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(Stock Exchange Code 5631)
June 5, 2017

To Shareholders with Voting Rights:

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

NOTICE OF THE 91ST ANNUAL GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

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

You are cordially invited to attend the 91st Annual General Meeting of Shareholders of The Japan Steel Works, Ltd. (the “Company”). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:00 p.m. on Monday, June 26, 2017, Japan time.

If you are exercising your voting rights in writing, indicate your vote for or against the proposal on the enclosed Voting Rights Exercise Form and return it so that it is received by the above-mentioned deadline.

If you are exercising your voting rights via the Internet, visit the Company’s designated voting website (<http://www.web54.net>) to exercise your voting rights, enter the voting rights exercise code and password that are indicated on the enclosed Voting Rights Exercise Form, follow the instructions on the screen and input your vote for or against each proposal by the above-mentioned deadline.

- 1. Date and Time:** Tuesday, June 27, 2017, at 10:00 a.m. Japan time
(The reception desk opens at 9 a.m.)
- 2. Place:** Gate City Hall at West Tower B1, Gate City Ohsaki, located at
11-1, Osaki 1-chome, Shinagawa-ku, Tokyo, Japan
- 3. Meeting Agenda:**
 - Matters to be reported:**
 1. The Business Report, Consolidated Financial Statements for the Company’s 91st Fiscal Year (April 1, 2016–March 31, 2017) and results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company’s 91st Fiscal Year (April 1, 2016–March 31, 2017)
 - Proposals to be resolved:**
 - Proposal 1:** Appropriation of Surplus
 - Proposal 2:** Election of 8 Directors
 - Proposal 3:** Election of 1 Audit & Supervisory Board Member
 - Proposal 4:** Renewal of the Countermeasures against Large-Scale Purchases of the Company’s Share Certificates, etc. (Takeover Defense Measures)

4. Matters Determined with Regard to the Convocation

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

(Requests)

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

(Notices)

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

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal 1: Appropriation of Surplus

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

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

With regard to a year-end dividend for the fiscal year under review, taking the above policy into account, we will pay the following dividends.

To pay the dividends, it is proposed to conduct a partial reversal of the general reserve.

1. Matters related to year-end dividend

(1) Type of asset for the dividends: Cash

(2) Matters related to the allocation of the assets for the year-end dividend to shareholders and the aggregate amount: ¥12.5 per common share of the Company

Aggregate amount: ¥918,639,088

With October 1, 2016, as the effective date, the Company conducted a reverse stock split through the consolidation of five common shares into one share. As an interim dividend of ¥2.5 was already paid during the fiscal year under review, the annual dividend will be ¥25 per share, consisting of the interim dividend of ¥12.5 and the year-end dividend of ¥12.5 after the reverse stock split.

(3) Effective date and payment start date: June 28, 2017

2. Other matters related to the appropriation of surplus

(1) Item and amount of surplus that will decrease: General reserve ¥10,000,000,000

(2) Item and amount of surplus that will increase: Retained earnings brought forward ¥10,000,000,000

Proposal 2: Election of 8 Directors

The terms of office of all 8 Directors will expire at the conclusion of this year's Annual General Meeting of Shareholders. It is therefore proposed to elect 8 Directors in total.

The candidates for Director are as follows:

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held	Special interests with the Company
1	<p>Reappointment</p> <p>Naotaka Miyauchi (January 30, 1958)</p> <p>Attendance at Board of Directors' meetings 16/16 (100%)</p>	<p>April 1981 April 2011</p> <p>April 2013</p> <p>April 2015</p> <p>April 2016</p> <p>June 2016 April 2017</p> <p>Joined the Company Deputy General Plant Manager, Hiroshima Plant Executive Officer; General Plant Manager, Hiroshima Plant Managing Executive Officer; Deputy Director of Machinery Business Division (Machinery Business Unit Head) In charge of Ordnance Business Headquarters; Director of Machinery Business Division Director & Managing Executive Officer Representative Director & President (current position)</p>	2,200	None
<p>[Reasons for nomination as Director]</p> <p>Mr. Naotaka Miyauchi has long engaged in the industrial machinery products business and assumed an extensive range of management duties, including plant management as a general plant manager, thereby acquiring considerable experience and achievements. He has considerable experience in overall management having served as Director from June 2016 and has served as Representative Director & President since April 2017. Accordingly, he is qualified to continue to take the leadership of the Group and therefore is nominated for the position of Director.</p>				
2	<p>Reappointment</p> <p>Yutaka Higashiizumi (January 22, 1955)</p> <p>Attendance at Board of Directors' meetings 21/22 (95.5%)</p>	<p>April 1977 April 2010</p> <p>July 2011</p> <p>April 2012 April 2014</p> <p>June 2014 April 2015</p> <p>April 2016</p> <p>April 2017</p> <p>Joined the Company Deputy General Plant Manager, Muroran Plant General Manager, Finance & Accounting Department Executive Officer Senior Executive Officer; In charge of Finance & Accounting Department (current position); General Manager, Corporate Planning Office (current position) Director & Senior Executive Officer Director & Managing Executive Officer; Chief Financial Officer (current position) Chief Information Security Officer (current position) Representative Director & Executive Vice President (current position); In charge of Export Control Administration (current position)</p>	3,900	None
<p>[Reasons for nomination as Director]</p> <p>After having engaged in the operation and management of the steel business and served as a general manager of the finance and accounting department, Mr. Yutaka Higashiizumi assumed the office of Director in June 2014 followed by the office of Representative Director & Executive Vice President in April 2017 and has since taken charge of management and financial strategies, thereby acquiring considerable experience and achievements. Based on his experience and achievements, it is expected that he, as a member of the Board of Directors, will continue to promote the sharing of information and reinforcement of the Board's decision-making and supervisory functions, and is therefore nominated for the position of Director.</p>				

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held	Special interests with the Company
3	Reappointment Kenji Watanabe (January 28, 1954) Attendance at Board of Directors' meetings 22/22 (100%)	<p>April 1977 Joined the Company</p> <p>July 2006 Deputy General Plant Manager, Hiroshima Plant</p> <p>October 2009 General Manager, Business Administration Department</p> <p>April 2010 General Manager, General Affairs Department</p> <p>August 2010 General Manager, Secretary Office</p> <p>July 2011 General Manager, Personnel Department</p> <p>April 2012 Executive Officer</p> <p>April 2014 Senior Executive Officer; In charge of Export Control Administration (current position)</p> <p>June 2014 Director & Senior Executive Officer</p> <p>October 2014 In charge of General Affairs Department (current position)</p> <p>April 2015 Director & Managing Executive Officer; In charge of CSR&Risk Management (current position); In charge of Personnel Department (current position)</p> <p>April 2016 In charge of Safety & Hygiene Control and Environmental Management (current position); In charge of Secretary Office (current position)</p> <p>April 2017 Director & Senior Managing Executive Officer (current position)</p>	3,700	None
<p>[Reasons for nomination as Director]</p> <p>After having served as the general manager of the personnel, general affairs and secretary departments, Mr. Kenji Watanabe assumed the office of Director in June 2014 and has since taken charge of personnel and general affairs and corporate social responsibility, thereby acquiring considerable experience and achievements. Based on his experience and achievements, it is expected that he, as a member of the Board of Directors, will continue to promote the sharing of information and reinforcement of the Board's decision-making and supervisory functions, and is therefore nominated for the position of Director.</p>				
4	Reappointment Takashi Shibata (September 17, 1958) Attendance at Board of Directors' meetings 16/16 (100%)	<p>April 1984 Joined the Company</p> <p>April 2011 Deputy General Plant Manager, Muroran Plant</p> <p>April 2013 Executive Officer; General Plant Manager, Muroran Plant</p> <p>April 2015 Managing Executive Officer</p> <p>April 2016 In charge of Wind Power Business Office (current position); Director of Steel Business Division (current position)</p> <p>June 2016 Director & Managing Executive Officer (current position)</p>	2,900	None
<p>[Reasons for nomination as Director]</p> <p>Mr. Takashi Shibata has long engaged in the material and energy product business and assumed an extensive range of management duties, including plant management as a general plant manager, thereby acquiring considerable experience and achievements. These make him qualified to continue to assume a role in realizing management strategies and enhancing product quality and customer satisfaction, while supervising the operational departments, and he is therefore nominated for the position of Director.</p>				

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held	Special interests with the Company	
5	New appointment Masao Oshita (June 3, 1956)	January 1983 February 2009	Joined the Company Deputy General Manager, Products Strategy Office	1,800	None
		April 2010 April 2013 April 2014 April 2015 May 2015 April 2017	Deputy General Manager, Laser & Plasma System Office Deputy Director of Machinery Business Division (In charge of Machinery) Executive Officer Deputy Director of Machinery Business Division (In charge of Alliance) Representative Director & Executive Vice President, SM PLATEK CO., LTD. Managing Executive Officer (current position); Director of Machinery Business Division (current position)		
<p>[Reasons for nomination as Director] Mr. Masao Oshita has long engaged in the industrial machinery products business and experienced an extensive range of management duties, including business operation overseas, thereby acquiring considerable experience and achievements. These make him qualified to assume a role in realizing management strategies and enhancing product quality and customer satisfaction, while supervising the operational departments, and he is therefore nominated for the position of Director.</p>					
6	New appointment Toshio Matsuo (March 6, 1962)	April 1984 April 2013	Joined the Company Deputy General Plant Manager, Hiroshima Plant	800	None
		April 2015 April 2016 April 2017	General Plant Manager, Hiroshima Plant Executive Officer Managing Executive Officer (current position); Director of Injection Molding Machinery Business Division (current position); In charge of Hiroshima Plant (current position)		
<p>[Reasons for nomination as Director] Mr. Toshio Matsuo has long engaged in the industrial machinery products business and assumed an extensive range of management duties, including plant management as a general plant manager, thereby acquiring considerable experience and achievements. These make him qualified to assume a role in realizing management strategies and enhancing product quality and customer satisfaction, while supervising the operational departments, and he is therefore nominated for the position of Director.</p>					

