

(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 30, 2019

**NOTICE OF  
166TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

Kobe Steel, Ltd. (“the Company”) would hereby like to inform you that the 166th 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 19, 2019 (JST (Japan Standard Time)).**

**[Voting in writing (by mail)]**

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

**[Voting via the Internet]**

**Please read the “Guide to Exercising Voting Rights” on pages 3 and 4 and input your approval or disapproval of each proposal 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 20, 2019** (JST (Japan Standard Time))  
(The venue is scheduled to be open at 8:30 a.m.)

**2. Venue:**

Kobe International Exhibition Hall No. 2 Building (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 166th business term (from April 1, 2018 to March 31, 2019)
  2. The results of audit to consolidated financial statements by Accounting Auditors and the Audit & Supervisory Committee for the 166th 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. Matters regarding this Notice of Convocation**

**(1) 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/english/>). 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.

**(2) 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/english/>).



### **Guide to Exercising Voting Rights**

Voting rights at General Meetings of Shareholders are important rights held by shareholders. Please exercise your voting right after reviewing the Reference Documents for the General Meeting of Shareholders. Voting rights can be exercised by the following three methods.

#### **By Attending the General Meeting of Shareholders**



Please submit the enclosed voting form at the meeting venue reception desk.

**Date and time of the Meeting: Thursday, June 20, 2019, at 10:00 a.m.**

**(JST (Japan Standard Time))**

**(Reception is scheduled to start at 8:30 a.m. (JST (Japan Standard Time)))**

#### **Exercising Voting Rights in Writing (by mail)**



Please indicate your approval/disapproval of each matter to be resolved shown on the enclosed Voting Form, and then return the voting form back to the Company so that it reaches us by the deadline.

**Deadline for the exercise of voting rights: No later than 5:30 p.m. Wednesday, June 19, 2019 (JST (Japan Standard Time))**

#### **Exercising Voting Rights via the Internet (using a personal computer, a smartphone or a mobile phone)**



Please follow the guidance below and enter your approval/disapproval of each matter to be resolved.

**Deadline for the exercise of voting rights: No later than 5:30 p.m. Wednesday, June 19, 2019 (JST (Japan Standard Time))**

#### **\* 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.

### **Guide to Exercising Voting Rights via the Internet**

#### **By Entering Login ID and Temporary Password**

“Exercise of Voting Rights website” <https://evote.tr.mufg.jp/>

1. Please access the Exercise of Voting Rights website.
2. Enter your Login ID and Temporary Password provided on the voting form and click on Login.
3. Please register a new password.
4. Please indicate your approval or disapproval of each proposal following on-screen instructions

- (i) Please contact the following office about how to operate your computer, smartphone or mobile phone in order to exercise your voting rights via the Internet:

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.) (JST (Japan Standard Time))

- (ii) As for inquiries other than those covered in 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. (JST (Japan Standard Time)), excluding Saturdays, Sundays and Japanese national holidays)

1. The Exercise of Voting Rights website is unavailable from 2 a.m. to 5 a.m. every day.
2. Institutional investors may use the electronic voting platform for institutional investors operated by ICJ, Inc.
3. The costs incurred for the access to the Exercise of Voting Rights website (such as provider's Internet connection fees and communication charges) shall be borne by the shareholders.

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.

## Reference Documents for the General Meeting of Shareholders

**1. Total Number of Voting Rights Held by All Shareholders: 3,611,441**

### **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 ten (10) 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 166th Ordinary General Meeting of Shareholders. Accordingly, it is proposed that eleven (11) Directors be elected.

The Company proposes to add one (1) more Independent Director as improvement of medium- to long-term corporate value essentially calls for enhanced independence, objectivity, and diversity of the Board of Directors as well as its strengthened supervisory functions.

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

For the selection of candidates for Director, the Company set forth the principles on appointment of candidates for Directors and Standards for Independent Directors, and the Board of Directors deliberates on whether or not the candidate has insights or qualities that meet the requirements described therein after consultation with the Nomination & Compensation Committee. Principal experiences etc. of the candidates for Directors at the 166th Ordinary General Meeting of Shareholders are as follows:

(Please see pages 20 through 22 for the principles on appointment of candidates for Directors and Standards for Independent Directors).

