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(Stock Exchange Code 5631)  
June 4, 2018

**To Shareholders with Voting Rights:**

Naotaka Miyauchi  
Representative Director & President  
The Japan Steel Works, Ltd.  
11-1, Osaki 1-chome, Shinagawa-ku, Tokyo, Japan

## **NOTICE OF THE 92ND ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

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

You are cordially invited to attend the 92nd Annual General Meeting of Shareholders of The Japan Steel Works, Ltd. (the “Company”). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:00 p.m. on Monday, June 25, 2018, Japan time.

- 1. Date and Time:** Tuesday, June 26, 2018, at 10:00 a.m. Japan time  
(The reception desk opens at 9 a.m.)
- 2. Place:** Gate City Hall at West Tower B1, Gate City Ohsaki, located at  
11-1, Osaki 1-chome, Shinagawa-ku, Tokyo, Japan
- 3. Meeting Agenda:**
  - Matters to be reported:**
    1. The Business Report, Consolidated Financial Statements for the Company’s 92nd Fiscal Year (April 1, 2017–March 31, 2018) and results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
    2. Non-consolidated Financial Statements for the Company’s 92nd Fiscal Year (April 1, 2017–March 31, 2018)
  - Proposals to be resolved:**
    - Proposal 1:** Appropriation of Surplus
    - Proposal 2:** Election of 9 Directors
    - Proposal 3:** Election of 1 Audit & Supervisory Board Member
    - Proposal 4:** Payment of Bonuses to Directors
    - Proposal 5:** Revision of the Amount of Remuneration for Directors and Audit & Supervisory Board Members
    - Proposal 6:** Determination of Remuneration for Granting Restricted Shares to Directors

#### **4. Matters Determined with Regard to the Convocation**

- (1) If voting rights are exercised multiple times via the Internet, etc., the last vote shall be deemed to be valid.
- (2) If voting rights are exercised both in writing and via the Internet, etc., the last vote shall be deemed to be valid.
- (3) If you have exercised your voting rights both in writing and via the Internet, and your vote via the Internet and your Voting Rights Exercise Form arrive on the same date, those exercised via the Internet will be taken as valid.

#### **(Requests)**

- When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
- If you exercise your voting rights by a proxy attending this general meeting of shareholders, please submit a written document certifying the right of proxy representation to this company along with the Voting Rights Exercise Form at the reception desk. (The proxy shall be only one shareholder holding voting rights in the Company.)

#### **(Notices)**

- Of the documents that should be provided along with this convocation, the following items are posted on the Company's Web site (<http://www.jsw.co.jp/>) pursuant to laws and regulations, as well as the provision of Article 17 of the Company's Articles of Incorporation.
  - (1) Notes to the Consolidated Financial Statements
  - (2) Notes to the Non-consolidated Financial StatementsThe Notes to the Consolidated Financial Statements and the Notes to the Non-consolidated Financial Statements were audited by the Accounting Auditor and the Audit & Supervisory Board Members of the Company to prepare audit reports as part of the Consolidated Financial Statements and the Non-consolidated Financial Statements that they audited.
- Should the Appendix and the Reference Documents for the General Meeting of Shareholders require revisions, the revised versions will be posted on the Company's Web site (<http://www.jsw.co.jp/>) immediately.

# Reference Documents for the General Meeting of Shareholders

## Proposals and References

### Proposal 1: Appropriation of Surplus

Concerning the appropriation of surplus, the Company has a basic policy to provide stable and continuous dividends and to increase the amounts thereof. Also, to improve the corporate value and shareholders' value of the Company, we ensure stable earning capabilities, promote capital investments and investments in R&D to grow new businesses and products and strive to improve our financial structure.

With the recognition of its responsibility toward shareholders, the Company pays an interim dividend and a year-end dividend annually, in principle, based on the business results for each fiscal year.

With regard to a year-end dividend and other appropriation of surplus for the fiscal year under review, taking the above policy into account, we will pay the following dividends and otherwise appropriate surplus as follows.

