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(Stock Exchange Code 5631)
June 1, 2016

To Shareholders with Voting Rights:

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

NOTICE OF THE 90TH 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 90th 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 Thursday, June 23, 2016, Japan time.

If 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 exercising your voting rights via the Internet, visit the Company’s Web site (<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.

Concerning the exercise of voting rights via the Internet, please refer to the “Exercise of Voting Rights via the Internet” on pages 54 and 55.

- 1. Date and Time:** Friday, June 24, 2016, 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 Osaki, located at
11-1, Osaki 1-chome, Shinagawa-ku, Tokyo, Japan
(See the map on the back of the document.)
- 3. Meeting Agenda:**
 - Matters to be reported:**
 1. The Business Report, Consolidated Financial Statements for the Company’s 90th Fiscal Year (April 1, 2015–March 31, 2016) and results of audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company’s 90th Fiscal Year (April 1, 2015–March 31, 2016)
 - Proposals to be resolved:**
 - Proposal 1:** Appropriation of Surplus
 - Proposal 2:** Reserve Stock Splits
 - Proposal 3:** Partial Amendment to the Articles of Incorporation
 - Proposal 4:** Election of 8 Directors
 - Proposal 5:** Election of 2 Corporate Auditors

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.

(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 Corporate Auditors 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 dividends

The year-end dividend for the fiscal year under review is proposed to be ¥2.5 per share. Including the interim dividend of ¥2.5 per share already paid, the annual dividend will be ¥5.00 per share.

(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:

¥2.5 per common share of the Company

Aggregate amount: ¥918,668,803

(3) Effective date and payment start date: June 27, 2016

2. Other matters related to the appropriation of surplus

(1) Item and amount of surplus that will decrease: General reserve ¥15,000,000,000

(2) Item and amount of surplus that will increase: Retained earnings brought forward ¥15,000,000,000

Proposal 2: Reserve Stock Splits

1. Reason for necessitating the reserve stock splits

Having released the “Action Plan for Consolidating Trading Units,” all domestic exchanges in Japan aim to consolidate all common stocks of listed domestic companies to 100-share trading units. The Company conforms to the policy, as it listed on the Tokyo Stock Exchange and the Nagoya Stock Exchange, and will change the trading unit of its shares from 1,000 shares to 100 shares. Additionally, the Company will conduct the reserve stock splits (consolidation of five shares into one share) to maintain the level of the minimum investing unit at ¥50,000 or more and less than ¥500,000, which is recommended by the stock exchanges.

2. Details of the reserve stock splits

(1) Class of shares consolidated and ratio of the consolidation

For the Company’s shares of common stock, a five-to-one consolidation of shares is proposed.

In case the reserve stock splits generates fractions of less than one share, all such fractions will be disposed of in a lump sum pursuant to the Companies Act, and the proceeds from such disposal will be distributed to applicable shareholders according to the proportion of the fractions held by each such shareholder.

(2) Effective date of the consolidation

October 1, 2016

(3) Total number of authorized shares on the effective date

200 million shares

(4) Other

The reserve stock splits pertaining to this proposal is subject to the approval of Proposal 3: Partial Amendments to the Articles of Incorporation. It is proposed to leave a decision on other procedural requirements up to the Board of Directors.

Note: Although the reserve stock splits will reduce the total number of shares issued to one-fifth of the current total, the amount of net assets per share will increase fivefold, because the total net assets will not change. Even after the consolidation, there will be no changes in the asset value of the Company’s shares held by shareholders, unless other reasons exist, such as market fluctuations.

Proposal 3: Partial Amendment to the Articles of Incorporation

1. Reasons for the Amendments

Subject to the approval of Proposal 2: Reserve Stock Splits, it is proposed to change the Company’s total number of authorized shares from 1 billion to 200 million according to the ratio of the consolidation of shares, and to change the Company’s share unit from 1,000 to 100 shares to change the trading unit of the Company’s shares to 100.

Regarding these changes, it is proposed to establish a supplementary provision stating that such changes will take effect as of October 1, 2016, the effective date of the consolidation of shares, and to delete such provision upon the lapse of said date.

2. Details of the Amendments

The following are details of the Amendments.

