

May 12, 2006



To Whom It May Concern

**Okamura Corporation**

Representative: Kazuyoshi Hisamatsu  
President and Representative Director  
(Code Number: 7994, Listing: First Sections of Tokyo Stock  
Exchange and Osaka Securities Exchange)  
Contact: Kiyoshi Sato, Director and General Manager  
of Accounting Div.  
(TEL: 045-319-3445)

**Implementation of Measures to Counter Large-scale Acquisitions of Okamura  
Corporation Shares (Takeover Defense Measures)**

Okamura Corporation (the “Company”) hereby notifies as follows, that, at the Company’s board of directors’ meeting held on May 12, 2006, for the purpose of ensuring and enhancing the Company’s corporate value and, in turn the common interests of its shareholders, we decided to introduce a plan for countermeasures to large-scale acquisitions of the Company’s shares (takeover defense measures) (hereinafter called the “Plan”), subject to the approval of the ordinary general meeting of shareholders regarding the 71st business term (hereinafter called the “Ordinary General Meeting of Shareholders”).

1. Efforts to ensure and enhance the Company’s corporate value and the common interests of its shareholders

In 1945, the Company was founded under the name of “Cooperative Industry, Okamura Corporation”. It was a business centered around the founder, where engineers could share funds, technical capabilities and labor forces. Since then, based on the personal network of engineers and others, the Company has been engaged in the office furniture business, store display business, material handling systems and other businesses. From long before, the Company’s motto has been “Quality pays for itself”. The Company has successfully differentiated itself from its competitors by “developing”, “manufacturing” and “selling” high quality products through which customers could feel affluence, and by comprehensively providing spaces which are in tune with the various needs of the customers. In the future, the Company will also continue to strive to ensure and enhance the Company’s corporate value and the common interests of its shareholders through the following measures.

(a) Strengthening development capability

The Company believes that it is necessary to understand market trends accurately, and to continue developing high quality products. For this reason, engineers with an advanced capability for development are essential; and in order to develop and acquire such human resources, the Company works to improve the Company’s training system, etc. from mid-term and long-term viewpoints, and the Company strives to build a system which maximizes the potential of its knowledge and know-how that the Company has developed. Furthermore, in a corporate culture where engineers cooperate and work hard together, the

Company continues to maintain and strengthen the capability for the creative development of products rich in originality, by mobilizing the knowledge and know-how of individual engineers and designers and persevering with the Company's research and development activities. Moreover, the Company actively carries out cooperation with outside designers and technical cooperation with foreign companies, and the Company believes that maintaining such cooperative relations with outside designers, etc. makes it possible to manufacture a wide range of products.

(b) Strengthening manufacturing capacity

In order to manufacture high quality products efficiently, such products are manufactured at the Company's group plants based on the Company's original production system (the Okamura Production System). The Company's knowledge and know-how built up since the Company's foundation are utilized even at this manufacturing stage, and the Company's integrated process from product development to manufacturing, sales and delivery of products makes it possible to manufacture high quality products at low cost. Furthermore, the Company has also formulated a long-term environmental vision, "GREEN WAVE 2010." The Company promotes environmental consciousness in the manufacturing process, and the development of environment-conscious products.

(c) Strengthening sales capability

In order to strengthen the sales capability, the Company requires human resources who can understand customers' needs accurately, and who can provide the most suitable space for customers. For this reason, just as for the engineers in charge of product development, the Company strives to develop human resources from a mid-term and long-term viewpoint, and it maintains a good customer base by comprehensively providing various services and products to customers through collaboration between each of its business segments and through the utilization of the know-how of each individual business segment.

(d) Efforts to enhance corporate value of the Company based on the medium-term management plan

At present, the keywords for corporate management in the medium-term management plan of the Company, which will conclude in March 2007, are "computerization," "globalization" and "specialization"; and on this basis, the Company has been enhancing its strength, which is the integrated operation of its "development," "manufacturing" and "sales" processes. The Company has also been endeavoring to further enhance corporate value as a company engaged in solutions aimed at the creation of comfortable spaces.

First of all, with respect to computerization, the Company has endeavored to expand its business tailored to the IT society, by developing new products corresponding to the diverse styles of working in the IT era, and by comprehensively providing an "ideal office of the future" based on its know-how accumulated through substantial achievements of the Company.

Secondly, with respect to globalization, the Company has advanced technical cooperation and collaborative development with various types of foreign top-

ranking companies from a wide-ranging perspective, without any disproportionate emphasis on cooperation with any particular company, and the Company has focused on development of the world's most advanced technology and the development of well-designed products. Moreover, the Company has strived to expand its sales overseas by means of efficient distribution as a result of the creation of individual business links with companies regarded as most appropriate to sell its products in individual countries.

Finally, with respect to specialization, the Company has made efforts to enhance the satisfaction of its customers in each field, by making use of research results from each of its businesses and the synergy among each business, by seeking a total "quality" in all kinds of settings where people gather, and by aiming for the "creation of comfortable spaces" which allow people to feel affluence and comfort.

(e) Strengthened corporate governance

In the past, the Company has strived to strengthen the supervisory function for the conduct of its business affairs by appointing independent outside auditors, and by setting the term of office of directors as one (1) year. In the future, the Company intends to further strengthen corporate governance, and it will submit a measure at the Ordinary General Meeting of Shareholders for the appointment of highly independent outside directors.

## 2. Purpose of introducing the Plan

The Company will introduce the Plan as follows, for the purpose of ensuring, or enhancing, the corporate value of the Company and the common interests of its shareholders.

Nowadays, the act of forcibly buying large numbers of shares unilaterally without obtaining the approval of the management of a target company is becoming evident.

As a matter of course, the Company would not categorically deny an acquisition of shares, even in the case of large acquisition, if such acquisition contributes to the Company's corporate value and the common interests of its shareholders. Furthermore, the Company believes that the final decision on a takeover proposal involving the transfer of control of a public company should be made ultimately based on the intention of all shareholders.

However, there are many large-scale acquisitions of shares which do not contribute to the corporate value of target companies and the common interests of its shareholders, including such cases as: acquisitions that obviously harm the corporate value and the common interests of its shareholders when viewed from their purpose, etc.; acquisitions which threaten to, in effect, force shareholders to sell their shares; acquisitions which do not provide enough time and information for the board of directors and shareholders of a target company to examine the details of the acquisition or for the board of directors of a target company to propose an alternative; and acquisitions which require the target company to negotiate with the acquirer so the target company can raise conditions which are more advantageous than those presented by the acquirer.

To begin with, in order that the Company continues providing high quality products, and that the Company ensures and enhances its corporate value and the common interests of its

shareholders, it is essential that the Company has a management function that emphasizes 1) maintaining a corporate culture where, based on personal networks, engineers cooperate and learn from each other; 2) developing human resources from a mid-term and long-term perspective, including engineers who are fundamental to the ability of developing products, and designers and sales personnel who are able to propose spaces that satisfy customers' needs, and maintaining and expanding the Company's good customer base; 3) maintaining relationships of trust with outside designers and with domestic and foreign business partners with which the Company has purchases and sales business alliances, etc.; and 4) maximizing the Company's collective strengths through the synergy between the business segments and personal networks of group companies. And, unless these are ensured or enhanced in the long and medium terms by a party implementing a large acquisition of Okamura Corporation shares, the Company's corporate value and the common interests of its shareholders will be harmed. Moreover, when a proposal for a large share acquisition is received from an outsider acquirer, in addition to the above, it is first necessary to appropriately ascertain a range of items, including tangible and intangible managerial resources, the potential effect of forward-looking measures, and other items which make up the Company's corporate value, and then to determine the effects of the said acquisition on the Company's corporate value and the common interests of its shareholders.

In addition to these situations, based on the understanding that the liquidity of shares issued by Okamura Corporation might increase in the future<sup>1</sup>, the Company's board of directors determined that it is essential that there be a framework to control any large-scale acquisitions of Okamura Corporation shares which act against the Company's corporate value and the common interests of its shareholders. In the event a large acquisition of Okamura Corporation shares is carried out, such a framework should enable shareholders to determine whether to accept the said large acquisition, and it should ensure sufficient information and time for the Company's board of directors to propose an alternative to shareholders or enable the Company's board of directors to negotiate on behalf of shareholders.