#### 1. Matters related to year-end dividend

With regard to the year-end dividend for the fiscal year under review, we will pay an ordinary dividend of ¥17.5 per share, plus a commemorative dividend of ¥2.5 per share to commemorate the 110th anniversary of the Company's foundation on November 1, 2017, resulting in a total year-end dividend of ¥20.0 per share. Combined with the interim dividend of ¥17.5 per share, the annual dividend will be ¥37.5 per share.

(1) Type of asset for the dividends: Cash

(2) Matters related to the allocation of the assets for the year-end dividend to shareholders and the aggregate amount: ¥20.0 per common share of the Company

Aggregate amount: ¥1,469,802,080

(3) Effective date and payment start date: June 27, 2018

#### 2. Other matters related to the appropriation of surplus

(1) Item and amount of surplus that will increase: General reserve ¥5,000,000,000

(2) Item and amount of surplus that will decrease: Retained earnings brought forward ¥5,000,000,000

**Proposal 2: Election of 9 Directors**

The terms of office of all 8 Directors will expire at the conclusion of this year's Annual General Meeting of Shareholders. In order to further strengthen the management system of the Company, it is proposed to increase the number of Directors by 1 and elect 9 Directors in total.

The candidates for Director are as follows, and matters concerning the respective candidates are stated on pages 5 to 9:

No.	Name	Remarks
1	Naotaka Miyauchi <u>Reappointment</u>	
2	Yutaka Higashiizumi <u>Reappointment</u>	
3	Takashi Shibata <u>Reappointment</u>	
4	Masao Oshita <u>Reappointment</u>	
5	Toshio Matsuo <u>Reappointment</u>	
6	Junichiro Deguchi <u>New appointment</u>	
7	Takashi Iwamoto <u>New appointment</u>	
8	Nobuo Mochida <u>Reappointment</u>	<u>Candidate for Outside Director</u> <u>Independent Officer</u>
9	Sadao Degawa <u>New appointment</u>	<u>Candidate for Outside Director</u> <u>Independent Officer</u>

(Note)

There are no business transactions or special interests between the respective candidates and the Company.

No.	Name (Date of birth)	Past experience, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
1	<p>Reappointment</p> <p>Naotaka Miyauchi (January 30, 1958)</p> <p>Attendance at Board of Directors' meetings 18/18 (100%)</p>	<p>April 1981      Joined the Company</p> <p>April 2011      Deputy General Plant Manager, Hiroshima Plant</p> <p>April 2013      Executive Officer; General Plant Manager, Hiroshima Plant</p> <p>April 2015      Managing Executive Officer; Deputy Director of Machinery Business Division (Machinery Business Unit Head)</p> <p>April 2016      In charge of Ordnance Business Headquarters; Director of Machinery Business Division</p> <p>June 2016      Director &amp; Managing Executive Officer</p> <p>April 2017      Representative Director &amp; President (current position)</p> <p>(Significant concurrent positions) None</p>	3,700
<p>[Reasons for nomination as Director]</p> <p>After having engaged in the management of the industrial machinery products business, Mr. Naotaka Miyauchi has served as Representative Director &amp; President since April 2017. In that capacity he has been responsible for decision-making of material items with respect to the Group and overseeing the business execution, thereby acquiring considerable experience and achievements as a business manager. Accordingly, he is qualified to continue to take the leadership of the Group and to achieve sustainable improvement in our corporate value, and therefore is nominated for the position of Director.</p>			
2	<p>Reappointment</p> <p>Yutaka Higashiizumi (January 22, 1955)</p> <p>Attendance at Board of Directors' meetings 18/18 (100%)</p>	<p>April 1977      Joined the Company</p> <p>April 2010      Deputy General Plant Manager, Muroran Plant</p> <p>July 2011      General Manager, Finance &amp; Accounting Department</p> <p>April 2012      Executive Officer</p> <p>April 2014      Senior Executive Officer; In charge of Finance &amp; Accounting Department (current position); General Manager, Corporate Planning Office (current position)</p> <p>June 2014      Director &amp; Senior Executive Officer</p> <p>April 2015      Director &amp; Managing Executive Officer; Chief Financial Officer (current position)</p> <p>April 2016      Chief Information Security Officer (current position)</p> <p>April 2017      Representative Director &amp; Executive Vice President (current position); In charge of Export Control Administration (current position)</p> <p>October 2017      In charge of Steel Business Division (current position); In charge of Wind Power Business Office</p> <p>April 2018      In charge of Wind Power Business Office (current position)</p> <p>(Significant concurrent positions) None</p>	4,600
<p>[Reasons for nomination as Director]</p> <p>After having engaged in the management and financial strategies as a Director, Mr. Yutaka Higashiizumi assumed the office of Representative Director &amp; Executive Vice President in April 2017 and has since taken charge of management and financial strategies, thereby acquiring considerable experience and achievements. Based on his experience and achievements, it is expected that he, as a member of the Board of Directors, will continue to promote the sharing of information and reinforcement of the Board's decision-making and supervisory functions, and is therefore nominated for the position of Director.</p>			