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

Proposal 3: Election of 1 Audit & Supervisory Board Member

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

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

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

Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held	Special interests with the Company	
New appointment Yoshitomo Tanaka (September 27, 1951)	April 1974	Joined the Company	11,184	None
	July 2006	General Plant Manager, Hiroshima Plant		
	June 2007	Director; In charge of Magnesium Process Equipment & Products Division		
	June 2008	Director of Injection Molding Machinery Division		
	June 2009	Managing Director		
	April 2011	Director & Senior Managing Executive Officer; In charge of Ordnance Business Headquarters; Director of Machinery Business Division		
	April 2012	Chief Information Security Officer; General Manager, Corporate Planning Office		
	April 2013	Representative Director & Executive Vice President; Chief Financial Officer; In charge of Finance & Accounting Department and Business Administration Department		
	April 2014	Support of President; In charge of Export Control Administration; In charge of Safety & Hygiene Control and Environmental Management		
April 2015	In charge of Laser & Plasma System Office			
April 2016	In charge of Research & Development Headquarters; In charge of Injection Molding Machinery Business Division			
April 2017	Director (current position)			

[Reasons for nomination as Audit & Supervisory Board Member]

After having engaged in the industrial machinery products business, Mr. Yoshitomo Tanaka assumed the office of Representative Director & Executive Vice President in April 2013 and took charge of management and financial strategies, thereby acquiring excellent technical expertise, as well as a broad range of knowledge and experience in overall corporate management. Accordingly, Mr. Tanaka is expected to be capable of conducting objective and appropriate audits, and he is therefore nominated for the position of Audit & Supervisory Board Member.

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

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

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

- (1) A person for which the Company is a major customer¹ or a person who executes business thereof;
- (2) A major customer of the Company² or a person who executes business thereof;
- (3) A person who executes business of a financial institution that is indispensable for the Company’s fund procurement and meets an outstandingly high share of the financing needs of the Company;
- (4) A consultant, an accounting professional or a legal professional who obtained an amount of money or other form of property that exceeds ¥10 million from the Company for the latest fiscal year, other than directors’ compensation (if such person is an organization, including a corporation and a partnership, it refers to a person belonging to such organization);
- (5) A major shareholder of the Company (who directly or indirectly holds the voting rights of the Company that account for not less than 10% of the total voting rights);
- (6) A person who fell under any of (1) to (5) above during the past three years; or
- (7) A spouse or a relative within the second degree of kinship of a person who falls under any of (1) to (6) above (limited to a person in a significant post³).

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

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

Proposal 4: Renewal of the Countermeasures against Large-Scale Purchases of the Company’s Share Certificates, etc. (Takeover Defense Measures)

The Company resolved, at the Board of Directors meeting on May 7, 2014, to renew the “Countermeasures against Large-Scale Purchases of the Company’s Share Certificates, etc. (Takeover Defense Measures),” and the measures were renewed by the approval of shareholders at the 88th Annual General Meeting of Shareholders held on June 25, 2014 (the measures after the then-renewal; hereinafter the “Former Plan”). The Former Plan will be effective until the conclusion of the 91st Annual General Meeting of Shareholders (hereinafter this “Shareholders Meeting”).

Prior to the expiration of the effective period of the Former Plan, the Company determined, at the Board of Directors meeting held on May 15, 2017, to renew the Former Plan with partial revisions thereto (hereinafter the “Renewal,” and the plan after the renewal to be introduced is hereinafter the “Plan”), subject to the approval of shareholders at this Shareholders Meeting.

All the Audit & Supervisory Board Members, including the two Outside Audit & Supervisory Board Members, have given their accord to the Renewal, subject to the specific operation of the Plan being conducted appropriately.

The Company would like to ask for the approval of shareholders on the Renewal.

In case this proposal is approved by a majority of voting rights by the shareholders who will attend this Shareholders Meeting, the effective period of the Plan shall be until the conclusion of the 94th Annual General Meeting of Shareholders to be held by June 30, 2020.

The major changes from the Former Plan due to the Renewal are as follows.

- a) The addition of a provision that delivery of cash in consideration of the acquisition of stock acquisition rights held by the Acquirer is not foreseen in case of the gratis allotment of stock acquisition rights according to the Plan.
- b) A maximum period (up to 60 days) during which the Independent Panel can request the provision of information from the Acquirer is set.
- c) The maximum period for the provision of information by the Board of Directors, which was set to be up to 60 days in the Former Plan, is abolished. Instead, the total of the maximum period for the provision of information by the Board of Directors and the Panel Assessment Period inclusive of the extension period is set to be up to 120 days, as opposed to less than 150 days in the Former Plan.
- d) The requirements for implementing the gratis allotment of stock acquisition rights according to the Plan are limited.

(Reference) Major changes from the Former Plan

Item	Former Plan	The Plan
Cash is not delivered in consideration of the acquisition of stock acquisition rights held by the Acquirer (pages 16 and 24)	Not specified	Specified
Maximum period during which the provision of information is requested from the Acquirer (page 17)	Not set	Up to 60 days
Maximum period during which the provision of information is requested from the Board of Directors (page 18)	Up to 60 days	Not set (however, within the Independent Panel Assessment Period)
Assessment period of the Independent Panel (pages 18 and 21)	Up to 90 days inclusive of the extension period	Up to 120 days inclusive of the extension period (however, including the period during which the provision of information is requested from the Board of Directors)
Requirements for gratis allotment of stock acquisition rights (page 22)	i) Actions falling under any of the Tokyo High Court’s 4 Categories or similar actions and coercive two-tier tender	i) Actions falling under any of the Tokyo High Court’s 4 Categories and coercive two-tier tender offer (Note),

	<p>offer (Note);</p> <p>ii) In case the Acquisition conditions are judged remarkably insufficient or inappropriate with a view to the Company's primary value;</p> <p>iii) In case it is judged that the Acquisition could lead to a material disadvantage to the corporate value of the Company and the common interests of its shareholders by impairing relations with stakeholders, including employees, business partners and customers; and</p> <p>iv) In case the Acquirer does not comply with the prescribed procedures.</p>	<p>and</p> <p>ii) In case the Acquirer does not comply with the prescribed procedures.</p>
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(Note) "Tokyo High Court's 4 Categories" refers to Item (2) a) through d) of "IV. 4. Requirements for the gratis allotment of the Stock Acquisition Rights" on page 22, whereas "coercive two-tier tender offer" refers to Item (3) thereof.

<Necessity of the Renewal>

The Company manufactures a variety of products, and the technologies required for their production are wide-ranging. Above all, the technology to monobloc-manufacture large forged steel components for nuclear power plants, which requires extremely high safety and reliability, from the world's largest-class, high-quality steel blocks is extremely significant from the viewpoint of energy security in Japan, which is heavily dependent on the importation of overseas fossil fuel for many energy resources.

In addition, the Company, which was founded to domestically produce ordnances, has long accumulated manufacturing technologies for defense equipment centering on artillery, fulfilling an important role in Japan's homeland security.

As described above, the Company has played a key role in Japan's security since its foundation. We believe that it is our social responsibility to further contribute to Japan's security by maintaining and developing long-accumulated, cutting-edge technologies based on close relations of trust with various stakeholders.

However, as the large, forged steel components for nuclear power plants and defense equipment that we manufacture are related to security, there exists the risk that a large-scale purchase of the Company's share certificates, etc., could be forced in a unilateral way against the backdrop of a political situation and/or economic circumstances at a particular time, with the aim of obtaining the sophisticated technologies used for these products.

As described in I. 2 "Our stance on business operation," it would be necessary for us to promote the "Management of Technology" via the fusion of accumulated, diversified technologies to maintain and improve the corporate value on an ongoing basis, while taking measures to maintain and/or improve medium- and long-term relations of trust with stakeholders including customers, labor unions, business partners and local residents. If these initiatives will not be steadily conducted by the persons who conduct at large-scale purchase, the Company's corporate value and the common interests of its shareholders could be impaired.

Although several measures to restrict abusive purchases of share certificates, etc., have already been put in practice by the relevant provisions of the Financial Instruments and Exchange Act, we consider that such restrictions have not necessarily functioned effectively as the terms are insufficient; for example, the period for the provision of information and assessment period before the commencement of a tender offer cannot be legally ensured, and the accumulation of share certificates, etc., in the market cannot be legally restricted.

Under such circumstances, in view of the fact that the business activities engaged by the Company are related to the social infrastructure and/or security of Japan, requiring us to review diversified factors from wide-ranging viewpoints in considering the Company's corporate value, the Company's Board of Directors has judged that an ongoing framework that enables the Company to take the following actions is indispensable in case of a proposal for a large-scale purchase of the Company's share certificates, etc.: securing the time and information necessary for the Company's shareholders to judge whether to accept such proposal, or for the Company's Board of Directors to present alternative proposals to the shareholders, or enabling discussions and negotiations with the acquirer for the benefit of the shareholders, as the case may be.

I. The Company's Initiatives to Secure and Improve the Corporate Value of the Company and the Common Interests of Its Shareholders

1. Outline of the Company's business

The Japan Steel Works, Ltd., was founded in 1907 in Muroran, Hokkaido, which later became one of the largest base for the Japanese steel industry, as a joint venture among three Japanese and British companies, to domestically produce ordnances. After World War II, the Company turned its sophisticated technologies and know-how to the task of meeting peacetime civil demand in three directions: 1) high-quality steel making, 2) the development of machinery by leveraging its steel-making capabilities and 3) the development of new business fields. Its business activities as a "comprehensive manufacturer of steel and machinery," covering not only heavy and chemical industries such as electric power, steel, shipbuilding and petrochemistry but also a wide range of other industries such as automobiles, electric appliances and information equipment, have been highly acclaimed both domestically and globally. Today, under the two core business segments of the material and energy products business and the industrial machinery products business, the Company endeavors to meet the state-of-the-art needs of society as an "enterprise that creates changes using original technologies and contributes to the development of society."

