

(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, 2018

**NOTICE OF
165TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

Kobe Steel, Ltd. (“the Company”) would hereby like to inform you that the 165th 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., Wednesday, June 20, 2018 (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,

Mitsugu Yamaguchi

President, CEO and Representative Director

Kobe Steel, Ltd.

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

1. Date and Time:

10:00 a.m., Thursday, June 21, 2018 (JST (Japan Standard Time))
(The venue is scheduled to be open at 8:30 a.m.)

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 165th business term (from April 1, 2017 to March 31, 2018)
 2. The results of audit to consolidated financial statements by Accounting Auditors and the Audit & Supervisory Committee for the 165th business term

Matters to be resolved:

- Item 1: Partial Amendments to the Articles of Incorporation
- Item 2: Election of ten (10) Directors (excluding Directors who are Audit & Supervisory Committee Members)
- Item 3: Election of five (5) Directors who are Audit & Supervisory Committee Members
- Item 4: 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 (<https://www.evotetr.mufg.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 Thursday, May 31, 2018 to 5:30 p.m., Wednesday, June 20, 2018 (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.

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: 3,610,251

2. Agenda Items and Reference Documents:

<Reference material common to Item 1 through Item 4>

In order to achieve the continued growth and enhancement of corporate value of the Kobe Steel Group (the “Group”), the Company has thus far elected two (2) or more Independent Directors, and five (5) Audit & Supervisory Board Members, of which the Companies Act stipulates three (3) or more, in addition to establishing the “Meeting of Independent Directors” comprised entirely of Independent Directors in December 2015, as a forum where the Company conducts hearings of objective opinions with respect to appointment and/or remuneration of its executives from Independent Directors, shares wide-ranging business information related to large-scale investments, etc., and provides Independent Directors with information with respect to the execution of the Company’s business for the purpose of further strengthening the supervisory function of Independent Directors, and thereby enhanced the corporate governance system.

Furthermore, to further strengthen the Company’s corporate governance system and the auditing function of the Board of Directors and to accelerate decision-making with regard to management, the Company transitioned to a company with an Audit & Supervisory Committee in June 2016.

Thus far, in addition to the Meeting of Independent Directors, the Company has also established a Compliance Committee mainly comprised of external experts as an advisory organ to the Board of Directors, and this Committee monitors the implementation status of compliance activities and whether the Company is responding appropriately to matters about which the internal reporting system has been used from a fair standpoint, and provides reports and recommends response measures and other opinions to the Board of Directors.

However, in view of the misconduct of the Group (the act of falsifying or fabricating inspection data for products falling short of public standards or customer specifications (nonconforming products), and shipping or delivering those products to customers as if they conformed to the public standards or customer specifications), we believe it is essential that we ensure thorough risk management once again, build systems capable of preventing and quickly detecting compliance issues, and expand these activities to cover the Group as a whole, and based on this belief, for the purpose of further strengthening governance in relation to quality and enhancing fairness and transparency of the Board of Directors, we have strengthened the monitoring function of the Board of Directors by revising the advisory organs to the Board of Directors and changing the composition of Directors as follows.

(1) We Will Revise the Composition of Independent Directors

For the purpose of enhancing fairness and transparency of the Board of Directors and advancing our growth strategies as a company, Independent Directors will account for one third (1/3) or more of the board. As for now, we have a total of sixteen (16) board members, but we will change the authorized number to fifteen (15) and ensure that five (5) of them are Independent Directors.

(2) We Revise the Advisory Organ to the Board of Directors

We introduce a Nomination and Compensation Committee, a majority of which are Outside Directors, as voluntary advisory organ to the Board of Directors, and enhance fairness and transparency of the Board of Directors.

(3) We Will Remove the Chairman Position and Appoint a Chairman of the Board of Directors

The Company had a chairman of the Board of Directors as well as a chairman of the Company who was in charge of external corporate affairs. We will remove the chairman of the Company position and appoint a chairman of the Board of Directors from among the Independent Directors in order to further encourage discussions at the Board of Directors and enhance the function of the Board to monitor the business activities of each division.

(4) We Will Revise the Composition of the Board of Directors

1) We Will Cease the Practice of Appointing Each Division Head as Director

The Company used to appoint each division head as a director, but we cease that practice. For the purpose of reinforcing the monitoring function of the Board of Directors, we will assign one director position to the materials business (i.e., Iron and Steel, Welding, Aluminum & Copper), one (1) director position to the machinery business (i.e., Machinery, Engineering, Construction Machinery), and one (1) director position to the electric power business.

2) We Appoint a Director in Charge of Risk Management

For the purpose of strengthening our corporate governance to ensure compliance, in particular, we appoint a director who primarily oversees and be responsible for compliance and other risk management activities so that the Group can engage in risk management activities effectively with a focus on preventing any misconduct from taking place.

3) We Appoint a Director in Charge of Quality Assurance

We appoint a director who oversees and be responsible for company-wide quality assurance for the purposes of strengthening our corporate governance as a Group in terms of quality.

