

(Please note that the following is an English translation of the original Japanese version, prepared only for the convenience of non-Japanese speaking shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.)

(Stock Exchange No.: 5406)

May 31, 2017

**NOTICE OF
164TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

Kobe Steel, Ltd. (“the Company”) would hereby like to inform you that the 164th Ordinary General Meeting of Shareholders will be held as follows, and would be grateful if you could attend the meeting. **Those who will not be able to attend the meeting on the day are kindly requested to consider appended “Reference Documents for the General Meeting of Shareholders” and exercise your voting rights by one of the following methods no later than 5:30 p.m., Tuesday, June 20, 2017 (JST (Japan Standard Time)).**

[Voting by mail]

Please indicate on the voting form enclosed herewith your approval or disapproval of the matters to be resolved, and return it to us.

[Voting via the Internet]

Please read the “Matters related to the exercise of voting rights” on page 3 and input your approval or disapproval of the matters to be resolved in accordance with the instructions on the website.

Yours faithfully,

Hiroya Kawasaki

Chairman, President, CEO and Representative Director

Kobe Steel, Ltd.

2-4, Wakinohama-Kaigandori 2-chome, Chuo-ku, Kobe, Hyogo

1. Date and Time:

<u>10:00 a.m., Wednesday, June 21, 2017</u> (JST (Japan Standard Time))
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2. Venue:

Kobe International Exhibition Hall No. 2 (first floor)
11-1, Minatojima-nakamachi 6-chome, Chuo-ku, Kobe, Hyogo

3. Meeting Agenda:

- Matters to be reported:*
1. The business report, consolidated financial statements, and non-consolidated financial statements for the 164th business term (from April 1, 2016 to March 31, 2017)
 2. The results of audit to consolidated financial statements by Accounting Auditors and the Audit & Supervisory Committee for the 164th business term

Matters to be resolved:

- Item 1: Election of eleven (11) Directors (excluding Directors who are Audit & Supervisory Committee Members)
- Item 2: Election of one (1) Director who is a substitute Audit & Supervisory Committee Member

4. Information regarding parts of consolidated financial statements and non-consolidated financial statements provided via the Internet

Based on laws and regulations and the provisions of Article 14 of the Company's Articles of Incorporation, matters that should be displayed as consolidated statements of changes in net assets, notes to consolidated financial statements, non-consolidated statements of changes in net assets, and notes to non-consolidated financial statements are posted on the Company's website (<http://www.kobelco.co.jp>). The consolidated statements of changes in net assets, notes to consolidated financial statements, non-consolidated statements of changes in net assets, and the notes to non-consolidated financial statements were audited as part of the consolidated financial statements and the non-consolidated financial statements by Accounting Auditors and the Audit & Supervisory Committee in the course of the preparation of their audit reports.

5. Matters related to the exercise of voting rights

(1) Procedures for the exercise of voting rights over the Internet

- (a) Please access the voting exercise website (<http://www.evotep.jp>) using a computer, smartphone or a cellular phone connected to the Internet. Then, according to the instructions on the website, please enter the login ID and temporary password supplied on the voting form (you may use the password you have registered), and exercise your voting rights.
- (b) You may exercise your voting rights from Wednesday, May 31, 2017 to 5:30 p.m., Tuesday, June 20, 2017 (JST (Japan Standard Time)). Please note that we suspend handling of the exercise of voting rights from 2:00 a.m. to 5:00 a.m. of each day.
- (c) You may exercise your voting rights by means of either mail using the voting form or the voting exercise website. Please make sure not to exercise your voting rights via both means.
In the event that your voting rights are exercised via both mail and the Internet, the vote exercised by the Internet will be regarded as valid.
- (d) In the event that multiple votes are exercised over the Internet, the last vote made will be regarded as valid.
- (e) Any fees in accessing the Internet (ISP connection fees, telephone charges, etc.) will be borne by shareholders.

(2) Electronic voting platform [for institutional investors]

In exercising voting rights at the General Meeting of Shareholders of the Company, institutional investors may use the electronic voting platform operated by ICJ Inc., a joint venture established by Tokyo Stock Exchange, Inc. and others.

(3) Notification method for the revision of the description of Reference Documents for the General Meeting of Shareholders and other attached documents

In the event that the Company revises the description of Reference Documents for the General Meeting of Shareholders, business report, and consolidated and non-consolidated financial statements, the matters to be revised will be posted on the Company's website (<http://www.kobelco.co.jp>).