In the material and energy products business segment, we focus on developing innovative materials for clean steel that are safely available in harsh environments with high-temperature, high-pressure and/or strong corrosive properties, as well as on manufacturing facility-related key industrial components, by leveraging our excellent facilities, which have been streamlined for a variety of processes such as heat processing, heat treatment, machining and welding; accumulated experience; production engineering; and know-how. Above all, concerning energy, we have abundant delivery records concerning the power generation materials used at thermal or nuclear power generation plants, pressure vessels for oil refineries, special steel pipes for transportation, etc., which have been highly appreciated by foreign customers in many countries.

As for the industrial machinery products business segment, we manufacture a variety of machinery and devices in the manufacturing processes of resin products—from pelletizing to the molding of the finished products. In developing the aforementioned machinery and devices, the technologies and know-how accumulated in the material and energy products business segment play significant roles in the material development of major components of such products. The Company continues to grow as the world's top-rated comprehensive manufacturer of resin treatment machinery by developing new products in response to customers' needs via its cutting-edge mechatronics technologies. Furthermore, the Company continues to engage in manufacturing defense equipment, the founding business, and the technologies and know-how accumulated in the material and energy products business segment have played a significant role in the continuation of this business sector.

2. Our stance on business operation

Most of our products are built-to-order on an item basis, and the specifications differ depending on the customer. In other words, it is the mission of the Company to understand the problems of each customer, prepare plans while carefully considering the means to resolve such problems, and deliver the desired products and/or services that have been designed and/or manufactured according to the tailored needs.

Accordingly, the basis of our mission above involves close relations of trust that we have established over time with customers, business partners and other stakeholders. We therefore believe that the maintenance and improvement of such relations of trust are essential for the Company. The optimum policy of increasing the Company's corporate value will be to promote the "Management of Technology," which will have the potential of ensuring a thorough system ranging from material development to the provision of products/services, combine the accumulated diverse technologies, and expand the business areas straddling existing and new businesses, based on such close relations with stakeholders. The Company will strongly adhere to this policy.

II. Basic Policy Concerning the Persons who Control Decisions on the Company's Financial and Business Policies

The Company believes that the judgment on whether the persons who control decisions on the Company's financial and business policies are those who ensure and improve the corporate value of the Company and the common interests of its shareholders shall be finally determined based on the aggregate will of the Company's shareholders.

However, it is not necessarily easy for the Company's shareholders to appropriately judge within a short period of time the effects that said acquisition might have on the corporate value of the Company and the common interests of its shareholders after sufficiently understanding the tangible or intangible management resources, the potential impact of the forward-looking policies and other components of the Company's corporate value when a proposal of acquisition is proposed by an acquirer as an outsider. Accordingly, any person who attempts or proposes a large-scale purchase or a proposal of the Company's shares without providing the Company's shareholders with sufficient information and/or time to assess the terms of the proposed large-scale acquisition or purchase is considered inappropriate as persons to control decisions on the Company's financial and business policies.

Moreover, among the purchase proposals, there might be ones that clearly impair the corporate value of the Company and the common interests of its shareholders, or compel the Company's shareholders to sell their shares, in view of the purpose thereof. The Company considers that any person who makes such a purchase proposal to be inappropriate as persons to control decisions on the Company's financial and business policies.

III. Special Initiatives that Contribute to the Realization of the Basic Policy

1. Promoting the Medium-term Management Plan

Based on the stance as described in I. 2 "Our stance on business operation," the Company is promoting the medium-term management plan, entitled JGP2017, covering three years of which the last year is fiscal 2017, the year ending March 31, 2018. The slogan of the management plan is "Advancing toward Top Global & Niche Corporate Group," and its aim is to achieve the top share at key points in customer value chains. We are advancing our business activities toward improved profit-earning capability according to three basic policies: (1) Increase profitability of existing business, (2) Foster new products and businesses and make them competitive as soon as possible, and (3) Reinforce Group management and promote alliances.

From a financial perspective, we will strengthen our fund-generating capability through the improvement of profit-earning capability and more efficient use of working capital to allocate the acquired funds to growth investments such as capital investment, alliances and M&As, thereby further enhancing profit-earning capability. In terms of an organizational system, we will strive to ensure and develop human resources while respecting diversity and focus on reinforcing Group management with measures such as the thorough enhancement of corporate governance and the streamlining of the decision-making process. In addition, we are confident that the succession of technology and skills, as well as their ongoing progress, are important tasks for maintaining and/or strengthening the source of corporate value. We therefore are active in promoting an organizational approach on this issue including the strengthening of measures in response to further globalization. Moreover, we are committed to environmental preservation activities, which include activities for safety and hygiene management, the reduction of greenhouse gas emissions and the conservation of biodiversity.

Furthermore, we have started formulating the next medium-term management plan (JGP2020) for the three years from fiscal 2018 through fiscal 2020. In this plan, we intend to further improve our profit-earning capability by envisioning new growth strategies to address changes in the business environment.

2. Enhancing corporate governance

The term of office of directors of the Company is set at one year to clarify the management

responsibility of directors. We maintain an executive officer system and separate the decision-making and oversight functions of the Board of Directors from the executive functions of the executive officers. The goal is to accelerate decision making on management and enhance the oversight and execution functions.

In addition, the Company aims to strengthen the decision-making and oversight functions of the Board of Directors by appointing two outside directors.

Seeking to ensure the fairness and transparency of the decision-making processes related to executive nomination and remuneration, the Company established the Nomination Advisory Committee and the Remuneration Advisory Committee. Consisting of five members, including several outside officers, the committees serve as advisory bodies to the Board of Directors. The Board of Directors determines the nomination and remuneration of directors and executive officers by taking into account the reports submitted by these committees.

The Company judges the independence of outside officers in accordance with the Criteria of Independence as stipulated by the Tokyo Stock Exchange and the Criteria of Independence for Outside Officers as originally formulated by the Company. As every outside officer is independent from the Company in view of these criteria, the Company has submitted a notification of all the outside officers as Independent Outside Officers to the Tokyo Stock Exchange.

In addition, the Board of Directors conducts questionnaires every year to the Board of Directors members and the Audit & Supervisory Board Members with regard to the effectiveness of the Board of Directors. The Company endeavors to improve its effectiveness through analysis and assessment of the questionnaire results.

The Company formulated the “Corporate Governance Policy of The Japan Steel Works, Ltd.” for the purpose of indicating its basic approach to corporate governance.

<http://www.jsw.co.jp/ir/governance.html>

IV. Details of the Plan (Initiatives to prevent decisions on the Company’s financial and business policies from being controlled by persons regarded as inappropriate according to the Basic Policy)

1. Purpose of the Plan

The purpose of the Plan is to ensure and improve the corporate value of the Company and the common interests of its shareholders in case of an acquisition of the Company’s share certificates, etc., or a similar act or a proposal therefor (hereinafter the “Acquisition”) by securing the time and information necessary for the Company’s shareholders to judge whether to accept said Acquisition, or for the Company’s Board of Directors to present alternative proposals to the shareholders, or enabling discussions and negotiations with the acquirer or acquisition proposer (hereinafter the “Acquirer”) for the benefit of the shareholders, as the case may be.

2. Outline of the Plan

(1) Stipulation of the procedures regarding the activation of the Plan

The Plan stipulates the necessary procedures (described later in IV. 3. “Procedures regarding the activation of the Plan” below) to achieve the “1. Purpose of the Plan” above, including a procedure for prior request to the Acquirer in case of the Acquisition of the Company’s share certificates, etc.

(2) Gratis allotment of stock acquisition rights and the use of the Independent Panel

In case it is judged that the Acquisition could lead to a material impairment of the corporate value of the Company and the common interests of its shareholders, including the case where the Acquirer attempts to conduct the Acquisition without complying with the procedures prescribed in the Plan, the Company will conduct the gratis allotment of stock acquisition rights (hereinafter the “Stock Acquisition Rights”), which carry conditions that said Acquirer would not be allowed to exercise the rights and that the stock acquisition rights can be acquired by the Company in exchange for the Company’s shares from anybody other than said Acquirer, to all the shareholders except the Company itself at that time. The Company does not foresee delivery of cash in consideration of the acquisition of the Stock Acquisition Rights held by the Acquirer.

Concerning the implementation or non-implementation of the gratis allotment of the Stock Acquisition Rights or the Acquisition thereof, the Regulations for the Independent Panel (for the outline of the regulations, refer to Attachment 1) have been established and the judgment will be made by the Independent Panel, which consists of external experts who are independent from the Company's management team (experienced corporate managers, former officials from public office, persons who are well versed in investment banking, attorneys-at-law, Certified Public Accountants and academic experts), pursuant to said Regulations to prevent the Company's Board of Directors from making an arbitrary decision. At the same time, to ensure the transparency of the process of these procedures, the related information will be disclosed as appropriate to the Company's shareholders. The names and career history of the persons who are expected to assume the post of members of the Independent Panel as of the Renewal are stated in Attachment 2.

(3) Exercise of the Stock Acquisition Rights and acquisition of the Stock Acquisition Rights by the Company

In case the gratis allotment of the Stock Acquisition Rights is conducted in accordance with the Plan, if the Company's shares are delivered to all shareholders except the Acquirer through the exercise of the Stock Acquisition Rights by the shareholders other than the Acquirer or in exchange for the acquisition of the Stock Acquisition Rights by the Company, the Acquirer's ratio of voting rights in the Company's shares could be diluted to a maximum of 50%.

3. Procedures regarding the activation of the Plan

(1) Applicable Acquisition

The Plan shall be applicable to an Acquisition that falls under either a) or b) below. The Acquirer shall comply with the procedures predetermined in the Plan.

- a) An acquisition that would result in a holding ratio of share certificates, etc. (*kabuken tou hoyuu wariiai*)¹, of a holder (*hoyuusha*)² amounting to 20% or more of the share certificates, etc. (*kabuken tou*)³, issued by the Company.
- b) A tender offer (*koukai kaitsume*)⁴ that would result in the offerer's owning ratio of share certificates, etc. (*kabuken tou hoyuu wariiai*)⁵, and the owning ratio of share certificates, etc., of a specially related party (*tokubetsu kankei-sha*)⁶ with the offerer totaling 20% or more of the share certificates, etc. (*kabuken tou*)⁷, issued by the Company.