<Principal experiences etc. of the candidates for Directors (excluding Directors who are Audit & Supervisory Committee Members)>

No.	Name	Reappointment/New appointment Internal/Outside	Independent Director at the financial instruments exchange	Gender	Current position, etc.	Planning/Project management	Finance/Accounting	Materials business	Machinery business	Electric power business	Technical development/manufacturing/facility technology	Overseas business	Legal/risk management	Insights into other industry sectors
1	Mitsugu Yamaguchi	Reappointment Internal	-	Male	President, CEO and Representative Director, Member of Nomination & Compensation Committee	✓	✓	✓	✓			✓		
2	Yoshinori Onoe	Reappointment Internal	-	Male	Representative Director, Executive Vice President	✓		✓		✓	✓			
3	Fusaki Koshiishi	Reappointment Internal	-	Male	Representative Director, Executive Vice President	✓		✓			✓			
4	Takao Ohama	Reappointment Internal	-	Male	Representative Director, Executive Vice President	✓			✓		✓	✓		
5	Koichiro Shibata	Reappointment Internal	-	Male	Representative Director, Executive Vice President	✓		✓			✓			
6	Shohei Manabe	Reappointment Internal	-	Male	Director, Senior Managing Executive Officer	✓			✓			✓	✓	
7	Jiro Kitagawa	Reappointment Internal	-	Male	Director, Senior Managing Executive Officer	✓		✓		✓	✓			
8	Yoshihiko Katsukawa	Reappointment Internal	-	Male	Director, Senior Managing Executive Officer	✓	✓		✓				✓	
9	Takao Kitabata	Reappointment Outside	✓	Male	Director, Chairman of the Board of Directors, Member (Chairman) of Nomination & Compensation Committee								✓	✓
10	Hiroyuki Bamba	Reappointment Outside	✓	Male	Director	✓					✓			✓
11	Yumiko Ito	New appointment Outside	✓	Female	-								✓	✓

\* The above list only shows a part of all experiences etc. of each candidate. Please also refer to the “Reasons for selecting the candidate” described in each candidate’s career summary section below.

<Grounds for determining the independence of candidates for Outside Directors (excluding Directors who are Audit & Supervisory Committee Members)>

Name	Grounds for determining independence	
Takao Kitabata	SANDA GAKUEN Junior High School – Senior High School	No business transactions with and no donations from the Company. Retired from Chairman in March 2019
Hiroyuki Bamba	Sumitomo Rubber Industries, Ltd.	Sales from the Company: The amount of these transactions totals less than 0.1% of the Company's consolidated net sales. Retired from executive position in June 2003 (three or more years have passed)
	SRI Sports Limited (currently Sumitomo Rubber Industries, Ltd.)	No business transactions with the Company. Retired from executive position in March 2015 (three or more years have passed)
Yumiko Ito	GE Yokogawa Medical Systems, Ltd. (currently GE Healthcare Japan Corporation)	No business transactions with the Company.
	IBM Japan, Ltd.	Purchases by the Company: The amount of these transactions totals less than 0.01% of the IBM Japan, Ltd.'s consolidated net sales.
	Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)	No business transactions with the Company. Retired from executive position in March 2013 (three or more years have passed)
	Sharp Corporation	Sales from the Company: The amount of these transactions totals less than 0.01% of the Company's consolidated net sales. Retired from executive position in March 2019
	Sakawa Law Office	No advisory contract (Retired in July 1991). No business transactions with the Company.
	Tanabe & Partners	No advisory contract (Retired in March 2001). Payment by the Company: Less than 1 million yen
	Ito Law Office	No advisory contract. No business transactions with the Company.

\* The amounts of sales, purchases and payments above represent annual transaction amounts over the past three years.