For the above reasons, the Company's board of directors decided that the Plan should be introduced on condition that approval be obtained by shareholders at the Ordinary General Meeting of Shareholders. Readers should note that, at present, the Company is not specifically threatened by any acquisition.

### 3. Plan details

#### 3.1 Plan outline

##### (a) Establishment of procedures for triggering the Plan

In the case that there is an acquisition of share certificates or the like of the Company or any similar action, or a proposal for such action (the "Acquisition"), in addition to allowing for requests to the person effecting the Acquisitions (the "Acquirer") to provide information in advance relating to the Acquisitions, and securing time to conduct information collection and consideration with respect to the Acquisition, the Plan also sets out procedures for presenting information such

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<sup>1</sup> Refer to Exhibit 4 for the status of major shareholders in Okamura Corporation.

as plans and any alternative proposals of the Company's management to the shareholders, and for conducting negotiations with the Acquirers (for details see below at 3.2, 'Procedures for triggering the Plan').

(b) Use of a gratis allotment of Stock Acquisition Rights

If an Acquirer effects an Acquisition without following the procedures set out in the Plan or otherwise acts in a way that is deemed to be harmful to the Company's corporate value or the common interests of its shareholders (for details of these requirements, see below at 3.3, 'Requirements for the gratis allotment of Stock Acquisition Rights'), the Company will allot stock acquisition rights having an exercise condition that does not allow the Acquirers to exercise and an acquisition provision to the effect that the Company may acquire the stock acquisition rights from persons other than the Acquirers in exchange for shares in the Company (the main details of such stock acquisition rights are set out below at 3.4, 'Outline of the gratis allotment of Stock Acquisition Rights'; "Stock Acquisition Rights") by means of a gratis allotment of stock acquisition rights (prescribed by Article 277 onwards of the Corporation Law of Japan) to all shareholders at that time.

(c) Use of the Independent Committee to eliminate arbitrary decisions by directors

In order to eliminate arbitrary decisions by directors in implementing the Plan, decisions relating to the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights, or the acquisition of the Stock Acquisition Rights, will be made through the objective judgment of a Independent Committee composed of members who are highly independent from the management of the Company, such as outside directors of the Company, in accordance with the Rules of the Independent Committee (see Attachment 1 for an outline) and transparency will be ensured by timely disclosure to the Company's shareholders.

The initial Independent Committee is intended to be composed of two outside directors and two outside statutory auditors who are highly independent from the management of the Company, and the members are as set out in Attachment 2 (see Attachment 1 for the standards for appointing members, requirements for resolution and resolution matters, of the Independent Committee after the introduction of the Plan).

(d) Exercise of the Stock Acquisition Rights and the Company's acquisition of Stock Acquisition Rights

If a gratis allotment of Stock Acquisition Rights were to take place in accordance with the Plan and either the shareholders other than the Acquirer exercises the Stock Acquisition Rights or the shareholders other than the Acquirer receives shares in the Company in exchange for the Company acquiring the Stock Acquisition Rights, then it would be possible for the ratio of Company shareholder voting rights held by the Acquirer to be diluted by up to approximately 50%.

### 3.2 Procedures for triggering the Plan

(a) Targeted acquisitions

The Plan will apply in cases where there is an Acquisition that falls under (i) or (ii) below:

(i) An Acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariiai*)<sup>2</sup> of a holder (*hoyuusha*)<sup>3</sup> amounting to 20% or more of the share certificates, etc. (*kabuken tou*)<sup>4</sup> issued by the Company; or

(ii) A tender offer (*koukai kaitsuke*)<sup>5</sup> that would result in the owning ratio of share certificates, etc. (*kabuken tou shoyuu wariiai*)<sup>6</sup> of share certificates, etc. (*kabuken tou*)<sup>7</sup> relating to the tender offer and the owning ratio of share certificates, etc. of a person having a special relationship (*tokubetsu kankei-sha*)<sup>8</sup> totaling at least 20% of the share certificates, etc. issued by the Company.

(b) Request to the Acquirer for the provision of information

Excluding Acquisitions determined by the Company's board of directors to be friendly Acquisitions, the Company will require any Acquirer conducting an Acquisition described above at 3.2(a) to submit to the Company in a form prescribed by the Company, before effecting the Acquisition, the information as described in each of the list below ("Essential Information") and a written undertaking that the Acquirer will upon the Acquisition comply with the procedures established by the Plan ("Acquisition Statement")

If the Independent Committee determines that the information provided by the Acquirer is insufficient as the Essential Information, it may fix a deadline for response and request, either directly or indirectly, that the Acquirer additionally provide the Essential Information. In such case, the Acquirer should additionally provide such information within the relevant time limit.

(i) Details (including the specific name, capital structure and financial position) of the Acquirer and its group (including joint holders<sup>9</sup>, persons having a special

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<sup>2</sup> Defined in Article 27-23(4) of the Securities and Exchange Law of Japan. This definition is applied throughout this document.

<sup>3</sup> Including persons described as a holder under Article 27-23(3) of the Securities and Exchange Law of Japan (including persons considered to fall under this provision by the Company's board of directors). The same is applied throughout this document.

<sup>4</sup> Defined in Article 27-23(1) of the Securities and Exchange Law of Japan. Unless otherwise provided for in this document, this definition is applied throughout this document.

<sup>5</sup> Defined in Article 27-2(6) of the Securities and Exchange Law of Japan. This definition is applied throughout this document.

<sup>6</sup> Defined in Article 27-2(8) of the Securities and Exchange Law of Japan. This definition is applied throughout this document.

<sup>7</sup> Defined in Article 27-2(1) of the Securities and Exchange Law of Japan. This definition is applied in 3.2(a)(ii).

<sup>8</sup> Defined in Article 27-2(7) of the Securities and Exchange Law of Japan (including persons considered to fall under this provision by the Company's board of directors); provided, however, that persons provided for in Article 3(1) of the Cabinet Office Regulations concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from the persons described in Article 27-2(7)(i) of the Securities and Exchange Law of Japan. The same is applied throughout this document.

<sup>9</sup> "Joint holders" are as defined in Article 27-23(5) of the Securities and Exchange Law of Japan, including persons regarded as a joint holder under Article 27-23(6) of the Securities and Exchange Law of Japan (including persons

relationship and, in the case of funds, each partner and other constituent members);

(ii) The purpose, method and terms of the Acquisition (including amount and type of consideration for the Acquisition, the timeframe of the Acquisition, the scheme of any related transactions, the legality of the Acquisition method, and the probability that the Acquisition will be effected);

(iii) The basis for the calculation of the purchase price of the Acquisitions (including the underlying facts of the calculation, the calculation method, the numerical data used in the calculation, the details of any expected synergies from any series of transactions relating to the Acquisition, and the details of such synergies to be shared with other shareholders);

(iv) Financial support for the Acquisition (specifically including the name, financing methods and the terms of any related transactions of the funds providers (including all indirect funds providers));

(v) Post-Acquisition management policy, business plan, capital and dividend policies for the Company and the Company group;

(vi) Post-Acquisition policies dealing with the Company's employees, business partners, customers, and any other stakeholders in the Company;

(vii) Specific measures to avoid any conflict of interest with other shareholders in the Company;

(viii) Views on the Company's corporate culture; and

(ix) Any other information that the Independent Committee or other bodies reasonably considers necessary.

If the Independent Committee recognizes that an Acquirer has initiated an Acquisition without complying with the procedures set by the Plan, as a general rule, it will recommend the Company's board of directors to implement a gratis allotment of Stock Acquisition Rights in accordance with 3.2(d)(i) below, except in particular circumstances where it should continue with its requests for the submission of an Acquisition Statement and the Essential Information, and its discussion and negotiation with the Acquirer.