No.	Name (Date of birth)	Past experience, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
3	<p>Reappointment</p> <p>Takashi Shibata (September 17, 1958)</p> <p>Attendance at Board of Directors' meetings 18/18 (100%)</p>	<p>April 1984      Joined the Company</p> <p>April 2011      Deputy General Plant Manager, Muroran Plant</p> <p>April 2013      Executive Officer; General Plant Manager, Muroran Plant</p> <p>April 2015      Managing Executive Officer</p> <p>April 2016      In charge of Wind Power Business Office; Director of Steel Business Division</p> <p>June 2016      Director &amp; Managing Executive Officer (current position)</p> <p>October 2017    Director of New Business Promotion Headquarters (current position)</p> <p>April 2018      In charge of Technology and Quality (current position)</p> <p>(Significant concurrent positions) None</p>	3,700
<p>[Reasons for nomination as Director]</p> <p>Mr. Takashi Shibata has long engaged in the steel and energy products business, and after having taken charge of the management duties of the steel business in its entirety as Director of Steel Business Division, he has served as Director of New Business Promotion Headquarters since October 2017. In that capacity he has been responsible for nurturing new business, thereby acquiring considerable experience and achievements. These experiences and achievements make him qualified to continue to assume a role in further improving the technology and quality management of the Group while supervising New Business Promotion Headquarters, and he is therefore nominated for the position of Director.</p>			
4	<p>Reappointment</p> <p>Masao Oshita (June 3, 1956)</p> <p>Attendance at Board of Directors' meetings 14/14 (100%)</p>	<p>January 1983    Joined the Company</p> <p>February 2009   Deputy General Manager, Products Strategy Office</p> <p>April 2010      Deputy General Manager, Laser &amp; Plasma System Office</p> <p>April 2013      Deputy Director of Machinery Business Division (In charge of Machinery)</p> <p>April 2014      Executive Officer</p> <p>April 2015      Deputy Director of Machinery Business Division (In charge of Alliance)</p> <p>May 2015      Representative Director &amp; Executive Vice President, SM PLATEK CO., LTD.</p> <p>April 2017      Managing Executive Officer; Director of Machinery Business Division (current position)</p> <p>June 2017      Director &amp; Managing Executive Officer (current position)</p> <p>April 2018      In charge of FPD System Business Division and Yokohama Plant (current position)</p> <p>(Significant concurrent positions) None</p>	2,500
<p>[Reasons for nomination as Director]</p> <p>Mr. Masao Oshita has long engaged in the industrial machinery products business. Since assuming office as Director of Machinery Business Division in April 2017, he has been responsible for the management duties of the business in its entirety and has experienced an extensive range of management duties, including business operation overseas, thereby acquiring considerable experience and achievements. These experiences and achievements make him qualified to assume a role in realizing management strategies and enhancing product quality and customer satisfaction, while supervising the operational departments, and he is therefore nominated for the position of Director.</p>			

