

(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)

June 3, 2020

**NOTICE OF
167TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

Kobe Steel, Ltd. (“the Company”) would hereby like to inform you that the 167th Ordinary General Meeting of Shareholders will be held as follows. In a bid to prevent the spread of the novel coronavirus infection, we strongly recommend that all shareholders refrain from coming to the venue to attend the meeting and instead exercise their voting rights in advance in writing (by mail) or via the Internet.

[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:

10:30 a.m., Wednesday, June 24, 2020 (JST (Japan Standard Time)) (The venue is scheduled to be open at 9:30 a.m.)
Please note that venue's opening time and meeting's starting time have been delayed to later than usual to avoid rush hour crowding on public transport.

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 167th business term (from April 1, 2019 to March 31, 2020)
 2. The results of audit to consolidated financial statements by Accounting Auditors and the Audit & Supervisory Committee for the 167th 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 five (5) Directors who are Audit & Supervisory Committee Members
- Item 3: 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 (<https://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 (<https://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: Wednesday, June 24, 2020, at 10:30 a.m. (JST (Japan Standard Time))

(Reception is scheduled to start at 9:30 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. Tuesday, June 23, 2020 (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. Tuesday,
June 23, 2020 (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))
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- (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)
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1. The Exercise of Voting Rights website is unavailable from 2 a.m. to 5 a.m. (JST (Japan Standard Time)) 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: **3,611,577**

2. Agenda Items and Reference Documents:

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

The terms of office of the eleven (11) incumbent Directors (excluding Directors who are Audit & Supervisory Committee Members; hereinafter, the same shall apply in this Item) will expire at the conclusion of the 167th Ordinary General Meeting of Shareholders. Accordingly, it is proposed that eleven (11) Directors be elected.

In evaluating this proposal, the Audit & Supervisory Committee has confirmed that the candidates for Directors were selected in accordance with the Company's principles on appointment of candidates for Directors, and that they were reviewed by the Nomination & Compensation Committee. As a result of the evaluation, the Audit & Supervisory Committee has stated that each of the candidates was suitable as the Company's Directors and that there are no issues to be noted for this proposal.

The candidates for the Company's Directors at the 167th Ordinary General Meeting of Shareholders are as follows.

(Please see pages 26 through 28 for the Company's principles on appointment of candidates for Directors and Standards for Independent Directors. Please also see "(Reference) Principal experiences etc. of candidates proposed in Item 1 and Item 2" on page 23).

<List 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.
1	Mitsugu Yamaguchi	Reappointment Internal	-	Male	President, CEO and Representative Director, Member of Nomination & Compensation Committee
2	Fusaki Koshiishi	Reappointment Internal	-	Male	Representative Director, Executive Vice President
3	Koichiro Shibata	Reappointment Internal	-	Male	Representative Director, Executive Vice President
4	Jiro Kitagawa	Reappointment Internal	-	Male	Director, Senior Managing Executive Officer
5	Yoshihiko Katsukawa	Reappointment Internal	-	Male	Director, Senior Managing Executive Officer
6	Takao Kitabata	Reappointment Outside	✓	Male	Director, Chairman of the Board of Directors, Member (Chairman) of Nomination & Compensation Committee
7	Hiroyuki Bamba	Reappointment Outside	✓	Male	Director
8	Yumiko Ito	Reappointment Outside	✓	Female	Director
9	Makoto Mizuguchi	New appointment Internal	-	Male	Executive Vice President
10	Kazuto Morisaki	New appointment Internal	-	Male	Executive Vice President
11	Hajime Nagara	New appointment Internal	-	Male	Senior Managing Executive Officer

