



(Translation)

April 16, 2021

To whom it may concern

Company Name Takihyo Co., Ltd.
Representative Kazuo Taki, Representative Director
Chief Executive Officer
(Code No. 9982 TSE/NSE 1st Section)
Contact Kazuhito Yokoyama,
Corporate Planning Section Leader
(TEL +81-52-587-7111)

**Notice regarding the continuation of the response policy
with regard to large-scale purchases of Takihyo's shares, etc. (takeover defense measures)**

In order to secure and improve our enterprise value and the common interests of our shareholders, at Takihyo's 96th Annual General Meeting of Shareholders held on May 23, 2007, Takihyo received the approval of shareholders with regard to the introduction of a "response policy concerning large-scale purchases of Takihyo's shares, etc. (takeover defense measures)" (hereinafter referred to as "the Response Policy"), and subsequently, at Takihyo's 98th Annual General Meeting of Shareholders held on May 20, 2009, its 101st Annual General Meeting of Shareholders held on May 23, 2012, its 104th Annual General Meeting of Shareholders held on May 20, 2015, and its 107th Annual General Meeting of Shareholders held on May 23, 2018, we received approval with regard to the partial revision and continuation of the Response Policy.

The Response Policy for which we have received the approval of our shareholders in this manner will be valid until the end of Takihyo's 110th Annual General Meeting of Shareholders, which is scheduled to be held on May 26, 2021 (and is hereinafter referred to as "the Annual General Meeting of Shareholders"). Therefore, we have been internally examining what the Response Policy should be, including looking at the pros and cons of its continuation, from the viewpoint of aiming to maximize our enterprise value and the common interests of our shareholders. We are writing to inform you that, as a result of this, in the resolution by the Board of Directors as of today, on the basis of the content of "Takeover Defense Measures in Light of Recent Environmental Changes" (which was announced by the Corporate Value Study Group on June 30, 2008), and, in addition, on the basis of the subsequent trends in business practice, discussions, etc. regarding takeover defense measures, we decided to continue the Response Policy, as set forth in the annex, on condition that we receive the approval of our shareholders at the Annual General Meeting of Shareholders.

If we receive the approval of our shareholders at the Annual General Meeting of Shareholders, the period of validity of the Response Policy will be until the end of Takihyo's 113th Annual General Meeting of Shareholders, which is scheduled to be held in May 2024.

In response to our transition to be a company with an Audit and Supervisory Committee based on the resolution made at Takihyo's 109th Annual General Meeting of Shareholders held on May 27, 2020 to amend the Articles of Incorporation, a resolution was made at the meeting of the Board of Directors held after the Annual General Meeting of Shareholders. Based on the resolution by the Board of Directors, necessary changes were made in the Response Policy, e.g., changing the "Outside Directors and Outside Auditors" which is stated in the Response Policy to the "Outside Directors." The Response Policy that was decided in the resolution of the Board of Directors as of today sees a continuation of the changed content, and there were no substantial changes from the content that was approved at Takihyo's 107th Annual General Meeting of Shareholders held on May 23, 2018.

Also, in the resolution made at the Board of Directors' Meeting as of today, the continuation of the Response Policy was passed and approved by unanimous agreement of all eleven directors (four of them are independent Outside Directors), including three directors who are the members of the Audit and Supervisory Committee.

Furthermore, currently, we have not been approached or received any proposals, etc. with regard to a large-scale purchase of Takihyo's shares, etc.

(Annex)

1. Basic policy regarding how a person who controls decisions with regard to Takihyo's financial and business policies should be

Takihyo thinks that a person who controls decisions with regard to Takihyo's financial and business policies should be a person who fully understands the relationships of trust with our shareholders and with Takihyo's employees, customers, etc., and maximizes Takihyo's enterprise value and, in turn, the common interests of shareholders, on the basis of a medium- to long-term view.

In order to maximize Takihyo's enterprise value and in turn the common interests of its shareholders, it is necessary to implement multilaterally and continuously the measures set forth in 2 below as specific measures. With regard to implementing these measures, the management know-how and human resources that Takihyo possesses are, of course, positioned as important management resources, and long-term relationships of trust with customers, etc. are an important foundation.

Therefore, in our management of Takihyo, through which we aim to maximize its enterprise value and in turn the common interests of its shareholders, we think that people with highly specialized business knowledge and management know-how should occupy the positions of directors, be in charge of the important duties with regard to decisions on financial and business policies based on a medium- to long-term view, and continuously execute specific measures after having fully understood the relationships of trust that have been built with our shareholders and with Takihyo's employees, customers, etc., and we think that without these things, we will not be able to aim to maximize Takihyo's enterprise value, and in turn the common interests of its shareholders, going into the future.

2. Activities to contribute to the realization of the basic policy

In order to maximize Takihyo's enterprise value and the interests of our shareholders, we are implementing the following measures in Takihyo.