(4) Exercise of voting rights by proxy

You may entrust another shareholder with voting rights to attend the meeting to act as a proxy. If you do so, please submit your proxy statement together with the voting form.

<Inquiries about the voting exercise website for the Ordinary General Meeting of Shareholders>

- (i) Please contact the following office about how to operate your computer:

Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation Tel.: 0120-173-027 (This toll-free number is available only within Japan.) (9:00 a.m. - 9:00 p.m.)
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- (ii) As for inquiries other than those covered in the item (i) above, please contact the following office:

Osaka Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation Tel.: 0120-094-777 (This toll-free number is available only within Japan.) (9:00 a.m. - 5:00 p.m., excluding Saturdays, Sundays and Japanese national holidays)

NOTE:

You are requested to submit the enclosed voting form at the reception desk in case that you attend the meeting in person. You may entrust another shareholder having the voting rights to attend the meeting to act as a proxy. If you do so, please submit your proxy statement together with the voting form.

From this year, souvenirs will not be prepared for shareholders that attend the meeting. We appreciate the understanding of all shareholders.

Reference Documents for the General Meeting of Shareholders

1. Total Number of Voting Rights Held by All Shareholders: 3,609,868

2. Agenda Items and Reference Documents:

Item 1: Election of eleven (11) Directors (excluding Directors who are Audit & Supervisory Committee Members)

The terms of office of the eleven (11) incumbent Directors (excluding Directors who are Audit & Supervisory Committee Members; hereinafter, the same shall apply in this Item) will expire at the conclusion of the 164th Ordinary General Meeting of Shareholders. Accordingly, it is proposed that eleven (11) Directors be elected.

The candidates for Directors are as follows.

There are no special interests between the candidates and the Company.

The Audit & Supervisory Committee has stated that there are no issues to be noted for this proposal upon prior examination.

No. 1	Hiroya Kawasaki (Date of birth: August 4, 1954)	Reappointment/ Internal Director	Number of shares of the Company owned: 28,500 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1980:	Joined the Company		
April 2007:	Officer		
April 2010:	Senior Officer		
April 2012:	Executive Officer		
June 2012:	Senior Managing Director		
April 2013:	President, CEO and Director		
April 2016:	Chairman, President, CEO and Director (incumbent)		
Reasons for selecting the candidate	Hiroya Kawasaki has abundant experience and knowledge in the field of iron & steel business and in operations in the Head Office, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors (please see page 12).		

No. 2	Yoshinori Onoe (Date of birth: November 30, 1955)	Reappointment/ Internal Director	Number of shares of the Company owned: 17,000 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1980:	Joined the Company	Head of the Iron & Steel Business	
April 2008:	Officer		
April 2010:	Senior Officer		
April 2012:	Executive Officer		
April 2014:	Executive Vice President and Officer		
June 2014:	Executive Vice President and Director		
April 2016:	Executive Vice President and Director (incumbent)		
Reasons for selecting the candidate	Yoshinori Onoe has abundant experience and knowledge in the field of iron & steel business, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors (please see page 12).		

No. 3	Akira Kaneko (Date of birth: November 3, 1954)	Reappointment/ Internal Director	Number of shares of the Company owned: 13,300 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1979:	Joined the Company	Head of the Aluminum & Copper Business	
April 2009:	Officer		
April 2011:	Senior Officer		
April 2014:	Executive Officer		
June 2014:	Senior Managing Director		
April 2015:	Executive Vice President and Director		
April 2016:	Executive Vice President and Director (incumbent)		
Reasons for selecting the candidate	Akira Kaneko has abundant experience and knowledge in the field of aluminum business and in operations in the Head Office, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors (please see page 12).		

No. 4	Naoto Umehara (Date of birth: April 6, 1955)	Reappointment/ Internal Director	Number of shares of the Company owned: 14,600 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1979:	Joined the Company	Oversees the Audit Department, Secretariat & Publicity Department, General Administration Department, Legal Department, Human Resources Department, Corporate Planning Department (excluding the Automotive Materials Planning Section), Accounting Department, Finance Department, Marketing Planning Department, Civil Engineering & Construction Technology Department, Rugby Administration Office, Electric Power Business, domestic branch offices and sales offices (including Takasago Works), and overseas locations (under the head office). Oversees companywide compliance.	
April 2009:	Officer		
April 2011:	Senior Officer		
April 2014:	Executive Officer		
June 2014:	Senior Managing Director		
April 2015:	Executive Vice President and Director		
April 2016:	Executive Vice President and Director (incumbent)		
Reasons for selecting the candidate	Naoto Umehara has abundant experience and knowledge in the field of iron & steel business and in operations in the Head Office, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors (please see page 12).		