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

No. 1	Mitsugu Yamaguchi (Date of birth: January 8, 1958)	Reappointment/ Internal Director	Number of shares of the Company owned: 39,200 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 26). Restoration of earnings base and profitability enhancement are urgent issues for the Company, and top management is required 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	Fusaki Koshiishi (Date of birth: August 29, 1959)	Reappointment/ Internal Director	Number of shares of the Company owned: 34,400 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1984: Joined the Company 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)		Oversees the Health & Safety Department, Quality Management Department, Environmental Control & Disaster Prevention Department and MONODZUKURI (Production System Innovation) Planning & Promotion Department. Oversees companywide health and safety. Oversees companywide quality. Oversees companywide environmental protection and disaster prevention.	
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 26). In addition, as a person to supervise companywide health and safety, companywide quality, and companywide environmental protection and disaster prevention 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. 3	Koichiro Shibata (Date of birth: December 6, 1958)	Reappointment/ Internal Director	Number of shares of the Company owned: 31,400 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1984:	Joined the Company	Oversees the materials businesses. Head of the Steel & Aluminum 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 26). In addition, as a person to supervise the diversified metallic materials businesses, which require structural reorganization and the subsequent reinforcement of manufacturing capabilities, we have concluded that Koichiro Shibata, who has experience and knowledge in the field of product technology and production sites, is well qualified.		

No. 4	Jiro Kitagawa (Date of birth: September 1, 1959)	Reappointment/ Internal Director	Number of shares of the Company owned: 26,000 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 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. 5	Yoshihiko Katsukawa (Date of birth: March 12, 1962)	Reappointment/ Internal Director	Number of shares of the Company owned: 21,100 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1985:	Joined the Company	Oversees the Audit Department, Corporate Planning Department (excluding the Automotive Materials Planning Section), Accounting Department, Finance Department, Marketing Planning Department, domestic branch offices and sales offices (including Takasago Works) and overseas locations (under the head office).	
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 26). In addition, as a person to supervise the Group's Head Office, which includes the Corporate Planning Department and accounting / finance functions, and supports the implementation of management reforms, we have concluded that Yoshihiko Katsukawa, who has abundant experience at planning departments and administration departments, is well qualified.		

No. 6	Takao Kitabata (Date of birth: January 10, 1950)	Reappointment/ Outside Director/ Independent Director at the financial instruments exchange	Number of shares of the Company owned: 6,600 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	President of Kaishi Professional University	
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		
April 2020:	President of Kaishi Professional University (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 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 26 through 28).		
Attendance at Board of Directors meetings during fiscal 2019: 16/16 meetings held (100%)	Term of office as Outside Director of the Company: 10 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 167th Ordinary General Meeting of Shareholders, the Company is scheduled to register Takao Kitabata again as an Independent Director at the financial instruments exchange.
- 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
Kaishi Professional University	No business transactions with and no donations from the Company.

- 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 167th Ordinary General Meeting of Shareholders, the Company is scheduled to renew the terms of the agreement limiting liability with him.

No. 7	Hiroyuki Bamba (Date of birth: January 27, 1954)	Reappointment/ Outside Director/ Independent Director at the financial instruments exchange	Number of shares of the Company owned: 4,800 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 26 through 28).		
Attendance at Board of Directors meetings during fiscal 2019: 16/16 meetings held (100%)	Term of office as Outside Director of the Company: 3 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 167th Ordinary General Meeting of Shareholders, the Company is scheduled to register Hiroyuki Bamba again as an Independent Director at the financial instruments exchange.
- 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 167th Ordinary General Meeting of Shareholders, the Company is scheduled to renew the terms of the agreement limiting liability with him.

No. 8	Yumiko Ito (Date of birth: March 13, 1959)	Reappointment/ Outside Director/ Independent Director at the financial instruments exchange	Number of shares of the Company owned: 1,200 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	Representative of Ito Law Office Outside Corporate Auditor of Santen Pharmaceutical Co., Ltd.	
April 1989:	Admitted to the bar in Japan Joined Sakawa Law Office		
July 1991:	Joined Tanabe & Partners		
April 2001:	General Counsel, Legal & Patent Operation of GE Yokogawa Medical Systems, Ltd. (currently GE Healthcare Japan Corporation)		
May 2004:	Staff Counsel, Legal & Intellectual Property of IBM Japan, Ltd.		
March 2007:	Executive Officer, Legal & Corporate Affairs of Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)		
April 2013:	Executive Officer and General Counsel of Sharp Corporation		
June 2013:	Director, Executive Officer and General Counsel of Sharp Corporation		
April 2014:	Director, Executive Managing Officer and General Counsel of Sharp Corporation		
June 2016:	Executive Managing Officer and General Counsel of Sharp Corporation		
March 2019:	Retired from the position of Executive Managing Officer and General Counsel of Sharp Corporation		
April 2019:	Established Ito Law Office; appointed as Representative (incumbent)		
June 2019:	Director of the Company (incumbent) Outside Corporate Auditor of Santen Pharmaceutical Co., Ltd. (incumbent)		
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 26 through 28).		
Attendance at Board of Directors meetings during fiscal 2019: 11/12 meetings held (92%)	Term of office as Outside Director of the Company: 1 year		

