

(TRANSLATION ONLY)

Securities code: 6592

March 9, 2018

To Those Shareholders with Voting Rights

Hiroo Okoshi
Representative Director and President
MABUCHI MOTOR CO., LTD.
430 Matsuhidai, Matsudo City, Chiba, Japan

NOTICE OF THE 77TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We are informing you of the 77th Ordinary General Meeting of Shareholders (the “Meeting”) of MABUCHI MOTOR CO., LTD. (the “Company”) to be held as follows:

If you are unable to attend the Meeting, you may exercise your voting rights in writing or via electronic means (e.g., the Internet). Please read the attached REFERENCE DOCUMENTS FOR THE 77TH ORDINARY GENERAL MEETING OF SHAREHOLDERS and exercise your voting rights before 5 p.m. on Wednesday, March 28, 2018.

1. Date: 10 a.m., Thursday, March 29, 2018

2. Place: Large Conference Hall at Head Office
MABUCHI MOTOR CO., LTD.
430 Matsuhidai, Matsudo City, Chiba

3. Agenda:

Matters to be reported:

1. The Business Report and the Consolidated Financial Statements for the 77th Fiscal Term (from January 1, 2017 to December 31, 2017), as well as the Audit Reports of the Independent Certified Public Accountants and the Audit & Supervisory Board for the Consolidated Financial Statements
2. The Financial Statements for the 77th Fiscal Term (from January 1, 2017 to December 31, 2017)

Matters to be resolved:

Proposal 1: Proposed Appropriation of Retained Earnings for the 77th Fiscal Term

Proposal 2: Determination of Remuneration for Granting Restricted Stock to Directors

***For those attending, please present the enclosed Exercise Voting Rights Form at the reception desk on arrival at the Meeting. In addition, please bring this “NOTICE OF THE 77TH ORDINARY GENERAL MEETING OF SHAREHOLDERS” with you.**

***Should any amendments occur in the REFERENCE DOCUMENTS FOR THE 77TH ORDINARY GENERAL MEETING OF SHAREHOLDERS, the Business Report, the Financial Statements and/or the Consolidated Financial Statements, such changes will be posted on the Company’s website (<https://www.mabuchi-motor.co.jp/>).**

*** Please note that we will not arrange any gifts for shareholders attending the Meeting.**

Note: This document is a translation of an excerpt of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

BUSINESS REPORT (From January 1, 2017 to December 31, 2017)

1. Current Conditions of the Mabuchi Group

(1) Business Development and Results

During the fiscal year that ended on December 31, 2017 (fiscal 2017), the world economy in general showed underlying strength. The U.S. economy experienced sustained growth supported by strong consumer spending spurred by improvement in the employment environment. The European economy was strong, against a backdrop of expansion of capital investment. In the Japanese economy, moderate growth continued as a result of expansion of consumer spending accompanying improvement in the employment environment. A gradual adjustment phase continued in the Chinese economy, and overall growth remained low in emerging market economies.

In the markets in which the Mabuchi Group operates, healthy demand in the Automotive Products Market continued overall. Although demand in the Consumer and Industrial Products Market remained stable, markets for some applications continued to contract.

Under these business conditions, the Mabuchi Group addressed several issues: continued strengthening and expansion of the automotive products business and realization of new activities in the consumer and industrial products businesses, promotion of manufacturing innovation, and establishment of new production bases.

Specifically, the Group actively introduced and implemented measures to achieve further progress with sales and market share expansion, the discovery of new markets, and high quality and high efficiency, and achieved results that contributed to business growth in fiscal 2017 and will lead to future business growth. These measures included: 1) winning of orders from new customers by means of next-generation new motors for power window lifters; 2) expansion of orders for small and medium-sized automotive motors for each application by means of application-specific standard products, and development of new applications; 3) sales expansion through enhancement of the lineup of motors for high-end home appliances; 4) acceleration of labor-saving in production processes through automation of inspections using image processing technology; and 5) construction of a plant building at the new production base in Poland.

As a result, consolidated net sales for fiscal 2017 were 146,925 million yen (a 4.4% increase on a year-on-year basis). Motors sales, which account for the majority of consolidated net sales, were 146,915 million yen (a 4.4% increase on a year-on-year basis).

