January 16, 2018

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CC: Board of Directors of GMO Internet, Inc.

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Shareholder Proposal

The Oasis Investments II Master Fund Ltd. ("Oasis") is a shareholder holding 300 or more voting rights of the total voting rights of your company continuously from six (6) months. Oasis will request, at the annual meeting of shareholders scheduled to be held in March 2018 ("General Shareholder Meeting"), to add to the purposes of the meeting of the General Shareholder Meeting the below six agenda items and to have the summary of each agenda item and reasons for the proposals below stated in the convocation notice and its reference documents.

Please note that Oasis plans to publish the below shareholder proposal on its website.

1. Agenda Item (1)

(1) Agenda Item

Abolishment of policy for large scale purchase of the Company's shares

(2) Summary of Agenda Item

The policy for large scale purchase of the shares of the Company was introduced at the board of directors meeting held on March 13, 2006 and has continued with unanimous approval of the board of directors meeting each year (Takeover Defense Measures). This policy will be abolished and not continued.

(3) Reason for Proposal

a. Not abolishing the Takeover Defense Measures has unacceptable demerits

"Takeover Defense Measures", generally, means measures to be introduced prior to the commencement of acquisition of a stock company by a person who is unfavourable to the management of the targeted company (so-called hostile takeover) and includes measures to make it difficult to realize the acquisition of the said company such as issuing shares or stock acquisition rights without having any appropriate business purpose (such as procuring capital) as the main purpose of such issuance.

For the shareholder, in the acquisition of the company, there is the advantage of (1) the acquirer may gain control of the company and performance may improve after changing the management and (2) providing the incentive for the management to increase share price so that the company is not acquired due to the potential threat of hostile takeover for the management (as, if the share price is high, cost required for the takeover increases). In particular, (1) could be said

to be a natural consequence originating from the basic structure of a stock company of providing shareholders with the authority allowing them to control the company management through their right to elect or dismiss directors.

However, as takeover involves a threat to the company control such as a situation of a hostile takeover, there is always a possibility of the directors conducting for the purpose of self-protection and not for the benefit of the company or shareholders. Therefore, the introduction of Takeover Defense Measures could be connected to assisting self-protection by the directors and playing down the shareholders' benefit in above (1) and (2) by the company management. Furthermore, there is a risk of unfairly lowering the share value of the company.

Currently, it has been pointed out that the median of ROE value and dividend pay-out policy, which are popular as indices measuring the capital efficiency of corporations in recent years, for companies having Takeover Defense Measures among listed companies is lower than the median for overall listed companies, and this supports there being the above demerits. As well, the number of listed companies introducing or continuing Takeover Defense Measures is decreasing (*See* Miki Motegi and Koji Tanino, "Situation for Introduction of Hostile Takeover Defense Measures – In Reference to General Meetings of June 2016" Issue 2120, Page 12 et. seq. Junkan Shoji Homu). Based on such trend for other companies, the Takeover Defense Measures should not be introduced and continued in any form and the Takeover Defense Measures which have already been introduced by the Company should be immediately abolished.

In general, as a merit of introducing so-called prior warning type Takeover Defense Measures which include the Takeover Defense Measures of the Company, it is sometimes said that such Takeover Defense Measures encourage the large scale acquirer to provide information about itself. Considering, however, securing of information concerning a large scale acquirer may be achieved to a considerable degree under the regulations of Financial Instruments and Exchange Act, it cannot be said that such merit is worth accepting the risk of the Takeover Defense Measures being abused for the purpose of directors' self-protection and the risk of lowering the Company's share value.

b. Fatal issues for the Company's Takeover Defense Measures

Even if the introduction of Takeover Defense Measures can be recognized to have a certain amount of reasonableness in general terms, there are the following problems with the Takeover Defense Measures of the Company.

The Takeover Defense Measures of the Company are so-called a prior warning Takeover Defense Measures, which impose on a large scale acquirer an obligation for provision of information regarding itself and has the board of directors, as the final decision maker, determine the pros and cons of the large scale acquisition based on the information provided by the large scale acquirer. Under the prior warning Takeover Defense Measure, if a large scale acquirer tries to make a large scale offer without following the process provided for by the defense measure, the board of directors may issue stock acquisition rights and new shares and take actions to interfere with the purpose of the large scale acquirer.