(1) The company's corporate principles, and activities for improving our enterprise value

Takihyo makes "Nothing stands before trust," "Prosperity lies in modesty," and "Customer before thyself" its management philosophy, and raises "Our goal is a spiritually nourished society by creating an interesting company with great dreams" as its management principle, and by for example strengthening our capacity to plan and propose products with high added value, responding to the needs of high-variety, low-volume production and shorter delivery times, streamlining the management structure, and consolidating distribution centers, we have been strengthening and promoting continuous activities for the improvement of our enterprise value.

Moreover, with "Global Challenge – Innovative Change and Advancement" as key words, we are aiming to develop new markets, including overseas markets, from a medium- to long-term viewpoint.

(2) Activities pertaining to corporate governance

The Board of Directors decides on basic management policy, on matters stipulated by laws and regulations, and on other important matters regarding management, and at the same time, supervises the execution of business. Also, Takihyo appointed four persons as Outside Directors (two of them are Outside Directors who are the members of the Audit and Supervisory Committee), who are independent executives, and we are working to strengthen the supervisory function for the Board of Directors.

The Audit and Supervisory Committee (the committee members include two Outside Directors who are independent executives as mentioned above), on the basis of audit policy and audit plans, conducts audits with regard to the performance of duties by directors, and in addition, exchanges opinions and information in cooperation with accounting auditors and the company's internal Audit Office.

Also, with regard to the in-house management system, we have established an Integrated Risk Management Committee and Compliance Committee, and are working to strengthen the internal control functions and audit functions, for example by placing an Integrated Risk

Management Subcommittee and Internal Control Development Subcommittee under the Integrated Risk Management Committee.

By working to improve the quality of these corporate governance systems, we are striving to continuously enhance the transparency and soundness of management and to obtain a high level of trust not only from our shareholders and customers, but also from society as a whole.

3. Objectives of the Response Policy

In recent years, the environment surrounding our business has been getting tougher and tougher, and we are living in an age in which the acquisition of other companies is generally considered to be a means for pursuing corporate business strategy.

Even if there is a large-scale purchase action with the intention of acquiring Takihyo, unless Takihyo's Board of Directors deems that it would significantly impair Takihyo's enterprise value and in turn the common interests of the shareholders, for example by causing damage to Takihyo that would be difficult to recover from, the Board of Directors will not seek to block it. We think that we should in the end leave it to the judgment of Takihyo's shareholders to decide whether we will accept a large-scale purchase of Takihyo's shares, etc.

However, if there is a sudden large-scale purchase action, it also cannot be denied that there is the possibility that our shareholders will not be provided with enough time and information to judge whether the large-scale purchaser's purchase action is appropriate, and consequently, a situation may arise in which Takihyo's enterprise value, and in turn the common interests of its shareholders, will be significantly damaged.

When a purchase, etc. of Takihyo's shares and so on is carried out on a scale that could have an impact on Takihyo's management, then from the viewpoint of securing and improving Takihyo's enterprise value and in turn the common interests of its shareholders, in order for the shareholders to be able to judge appropriately whether or not we should accept the purchase, etc. concerned, the Response Policy establishes rules for large-scale purchases for the purpose of securing opportunities to collect information regarding the purchase, etc. concerned and to present the opinions of Takihyo's Board of Directors and alternatives, and along with this, defines suitable countermeasures against large-scale purchases that can be invoked, as necessary, in order to protect Takihyo's enterprise value and in turn the common interests of its shareholders.

The situation regarding Takihyo's shareholders as of February 28, 2021 is, as set forth in Document 1, that there is one shareholder who holds over 20%. However, since our shareholders transfer shares, etc. on the basis of their own free will because Takihyo is a listed company, and since Takihyo may procure financing from the capital market for the purposes of future capital investment, etc. even though there may be no specific plans at the present time, we think that it also cannot be denied that large-scale purchase actions may be directed at Takihyo in the event that the liquidity of shares that Takihyo issues further increases in the future.

4. Content of the Response Policy (activities for preventing parties who are inappropriate in light of the basic policy from controlling decisions with regard to Takihyo's financial and business policies)

(1) The large-scale purchase actions that are targeted

The large-scale purchase actions that are targeted by the Response Policy are purchase actions with regard to Takihyo's shares, etc. (Note 3) that aim to make the ratio of voting rights (Note 2) of a specific group of shareholders (Note 1) 20% or more, or purchase actions with regard to Takihyo's shares, etc. as a result of which the ratio of voting rights of a specific group of shareholders will become 20% or more. (In either case, this excludes purchase actions that Takihyo's Board of Directors has agreed to in advance, and is regardless of the specific method of purchase, such as market transaction and tender offer.)

Note 1: "Specific group of shareholders" refers to:

AA holder (including a holder who is included as a holder on the basis of the Financial Instruments and Exchange Act Article 27-23 (3), with the same to apply hereinafter) of Takihyo's shares, etc. (meaning shares, etc. as prescribed in Article 27-23 (1) of the above Act) and joint holders of same (meaning a joint holder as prescribed in

Article 27-23 (5) of the above Act, and including a holder who is regarded as a joint holder on the basis of Article 27-23 (6), with the same to apply hereinafter);

or

B A person who makes a purchase, etc. (meaning a purchase, etc. as prescribed in Article 27-2 (1) of the above Act, and including a purchase that is conducted in a Financial Instruments Exchange Market) of Takihyo's shares, etc. (meaning shares, etc. as prescribed in Article 27-2 (1) of the above Act) and persons in a special relationship with same (meaning persons in a special relationship as prescribed in Article 27-2 (7) of the above Act, with the same to apply hereinafter).

