exercising day of the Stock Acquisition Rights, as well as representations and warranties clauses that show the shareholder satisfies the conditions for the exercise of the Stock Acquisition Rights, indemnity clauses and other pledges) and other documents required for the exercise of the Stock Acquisition Rights.

After the gratis allotment of the Stock Acquisition Rights, the shareholders will be issued one (1) share of the Company per one (1) Stock Acquisition Right upon submitting these necessary documents within the Exercise Period of the Stock Acquisition Rights, and in principle, by paying cash equivalent to the exercise amount determined by the Resolution for Gratis Allotment of the Stock Acquisition Rights by the Board of Directors, within a range of one (1) yen as a minimum and the upper limit of 50% of the market price per share of the Company as a maximum to the place handling such payment.

If a shareholder does not exercise the Stock Acquisition Rights or pay cash equivalent to the exercise amount, the value of the Company's shares that such shareholder holds will be diluted by the exercise of the Stock Acquisition Rights by other shareholders.

However, the Company may acquire the Stock Acquisition Rights from shareholders other than the Unqualified Persons and, in exchange, deliver the Company's shares to them, in accordance with the statements in C. below. If the Company takes such procedures for acquisition, shareholders other than the Unqualified Persons receive shares of the Company without exercising the Stock Acquisition Rights and paying cash equivalent to the exercise amount. Thus, the value of the Company's shares held by them will, in principle, not be diluted.

C. Procedures for the Company's acquisition of the Stock Acquisition Rights

If the Board of Directors of the Company makes a decision to acquire the Stock Acquisition Rights, the Company may acquire such Rights from the shareholders other than Unqualified Persons, and in exchange, deliver shares of the Company, on the date separately determined by the Board of Directors of the Company, in accordance with the procedures stipulated in the law. In such case, such shareholders will not pay cash equivalent to the exercise amount but receive, in principle, one share of the Company for one Stock Acquisition Right as consideration for such acquisition of the Stock Acquisition Right by the Company. In such case, we will request certain shareholders to submit a document using a form specified by the Company, containing representations and warranties clauses that show the shareholder is not an Unqualified Person, indemnity clauses and other pledges.

D. In addition to the above, please kindly confirm details of the allotment method, exercise method, and method of the acquisition made by the Company are decided by the Resolution for Gratis Allotment of the Stock Acquisition Rights, which we will disclose or notify to the shareholders.

6. Outline of the Independent Committee

- (1) The Independent Committee shall be established by a resolution of the Board of Directors of the Company.
- (2) The members of the Independent Committee consists of not less than three persons and the Board of Directors of the Company shall elect such members from those who are independent from the management engaged in execution of business of the Company and fall under (i) Outside Directors and Outside Audit & Supervisory Board Members of the Company, or (ii) outside experts. However, the external experts must be either of the following: corporate managers, persons with profound knowledge of investment banking business, former government officials, lawyers, certified public accounts, academics or other persons with similar qualifications, and such outside experts shall enter into an agreement with the Company specified by the Board of Directors of the Company.
- (3) The Independent Committee shall perform duties that the Plan determines are the duties of the Independent Committee in accordance with the rules for the Committee. Each member of the Independent Committee must perform the duties from a perspective of whether or not they contribute to ensuring and enhancing the Company's corporate value and common interests of its shareholders, as well as ensuring and enhancing safety, public interest and user benefit in the transportation business and must

not aim to gain personal interests of themselves or the Company's management.

- (4) The term of office for the members of the Independent Committee shall expire at the conclusion of the Annual General Meeting of Shareholders for the last fiscal year ending within three years after the conclusion of this Annual General Meeting of Shareholders. However, this does not apply if otherwise provided by a resolution of the Board of Directors of the Company.
- (5) In principle, a resolution by the Independent Committee shall be made by a majority at a meeting where not less than two thirds of the members are present. However, under unavoidable circumstances, the Committee may make a resolution by a majority of voting rights of those present at a meeting where a majority of the members are present.
- (6) Each member of the Independent Committee may, at all times, convene a meeting of the Independent Committee in the event of the Purchase, etc., is made or on any other occasions.
- (7) The Independent Committee may obtain advice from the independent third parties at the expense of the Company (including financial advisors, certified public accountants, lawyers, consultants and other experts).

(Name and career summary of the members of the Independent Committee)

The Company plans to appoint the following three persons as the members of the Independent Committee at the time of introduction of the Plan.

Mitsuyoshi Shibata

[Career summary]

November 1953 Born

April 1977 Joined Furukawa Electric Co., Ltd.

June 2008 Corporate Vice President of Furukawa Electric Co., Ltd.

June 2009 Corporate Senior Vice President of Furukawa Electric Co., Ltd.

June 2010 Director, Corporate Senior Vice President of Furukawa Electric Co., Ltd.

April 2012 President and Representative Director of Furukawa Electric Co., Ltd.

April 2017 Chairman of the Board of Furukawa Electric Co., Ltd. (to present)

June 2018 Outside Director of the Company (scheduled)

Takaharu Ando

[Career summary]

August 1949 Born

April 1972 Joined National Police Agency

August 1999 Director of Public Security Bureau of Tokyo Metropolitan Police Department

August 2004 Director General of Commissioner General's Secretariat of National Police Agency

June 2009 Commissioner General of National Police Agency

April 1972 Joined National Police Agency

August 1999 Director of Public Security Bureau of Tokyo Metropolitan Police Department

June 2018 Outside Director of the Company (scheduled)

Gan Matsui

[Career summary]

December 1953 Born

April 1980 Appointed as a public prosecutor of Tokyo District Public Prosecutors Office

October 2007 Chief public prosecutor of Otsu District Public Prosecutors Office

June 2012 Head of criminal investigations, Supreme Public Prosecutors Office

January 2014 Chief public prosecutor of Yokohama District Public Prosecutors Office

January 2015 Superintendent public prosecutor of Fukuoka High Public Prosecutors Office

November 2016 Registered as an attorney