(Underlined portions indicate the Amendments)

Current Articles of Incorporation	Proposed Amendments
(Total Number of Authorized Shares) Article 6 The Company will be authorized to issue a maximum of <u>1 billion</u> shares.	(Total Number of Authorized Shares) Article 6 The Company will be authorized to issue a maximum of <u>200 million</u> shares.
(Share Trading Unit) Article 8 The number of shares in one share trading unit of the Company is <u>one thousand (1,000)</u> shares.	(Share Trading Unit) Article 8 The number of shares in one share trading unit of the Company is <u>one hundred (100)</u> shares.
(Newly established)	<u>Supplementary Provision</u>
(Newly established)	<u>The changes stated in Article 6 and Article 8 shall take effect as of October 1, 2016, and this provision shall be deleted upon the lapse of said date.</u>

Proposal 4: Election of 8 Directors

The terms of office of all 7 Directors will expire at the conclusion of this year's Annual General Meeting of Shareholders. To reinforce the business supervisory function, it is proposed to increase the number of Directors by adding 1 Outside Director and 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	Reappointed Ikuo Sato (February 2, 1949) Attendance at Board of Directors' meetings 20/20 (100%)	April 1972 Joined the Company March 2004 General Plant Manager, Muroran Plant; June 2005 Director June 2007 Deputy Director of Steel Business Division June 2008 Managing Director June 2009 Director of Steel Business Division June 2009 Representative Director & President (current position)	71,000	None
<p>[Reasons for nomination as Director]</p> <p>After having engaged in the management of the steel and energy products business, Mr. Ikuo Sato assumed the office of Representative Director & President in June 2009 and has since had a role in making decisions on the Group's material matters and supervising the execution of the Group's business operations, thereby accumulating considerable experience and achievements as a corporate manager. To help realize the corporate vision, "Advancing toward Top Global & Niche Corporate Group," he is qualified to take the leadership of the Group and therefore is 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	
2	<p>Reappointed</p> <p>Yoshitomo Tanaka (September 27, 1951)</p> <p>Attendance at Board of Directors' meetings 20/20 (100%)</p>	April 1974	Joined the Company	47,420	None
		July 2006	General Plant Manager, Hiroshima Plant		
		June 2007	Director; In charge of Magnesium Business Division		
		June 2008	Director of Molding Machinery and System 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 (current position); Chief Financial Officer; In charge of Finance & Accounting Department and Operation Management Department		
		April 2014	Support of President (current position); In charge of Export Control Administration (current position); In charge of Safety & Hygiene Control and Environmental Management		
		April 2015	In charge of Laser & Plasma System Office (current position)		
April 2016	In charge of Research & Development Headquarters (current position); In charge of Injection Molding Machinery Business Division (current position)				
<p>[Reasons for nomination as Director]</p> <p>After having engaged in the management of the industrial machinery products business, Mr. Yoshitomo Tanaka assumed the office of Representative Director & Executive Vice President in April 2013 and has since taken charge of management and financial strategies, thereby acquiring a broad range of experience and achievements. Based on his considerable 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	<p>Reappointed</p> <p>Kenji Watanabe (January 28, 1954)</p> <p>Attendance at Board of Directors' meetings 20/20 (100%)</p>	<p>April 1977 Joined the Company</p> <p>July 2006 Deputy General Plant Manager, Hiroshima Plant</p> <p>October 2009 General Manager, Operation Management 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 (current position); 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>	15,000	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>				

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held	Special interests with the Company
4	<p>Reappointed</p> <p>Yutaka Higashiizumi (January 22, 1955)</p> <p>Attendance at Board of Directors' meetings 20/20 (100%)</p>	<p>April 1977 Joined the Company</p> <p>April 2010 Deputy General Plant Manager, Muroran Plant</p> <p>July 2011 General Manager, Finance & Accounting Department</p> <p>April 2012 Executive Officer</p> <p>April 2014 Senior Executive Officer; In charge of Finance & Accounting Department (current position); General Manager, Corporate Planning Office (current position)</p> <p>June 2014 Director & Senior Executive Officer</p> <p>April 2015 Director & Managing Executive Officer (current position); Chief Financial Officer (current position)</p> <p>April 2016 Chief Information Security Officer (current position)</p>	16,000	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 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>				
5	<p>Newly appointed</p> <p>Naotaka Miyauchi (January 30, 1958)</p>	<p>April 1981 Joined the Company</p> <p>April 2011 Deputy General Plant Manager, Hiroshima Plant</p> <p>April 2013 Executive Officer; General Plant Manager, Hiroshima Plant</p> <p>April 2015 Managing Executive Officer (current position); Deputy Director of Machinery Business Division (Machinery Business Unit Head)</p> <p>April 2016 In charge of Ordnance Business Headquarters (current position); Director of Machining Business Division (current position)</p>	8,000	None
<p>[Reasons for nomination as Director]</p> <p>Mr. Naotaka Miyauchi has long engaged in the industrial machinery products business and experienced 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>				