(2) Request to the Acquirer for the provision of information

An Acquirer who attempts to conduct an Acquisition as set forth in the above IV. 3. (1) "Applicable Acquisition," shall prepare and submit the following information (hereinafter the "Required Information"), of which the items are listed below, to the Company's Board of Directors prior to the commencement or execution of the Acquisition, to help the Company's shareholders judge on the acceptance, the Independent Panel make a recommendation and the Board of Directors form an opinion.

More specifically, the Acquirer shall submit a letter of intent to the attention of the Company's Representative Director, together with a commitment letter on compliance with the procedures prescribed in the Plan. The letter of intent shall contain, in Japanese, the name and address of the Acquirer, the location of its principal place of business, the name of the Acquirer's representative, the Acquirer's contact details in Japan, the governing law of the country in which the Acquirer is incorporated (for a foreign corporation) and an outline of the proposed Acquisition. The Company's Representative Director will deliver the list of the Required Information to be initially supplied by the Acquirer within 10 business days⁸ (first day not included) after receiving such a letter of intent.

Upon receiving the Required Information, the Company's Board of Directors shall promptly supply it to the Independent Panel. Whenever the Independent Panel judges that the Required Information provided is not sufficient, the Independent Panel itself, or through the Company's Board of Directors, etc., may request the Acquirer additionally submit further information by specifying a reply deadline as necessary. In this case, the Acquirer shall additionally submit the information within said reply deadline. Provided, however, that the final response period (hereinafter the "Final Reply Deadline") shall not exceed 60 days (first day not included) even if it cannot be judged that the Required Information has been sufficiently provided.

- a) Detailed information (including names, capital structure, financial position, details of previous transactions similar to the Acquisition and the resulting impact on the corporate value of the target company; if they are already the Company's shareholders, all the members concerned shall be also provided) on the Acquirer and its group (including joint holders (*kyodo hoyusha*)⁹, specially related parties, specially related parties of a person of whom the Acquirer is a controlled juridical person¹⁰, and partners and other constituent members in case of a fund);
- b) The purposes, method and terms of the Acquisition (including the value and type of consideration, Acquisition timing, the scheme of any related transactions, the legality of the Acquisition method and the feasibility of the Acquisition);
- c) The basis for determination of the Acquisition price (including facts and assumptions, the method and figures used for determination of the Acquisition price and the synergies expected as a result of the series of transactions related to the proposed Acquisition including the synergies to be shared with minority shareholders);
- d) Information on the source of funds for the proposed Acquisition (including the specific name of the persons providing the funds for the Acquisition including substantial providers, the method of raising the funds and related transactions);
- e) Post-Acquisition management policies, business plans, capital policies and dividend policies of the Group;
- f) Post-Acquisition policies regarding the treatment of stakeholders in the Company, including employees, business partners and customers of the Company; and
- g) Other information regarded as reasonably necessary by the Independent Panel.

If it is regarded that the Acquirer has initiated the Acquisition without complying with the procedures prescribed in the Plan, the Independent Panel will, as a general rule, recommend that the Company's Board of Directors implement the gratis allotment of the Stock Acquisition Rights, as set forth in a) of IV. 3 "(4) Judging method of the Independent Panel" below, unless there are special circumstances that can justify the continuation of the discussions and negotiations with the Acquirer for the provision of the Required Information.

- (3) Assessment of the terms of the Acquisition, negotiation with the Acquirer and presentation of alternative proposals
 - a) Request to the Board of Directors for the provision of information

In case of the provision of the Required Information (including that additionally requested) by the Acquirer or the arrival of the Final Reply Deadline, the Independent Panel may, after setting an appropriate response period (hereinafter the "Board Assessment Period"), request that the Board of Directors provide the prompt provision of its opinion on the terms of the proposed Acquisition by the Acquirer, documents supporting that opinion and alternative proposals (if any), as well as other information and materials that the Panel deems necessary, as required, for the comparative assessment between the terms of the Required Information and the business plans, etc., of the Company's Board of Directors from the perspective of ensuring and increasing the corporate value of the Company and the common interests of its shareholders.
 - b) Assessment by the Independent Panel

Taking into account that the businesses the Company engages in are closely involved in the social infrastructure and security of Japan, thereby requiring us to review a variety of factors in considering its corporate value, the Independent Panel shall set an assessment period of up to 90 days (first day not included) (inclusive of the Board Assessment Period; hereinafter the "Independent Panel Assessment Period") after either the day when the Required Information including that additionally requested is received from the Acquirer or the Final Reply Deadline, whichever is earlier. The Independent Panel can extend the Independent Panel Assessment Period by a resolution thereof in such cases as stated in (4) d) below within the scope of up to 30 days. During the Independent Panel Assessment Period, after receiving the information and materials from the Company's Board of Directors (if provision of such information and/or materials was requested of the Board of Directors as described in a) above), the

Independent Panel assesses the terms of the proposed Acquisition by the Acquirer; assesses the alternative plans presented by the Company's Board of Directors; and collects, compares and examines the information on business plans of the Acquirer and the Company's Board of Directors from the perspective of ensuring and increasing the corporate value of the Company and the common interests of its shareholders, based on the information and materials provided by the Acquirer and the Company's Board of Directors. Furthermore, if necessary, the Independent Panel may, directly or indirectly through the Company's Board of Directors, discuss and negotiate with the Acquirer to improve the terms of the Acquisition from the perspective of securing and improving the corporate value of the Company and the common interests of its shareholders. Meanwhile, the Independent Panel shall present the Company's alternative plans to the shareholders through the Company's Board of Directors. If the assessment results are presented before the completion of the Independent Panel Assessment Period, they shall be immediately disclosed through the Company's Board of Directors.

If the Independent Panel makes a request directly or indirectly through the Company's Board of Directors for the provision of information such as documents for assessment and any other information, as well as discussions and negotiations during the Independent Panel Assessment Period, the Acquirer shall promptly respond.

To ensure that any decision made by the Independent Panel benefits the corporate value of the Company and the common interests of its shareholders, the Independent Panel may receive advice from independent third parties such as financial advisers, Certified Public Accountants, attorneys-at-law, consultants and other experts at the Company's expense.

c) Disclosure of information to shareholders

The Independent Panel will disclose the fact that an Acquirer has emerged; that the letter of intent has been submitted; that the Required Information has been provided and the outline thereof; that the Independent Panel Assessment Period has commenced; and that the Company's Board of Directors has submitted alternative proposals to the Independent Panel, as well as other matters judged as appropriate by the Independent Panel, to shareholders through the Company's Board of Directors at the time judged appropriate by the Independent Panel.

(4) Judging method of the Independent Panel

When an Acquirer emerges, the Independent Panel will make a recommendation to the Company's Board of Directors in compliance with the following procedures. Whenever the Independent Panel makes a recommendation or adopts a resolution to the Company's Board of Directors according to a) through d) below or in other cases determined as appropriate by the Independent Panel, the Independent Panel will promptly disclose the fact of such recommendation or resolution, as well as the outline thereof, and other matters judged as appropriate by the Independent Panel.

a) In case the Independent Panel recommends that the Company's Board of Directors implement the gratis allotment of the Stock Acquisition Rights

In case the Independent Panel determines that the proposed Acquisition by the Acquirer falls under Item (1) stipulated in the following "4. Requirements for the gratis allotment of the Stock Acquisition Rights" as a result of the assessment on the terms of the proposed Acquisition by the Acquirer and the discussions and negotiations with the Acquirer, the Independent Panel will recommend that the Company's Board of Directors implement the gratis allotment of the Stock Acquisition Rights.

Provided, however, that in case the Independent Panel determines that either of the following reasons (i) or (ii) applies even after making the recommendation to implement the Stock Acquisition Rights, the Independent Panel may cancel said gratis allotment of the Stock Acquisition Rights until the day preceding the effective date of said gratis allotment or make a different determination, including the acquisition of the Stock Acquisition Rights for no consideration, until the day preceding the starting date of the exercise period for the Stock Acquisition Rights after the effective date of said gratis allotment. The Independent Panel may recommend such a determination to the Company's Board of Directors.

- (i) A withdrawal of the proposed Acquisition by the Acquirer or a case when otherwise the Acquisition no longer exists
 - (ii) Due to the occurrence of any changes in the facts, etc., based on which said recommendation was made, the Acquisition fails to meet any of the requirements stipulated in the following “4. Requirements for the gratis allotment of the Stock Acquisition Rights,” or, even if it does meet any of them, it becomes unjustifiable to allow the implementation of the gratis allotment of the Stock Acquisition Rights or the exercise thereof.
- b) In case the Independent Panel recommends that the Company’s Board of Directors seek the advice of a general meeting of shareholders on the implementation of the gratis allotment of the Stock Acquisition Rights
In case the Independent Panel determines that the proposed Acquisition by the Acquirer falls under any of the requirements set forth in Item (2) or (3) stipulated in the following “4. Requirements for the gratis allotment of the Stock Acquisition Rights” as a result of the assessment on the terms of the proposed Acquisition by the Acquirer and the discussions and negotiations with the Acquirer, and that it is appropriate to implement the gratis allotment of the Stock Acquisition Rights, the Independent Panel will recommend that the Company’s Board of Directors seek the advice of a general meeting of shareholders on the implementation of the gratis allotment of the Stock Acquisition Rights. Provided, however, that in case the Independent Panel determines that either of the aforementioned reasons a) (i) or (ii) applies even after making the recommendation that the Company’s Board of Directors seek the advice of a general meeting of shareholders on implementation of the gratis allotment of the Stock Acquisition Rights, the Independent Panel may cancel said gratis allotment of the Stock Acquisition Rights until the day preceding the effective date of said gratis allotment or make a different determination, including acquisition of the Stock Acquisition Rights for no consideration, until the day preceding the starting date of the exercise period for the Stock Acquisition Rights after the effective date of said gratis allotment. The Independent Panel may recommend such a determination to the Company’s Board of Directors.
- c) In case the Independent Panel recommends that the Company’s Board of Directors not implement the gratis allotment of the Stock Acquisition Rights
In case the Independent Panel determines that the proposed Acquisition by the Acquirer fails to meet any of the requirements stipulated in the following “4. Requirements for the gratis allotment of the Stock Acquisition Rights” as a result of the assessment on the terms of the proposed Acquisition by the Acquirer and the discussions and negotiations with the Acquirer, or, even if it does meet any of them, it is unjustifiable to allow the implementation of the gratis allotment of the Stock Acquisition Rights, the Independent Panel will recommend that the Company’s Board of Directors not implement the gratis allotment of the Stock Acquisition Rights irrespective of whether the Independent Panel Assessment Period is over.
Provided, however, that in case, even after making the recommendation not to implement said gratis allotment, the Independent Panel determines that the proposed Acquisition by the Acquirer falls under any of the requirements stipulated in the following “4. Requirements for the gratis allotment of the Stock Acquisition Rights” due to the occurrence of any changes in the facts, etc., based on which said recommendation was made, and that it is appropriate to implement the gratis allotment of the Stock Acquisition Rights, the Independent Panel may make a different determination, including the gratis allotment of the Stock Acquisition Rights. The Independent Panel may recommend such a determination to the Company’s Board of Directors.
- d) In case of extension of the Independent Panel Assessment Period
In case the Independent Panel’s proceedings do not result in a recommendation for either the implementation or non-implementation of the gratis allotment of the Stock Acquisition Rights (including the recommendation to the effect that the advice of a