(c) Consideration of Acquisition terms, negotiation with the Acquirer, and consideration of an alternative proposal

(i) Request to the Company's board of directors for the provision of information

If the Acquirer submits an Acquisition Statement and the Essential Information, the Independent Committee may set a reply period (up to sixty days as a general rule) and request that the Company's board of directors present an opinion

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that the Company's board of directors recognizes as falling under the above). The same is applied throughout this document.

(including reservations; hereinafter the same) on the Acquirer's Acquisition terms and supporting materials, an alternative proposal (if any), and any other information that the Independent Committee considers suitably necessary, in order to compare the details of the Acquisition Statement and the Essential Information to the business plan of the Company's board of directors and the company valuation conducted by the Company's board of directors for the purpose of ensuring and enhancing the Company's corporate value and the common interests of its shareholders.

(ii) Independent Committee consideration

Upon taking receipt of the information from the Acquirer and the Company's board of directors (if the Independent Committee requested the Company's board of directors to provide information as set out above), the Independent Committee should conduct its consideration of the Acquirer's Acquisition terms, information collection on the business plans and other information of the Acquirer and the Company's board of directors and comparison thereof, and consideration of any alternative proposal presented by the Company's board of directors, and the like until the expiration of a period of sixty days as a general rule from such receipt (provided, however, that in the case described below at 3.2(d)(iii) or the like, the Independent Committee may extend this period (hereinafter the "Independent Committee Consideration Period")).

Further, if it is necessary in order to improve the terms of the Acquisition from the standpoint of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders, the Independent Committee will directly or indirectly discuss and negotiate with the Acquirer, or present to shareholders or others the alternative proposal presented by the Company's board of directors or other person, or conduct any similar action.

In order to ensure that the Independent Committee's decision ensures the Company's corporate value and the common interests of its shareholders, the Independent Committee may at the cost of the Company obtain advice from independent third parties (including financial advisers, certified public accountants, attorneys, consultants or any other experts).

If the Independent Committee directly or indirectly requests the Acquirer to provide materials for consideration or any other information, or to discuss and negotiate with the Independent Committee, the Acquirer must promptly respond to such request.

(iii) Disclosure of information

At a time the Independent Committee considers appropriate, the Company will disclose the fact that an Acquirer has emerged, the fact that it has received an Acquisition Statement from the Acquirer and any matters considered appropriate by the Independent Committee out of the Essential Information or other information.

(d) Independent Committee procedures for recommendation, etc.

If an Acquirer emerges, the Independent Committee will make recommendation to the Company's board of directors or take other actions in accordance with the following procedures. If the Independent Committee makes any of the resolutions for recommendation to the Company's board of directors or otherwise as listed in 3.2(d)(i) through 3.2(d)(iii) below, or otherwise believes it to be appropriate, the Independent Committee shall disclose an outline of the recommendation or the like and any other matters that the Independent Committee considers appropriate (in the case of extending the Independent Committee Consideration Period, including the period of and reason for such extension ), promptly after the resolution.

(i) The Independent Committee recommends the triggering of the Plan

If the Acquirer fails to comply with the procedures set forth in the Plan, or if otherwise as a result of the consideration of the terms of the Acquirer's Acquisition, the Independent Committee determines that the Acquisition by the Acquirer meets any of the requirements set out below at 3.3, 'Requirements for the gratis allotment of Stock Acquisition Rights' and that the implementation of the gratis allotment of Stock Acquisition Rights is reasonable, the Independent Committee will recommend the implementation of the gratis allotment of Stock Acquisition Rights to the Company's board of directors, regardless of whether the Independent Committee Consideration Period has commenced or ended.

However, even after the Independent Committee has already made one recommendation for the implementation of the gratis allotment of Stock Acquisition Rights, if the Independent Committee determines that either of the events below apply, it may make a new recommendation before the Exercise Period Commencement Date (defined below at (f) of 3.4, 'Outline of the gratis allotment of Stock Acquisition Rights') that (until the gratis allotment has taken effect) the Company should suspend the gratis allotment of Stock Acquisition Rights or that (after the gratis allotment has taken effect) the Company should acquire the Stock Acquisition Rights without consideration.

- The Acquirer withdraws the Acquisition or the Acquisition otherwise ceases to exist after the recommendation.
- There is a change in the facts or information upon which the recommendation decision was made, and the Acquisition by the Acquirer does not meet any of the requirements set out below in 3.3, 'Requirements for the gratis allotment of Stock Acquisition Rights,' or it is not reasonable to implement the gratis allotment or allow for shareholders to exercise the Stock Acquisition Rights even if the Acquisition by the Acquirer does meet one of the requirements under 3.3 below.

(ii) The Independent Committee recommends the non-triggering of the Plan

If as a result of its consideration of the terms of the Acquirer's Acquisition and discussion, negotiation or the like with the Acquirer, the Independent Committee determines that the Acquisition by the Acquirer does not meet any of the requirements set out below at 3.3, 'Requirements for the gratis allotment of Stock Acquisition Rights,' or that the implementation of the gratis allotment of Stock Acquisition Rights is not reasonable even if the Acquisition by the Acquirer does

meet one of the requirements set out in 3.3 below, the Independent Committee will recommend the non-implementation of the gratis allotment of Stock Acquisition Rights to the Company's board of directors, regardless of whether the Independent Committee Consideration Period has ended.

However, even after the Independent Committee has already made one recommendation for the non-implementation of the gratis allotment of Stock Acquisition Rights, if there is a change in the facts, information or otherwise upon which a recommendation decision was made and the situation has come to satisfy the requirements set out in the first paragraph of (i) above, the Independent Committee may make a new decision including a recommendation on the implementation of the gratis allotment of Stock Acquisition Rights, and recommend that decision to the Company's board of directors.

(iii) The Independent Committee defers triggering the Plan

If the Independent Committee does not reach a recommendation for either the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights by the expiry of the initial Independent Committee Consideration Period, the Independent Committee will, to the reasonable extent that it is considered necessary for actions such as consideration of the terms of the Acquirer's Acquisition, negotiation with the Acquirer and the consideration of an alternative proposal, pass a resolution to extend the Independent Committee Consideration Period (and any extension of the new period after a period has been extended will follow the same procedure).

If the Independent Committee Consideration Period is extended as a result of the resolution described above, the Independent Committee will continue with its information collection, consideration process and like activities, and use best efforts to make a recommendation for the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights within the extended period.

(e) Resolutions of the board of directors

The Company's board of directors, in exercising their role under the Corporation Law, will promptly pass a resolution relating to the implementation or non-implementation of a gratis allotment of Stock Acquisition Rights taking into consideration any recommendation of the Independent Committee described above to the maximum extent. The Acquirer must not effect an Acquisition until the Company's board of directors passes a resolution for the non-triggering of the Plan. Promptly after passing such a resolution, the Company's board of directors will disclose an outline of its resolution, and any other matters that the board of directors considers appropriate.

### 3.3 Requirements for the gratis allotment of Stock Acquisition Rights

The Company intends to implement the gratis allotment of Stock Acquisition Rights by a resolution of the Company's board of directors as described above at (e) of 3.2, 'Procedures for triggering the Plan,' if it is considered that an action of an Acquirer falls under any of the items below and it is reasonable to implement the gratis allotment of Stock Acquisition

Rights. However, the Company's board of directors will without fail make its determination as to whether an action of an Acquirer falls under a requirement below and if it is reasonable or not to implement the gratis allotment of Stock Acquisition Rights through the recommendation of the Independent Committee in accordance with (d) of section 3.2 above, 'Procedures for triggering the Plan.'