Operating income for fiscal 2017 was 24,066 million yen (a 0.7% decrease on a year-on-year basis), as the negative impact of an increase in selling, general and administrative expenses and cost increases due to factors including the start of mass production at the plant in Mexico exceeded the positive impact of an increase in sales volume, improvement in the product mix, and a weaker yen compared with the previous fiscal year. Ordinary income was 25,841 million yen (a 1.1% decrease on a year-on-year basis), and profit before income taxes was 27,485 million yen (a 3.6% increase on a year-on-year basis) as a result of the recording of a gain on reversal of foreign currency translation adjustments in connection with completion of the liquidation of an overseas subsidiary as extraordinary income. Profit attributable to owners of parent was 20,303 million yen (a 1.4% decrease on a year-on-year basis).

The next section describes market trends and sales conditions categorized into separate markets for motors.

1) Automotive Products Market

Net sales in this market rose to 105,793 million yen (a 5.7% increase on a year-on-year basis). In the results for medium-sized motors, which are a prioritized business, sales of motors for power seats, parking brakes, seat belt pretensioners, and door closers increased. Although sales of standard products increased, overall sales of motors for power window lifters decreased as a result of an inventory adjustment in China. In the results for small motors, sales of motors for door lock and car mirrors increased thanks to higher installation rates and other factors. High market share of motors for air conditioning damper actuators was maintained, and sales increased. Sales of motors for headlight level adjusters increased due to an increase in the number of equipped models and an increase in market share.

2) Consumer and Industrial Products Market

Net sales in this market rose to 41,122 million yen (a 1.4% increase on a year-on-year basis). Although the markets for ink jet printers and car CD players continued to contract, sales increased due to strong sales of motors for personal care products and power tools.

<Consolidated sales of motors by application>

Market segment	The 77th fiscal term (the year ended December 31, 2017)	YoY (%)	Segment sales as a percentage of net sales (%)
	Amount (Millions of yen)		
Automotive Products	105,793	5.7	72.0
Consumer and Industrial Products	41,122	1.4	28.0
Total	146,915	4.4	100.0

(Notes)

1. The Mabuchi Group's businesses have been developed within a single business field related to small motors. Given this single business structure, an explanation by segment is omitted.
2. As the Mabuchi Group has sales of several types of motor parts and production equipment in addition to its mainstay motor sales, the amount for consolidated net sales differs from the amount for consolidated sales of motors.
3. Amounts less than a million yen have been truncated.
4. The figures above do not include consumption tax, etc.

(2) Capital Investments

Capital investments for fiscal 2017 amounted to 12,844 million yen, which includes 3,188 million yen for the purchase of land and construction of facilities for MABUCHI MOTOR POLAND sp. z o.o.; 1,277 million yen for R&D facilities and equipment; 244 million yen for information technology; and 8,132 million yen for other facilities and equipment to upgrade product lines and reinforce overall productivity.

(3) Issues to be Addressed

In the outlook for fiscal 2018, the forecast is for the U.S. economy to remain strong. Despite a sense of uncertainty about the outlook for the U.K. economy, the European economy as a whole is expected to maintain growth. In the Japanese economy, modest growth is expected to continue. Economic growth in China is expected to continue, although the growth rate will slow, India and Brazil are showing a recovery trend, and gradual growth in emerging countries overall is expected to continue.

Regarding the markets in which the Mabuchi Group operates, gradual growth is expected to continue in the Automotive Products Market. In the Consumer and Industrial Products Market, while demand for motors for home appliances, power tools, and office equipment in the business-use market is expected to be flat, contraction of demand for motors for office equipment in the personal-use products market is forecast.

Under these business conditions, the Mabuchi Group will tackle the following issues:

- 1) Strengthening of competitiveness through M&As (mergers and acquisitions)
The Company reached an agreement with HANWA Co., Ltd. (HANWA) to transfer HANWA's Chinese subsidiary, HANWA STEEL SERVICE (JIANGXI) CO., LTD. (HSSJ), to the Company's subsidiary Mabuchi Industry Co., Ltd. (Hong Kong Mabuchi), and a transfer of equity agreement was executed between Hong Kong Mabuchi and HANWA on January 15, 2018. Through Hong Kong Mabuchi, the Company will acquire 100% equity in HSSJ and make it a subsidiary. HSSJ is a processing company that supplies steel sheet coil material, a key material for motors, to Jiangxi Mabuchi, a production base of the Company, thus contributing to stable procurement of key components, quality improvement, and strengthening of cost competitiveness. We will work to create at an early stage synergies that will lead to a further increase in the competitiveness of internally manufactured components.
- 2) Acceleration of Growth in the Power Window Lifter Motor Business

In the power window lifter motor business, in fiscal 2017 we secured orders for next-generation new motors for Japanese automakers that will realize further size and weight reduction, and we plan to start mass production in the third quarter of fiscal 2018. We will develop a structure to ensure smooth supply and use this adoption success as a springboard for activities to expand sales to other automakers and increase the number of equipped models.