- Yumiko Ito is a candidate for Outside Director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- The Company registered Yumiko Ito as an Independent Director at the financial instruments exchange. If Yumiko Ito is elected as Outside Director at the 167th Ordinary General Meeting of Shareholders, the Company is scheduled to register Yumiko Ito again as an Independent Director at the financial instruments exchange.
- Since Yumiko Ito assumed office as Director on June 20, 2019, 12 Board of Directors meetings have been held.

- 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 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 Company has entered into an agreement with Yumiko Ito 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. If she is elected as Director at the 167th Ordinary General Meeting of Shareholders, the Company is scheduled to renew the terms of the agreement limiting liability with her.

No. 9	Makoto Mizuguchi (Date of birth: April 28, 1959)	New appointment/ Internal Director	Number of shares of the Company owned: 33,300 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1982:	Joined the Company	Oversees the Research & Development Planning Department, Intellectual Property Department and IT Planning Department. Oversees companywide technical development. Oversees companywide information systems. Oversees companywide automotive projects.	
April 2011:	Officer		
April 2013:	Senior Officer		
April 2016:	Senior Managing Executive Officer		
April 2020:	Executive Vice President (incumbent)		
Reasons for selecting the candidate	Makoto Mizuguchi has abundant experience and knowledge in the field of product technology in the iron and steel 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 26). In addition, as a person to supervise the field of technical development that serves as the foundation of our growth strategy, we have concluded that Makoto Mizuguchi, who has experience and knowledge in the field of product technology, is well qualified.		
No. 10	Kazuto Morisaki (Date of birth: October 19, 1957)	New appointment/ Internal Director	Number of shares of the Company owned: 25,900 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1983:	Joined the Company	Oversees the machinery businesses. Head of the Engineering Business. Responsible for the companywide construction business.	
April 2012:	Officer		
April 2014:	Senior Officer		
April 2018:	Senior Managing Executive Officer		
April 2020:	Executive Vice President (incumbent)		
Reasons for selecting the candidate	Kazuto Morisaki has abundant experience and knowledge in planning and administration departments and procurement department in the machinery business and engineering 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 26). In addition, as a person to supervise the machinery businesses, we have concluded that Kazuto Morisaki, who has abundant experience in the technology department, planning department and procurement department of the field, is well qualified.		

No. 11	Hajime Nagara (Date of birth: July 5, 1961)	New appointment/ Internal Director	Number of shares of the Company owned: 19,800 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1985:	Joined the Company	Oversees the Compliance Management Department, Legal Department, Corporate Communications Department, General Administration Department, Human Resources Department, Civil Engineering & Construction Technology Department, Machinery & Materials Procurement Department and the Rugby Administration Office. Oversees companywide compliance.	
April 2015:	General Manager of Planning & Administration Department, Iron & Steel Business		
April 2016:	Executive Officer		
April 2018:	Managing Executive Officer		
April 2020:	Senior Managing Executive Officer (incumbent)		
Reasons for selecting the candidate	Hajime Nagara has abundant experience and knowledge in the human resources department and the 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 26). In addition, as a person to supervise the departments that promote the reform of the Group's culture and support our business activities, such as compliance, legal and human resources, we have concluded that Hajime Nagara, who has abundant experience in the human resources department and planning department, is well qualified.		

Item 2: 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 167th 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 the Company's Directors who are Audit & Supervisory Committee Members at the 167th Ordinary General Meeting of Shareholders are as follows.