- (a) An Acquisition not in compliance with the procedures prescribed in the Plan;
- (b) An Acquisition that threatens to cause obvious harm to the corporate value of the Company and, in turn, the common interests of its shareholders through actions including any of the actions below;
  - (i) A buyout of share certificates to require such share certificates to be compulsorily purchased by the Company at an inflated price;
  - (ii) Management that achieves an advantage for the Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company's material assets;
  - (iii) Diversion of the Company's assets to secure or repay debts of the Acquirer or its group company; and
  - (iv) Temporary control of the Company's management to bring about a disposal of high-value assets that have no current relevance to the Company's business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends.
- (c) Certain Acquisitions that threaten to have the effect of coercing shareholders into selling shares, such as coercive two-tiered tender offers (meaning acquisitions of shares including tender offers that do not offer to acquire all shares in the initial acquisition, and set acquisition terms for the second stage or do not set clear terms that are unfavorable for the second stage);
- (d) Acquisitions that do not provide the Company's board of directors with the period of time reasonably necessary to submit an alternative proposal to the Acquisition;
- (e) Acquisitions in which the Essential Information or any other information considered reasonably necessary to assess the Acquisition terms is not provided to Company's shareholders, or the provision of such information (if any) is inadequate;
- (f) Acquisitions whose terms (including amount and type of consideration for the Acquisition, the Acquisition timing, the legality of the Acquisition method, the probability of the Acquisition being effected, post-Acquisition management policies and business plans, and post-Acquisition policies dealing with the Company's other shareholders, employees, business partners and any other stakeholders in the Company) are inadequate or inappropriate in light of the Company's intrinsic value; and
- (g) Acquisitions that materially threaten to be against the corporate value of the Company and, in turn, the common interests of shareholders, by destroying the

Company's corporate culture or relationship with employees and business partners of the Company, which are indispensable to the generation of the Company's corporate value.

### 3.4 Outline of the gratis allotment of Stock Acquisition Rights

An outline of the gratis allotment of Stock Acquisition Rights under the Plan is described below (for particulars regarding the gratis allotment of Stock Acquisition Rights, see Attachment 3, 'Okamura Corporation Terms and Conditions of the Stock Acquisition Rights').

(a) Number of Stock Acquisition Rights

The number of the Stock Acquisition Rights will be the same number as the final and total number of issued and outstanding shares in the Company (excluding the number of shares in the Company held by the Company at that time) on a certain date (the "Allotment Date") that is separately determined by the Company's board of directors in a resolution relating to the gratis allotment of Stock Acquisition Rights ("Gratis Allotment Resolution").

(b) Shareholders eligible for allotment

The Company will implement the gratis allotment of the Stock Acquisition Rights to those shareholders, other than the Company, who are entered or recorded in the Company's final register of shareholders or register of beneficial shareholders on the Allotment Date, at a ratio of one Stock Acquisition Right for every one share of the Company held.

(c) Effective date of gratis allotment of Stock Acquisition Rights

The Company's board of directors will separately determine the effective date of the gratis allotment of Stock Acquisition Rights in the Gratis Allotment Resolution.

(d) Number of shares to be acquired upon exercise of the Stock Acquisition Rights

The number of shares to be acquired upon exercise of each Stock Acquisition Right (the "Applicable Number of Shares") shall be one share.

(e) The amount of properties to be contributed upon exercise of the Stock Acquisition Rights

Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount per share of properties to be contributed upon exercise of the Stock Acquisition Rights will be an amount separately determined by the Company's board of directors in the Gratis Allotment Resolution within the range between a minimum of one yen and a maximum of any amount equivalent to one-half of the fair market value of one share of the Company.

(f) Exercise period of the Stock Acquisition Rights

The commencement date will be a date determined by the Company's board of directors in the Gratis Allotment Resolution (this commencement date of the exercise period shall be referred to as the "Exercise Period Commencement Date"), and the period will be a period from one month to three months long as determined by the Company's board of directors in the Gratis Allotment Resolution; provided, however, that if the Company acquires the Stock Acquisition Rights pursuant to the provisions of paragraph (i) below, the exercise period for the Stock Acquisition Rights with respect to that acquisition will be up to and including the day immediately prior to the relevant acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment place for the cash payable upon exercise, the final day will be the preceding business day.

(g) Conditions for the exercise of the Stock Acquisition Rights

As a general rule, the following persons may not exercise the Stock Acquisition Rights (the persons falling under (I) through (VI) below shall collectively be referred to as "Non-Qualified Persons"):

(I) Specified Large Holders;

(II) Joint Holders of Specified Large Holders;

(III) Specified Large Purchasers;

(IV) Persons having a Special Relationship with Specified Large Purchasers;

(V) Any transferee of or successor to the Stock Acquisition Rights of any person falling under (I) through (IV) without the approval of the Company's board of directors; or

(VI) Any Affiliated Person of any person falling under (I) through (V).

Further, nonresidents of Japan who are required to follow certain procedures under foreign laws and ordinances to exercise the Stock Acquisition Rights may not as a general rule exercise the Stock Acquisition Rights (provided, however, that certain nonresidents such as those who may use any exemption provision under applicable laws and ordinances in such foreign country will be able to exercise the Stock Acquisition Rights and the Stock Acquisition Rights of nonresidents will be subject to acquisition by the Company in exchange for shares of the Company as set out in (i) below). For definitions and details of the terms used above, see Attachment 3, 'Okamura Corporation Terms and Conditions of the Stock Acquisition Rights.'

(h) Assignment of the Stock Acquisition Rights

Any acquisition of the Stock Acquisition Rights by assignment requires the approval of the Company's board of directors.

(i) Acquisition of the Stock Acquisition Rights by the Company

(i) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Company's board of directors recognizes that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a day that falls on a date separately determined by the Company's board of directors, acquire all of the Stock Acquisition Rights without consideration.

(ii) On a day that falls on a date determined by the Company's board of directors, the Company may acquire all of the Stock Acquisition Rights that have not been exercised before or on the day immediately prior to such date determined by the Company's board of directors, that are held by persons other than Non-Qualified Persons and, in exchange, deliver shares of the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right.

Further, if, on or after the date upon which the acquisition takes place, the Company's board of directors recognizes the existence of any person holding Stock Acquisition Rights other than Non-Qualified Persons, the Company may, on a day falling on a date determined by the Company's board of directors 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 by or on the day immediately prior to such date determined by the Company's board of directors (if any) and, in exchange, deliver shares of the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right. The same will apply thereafter.

For definitions and details of the terms used above, see Attachment 3, 'Okamura Corporation Terms and Conditions of the Stock Acquisition Rights.'

### 3.5 Procedures for the introduction of the Plan

The introduction of the Plan will be as follows, subject to receiving the approval of shareholders at the Ordinary General Meeting of Shareholders:

- (a) In accordance with the proviso of Article 278(3) of the Corporation Law of Japan (kaisha hou), proposed amendments to the Company's Articles of Incorporation, including the incorporation of the provision stated below in Article 12 therein, are scheduled to be submitted to the Ordinary General Meeting of Shareholders for its resolution.

"The Company shall determine matters relating to the gratis allotment of Stock Acquisition Rights by a resolution of the board of directors, as well as by a resolution of the general meeting of shareholders, or by a resolution of the board of directors upon the assignment by a resolution of the general meeting of shareholders."

For details of the proposal to make amendments to the Articles of Incorporation for the purpose of introducing the Plan, please see the "Notice regarding Partial Amendment to the Articles of Incorporation," which is separately disclosed on the date hereof.

- (b) Under the provision of Article 12 of the Company's Articles of Incorporation after the amendment in accordance with (a) above, shareholders will be requested to assign to the Company's board of directors the authority to determine matters pertaining to the gratis allotment of Stock Acquisition Rights in accordance with the terms and conditions set out in the Plan by a resolution of the Ordinary General Meeting of Shareholders.

### 3.6 Effective period, abolition and amendment of the Plan

The period for the authority to decide matters relating to implementation of the gratis allotment of Stock Acquisition Rights under the Plan as assigned by a resolution of a general meeting of shareholders as described above at (b) of 3.5.(b), 'Procedures for the introduction of the Plan' (the "Effective Period") shall be the period until the conclusion of the ordinary general meeting of shareholders relating to the final fiscal year ending within three years after the conclusion of the Ordinary General Meeting of Shareholders.

However, if, even before the expiration of the Effective Period, (a) a general meeting of shareholders of the Company passes a resolution to withdraw the abovementioned assignment to the board of directors to decide matters relating to the gratis allotment of the Stock Acquisition Rights under the Plan, or (b) the Company's board of directors passes a resolution to abolish the Plan, the Plan shall be abolished at that time.