No. 5	Mitsugu Yamaguchi (Date of birth: January 8, 1958)	Reappointment/ Internal Director	Number of shares of the Company owned: 9,000 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1981:	Joined the Company	Head of the Machinery Business	
April 2011:	Officer		
April 2013:	Senior Officer		
April 2015:	Executive Officer		
June 2016:	Director, Senior Managing Executive Officer		
April 2017:	Executive Vice President and Director (incumbent)		
Reasons for selecting the candidate	Mitsugu Yamaguchi has abundant experience and knowledge in the field of machinery business and in operations in the Head Office, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors (please see page 12).		

No. 6	Shohei Manabe (Date of birth: September 16, 1955)	Reappointment/ Internal Director	Number of shares of the Company owned: 12,700 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1978:	Joined the Company	Head of the Engineering Business	
April 2009:	Officer		
April 2011:	Senior Officer		
April 2015:	Executive Officer		
June 2015:	Senior Managing Director		
April 2016:	Director, Senior Managing Executive Officer (incumbent)		
Reasons for selecting the candidate	Shohei Manabe has abundant experience and knowledge in the field of engineering business, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors (please see page 12).		

No. 7	Fusaki Koshiishi (Date of birth: August 29, 1959)	Reappointment/ Internal Director	Number of shares of the Company owned: 9,800 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1984:	Joined the Company	Head of the Welding Business	
April 2012:	Officer		
April 2014:	Senior Officer		
June 2015:	Managing Director		
April 2016:	Director, Senior Managing Executive Officer (incumbent)		
Reasons for selecting the candidate	Fusaki Koshiishi has abundant experience and knowledge in the field of welding business, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors (please see page 12).		

No. 8	Toshiya Miyake (Date of birth: October 17, 1959)	Reappointment/ Internal Director	Number of shares of the Company owned: 9,400 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1984:	Joined the Company	Oversees companywide technical development. Oversees the Environmental Control & Disaster Prevention Department, MONODZUKURI (Production System Innovation) Planning & Promotion Department and IT Planning Department. Oversees companywide systems. General Manager of the Technical Development Group.	
January 2012:	Senior General Manager, Assistant to the Officer in charge of Corporate Planning Department		
April 2013:	Officer		
April 2015:	Senior Officer		
June 2016:	Director, Managing Executive Officer		
April 2017:	Director, Senior Managing Executive Officer (incumbent)		
Reasons for selecting the candidate	Toshiya Miyake has abundant experience and knowledge in the field of technology development, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors (please see page 12).		

No. 9	Kazuhide Naraki (Date of birth: November 11, 1953)	Reappointment/ Internal Director	Number of shares of the Company owned: 24,400 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1977:	Joined the Company	President, CEO and Director of Kobelco Construction Machinery Co., Ltd.	
April 2008:	Officer		
April 2010:	Senior Officer		
April 2012:	Executive Officer		
June 2012:	Senior Managing Director		
April 2014:	Executive Vice President and Director		
April 2016:	Director of the Company (incumbent) President, CEO and Director of Kobelco Construction Machinery Co., Ltd. (incumbent)		
Reasons for selecting the candidate	Kazuhide Naraki has abundant experience and knowledge in the field of machinery business, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors (please see page 12).		

No. 10	Takao Kitabata (Date of birth: January 10, 1950)	Reappointment/ Outside Director/ Independent Director	Number of shares of the Company owned: 3,700 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1972:	Joined the Ministry of International Trade and Industry	Chairman of SANDA GAKUEN Junior High School – Senior High School Outside Director of Marubeni Corporation Outside Director of SEIREN CO., LTD. Outside Director of Zeon Corporation	
June 2004:	Director-General, Economic and Industrial Policy Bureau, the Ministry of Economy, Trade and Industry (METI)		
July 2006:	Vice-Minister of Economy, Trade and Industry		
July 2008:	Retired from METI		
June 2010:	Director of the Company (incumbent) Outside Corporate Auditor of Marubeni Corporation		
June 2013:	Chairman of SANDA GAKUEN Junior High School – Senior High School (incumbent) Outside Director of Marubeni Corporation (incumbent)		
April 2014:	Principal of SANDA GAKUEN Junior High School – Senior High School		
June 2014:	Outside Director of SEIREN CO., LTD. (incumbent) Outside Director of Zeon Corporation (incumbent)		
Reasons for selecting the candidate	Although Takao Kitabata has not participated in the management of a company in a position other than Outside Director or Outside Audit & Supervisory Board Member, he has abundant experience and deep insight as an administrative official, and we have concluded that he is well qualified to be an Outside Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors and Standards for Independent Directors (please see pages 12 through 13).		
Attendance at Board of Directors meetings during fiscal 2016: 16/18 meetings held (89%)	Term of office as Outside Director of the Company: 7 years		