No.	Name (Date of birth)	Past experience, positions and responsibilities at the Company, and significant concurrent positions		Number of shares of the Company held
5	Reappointment  Toshio Matsuo (March 6, 1962)  Attendance at Board of Directors' meetings 14/14 (100%)	April 1984 April 2013 April 2015 April 2016 April 2017  June 2017  (Significant concurrent positions) None	Joined the Company Deputy General Plant Manager, Hiroshima Plant General Plant Manager, Hiroshima Plant Executive Officer Managing Executive Officer; Director of Injection Molding Machinery Business Division (current position); In charge of Hiroshima Plant Director & Managing Executive Officer (current position)	1,600
	<p>[Reasons for nomination as Director]</p> <p>Mr. Toshio Matsuo has long engaged in the industrial machinery products business. After having taking charge of an extensive range of management duties, including plant management as General Plant Manager of Hiroshima Plant, he assumed the office of Director of Injection Molding Machinery Business Division in April 2017 and has since taken charge of management duties of the business in its entirety, thereby acquiring considerable experience and achievements. These experiences and achievements make him qualified to assume a role in realizing management strategies and enhancing product quality and customer satisfaction, while supervising the operational departments, and he is therefore nominated for the position of Director.</p>			
6	New appointment  Junichiro Deguchi (September 2, 1958)  Attendance at Board of Directors' meetings -	April 1981 April 2013 April 2015  October 2017  April 2018  (Significant concurrent positions) None	Joined the Company Deputy General Plant Manager, Muroran Plant Executive Officer (current position); Deputy Director of Steel Business Division General Manager, Personnel Department (current position) In charge of CSR&Risk Management (current position); In charge of Export Control Administration (current position); In charge of Safety & Hygiene Control and Environmental Management (current position); In charge of Secretary Office & General Affairs Department (current position)	1,800
	<p>[Reasons for nomination as Director]</p> <p>Mr. Junichiro Deguchi has long engaged in the steel and energy products business. After having taking charge of an extensive range of management duties as Deputy Director of Steel Business Division, he assumed the office of General Manager of Personnel Department in October 2017, thereby acquiring considerable experience and achievements. Based on his experience and achievements, it is expected that he, as a member of the Board of Directors, will be able to promote the sharing of information and reinforcement of the Board's decision-making and supervisory functions, and is therefore nominated for the position of Director.</p>			
7	New appointment  Takashi Iwamoto (May 8, 1959)  Attendance at Board of Directors' meetings -	April 1983 April 2013 April 2016  October 2017  (Significant concurrent positions) None	Joined the Company Deputy General Plant Manager, Muroran Plant Executive Officer (current position); General Plant Manager, Muroran Plant (current position) Director of Steel Business Division (current position)	1,600
	<p>[Reasons for nomination as Director]</p> <p>Mr. Takashi Iwamoto has long engaged in the steel and energy products business and has taken charge of an extensive range of management duties, including plant management serving as General Plant Manager of Muroran Plant. He has also served as Director of Steel Business Division since October 2017 and has since taken charge of management duties of the business in its entirety, thereby acquiring considerable experience and achievements. These experiences and achievements make him qualified to assume a role in realizing management strategies and enhancing product quality and customer satisfaction, while supervising the operational departments, and he is therefore nominated for the position of Director.</p>			

No.	Name (Date of birth)	Past experience, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
8	Reappointment Candidate for Outside Director Independent Officer  Nobuo Mochida (April 1, 1947)  Attendance at Board of Directors' meetings 18/18 (100%)	April 1970      Joined Hitachi Metals, Ltd. April 2004      Managing Director, NEOMAX Co., Ltd. (currently Hitachi Metals, Ltd.) June 2005      Executive Managing Officer, Hitachi Metals, Ltd.; Executive Managing Officer and Director, NEOMAX Co., Ltd. June 2006      Representative Executive Officer; President and Chief Executive Officer and Director, Hitachi Metals, Ltd. April 2010      Executive Vice President and Representative Executive Officer, Hitachi, Ltd. (retired in March 2014); Chairman and Director, Hitachi Metals, Ltd. June 2010      Outside Director, Hitachi Cable, Ltd. (currently Hitachi Metals, Ltd.) (retired in June 2013) April 2013      Director, Hitachi Metals, Ltd. (retired in June 2014) June 2014      Director, Hitachi, Ltd. (retired in June 2016) June 2016      Director (current position) (Significant concurrent positions) None	300
[Reasons for nomination as Outside Director] Mr. Nobuo Mochida has considerable experience and extensive knowledge in engineering derived from his career as a business manager of an international manufacturing company, and has reflected this experience and knowledge in the overall management of the Company from an independent standpoint. By having him continue to take an appropriate role in supervising overall management and on the occasion of important decision making, it is expected to strengthen the Board of Directors' functions, and he is therefore nominated for the position of Outside Director. [Independence of the candidate for Outside Director] Mr. Nobuo Mochida had served as Director of Hitachi Metals, Ltd., with which the Company has business transactions, until June 2014. However, the Company's net sales to the said company for the latest fiscal year account for less than 0.1% of the Company's consolidated net sales. Mr. Nobuo Mochida had served as Executive Vice President and Representative Executive Officer of Hitachi, Ltd., with which the Company has business transactions, until March 2014, and served as Director of the same company until June 2016. However, the Company's net sales to the said company for the latest fiscal year account for less than 0.1% of the Company's consolidated net sales. Hitachi, Ltd. is a stock holder of the Company and has 0.7% of shareholder voting rights. Therefore, Mr. Mochida satisfies the Company's Criteria of Independence for Outside Officers (on page 11) and it can be judged that he has the necessary independence to be an Outside Director.			