Note 2: "Ratio of voting rights" refers to:

A If the specific group of shareholders is one set forth in Note 1 A, the holding ratio of share certificates, etc. of the holder concerned (meaning holding ratio of share certificates, etc. as prescribed in Article 27-23 (4) of the above Act, where in this case, the number of shares, etc. held by a joint holder of the holder concerned (the number of held shares, etc. as prescribed in Article 27-23 (4) of the above Act, with the same to apply hereinafter) is also taken into account in the calculation);

or

B If the specific group of shareholders is one set forth in Note 1 B, the total holding ratio of share certificates, etc. of the large-scale purchaser concerned and the persons in a special relationship concerned (meaning the holding ratio of share certificates, etc. as prescribed in Article 27-2 (8) of the above Act).

When calculating each ratio of voting rights, with regard to the number of voting rights (as prescribed in Article 27-2 (8) of the above Act) and the total number of issued shares (as prescribed in Article 27-23 (4) of the above Act), reference can be made to the most recently submitted reports among securities reports, quarterly reports, and share buyback reports.

Note 3: "Shares, etc." refers to:

Shares, etc. as prescribed in Article 27-23 (1) of the above Act or Article 27-2 (1) of the above Act.

(2) Content of the rules for large-scale purchases

Takihyo thinks that it is important that, through large-scale purchase actions' being conducted according to the rules for large-scale purchases prescribed below, opportunities to collect information regarding the purchases, etc. concerned and to present the opinions of Takihyo's Board of Directors and alternatives will be secured, and that this will in turn link to Takihyo's enterprise value and the common interests of the shareholders. In these rules for large-scale purchases,

A Before a large-scale purchase action, a large-scale purchaser must provide necessary and sufficient information to Takihyo's Board of Directors; and

B The large-scale purchaser can commence the large-scale purchase action only after a certain evaluation period has passed that is necessary for Takihyo's Board of Directors to consider the information concerned. (If a general meeting of shareholders is convened in order to confirm the intentions of shareholders, then only in the event that a bill for the invoking of countermeasures has not been approved at the general meeting of shareholders concerned.)

Specifically, the content is as follows.

① Request for the submission of a Letter of Intent

If a large-scale purchaser intends to carry out a large-scale purchase action, the purchaser must first submit a "Letter of Intent" addressed to Takihyo. The Letter of Intent must include the large-scale purchaser's name, address, governing law for incorporation, name of representative, contacts in Japan, an overview of the proposed large-scale purchase action, etc., and must state that the purchaser will observe the rules for large-scale purchase actions.

② Request for submission of information

Next, in order for the large-scale purchaser to provide information that is necessary and sufficient for Takihyo's shareholders to make a judgment and for Takihyo's Board of

Directors to form opinions (hereinafter referred to as "Large-Scale Purchase Information"), Takihyo's Board of Directors will issue a document that sets forth the items of Large-Scale Purchase Information to the large-scale purchaser, within 10 business days starting on the date when the Letter of Intent in ① was received.

The main items of Large-Scale Purchase Information are as follows.

- (i) An overview of the large-scale purchaser and group (including joint holders, persons in a special relationship, members (in the case of a fund), and other constituent members) (the overview shall include names, addresses or locations, title and name of representative, objectives and business descriptions of companies, etc., capital structure, composition of finances, experience pertaining to the same kind of business as the business of Takihyo and Takihyo's group, contacts in Japan, governing law for incorporation, and whether there have been any legal violations, etc. in the past, and the content of same);
- (ii) The purpose, method, and content of the large-scale purchase action (including the structure of the related transactions, the legality of the methods for the purchases, etc., the feasibility of the purchases, etc. and the related transactions, the types and amounts of the charges for the purchases, etc., and the periods, etc. for the purchases, etc.);
- (iii) The basis for the calculation of the purchase price (including the facts and assumptions underlying the calculation, the calculation method, the numerical information used in the calculation, and the content of the synergy that is expected to occur as a result of the series of transactions pertaining to the large-scale purchase action, and the basis for same) and proof of purchase funds (including specific names of fund providers (including substantial providers), the methods of procuring funding, and the content of the related transactions);
- (iv) The anticipated managerial candidates (including information regarding experience, etc. pertaining to the same kind of business as the business of Takihyo and Takihyo's group), management policy, business plans, financial planning, capital policy, dividend policy, asset utilization measures, etc. after participating in the management of Takihyo and Takihyo's group;
- (v) The treatment policy with regard to Takihyo's employees and interested parties, such as customers, after completion of the large-scale purchase action;
- (vi) If some Large-Scale Purchase Information cannot be provided, the specific reasons for that.