- Takao Kitabata is a candidate for Outside Director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- The Company registered Takao Kitabata as an Independent Director at the financial instruments exchange. If Takao Kitabata is elected as Outside Director at the 164th Ordinary General Meeting of Shareholders, the Company is scheduled to register Takao Kitabata again as an Independent Director at the financial instruments exchange.
- The Company and SANDA GAKUEN Junior High School – Senior High School, for which Takao Kitabata currently serves as the Chairman, do not have business transactions. In addition, the Company does not make donations to the said school corporation. Therefore, he meets the Company's Standards for Independent Directors.
- The Company has entered into an agreement with Takao Kitabata that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount stipulated in laws and regulations. If he is elected as Director at the 164th Ordinary General Meeting of Shareholders, the Company is scheduled to renew the terms of the agreement limiting liability with him.

No. 11	Hiroyuki Bamba (Date of birth: January 27, 1954)	New appointment/ Outside Director/ Independent Director	Number of shares of the Company owned: 0 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1976:	Joined Sumitomo Rubber Industries, Ltd.	Outside Director of Sekisui Plastics Co., Ltd.	
March 2000:	Director of Sumitomo Rubber Industries, Ltd.		
March 2003:	Executive Officer of Sumitomo Rubber Industries, Ltd.		
July 2003:	President and Director of SRI Sports Limited (currently Dunlop Sports Co. Ltd.)		
March 2011:	Chairman and Director of SRI Sports Limited		
March 2015:	Counselor to Dunlop Sports Co. Ltd. (incumbent)		
June 2015:	Outside Director of Sekisui Plastics Co., Ltd. (incumbent)		
Reasons for selecting the candidate	Hiroyuki Bamba has abundant experience and deep insight in company management, and we have concluded that he is well qualified to be an Outside Director of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors and Standards for Independent Directors (please see pages 12 through 13).		

- Hiroyuki Bamba is a candidate for Outside Director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- If Hiroyuki Bamba is elected as Director at the 164th Ordinary General Meeting of Shareholders, the Company is scheduled to register Hiroyuki Bamba as an Independent Director at the financial instruments exchange.
- Although the Company and Sumitomo Rubber Industries, Ltd. have business transactions, three or more years have passed since Hiroyuki Bamba's retirement as an executive person of Sumitomo Rubber Industries, Ltd., and additionally the amount of these transactions totals less than 2% of the Company's consolidated net sales. Therefore it would not be classified as a "major business partner" and he meets the Company's Standards for Independent Directors.
- If Hiroyuki Bamba is elected as Director at the 164th Ordinary General Meeting of Shareholders, the Company is scheduled to enter into an agreement with him that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount stipulated in laws and regulations.

Item 2: Election of one (1) Director who is a substitute Audit & Supervisory Committee Member

To prepare for the case where the number of Directors who are Audit & Supervisory Committee Members falls below the number required by laws and regulations, it is proposed that one (1) Director who is a substitute Audit & Supervisory Committee Member be elected.

As for submitting this Item, the consent of the Audit & Supervisory Committee has been obtained.

The candidate for Director who is a substitute Audit & Supervisory Committee Member is as follows. There are no special interests between the candidate and the Company.