Further, the Company's board of directors may revise or amend the Plan even during the Effective Period of the Plan, if such revision or amendment is not against the purpose of the assignment by the Ordinary General Meeting of Shareholders as described at (b) of 3.5, 'Procedures for the introduction of the Plan' above (including cases where any law, regulation, stock exchange rules or the like concerning the Plan is established, amended or abolished and it is appropriate to reflect such establishment, amendment or abolition, cases where it is appropriate to revise the wording for reasons such as typographical errors and omissions, and cases where revision or amendment does not detriment the Company's shareholders, and the like), and subject to the approval of the Independent Committee.

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

## 4. Rationale of the Plan

### 4.1 Fully satisfying the requirements of the Guidelines for Takeover Defense Measures

The Plan fully satisfies the three principles set out in the Guidelines Regarding Takeover Defense Measures for the Purposes of Ensuring and Enhancing Corporate Value and Shareholders' Common Interests released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

#### 4.2 Placing value on the intent of shareholders (Resolutions of the general meetings of shareholders and sunset clause)

The Company will introduce the Plan, subject to approval by a resolution of the Ordinary General Meeting of Shareholders. Particularly, as set out above in section 3.5, 'Procedures for the introduction of the Plan,' the Plan will be introduced upon a resolution of the general meeting of shareholders of the Company to assign to the Company's board of directors the authority to decide matters relating to the Plan under the Company's Articles of Incorporation, after their amendment to that effect.

Further, as set out in section 3.6, 'Effective period, abolition and amendment of the Plan,' if, before the expiration of the Effective Period of the Plan, the general meeting of shareholders of the Company passes a resolution to revoke its resolution to assign the authority as set out above, the Plan will be abolished at that time. In this regard, the introduction and life of the Plan is based on the intent of the general meeting of shareholders of the Company.

#### 4.3 One-year term of office of directors

Since the tenure of our directors is one (1) year, even during the Effective Term of the Plan, it will be possible to reflect shareholders' opinions on the Plan through the annual appointment of directors.

#### 4.4 Disclosure of information and emphasis on the decisions of independent outside directors

In introducing the Plan, the Company will establish the Independent Committee as an organization that will eliminate arbitrary decisions by its directors and objectively carry out the substantive decisions on behalf of the shareholders in the event of triggering, abolition or other operation of the Plan.

If an Acquisition of shares in the Company were to actually occur, this Independent Committee would, as set out above in 3.2, 'Procedures for triggering the Plan,' and in accordance with the Rules of the Independent Committee, make substantive determinations, as to whether or not the Acquisition would have a detrimental effect on the corporate value of the Company and the common interests of shareholders. Then, the Company's board of directors would, by taking into consideration those determinations to the maximum extent, pass a resolution pursuant to the Corporation Law of Japan.

In this way, the Independent Committee will strictly monitor any arbitrary actions by non-outside directors and disclose outlines of its decisions to the shareholders, and will ensure a structure under which the Plan is only operated in a transparent way in order to contribute to the corporate value of the Company and the common interests of its shareholders.

In addition, the Company will comprise the Independent Committee with two outside directors and two outside statutory auditors, both highly independent from the management

of the Company (see Attachment 1 for the standards for appointing members, requirements for resolution and resolution matters of the Independent Committee; see Attachment 2 for the members of the Independent Committee at the time of introduction of the Plan).

#### 4.5 Establishment of reasonably objective requirements

As set out above at section 3.2(d), ‘Independent Committee procedures for recommendation, etc.’ and 3.3, ‘Requirements for the gratis allotment of Stock Acquisition Rights,’ it can be said that the Plan is established so that it will not be triggered unless reasonable and objective requirements have been satisfied, and ensures a structure to eliminate arbitrary triggering by the Company’s board of directors.

#### 4.6 Obtaining the advice of third-party experts

If an Acquirer emerges, the Independent Committee may seek to obtain the advice of independent third parties (financial advisors, certified public accountants, lawyers, consultants and other experts) at the cost of the Company. This is a mechanism to even more securely enhance the objectivity and fairness of the decisions made by the Independent Committee.

#### 4.6 No dead-hand or slow-hand takeover defense measures

As stated in section 3.6, ‘Effective period, abolition and amendment of the Plan,’ the Plan is designed in a way so that it may be abolished by a person who has acquired a large number of share certificates of the shares in the Company through nomination and election, at a general meeting of shareholders of the Company, of directors so-nominated by that person. Therefore, the Plan is not a dead-hand takeover defense measure (an takeover defense measure in which even if a majority of the members of the board of directors are replaced, the triggering of the measure cannot be stopped). Also, as the Company has not adopted a staggered board, the Plan is not a slow-hand takeover defense measure either (a takeover defense measure in which triggering takes more time to stop due to the fact that the directors cannot be replaced all at once).

### 5. Impact on shareholders and other stakeholders

#### 5.1 Impact on shareholders and investors at the time of introduction

At the time of its introduction, the Plan will have no direct or material impact on the rights and interests of shareholders and investors. This is because at that time, by resolution of a general meeting of shareholders, only the assignment of authority to determine matters

relating to the gratis allotment of Stock Acquisition Rights will take place and no actual gratis allotment of Stock Acquisition Rights will be implemented.

## 5.2 Impact on shareholders and investors at the time of the gratis allotment of Stock Acquisition Rights

The Company will implement a gratis allotment of Stock Acquisition Rights to all registered shareholders of the Company as of the Allotment Date that will separately be determined by the Company's board of directors in a Gratis Allotment Resolution, at a ratio of one Stock Acquisition Right per one share held. If the shareholders do not proceed with the payment for the allotment and the other procedures for the exercise of Stock Acquisition Rights detailed in (b) of 5.3, 'Necessary procedures for shareholders upon the gratis allotment of Stock Acquisition Rights,' within the rights exercise period, the shares they hold in the Company will be diluted by the exercise of Stock Acquisition Rights by other shareholders.

However, the possibility exists that the Company will acquire the Stock Acquisition Rights of all shareholders other than Non-Qualified Persons and, in exchange, deliver shares in the Company, in accordance with the procedures set out in (c) of 5.3, 'Necessary procedures for shareholders upon the gratis allotment of Stock Acquisition Rights.' If the Company carries out such acquisition procedures, all shareholders other than Non-Qualified Persons will come to receive shares in the Company without exercising their Stock Acquisition Rights or paying an amount equivalent to the exercise price, and no dilution of the aggregate shares in the Company they hold will result (rather only dilution of the value per share of shares in the Company they hold will result).

Furthermore, the Company, even if after the Allotment Date has come or the gratis allotment of Stock Acquisition Rights has taken effect, the Company may cancel the gratis allotment or acquire those Stock Acquisition Rights without consideration nor delivery of the shares in the Company to the entitled shareholders up until the day immediately prior to the date of commencement of the exercise period due to circumstances such as, for example, if the Acquirer withdraws its Acquisition of the shares in the Company, in which case, the value of the shares in the Company might rise or fall commensurate therewith .

## 5.3 Necessary procedures for shareholders upon the gratis allotment of Stock Acquisition Rights

### (a) Procedures for entry of name change

If the Company's board of directors resolves to implement a gratis allotment of Stock Acquisition Rights, the Company will first make public notice of the Allotment Date for the gratis allotment of Stock Acquisition Rights. As the Company will make a gratis allotment of Stock Acquisition Rights to the shareholders who are entered or recorded in the Company's last register of shareholders and register of beneficial shareholders as of the Allotment Date, it will be necessary for shareholders to arrange for the procedures for entry of name change as soon as possible. (Please note that no procedures for entry of name

change are required for those share certificates deposited with the Japan Securities Depository Center, Inc.)

In this connection, all of the shareholders who are entered or recorded in the Company's last register of shareholders or register of beneficial shareholders as of the Allotment Date will become Stock Acquisition Right holders as a matter of course on the effective date of the gratis allotment of Stock Acquisition Rights.