general meeting of shareholders be sought on the implementation of the gratis allotment of the Stock Acquisition Rights) by the end of the initial Independent Panel Assessment Period, the Independent Panel shall make a resolution to extend the Independent Panel Assessment Period within a period deemed as reasonably necessary to consider the terms of the Acquisition, discuss and negotiate with the Acquirer and assess any alternative proposals, provided that such period is up to 30 days.

In case the Independent Panel Assessment Period is extended by said resolution, the Independent Panel shall continue to collect and assess information and make the best effort to make a recommendation for the implementation or non-implementation of the gratis allotment of the Stock Acquisition Rights (including the recommendation to the effect that the advice of a general meeting of shareholders be sought on the implementation of the gratis allotment of the Stock Acquisition Rights). In case the Independent Panel Assessment Period is extended, the Independent Panel shall promptly disclose the reason and period required through the Company's Board of Directors.

(5) Resolutions by the Board of Directors

In case the Independent Panel makes a recommendation for the implementation of the gratis allotment of the Stock Acquisition Rights according to Item a) above of IV. 3. "(4) Judging method of the Independent Panel," and in case the Independent Panel makes a recommendation for the non-implementation of the gratis allotment of the Stock Acquisition Rights according to Item c) above, the Company's Board of Directors shall give the utmost consideration to recommendations from the Independent Panel when it receives such recommendations and pass a resolution on the implementation or non-implementation of the gratis allotment of the Stock Acquisition Rights as an organ regarding the implementation or non-implementation of the gratis allotment of the Stock Acquisition Rights prescribed in the Companies Act. In the aforementioned cases, the Acquirer shall not be allowed to execute the Acquisition until the Company's Board of Directors passes a resolution on the implementation of the gratis allotment of the Stock Acquisition Rights.

In addition, in case the Independent Panel recommends that the Company's Board of Directors seeks the advice of a general meeting of shareholders on the implementation of the gratis allotment of the Stock Acquisition Rights according to Item b) above of IV. 3. "(4) Judging method of the Independent Panel," when the Company's Board of Directors receives such a recommendation from the Independent Panel, it shall pass a resolution on the procedures prescribed in the following IV. 3. "(6) Holding of a general meeting of shareholders." In case a proposal regarding approval of the implementation of the gratis allotment of the Stock Acquisition Rights is passed at a general meeting of shareholders, the Company's Board of Directors shall promptly pass a resolution on the implementation of the gratis allotment of the Stock Acquisition Rights. Whereas, in case a proposal regarding approval of the implementation of the gratis allotment of the Stock Acquisition Rights is rejected at said general meeting of shareholders, the Company's Board of Directors shall promptly pass a resolution on the non-implementation of the gratis allotment of the Stock Acquisition Rights.

In the case the Company's Board of Directors passes its resolution in each of the aforementioned cases, the Company's Board of Directors will promptly disclose the information on the outline of said resolution and other matters it judged as appropriate in accordance with the related laws and regulations, as well as with the Financial Instrument Exchange Rules.

(6) Holding of a general meeting of shareholders

In case the Independent Panel has recommended to the Company's Board of Directors that the Company's Board of Directors seeks the advice of a general meeting of shareholders on the implementation of the gratis allotment of the Stock Acquisition Rights according to Item b) above of IV. 3. "(4) Judging method of the Independent Panel," the Company's Board of Directors will promptly convene a general meeting of shareholders and submit a proposal regarding approval of the implementation of the gratis allotment of the Stock Acquisition Rights to the meeting. As premises for holding such a general meeting of

shareholders, the Company's Board of Directors shall fix the reference day (hereinafter the "Approval Meeting Voting Rights Record Date") to confirm the shareholders who can exercise their voting rights at said general meeting of shareholders and publicly announce said record date at least two weeks in advance of said Approval Meeting Voting Rights Record Date. The shareholders entitled to exercise their voting rights at said general meeting of shareholders shall be those mentioned or recorded in the final register of shareholders as of the Approval Meeting Voting Rights Record Date.

A resolution at said general meeting of shareholders shall be adopted by a majority vote of the voting rights of the shareholders who can attend the meeting and exercise their voting rights thereat. The vote results of said general meeting of shareholders shall be promptly disclosed after the resolution is adopted. In case the Independent Panel has made a recommendation according to Item b) above of IV. 3. "(4) Judging method of the Independent Panel," the Acquirer shall not be allowed to execute the Acquisition until the shareholders pass a resolution on the implementation of the gratis allotment of the Stock Acquisition Rights at said general meeting of shareholders.

In executing the convocation procedures for a general meeting of shareholders at which the approval of the implementation of the gratis allotment of the Stock Acquisition Rights is on the agenda, the Company's Board of Directors will promptly disclose the information on the outline of the Required Information, the opinion of the Company's Board of Directors regarding the letter of intent, the recommendations of the Independent Panel and other matters it judges as appropriate in accordance with the related laws and regulations, as well as with the rules of the financial instrument exchanges.

4. Requirements for the gratis allotment of the Stock Acquisition Rights

In case the proposed Acquisition by the Acquirer falls under Item (1) below, or either (2) or (3) below and it is deemed appropriate to implement the gratis allotment of the Stock Acquisition Rights, the Company plans to implement the gratis allotment of the Stock Acquisition Rights by resolution at the Company's Board of Directors meeting, which is set forth in Item (5) of IV. 3. "Procedures regarding the activation of the Plan," based on the decision made by the Independent Panel, which is set forth in IV. 3. "(4) Judging method of the Independent Panel," above and on the resolution adopted at said general meeting of shareholders (if a general meeting of shareholders is held according to Item in IV. 3. (6)).

- (1) In case the Acquirer does not comply with the procedures prescribed in the Plan, that is, ensuring the period requested for the provision of information and the Independent Panel Assessment Period, which are prescribed in Item (2) or (3) of the above IV. 3. "Procedures regarding the activation of the Plan"
- (2) In case the Acquisition will likely cause obvious harm to the corporate value of the Company and the common interests of its shareholders due to the following actions
 - a) Buy out of the Company's share certificates, etc., to demand that the Company purchase said share certificates at an inflated price;
 - b) Conducting management that benefits the Acquirer to the detriment of the Company, such as taking temporary control of the Company's management for the low-cost acquisition of the material assets of the Company;
 - c) Diversion of the Company's assets to secure or repay debts of the Acquirer or its group companies; and/or
 - d) Taking temporary control of the Company's management to bring about a disposal of high-value assets that have no current relevance to the Company's businesses and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends.
- (3) In case the Acquisition threatens to have the effect of compelling shareholders to sell their share certificates, etc., such as a coercive two-tier tender offer (meaning the acquisition of shares including a tender offer that does not offer to acquire all shares in the initial acquisition, and sets unfavorable acquisition terms for the second stage or does not set clear terms for the second stage)

5. Outline of the gratis allotment of the Stock Acquisition Rights

The outline of the gratis allotment of the Stock Acquisition Rights according to the Plan is as follows:

(1) Number of the Stock Acquisition Rights

The number of the Stock Acquisition Rights shall be the same as the final and total number of the Company's issued and outstanding shares as of the date of allotment (hereinafter the "Allotment Date") (excluding the number of the Company's shares held by the Company at that time) separately determined by the Board of Directors in a resolution on the gratis allotment of the Stock Acquisition Rights (hereinafter the "Gratis Allotment Resolution").

(2) Shareholders Eligible for Allotment

The Company will implement a gratis allotment of the Stock Acquisition Rights to those shareholders except the Company who are mentioned or recorded in the Company's final register of shareholders on the Allotment Date at a ratio of one (1) Stock Acquisition Right for every one (1) Company share held.

(3) Effective Date of the Stock Acquisition Rights

The effective date of the gratis allotment of the Stock Acquisition Rights shall be separately determined in the Gratis Allotment Resolution.

(4) Class and Number of Shares to be Acquired upon Exercise of the Stock Acquisition Rights

The class of Company shares to be acquired upon exercise of the Stock Acquisition Rights shall be common shares¹¹ (book-entry shares prescribed in Article 128, Paragraph 1, of the "Act on Book-Entry of Company Bonds, Shares, etc.," to which the provisions of said Act apply). The number of Company shares to be acquired upon exercise of one (1) Stock Acquisition Right (hereinafter, the "Applicable Number of Shares") shall be one (1) share unless otherwise adjusted.

(5) Amount to be Contributed upon Exercise of the Stock Acquisition Rights

Property to be contributed upon exercise of the Stock Acquisition Rights shall be cash, and the amount to be contributed per one (1) Company share upon exercise of the Stock Acquisition Rights shall be an amount to be separately determined by the Gratis Allotment Resolution between ¥1 and any amount equivalent to 50% of the fair value of one (1) Company share. The "fair value" in this context shall be the average of the closing prices (including quote indications) of regular transactions of Company shares on the Tokyo Stock Exchange for a period of 90 days from the day preceding the date of the Gratis Allotment Resolution (excluding non-trading days), with fractional amounts less than ¥1 rounded up to the nearest yen.