Against a backdrop of robust demand in the European, North American, and Chinese markets, we continue to secure new business for standard products, for which we are actively engaging in sales expansion activities, and making steady progress with trade inquiries that will lead to future business. We will continue to step up sales expansion activities to solidify our market position.

- 3) Expansion of Medium-sized and Small Automotive Motor Sales and New Applications
Motors for power seats, electric parking brakes, engine peripheral equipment, and other medium-sized motor applications constitute a market sector for which continued market expansion can be expected in light of today's emphasis on automobile safety, comfort, and economy. The Mabuchi Group will work to increase sales to new customers and develop new applications by leveraging highly competitive application-specific standard products, and aim for further sales growth. We will aim for further sales expansion of electric parking brake motors by increasing the number of models equipped with and installation rates of products for major Japanese and European automakers. We will move ahead with proposal and development of new products to win orders for power seat and door area applications.

With regard to small automotive motors, in addition to stepping up sales expansion activities for new applications, such as grille shutter actuators and shift-by-wire systems, we will also focus on development of new brush motors and brushless motors capable of contributing to functional enhancement of customers' products.

- 4) Development of New Applications in the Consumer and Industrial Products Sector
In the consumer and industrial products sector, in addition to business activities centered on existing small brush motors, we are reinforcing initiatives to develop and increase sales of brushless motors in order to focus on new applications and create new demand. We will work to win new orders for brushless motors for light electric vehicles by deploying application-specific standard products for automated guided vehicles (AGVs), medical stretchers, and other applications. Upgrading of products for the home appliances market is progressing as a result of initiatives such as adding to the product portfolio new models more powerful than conventional ones for cordless vacuum cleaners, hair dryers, and other applications. We will meet customer needs by leveraging the advanced technological capabilities of a specialized manufacturer to develop high-performance new products that satisfy the motor performance requirements of these high-end home appliances. Furthermore, we will deploy small-diameter standard motors for residential electronic locks, a fast-growing application, especially in China, and further strengthen sales expansion activities.

- 5) Implementation of Laborsaving Measures and Establishment of Next-generation Manufacturing
Under both Phase 1 (fiscal 2011 to fiscal 2013) and Phase 2 (fiscal 2014 to fiscal 2016) Laborsaving Plans to achieve laborsaving exceeding 30% during the three-year period, we achieved laborsaving exceeding 30% as planned and production process innovation progressed significantly. We have again set high targets in Phase 3 Laborsaving Plan, covering the three-year period from fiscal 2017 to fiscal 2019, aiming to achieve laborsaving of 30% from the fiscal 2016 level. In fiscal 2017, the first year of the three-year plan, we achieved year-on-year laborsaving exceeding 10% as planned. We will continue working to meet the plan targets through horizontal deployment of the automatic inspection equipment utilizing image processing technology that has already been introduced at some production bases and other measures.

In addition, we will devote effort to global deployment to make further progress with the international specialization system in the area of manufacturing technology innovation. We will organize a global start-up team of specialists from within the Group and work to realize a rapid start-up of new production bases and production lines. Furthermore, we will strengthen activities to horizontally deploy best practices from each production base across all production bases. Through these activities, we will seek to enhance the Group's collective manufacturing technology capabilities.

6) Implementation of a global base strategy

In response to changes in the nature of manufacturing and increasing customer needs for motor production in locations close to their plants, especially with regard to medium-sized automotive motors, in August 2014 we established Mexico Mabuchi, the Group's first production base in the Americas. In recent years, we have received strong requests from customers in the European market to manufacture locally, and to meet to these requests, in January 2017 we established Poland Mabuchi as the Group's first production base in Europe. The start-up of this production base is progressing smoothly, plant building construction began during the third quarter of fiscal 2017, and we are working toward completion of construction during 2018 as planned. At the same time, to realize a rapid response to technical issues in Europe, in the third quarter of fiscal 2017 we established within Europe Mabuchi in Germany an organization with design and development functions, in addition to the previous technical services function, and began design and development activities. Going forward, the sales, technology and production functions will be integrated, and we will work to improve customer satisfaction and increase sales by promptly responding locally to the needs of European customers.