[Supplemental Information: Principal experiences etc. of Directors who are Audit & Supervisory Committee Members]

(Not candidates for the 166th Ordinary General Meeting of Shareholders)

Name	Internal/Outside	Independent Director at the financial instruments exchange	Gender	Current position, etc.	Planning/Project management	Finance/Accounting	Materials business	Machinery business	Electric power business	Technical development/manufacturing/facility technology	Overseas business	Legal/risk management	Insights into other industry sectors
Hiroshi Ishikawa	Internal	-	Male	Audit & Supervisory Committee Member (full time)	✓			✓			✓		
Yasushi Tsushima	Internal	-	Male	Audit & Supervisory Committee Member (full time)	✓	✓	✓	✓	✓				
Takashi Okimoto	Outside	✓	Male	Audit & Supervisory Committee Member (Chairman), Member of Nomination & Compensation Committee		✓							✓
Yoshiiku Miyata	Outside	✓	Male	Audit & Supervisory Committee Member	✓						✓		✓
Hidero Chimori	Outside	✓	Male	Audit & Supervisory Committee Member								✓	✓

Name	Grounds for determining independence	
Takashi Okimoto	Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)	Borrowings from the Bank: Less than 10% of funds. Retired from executive position in April 2007 (three or more years have passed)
	Orient Corporation	Sales from the Company: The amount of these transactions totals less than 0.01% of the Company's consolidated net sales. Retired from executive position in June 2011 (three or more years have passed)
	Chuo Real Estate Co., Ltd.	No business transactions with the Company.
Yoshiiku Miyata	Panasonic Corporation	Sales from the Company: The amount of these transactions totals less than 0.1% of the Company's consolidated net sales. Purchases by the Company: The amount of these transactions totals less than 0.1% of the Panasonic Corporation's consolidated net sales. Retired from executive position in June 2014 (three or more years have passed)
Hidero Chimori	Miyake & Partners	No advisory contract. Payment by the Company: The amount of payment is less than 1% of the Miyake & Partners' net sales. Retired from Representative Partner in May 2019

\* The amounts of sales, purchases and payments above represent annual transaction amounts over the past three years.



Career summary of each candidate is as follows. There are no special interests between the candidates and the Company.

No. 1	<b>Mitsugu Yamaguchi</b> (Date of birth: January 8, 1958)	Reappointment/ Internal Director	Number of shares of the Company owned: 13,500 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 and 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 principles on appointment of candidates for Directors (please see page 20). In particular, in rebuilding the governance system centered on quality, which is an important 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 the Head Office, is well qualified for the position.		

No. 2	<b>Yoshinori Onoe</b> (Date of birth: November 30, 1955)	Reappointment/ Internal Director	Number of shares of the Company owned: 21,700 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1980: Joined the Company April 2008: Officer April 2010: Senior Officer April 2012: Executive Officer April 2014: Executive Vice President June 2014: Executive Vice President and Director April 2016: Executive Vice President and Director (incumbent)		Oversees companywide technical development. Oversees the Health & Safety Department, Environmental Control & Disaster Prevention Department, Research & Development Planning Department and IT Planning Department. Oversees companywide health and safety. Oversees companywide environmental control and disaster prevention. Oversees companywide information systems. Head of the Technical Development Group.	
Reasons for selecting the candidate	Yoshinori Onoe has abundant experience and knowledge in the field of product technology in the iron and steel business and experience as General Manager of a steelworks, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's principles on appointment of candidates for Directors (please see page 20). In addition, as a person to supervise the field of technical development that serves as the foundation of our growth strategy, and health and safety 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 pertaining to production sites, is well qualified.		