(6) Exercise Period of the Stock Acquisition Rights

The exercise period of the Stock Acquisition Rights shall be a period to be separately determined by the Gratis Allotment Resolution between one (1) month and two (2) months, as a general rule, starting with the Effective Date of the gratis allotment of the Stock Acquisition Rights or the day to be separately determined by the Gratis Allotment Resolution.

(7) Conditions for Exercise of the Stock Acquisition Rights

(I) Specified large-scale holders¹², (II) joint holders of the specified large-scale holders, (III) specified large-scale purchasers¹³, (IV) specially related parties of the specified large-scale purchasers, (V) any persons who have been transferred or have inherited the Stock Acquisition Rights from any persons falling under (I) to (IV) above without the approval of the Company's Board of Directors, or (VI) any related parties¹⁴ of the persons falling under (I) to (V) above (any parties falling under (I) to (VI) above shall be collectively referred to as the "Non-Qualified Parties" hereinafter) cannot exercise their Stock Acquisition Rights as a general rule. Furthermore, nonresidents of Japan who are required to follow certain procedures under foreign laws and regulations to exercise the Stock Acquisition Rights may not as a general rule exercise the Stock Acquisition Rights (provided, however, that, certain nonresidents such as those who reside in a country where provisions are available for exclusion from the application of their applicable local laws can

exercise the Stock Acquisition Rights, and the Stock Acquisition Rights held by such nonresidents may be subject to acquisition by the Company in exchange for Company shares as set out in (9) below). In addition, any person who does not submit a written pledge in a form prescribed by the Company containing representations and warranties regarding matters such as the fact that he/she satisfies the conditions for the exercise of the Stock Acquisition Rights, indemnity clauses and other covenants cannot exercise the Stock Acquisition Rights.

(8) Transfer of the Stock Acquisition Rights

Any acquisition of the Stock Acquisition Rights via transfer thereof shall require the approval of the Company's Board of Directors.

(9) Acquisition of the Stock Acquisition Rights by the Company

a) The Company may acquire, upon arrival of the date separately determined by the Company's Board of Directors, all the Stock Acquisition Rights for no consideration at any time up to the date prior to the Exercise Period Starting Date in case that the Company's Board of Directors deems that it is appropriate for the Company to acquire such Stock Acquisition Rights.

b) Upon the arrival of the date separately determined by the Company's Board of Directors, the Company may acquire all the Stock Acquisition Rights held by persons other than the Non-Qualified Parties that have not been exercised until the business day preceding the date determined by the Company's Board of Directors, and in exchange, may deliver Company shares in the number of the Applicable Number of Shares for every one (1) Stock Acquisition Right to the relevant shareholders. In addition, if, on or after the date such acquisition takes place, the Company's Board of Directors deems that there are any persons holding the Stock Acquisition Rights other than the Non-Qualified Parties, the Company may acquire all the unexercised Stock Acquisition Rights held by such persons upon the arrival of the date separately determined by the Company's Board of Directors, which should be later than the date of the aforementioned acquisition, and up to the day preceding the date determined by the Company's Board of Directors, and in exchange, may deliver Company shares in the number of the Applicable Number of Shares for every one (1) Stock Acquisition Right to the relevant shareholders. The same shall apply subsequently. The Company does not plan to acquire the Stock Acquisition Rights from the Non-Qualified Parties with cash as consideration.

(10) Delivery of the Stock Acquisition Rights in the Case of Merger, Absorption-Type Company Split, Incorporation-Type Company Split, Share Exchange and Share Transfer
Shall be determined separately in the Gratis Allotment Resolution.

(11) Issuance of Certificates Representing the Stock Acquisition Rights

Certificates representing the Stock Acquisition Rights shall not be issued.

(12) Other Details

Other details of the Stock Acquisition Rights in addition to the above shall be determined separately in the Gratis Allotment Resolution.

6. Procedures for the Renewal

The Renewal is subject to the approval of shareholders by resolution of this Shareholders Meeting.

7. Effective Period of the Plan

The effective period of the Plan shall be the period up to the conclusion of the ordinary general meeting of shareholders pertaining to the final business year ending within three years after the conclusion of this Shareholders Meeting.

8. Abolition, Revision and Modification, etc., of the Plan

After the Renewal, even before the expiration of the effective period, however, the Plan shall be modified or abolished in case a resolution that the Plan be modified or abolished is adopted

by the Company's general meeting of shareholders.

Even before the expiration of the effective period of the Plan, the Company's Board of Directors may abolish the Plan by resolution of its board meeting. Also, the Company's Board of Directors may revise or modify the Plan, subject to the approval of the Independent Panel.

If the Plan is abolished, revised or modified, the Company will promptly disclose information on the fact that such abolition, revision or modification has taken place (in the event of revision or modification), the details of the modification or revision and any other related matters for which disclosure is deemed appropriate by the Board of Directors or the Independent Panel.

The provisions of the laws and regulations cited in the Plan are based on those in effect as of May 15, 2017. In case of any establishment, revision or abolition of laws and regulations from this day forward, if necessary, the provisions, meanings of terms, etc., of the Plan may be replaced as appropriate within a reasonable range upon consideration of the purpose of such establishment, revision or abolition at meetings of the Board of Directors.

V. Impact on Shareholders and Investors

1. Impact on Shareholders and Investors at the Time of Renewal

Because no gratis allotment of the Stock Acquisition Rights would be implemented at the time of the Renewal, it would not have any direct and specific impact on the rights or interests of the shareholders and investors.

2. Impact, etc., of Gratis Allotment of the Stock Acquisition Rights on Shareholders and Investors

(1) Procedure for a Gratis Allotment of the Stock Acquisition Rights

In case the Company's Board of Directors adopts the Gratis Allotment Resolution, public notice of the Allotment Date, which is determined by the said Resolution, will be provided. In this case, the gratis allotment of the Stock Acquisition Rights will be conducted at the ratio of one (1) Stock Acquisition Right per one (1) Company share held by the shareholders who are mentioned or recorded in the final register of shareholders as of the Allotment Date (hereinafter, the "Eligible Shareholders"). As the Eligible Shareholders will become the Stock Acquisition Rights holders on the effective date as a matter of course, such shareholders are not required to follow an application procedure.

In addition, even if the Gratis Allotment Resolution is once passed, the Company may, by paying utmost respect to the recommendation of the Independent Panel stated in (4) a) and b) under "IV. 3. Procedures Regarding the Activation of the Plan" above, cancel the gratis allotment of the Stock Acquisition Rights on or before the day preceding the effective date of the gratis allotment of the Stock Acquisition Rights or acquire the Stock Acquisition Rights without consideration after the effective date of the gratis allotment of the Stock Acquisition Rights up to the day preceding the Exercise Period Starting Date. In such cases, as no dilution of per share value in Company shares will occur, it is possible that any shareholders or investors who have sold or bought Company shares expecting to see a dilution of per share value may suffer damage as a result of a fluctuation in the share price.

(2) Procedure for the Exercise of the Stock Acquisition Rights

The Company will, as a general rule, mail an exercise request form for the Stock Acquisition Rights (in a form prescribed by the Company and containing necessary matters such as the terms and number of the Stock Acquisition Rights for exercise and the exercise date for the Stock Acquisition Rights, the account for transfer of book-entry shares, as well as representations and warranties regarding matters such as that the shareholders themselves satisfy the Conditions for Exercise of the Stock Acquisition Rights, indemnity clauses and other covenants) and other documents necessary for the exercise of the Stock Acquisition Rights to the Eligible Shareholders. After the gratis allotment of the Stock Acquisition Rights, the shareholders will be issued one (1) Company share per one (1) Stock Acquisition Right, as a general rule, by submitting the aforementioned necessary documents during the exercise period of the Stock Acquisition and paying to the payment handling institution an amount equivalent to the exercise price determined by the Gratis Allotment Resolution between ¥1 and any amount equivalent to 50% of the fair value of one (1) Company share.

If some shareholders do not exercise the Stock Acquisition Rights or pay the amount equivalent to the exercise price, because of other shareholders exercising the Stock Acquisition Rights, the value of the Company shares as a whole held by such shareholders could be diluted.

The Company, pursuant to the descriptions in (3) below, might acquire the Stock Acquisition Rights from shareholders other than Non-Qualified Parties and, in exchange, may deliver Company shares. In case the Company takes such procedures, shareholders other than Non-Qualified Parties will receive Company shares without exercising the Stock Acquisition Rights or paying the amount equivalent to the exercise price. In such a case, the value of one Company share held by shareholders concerned could be diluted, whereas dilution does not occur, as a general rule, in the value of the Company shares as a whole held.

(3) Procedure for the Purchase of the Stock Acquisition Rights by the Company

In case the Company's Board of Directors determines to acquire the Stock Acquisition Rights, the Company may acquire the Stock Acquisition Rights from the shareholders other than the Non-Qualified Parties in accordance with the statutory procedures on the day separately determined by the Company's Board of Directors and, in exchange, deliver Company shares to the shareholders concerned.

In that case, as a general rule, those shareholders will receive one (1) Company share for every one (1) Stock Acquisition Right they hold as consideration for the acquisition by the Company of those Stock Acquisition Rights, without paying an amount equivalent to the exercise price. In such case, however, the shareholders concerned may be separately requested to submit, in a form prescribed by the Company, a written document including necessary information such as the account for transfer of book-entry shares, representations and warranties regarding matters such as the fact that they are not Non-Qualified Parties, indemnity clauses and other covenants.

(4) Other

Other necessary matters shall be determined by the Board of Directors of the Company in the Gratis Allotment Resolution.

In addition to the above, the Company will disclose information to or notify its shareholders with respect to the particulars of methods for the allotment and exercise of the Stock Acquisition Rights and for the acquisition by the Company after they are determined in the Gratis Allotment Resolution, so we request that shareholders confirm these details at that time.