However, the decision of whether to accept the proposed acquisition is greatly related to the interests of shareholders and in "Policy Concerning Takeover Defense Measures to Ensure or Improve Corporate Value and Common Interests of the Shareholders" published by the Ministry of Economy, Trade and Industry and Ministry of Justice as of May 27, 2005 ("Policy for Takeover Defense Measures"), it is recommended that the decisions related to Takeover Defense Measures should be made in deference to the interests and reasonable intention of the shareholders in principle by stating that introducing, putting into effect and abolishing of Takeover Defense Measures should be done with the purpose of ensuring and improving the common interests of shareholders (Page 3) and adopting the principle of shareholder's intent i.e. such decisions should be based on the reasonable intention of the shareholders who are the substantial owners of the stock company (Page 5). As well in "Corporate Governance Code - Sustainable Corporate Growth and Medium-to-Long Term Improvement of Corporate Value" ("CG Code") published by Tokyo Stock Exchange, Inc. as rules related to the corporate governance to be applied to listed companies on June 1, 2015, it is stated that Takeover Defense Measures "should not be for the purpose of self-protection of the management or board of directors (Principle 1-5)."

For Takeover Defense Measures of the Company, the decisions for introduction, continuation and abolishment are not only left to the decision of the board of directors in all cases, but the right to decide related to the implementation of defensive measures is also entrusted to the board of directors, and the intentions of the shareholders are not at all reflected with this

arrangement. Therefore, there is the risk that the board of directors may arbitrarily put into effect Takeover Defense Measures with the aim of self-protection since structurally there is a high likelihood that control of the Company will be lost with a large scale acquisition. Oasis has confirmed that there are shareholders with the same opinion as Oasis among shareholders other than Oasis in regard to Takeover Defense Measures.

As stated above, the abolishing of Takeover Defense Measures is considered to be connected to the proper valuation of the Company, so we propose this Agenda Item.

2. Agenda Item (2)

(1) Agenda Item

Partial amendment of the articles of incorporation (introduction method for Takeover Defense Measures)

(2) Summary of Agenda Item

The below Chapter IX will be added to after Chapter VIII of the current Articles of Incorporation. Depending on the approval of other agenda items (including the agenda item proposed by the company) at the General Shareholder Meeting, if adjustment in form in the text noted as this Agenda item (including, without limitation, revision for adjustment in numbering and changes in the naming for title) is required, the text related to this Agenda Item shall be deemed to be replaced with the text after the necessary adjustments are made (the below partial

amendment of the articles of incorporation shall be deemed to be replaced in the same way, if necessary).

Chapter IX Takeover Defense Measures

Article 53 (Introduction of Takeover Defense Measures, Etc.)

1. The introduction and continuation of countermeasure for large scale acquisition of the shares of the Company ("Takeover Defense Measures") will be determined by the resolution of the general shareholder meeting. The putting into effect of Takeover Defense Measures will be determined by the resolution of the general shareholder meeting unless there are special circumstances such as not having much time to go through the resolution of the general shareholder meeting. The abolishment of Takeover Defense Measures may be decided by the resolution of the general shareholder meeting.

2. Takeover Defense Measures in the preceding paragraph means countermeasure by issuing shares or stock acquisition rights, etc. and other reasonable means against the acquisition of shares and/or potential shares of the Company by a person who may harm the corporate value of the Company or the common interest of the shareholders.

3. For the Takeover Defense Measures which have been introduced by resolution as provided for in Paragraph 1, the continuation must be approved at the annual general shareholder meeting for the business year ending within one year after

introduction by resolution of the general shareholder meeting and the same will apply thereafter. If such approval is not obtained, the board of directors will promptly take measures to terminate the Takeover Defense Measures.

4. The resolution provided for in the preceding paragraphs shall be made by using the method provided in Paragraph 1 of Article 309 of the Companies Act.