(Please see pages 26 through 28 for the Company's principles on appointment of candidates for Directors and Standards for Independent Directors. Please also see "(Reference) Principal experiences etc. of candidates proposed in Item 1 and Item 2" on page 23).

<List of the candidates for 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.
1	Hiroshi Ishikawa	Reappointment Internal	-	Male	Audit & Supervisory Committee Member (full-time)
2	Yasushi Tsushima	Reappointment Internal	-	Male	Audit & Supervisory Committee Member (full-time)
3	Yoshiiku Miyata	Reappointment Outside	✓	Male	Audit & Supervisory Committee Member
4	Kunio Miura	New appointment Outside	✓	Male	-
5	Masaaki Kono	New appointment Outside	✓	Male	-

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

No. 1	Hiroshi Ishikawa (Date of birth: April 7, 1958)	Reappointment/ Internal Director	Number of shares of the Company owned: 16,300 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1982:	Joined the Company		
April 2014:	Officer		
April 2016:	Managing Executive Officer		
June 2018:	Director who is an Audit & Supervisory Committee Member (incumbent)		
Reasons for selecting the candidate	Hiroshi Ishikawa has abundant experience and knowledge in project management in the engineering business and operations in the planning and administration departments 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 principles on appointment of candidates for Directors (please see pages 26 through 27).		

- Hiroshi Ishikawa is a full-time Audit & Supervisory Committee Member.
- The Company has entered into an agreement with Hiroshi Ishikawa 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 167th Ordinary General Meeting of Shareholders, the Company is scheduled to renew the terms of the agreement limiting liability with him.

No. 2	Yasushi Tsushima (Date of birth: July 8, 1959)	Reappointment/ Internal Director	Number of shares of the Company owned: 11,900 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.		
April 2018:	Director of Kobelco Construction Machinery Co., Ltd.		
June 2018:	Director who is an Audit & Supervisory Committee Member of the Company (incumbent)		
Reasons for selecting the candidate	Yasushi Tsushima has abundant experience and knowledge in operations of the planning and administration departments 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 principles on appointment of candidates for Directors (please see pages 26 through 27).		

- Yasushi Tsushima is a full-time Audit & Supervisory Committee Member.
- The Company has entered into an agreement with Yasushi Tsushima 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 167th Ordinary General Meeting of Shareholders, the Company is scheduled to renew the terms of the agreement limiting liability with him.

No. 3	Yoshiiku Miyata (Date of birth: April 24, 1953)	Reappointment/ Outside Director/ Independent Director at the financial instruments exchange	Number of shares of the Company owned: 12,000 shares
Career summary (positions)		Duties and significant concurrent positions	
April 1977:	Joined Matsushita Electric Ind. Co., Ltd.	Outside Director of JXTG Holdings, Inc.	
April 2007:	Executive Officer of Matsushita Electric Ind. Co., Ltd.		
April 2009:	Managing Executive Officer of Panasonic Corporation		
April 2011:	Senior Managing Executive Officer of Panasonic Corporation		
June 2011:	Senior Managing Director, Member of the Board of Panasonic Corporation		
June 2014:	Corporate Advisor of Panasonic Corporation		
March 2015:	Outside Director of TonenGeneral Sekiyu K.K.		
December 2015:	Retired from Corporate Advisor of Panasonic Corporation		
June 2016:	Director who is an Audit & Supervisory Committee Member of the Company (incumbent)		
April 2017:	Outside Director of 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 principles on appointment of candidates for Directors and Standards for Independent Directors (please see pages 26 to 28).		
Attendance at Board of Directors meetings during fiscal 2019: 15/16 meetings held (94%)	Term of office as Outside Director of the Company: 4 years		
Attendance at Audit & Supervisory Committee meetings during fiscal 2019: 13/14 meetings held (93%)			

- 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 at the financial instruments exchange. If Yoshiiku Miyata is elected as Director who is an Audit & Supervisory Committee Member at the 167th Ordinary General Meeting of Shareholders, the Company is scheduled to register Yoshiiku Miyata again as an Independent Director at the financial instruments exchange.
- In October 2017, 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.
Yoshiiku Miyata 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, Yoshiiku Miyata 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 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, he 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, 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, he has been receiving regular reports on the progress of measures to prevent recurrence at the Board of Directors, and appropriately monitoring each measure by remarking on initiatives aimed at restoring trust in the Company, such as the implementation of measures to prevent recurrence, governance reforms, and awareness-raising among employees. Measures to prevent recurrence have been implemented in stages and making progress as planned.