- (Notes)
1. Mr. Nobuo Mochida is a candidate for Outside Director. The Company has appointed him as an Independent Director as prescribed by the Tokyo Stock Exchange, and submitted a notification of the appointment to the Exchange.
  2. It was revealed that Hitachi Cable, Ltd., at which Mr. Mochida had served as an Outside Director until June 2013, had committed a violation of the Antimonopoly Act since February 2, 2012 at the latest. In this regard, Hitachi Metals, Ltd., which absorbed Hitachi Cable, Ltd. (the effective date of the absorption was July 1, 2013), was ordered by the Fair Trade Commission to pay a fine for said violation on December 20, 2013. In addition, Hitachi Metals received a partial business suspension order on April 10, 2014, pursuant to the Construction Business Act. (The suspension period was from April 25, 2014, to May 24, 2014.) He had routinely expressed his opinions and called attention to legal compliance at occasions such as the Board of Directors' meetings of Hitachi Cable, Ltd., and after having recognized this violation, he submitted several proposals and expressed opinions regarding the initiatives to be taken to prevent a recurrence of such events including the establishment of a thorough compliance system.
  3. It will have been two years since the appointment of Mr. Mochida as an Outside Director at the conclusion of this year's Annual General Meeting of Shareholders.
  4. Pursuant to Article 427, Paragraph 1, of the Companies Act and Article 28 of the Company's Articles of Incorporation, the Company has concluded a limited liability agreement with Mr. Mochida to limit the liability for damages prescribed in Article 423, Paragraph 1, of the Companies Act. The maximum amount of liability for damage under the agreement is equal to the amount prescribed by applicable law. If the reappointment of Mr. Mochida is approved, the Company will continue said agreement with him.



No.	Name (Date of birth)	Past experience, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held	
9	New appointment Candidate for Outside Director Independent Officer	April 1977      Joined Ishikawajima-Harima Heavy Industries Co., Ltd. (currently IHI Corporation) June 2009      Director and Executive Officer, IHI Corporation April 2011      Director and Managing Executive Officer, IHI Corporation	0	
	Sadao Degawa (July 20, 1951)	April 2012      Executive Vice President, IHI Corporation October 2014      Executive Vice President and Senior Executive Officer, IHI Corporation (retired in March 2016)		
	Attendance at Board of Directors' meetings	April 2016      Director, IHI Corporation (retired in June 2016) June 2016      Advisor, IHI Corporation (current position)		
	-	(Significant concurrent positions)		
		Outside Director, NISHISHIBA ELECTRIC CO., LTD.		
	[Reasons for nomination as Outside Director] Mr. Sadao Degawa is an experienced business manager of an international manufacturing company, with a wealth of experience in corporate management. By having him reflect his engineering knowledge in deliberations at the Board of Directors as well as supervise overall management of the Company and taking part in important decision making from an independent standpoint, it is expected to strengthen the Board of Directors' functions, and he is therefore nominated for the position of Outside Director.			
	[Independence of the candidate for Outside Director] Mr. Sadao Degawa had served as Executive Vice President & Senior Executive Officer of IHI Corporation, with which the Company has business transactions, until March 2016, and served as Director of the said company until June 2016. However, the Company's net sales to the said company for the latest fiscal year account for only 0.3% of the Company's consolidated net sales. Therefore, Mr. Degawa satisfies the Company's Criteria of Independence for Outside Officers (on page 11) and it can be judged that he has the necessary independence to be an Outside Director.			