(b) Procedures for exercising Stock Acquisition Rights

The Company will deliver, as a general rule, an exercise request form for the Stock Acquisition Rights (in a form prescribed by the Company and containing necessary matters such as the terms and number of the Stock Acquisition Rights for exercise and the exercise date for the Stock Acquisition Rights, as well as representations and warranties regarding matters such as whether the shareholders themselves are not Non-Qualified Persons, indemnity clauses and other covenants) and other documents necessary for the exercise of the Stock Acquisition Rights to all shareholders being entered or recorded on the Company's last register of shareholders or register of beneficial shareholders as of the Allotment Date. After the gratis allotment of Stock Acquisition Rights, the shareholders will be issued one share in the Company per one Stock Acquisition Right upon submitting these necessary documents and paying to the place handling such payments the price determined by the Company's directors in the Gratis Allotment Resolution, which will be an amount within the range between a minimum of one yen and a maximum of any amount equivalent to one-half the fair market value of one share of the Company, both during the exercise period of the Rights and before the acquisition of the Stock Acquisition Rights by the Company takes effect.

(c) Procedures for the acquisition of Stock Acquisition Rights by the Company

If the Company's board of directors determines to acquire the Stock Acquisition Rights, the Company will acquire the Stock Acquisition Rights in accordance with the statutory procedures, on the day that falls on the date separately determined by the Company's board of directors. When the Company is to deliver shares in the Company to shareholders in exchange for the acquisition of Stock Acquisition Rights, it shall do so promptly. Further, in such case, the shareholders concerned will be separately requested to submit, in a form prescribed by the Company, representations and warranties regarding matters such as the fact that they are not Non-Qualified Persons, indemnity clauses and other covenants.

In addition to the above, the Company will disclose information or notify all of its shareholders with respect to the particulars of the allotment method, method of procedures for entry of name change, exercise method and method for acquisition by the Company after any resolution of the Company's board of directors in relation to a gratis allotment of Stock Acquisition Rights, so we request that shareholders check these details at that time.

---End---



### **Outline of the Rules of the Independent Committee**

- The Independent Committee shall be established by resolution of the Company's board of directors.
- There shall be no less than three (3) members of the Independent Committee, and the Company's board of directors shall elect the members from
  - (i) outside directors of the Company;
  - (ii) outside statutory auditors of the Company; and
  - (iii) outside experts.
- However such experts must be experienced corporate managers, parties with knowledge of the investment banking industry, lawyers, certified public accountants, researchers whose research focuses on Corporation Law of Japan or the like, or parties of similar qualifications, and must have executed with the Company an agreement separately specified by the Company's board of directors that contains a provision obligating them to exercise the duty of care of a good manager or a similar provision.
- Unless otherwise determined by a resolution of the Company's board of directors, the term of office of members of the Independent Committee shall be until the conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within three (3) years after the conclusion of the Ordinary General Meeting of Shareholders. However, the term of office of any member of the Independent Committee who is an outside director or outside statutory auditor shall end simultaneously in the event that they cease to be a director or statutory auditor (except in the case of their re-appointment).
- The Independent Committee shall make decisions on the matters listed below and submit recommendations to the Company's board of directors containing the details of and reasons for the recommendation pursuant to the Plan. Respecting such recommendations of the Independent Committee to the maximum extent, the Company's board of directors shall pass resolutions concerning the implementation, non-implementation or other action pertaining to a gratis allotment of Stock Acquisition Rights as a function under the Corporation Law of Japan. Each member of the Independent Committee and each director of the Company must make such decisions with a view to whether or not the corporate value of the Company and, in turn the common interests of its shareholders will be enhanced, and they must not serve solely for the purpose of their own interests or those of the management of the Company.

- (a) The implementation or non-implementation of the gratis allotment of Stock Acquisition Rights.
  - (b) The cancellation of the gratis allotment of Stock Acquisition Rights or the gratis acquisition of Stock Acquisition Rights.
  - (c) Any other matters that are for determination by the Company's board of directors in respect to which it has consulted the Independent Committee.
- In addition to the matters prescribed above, the Independent Committee shall conduct the matters listed below.
    - (a) Determining whether the Acquisitions should be made subject to the Plan.
    - (b) Determining the extension of the Independent Committee Consideration Period.
    - (c) Determining the information that the Acquirer and the Company's board of directors should provide to the Independent Committee, and the deadline for the provision of that information.
    - (d) Examination and consideration of the terms of the Acquirer's Acquisitions.
    - (e) Negotiation and discussion with the Acquirer.
    - (f) Request for an alternative proposal and consideration of the alternative proposal to the Company's board of directors.
    - (g) Approval of modification or amendment of the Plan.
    - (h) Approval of introduction of a takeover defense other than the Plan.
    - (i) Any other matters that the Plan prescribes that the Independent Committee may conduct.
    - (j) Any matters that the Company's board of directors separately determines that the Independent Committee may conduct.
  - If the Independent Committee decides that the Acquisition Statement and the information provided are inadequate as Essential Information, it shall request that the Acquirer submit additional information. Further, if the Independent Committee receives from the Acquirer the Acquisition Statement and the Essential Information, it may request that the Company's board of directors provide within a certain period an opinion regarding the terms of the Acquisition by the Acquirer and materials supporting that opinion, an alternative proposal (if any), and any other information and the like that the Independent Committee may consider necessary from time to time.
  - If it is necessary in order to have the terms of the Acquirer's Acquisition revised from the standpoint of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders, the

Independent Committee shall either directly or indirectly discuss and negotiate with the Acquirer, or present to shareholders or others the alternative plan presented by the Company's board of directors, or conduct any similar action.

- In order to collect the necessary information, the Independent Committee may request the attendance of a director, statutory auditor or employee of the Company, or any other person that the Independent Committee considers necessary, and may require explanation of any matter it requests.
- The Independent Committee may, at the Company's expense, obtain the advice of an independent third party (including financial advisors, certified public accountants, lawyers, consultants and other experts) and similar actions.
- Any member of the Independent Committee may convene a meeting of the Independent Committee when an Acquisition arises, or at any other time.
- Resolutions of a meeting of the Independent Committee shall, as a general rule, pass with a majority of voting rights when at least three-fourth of the members of the Independent Committee are in attendance; provided, however, that in unavoidable circumstances a resolution may pass with a majority of voting rights when a majority of the members of the Independent Committee are in attendance.

---End---

## Independent Committee Member Profiles

The following four (4) people are the initial members of the Independent committee at the time of introducing the Plan.

## Tadao Kuwano

[Profile]

Born July 31, 1942

March 1974	Registered as a certified public accountant
July 1993	Assumed the office of representative employee at Asahi & Co. (currently KPMG AZSA & Co.)
June 2005	Retired from KPMG AZSA & Co.
July 2005	Established "Kuwano Tadao Certified Public Accountant and Tax Accountant Office"
September 2005	Commenced teaching at the Graduate School of Accounting and Finance, the Chiba University of Commerce, as a visiting professor (part-time; to present)
September 2005	Commenced teaching at Waseda Graduate School of Finance, Accounting and Law as an assistant professor (part-time; to present)

- \* Mr. Tadao Kuwano is a candidate for appointment as outside director satisfying the requirements for outside director specified in Item 7 of Paragraph 3 of Article 2 of the Regulations for Enforcement of the Corporation Law, and will assume office following appointment at the 71st ordinary general meeting of shareholders of our company to be held in June of this year.  
He has no special interests in our company.

## Mutsuo Hayashi

[Profile]

Born January 8, 1940

April 1962	Joined Sumitomo Marine and Fire Insurance Company, Ltd. (currently The Mitsui Sumitomo Insurance Co., Ltd.)
June 1989	Assumed the office of Director at Sumitomo Marine and Fire Insurance Company, Ltd.
June 1997	Assumed the office of Executive Vice President at Sumitomo Marine and Fire Insurance Company, Ltd.
June 2003	Assumed the office of full-time Special Advisor at The Mitsui Sumitomo Insurance Co., Ltd.
June 2003	Assumed the office of Outside Director at our company (to present)
June 2004	Retired from The Mitsui Sumitomo Insurance Co., Ltd.

- \* Mr. Mutsuo Hayashi is a candidate for appointment as outside director satisfying the requirements for outside director specified in Item 7 of Paragraph 3 of Article 2 of the Regulations for Enforcement of the Corporation Law, and will assume office following appointment at the 71st ordinary general meeting of shareholders of our company to be held in June of this year.  
He has no special interests in our company.