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

Panasonic Corporation	<p>Sales from the Company: The amount of these transactions totals less than 0.1% of the Company's consolidated net sales.</p> <p>Purchases by the Company: The amount of these transactions totals less than 0.1% of Panasonic Corporation's consolidated net sales.</p> <p>Retired from executive position in June 2014 (three or more years have passed)</p>
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- 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 167th Ordinary General Meeting of Shareholders, the Company is scheduled to renew the terms of the agreement limiting liability with him.

No. 4	Kunio Miura (Date of birth: February 13, 1953)	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 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 in Japan		
April 1997:	Established Kawamoto and Miura Law Office (currently Kawamoto, Miura and Hirata Law Office); appointed as Representative (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	Although Kunio Miura has not participated in the management of a company in a position other than outside audit & supervisory board member, as he 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 an 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 26 to 28).		

- Kunio Miura is a candidate for Outside Director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- If Kunio Miura is elected as Director who is an Audit & Supervisory Committee Member at the 167th Ordinary General Meeting of Shareholders, the Company is scheduled to register Kunio Miura as an Independent Director at the financial instruments exchange.
- Kunio Miura meets the Company's Standards for Independent Directors. The summary is as follows.

Kawamoto, Miura and Hirata Law Office	No advisory contract. No business transactions with the Company.
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- If Kunio Miura is elected as Director who is an Audit & Supervisory Committee Member at the 167th 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	Masaaki Kono (Date of birth: February 24, 1957)	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	
	<p>April 1979: Joined The Dai-Ichi Kangyo Bank, Limited</p> <p>March 2006: Executive Officer of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)</p> <p>April 2008: Managing Executive Officer of Mizuho Corporate Bank, Ltd.</p> <p>April 2011: Managing Executive Officer, Head of Risk Management Group, Head of Human Resources Group and Head of Compliance Group of Mizuho Financial Group, Inc.</p> <p>June 2011: Managing Director and Managing Executive Officer of Mizuho Financial Group, Inc.</p> <p>April 2012: Managing Executive Officer of Mizuho Bank, Ltd. Managing Executive Officer of Mizuho Corporate Bank, Ltd. Managing Executive Officer of Mizuho Trust & Banking Co., Ltd.</p> <p>April 2013: Director of Mizuho Financial Group, Inc. Deputy President and Deputy President - Executive Officer (Representative Director) of Mizuho Bank, Ltd. Deputy President & Executive Officer of Mizuho Corporate Bank, Ltd.</p> <p>July 2013: Deputy President & Executive Officer of Mizuho Financial Group, Inc.</p> <p>April 2016: Retired from Deputy President and Deputy President - Executive Officer (Representative Director) of Mizuho Bank, Ltd. Retired from Deputy President & Executive Officer of Mizuho Financial Group, Inc. Advisor of Orient Corporation</p> <p>June 2016: President and Representative Director of Orient Corporation</p> <p>April 2020: Chairman and Representative Director of Orient Corporation (incumbent)</p>	Chairman and Representative Director of Orient Corporation	
Reasons for selecting the candidate	As Masaaki Kono is able to make objective, fair and neutral judgment based on his abundant experience in risk management at financial institutions and his knowledge of the financial industry such as his deep insight as a corporate executive of financial institutions, we have concluded that he is well qualified to be Outside Director who is an 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 26 to 28). Masaaki Kono has considerable knowledge of finance and accounting.		

- Masaaki Kono is a candidate for Outside Director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- If Masaaki Kono is elected as Director who is an Audit & Supervisory Committee Member at the 167th Ordinary General Meeting of Shareholders, the Company is scheduled to register Masaaki Kono as an Independent Director at the financial instruments exchange.