- (Notes)
1. Mr. Sadao Degawa is a candidate for Outside Director. The Company will appoint him as an Independent Director as prescribed by the Tokyo Stock Exchange, and submit a notification of the appointment to the Exchange.
  2. If the appointment of Mr. Degawa is approved, pursuant to Article 427, Paragraph 1, of the Companies Act and Article 28 of the Company's Articles of Incorporation, the Company will conclude a limited liability agreement with him to limit the liability for damages prescribed in Article 423, Paragraph 1, of the Companies Act. The maximum amount of liability for damage under the agreement will be equal to the amount prescribed by applicable law.

**Proposal 3: Election of 1 Audit & Supervisory Board Member**

Audit & Supervisory Board Member Akira Kadota will resign at the conclusion of this year's Annual General Meeting of Shareholders. It is therefore proposed to elect 1 Audit & Supervisory Board Member.

This proposal has already gained the consent of the Audit & Supervisory Board.

The candidate for Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Past experience, positions at the Company, and significant concurrent positions	Number of shares of the Company held
New appointment  Kenji Watanabe (January 28, 1954)	April 1977      Joined the Company	4,200
	July 2006      Deputy General Plant Manager, Hiroshima Plant	
	October 2009    General Manager, Business Administration Department	
	April 2010      General Manager, General Affairs Department	
	August 2010    General Manager, Secretary Office	
	July 2011      General Manager, Personnel Department	
	April 2012      Executive Officer	
	April 2014      Senior Executive Officer; In charge of Export Control Administration	
	June 2014      Director & Senior Executive Officer	
	October 2014    In charge of General Affairs Department	
	April 2015      Director & Managing Executive Officer; In charge of CSR&Risk Management; In charge of Personnel Department	
	April 2016      In charge of Safety & Hygiene Control and Environmental Management; In charge of Secretary Office	
	April 2017      Director & Senior Managing Executive Officer	
	October 2017    In charge of Personnel Department	
	April 2018      Director (current position)	
	(Significant concurrent positions) None	
<p>[Reasons for nomination as Audit &amp; Supervisory Board Member]</p> <p>After having served in a number of positions, including General Manager of General Affairs Department, Secretary Office, and Personnel Department, Mr. Kenji Watanabe assumed the office of Director in June 2014 and has since taken charge of personnel and general affairs and corporate social responsibility, thereby acquiring considerable experience and achievements in corporate management as a whole. Accordingly, Mr. Watanabe is judged to be capable of conducting objective and appropriate audits, and he is therefore nominated for the position of Audit &amp; Supervisory Board Member.</p>		

(Notes) 1. There are no business transactions or special interests between Mr. Kenji Watanabe and the Company.

2. Pursuant to Article 427, Paragraph 1, of the Companies Act and Article 36 of the Company's Articles of Incorporation, the Company has concluded a limited liability agreement with each Audit & Supervisory Board Member to limit the liability for damages prescribed in Article 423, Paragraph 1, of the Companies Act. The maximum amount of liability for damage under the agreement is equal to the amount prescribed by applicable law. If the appointment of Mr. Kenji Watanabe is approved, the Company will conclude a similar limited liability agreement with him.

**Reference: Criteria of Independence for Outside Officers of The Japan Steel Works, Ltd.**

An Outside Director or an Outside Audit & Supervisory Board Member of the Company (hereinafter collectively an “Outside Officer”) shall not fall under any of the following items to be judged to be an independent Outside Officer (hereinafter an “Independent Outside Officer”).

- (1) A person for which the Company is a major customer<sup>1</sup> or a person who executes business thereof;
- (2) A major customer of the Company<sup>2</sup> or a person who executes business thereof;
- (3) A person who executes business of a financial institution that is indispensable for the Company’s fund procurement and meets an outstandingly high share of the financing needs of the Company;
- (4) A consultant, an accounting professional or a legal professional who obtained an amount of money or other form of property that exceeds ¥10 million from the Company for the latest fiscal year, other than directors’ compensation (if such person is an organization, including a corporation and a partnership, it refers to a person belonging to such organization);
- (5) A major shareholder of the Company (who directly or indirectly holds the voting rights of the Company that account for not less than 10% of the total voting rights);
- (6) A person who fell under any of (1) to (5) above during the past three years; or
- (7) A spouse or a relative within the second degree of kinship of a person who falls under any of (1) to (6) above (limited to a person in a significant post<sup>3</sup>).