If the proposal submitted at this Ordinary General Meeting of Shareholders is approved, the composition of the Board of Directors will be as shown below.

Before change		
Summary	No. of directors	System in fiscal year 2017
Chairman	1	1
President (CEO)	1	
Iron & Steel Business	1	1
Welding Business	1	1
Aluminum & Copper Business	1	1
Machinery Business	1	1
Engineering Business	1	1
Construction Machinery Business	1	1
Electric Power Business	1	-
Corporate	1	1
Corporate (technical)	1	1
Independent Directors	2	2
Audit & Supervisory Committee Members	Outside	3
	Inside	2
Total	18	16
(Of which Independent Directors)	5	5

After change		
Summary	No. of directors	
President (CEO)	1	
Materials	1	
Machinery	1	
Electric Power	1	
Quality	1	
Corporate	1	
Risk Management	1	
Corporate (technical)	1	
Independent Directors	2	
Audit & Supervisory Committee Members	Outside	3
	Inside	2
Total	15	
(Of which Independent Directors)	5	

(Note) The Director in charge of Corporate concurrently served as the Director of the Electric Power Business.

Item 1: Partial Amendments to the Articles of Incorporation

(Reasons for partial amendments to the Articles of Incorporation)

Previously, meetings of the Board of Directors were chaired by the Chairman of the Company as his duty, but for the purpose of selecting a Chairman of Meetings of the Board of Directors from among Outside Directors and to abolish the offices of Chairman of the Company and Vice Chairmen of the Company, amendments are to be made to Articles 20, 21 and 25 of the Articles of Incorporation.

The amendments to the Articles of Incorporation proposed in this Item shall become effective upon the conclusion of the 165th Ordinary General Meeting of Shareholders.

The details of the amendments are as follows:

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed amendments
<p>Article 20. Representative Directors and Directors with Special Titles</p> <p>The Board of Directors may by resolution select from among Directors (excluding Directors who are Audit & Supervisory Committee Members) <u>one (1) Chairman of the Board, one (1) or more Vice Chairmen of the Board and</u> one (1) President.</p> <p>The Board of Directors shall by its resolution select the Representative Directors of the Company from among Directors (excluding Directors who are Audit & Supervisory Committee Members).</p> <p>Article 21. Division of Duties of Directors with Special Titles</p> <p><u>The Chairman of the Board shall preside over meetings of the Board of Directors and the Vice Chairmen of the Board shall assist the Chairman.</u></p> <p>The President shall carry out the resolutions of the Board of Directors and supervise the Company's business.</p> <p>If the President is unable to act, another Director shall act for him in accordance with the order previously established by resolution of the Board of Directors.</p>	<p>Article 20. Representative Directors and Directors with Special Titles</p> <p>The Board of Directors may by resolution select from among Directors (excluding Directors who are Audit & Supervisory Committee Members) one (1) President.</p> <p>The Board of Directors shall by its resolution select the Representative Directors of the Company from among Directors (excluding Directors who are Audit & Supervisory Committee Members).</p> <p>Article 21. Division of Duties of Directors with Special Titles</p> <p>(Deleted)</p> <p>The President shall carry out the resolutions of the Board of Directors and supervise the Company's business.</p> <p>If the President is unable to act, another Director shall act for him in accordance with the order previously established by resolution of the Board of Directors.</p>

Current Articles of Incorporation	Proposed amendments
<p>Article 22. to Article 24. (Omitted)</p> <p>Article 25. Person to convene and to Act as Chairman at Meetings of the Board of Directors</p> <p><u>The Chairman of the Board</u> shall convene and act as Chairman of Meetings of the Board of Directors except as required by mandatory provisions of laws and regulations.</p> <p><u>If the office of the Chairman of the Board is vacant or he is unable to act, one of the Vice Chairmen of the Board in accordance with order previously established by resolution of the Board of Directors shall convene the meeting and/or act as chairman. If all the offices of the Vice Chairmen of the Board are vacant or all of them are unable to act, the President shall convene the meeting and/or act as chairman. If the President is unable to act, the Director next in line in accordance with the order previously established by resolution of the Board of Directors shall convene the meeting and/or act as chairman.</u></p>	<p>Article 22. to Article 24. (Same as the present)</p> <p>Article 25. Person to convene and to Act as Chairman at Meetings of the Board of Directors</p> <p><u>The Director previously determined by resolution of the Board of Directors</u> shall convene and act as Chairman of Meetings of the Board of Directors except as required by mandatory provisions of laws and regulations.</p> <p><u>If the Director set for the in the preceding paragraph is unable to act, the Director next in line in accordance with the order previously established by resolution of the Board of Directors shall convene the meeting and/or act as chairman.</u></p>

Item 2: Election of ten (10) 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 165th Ordinary General Meeting of Shareholders. Accordingly, it is proposed that ten (10) Directors be elected.

The candidates for Directors are as follows.