- Masaaki Kono held an executive position at Mizuho Bank, Ltd., which is one of our major business partners, until April 2016.
- Masaaki Kono meets the Company's Standards for Independent Directors. The summary is as follows.

Mizuho Financial Group, Inc.	No business transactions with the Company. Retired from executive position in April 2016 (three or more years have passed)
Mizuho Bank, Ltd.	Borrowings from the Bank: About 10% of funds. 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 April 2016 (three or more years have passed) (Mizuho Corporate Bank, Ltd. was merged into Mizuho Bank, Ltd. in July 2013.)
Mizuho Trust & Banking Co., Ltd	Borrowings from the Bank: About 2% of funds. No business transactions with the Company. Retired from executive position in April 2013 (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. (Orient Corporation is an affiliate of Mizuho Financial Group, Inc., which is the parent company of Mizuho Bank, Ltd., one of the Company's major lenders, but it is not involved in the Company's borrowing from Mizuho Bank, Ltd.)

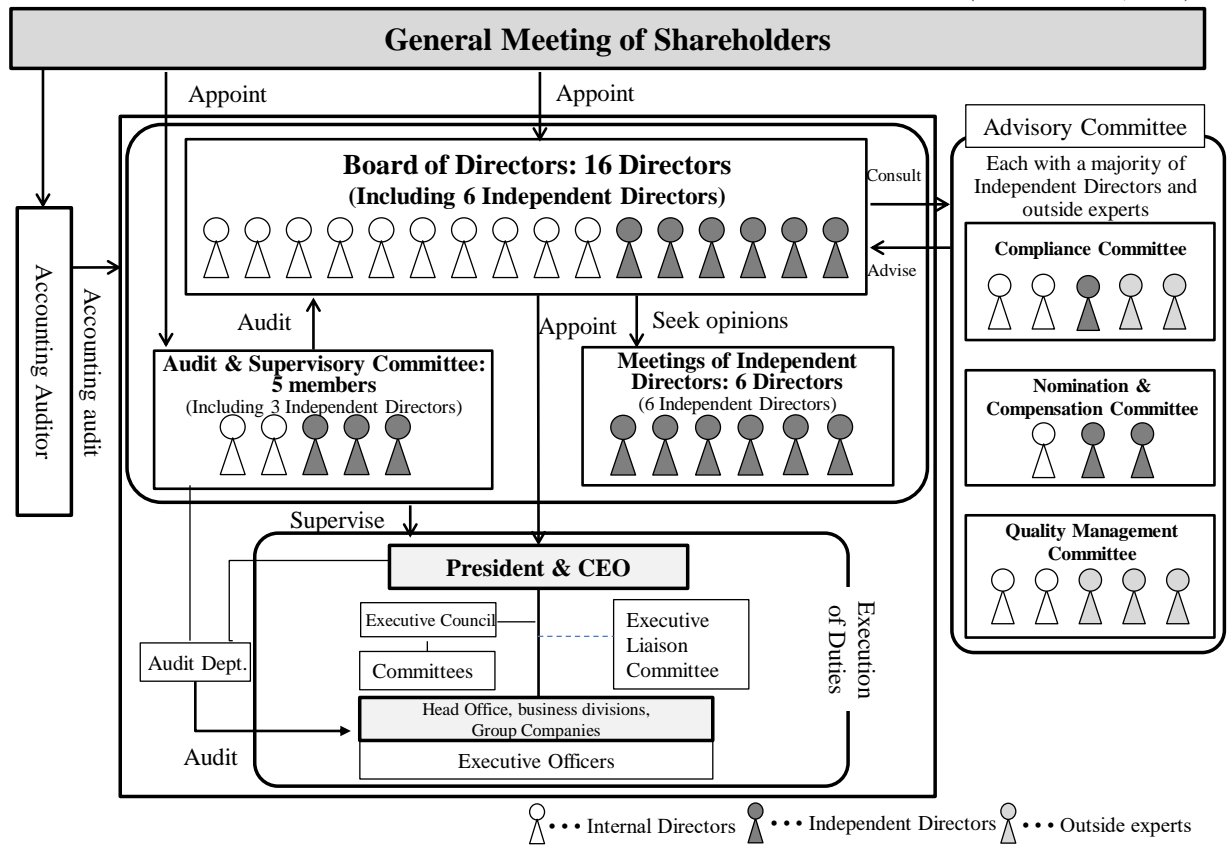
- Masaaki Kono will change his position from Representative Director to Director after the conclusion of the 60th Annual General Meeting of Shareholders of Orient Corporation scheduled to be held on June 26, 2020.
- If Masaaki Kono is elected as Director who is an Audit & Supervisory Committee Member at the 167th 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.