(3) Reason for Proposal

The reasons that Takeover Defense Measures should be abolished are as stated in the above 1 (3), however, if the Takeover Defense Measures are continued, the decisions related to introduction, continuation and abolishment and appropriateness of continuation of the Takeover Defense Measures should be made in deference to the interest and reasonable intention of the shareholders in principle and as in the current situation, there is a structural conflict of interest and it is not appropriate to entrust the board of directors with the risk of putting into effect arbitrarily Takeover Defense Measures with the aim of self-protection. In regard to this point, it seems that the management of the Company believes that since the directors elected at the annual general shareholder meeting decide whether the Takeover Defense Measures should continue or not, the intention of the shareholders is reflected in such decision making. However, the pros and cons for the agenda item of election of directors may not necessarily be the same as the pros and cons for Takeover Defense Measures, so with the agenda item for election of the directors being approved, it is not necessarily the case that the Takeover Defense Measures have been approved and Oasis considers that it is necessary to provide an opportunity to

ask the shareholders about the pros and cons for the Takeover Defense Measures separately from the agenda item for the election of directors.

As stated above, we consider it appropriate that the articles of incorporation of the Company provide for the introducing, putting in effect and abolishing of Takeover Defense Measures being matters for resolutions of the general shareholder meeting in principle, and at the general shareholder meeting for each year there are deliberations on appropriateness of continuation of Takeover Defense Measures, so we propose this Agenda Item.

3. Agenda Item (3)

(1) Agenda Item

Partial amendment of the articles of incorporation (change to the system for company with nominating committee, etc.)

(2) Summary of Agenda Item

The current articles of incorporation will be amended as follows and the numbering for Articles 34, 35, 37, and 39 will be moved up one and Article 41 will be moved up two and Article 46 (Election of Accountant Auditor) and thereafter will be moved down two and the numbering for Chapter 7 (Accountant Auditor) and thereafter will be moved down one.

（An underlined part indicates an amended part）

Current Articles of Incorporation	Amendment Proposal
Article 5 (Organs) The Company shall have the following organs in addition to the general shareholder meeting and directors. (1) Board of Directors (2) Audit and supervisory committee (3) Accountant auditor	Article 5 (Organs) The Company shall have the following organs in addition to the general shareholder meeting and directors. (1) Board of Directors (2) Nominating committee, audit committee and compensation committee (3) Executive officers (4) Accountant auditor
Article 22 (Convenor and Chair) 1. The Board of Directors meetings shall be convened by the Representative Director and President by resolution of the Board of Directors except as otherwise provided by law. If the Representative Director and President is unable to convene, another director shall convene in the order determined by the Board of Directors in advance. 2. The Representative Director and President shall be the chair of the Board of Directors meetings. If the Representative Director and President is unable to chair, another director shall chair in the order determined by the Board of Directors in advance.	Article 22 (Convenor and Chair) 1. The Board of Directors meetings shall be convened by the President and Chief Executive Officer by resolution of the Board of Directors except as otherwise provided by law. If the President and Chief Executive Officer is unable to convene, another executive officer or director shall convene in the order determined by the Board of Directors in advance. 2. The President and Chief Executive Officer shall be the chair of the Board of Directors meetings. If the President and Chief Executive Officer is unable to chair, another director shall chair in the order determined by the Board of Directors in advance.
Article 27 (Number of Directors) 1. The number of directors for the Board of Directors (excluding directors who are members of audit and supervisory committee) shall be 19 directors or less. 2. The number of directors who are	Article 27 (Number of Directors) The number of directors for the Board of Directors shall be 19 directors or less. (Paragraph 2 deleted)

members of audit and supervisory committee of the Company ("Audit and Supervisory Committee Member(s)") shall be five (5) directors or less.	
Article 28 (Method of Election of Directors) 1. The directors shall be elected by resolution of the general shareholder meeting by distinguishing between the Audit and Supervisory Committee Members and other directors. 2. The election resolution of the directors shall require the majority of voting rights at a meeting where shareholders having one-third or more of the voting rights of the shareholders allowed to exercise voting rights are present. 3. Cumulative voting shall not be used for the election of the directors.	Article 28 (Method of Election of Directors) 1. The directors shall be elected by resolution of the general shareholder meeting. 2. The election resolution of the directors shall require the majority of voting rights at a meeting where shareholders having one-third or more of the voting rights of the shareholders allowed to exercise voting rights are present. 3. Cumulative voting shall not be used for the election of the directors.
Article 30 (Term of Office of Directors) 1. Term of office of a director shall continue until the conclusion of the annual shareholders meeting for the last business year which ends within one (1) year from the time of his or her election. 2. Notwithstanding the provisions of the preceding paragraph, the term of office of an Audit and Supervisory Committee Member shall continue until the conclusion of the annual shareholders meeting for the last business year which ends within two (2) years from the time of his or her election. 3. Term of office of an Audit and Supervisory Committee Member elected to fill a vacancy shall continue until	Article 30 (Term of Office of Directors) Term of office of a director shall continue until the conclusion of the annual shareholders meeting for the last business year which ends within one (1) year from the time of his or her election. (Paragraph 2 deleted) (Paragraph 3 deleted)