VI. Rationality of the Plan

1. Satisfying the Requirements of the Guidelines for Takeover Defense Measures

The Plan satisfies the three principles set out in the "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests"—Principle of protecting and enhancing corporate value and shareholders' common interests, Principle of prior disclosure and shareholders' will, and Principle of ensuring the necessity and reasonableness—released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

The Plan also takes into account the report on "Takeover Defense Measures in Light of Recent Environmental Changes" published on June 30, 2008 by the Corporate Value Study Group, a group set up under the Ministry of Economy, Trade and Industry.

2. Its Purpose Being to Ensure and Improve the Common Interests of Shareholders

As described in IV. 1. "Purpose of the Plan" above, the purpose of the Plan is to ensure and improve the corporate value of the Company and the common interests of its shareholders by making the necessary time and information available for the shareholders to decide whether or not to accept the Acquisition of the Company's share certificates, etc., or for the Company's Board of Directors to present alternative proposals to the shareholders, or, depending on the situation, by enabling negotiation with the Acquirer for the benefit of the shareholders, when the Acquisition is to be effected.

3. Valuing the Intent of the Shareholders

As described in IV. 6. “Procedures for the Renewal” above, the Plan will be renewed upon approval of the shareholders at this Shareholders Meeting. Unless the Independent Panel recommends implementation of a gratis allotment of the Stock Acquisition Rights when the Acquirer has initiated the Acquisition without complying with the procedures prescribed in the Plan or unless the Independent Panel recommends non-implementation of a gratis allotment of the Stock Acquisition Rights, the Intent of the Shareholders shall be directly reflected by holding shareholders meetings concerning implementation or non-implementation of a gratis allotment of the Stock Acquisition Rights.

4. Emphasis on the Decisions of Highly Independent Outsiders and Disclosure of Information

The Company will establish an Independent Panel to eliminate arbitrary decisions by the Company’s Board of Directors in relation to implementation or non-implementation of a gratis allotment of the Stock Acquisition Rights based on the Plan and as a body that makes substantial decisions in relation to operations of the Plan in an objective manner on behalf of the shareholders. The Independent Panel shall consist of three or more external experts, who are independent from the Company’s management that executes its operations (the name and career summary of each member of the Independent Panel at the time of the Renewal are listed in Attachment 2).

When the Acquisition of the Company’s share certificates, etc., is to be effected, as described in IV. 3. “Procedures Regarding the Activation of the Plan” above, the Independent Panel shall make substantial decisions, in accordance with the Regulations for the Independent Panel, on such issues as whether the Acquisition would harm the Company’s corporate value and the common interests of its shareholders. The Company’s Board of Directors shall pay the utmost respect to those decisions and make a resolution as an organ prescribed in the Companies Act.

In this way, the Independent Panel strictly monitors the Company’s Board of Directors for any arbitrary operation of the Plan, and outlines of the Independent Panel’s decisions are required to be disclosed to shareholders. This ensures a structure under which the Plan is operated in a transparent way to contribute to the corporate value of the Company and the common interests of its shareholders.

5. Establishment of Reasonable and Objective Requirements

As described in IV. 3 “Procedures Regarding the Activation of the Plan” (4) and IV. 4 “Requirements for the Gratis Allotment of the Stock Acquisition Rights” above, the Plan has been designed so that a gratis allotment of the Stock Acquisition Rights will not be activated unless it satisfies predetermined reasonable, detailed and objective requirements. This ensures a structure to eliminate arbitrary implementation by the Company’s Board of Directors.

6. The Term of Office of the Company’s Directors Being One (1) Year

Because the term of office of the Company’s Directors is one (1) year, it is possible to reflect the intent of shareholders about the Plan even during the effective period of the Plan via election of the Company’s Directors each year.

7. Obtaining Opinions of Third-Party Experts

As described in IV. 3 “Procedures Regarding the Activation of the Plan” (3) above, it is prescribed that the Independent Panel may, at the emergence of an Acquirer, obtain advice from independent third parties, including financial advisers, certified public accountants, attorneys-at-law, consultants and other experts at the Company’s expense, which ensures a structure to maintain the fairness and objectivity of judgments by the Independent Panel.

8. No Dead-Hand or Slow-Hand Takeover Defense Measures

As described in IV. 8 “Abolition, Revision and Modification, etc., of the Plan” above, the Plan has been designed so that it may be abolished by a Board of Directors comprising Directors elected at the Company’s general meeting of shareholders. Therefore, the Plan could be abolished by a Board of Directors comprising Directors nominated at the Company’s general meeting of shareholders by a person who acquired a large number of share certificates, etc. Therefore, the Plan is not a dead-hand takeover defense measure—a

takeover defense measure in which even if a majority of the members of the Board of Directors are replaced, the activation of the measure cannot be prevented.

In addition, the Company does not adopt staggered terms of office, the Plan is neither a slow-hand takeover defense measure—a takeover defense measure that takes time to prevent the activation of the measure due to the fact that the members of the Board of Directors cannot be replaced all at once.

Footnotes:

1. Defined in Article 27-23, Paragraph 4, of the Financial Instruments and Exchange Act. This definition is applied throughout this document.
2. Includes a person stated as a holder under Article 27-23, Paragraph 3, of the Financial Instruments and Exchange Act. (Includes a person regarded as applicable by the Company's Board of Directors.)
3. Defined in Article 27-23, Paragraph 1, of the Financial Instruments and Exchange Act. This definition is applied throughout this document unless otherwise specified.
4. Defined in Article 27-2, Paragraph 6, of the Financial Instruments and Exchange Act. This definition is applied throughout this document
5. Defined in Article 27-2, Paragraph 8, of the Financial Instruments and Exchange Act. This definition is applied throughout this document.
6. Refers to the specially related party (*tokubetsu kankei-sha*) defined in Article 27-2, Paragraph 7, of the Financial Instruments and Exchange Act. (Including persons regarded as applicable by the Company's Board of Directors.) Provided, however, that persons stipulated in Article 3, Paragraph 2, of the Cabinet Office Ordinance concerning the disclosure of a tender offer for share certificates, etc., by a person other than the issuer are excluded from the persons specified in Article 27-2, Paragraph 7, Item 1, of said Act. This definition is applied throughout this document.
7. Defined in Article 27-2, Paragraph 1, of the Financial Instruments and Exchange Act.
8. "Business days" refer to the days other than those stipulated in the respective items in Article 1, Paragraph 1, of the Act on Holidays of Administrative Organs. This definition is applied throughout this document.
9. Joint holders as defined in Article 27-23, Paragraph 5, of the Financial Instruments and Exchange Act. Includes persons regarded as joint holders under Paragraph 6 of said Article, including a person regarded as applicable by the Company's Board of Directors. This definition is applied throughout this document.
10. Defined in Article 27-23, Item 5, of the Order for Enforcement of the Financial Instruments and Exchange Act.
11. Even if the Company becomes a corporation with class shares (defined in Article 2, Item 13 of the Companies Act) in the future, both a) Company shares issued upon exercise of the Stock Acquisition Rights and b) Company shares to be delivered in exchange for acquisition of the Stock Acquisition Rights are the same as the outstanding shares (common stock) at the time of this Ordinary General Meeting of Shareholders.
12. "Specified large-scale holders" mean holders of share certificates, etc., issued by the Company and whose holding ratio of the said share certificates, etc., is deemed by the Company's Board of Directors to be 20% or more. However, "Specified large-scale holders" do not include persons whose holding of Company's shares at a holding ratio of 20% or more is deemed unharmed to the Company's corporate value or the common interests of the shareholders, and persons separately determined in the Gratis Allotment Resolution. This definition is applied throughout this document.
13. "Specified large-scale purchasers" mean persons who have provided public notice of purchase, etc. (as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act; the same is applied throughout this footnote 13), of share certificates, etc. (as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act; the same is applied throughout this footnote 13), issued by the Company through a tender offer and whose holding ratio of share certificates, etc., in respect of such share certificates, etc., owned by such person after such purchase, etc. (including similar ownership as prescribed in Article 7, Paragraph 1 of the Order of the Enforcement of the Financial Instruments and Exchange Act), is deemed by the Company's Board of Directors to be 20% or more when combined with the holding ratio of share certificates, etc., of a specially related party of such person. However, "Specified large-scale purchasers" do not include persons whose purchase and holding of the Company's shares is deemed unharmed to the Company's corporate value or the common interests of the shareholders, and persons separately determined in the Gratis Allotment Resolution. This definition is applied throughout this document.

14. "Related parties" of a person or a company mean any persons that are deemed by the Company's Board of Directors to substantially control such a person or company, or be controlled by such a person or company, or be under common control of another entity with such a person or company, or any person or company that is deemed by the Company's Board of Directors to act in concert with such a person or company. "Control" in this context means "controlling the decisions of financial and business policies" (defined in Article 3, Paragraph 3 of the Ordinance for Enforcement of the Companies Act) of other corporations or entities.