Takao Kitabata (Date of birth: January 10, 1950)		Outside Director/ Independent Director	Number of shares of the Company owned: 3,700 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1972:	Joined the Ministry of International Trade and Industry	Chairman of SANDA GAKUEN Junior High School – Senior High School	
June 2004:	Director-General, Economic and Industrial Policy Bureau, the Ministry of Economy, Trade and Industry (METI)	Outside Director of Marubeni Corporation Outside Director of SEIREN CO., LTD. Outside Director of Zeon Corporation	
July 2006:	Vice-Minister of Economy, Trade and Industry		
July 2008:	Retired from METI		
June 2010:	Director of the Company (incumbent) Outside Corporate Auditor of Marubeni Corporation		
June 2013:	Chairman of SANDA GAKUEN Junior High School – Senior High School (incumbent) Outside Director of Marubeni Corporation (incumbent)		
April 2014:	Principal of SANDA GAKUEN Junior High School – Senior High School		
June 2014:	Outside Director of SEIREN CO., LTD. (incumbent) Outside Director of Zeon Corporation (incumbent)		
Reasons for selecting the candidate	<p>Although Takao Kitabata has not participated in the management of a company in a position other than Outside Director or Outside Audit & Supervisory Board Member, he has abundant experience and deep insight as an administrative official, and we have concluded that he is well qualified to be an Outside Director who is a substitute Audit & Supervisory Committee Member of the Company in light of the Company’s fundamental policy with regard to appointment of candidates for Directors who are Audit & Supervisory Committee Members and Standards for Independent Directors (please see pages 12 through 13).</p> <p>Additionally, while Takao Kitabata is a candidate for Director (excluding Directors who are Audit & Supervisory Committee Members) as proposed in Item 1, he is knowledgeable about the Company’s business as an Outside Director of the Company and it has been judged that he would quickly be able to meet the duties required of an Audit & Supervisory Committee Member in the case that the number of Directors who are Audit & Supervisory Committee Members falls below the number required by laws and regulations and has thus been made a candidate for Director who is a substitute Audit & Supervisory Committee Member.</p>		
Attendance at Board of Directors meetings during fiscal 2016:	16/18 meetings held (89%)	Term of office as Outside Director of the Company:	7 years

- Takao Kitabata is a candidate for Outside Director who is a substitute Audit & Supervisory Committee Member.
- The Company and SANDA GAKUEN Junior High School – Senior High School, for which Takao Kitabata currently serves as the Chairman, do not have business transactions. In addition, the Company does not make donations to the said school corporation. Therefore, he meets the Company’s Standards for Independent Directors.
- The Company has entered into an agreement with Takao Kitabata that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount stipulated in laws and regulations. If he is elected as Director at the 164th Ordinary General Meeting of Shareholders, the Company is scheduled to renew the terms of the agreement limiting liability with him. In addition, if this Item is approved and Takao Kitabata is elected as Director who is an Audit & Supervisory Committee Member, the Company is scheduled to renew the terms of the agreement limiting liability with him.

<Reference: the Company's fundamental policy with regard to appointment of candidates for Directors and Standards for Independent Directors>

Members of the Board of Directors discussed and approved appointments of each candidate proposed in Item 1 and Item 2, based on whether or not he or she meets the requirements described in the Company's fundamental policy with regard to appointment of candidates for Directors and Standards for Independent Directors.

The President, CEO and Director of the Company explains the appointment to and receives opinions from the Meeting of Independent Directors before these discussions.

The Company's fundamental policy with regard to appointment of candidates for Directors (excluding Directors who are Audit & Supervisory Committee Members)

The Company appoints candidates for Directors (excluding Directors who are Audit & Supervisory Committee Members) based on a policy that person suitable to the position should have the following qualities in order to carry out their roles entrusted by shareholders.

- A) To be able to take care of the Company's stakeholders and fulfill the Company's social responsibility as well as make an effort to well understand and implement the Company's corporate vision and management vision to improve the Company's corporate value;
- B) Based on his or her own career, to be capable to hold deep insight regarding the Company's business and his or her duties, and make flexible and balanced judgments to fully display the synergistic effects between the Company's various businesses, such as businesses in materials, machinery and electric power supply, in the case of determining important management issues including the distribution of management resources;
- C) To be able to make prompt and decisive decisions under circumstances of hectic change; and
- D) To be able to actively make proposals or suggestions to other Directors as a member of the Board of Directors.
- E) The Company wants Outside Directors to be able to back up appropriate risk-taking and support the Company's medium- to long-term growth by reflecting outside persons' fair and neutral opinions on resolutions at the meetings of the Board of Directors. The Company requires Outside Directors to meet the following requirements in addition to requirements A) to D) above:
 - a. To have extensive experience and deep insight to be able to make objective, fair and neutral judgment in light of his or her career;
 - b. Especially, to have global insight necessary for the implementation of the Company's management vision or business plan or insight regarding the Company's business areas; and
 - c. To meet the Standards for Independent Directors stipulated by the Company.