No.	Name		Current position
1	Mitsugu Yamaguchi	Reappointment	President, CEO and Director
2	Yoshinori Onoe	Reappointment	Executive Vice President and Director
3	Fusaki Koshiishi	Reappointment	Executive Vice President and Director
4	Shohei Manabe	Reappointment	Director, Senior Managing Executive Officer
5	Takao Kitabata	Reappointment Independent Outside Director	Director
6	Hiroyuki Bamba	Reappointment Independent Outside Director	Director
7	Takao Ohama	New appointment	Executive Vice President and Officer
8	Koichiro Shibata	New appointment	Executive Vice President and Officer
9	Jiro Kitagawa	New appointment	Senior Managing Executive Officer
10	Yoshihiko Katsukawa	New appointment	Senior Managing Executive Officer

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.

Career summary of each candidate is as follows.

No. 1	Mitsugu Yamaguchi (Date of birth: January 8, 1958)	Reappointment/ Internal Director	Number of shares of the Company owned: 11,000 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1981:	Joined the Company		
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		
April 2018:	President, CEO and Director (incumbent)		
Reasons for selecting the candidate	Mitsugu Yamaguchi has abundant experience and knowledge through promoting the iron & steel business, machinery business, and M&As and alliances 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 pages 25 through 26). In particular, in rebuilding the governance system centered on quality, which is an urgent task, and in leading the reform of the Group's culture, it is necessary to take an objective and comprehensive view not biased toward a particular business. In this sense, we have concluded that Mitsugu Yamaguchi, who has experience in the various fields of materials, machinery and Head Office, is well qualified for the position.		

No. 2	Yoshinori Onoe (Date of birth: November 30, 1955)	Reappointment/ Internal Director	Number of shares of the Company owned: 19,200 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1980:	Joined the Company	Oversees companywide technical development. Oversees the Environmental Control & Disaster Prevention Department, the Research & Development Planning Department and IT Planning Department. Oversees companywide information systems. Head of the Technical Development Group.	
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 product technology in the iron & steel business and experience as General Manager of an ironwork, 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 pages 25 through 26). In addition, as a person to supervise the field of technical development that serves as the foundation of our growth strategy, and environmental control and disaster prevention forming the basis for our business promotion, we have concluded that Yoshinori Onoe, who has experience and knowledge in the technical field and production sites, is well qualified.		

No. 3	Fusaki Koshiishi (Date of birth: August 29, 1959)	Reappointment/ Internal Director	Number of shares of the Company owned: 11,900 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1984:	Joined the Company	Oversees the Quality Management Department, Intellectual Property Department and MONODZUKURI (Production System Innovation) Planning and Promotion Department and companywide quality management.	
April 2012:	Officer		
April 2014:	Senior Officer		
June 2015:	Managing Director		
April 2016:	Director, Senior Managing Executive Officer		
April 2018	Executive Vice President and Director (incumbent)		
Reasons for selecting the candidate	Fusaki Koshiishi has abundant experience and knowledge in the field of product technology in the 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 pages 25 through 26). In addition, as a person to supervise companywide quality management at the Company, which operates various businesses including materials, machinery and electric power, we have concluded that Fusaki Koshiishi, who has experience and knowledge in the Welding Business engaging in both materials and machinery businesses, namely welding materials and welding robot systems, is well qualified.		

No. 4	Shohei Manabe (Date of birth: September 16, 1955)	Reappointment/ Internal Director	Number of shares of the Company owned: 14,400 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1978:	Joined the Company	Oversees the Audit Department and Compliance Management Department. Oversees companywide compliance.	
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 project management in the engineering business and planning and administration division in the business divisions, 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 pages 25 through 26). In addition, as a person to supervise companywide compliance, we have concluded that Shohei Manabe, who has experience in risk management in project management, is well qualified.		

No. 5	Takao Kitabata (Date of birth: January 10, 1950)	Reappointment/ Outside Director/ Independent Director	Number of shares of the Company owned: 3,800 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	
July 2006:	Vice-Minister of Economy, Trade and Industry	Outside Director of SEIREN CO., LTD.	
July 2008:	Retired from METI	Outside Director of Zeon Corporation	
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, as he is able to make objective, fair and neutral judgment based on his deep insight in the world of industry backed by his broad experience as an administrative official and extensive knowledge as an outside director/audit & supervisory board member of listed companies, 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 25 through 27).		
Attendance at Board of Directors meetings during fiscal 2017: 20/21 meetings held (95%)	Term of office as Outside Director of the Company: 8 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 165th Ordinary General Meeting of Shareholders, the Company is scheduled to register Takao Kitabata again as an Independent Director at the financial instruments exchange.
- In October 2017, during the term of office of Takao Kitabata, the Company announced the fact that misconducts had been taking place in the Group concerning the products and services delivered by the Group, including the act of falsifying or fabricating inspection data for products falling short of public standards or customer specifications, and shipping or delivering those products to customers as if they conformed to the public standards or customer specifications.
Takao Kitabata was not aware of these facts until problems were identified, but he had made proposals and called attention to matters regarding the type of company that the Company should aspire to be, and from the perspective of ensuring compliance, on a regular basis at meetings of the Board of Directors and other occasions.
Since these facts were identified, Takao Kitabata has expressed various views aimed at ensuring the appropriateness and validity of the method of investigation, in addition to uncovering the causes and verifying safety, at meetings of the Board of Directors, and, based on his experience and knowledge as an administrative official and as an outside director/audit & supervisory board member of other listed companies, has also contributed to the formulation of measures to prevent reoccurrence by providing proactive and constructive views as a member of the Quality Governance Restructuring Deliberation Committee, on matters including measures for strengthening quality governance, including at Group companies, organizational reforms, awareness-raising, and

utilization of external personnel, as well as strengthening of the functions of overseas regional headquarters.