Furthermore, while Large-Scale Purchase Information is limited to the scope that is necessary for our shareholders to make a judgment and for the Board of Directors to form opinions, in cases where it is deemed that the information that a large-scale purchaser has submitted is insufficient on its own, we may require the large-scale purchaser to submit information in addition, after having decided on a reasonable response period by the end of which necessary and sufficient Large-Scale Purchase Information is to be all in order.

However, from the viewpoint of avoiding arbitrary operations, such as Takihyo's Board of Directors' extending the information provision period by demanding the provision of information, we have made it impossible to judge that the submission of Large-Scale Purchase Information is not complete on the grounds that submission of some Large-Scale Purchase Information has not been received. In cases where the large-scale purchaser has not submitted information with regard to some Large-Scale Purchase Information by the time the information provision period expires, such fact and the reasons for it will, along with other Large-Scale Purchase Information, become the subject of disclosure, evaluation, and review as information for our shareholders' making a judgment and for the forming of opinions by Takihyo's Board of Directors.

If it is deemed necessary for our shareholders to make a judgment, both the fact that a large-scale purchase action has been proposed and the Large-Scale Purchase Information will be disclosed, in whole or in part, at the point in time when Takihyo's Board of Directors judges it to be appropriate.

- ③ Period for evaluation by the Board of Directors, and disclosure of Large-Scale Purchase Information, etc.

A large-scale purchaser cannot commence a large-scale purchase action until a certain evaluation period by Takihyo's Board of Directors passes.

In other words, depending on how difficult the evaluation, etc. of the large-scale purchase action is, after the large-scale purchaser has completed submission of Large-Scale Purchase Information to Takihyo's Board of Directors, Takihyo's Board of Directors will set 60 days (in the case of a purchase of all of Takihyo's shares, etc. through a tender offer of a consideration in cash (Japanese yen) only) or 90 days (in the case of other large-scale purchase actions) as a period for evaluation, review, negotiation, forming of opinions, and drafting of alternative plans by Takihyo's Board of Directors (hereinafter referred to as "the Board of Directors' Evaluation Period").

During the Board of Directors' Evaluation Period, Takihyo's Board of Directors will place the utmost value on advice from independent external experts (financial advisors, chartered accountants, lawyers, etc.) and, in addition to these, from Outside Directors, thoroughly evaluate and review the Large-Scale Purchase Information that has been provided, summarize its opinions as Takihyo's Board of Directors, and disclose them to the shareholders.

Furthermore, as necessary, we may negotiate improvements to the terms and conditions of the large-scale purchase action with the large-scale purchaser, and Takihyo's Board of Directors may present alternatives to the shareholders.

- ④ As set forth in (3) ④ below, if Takihyo's Board of Directors judges that it is necessary to confirm the intentions of shareholders with regard to invoking countermeasures against a large-scale purchase action, then in accordance with the outline below, Takihyo's Board of Directors will hold a general meeting of shareholders to discuss a bill on conducting an allotment of share options without contribution, etc. or on delegating same to Takihyo's Board of Directors (hereinafter referred to as "the General Meeting of Shareholders with Regard to This Matter").

The General Meeting of Shareholders with Regard to This Matter will be held within 60 days after the end of the Board of Directors' Evaluation Period, but if, for unavoidable reasons related to administrative procedures, the meeting cannot be held within the period concerned, then it will be held on the earliest day that it is possible with regard to administrative procedures.

If Takihyo's Board of Directors has decided to hold the General Meeting of Shareholders with Regard to This Matter, the large-scale purchaser cannot commence the large-scale purchase action until the General Meeting of Shareholders with Regard to This Matter ends.

- (i) After it has judged that it will be necessary to invoke countermeasures, Takihyo's Board of Directors will promptly set a base date (hereinafter referred to as "the Base Date for This Matter") in order to finalize which shareholders will be able to exercise their voting rights at the General Meeting of Shareholders with Regard to This Matter, and will issue a public notice in accordance with the methods stipulated by Takihyo's articles of incorporation, by two weeks before the Base Date for This Matter.
- (ii) The shareholders who will be able to exercise their voting rights at the General Meeting of Shareholders with Regard to This Matter will be the ones who are recorded in the final register of shareholders on the Base Date for This Matter.
- (iii) Pursuant to the laws and regulations and to Article 17 (1) of Takihyo's articles of incorporation, resolutions of the General Meeting of Shareholders with Regard to This Matter shall be made by a majority vote of the shareholders present who can exercise their voting rights.
- (iv) If any important changes, etc. arise with regard to the information, etc. for the shareholders to use to make judgments at the General Meeting of Shareholders with Regard to This Matter, then Takihyo's Board of Directors may change the Base Date for This Matter, or postpone or cancel the General Meeting of Shareholders with Regard to This Matter, even after it has set the base date for the General Meeting of Shareholders with Regard to This Matter.

Also, Takihyo's Board of Directors will promptly disclose the decision to hold the General Meeting of Shareholders with Regard to This Matter and the content of the resolutions of the General Meeting of Shareholders with Regard to This Matter.