Provided, however, even if an Outside Officer falls under any of (1) to (7) above, the Company may designate such Outside Officer as an Independent Outside Officer, if the Company regards him or her as qualified as an Independent Outside Officer in light of his or her personality, expertise and other factors; such Officer satisfies the relevant requirements of the Companies Act; and the reasons why such Officer is regarded to be qualified for an Independent Outside Officer of the Company are explained externally.

- (Notes)
1. A person for which the Company is a major customer refers to a person who was paid an amount of money from the Company that exceeds 5% of the said person’s consolidated net sales for the latest fiscal year.
  2. A major customer of the Company refers to a person who paid an amount of money to the Company that exceeds 5% of the Company’s consolidated net sales for the latest fiscal year.
  3. A person in a significant post refers to a person who is a director (excluding an outside director), an executive officer, an employee in a senior managerial position that equals to or is higher than a division/department manager, a Certified Public Accountant belonging to an auditing firm, a lawyer belonging to a law firm or equivalent.

**Proposal 4: Payment of Bonuses to Directors**

In consideration of the Company's operational results during the fiscal year under review and other factors, it is proposed that bonuses in an amount totaling ¥57.1 million be paid to 6 Directors other than Outside Directors as of the end of the fiscal year under review.

It is also proposed that the specific amounts to be paid to the respective Directors be left to the discretion of the Board of Directors.

**Proposal 5: Revision of the Amount of Remuneration for Directors and Audit & Supervisory Board Members**

Remuneration for Directors and Audit & Supervisory Board Members of the Company in the amount of ¥40 million or less per month for Directors, and ¥7.5 million or less per month for Audit & Supervisory Board Members was approved at the 82nd Annual General Meeting of Shareholders held on June 27, 2008, and the amounts so determined have remained unchanged up to the present date. In consideration of the changes in economic circumstances since that time and other factors, it is proposed, for the purpose of implementing an agile remuneration policy, that the current monthly remuneration arrangement be replaced with an annual remuneration arrangement in the amount of ¥480 million or less per year for Directors (including ¥35 million or less per year for Outside Directors), and ¥90 million or less per year for Audit & Supervisory Board Members.

The amount of remuneration for Directors shall not include the portion of salaries payable to Directors as employees, among those Directors who serve concurrently as employees, as before.

Previously, bonuses for Directors were set apart from the remuneration for Directors in the amount of ¥40 million or less per month (equivalent to ¥480 million or less per year), and were payable upon approval at the General Meeting of Shareholders. After the revision, however, of the remuneration system, the bonuses shall be paid within the above-mentioned annual remuneration limit, that is, ¥480 million or less per year.

Currently the Company has 8 Directors (including 2 Outside Directors) and 4 Audit & Supervisory Board Members. If Proposal 2 "Election of 9 Directors" and Proposal 3 "Election of 1 Audit & Supervisory Board Member" are approved as proposed, the Company will have 9 Directors (including 2 Outside Directors) and 4 Audit & Supervisory Board Members.

**Proposal 6: Determination of Remuneration for Granting Restricted Shares to Directors**

In order to give the Directors (other than Outside Directors; hereinafter the “Eligible Directors”) an incentive for achieving sustainable improvement in the corporate value of the Company, and to further share common values with the shareholders, it is proposed that, apart from the amount of remuneration for Directors set forth in Proposal 5 above, an additional remuneration for granting restricted shares be paid to Eligible Directors.

Under this Proposal, the remuneration to be paid for granting restricted shares to Eligible Directors shall be monetary remuneration claims in an amount totaling ¥100 million or less per year (excluding the portion of salaries payable to Directors as employees, among those who serve concurrently as employees), an amount considered reasonable for the abovementioned objectives. The specific time of payment and amounts to be allocated to the respective Eligible Directors shall be determined by the Board of Directors, after deliberations at the Remuneration Advisory Committee composed partly of Outside Directors.