- The Company and SANDA GAKUEN Junior High School – Senior High School 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 165th Ordinary General Meeting of Shareholders, the Company is scheduled to renew the terms of the agreement limiting liability with him.

No. 6	Hiroyuki Bamba (Date of birth: January 27, 1954)	Reappointment/ Outside Director/ Independent Director	Number of shares of the Company owned: 1,600 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 Sumitomo Rubber Industries, Ltd.)		
March 2011:	Chairman and Director of SRI Sports Limited		
March 2015:	Counselor to Sumitomo Rubber Industries, Ltd.		
June 2015:	Outside Director of Sekisui Plastics Co., Ltd. (incumbent)		
June 2017:	Director of the Company (incumbent)		
Reasons for selecting the candidate	As Hiroyuki Bamba is able to make objective, fair and neutral judgment based on his abundant experience in the different business fields from ours in the world of industry and deep insight as a corporate executive, 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 25 through 27).		
Attendance at Board of Directors meetings during fiscal 2017:	17/17 meetings held (100%)	Term of office as Outside Director of the Company:	1 year

- Hiroyuki Bamba is a candidate for Outside Director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- The Company registered Hiroyuki Bamba as an Independent Director at the financial instruments exchange. If Hiroyuki Bamba is elected as Outside Director at the 165th Ordinary General Meeting of Shareholders, the Company is scheduled to register Hiroyuki Bamba again as an Independent Director at the financial instruments exchange.
- Since Hiroyuki Bamba assumed office as Director on June 21, 2017, 17 Board of Directors meetings have been held.
- In October 2017, during the term of office of Hiroyuki Bamba, the Company announced the fact that misconducts had been taking place in the Group concerning the products and services delivered by the Group, including the act of falsifying or fabricating inspection data for products falling short of public standards or customer specifications, and shipping or delivering those products to customers as if they conformed to the public standards or customer specifications.
Hiroyuki Bamba was not aware of these facts until problems were identified, but he had made proposals and called attention to matters regarding the type of company that the Company should aspire to be, and from the perspective of ensuring compliance, on a regular basis at meetings of the Board of Directors and other occasions. Since these facts were identified, Hiroyuki Bamba has expressed various views aimed at ensuring the appropriateness and validity of the method of investigation, in addition to uncovering the causes and verifying safety, at meetings of the Board of Directors, and, based on his experience and knowledge as a corporate executive in the different business fields from ours, has also contributed to the formulation of measures to prevent reoccurrence by providing proactive and constructive views as a member of the Quality Governance Restructuring Deliberation Committee, on matters including measures for strengthening quality governance, including at Group companies, organizational reforms, awareness-raising, and utilization of external personnel, as well as strengthening of the functions of overseas regional headquarters.
- Although the Company and Sumitomo Rubber Industries, Ltd. have business transactions in the Machinery Business, 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. SRI Sports Limited (renamed Dunlop Sports Co., Ltd. in May 2012) merged with Sumitomo Rubber Industries, Ltd. in January 2018. The Company did not have any business transactions with SRI Sports Limited or Dunlop Sports Co., Ltd.
- The Company has entered into an agreement with Hiroyuki Bamba 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 165th Ordinary General Meeting of Shareholders, the Company is scheduled to renew the terms of the agreement limiting liability with him.

No. 7	Takao Ohama (Date of birth: October 14, 1955)	New appointment/ Internal Director	Number of shares of the Company owned: 16,900 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1981:	Joined the Company	Oversees the machinery businesses. Head of the Machinery Business	
April 2010:	Officer		
April 2012:	Senior Officer		
April 2014:	Executive Officer		
April 2018:	Executive Vice President and Officer (incumbent)		
Reasons for selecting the candidate	Takao Ohama has abundant experience and knowledge in the field of product technology in the machinery business and overseas business entities, 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 pages 25 through 26). In addition, as a person to supervise the machinery businesses, we have concluded that Takao Ohama, who has experience in the technical field in the machinery business field and experience in the management of overseas business entities, is well qualified.		

No. 8	Koichiro Shibata (Date of birth: December 6, 1958)	New appointment/ Internal Director	Number of shares of the Company owned: 10,900 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1984:	Joined the Company	Oversees the materials businesses. Head of the Iron & Steel Business	
April 2012:	Officer		
April 2014:	Senior Officer		
April 2016:	Executive Officer		
April 2018:	Executive Vice President and Officer (incumbent)		
Reasons for selecting the candidate	Koichiro Shibata has abundant experience and knowledge in the field of product technology in the iron & steel business and experience as General Manager of an ironwork, 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 pages 25 through 26). In addition, as a person to supervise the diversifying metallic materials businesses, we have concluded that Koichiro Shibata, who has experience and knowledge in the field of product technology and production sites, is well qualified.		