(3) Response in the event that a large-scale purchase action has been carried out

① Cases where the large-scale purchaser observes the rules for large-scale purchases

If the large-scale purchaser observes the rules for large-scale purchase actions, then in principle, we will not block the large-scale purchase action.

However, even in cases where the rules for large-scale purchases are observed, if, for example, it is deemed with regard to the large-scale purchase action that conduct given in the following (i) to (v) is being engaged in intentionally, and that, as a result, the large-scale purchase concerned would significantly impair Takihyo's enterprise value and in turn the common interests of the shareholders, for example by causing damage to Takihyo that would be difficult to recover from, then pursuant to the Board of Directors' obligations with regard to due diligence, the countermeasures set forth in ③ below may be invoked as an exception.

- (i) Conduct involving buying up shares, etc. and requesting that Takihyo purchase those shares, etc. at a high price;
- (ii) Conduct involving conducting management that will achieve the interests of the purchaser at the cost of Takihyo, such as controlling management temporarily and acquiring important assets at a low price;
- (iii) Conduct involving diverting Takihyo's assets as collateral for debts or repayment funds for the purchaser, etc. or for the group companies, etc. of same
- (iv) Conduct involving selling at the highest price while aiming for opportunities of temporary high dividends and soaring stock prices, by controlling management temporarily and disposing of expensive assets;
- (v) Conduct involving purchases, etc. that are likely to effectively force shareholders to sell shares, etc., such as coercive two-tier purchases.

However, with regard to the large-scale purchase concerned, even in the event that the large-scale purchaser has an intention set forth in (i) to (v) above, the above-mentioned exceptional measures will be invoked only if it is deemed that the large-scale purchase concerned would significantly impair Takihyo's enterprise value and in turn the common interests of the shareholders, for example by causing damage to Takihyo that would be difficult to recover from, and the above exceptional measures will not be invoked only on the grounds that the intentions of the large-scale purchaser concerned formally come under them.

② Cases where the large-scale purchaser does not observe the rules for large-scale purchases

If the large-scale purchaser does not observe the rules for large-scale purchases, for example by not submitting a Letter of Intent or Large-Scale Purchase Information, then in some cases, Takihyo's Board of Directors may take the countermeasures set forth in ③ below and oppose the large-scale purchase action in order to protect Takihyo's enterprise value and in turn the common interests of the shareholders.

However, in judging whether or not a large-scale purchaser has observed the rules for large-scale purchases, we will also thoroughly take into account the situation on the large-scale purchaser's side to a reasonable extent (for example, recognizing that there are cases where the large-scale purchaser may not necessarily have detailed information with regard to Takihyo, or matters with regard to which we cannot expect information to be voluntarily disclosed owing to the purchasing strategy of the large-scale purchaser), and at the least, we will not deem it to be non-observance of the rules for large-scale purchases only because some Large-Scale Purchase Information has not been submitted by the large-scale purchaser.

③ Content of countermeasures

With regard to specific countermeasures, Takihyo's Board of Directors will select the countermeasures that Takihyo's Board of Directors judges to be the most appropriate among the countermeasures that are recognized by the laws and regulations and by the articles of incorporation, for example, allotment of share options without contribution

pursuant to Takihyo's articles of incorporation.

While an overview of the case of allotment of share options without contribution is given in Document 2, there will be cases where a condition will be added that the exercising of share options will not be permitted to persons belonging to a specific group of shareholders that holds a certain percentage or more of the ratio of voting rights, or where acquisition clauses are added to the effect that Takihyo may acquire share options from a holder of share options in exchange for the issuing of Takihyo's shares.

④ Procedures for invoking countermeasures

The countermeasures will be invoked in accordance with ① and ② above, and determined by Takihyo's Board of Directors, which will place the utmost value on advice from independent external experts (financial advisors, chartered accountants, lawyers, etc.) and, in addition to these, from Outside Directors. However, if Takihyo's Board of Directors judges that it is still necessary to confirm the intentions of shareholders, then it may in some cases request that a general meeting of shareholders be held.

If it has been decided that countermeasures will be invoked, then in accordance with the laws and regulations and, for example, the listing rules of the financial instruments exchange where Takihyo is listed, we will disclose the decision concerned in a timely and appropriate manner. Furthermore, the disclosure concerned will include the names of the external experts from whom we have obtained advice with regard to the invocation of countermeasures, the content of the advice, and Takihyo's thinking with regard to the invocation of countermeasures.

⑤ With regard to the stopping of the invocation of countermeasures, etc.

If, after Takihyo's Board of Directors has decided to take specific countermeasures, the invocation of the countermeasures becomes inappropriate (for example because the large-scale purchaser concerned has withdrawn or made changes to the large-scale purchase action), then Takihyo's Board of Directors may in some cases stop or make changes to the invocation of countermeasures, placing the utmost value on advice from independent external experts (financial advisors, chartered accountants, lawyers, etc.) and, in addition to these, from Outside Directors.