Currently the Company has 8 Directors, including 2 Outside Directors, and if Proposal 2 “Election of 9 Directors” is approved as proposed, the Company will have 9 Directors, including 2 Outside Directors.

In accordance with a resolution by the Board of Directors of the Company, Eligible Directors shall contribute all of the monetary remuneration claims to be paid under this Proposal as properties contributed in kind, and shall receive common shares of the Company issued or disposed by the Company. The total number of common shares to be issued or disposed for such purpose shall be 50,000 shares or less per year, provided that if, on or after the approval date of this Proposal, there occurs a share split (including an allotment of the Company’s common shares without contribution) or consolidation of shares with respect to the Company’s common shares, or any other events that require an adjustment of the total number of the Company’s common shares to be issued or disposed as restricted shares, such total number shall be adjusted to a reasonable extent.

The amount to be paid in per share shall be determined by the Board of Directors based on the closing price of the Company’s common stock at the Tokyo Stock Exchange on the business days prior to each of the days of the Board of Directors’ resolution (if no such transactions are settled on such days, the closing price on the nearest transaction dates prior to such days), to the extent that such amount shall not be particularly advantageous for Eligible Directors. Upon the issuance or disposition of the Company’s common shares under this Proposal, the Company and Eligible Directors shall enter into an agreement concerning the allotment of restricted shares (hereinafter the “Allotment Agreement”) governed by the provisions stated below.

**(1) Transfer Restriction Period**

During the period between 3 and 5 years from the day of allotment under the Allotment Agreement to be predetermined by the Board of Directors (hereinafter the “Transfer Restriction Period”), Eligible Directors shall not transfer, pledge, or otherwise dispose of the common shares allotted under the Allotment Agreement (hereinafter the “Allotted Shares”) (hereinafter the “Transfer Restriction”).

**(2) Treatment upon Retirement**

If an Eligible Director retires as Director or Executive Officer before the expiration of the Transfer Restriction Period, the Company shall acquire the Allotted Shares unconditionally and without compensation unless such retirement is caused by expiration of the Eligible Director’s tenure, the Eligible Director’s death, or any other justifiable reasons.

**(3) Removal of Transfer Restriction**

Notwithstanding the provision of (1) above, the Company shall remove the Transfer Restriction on all of the Allotted Shares upon the expiration of the Transfer Restriction Period, provided that such Eligible Director has continued to hold the office of Director or Executive Officer of the Company throughout the Transfer Restriction Period. However, if such Eligible Director retires from the position before the expiration of the Transfer Restriction Period due to the expiration of the Eligible Director’s tenure, the Eligible Director’s death, or any other justifiable reasons set forth in (2) above, the Company shall adjust the number of Allotted Shares released from Transfer Restriction and the time when the Transfer Restriction is removed, reasonably as appropriate. In such case, the Company shall acquire the Allotted Shares not released from the Transfer Restriction, unconditionally and without compensation immediately after such removal of the Transfer Restriction.

**(4) Treatment with Respect to Organizational Restructuring etc.**

Notwithstanding the provision of (1) above, if, during the Transfer Restriction Period, a merger agreement under which the Company shall cease to exist, a share exchange agreement or a share transfer plan under which the Company shall become a wholly owned subsidiary, or any other matters concerning organizational restructuring etc. is approved at the General Meeting of Shareholders of the Company (or at the Board of Directors of the Company if such organizational restructuring etc. does not require an approval

of the General Meeting of Shareholders of the Company), the Company shall, ahead of the effective date of such organizational restructuring etc., release the Allotted Shares from the Transfer Restriction in a number to be reasonably determined by a resolution of the Board of Directors in light of the period from the commencing date of the Transfer Restriction Period to the day of approval of such organizational restructuring etc. In such case, the Company shall acquire the Allotted Shares not released from the Transfer Restriction, unconditionally and without compensation immediately after such removal of the Transfer Restriction.

(5) Other Matters to be Determined by the Board of Directors

Apart from the foregoing, the Allotment Agreement shall include provisions concerning how to declare intent and give notice under the Allotment Agreement, how to modify the Allotment Agreement, and any other matters to be determined by the Board of Directors.

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