No. 9	Jiro Kitagawa (Date of birth: September 1, 1959)	New appointment/ Internal Director	Number of shares of the Company owned: 10,400 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1982:	Joined the Company	Oversees the electric power business. Head of the Electric Power Business	
April 2013:	General Manager of the IPP Division, General Manager of Planning Department, Iron & Steel Business		
July 2013:	General Manager of the IPP Division, General Manager of Planning Department, Attached to Iron & Steel Administration Department, Iron & Steel Business (President and Representative Director of Shinko Kobe Power Inc. (currently Kobelco Power Kobe Inc.))		
April 2014:	Officer		
April 2016:	Senior Officer		
April 2018:	Executive Officer (incumbent)		
Reasons for selecting the candidate	Jiro Kitagawa has abundant experience and knowledge in the field of manufacturing facility technology in the iron & steel business and in the field of electric power 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 pages 25 through 26). In addition, as a person to supervise the electric power business, which is currently promoting a large-scale project, we have concluded that Jiro Kitagawa, who has abundant experience in facility technology and facility planning, is well qualified.		

No. 10	Yoshihiko Katsukawa (Date of birth: March 12, 1962)	New appointment/ Internal Director	Number of shares of the Company owned: 5,600 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1985:	Joined the Company	Oversees the Legal Department, Corporate Communications Department, General Administration 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, domestic branch offices and sales offices (including Takasago Works) and responsible for overseas locations (under the head office).	
April 2011:	General Manager of the Planning & Administration Department, Machinery Business		
April 2014:	General Manager of the Corporate Planning Department		
April 2015:	Officer		
April 2017:	Senior Officer		
April 2018:	Executive Officer (incumbent)		
Reasons for selecting the candidate	Yoshihiko Katsukawa has abundant experience and knowledge in operations in the corporate planning divisions and planning and administration division in the business divisions, 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 pages 25 through 26). In addition, as a person to supervise the Head Office, which promotes the reform of the Group's culture and supports our business activities, we have concluded that Yoshihiko Katsukawa, who has abundant experience at planning divisions and administration divisions, is well qualified.		

Item 3: Election of five (5) Directors who are Audit & Supervisory Committee Members

The terms of office of the five (5) incumbent Directors who are Audit & Supervisory Committee Members will expire at the conclusion of the 165th Ordinary General Meeting of Shareholders. Accordingly, it is proposed that five (5) Directors who are Audit & Supervisory Committee Members be elected. As for submitting this Item, the consent of the Audit & Supervisory Committee has been obtained.

The candidates for Directors who are Audit & Supervisory Committee Members are as follows.

No.	Name		Current position
1	Takashi Okimoto	Reappointment Independent Outside Director	Director who is an Audit & Supervisory Committee Member
2	Yoshiiku Miyata	Reappointment Independent Outside Director	Director who is an Audit & Supervisory Committee Member
3	Hidero Chimori	Reappointment Independent Outside Director	Director who is an Audit & Supervisory Committee Member

No.	Name		Current position
4	Hiroshi Ishikawa	New appointment	Senior Officer
5	Yasushi Tsushima	New appointment	Director, Managing Executive Officer of Kobelco Construction Machinery Co., Ltd.

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

Career summary of each candidate is as follows.

No. 1	Takashi Okimoto (Date of birth: November 14, 1950)	Reappointment/ Outside Director/ Independent Director	Number of shares of the Company owned: 7,700 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1973:	Joined The Dai-Ichi Kangyo Bank, Limited		
June 2001:	Executive Officer of The Dai-Ichi Kangyo Bank, Limited		
April 2002:	Executive Officer of Mizuho Corporate Bank, Ltd.		
Oct. 2002:	Managing Executive Officer of Mizuho Corporate Bank, Ltd.		
April 2005:	Deputy President of Mizuho Corporate Bank, Ltd.		
April 2007:	Retired from Deputy President of Mizuho Corporate Bank, Ltd. Advisor of Orient Corporation		
June 2007:	Representative Director, Chairman and Corporate Officer of Orient Corporation		
June 2008:	Outside Director of Daiichi Sankyo Company, Limited		
June 2011:	Retired from Representative Director, Chairman and Corporate Officer of Orient Corporation Audit & Supervisory Board Member of the Company External Director of Fujitsu Limited		
June 2012:	Outside Director of FUJI ELECTRIC CO., LTD. President and Representative Director, Chuo Real Estate Co., Ltd.		
June 2013:	Outside Audit & Supervisory Board Member of Shindengen Electric Manufacturing Co., Ltd. Audit & Supervisory Board Member of Seiwa Sogo Tatemono Co., Ltd.		
June 2015:	Chairman and Representative Director, Chuo Real Estate Co., Ltd.		
June 2016:	Retired from Chairman and Representative Director, Chuo Real Estate Co., Ltd. Director who is an Audit & Supervisory Committee Member of the Company (incumbent)		
Reasons for selecting the candidate	Takashi Okimoto has abundant experience in credit management and financial management at financial institutions and deep insight as a corporate executive of financial institutions, and as he is able to make objective, fair and neutral judgment based on his insight in the financial sector, we have concluded that he is well qualified to be an Outside Director who is an Audit & Supervisory Committee Member 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 25 through 27). Additionally, he has considerable knowledge of finance and accounting.		
Attendance at Board of Directors meetings during fiscal 2017: 21/21 meetings held (100%)	Term of office as Outside Director of the Company: 7 years		
Attendance at Audit & Supervisory Committee meetings during fiscal 2017: 19/19 meetings held (100%)			