No. 3	<b>Fusaki Koshiishi</b> (Date of birth: August 29, 1959)	Reappointment/ Internal Director	Number of shares of the Company owned: 14,400 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 & Promotion Department. Oversees 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 principles on appointment of candidates for Directors (please see page 20). 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	<b>Takao Ohama</b> (Date of birth: October 14, 1955)	Reappointment/ Internal Director	Number of shares of the Company owned: 19,400 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1981:	Joined the Company	Oversees machinery businesses. Head of the Machinery Business	
April 2010:	Officer		
April 2012:	Senior Officer		
April 2014:	Executive Officer		
April 2018:	Executive Vice President		
June 2018:	Executive Vice President and Director (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 principles on appointment of candidates for Directors (please see page 20). 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. 5	<b>Koichiro Shibata</b> (Date of birth: December 6, 1958)	Reappointment/ Internal Director	Number of shares of the Company owned: 12,800 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1984:	Joined the Company	Oversees materials businesses. Head of the Iron & Steel Business	
April 2012:	Officer		
April 2014:	Senior Officer		
April 2016:	Senior Managing Executive Officer		
April 2018:	Executive Vice President		
June 2018:	Executive Vice President and Director (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 a steelworks, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's principles on appointment of candidates for Directors (please see page 20). In addition, as a person to supervise the diversified 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. 6	<b>Shohei Manabe</b> (Date of birth: September 16, 1955)	Reappointment/ Internal Director	Number of shares of the Company owned: 16,200 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 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 principles on appointment of candidates for Directors (please see page 20). 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. 7	<b>Jiro Kitagawa</b> (Date of birth: September 1, 1959)	Reappointment/ Internal Director	Number of shares of the Company owned: 13,500 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 2014:	Officer		
April 2016:	Managing Senior Officer		
April 2018:	Senior Managing Executive Officer		
June 2018:	Director, Senior Managing 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 and steel business and in the electric power business field, and we have concluded that he is well qualified to be a Director of the Company in light of the Company's principles on appointment of candidates for Directors (please see page 20). 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. 8	<b>Yoshihiko Katsukawa</b> (Date of birth: March 12, 1962)	Reappointment/ Internal Director	Number of shares of the Company owned: 7,400 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 2014:	General Manager of the Corporate Planning Department		
April 2015:	Officer		
April 2017:	Managing Executive Officer		
April 2018:	Senior Managing Executive Officer		
June 2018:	Director, Senior Managing Executive Officer (incumbent)		
Reasons for selecting the candidate	Yoshihiko Katsukawa has abundant experience and knowledge in the Company's corporate planning department and planning and administration departments 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 principles on appointment of candidates for Directors (please see page 20). 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 departments and administration departments, is well qualified.		

No. 9	<b>Takao Kitabata</b> (Date of birth: January 10, 1950)	Reappointment/ Outside Director/ Independent Director at the financial instruments exchange	Number of shares of the Company owned: 4,700 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1972:	Joined the Ministry of International Trade and Industry	Outside Director of Marubeni Corporation	
June 2004:	Director-General, Economic and Industrial Policy Bureau, the Ministry of Economy, Trade and Industry (METI)	Outside Director of SEIREN CO., LTD.	
July 2006:	Vice-Minister of Economy, Trade and Industry	Outside Director of Zeon Corporation	
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 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)		
March 2019:	Retired from Chairman of SANDA GAKUEN Junior High School – Senior High School		
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 Independent Director of the Company in light of the Company's principles on appointment of candidates for Directors and Standards for Independent Directors (please see pages 20 through 22).		
Attendance at Board of Directors meetings during fiscal 2018: 16/16 meetings held (100%)	Term of office as Outside Director of the Company: 9 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 Independent Director at the 166th 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. In March 2019, with regard to a part of the whole misconducts, the Company was convicted of violating the Unfair Competition Prevention Act in Japan. Takao Kitabata was not aware of these facts until the problems were identified, but he had made suggestions 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, as well as uncovering the causes and verifying safety, at meetings of the Board of Directors. In addition, based on his experience and knowledge as an administrative official and as an outside director/audit & supervisory board member of other listed companies, he has also contributed to the formulation of measures to prevent recurrence by providing proactive and constructive views as members of the Quality Governance Restructuring Deliberation Committee, on matters including measures for strengthening quality governance, organizational reforms, awareness-raising, and utilization of external personnel including at Group companies, as well as strengthening of the functions of overseas regional headquarters. Subsequently, since Takao Kitabata assumed the position of Chairman of the Board of Directors in June 2018, he has been receiving reports in a regular basis at the meetings of the Board of Directors on the progress of measures to prevent recurrence, and appropriately monitoring various initiatives regarding initiatives aimed at restoring trust, such as the implementation of measures to prevent recurrence, governance reform, and employee's awareness -raising by commenting based on their respective professional knowledge.

- Takao Kitabata meets the Company's Standards for Independent Directors. The summary is as follows.