(Reference) Principal experiences etc. of candidates proposed in Item 1 and Item 2

	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
Item 1	Mitsugu Yamaguchi	Reappointment Internal	-	Male	President, CEO and Representative Director, Member of Nomination & Compensation Committee	✓	✓	✓	✓			✓		
	Fusaki Koshiishi	Reappointment Internal	-	Male	Representative Director, Executive Vice President	✓		✓			✓			
	Koichiro Shibata	Reappointment Internal	-	Male	Representative Director, Executive Vice President	✓		✓			✓			
	Jiro Kitagawa	Reappointment Internal	-	Male	Director, Senior Managing Executive Officer	✓		✓		✓	✓			
	Yoshihiko Katsukawa	Reappointment Internal	-	Male	Director, Senior Managing Executive Officer	✓	✓		✓				✓	
	Takao Kitabata	Reappointment Outside	✓	Male	Director, Chairman of the Board of Directors, Member (Chairman) of Nomination & Compensation Committee								✓	✓
	Hiroyuki Bamba	Reappointment Outside	✓	Male	Director	✓					✓			✓
	Yumiko Ito	Reappointment Outside	✓	Female	Director								✓	✓
	Makoto Mizuguchi	New appointment Internal	-	Male	Executive Vice President	✓		✓			✓			
	Kazuto Morisaki	New appointment Internal	-	Male	Executive Vice President	✓			✓		✓	✓		
Hajime Nagara	New appointment Internal	-	Male	Senior Managing Executive Officer	✓		✓				✓			
Item 2	Hiroshi Ishikawa	Reappointment Internal	-	Male	Audit & Supervisory Committee Member (full time)	✓			✓			✓		
	Yasushi Tsushima	Reappointment Internal	-	Male	Audit & Supervisory Committee Member (full time)	✓	✓	✓	✓	✓				
	Yoshiiku Miyata	Reappointment Outside	✓	Male	Audit & Supervisory Committee Member	✓						✓		✓
	Kunio Miura	New appointment Outside	✓	Male	-								✓	✓
	Masaaki Kono	New appointment Outside	✓	Male	-	✓	✓							✓

(Reference) Corporate Governance System

(as of March 31, 2020)



* For initiatives on the Company's Corporate Governance System, please also see pages 60 to 62 of the Business Report attached to this Notice of Convocation.

Item 3: 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.

Hiroumi Shioji (Date of birth: January 28, 1957)		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 1987:	Admitted to the bar in Japan. Joined Asaoka Law Office (currently Asaoka Taki Law & Accounting Office)	Representative Lawyer of Shioji Law Office External Auditor of TACHIBANA ELETECH CO., LTD.	
April 1991:	Established Shioji Law Office; appointed as Representative Lawyer (incumbent)	Outside Director of Fuji Seal International, INC.	
June 2007:	External Auditor of TACHIBANA ELETECH CO., LTD. (incumbent)		
June 2015:	Outside Director of Fuji Seal International, INC. (incumbent)		
Reasons for selecting the candidate	Although Hiroumi Shioji 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 drawing on his abundant experience as a lawyer and insight as an outside officer of listed companies, we have concluded that he is well qualified to be Independent Director who is an 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 26 to 28).		

- Hiroumi Shioji is a candidate for Outside Director who is a substitute Audit & Supervisory Committee Member.
- If this item is approved at the 167th Ordinary General Meeting of Shareholders and Hiroumi Shioji 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 Shioji Law Office have no business transactions.
- If this Item is approved at the 167th Ordinary General Meeting of Shareholders and Hiroumi Shioji 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 Items 1, 2 and 3 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 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.