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held	Special interests with the Company
6	Newly appointed Takashi Shibata (September 17, 1958)	April 1984 April 2011 April 2013 April 2015 April 2016	Joined the Company Deputy General Plant Manager, Muroran Plant Executive Officer; General Plant Manager, Muroran Plant Managing Executive Officer (current position) In charge of Wind Power Business Office (current position); Director of Steel Business Division (current position)	10,000 None
	<p>[Reasons for nomination as Director] Mr. Takashi Shibata has long engaged in the material and energy product business and experienced 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>			
7	Reappointed Outside Director Motonobu Sato (February 27, 1954) Attendance at Board of Directors' meetings 20/20 (100%)	April 1977 October 2001 April 2003 April 2008 April 2010 June 2014	Joined MITSUI & CO., LTD. General Manager, Telecommunication Business Division, MITSUI & CO., LTD. Director of IT Solution Business Division, MITSUI & CO., LTD. President, MITSUI & CO. VIETNAM LTD. (retired in March 2014) Executive Officer, MITSUI & CO., LTD.; (retired in March 2014) Director (current position)	— None
	<p>[Reasons for nomination as Outside Director] Mr. Motonobu Sato has considerable experience and knowledge accumulated by serving with a trading firm and as part of corporate management in a foreign country, which have been reflected in the overall management of the Company from an independent standpoint. By having him taking an appropriate role in supervising the overall management and on the occasion of important decision making, it is expected to strengthen the Board of Directors' functions, and he is therefore nominated for the position of Outside Director. [Independence of the candidate for Outside Director] Mr. Motonobu Sato served as an Executive Officer of MITSUI & CO., LTD., with which the Company has business transactions, until March 2014. However, the Company's net sales to the said company for the latest fiscal year account for only 0.1% of the Company's consolidated net sales. Therefore, Mr. Sato satisfies the Company's Criteria of Independence for Outside Officers (on page 53) and it can be judged that he has the necessary independence to be an Outside 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
8	Newly appointed Outside Director Nobuo Mochida (April 1, 1947)	<p>April 1970 Joined Hitachi Metals, Ltd.</p> <p>April 2004 Managing Director, NEOMAX Co., Ltd. (currently Hitachi Metals, Ltd.)</p> <p>June 2005 Executive Managing Officer, Hitachi Metals, Ltd.; Executive Managing Officer, Executive Officer, NEOMAX Co., Ltd.</p> <p>June 2006 Representative Executive Officer; President and Chief Executive Officer and Director, Hitachi Metals, Ltd.</p> <p>April 2010 Executive Vice President and Representative Executive Officer, Hitachi, Ltd. (retired in March 2014); Chairman, Hitachi Metals, Ltd.</p> <p>June 2010 Outside Director, Hitachi Cable, Ltd. (currently Hitachi Metals, Ltd.) (retired in June 2013)</p> <p>April 2013 Director, Hitachi Metals, Ltd. (retired in June 2014)</p> <p>June 2014 Director, Hitachi, Ltd. (scheduled to retire in June 2016)</p>	—	None
<p>[Reasons for nomination as Outside Director] Mr. Nobuo Mochida is an experienced business manager of an international manufacturing company, with a wealth of experience at home and abroad and a proven track record in the management of a number of companies. By having him reflect on his engineering perspectives at the Board of Directors as well as supervise the overall management and take a part in important decision making, it is expected to strengthen the Board of Directors' functions, and he is therefore nominated for the position of Outside Director.</p> <p>[Independence of the candidate for Outside Director] Mr. Nobuo Mochida had served as Executive Vice President and Representative Executive Officer of Hitachi, Ltd., with which the Company has business transactions, until March 2014 and currently serves as Director of the same company (scheduled to retire in June 2016). However, the Company's net sales to the said company for the latest fiscal year account for only 0.2% of the Company's consolidated net sales. Hitachi, Ltd. is a stock holder of the Company and has 1.4% of shareholder voting rights. Therefore, Mr. Mochida satisfies the Company's Criteria of Independence for Outside Officers (on page 53) and it can be judged that he has the necessary independence to be an Outside Director.</p>				

- (Notes)
1. Mr. Motonobu Sato and Mr. Nobuo Mochida are candidates for Outside Director. The Company has appointed Mr. Sato as an Independent Director as prescribed by the Tokyo Stock Exchange and the Nagoya Stock Exchange and submitted a notification of the appointment to both Exchanges. The Company also plans to appoint Mr. Mochida as an Independent Director as prescribed by the Tokyo Stock Exchange and the Nagoya Stock Exchange and submit a notification of the appointment to both Exchanges.
 2. During Mr. Sato's service as an Outside Director of the Company, inappropriate accounting treatment by FINE CRYSTAL CO., LTD., a consolidated subsidiary of the Company, was revealed. Although Mr. Sato had not recognized such fact until it was revealed, he expressed his opinions on measures to be taken to prevent a recurrence of such events, as with his usual statements from the viewpoint of legal compliance.
 3. Hitachi Cable, Ltd., 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.) Mr. Mochida served as a Director of Hitachi Metals when the company received said orders to pay a fine and suspend business.
 4. It will have been two years since the appointment of Mr. Sato 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 concludes a limited liability agreement with Mr. Sato 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 Mr. Sato is approved, the Company will continue said agreement with him. If the appointment of Mr. Mochida is approved, the Company will conclude the same limited liability agreement with him.