For example, in cases where allotment of share options without contribution is to be carried out as a countermeasure, if, after the shareholders who should receive an allotment of rights have been finalized, Takihyo's Board of Directors judges that the invocation of countermeasures has become inappropriate (for example because the large-scale purchaser concerned has withdrawn or made changes to the large-scale purchase action), then if it is during the period up to the effective date for the allotment of share options without contribution concerned, the allotment of share options without contribution will be canceled, and if it is after the allotment of share options without contribution, then until the start of the exercise period, Takihyo can stop the invocation of countermeasures by acquiring the share options concerned free of charge.

In cases where the invocation of countermeasures is stopped like this, we will promptly disclose information.

5. Impact on shareholders and investors

(1) The impact of the rules for large-scale purchases on shareholders and investors

The rules for large-scale purchases stipulate the rules that a large-scale purchaser should comply with when carrying out a large-scale purchase action, and do not directly affect the legal rights and economic interests of our shareholders with regard to Takihyo's shares.

Furthermore, the rules for large-scale purchases provide Takihyo's shareholders with all the necessary information, opinions and alternative proposals from Takihyo's Board of Directors, in order for them to judge whether or not they should accept the large-scale purchase. As a result of this, on the basis of sufficient information, we think that the shareholders will be able to make appropriate judgments about whether or not they should accept the large-scale purchase, and that this will help protect Takihyo's enterprise value and in turn the common interests of the shareholders.

(2) The impact on shareholders and investors when countermeasures are invoked

If a large-scale purchaser does not observe the rules for large-scale purchases, etc., then in some cases, Takihyo's Board of Directors will take countermeasures in order to protect Takihyo's enterprise value and in turn the common interests of the shareholders. However, we do not anticipate that there will be any situations in which shareholders other than the large-scale purchaser will suffer exceptional losses with regard to their legal rights or of an economic nature in connection with the structure of the countermeasures concerned.

For example, in cases where allotment of share options without contribution is to be carried out as a countermeasure, the share options without contribution will be allotted to shareholders at a rate of one share option for each share held.

Then, if Takihyo has decided to complete the procedures for acquiring the share options concerned, the shareholders other than the large-scale purchaser will receive Takihyo's shares free of charge as consideration for acquisition by Takihyo of the share options concerned.

(3) With regard to the stopping of the invocation of countermeasures, etc.

If, after the shareholders who should receive an allotment of rights have been finalized (after the ex-rights date), Takihyo's Board of Directors cancels the issue of the share options concerned or acquires the issued share options free of charge, no dilution of the value per share will occur, so it is possible that shareholders or investors who have engaged in purchase, sale, etc. on the assumption that dilution of the value of Takihyo's shares will occur will suffer unexpected losses as a result of fluctuations in share prices.

(4) Necessary procedures for shareholders to accompany the invocation of countermeasures

In cases where allotment of share options without contribution is carried out as a countermeasure, in order for shareholders to receive this allotment, they need to be recorded in the final register of shareholders on the allotment date for the share options, which will be determined and publicly announced by Takihyo's Board of Directors.

Share options will be allotted to shareholders who are recorded in the final register of shareholders on the allotment date for the share options, on the effective date of the allotment of share options without contribution concerned and without any need to apply.

Furthermore, if Takihyo has completed the procedures for acquiring the share options, shareholders other than the large-scale purchaser will receive Takihyo's shares as consideration for Takihyo's acquisition of share options, without any need to apply or make a monetary payment.

When the allotment of share options without contribution is actually going to be carried out, the details of these procedures will be disclosed in a timely and appropriate manner in accordance with the laws and regulations and, for example, the listing rules of the financial instruments exchange where Takihyo is listed.

6. Period of validity of, abolition of, and changes, etc. to the Response Policy

The period of validity of the Response Policy will be until the end of the Annual General Meeting of Shareholders that is scheduled to be held in May 2024.

However, the Response Policy will be reviewed when appropriate on the basis of the situation regarding the development of related laws and regulations, etc., and from the viewpoint of protecting enterprise value and the common interests of the shareholders, and in some cases, Takihyo may as necessary abolish or change the Response Policy by means of a resolution by the Board of Directors or by a general meeting of shareholders.

In the event that the Response Policy has been abolished or changed, we will disclose information regarding the fact of the abolition or changes concerned, the content of the changes, and any other matters that Takihyo's Board of Directors deems to be appropriate, in accordance with the laws and regulations, etc.

Also, after the period of validity of the Response Policy has passed, approval at an Annual General Meeting of Shareholders will be obtained with regard to the continuation of the Response Policy (including the continuation with some changes).

7. Validity of the Response Policy

- (1) The Response Policy shall be in accordance with the basic policy regarding company control

In cases where a large-scale purchase, etc. of Takihyo's shares, etc. will be carried out, in order for the shareholders to be able to judge appropriately whether or not we should accept it, the Response Policy establishes rules pertaining to large-scale purchases for the purpose of securing opportunities to collect information regarding such purchase, etc. and to present the opinions of Takihyo's Board of Directors and alternatives, and stipulates asking persons who are going to carry out a large-scale purchase action to comply with the rules for large-scale purchases. In the event that the large-scale purchaser concerned does not comply with the rules for large-scale purchases, and in cases where, even if the rules for large-scale purchases are complied with, and it is deemed that the large-scale purchase action concerned would significantly impair Takihyo's enterprise value and in turn the common interests of the shareholders, for example by causing damage that would be difficult to recover from, the content of the Response Policy is such that certain countermeasures will be taken by Takihyo's Board of Directors, which will place the utmost value on advice from independent external experts (financial advisors, chartered accountants, lawyers, etc.) and, in addition to these, from Outside Directors. We think that a Response Policy such as this is in accordance with the basic policy regarding company control.