## Shohachi Oki

[Profile]

Born March 7, 1935

April 1967 Registered as an attorney (to present)

April 1970 Established Oki Law Firm (to present)

February 1979 Assumed the office of Outside Auditor of our company (to present)

- \* Mr. Shohachi Oki is an outside auditor of our company satisfying the requirements specified in Item 16 of Article 2 of the Corporation Law.  
He has no special interests in our company.

## Yuichi Suzuki

[Profile]

Born September 21, 1946

April 1976 Assumed a position as prosecutor at the Tokyo District Public Prosecutors Office

April 1983 Registered as an attorney (to present)

April 1985 Established Tokyo Accounting and Law Firm (currently Yaesu Sogo Law Office) (to present)

June 2004 Assumed the office of Outside Auditor of our company (to present)

- \* Mr. Yuichi Suzuki is an outside auditor of our company satisfying the requirements specified in Item 16 of Article 2 of the Corporation Law.  
He has no special interests in our company.

## **Terms and Conditions of the Okamura Corporation Stock Acquisition Rights**

### **I. Determination on Gratis Allotment of Stock Acquisition Rights**

#### **1. Terms and number of the Stock Acquisition Rights**

The terms of stock acquisition rights to be allotted to the shareholders (individually or collectively, the “Stock Acquisition Rights”) include terms set forth in section II below. The number of the Stock Acquisition Rights will be the same number as the final and total number of issued and outstanding shares in the Company (excluding the number of shares in the Company held by the Company at that time) on a certain date (the “Allotment Date”) to be separately determined by the Company’s board of directors in a resolution relating to the gratis allotment of Stock Acquisition Rights (the “Gratis Allotment Resolution”).

#### **2. Shareholders eligible for allotment**

The Company will allot the Stock Acquisition Rights to those shareholders, other than the Company itself, who are entered or recorded in the Company’s final register of shareholders or register of beneficial shareholders on the Allotment Date, at a ratio of one Stock Acquisition Right for every one share in the Company held.

#### **3. Effective date of gratis allotment of Stock Acquisition Rights**

The Company’s board of directors will separately determine the effective date of gratis allotment of Stock Acquisition Rights in the Gratis Allotment Resolution.

### **II. Terms of the Stock Acquisition Rights**

#### **1. Number of shares to be acquired upon exercise of the Stock Acquisition Rights**

The number of shares in the Company to be acquired upon exercise of one Stock Acquisition Right (the “Applicable Number of Shares”) shall be one share.

2. The amount of properties to be contributed upon exercise of the Stock Acquisition Rights

- (1) Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount of properties to be contributed upon exercise of the Stock Acquisition Rights will be an amount equal to the Exercise Price (as defined in (2) below) multiplied by the Applicable Number of Shares.
- (2) The amount per share of the Company of properties to be contributed upon exercise of the Stock Acquisition Rights (the “Exercise Price”) will be an amount separately determined by the Company’s board of directors in the Gratis Allotment Resolution, but within the range between a minimum of one yen and a maximum of the amount equivalent to one-half (1/2) of the fair market value per share of the Company. The fair market value means an amount equivalent to the average closing price (including quotations) for regular transactions of the Company’s shares on the Tokyo Stock Exchange on each day during the ninety (90) day period prior to the date of the Gratis Allotment Resolution (excluding the day on which trades are not made), with any fraction of a yen after such calculation to be rounded up to the nearest whole yen.

3. Exercise period of the Stock Acquisition Rights

The commencement date of the exercise period will be a date separately determined by the Company’s board of directors in the Gratis Allotment Resolution (the commencement date of the exercise period shall be hereinafter referred to as the “Exercise Period Commencement Date”), and the period will be a period from one month to three months long as separately determined by the Company’s board of directors in the Gratis Allotment Resolution; provided, however, that if the Company acquires the Stock Acquisition Rights in accordance with the provisions of section 7 below, the exercise period for the Stock Acquisition Rights with respect to that acquisition will be up to and including the day immediately prior to the relevant acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment place for the cash payable upon exercise, the final day will become the preceding business day.

4. Conditions for the exercise of the Stock Acquisition Rights

- (1) The following parties may not exercise the Stock Acquisition Rights:
  - (i) Specified Large Holders;
  - (ii) Joint Holders of Specified Large Holders;

- (iii) Specified Large Purchasers;
- (iv) Persons having a Special Relationship with Specified Large Purchasers;
- (v) Any transferee of or successor to the Stock Acquisition Rights of any person falling under (i) through (iv) without the approval of the Company's board of directors; or
- (vi) Any Affiliated Person of any person falling under (i) through (v) (any person set out in (i) through (vi) shall be hereinafter referred to as the "Non-Qualified Person").

The terms used above shall have the following meanings:

- (a) "Specified Large Holder" means a person who is a holder (including any person who is described as a holder under Article 27-23(3) of the Securities and Exchange Law) of share certificates, etc. (as defined in Article 27-23(1) of the Securities and Exchange Law; the same applies hereinafter unless otherwise provided for) issued by the Company and whose holding ratio of share certificates, etc. (as defined in Article 27-23(4) of the Securities and Exchange Law) in respect of such share certificates, etc. is at least 20% (including any person who is deemed to fall under the above by the Company's board of directors).
- (b) "Joint Holder" means a person who is defined in Article 27-23(5) of the Securities and Exchange Law, and includes any person who is deemed as a joint holder under Article 27-23(6) of the Securities and Exchange Law (including any person who is deemed to fall under the above by the Company's board of directors).
- (c) "Specified Large Purchaser" means a person who makes a public announcement of purchase, etc. (as defined in Article 27-2(1) of the Securities and Exchange Law; the same applies hereinafter) of share certificates, etc. (as defined in Article 27-2(1) of the Securities and Exchange Law; the same applies hereinafter in this subparagraph (c)) issued by the Company through tender offer (as defined in Article 27-2(6) of the Securities and Exchange Law) and whose ratio of ownership of share certificates, etc. (as defined in Article 27-2(8) of the Securities and Exchange Law; the same applies hereinafter) in respect of such share certificates, etc. owned by such person after such purchase, etc. (including similar ownership as prescribed in Article 7(3) of the Order of the Enforcement of the Securities and Exchange Law) is at least 20% when combined with the ratio of ownership of share certificates, etc. of a Person

having a Special Relationship (including any person who is deemed to fall under the above by the Company's board of directors).

- (d) "Person having a Special Relationship" is defined in Article 27-2(7) of the Securities and Exchange Law (including persons who are deemed to fall under the above by the Company's board of directors); provided, however, that those persons provided for in Article 3(1) of the Cabinet Ordinance concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from the persons described in Article 27-2(7)(i) of the Securities and Exchange Law.
  - (e) An "Affiliated Person" of a given person means a person who substantially controls, is controlled by, or is under common control with such given person (including any person who is deemed by the Company's board of directors to fall under the above), or a person deemed by the Company's board of directors to act in concert with such given person.
- (2) Notwithstanding (1) above, the persons set out in (a) through (d) below are not Specified Large Holders or Specified Large Purchasers:
- (a) the Company, its subsidiaries (as defined in Article 8(3) of the Regulations concerning Terminology, Forms and Method of Preparation of Financial Statements, etc.) or its affiliates (as defined in Article 8(5) of the Regulations concerning Terminology, Forms and Method of Preparation of Financial Statements, etc.);
  - (b) a person that the Company's board of directors recognizes as a person that fell under the requirements as set forth in (1)(i) above with no intention to control the Company and that ceased to fall under the requirements as set forth in (1)(i) above due to a disposal of the share certificates, etc. of the Company held within ten (10) days after falling under the requirements as set forth in (1)(i) above (provided, however, that the ten (10) day period may be extended by the Company's board of directors);
  - (c) a person that the Company's board of directors recognizes as a person that involuntarily fell under the requirements as set forth in (1)(i) above by the Company acquiring treasury stock or for any other reason (excluding cases where the person thereafter newly acquires the Company's share certificates, etc. at its own discretion); or