when the term of office of the retiring Audit and Supervisory Committee Member would have expired 4. The effective term of the resolution for election of a substitute Audit and Supervisory Committee Member under Article 329, Paragraph 3 of the Companies Act shall continue until the beginning of an annual General Meeting of Shareholders relating to the last fiscal year ending within two (2) years from his or her election.	(Paragraph 4 deleted)
Article 31 (Directors with Titles) One President and, if necessary, a few group representatives, chairpersons, vice-presidents, executive managing directors and managing directors may be elected by resolution of the Board of Directors.	Article 31 (Directors with Titles) If necessary, a few directors with titles may be elected by a resolution of the Board of Directors.
Article 32 (Representative Director) 1. The Representative Director and President shall represent the Company. 2. As required, a Representative Director in addition to the preceding paragraph may be determined by resolution of the Board of Directors and each shall represent the Company.	(deleted)
Article 33 (Convenor and Chair of the Board of Directors) The meetings of the Board of Directors shall be convened and chaired by the Representative Director and President except as otherwise provided for in laws. If the Representative Director and President is unable to act, another director shall convene and chair the meeting in the	Article 32 (Convenor and Chair of the Board of Directors) The meetings of the Board of Directors shall be convened and chaired by the director determined by the Board of Directors except as otherwise provided for in laws. If such director is unable to act, another director shall convene and chair the meeting in the order determined in

order determined in advance by the Board of Directors.	advance by the Board of Directors.
Article 36 (Prohibition on After the Fact Approval by the Board of Directors) 1. Obtaining resolution of the Board of Directors for matters to be resolved by the Board of Directors after the execution of such matter shall be prohibited. 2. Notwithstanding the preceding paragraph, in regard to matters to be resolved at the Board of Directors, the Representative Director and President may perform such matters prior to the resolution of the Board of Directors to the extent not breaching laws or these Articles of Incorporation, only in cases where such matters are urgent and important and obtaining the resolution of the Board of Directors prior to the execution of such matters would have a material effect on the management of the Company. 3. In the case of the preceding paragraph, Representative Director and President shall report the facts of the execution at the first Board of Directors meeting held after execution provided for in the preceding paragraph and obtain a resolution with the unanimous approval of the directors entitled to participate in the vote for such execution.	Article 35 (Prohibition on After the Fact Approval by the Board of Directors) 1. Obtaining resolution of the Board of Directors for matters to be resolved by the Board of Directors after the execution of such matter shall be prohibited. 2. Notwithstanding the preceding paragraph, in regard to matters to be resolved at the Board of Directors, the President and Chief Executive Officer may perform such matters prior to the resolution of the Board of Directors to the extent not breaching laws or these Articles of Incorporation, only in cases where such matters are urgent and important and obtaining the resolution of the Board of Directors prior to the execution of such matters would have a material effect on the management of the Company. 3. In the case of the preceding paragraph, President and Chief Executive Officer shall report the facts of the execution at the first Board of Directors meeting held after execution provided for in the preceding paragraph and obtain a resolution with the unanimous approval of the directors entitled to participate in the vote for such execution.
Article 38 (Advisers (*soudan-yaku*)) The Board of Directors may elect a few advisers (*soudan-yaku*) with a resolution therefor. An adviser (*soudan-yaku*) shall respond to the inquiries of the President in	Article 37 (Advisers (*soudan-yaku*)) The Board of Directors may elect a few advisers (*soudan-yaku*) with a resolution therefor in accordance with such answer upon an inquiry to the nominating