Proposal 5: Election of 2 Corporate Auditors

The term of office of Corporate Auditor Mamoru Kawakami will expire at the conclusion of this year's Annual General Meeting of Shareholders. In addition, Corporate Auditor Hisao Iwashita will resign at the conclusion of this General Meeting of Shareholders. It is therefore proposed to elect 2 Corporate Auditors.

This proposal has already gained the consent of the Board of Corporate Auditors.

The candidates for Corporate Auditor 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	Newly appointed Akira Kadota (October 16, 1950)	<p>April 1974 Joined the Company.</p> <p>July 2007 Representative Director & President, Japan Steel Works America, Inc.</p> <p>April 2010 Deputy Director, Steel Business Division of the Company</p> <p>June 2010 Director</p> <p>April 2011 Director & Senior Executive Officer</p> <p>June 2011 Senior Executive Officer</p> <p>April 2012 Managing Executive Officer</p> <p>April 2013 Director, Steel Business division</p> <p>June 2013 Director & Managing Executive Officer</p> <p>February 2014 In charge of Wind Power Business Office</p> <p>April 2014 Director & Senior Managing Executive Officer</p> <p>April 2016 Director (current position); Assistant to President (current position)</p>	30,000	None
<p>[Reasons for nomination as Corporate Auditor]</p> <p>After having long engaged in the steel products business of the Company, while part of the management of an overseas subsidiary, Mr. Akira Kadota has taken a role in the management of the Company, accumulating a broad range of knowledge on overall corporate management. Accordingly, Mr. Kadota is expected to be capable of conducting objective and appropriate audits and is therefore nominated for the position of Corporate Auditor.</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
2	Newly appointed Outside Corporate Auditor Itaru Masuda (February 9, 1952)	<p>April 1974 Joined The Mitsui Trust and Banking Company, Ltd (currently Sumitomo Mitsui Trust Bank Limited)</p> <p>June 1999 Manager, Business Planning Department of the same bank</p> <p>April 2000 Executive Officer, Manager, Business Operation Department, The Chuo Mitsui Trust and Banking Company, Limited (currently The Mitsui Trust and Banking Company, Ltd.)</p> <p>February 2002 Managing Executive Officer of the same bank</p> <p>June 2004 Managing Director, Mitsui Trust Holdings, Inc. (currently Sumitomo Mitsui Trust Holdings, Inc.)</p> <p>May 2006 Senior Executive Officer, The Chuo Mitsui trust and banking Company, Ltd.</p> <p>June 2006 Director, Senior Executive Officer of the same bank</p> <p>June 2010 Deputy President of the same bank (retired in March 2012)</p> <p>May 2012 External Director, Three F Co., Ltd.</p> <p>June 2012 Standing Corporate Auditor, Keisei Electric Railway Co., Ltd. (scheduled to retire in June 2016)</p>	—	None
<p>[Reasons for nomination as Corporate Auditor] Due to his experience as a corporate auditor, in addition to that of marketing, planning and other operations at financial institutions, Mr. Itaru Masuda is expected to offer audit opinions from a neutral and objective standpoint and is therefore nominated for the position of Outside Corporate Auditor.</p> <p>[Independence of the candidate for Outside Corporate Auditor] Mr. Itaru Masuda is from a financial institution with which the Company has business transactions. However, the Company's loans payable at the end of the latest fiscal year accounts for as little as about 18% of its total assets. Moreover, because the Company has promoted the distribution and leveling of its transactions among more than one financial institution, the Company's loans payable to said financial institution at the end of the latest fiscal year account for 9.8% of its total loans payable, a level that is not remarkably higher compared to other financial institutions. Sumitomo Mitsui Trust Bank limited is a stock holder of the Company and has 2.2% of shareholder voting rights. Therefore, Mr. Masuda satisfies the Company's Criteria of Independence for Outside Officers (on page 53) and it can be judged that he has the necessary independence to be an Outside Corporate Auditor.</p>				

- (Notes) 1. Mr. Itaru Masuda is a candidate for Outside Corporate Auditor. The Company intends to appoint Mr. Masuda as an Independent Auditor as prescribed by the Tokyo Stock Exchange and the Nagoya Stock Exchange and submit a notification of the appointment to both Exchanges.
2. Pursuant to Article 427, Paragraph 1, of the Companies Act and Article 36 of the Company's Articles of Incorporation, the Company concludes a limited liability agreement with each Corporate Auditor 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. Akira Kadota and Mr. Itaru Masuda is approved, the Company will conclude the same limited liability agreement with each of them.

Reference: The Criteria of Independence for Outside Officers

An Outside Director or an Outside Corporate Auditor 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.

End