- Takashi Okimoto is a candidate for Outside Director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- The Company registered Takashi Okimoto as an Independent Director at the financial instruments exchange. If Takashi Okimoto is elected as Director who is an Audit & Supervisory Committee Member at the 165th Ordinary General Meeting of Shareholders, the Company is scheduled to register Takashi Okimoto again as an Independent Director at the financial instruments exchange.
- The above term of office as Outside Director includes five (5) years in office as Outside Audit & Supervisory Board Member of the Company (from June 2011 to June 2016).
- In October 2017, during the term of office of Takashi Okimoto, the Company announced the fact that misconducts had been taking place in the Group concerning the products and services delivered by the Group, including the act of falsifying or fabricating inspection data for products falling short of public standards or customer specifications, and shipping or delivering those products to customers as if they conformed to the public standards or customer specifications.

Takashi Okimoto was not aware of these facts until problems were identified, but he had made proposals and called attention to matters regarding the type of company that the Company should aspire to be, and from the perspective of ensuring compliance, on a regular basis at meetings of the Board of Directors and other occasions.

Since these facts were identified, Takashi Okimoto has expressed various views aimed at ensuring the appropriateness and validity of the method of investigation, in addition to uncovering the causes and verifying safety, at meetings of the Board of Directors, and, based on his experience and knowledge as a corporate executive of financial institutions and as an outside director/audit & supervisory board member at other listed companies, has also contributed to the formulation of measures to prevent reoccurrence by providing proactive and constructive views as a member of the Quality Governance Restructuring Deliberation Committee, on matters including measures for strengthening quality governance, including at Group companies, organizational reforms, awareness-raising, and utilization of external personnel, as well as strengthening of the functions of overseas regional headquarters.

- Orient Corporation, where Takashi Okimoto served as an executive director, received administrative penalties (order for business improvement) from the Kanto Bureau of Economy, Trade and Industry in January 2014 in relation to installment sales finance business during the period that Takashi Okimoto was at office.
- Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.) is a lender of the Company. However, as Takashi Okimoto retired as an executive person of said bank more than three years ago and the Company makes transactions with a large number of financial institutions besides said bank, the amount of the Company's borrowings from said bank is less than 10% and not a large dependency. Therefore, the Company believes that Takashi Okimoto meets the Company's standards for Independent Directors.
- The Company has transactional relationships with Orient Corporation in the Machinery Business, however, Takashi Okimoto retired as executive director of Orient Corporation more than three years ago and the amount of these transactions totals less than 2% of the Company's consolidated net sales, and therefore it would not be classified as a "major business partner" and he meets the Company's standards for Independent Directors. The Company does not have any transactional relationships with Chuo Real Estate Co., Ltd.
- The Company has entered into an agreement with Takashi Okimoto 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 who is an Audit & Supervisory Committee Member at the 165th Ordinary General Meeting of Shareholders, the Company is scheduled to renew the terms of the agreement limiting liability with him.

No. 2	Yoshiiku Miyata (Date of birth: April 24, 1953)	Reappointment/ Outside Director/ Independent Director	Number of shares of the Company owned: 2,400 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1977:	Joined Matsushita Electric Ind. Co., Ltd.	Outside Director, JXTG Holdings, Inc.	
April 2007:	Executive Officer, Matsushita Electric Ind. Co., Ltd.		
April 2009:	Managing Executive Officer, Panasonic Corporation		
April 2011:	Senior Managing Executive Officer, Panasonic Corporation		
June 2011:	Senior Managing Director, Member of the Board, Panasonic Corporation		
June 2014:	Corporate Advisor, Panasonic Corporation		
March 2015:	Outside Director, TonenGeneral Sekiyu K.K.		
December 2015:	Retired from Corporate Advisor, Panasonic Corporation		
June 2016:	Director who is an Audit & Supervisory Committee Member of the Company (incumbent)		
April 2017:	Outside Director, JXTG Holdings, Inc. (incumbent)		
Reasons for selecting the candidate	As Yoshiiku Miyata is able to make objective, fair and neutral judgment based on his abundant experience in the different business fields from ours in the world of industry and deep insight as a corporate executive including the post of president of overseas business entities, we have concluded that he is well qualified to be an Outside Director who is an Audit & Supervisory Committee Member 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 25 through 27).		
Attendance at Board of Directors meetings during fiscal 2017: 19/21 meetings held (90%)	Term of office as Outside Director of the Company: 2 years		
Attendance at Audit & Supervisory Committee meetings during fiscal 2017: 17/19 meetings held (89%)			