regard to the business of the Company.	committee. An adviser (*soudan-yaku*) shall respond to the inquiries of the President in regard to the business of the Company.
Article 40 (Compensation, Etc. of Directors) Compensation, Etc. of Directors shall be determined by distinguishing between the Audit and Supervisory Committee Members and other directors by the resolution of the Board of Directors.	(deleted)
Chapter VI Audit and Supervisory Committee	(deleted)
Article 42 (Convocation Procedure) The convocation of the audit and supervisory committee shall send a notice no later than three (3) days prior to the meeting to the Audit and Supervisory Committee Members; provided, however, that if urgently required, such period may be shortened.	(deleted)
Article 43 (Method of Resolution of the Audit and Supervisory Committee) Resolution of the audit and supervisory committee shall be made by a majority of Audit and Supervisory Committee Members present unless provided for otherwise in laws.	(deleted)
Article 44 (Minutes) 1. The summary of the proceedings and the outcome and other matters provided for laws of the audit and supervisory committee meeting shall be described or recorded in the minutes and the Audit and Supervisory Committee Members present shall affix names and seals to or electronically sign such minutes.	(deleted)

2. The minutes of the audit and supervisory committee and supervisory committee shall be kept at the head office for ten (10) years from the date of the minutes.	
Article 45 (Audit and Supervisory Committee Rules) Matters concerning audit and supervisory committee shall be according to the Audit and Supervisory Committee Rules in addition to the laws or the articles of incorporation.	(deleted)
(Newly Established)	Chapter VI Nominating Committee, Audit Committee and Compensation Committee
(Newly Established)	Article 40 (Establishment of Nominating Committee, Audit Committee and Compensation Committee) The Company shall have a nominating committee, an audit committee and a compensation committee.
(Newly Established)	Article 41 (Election of Members) 1. The directors who compose each committee shall be determined by the Board of Directors. 2. The committee chairperson of each committee shall be determined by the Board of Directors.

(Newly Established)	Article 42 (Authority of Each Committee) 1. The nominating committee shall determine the content of agenda items for election and dismissal of directors to be submitted to the general shareholder meeting and deliberate on matters concerning the election and dismissal of advisers (*soudan-yaku*) and counsels (*komon*). Nominating committee shall refer candidates for executive officers to the Board of Directors after selection and the Board of Directors shall give utmost respect to such nominations. 2. The audit committee shall audit the execution of the duties of executive officers and directors and prepare audit reports and shall determine the content of agenda items for election and dismissal of accountant auditors and not re-electing accountant auditors to be submitted to the general shareholder meetings. 3. The compensation committee shall determine the policy concerning the determination of the content of the compensation, etc. individually for executive officers and directors and advisers (*soudan-yaku*) and counsel (*komon*) and the content of compensation, etc. for each individual. If the executive officer is concurrently an employee of the Company, content of the compensation, etc. of such employee shall be treated in the same way. The introduction of incentive compensation linked to medium to long term performance shall be examined by the Compensation

	Committee.
(Newly Established)	Article 43 (Matters concerning Committees) Matters concerning committees shall be in accordance with the rules of committees determined by the Board of Directors in addition to laws and these Articles of Incorporation.
(Newly Established)	Chapter VII Executive Officers
(Newly Established)	Article 44 (Election of Executive Officers) Executive Officers of the Company shall be elected by the resolution of the Board of Directors.
(Newly Established)	Article 45 (Term of Office of Executive Officers) 1. Term of office of an executive officer shall continue until the conclusion of the Board of Director meeting first convened after the conclusion of the annual general shareholder meeting for the last business year which ends within one year from the time of his or her election. 2. The term of office of the executive officer elected to fill an increase or a vacancy shall continue until the expiry of term of office of other executive officers.