SANDA GAKUEN Junior High School – Senior High School	No business transactions with and no donations from the Company. Retired from Chairman in March 2019
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- 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 166th Ordinary General Meeting of Shareholders, the Company is scheduled to renew the terms of the agreement limiting liability with him.

No. 10	<b>Hiroyuki Bamba</b> (Date of birth: January 27, 1954)	Reappointment/ Outside Director/ Independent Director at the financial instruments exchange	Number of shares of the Company owned: 2,900 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 Independent Director of the Company in light of the Company's principles on appointment of candidates for Directors and Standards for Independent Directors (please see pages 20 through 22).		
Attendance at Board of Directors meetings during fiscal 2018: 16/16 meetings held (100%)	Term of office as Outside Director of the Company: 2 years		

- 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 166th Ordinary General Meeting of Shareholders, the Company is scheduled to register Hiroyuki Bamba again as an Independent Director at the financial instruments exchange.
- 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. In March 2019, with regard to a part of the whole misconducts, the Company was convicted of violating the Unfair Competition Prevention Act in Japan. Hiroyuki Bamba was not aware of these facts until the problems were identified, but he had made suggestions 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, as well as uncovering the causes and verifying safety, at meetings of the Board of Directors. In addition, based on his experience and knowledge as a corporate executive in the different business fields from ours, he has also contributed to the formulation of measures to prevent recurrence by providing proactive and constructive views as members of the Quality Governance Restructuring Deliberation Committee, on matters including measures for strengthening quality governance, organizational reforms, awareness-raising, and utilization of external personnel including at Group companies, as well as strengthening of the functions of overseas regional headquarters. Subsequently, Hiroyuki Bamba has been receiving reports in a regular basis at the meetings of the Board of Directors on the progress of measures to prevent recurrence, and appropriately monitoring various initiatives regarding initiatives aimed at restoring trust, such as the implementation of measures to prevent recurrence, governance reform, and employee's awareness -raising by commenting based on their respective professional knowledge.

- Hiroyuki Bamba meets the Company's Standards for Independent Directors. The summary is as follows.

Sumitomo Rubber Industries, Ltd.	Sales from the Company: The amount of these transactions totals less than 0.1% of the Company's consolidated net sales. Retired from executive position in June 2003 (three or more years have passed)
SRI Sports Limited (currently Sumitomo Rubber Industries, Ltd.)	No business transactions with the Company. Retired from executive position in March 2015 (three or more years have passed)

- 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 166th Ordinary General Meeting of Shareholders, the Company is scheduled to renew the terms of the agreement limiting liability with him.



No. 11	<b>Yumiko Ito</b> (Date of birth: March 13, 1959)	New appointment/ Outside Director/ Independent Director at the financial instruments exchange	Number of shares of the Company owned:  0 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1984:	Legislation Staff ( <i>Sanji</i> ), The Legislative Bureau of the House of Representatives of Japan	Attorney at Law, Ito Law Office	
April 1989:	Admitted to the bar in Japan Joined Sakawa Law Office		
July 1991:	Joined Tanabe & Partners		
April 2001:	General Counsel, Legal & Patent Operation, GE Yokogawa Medical Systems, Ltd. (currently GE Healthcare Japan Corporation)		
May 2004:	Staff Counsel, Legal & Intellectual Property, IBM Japan, Ltd.		
March 2007:	Executive Officer, Legal & Corporate Affairs, Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)		
April 2013:	Executive Officer and General Counsel, Sharp Corporation		
June 2013:	Director, Executive Officer and General Counsel, Sharp Corporation		
April 2014:	Director, Executive Managing Officer and General Counsel, Sharp Corporation		
June 2016:	Executive Managing Officer and General Counsel, Sharp Corporation		
March 2019:	Retired from the position of Executive Managing Officer and General Counsel, Sharp Corporation		
April 2019:	Established Ito Law Office		
Reasons for selecting the candidate	As Yumiko Ito is able to make objective, fair and neutral judgment based on her abundant experience and deep insight centered on legal affairs in corporate management, we have concluded that she is well qualified to be an Independent Director of the Company in light of the Company's principles on appointment of candidates for Directors and Standards for Independent Directors (please see pages 20 through 22).		