- Yoshiiku Miyata is a candidate for Outside Director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- The Company registered Yoshiiku Miyata as an Independent Director with the financial instruments exchange. If Yoshiiku Miyata is elected as Director who is an Audit & Supervisory Committee Member at the 165th Ordinary General Meeting of Shareholders, the Company is scheduled to register Yoshiiku Miyata again as an Independent Director with the financial instruments exchange.
- In October 2017, during the term of office of Yoshiiku Miyata, the Company announced the fact that misconducts had been taking place in the Group concerning the products and services delivered by the Group, including the act of falsifying or fabricating inspection data for products falling short of public standards or customer specifications, and shipping or delivering those products to customers as if they conformed to the public standards or customer specifications.
Yoshiiku Miyata was not aware of these facts until problems were identified, but he had made proposals and called attention to matters regarding the type of company that the Company should aspire to be, and from the perspective of ensuring compliance, on a regular basis at meetings of the Board of Directors and other occasions.
Since these facts were identified, Yoshiiku Miyata has expressed various views aimed at ensuring the appropriateness and validity of the method of investigation, in addition to uncovering the causes and verifying safety, at meetings of the Board of Directors, and, based on his abundant experience in the different business fields from ours, and experience and knowledge as a corporate executive including the post of president of overseas business entities, has also contributed to the formulation of measures to prevent reoccurrence by providing proactive and constructive views as a member of the Quality Governance Restructuring Deliberation Committee, on matters including measures for strengthening quality governance, including at Group companies, organizational reforms, awareness-raising, and utilization of external personnel, as well as strengthening of the functions of overseas regional headquarters.
- Panasonic Corporation, where Yoshiiku Miyata served as an executive director, agreed to pay fines in July 2013 to

the US Department of Justice and in February 2014 to the Competition Bureau of Canada regarding a violation of antitrust laws in the automotive parts business.

- Although the Company and Panasonic Corporation have business transactions, he retired as an executive director of Panasonic Corporation more than 3 years ago and the amount of these transactions totals less than 2% of the Company's consolidated net sales and less than 2% of Panasonic Corporation's consolidated net sales, and therefore it would not be classified as a "major business partner" and he meets the Company's standards for Independent Directors.
- The Company has entered into an agreement with Yoshiiku Miyata 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 who is an Audit & Supervisory Committee Member at the 165th Ordinary General Meeting of Shareholders, the Company is scheduled to renew the terms of the agreement limiting liability with him.

No. 3	Hidero Chimori (Date of birth: May 24, 1954)	Reappointment/ Outside Director Independent Director	Number of shares of the Company owned: 700 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1983:	Registered as Attorney at Law	Representative Partner, Miyake & Partners Outside Audit & Supervisory Board Member, NAITO Securities Co., Ltd. Outside Company Auditor, ROHM Co., Ltd.	
May 2002:	Representative Partner, Miyake & Partners (incumbent)		
June 2002:	Outside Audit & Supervisory Board Member, OMRON Corporation		
June 2006	Outside Audit & Supervisory Board Member, DUSKIN CO., LTD.		
June 2011:	Outside Audit & Supervisory Board Member, NAITO Securities Co., Ltd. (incumbent)		
June 2016:	Director who is an Audit & Supervisory Committee Member of the Company (incumbent) Outside Company Auditor, ROHM Co., Ltd. (incumbent)		
Reasons for selecting the candidate	Although Hidero Chimori has not participated in the management of a company in a position other than outside director and outside audit & supervisory board member, as he has deep insight backed by his abundant experience in the legal profession as an attorney at law and extensive knowledge as an Outside Audit & Supervisory Board Member of listed companies, and is able to make objective, fair and neutral judgment, we have concluded that he is well qualified to be an Outside Director who is an Audit & Supervisory Committee Member 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 25 through 27).		
Attendance at Board of Directors meetings during fiscal 2017: 20/21 meetings held (95%)		Term of office as Outside Director of the Company: 2 years	
Attendance at Audit & Supervisory Committee meetings during fiscal 2017: 19/19 meetings held (100%)			