(Newly Established)	Article 46 (Representative Executive Officer and Executive Officer with Titles) 1. The Company shall elect a representative executive officer from among the executive officers by resolution of the Board of Directors. 2. A President and Chief Executive Officer shall be elected and, if necessary, a few group representatives, chairpersons, vice-presidents, executive managing director and managing director may be elected from among the executive officers by resolution of the Board of Directors.
(Newly Established)	Article 47 (Exclusion of Liability of Executive Officer) If falling under the requirements specified by law regarding the liability for damage under Article 423, Paragraph 1 of the Companies Act for executive officers (including persons who were executive officers), the Company may exclude liability up to the amount obtained by deducting minimum liability amount provided by law from the damage liability amount by resolution of the Board of Directors.
Article 48 (Compensation, Etc. of Accountant Auditor) Compensation, Etc. of accountant auditor shall be determined by the Representative Director after obtaining the agreement of the audit and supervisory committee.	Article 50 (Compensation, Etc. of Accountant Auditor) Compensation, Etc. of accountant auditor shall be determined by the President and Chief Executive Officer after obtaining the agreement of the audit committee.

(3) Reason for Proposal

Since the incorporation of the Company, Masatoshi Kumagai ("Mr. Kumagai") has consistently served as representative director of the Company and as Mr. Kumagai is also a major shareholder of the Company, it could be said the influence of Mr. Kumagai within the Company is extremely large. Accordingly, it must be said that the board of directors where there are only three outside directors among 19 directors naturally cannot be expected to decide the personnel affairs and compensation of Mr. Kumagai appropriately without the influence of Mr. Kumagai.

In this sense, currently, it could be said that the governance of the Company is insufficient. As the supervision on the decisions of the personnel affairs and compensation of Mr. Kumagai by the board of directors of the Company cannot be expected as stated above, to eliminate such malfunction of the governance, having an opportunity for the participation of independent outside directors is necessary and that is described in the CG Code and the "Practical Guideline concerning the Corporate Governance System" published by the Ministry of Economy, Trade and Industry on March 31, 2017 ("CGS Guideline").

Namely, it is advised that the board of directors has the obligation to conduct highly effective supervision of the management (including executive officers) in accordance with fair and highly transparent procedures from an independent objective position (Basic Principle 4, Principle 4-3, and Supplementary Principle 4-3 (i) of CG Code). From this viewpoint, it is proposed that the board of directors should promote separation of supervision of management and execution and try to utilize outside directors independent from the management (Principles 4-6 and 4-7 of CG Code) and should have a nominating committee or compensation committee composed of outside directors and obtain the participation of outside directors in

the examination of personnel affairs and compensation of management (Pages 33 to 34 of CGS Guideline). However, currently, in the system of a company with audit and supervisory committee adopted by the Company, outside directors play only very limited role, in decisions for personnel affairs and compensation of management, of presenting opinions at general shareholder meetings.

Accordingly, in accordance with the above advice, to strengthen the governance of the Company through the conducting of effective supervision from the viewpoint of personnel affairs and compensation to Mr. Kumagai, it is necessary to change to a system for company with nominating committee, etc. in which a nominating committee or a compensation committee at which outside directors are a majority decide personnel affairs and compensation of the directors. In addition, as objectivity, timeliness and transparency are required in the process of election and dismissal of CEO (Follow Up Meeting Opinion (2) Pages 2 to 3), for the personnel affairs for the CEO as representative executive officer, a structure for participation by nominating committee should be established (Pages 69-79 of CGS Guideline). As well, the Company will have a few advisers (*soudan-yaku*) and counsels (*komon*), however, the various harms in the adviser (*soudan-yaku*) and counsel (*komon*) system are a well-known fact and from the viewpoint of ensuring the objectivity of such election and compensation amount, matters concerning advisers (*soudan-yaku*) and counsels (*komon*) should be reference matters for the nominating committee and compensation committee (Pages 36 to 39 of CGS Guideline).

As stated above, we consider that a change to a nominating committee system is appropriate, so we propose this Agenda Item.

4. Agenda Item (4)

(1) Agenda Item

Partial amendment of the articles of incorporation (Prohibition of concurrent posts of president and chairperson of the board of directors)

(2) Summary of Agenda Item

Article 33 of the current articles of incorporation will be amended as follows.