The Company's fundamental policy with regard to appointment of candidates for Directors who are Audit & Supervisory Committee Members

The Company appoints candidates for Directors who are Audit & Supervisory Committee Members based on the policy that persons suitable to the position should have the following qualities in order to carry out their roles entrusted by shareholders.

- A) To well understand the characteristics of the Company's wide-ranging businesses and be able to audit and supervise the Company's business based on its duties and functions stipulated in the Companies Act;
- B) To be able to consider appropriateness of management to improve corporate value, in addition to auditing the legality of management, and actively make statements at meetings of the Board of

Directors;

- C) In consideration of the fact that they are Audit & Supervisory Committee Members, they are able to appropriately exercise their authority as Directors.
- D) At least one Audit & Supervisory Board Member with considerable knowledge of finance and accounting must be elected; and
- E) The Company invites Outside Directors who are Audit & Supervisory Committee Members from the legal, financial and industrial circles in order to show the functions of auditing and supervising from various angles, wants them to be able to back up appropriate risk-taking and support the Company's medium- to long-term growth, and requires them to meet the following requirements in addition to requirements A) through C) above;
 - a. To have extensive experience and deep insight to be able to make objective, fair and neutral judgment in light of his or her career; and
 - b. To meet the standards for Independent Directors stipulated by the Company.

The Company's Standards for Independent Directors

The Company's Outside Directors (including those who are also Audit & Supervisory Committee Members) are recognized as Independent Directors as long as any of the following requirements are not applicable. Requirement "L" only applies to Outside Directors who are also Audit & Supervisory Committee Members.

- A) A person who currently executes or has executed businesses of the Group, which includes the Company and its subsidiaries (meaning executive directors, executive officers, officers and other employees, hereinafter the same shall apply).
- B) A person who has a close relative (spouse, relative within the second degree of kinship, hereinafter the same shall apply) who currently executes or has executed businesses of the Group within the past five years.
- C) A person who is currently or has been over the past three years a principal shareholder of the Company (a shareholder who, directly or indirectly, currently owns or has owned 10% or more of all voting rights of the Company) or who currently executes or has executed businesses of the principal shareholders' company within the past three years.
- D) A major business partner of the Company (when the highest payment among payments by this partner to the Company accounts for more than 2% of the Company's annual consolidated net sales in the past three fiscal years) or a person who executes businesses thereof or has executed over the past three years businesses thereof.
- E) A person who executes businesses thereof whose major business partner is the Company (when the highest payment among payments by the Company to the person accounts for more than 2% of the person's annual consolidated net sales in last three fiscal years) or a person who executes businesses thereof or has executed over past three years businesses thereof.
- F) Persons who are or have been over the past three years financial institutions, other large creditors or those executives indispensable for the Company's financing and that the Company depends on to the degree there is no substitute.
- G) A consultant, accountant or legal professional who has received a large sum of money or other financial gain in the past three years (the larger of 10 million yen or 100 thousand U.S. dollars or more in a year if the person is an individual, or, if the person is a party such as a company or an association, the amount equal to or more than 2% of the party's annual consolidated net sales) from the Company as an individual, excluding remuneration for Director of the Company. (If a party including but not limited to a company or an association receives such financial gain, a person who

belongs to those companies, excluding the person individually performing his or her duties without receiving any remuneration from those companies.)

- H) Certified public accountants who are Accounting Auditors of the Company or those belong to the audit corporation which is an Accounting Auditor of the Company.
- I) A representative person or the equivalent thereof of the company who receives a donation or aid (which exceeds the larger of 10 million yen, 100 thousand U.S. dollars or 30% of the total average annual cost of the company in a year) from the Company.
- J) A person who executes businesses of the companies which mutually dispatches outside directors/corporate auditors. (The person who executes the business of the Group is an outside director/corporate auditor and the person who executes the business of such a company is the outside director of the Company.)
- K) A person who has a close relative who falls under any of the categories C) through J) above. (The person who executes a business of the Company is limited to directors and executive officers and, regarding the person who belongs to a professional advisory firm such as a law firm, limited to a member or a partner of the firm.)
- L) A person who has a close relative with the person who falls under either of the following categories a) through c).
 - a) A person who is currently or has been over the past one year a non-executive director of a subsidiary of the Company.
 - b) A person who is currently or has been over the past one year an accounting advisor of a subsidiary of the Company. (If the accounting advisor is a company, it is limited to those with a certified public accountant or a certified public tax accountant.)
 - c) A person who over the past one year has been a non-executive director of the Company.