- (2) The Response Policy shall not impair the common interests of the shareholders, and shall not be for the purpose of maintaining the position of company officers

Takihyo thinks that the Response Policy will not impair the common interests of the shareholders, and is not for the purpose of maintaining the position of Takihyo's officers, for the following reasons.

- ① The content of the Response Policy is in accordance with the three principles stipulated in "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" published by the Ministry of Economy, Trade and Industry on May 27, 2005, and with the purpose of the recommendations in "Takeover Defense Measures in Light of Recent Environmental Changes" published by the Corporate Value Study Group on June 30, 2008.
- ② The Response Policy is introduced for the purpose of protecting Takihyo's enterprise value and in turn the common interest of the shareholders, by securing opportunities to provide Takihyo's shareholders with all necessary information in order for them to judge whether or not they should accept a large-scale purchase action, and with opinions from Takihyo's Board of Directors, who are actually responsible for managing Takihyo, and also opportunities for the shareholders to be presented with alternative proposals, so that, on the basis of sufficient information, they will be able to judge whether or not they should accept a large-scale purchase action.
- ③ The period of validity of the Response Policy shall be until the conclusion of the Annual General Meeting of Shareholders pertaining to the last business year among the business years that end within three (3) years from the conclusion of the Annual General Meeting of Shareholders in which the approval for continuation was obtained. The Response Policy may also be abolished even before the expiration of the period of validity, by means of a resolution by a general meeting of shareholders or the Board of Directors. With regard to the requirements for removal of directors in a general meeting of shareholders, Takihyo does not impose any stricter requirements than those for an ordinary resolution.
- ④ For the judgment on the invocation of countermeasures stipulated in the Response Policy, Takihyo's Board of Directors must place the utmost value on advice from independent external experts, and, in addition to these, from Outside Directors. Furthermore, we shall disclose to the shareholders information regarding such advice and an overview of the judgment made by Takihyo's Board of Directors, and ensure a structure that enables transparent operation of the Response Policy.
- ⑤ In addition to the above, the Response Policy is devised in such a way that the countermeasures will not be invoked unless reasonable and objective requirements are satisfied, in order to prevent arbitrary invocation of countermeasures by Takihyo's Board of Directors.

Situation with Regard to the Company's Shareholders (as of February 28, 2021)

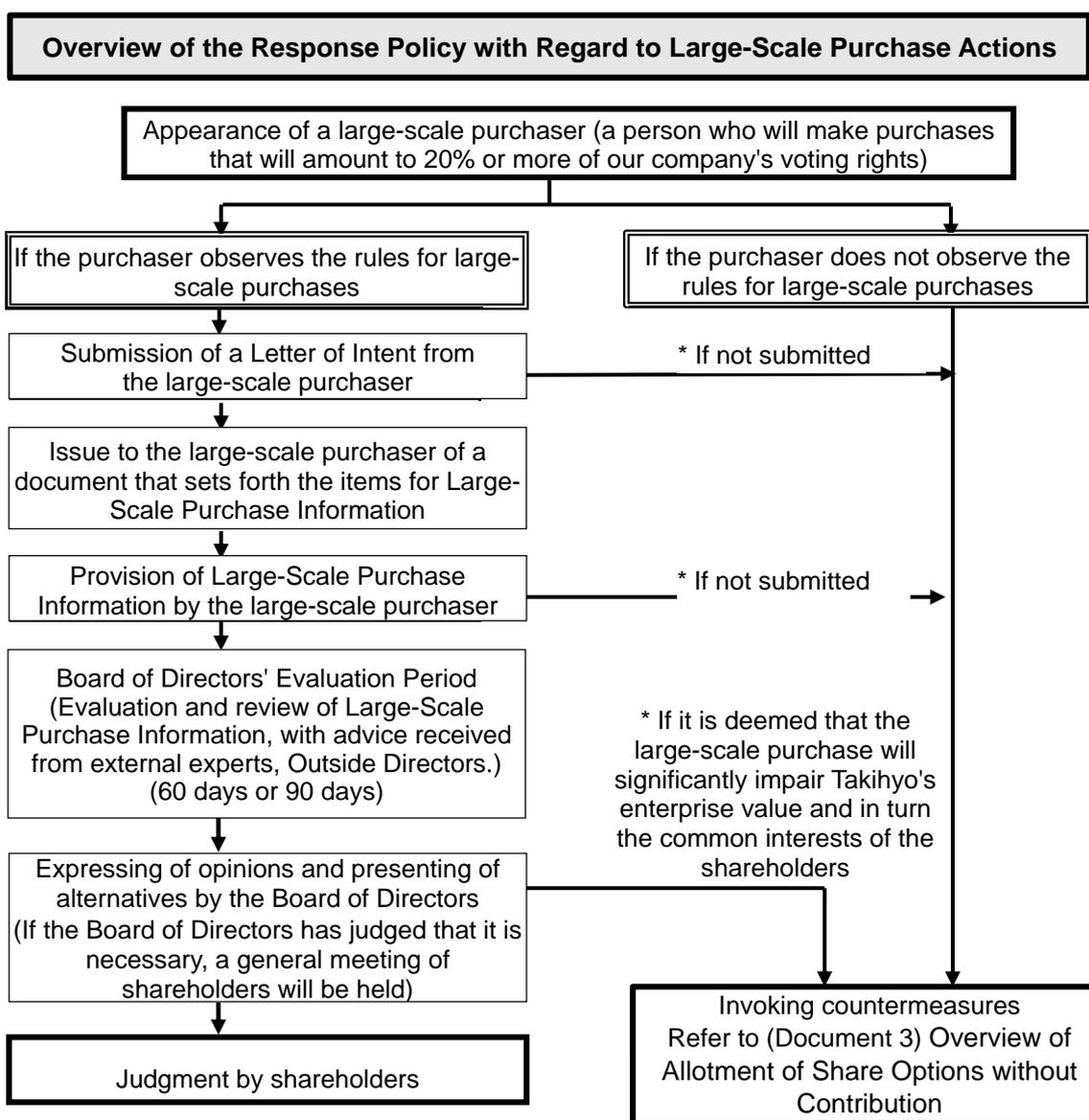
- (1) Total number of authorized shares Common shares 24,000,000 shares
- (2) Total number of issued shares 9,284,109 shares (excluding 315,891 treasury shares)
- (3) Number of shareholders 6,686
- (4) Major shareholders