（An underlined part indicates an amended part）

Current Articles of Incorporation	Amendment Proposal
Article 33 (Convenor and Chair of the Board of Directors) The meetings of the Board of Directors shall be convened and chaired by the President except as otherwise provided for in laws. If the President is unable to act, another director shall convene and chair the meeting in the order determined in advance by the Board of Directors.	Article 33 (Convenor of the Board of Directors) The meetings of the Board of Directors shall be convened by the President except as otherwise provided for in laws. If the President is unable to act, another director shall convene the meeting in the order determined in advance by the Board of Directors.
(Newly established)	Article 33-2 (Chair of Board of Directors Meeting) 1. The meetings of the Board of Directors shall be chaired by one outside director elected by resolution of the Board of Directors. 2. Even if the chair is unable to act, the Representative Director and President, group representative and chairperson of the Board of Directors may not also act as the chair of the Board of Directors

	meeting.

(3) Reason for Proposal

The CGS Guideline states that for the board of directors to function effectively, not only the decision making function, but the performance of the supervisory function is also important and as a direction of efforts for strengthening corporate governance in companies in which the authority is substantially focused on the President or CEO (e.g., the top down management is conducted by the President and CEO), and in light of the concern that mutual supervision by the same persons executing the business of the Company cannot really be expected, it should be desirable that there is a change to the board of directors which focuses on supervisory function so that there will be no reckless behaviour or corruption of the President or CEO having strong authority and efforts for strengthening such functions. As a concrete plan for such effort, CGS Guideline presents the guideline that "it is desirable for the chair of a board of directors meeting that a person other than a person executing the business of the company acts as chair from viewpoint of objective evaluation."

On this point, in the Company, Mr. Kumagai, who is the Representative Director, concurrently serves as Representative Director and President, group representative, chairperson and also the chair of the board of directors meetings and Mr. Kumagai is the major shareholder holding more than one-third of shares of the Company. Mr. Kumagai has immense clout in the Company and regardless of his so-called top down management, the supervisory function of the board of directors is in no way valid, so the Company should strengthen the supervisory function of the board of

directors and for that purpose, the chair of board of directors meeting should be performed by a person other than a person executing the business of the Company.

As well, the amendment of the article of incorporation will conform to 2.1.2 of "Corporate Governance Policy" of the Company, which says that "the board of directors will ensure fairness and transparency of management by actively performing the supervisory function for general management…".

As stated above, as a result of the separation of the chair of the board of directors meeting and persons executing the business of the Company, the supervisory function of board of director will be strengthened and corporate governance of the Company will be strengthened, so we propose this Agenda Item.

5. Agenda Item (5)

(1) Agenda

Partial amendment of the articles of incorporation (election of directors by cumulative voting)

(2) Summary of Proposal

Paragraph 3 of Article 28 of current articles of incorporation (Cumulative voting shall not be used for election of directors) will be deleted.

(An underlined part indicates an amended part)

Current Articles of Incorporation	Amendment Proposal
Article 28 (Method of Election for Directors) 1. The directors shall be elected by resolution of the general shareholder meeting.	Article 28 (Method of Election for Directors) 1. The directors shall be elected by resolution of the general shareholder meeting.

2. The election resolution of the directors shall require the majority of voting rights at a meeting where shareholders having one-third or more of the voting rights of the shareholders allowed to exercise voting rights are present. 3. Cumulative voting shall not be used for the election of the directors.	2. The election resolution of the directors shall require the majority of voting rights at a meeting where shareholders having one-third or more of the voting rights of the shareholders allowed to exercise voting rights are present. (Paragraph 3 deleted)

(3) Reason for Proposal

Cumulative voting means, in the election of directors of stock companies, the elections of all directors are all at the same time and a shareholder having voting rights has votes in the same number as the number of directors to be elected for each share unit which it holds, and the voting method freely allows voting by concentrating of the votes entirely on one director or voting by spreading votes on many directors for each shareholder (in the case the directors to be elected are ten, 10 votes will be granted for each share unit) and with such voting, the directors are elected in order from the person who has received the most votes.

A minority shareholder may elect a director who will represent its interests by making a shareholder proposal, so decision making from more diversified viewpoints for the board of directors is possible. As well, if cumulative voting is eliminated and all directors are elected by the majority shareholders, it could be said that the risk that auditing and supervision will not be properly conducted among directors will be high. In particular, in the Company, Mr. Kumagai, who is the Representative Director and President, holds approximately 40.68% of the total number of voting rights if the voting rights of his management company are included. If considering the number of the exercises of the voting at the general

shareholder meeting of the Company, it has become a situation where it is possible that Mr. Kumagai substantially controls even with ordinary resolutions of the general shareholder meeting. If that is the case, currently, it is possible for Mr. Kumagai to substantially operate the company with the directors elected by him and we consider that reflecting the opinions of minority shareholders in management of the Company is critical important.