- Hidero Chimori is a candidate for Outside Director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- The Company registered Hidero Chimori as an Independent Director with the financial instruments exchange. If Hidero Chimori is elected as Director who is an Audit & Supervisory Committee Member at the 165th Ordinary General Meeting of Shareholders, the Company is scheduled to register Hidero Chimori again as an Independent Director with the financial instruments exchange.
- In October 2017, during the term of office of Hidero Chimori, the Company announced the fact that misconducts had been taking place in the Group concerning the products and services delivered by the Group, including the act of falsifying or fabricating inspection data for products falling short of public standards or customer specifications, and shipping or delivering those products to customers as if they conformed to the public standards or customer specifications.
Hidero Chimori was not aware of these facts until problems were identified, but he had made proposals and called attention to matters regarding the type of company that the Company should aspire to be, and from the perspective of ensuring compliance, on a regular basis at meetings of the Board of Directors and other occasions.
Since these facts were identified, Hidero Chimori has expressed various views aimed at ensuring the appropriateness and validity of the method of investigation, in addition to uncovering the causes and verifying safety, at meetings of the Board of Directors, and, based on his experience and knowledge as an attorney at law and as an outside audit & supervisory board member at other listed companies, has also contributed to the formulation of measures to prevent recurrence by providing proactive and constructive views as a member of the Quality Governance Restructuring Deliberation Committee, on matters including measures for strengthening quality governance, including at Group companies, organizational reforms, awareness-raising, and utilization of external personnel, as well as strengthening of the functions of overseas regional headquarters.
- Although the Company and Miyake & Partners have business transactions, no advisory contract exists between the two, and as the amount of these transactions totals less than 1 million yen, and less than 1% of Miyake & Partners' net sales, he meets the Company's standards for Independent Directors.
- The Company has entered into an agreement with Hidero Chimori 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 who is an Audit & Supervisory Committee Member at the 165th Ordinary General Meeting of Shareholders, the Company is scheduled to renew the terms of the agreement limiting liability with him.

No. 4	Hiroshi Ishikawa (Date of birth: April 7, 1958)	New Appointment/ Internal Director	Number of shares of the Company owned: 8,000 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1982:	Joined the Company		
April 2013:	General Manager, the Iron Unit Division, General Manager of the International Operations Department, General Manager of the Plant Engineering Department, Engineering Business		
April 2014:	Officer		
April 2016:	Senior Officer (incumbent)		
Reasons for selecting the candidate	Hiroshi Ishikawa has abundant experience and insight in project management in the engineering business and operations at planning and administration division in the business divisions, and we have concluded that he is well qualified to be an Audit & Supervisory Committee Member of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors (please see pages 25 through 26).		

- If Hiroshi Ishikawa is elected as Director who is an Audit & Supervisory Committee Member, the Company is scheduled to select him as a full-time Audit & Supervisory Committee Member at the first meeting of the Audit & Supervisory Committee to be held after the conclusion of the 165th Ordinary General Meeting of Shareholders.
- If Hiroshi Ishikawa is elected as Director who is an Audit & Supervisory Committee Member at the 165th 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.

No. 5	Yasushi Tsushima (Date of birth: July 8, 1959)	New Appointment/ Internal Director	Number of shares of the Company owned: 6,300 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1982:	Joined the Company		
April 2013:	Officer		
June 2015:	Director, Managing Executive Officer of Kobelco Construction Machinery Co., Ltd. (incumbent)		
Reasons for selecting the candidate	Yasushi Tsushima has abundant experience and insight in operations of planning and administration divisions in the iron & steel business and the electric power business as well as Kobelco Construction Machinery Co., Ltd., and we have concluded that he is well qualified to be an Audit & Supervisory Committee Member of the Company in light of the Company's fundamental policy with regard to appointment of candidates for Directors (please see pages 25 through 26).		

- If Yasushi Tsushima is elected as Director who is an Audit & Supervisory Committee Member, the Company is scheduled to select him as a full-time Audit & Supervisory Committee Member at the first meeting of the Audit & Supervisory Committee to be held after the conclusion of the 165th Ordinary General Meeting of Shareholders.
- If Yasushi Tsushima is elected as Director who is an Audit & Supervisory Committee Member at the 165th 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 4: 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.

Kunio Miura (Date of birth: February 13, 1953)		Outside Director/ Independent Director	Number of shares of the Company owned: 0 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1979:	Appointed as judge	Representative of Kawamoto, Miura and Hirata Law Office Outside Audit & Supervisory Board Member of ASAHI INTELLIGENCE SERVICE CO., LTD. External Corporate Auditor of Sumitomo Seika Chemicals Company Limited	
March 1988:	Retired as judge		
April 1988:	Admitted to the bar		
April 1997:	Representative of Kawamoto and Miura Law Office (currently Kawamoto, Miura and Hirata Law Office) (incumbent)		
June 2003:	Outside Corporate Auditor of YAMAHA CORPORATION		
June 2008:	Outside Audit & Supervisory Board Member of ASAHI INTELLIGENCE SERVICE CO., LTD. (incumbent)		
June 2010:	External Corporate Auditor of Sumitomo Seika Chemicals Company Limited (incumbent)		
Reasons for selecting the candidate	As Kunio Miura is able to make objective, fair and neutral judgment drawing on his abundant experience as a judge and lawyer and insight as an Outside Audit & Supervisory Board Member of listed companies, 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 and Standards for Independent Directors (please see pages 25 through 27).		

- Kunio Miura is a candidate for Outside Director who is a substitute Audit & Supervisory Committee Member.
- The Company and Kawamoto, Miura and Hirata Law Office have no business transactions.
- If this Item is approved at the 165th Ordinary General Meeting of Shareholders, and Kunio Miura assumes the position as Director who is an Audit & Supervisory Committee Member, the Company is scheduled to enter into an agreement with him that limits his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act.

<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 2, Item 3 and Item 4, 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.