- Yumiko Ito is a candidate for Outside Director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- If Yumiko Ito is elected as Outside Director at the 166th Ordinary General Meeting of Shareholders, the Company is scheduled to register Yumiko Ito as an Independent Director at the financial instruments exchange.

- Yumiko Ito meets the Company's Standards for Independent Directors. The summary is as follows.

GE Yokogawa Medical Systems, Ltd. (currently GE Healthcare Japan Corporation)	No business transactions with the Company.
IBM Japan, Ltd.	Purchases by the Company: The amount of these transactions totals less than 0.01% of the IBM Japan, Ltd.'s consolidated net sales.
Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)	No business transactions with the Company. Retired from executive position in March 2013 (three or more years have passed)
Sharp Corporation	Sales from the Company: The amount of these transactions totals less than 0.01% of the Company's consolidated net sales. Retired from executive position in March 2019
Sakawa Law Office	No advisory contract (Retired in July 1991). No business transactions with the Company.
Tanabe & Partners	No advisory contract (Retired in March 2001). Payment by the Company: Less than 1 million yen
Ito Law Office	No advisory contract. No business transactions with the Company.

- Yumiko Ito is a candidate for Outside Corporate Auditor at the 107th Annual General Meeting of Shareholders of Santen Pharmaceutical Co., Ltd. to be held on June 25, 2019.
- If Yumiko Ito is elected as Outside Director at the 166th Ordinary General Meeting of Shareholders, the Company is scheduled to enter into an agreement with her that the limit of her 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.

<b>Kunio Miura</b> (Date of birth: February 13, 1953)		Outside Director/ Independent Director at the financial instruments exchange	Number of shares of the Company owned: 0 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1979: Appointed as judge March 1988: Retired as judge April 1988: Admitted to the bar in Japan 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)	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.		
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 Independent Director who is a substitute Audit & Supervisory Committee Member of the Company in light of the Company's principles on appointment of candidates for Directors and Standards for Independent Directors (please see pages 20 through 22).		

- Kunio Miura is a candidate for Outside Director who is a substitute Audit & Supervisory Committee Member.
- If this item is approved at the 166th 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 register him as an Independent Director at the financial instruments exchange.
- The Company and Kawamoto, Miura and Hirata Law Office have no business transactions.
- If this Item is approved at the 166th 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 the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount stipulated by laws and regulations.

**<Reference: the Company's principles on 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 the consultation with and reports from the Nomination & Compensation Committee about whether or not he or she meets the requirements described in the Company's principles on appointment of candidates for Directors and Standards for Independent Directors.

**The Company's principles on 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 principle 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 their own careers, to be capable to hold deep insight regarding the Company's business and their 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 their careers;
  - 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 principles on 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 principle 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 their careers; 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 Independent Directors serving on the Audit & Supervisory Committee.

- A) A person who currently executes or has executed businesses of the Group, which includes the Company and its subsidiaries (i.e., executive directors, executive officers (consisting of *shikkoyaku* and *shikkoyakuin*) 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 currently executes or has executed its business over the past three years.
- 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 currently executes or has executed its business over the past three years.
- 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 from the Company, excluding remuneration for Director of the Company. If the person receiving such financial gain is an individual, the "large sum" means the larger of 10 million yen or 100 thousand U.S. dollars or more in a year. If the person receiving such financial gain is a party such as a company or an association, the "large sum" means the amount equal to or more than 2% of the party's annual consolidated net sales, and this condition is applicable to an individual who belongs to the party (but excluding an individual independently performing his

or her duties without receiving any remuneration from the party).

- H) Certified public accountants who are Accounting Auditors of the entity or those belong to the audit corporation that is an Accounting Auditor of the Company.
- I) A representative person or the equivalent thereof of a 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 that mutually dispatches independent directors/corporate auditors. (The person who executes the business of the Group is an independent 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, the person who belongs to a professional advisory firm such as a law firm is limited to a member or a partner of the firm.
- L) A person who has a close relative who falls under any 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 has been over the past one year a non-executive director of the Company.