As stated above, with election by cumulative voting for directors, it is anticipated that the effectiveness of decision making function and supervisory function of the board of directors of the Company will be strengthened, so we propose this Agenda Item.

6. Agenda Item (6)

(1) Agenda Item

Setting compensation amount for directors (excluding Audit and Supervisory Committee Members, and hereinafter the same in this Agenda Item unless particularly noted otherwise) (meaning adoption of a compensation structure linked with the interests of minority shareholders)

(2) Summary of Agenda Item

The past shareholders meeting resolution concerning the compensation of directors will be abolished and, in order for the Company's compensation structure to be linked with the interests of minority shareholders, the total amount of directors' compensation will be set to within JPY500,000,000 per annum.

(3) Reason for Proposal

The board of directors, which is the management, owes the greatest obligation for the management of the Company. The compensation of directors, who execute the business of a company, has the important role of giving incentive which will improve the performance of the company to the directors.

In the CG Code as well, it is pointed out that "in regard to the compensation of management, there should be incentive provided to reflect the medium to long term company performance and potential risk and to contribute bringing out a strong entrepreneurial drive" (Principle 4-2) and in recent years, there is an active pursue of restructuring from the perspective of granting incentive for the design of compensation. Specifically, it is stated in CG Code that "for the compensation for the management, the rate of compensation linked to medium to long term and the rate of monetary compensation and company share compensation should be established appropriately so as to function as one of the sound incentives towards continuous growth." (Supplementary Principle 4-2 (i)) and in light of there being the possibility of delivering shares as officer compensation stated in the report of "Study Group concerning Current State of Corporate Governance System" published by the Ministry of Economy, Trade and Industry, the companies adopting compensation by both monetary compensation and shares and stock acquisition rights (collectively, "Shares, Etc.") based on a structure linked to the medium to long term performance are increasing.

Looking at the design of compensation of the Company from such viewpoint, the amount of compensation of directors (excluding those who are Audit and

Supervisory Committee Members) was set to be with JPY 1 billion annually at the annual general shareholder meeting the fiscal year ending December 2015 and JPY 569,000,000 was paid as basic compensation in the fiscal year ending December 2016. According to the annual securities report for the fiscal year ending December 2016, for the compensation of the directors at the Company, individual compensation was decided by increasing or decreasing at a set rate based on the quantitative and the qualitative target setting and the evaluation of the level of achievement of such targets based on the compensation automatically determined based on performance and compensation using a structure directly linked to the medium to long term performance and Shares, Etc. providing incentive for share value was not used and it seems that there is room for significant improvement.

On the other hand, in the design of incentive compensation, in regard to what level of importance to place on what kind of management indicators and how to set a balance between monetary compensation and compensation using Shares, Etc. as an examination based on the management strategy of the company is required, a proposal from we shareholders is not necessarily appropriate. Accordingly, as shareholders, we think it is necessary to encourage the introduction of an appropriate incentive compensation system, assuming that such incentive compensation system has not been adopted by the Company.

Based on the fact that the Company will highly likely miss the company financial guidance for the fiscal year ending December 2017, we consider that the total annual compensation of directors should be reduced from 516,000,000 yen of the previous year. Therefore, we seek to set a limit of JPY 500,000,000 for the total amount of basic compensation of the directors as in the above (2) and that the

bonus as incentive compensation for the directors be referred to the general shareholder meeting for each year for such content and amount (if that is not realistic, we think that appropriate incentive compensation system should be referred to the general shareholder meeting). If the agenda item related to partial amendment of the articles of incorporation of the above 3 (change to system for company adopting nominating committee) is resolved and approved, in relation to the entrustment of the decision of compensation of the directors to the compensation committee, we hope that this Agenda Item will be treated as advisory resolution [*kankoku-teki ketsugi]* for the compensation committee.

END