- (d) a person that the Company's board of directors recognizes as a person whose acquisition or holding of share certificates, etc. of the Company is not contrary to the Company's corporate value or the common interests of shareholders (including a person previously determined as a Non-Qualified Person by the Company's board of directors, but whose acquisition or holding of share certificates, etc., of the Company is later determined by the Company's board of directors not to be contrary to the Company's corporate value or the common interests of shareholders, and if the Company's board of directors determines that an acquisition or holding is not contrary to the Company's corporate value or common interests of shareholders under certain conditions, such recognition is effective to the extent that these conditions are satisfied.)
- (3) Under the applicable foreign laws and ordinances, if a person located under a jurisdiction of such laws and ordinances is required for the purposes of exercising the Stock Acquisition Rights to (i) perform certain procedures, (ii) satisfy certain conditions (including prohibition of exercise for a certain period of time or submission of specified documents), or (iii) both perform such procedures and satisfy such conditions (collectively, the "Governing Law Exercise Procedures and Conditions"), such person may exercise the Stock Acquisition Rights only if the Company's board of directors recognizes that it fully performs or satisfies the Governing Law Exercise Procedures and Conditions, and such person may not exercise the Stock Acquisition Rights if the Company's board of directors does not recognize that it satisfies the Governing Law Exercise Procedures and Conditions. The Company shall bear no obligation to implement or satisfy any Governing Law Exercise Procedures and Conditions which are required in order for the person under such jurisdiction to exercise the Stock Acquisition Rights. In addition, if a person located under such jurisdiction is not permitted to exercise the Stock Acquisition Rights under such laws and ordinances, such person who locates in such jurisdiction shall not exercise the Stock Acquisition Rights.
- (4) Notwithstanding (3) above, a person located in the United States may exercise the Stock Acquisition Rights, only if (i) such person represents and warrants that it is an accredited investor as defined in Rule 501(a) of the U.S. Securities Act of 1933, and (ii) such person covenants to resell the shares of the Company to be acquired upon exercise of the Stock Acquisition Rights held by such person only through a regular transaction at the Tokyo Stock Exchange or the Osaka Stock Exchange (not on the basis of any previous arrangements and without previous solicitation). In such case only, the Company shall perform or satisfy the Governing Law Exercise Procedures and Conditions under Regulation D of the U.S. Securities Act of 1933 and U.S. state laws that are required to be performed or satisfied by the Company for exercise of the Stock Acquisition Rights by a person located in the United States. A person located in the United States shall not exercise

the Stock Acquisition Rights if the Company's board of directors determines that such person is not permitted to legally exercise the Stock Acquisition Rights under the U.S. Securities Act due to a change in the law of the United States or some other reason, even though such person satisfies the conditions as described in (i) and (ii) above.

- (5) A holder of the Stock Acquisition Rights may exercise the Stock Acquisition Rights only if the holder submits to the Company a written statement in which the holder undertakes representations and warranties, including, but not limited to, the fact that the holder is not a Non-Qualified Person, nor a person that has any intention to exercise the Stock Acquisition Rights on behalf of a Non-Qualified Person and that the holder satisfies the conditions for the exercise of the Stock Acquisition Rights, provisions for indemnification and other matters prescribed by the Company and any written statement required under the laws and ordinances.
  - (6) Even if a holder of the Stock Acquisition Rights is unable to exercise the Stock Acquisition Rights in accordance with the provisions of this section 4, the Company shall not be liable to such holder of the Stock Acquisition Rights for damages or any other obligations.
5. Stated Capital and capital reserve to be increased upon issuance of shares by exercise of the Stock Acquisition Rights

The stated capital to be increased upon issuance of shares by exercise of the Stock Acquisition Rights shall be equal to the aggregate of the maximum increased capital amount and the like to be calculated in accordance with Article 40 of the Company Calculation Rules, and the capital reserve shall not be increased.

6. Restrictions on assignments of the Stock Acquisition Rights
- (1) Any acquisition of the Stock Acquisition Rights by assignment requires approval of the Company's board of directors.
  - (2) If a person who intends to assign the Stock Acquisition Rights is located outside Japan and is unable to exercise the Stock Acquisition Rights in accordance with the provisions of section 4(3) and 4(4) (excluding a Non-Qualified Person), then the Company's board of directors shall determine if it gives such approval as described in the above paragraph considering the following matters:

- (a) whether or not a written undertaking prepared and signed or sealed with printed name by the transferor and transferee (including provisions for representations and warranties with respect to the matters described in (b), (c) and (d) below and provisions for indemnification) is submitted with respect to the acquisition by assignment of all or part of the Stock Acquisition Rights by a person who locates in such jurisdiction;
- (b) whether or not it is clear that the transferor and transferee are not a Non-Qualified Person;
- (c) whether or not it is clear that the transferee is not located in such jurisdiction and does not intend to accept the Stock Acquisition Rights for a person located in such jurisdiction;
- (d) whether or not it is clear that the transferee does not intend to accept the Stock Acquisition Rights for a Non-Qualified Person.

7. Acquisition of the Stock Acquisition Rights by the Company

- (1) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Company's board of directors recognizes that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a day that falls on a date determined by the Company's board of directors, acquire all of Stock Acquisition Rights without consideration.
- (2) On a day that falls on a date separately determined by the Company's board of directors, the Company may acquire all (though partial acquisition is not permitted) of the Stock Acquisition Rights that have not been exercised before or on the day immediately prior to such date determined by the Company's board of directors, that are held by persons other than Non-Qualified Persons and, in exchange, deliver shares of the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right.

Further, if, on or after the date upon which the acquisition takes place, the Company's board of directors recognizes the existence of any person holding the Stock Acquisition Rights other than Non-Qualified Persons, the

Company may, on a day falling on a date determined by the Company's board of directors 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 by or on the day immediately prior to a date determined by the Company's board of directors and, in exchange, deliver shares of the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right. The same will apply thereafter.

8. Delivery of the Stock Acquisition Rights in the case of merger (limited to a merger where the Company ceases to exist due to such merger), absorption-type demerger (*kyushu bunkatsu*), incorporation-type demerger (*shinsetsu bunkatsu*), share exchange (*kabushiki koukan*), and share transfer (*kabushiki iten*)

The Company's board of directors will separately determine these matters in the Gratis Allotment Resolution.

9. Issuance of certificates representing the Stock Acquisition Rights

Certificates representing the Stock Acquisition Rights will not be issued.

10. Revision due to amendment to laws and ordinances

The provisions of the laws and ordinances referred to above are subject to the prevailing provisions as of May 11, 2006. If it becomes necessary after such date to amend the terms and conditions or definitions of terms set out in the paragraphs above due to the incorporation, amendment or abolishment and the like of laws and ordinances, the terms and conditions or definitions of terms set out in the paragraphs above shall be read or modified accordingly as required to a reasonable extent, taking into consideration the purposes of such formulation, amendment or abolishment.

Status of Large Shareholders

As of March 31, 2006

Name	Address	Number of shares owned (thousand shares)	Ratio of the number of shares owned to the total number of shares issued (%)
Mitsubishi Corporation	6-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo	9,163	8.15
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	6,161	5.48
Mitsui Sumitomo Insurance Co., Ltd.	27-2, Shinkawa 2-chome, Chuo-ku, Tokyo	5,895	5.25
Meiji Yasuda Life Insurance Company	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	5,496	4.89
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	5,480	4.88
Nippon Steel Corporation	6-3, Otemachi 2-chome, Chiyoda-ku, Tokyo	5,313	4.73
Okamura Group Employees Stock Ownership Plan	7-18, Kitasaiwai 2-chome, Nishi-ku, Yokohama	5,175	4.60
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	4,805	4.28
The Bank of Yokohama, Ltd.	1-1, Minatomirai 3-chome, Nishi-ku, Yokohama	4,076	3.63
Okamura Group Suppliers and Sub-contractors Stock Ownership Plan	4-1, Kitasaiwai 1-chome, Nishi-ku, Yokohama	3,600	3.20
Total	—	55,167	49.09