Outline of Regulations for the Independent Panel

- The Independent Panel shall be established by a resolution of the Company's Board of Directors.
- The number of members of the Independent Panel shall be at least three (3) and elected and appointed by the Company's Board of Directors from among the people who are independent from the Company's management. The external expert must be an experienced corporate manager, a person whose primary career has been in government offices/agencies, a person who is well versed in investment banking operations, an attorney-at-law, a certified public accountant, an academic or any other person with equivalent qualifications, and must have concluded with the Company an agreement separately specified by the Company's Board of Directors that contains a provision obligating the said person to exercise the duty of due care of a prudent manager or similar provisions.
- Unless otherwise separately determined by a resolution of the Company's Board of Directors, the term of office of members of the Independent Panel shall be until the conclusion of the ordinary general meeting of shareholders pertaining to the final business year ending within three years after the conclusion of this Shareholders Meeting.
- The Independent Panel shall decide on the matters stated in each Item below and recommend that decision to the Company's Board of Directors, along with its reasons. The Board of Directors shall pay the utmost respect to the Independent Panel's recommendation and make a resolution as an organ prescribed in the Companies Act on the implementation or non-implementation of a gratis allotment of the Stock Acquisition Rights (however, if the proposal to seek approval of the implementation of the gratis allotment of the Stock Acquisition Rights is submitted to the Company's general meeting of shareholders, a resolution at the said meeting shall be followed). Each member of the Independent Panel and each Director of the Company shall make these decisions with a view to whether such decisions enhance the Company's interests, not for the purpose of pursuing the personal interests of themselves or the Company's management team.
 - a) Implementation or non-implementation of the gratis allotment of the Stock Acquisition Rights
 - b) That a proposal should be submitted to the Company's general meeting of shareholders regarding implementation of the gratis allotment of the Stock Acquisition Rights
 - c) Cancellation of the gratis allotment of the Stock Acquisition Rights or acquisition of the Stock Acquisition Rights for no consideration; and
 - d) Other matters on which the Company's Board of Directors consulted the Independent Panel from among those to be determined by the Company's Board of Directors
- In addition to the matters prescribed above, the Independent Panel may conduct the matters stated in each of the following.
 - a) Determining whether the Acquisition is subject to the Plan;
 - b) Determining the information to be provided to the Independent Panel by the Acquirer and the Company's Board of Directors and its deadline;
 - c) Establishment and extension of the Independent Panel Assessment Period;
 - d) Assessing the terms of the Acquisition by the Acquirer;
 - e) Negotiating and discussing with the Acquirer directly or via the Company's Board of Directors, etc.;
 - f) Requesting the Company's Board of Directors to submit alternative proposals, assessing the alternative proposals prepared by the Company's Board of Directors, and collecting, comparing and examining, etc., the information on the business plans, etc., of the Acquirer and the Company's Board of Directors and presenting alternative proposals to shareholders;
 - g) Approving matters regarding any revision or modification of the Plan;
 - h) Other matters prescribed under the Plan that the Independent Panel can perform; and
 - i) Matters otherwise prescribed by the Company's Board of Directors that the Independent Panel can perform.
- The Independent Panel will request that the Acquirer additionally submit the Required Information, whenever it judges that the Required Information provided by the Acquirer is not sufficient (Provided, however the Final Reply Deadline shall not exceed 60 days (first day not included) from the day when the Letter of Intent was received) even if it cannot be judged that the Required Information has been sufficiently provided. If the Required Information (including additionally provided information upon request) is presented by the Acquirer, the Independent Panel can request the Company's Board of Directors to promptly provide the opinion on the terms of the Acquisition, documents supporting that opinion and alternative proposals (if any) and other information and materials that the Independent Panel may consider necessary within a response period that is determined as appropriate.
- The Independent Panel shall, if it is necessary to improve the terms of the Acquisition by the Acquirer from

the perspective of ensuring and increasing the corporate value of the Company and the common interests of its shareholders, discuss and negotiate with the Acquirer directly or indirectly through the Company's Board of Directors, etc., and present to shareholders the Company's alternative plans via the Board of Directors.

- To collect the necessary information, the Independent Panel may request the attendance of the Company's Directors, Executive Officers, Audit & Supervisory Board Members, Specialists, employees or any other persons the Independent Panel regards necessary and ask them for explanations on matters as inquired by the Independent Panel.
- The Independent Panel may obtain advice, etc., from independent third parties, including financial advisers, certified public accountants, attorneys-at-law, consultants and other experts at the Company's expense.
- Each member of the Independent Panel may convene a meeting of the Independent Panel when an Acquisition is conducted or at any other time.
- A resolution of the Independent Panel shall be adopted by a majority vote at a meeting with full attendance, as a general rule. However, if there are unavoidable reasons, such as the occurrence of accidents to the Panel members, it can be adopted by a majority vote at a meeting where a majority of the Independent Panel members are present.

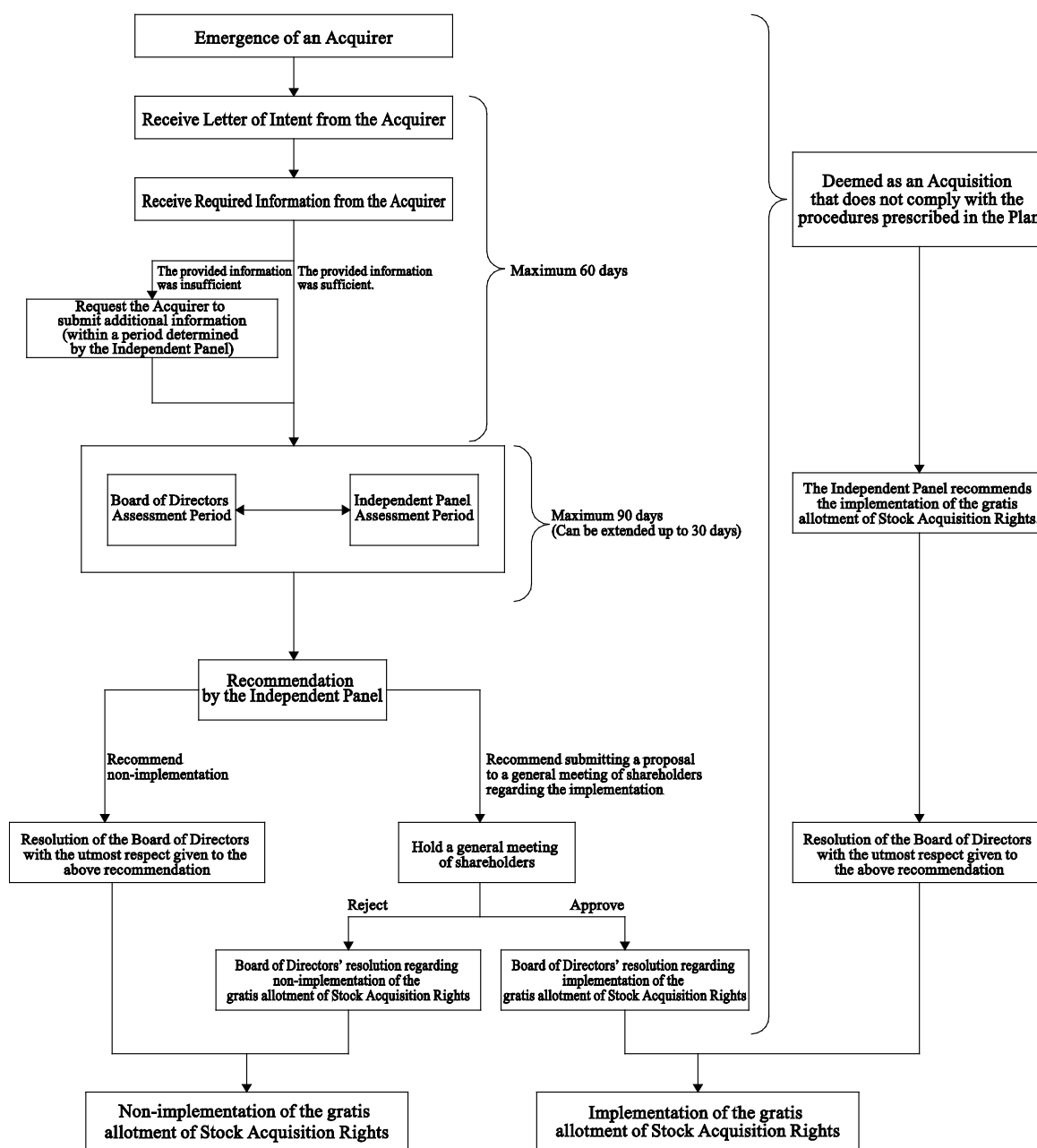
Career Summary of the Members of the Independent Panel (Japanese alphabetical order)

The Independent Panel after the Renewal will consist of the following three (3) members.

Name	Career Summary	
Masamichi Ouchi	1942 September 1975 June 1977 January 1978 August 1983 July 2003 July 2007 July 2010 June 2013 June 2015	Born Registered as a Certified Public Accountant Registered as a tax accountant Established Ouchi Certified Public Accountant Office and Ouchi Masamichi Tax Accountant Office Guest Researcher, Mitsubishi Research Institute, Inc. Visiting Researcher (currently Adjunct Researcher), Waseda Accounting Institute (current position) Deputy President, The Japanese Institute of Certified Public Accountants Auditor, The Japanese Institute of Certified Public Accountants Outside Corporate Auditor, Tsukishima Kikai Co., Ltd. (current position) External Director, Nitto Boseki Co., Ltd. (current position)
Rokuro Tsuruta	1943 April 1970 April 2005 June 2006 July 2006 October 2006 September 2007 April 2009 June 2010 June 2012 June 2015	Born Prosecutor, Tokyo District Public Prosecutors Office Superintending Prosecutor, Nagoya High Public Prosecutors Office Retired as Superintending Prosecutor, Nagoya High Public Prosecutors Office Registered as Attorney-at-law Professor, Law School, Chiba University Outside Audit & Supervisory Board Member, J.FRONT RETAILING Co., Ltd. (current position) Professor, Law School, Surugadai University Outside Auditor, Mitsubishi Chemical Holdings Corporation Outside Auditor, Mitsubishi Chemical Corporation Outside Corporate Auditor, Sumitomo Mitsui Financial Group, Inc. (current position) Outside Corporate Auditor, Sumitomo Mitsui Banking Corporation Outside Director, KYB Corporation (current position)
Yutaka Watanabe	1945 January 1974 June 2006 January 2011 June 2011 June 2012 January 2014	Born Joined Sumitomo Cement Co., Ltd. (currently Sumitomo Osaka Cement Co., Ltd.) President & Representative Director, Sumitomo Osaka Cement Co., Ltd. Director & Advisor, Sumitomo Osaka Cement Co., Ltd. Advisor, Sumitomo Osaka Cement Co., Ltd. Outside Director, NEC Mobiling, Ltd. (currently MX Mobiling Co., Ltd.) Honorary Advisor, Sumitomo Osaka Cement Co., Ltd. (current position)

(Note) There are no business transactions or special interests between each member above and the Company.

Flow Chart of the Procedures for the Plan (Outline of the Plan)



Note: This chart was prepared only for the purpose of helping understand the Plan. For details of the Plan, please read the main part of the document.