Name of shareholder	Investment situation with regard to Takiho	
	Number of shares held	Shareholding ratio
	1,000 shares	%
Kyokuyo Holdings Co., Ltd.	2,400	25.85
Kyokuyokosan Co., Ltd.	420	4.53
MUFG Bank, Ltd.	258	2.78
The Dai-ichi Life Insurance Company, Limited	240	2.58
Takiho Client Stock Ownership	224	2.42
The Master Trust Bank of Japan, Ltd (Trust account)	204	2.20
Shigeo Taki	173	1.86
Nippon Life Insurance Company	164	1.77
Sumitomo Mitsui Trust Bank, Limited	120	1.29
The Chukyo Bank, Ltd.	114	1.23

(Note) 1. The company holds 315,000 treasury shares, but is not included in the above top 10 shareholders.

2. The shareholding ratios have been calculated excluding treasury shares, and rounded down to the nearest display unit.

<Overview of the Response Policy>



Overview of Allotment of Share Options Without Contribution

- 1 Shareholders who will be targeted for allotment of share options, and issue terms and conditions
Share options will be allotted to the shareholders who are recorded in the final register of shareholders on the allotment date that will be determined by Takihyo's Board of Directors, at a rate of one share option per share for each of Takihyo's common shares that they hold (however, this will exclude Takihyo's common shares that Takihyo holds), without their making any new payments.
- 2 Type and number of shares that will be targeted by the share options
The type of the shares that will be targeted by the share options will be Takihyo's common shares, and the upper limit for the total number of target shares for the share options will be the number of shares that is obtained by subtracting the total number of issued shares of Takihyo's common shares (excluding Takihyo's common shares that Takihyo holds) from the total number of Takihyo's authorized shares on the date that Takihyo's Board of Directors determines as the base date. The number of target shares per share option will be one share. However, if Takihyo carries out a splitting or consolidation of shares, the necessary adjustments will be made.
- 3 Total number of share options issued
The total number of share options issued will be a number that Takihyo's Board of Directors will determine separately. The company's Board of Directors may allot share options in batches.
- 4 Value of the property that will be contributed on the exercise of each share option (amount to be paid)
The value of the property that will be contributed on the exercise of each share option (the amount to be paid) will be an amount that Takihyo's Board of Directors will determine, and will be 1 yen or more.
- 5 Restriction on transfer of share options
The approval of Takihyo's Board of Directors will be required with regard to the acquisition of the share options concerned through transfer of share options.
- 6 Exercise terms and conditions for share options
The terms and conditions that will be determined for exercise will include, for example, not being a person who belongs to a specific group of shareholders the ratio of voting rights of which has been 20% or more at any time since the effective date of the Response Policy. The company's Board of Directors will determine the details separately.
- 7 The exercise period for share options, etc.
The date on which the allotment of share options comes into effect, the exercise period, acquisition clauses, and other necessary matters will be determined separately by Takihyo's Board of Directors. Furthermore, with regard to acquisition clauses, a clause may be stipulated to the effect that Takihyo can acquire share options that are held by persons other than those who are not allowed to exercise share options because of the exercise terms and conditions as set forth in 6. above, and that per one share option, it can issue a number of Takihyo's common shares that Takihyo's Board of Directors will determine separately.