To strengthen the sales structure in the ASEAN region, where automotive electrical equipment companies have been concentrating operations in recent years, in January 2018, we established Thailand Mabuchi as a sales base, the Group's second sales subsidiary in the ASEAN region following the subsidiary in Singapore. Together with the sales division of Danang Mabuchi in Vietnam, these two subsidiaries will broaden and strengthen our approach to customers in the ASEAN region. Also in the ASEAN region, we will construct a branch plant near Vietnam Mabuchi to handle mainly development and manufacturing of motor production facilities. Construction of a plant building is planned to start in fall 2018 to accelerate laborsaving throughout the Group by expanding the capacity to construct production facilities.

(4) Financial Highlights

(Millions of Yen)

	74th fiscal term (FY2014)	75th fiscal term (FY2015)	76th fiscal term (FY2016)	77th fiscal term (FY2017)
Net sales	122,544	143,143	140,699	146,925
Ordinary income	23,929	27,113	26,135	25,841
Profit attributable to owners of parent	18,090	18,546	20,598	20,303
Profit per share (Yen)	258.02	266.98	300.70	299.74
ROE (%)	8.2	8.0	8.8	8.6
Total assets	256,368	256,196	258,387	269,318
Net assets	233,312	233,245	232,917	242,179
Shareholders' equity ratio (%)	91.0	91.0	90.1	89.9
Net assets per share (Yen)	3,325.99	3,363.01	3,405.14	3,579.98
Cash dividends per share (Yen)	214	110	120	120
Dividend payout ratio (%)	41.5	41.2	39.9	40.0
Dividend on equity ratio (%)	3.4	3.3	3.5	3.4

(Notes)

- Profit per share is calculated using the average number of outstanding shares during the period. Net assets per share are calculated based on the total number of shares outstanding at the end of the period.
- Amounts less than one million yen for net sales, ordinary income, profit attributable to owners of parent, total assets and net assets are omitted. Amounts of profit per share and net assets per share are rounded to two decimal places.
- Percentages for ROE, shareholders' equity ratio, dividend payout ratio and dividend on equity ratio are rounded to one decimal place.
- Cash dividends per share, dividend payout ratio and dividend on equity ratio for the 77th fiscal term are projected figures calculated on the assumption that the resolution will be passed on the proposal for appropriation of retained earnings at the 77th Ordinary General Meeting of Shareholders.
- As the Company's shares held by the ESOP Trust Utilizing Employee Shareholding Association are treated as treasury stock, the relevant number of shares is excluded from the average number

of outstanding shares during the period in the calculation of profit per share and the dividend payout ratio. Moreover, the relevant number of shares is excluded from the total number of shares outstanding at the end of the period in the calculation of net assets per share and the dividend on equity ratio.

6. As the Company's shares held by the Executive Compensation BIP Trust are treated as treasury stock, the relevant number of shares is excluded from the average number of outstanding shares during the period in the calculation of profit per share and the dividend payout ratio for the 76th and 77th fiscal terms. Moreover, the relevant number of shares is excluded from the total number of shares outstanding at the end of the period in the calculation of net assets per share and the dividend on equity ratio.
7. As the Company conducted a stock split on January 1, 2015, in which each share of the Company's common stock was split into two shares, the per-share information (profit per share and net assets per share) was calculated as if the stock split had taken place at the beginning of the 74th fiscal term. Regarding cash dividends per share, the actual amount before the stock split is presented for the 74th fiscal term, and the actual amount after the stock split is presented for the 75th, 76th and 77th fiscal terms.
8. Beginning in the 76th fiscal term, the Company has applied the Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), etc., based on which the presentation of the accounting item "net income" has been changed to "profit attributable to owners of parent." To reflect this change in presentation, the Company has restated the corresponding item of net income from the 74th and 75th fiscal terms.

(5) Major Business Conducted by the Mabuchi Group (As of December 31, 2017)

The Mabuchi Group, consisting of the Company and its 21 subsidiaries (of which 20 are consolidated subsidiaries), engages in the manufacture and sales of small motors used for automotive products, consumer and industrial products, etc.

2. Matters Relating to Stocks (As of December 31, 2017)

- (1) Total Number of Shares Authorized: 200,000,000
- (2) Total Number of Shares Issued: 69,125,962
(Including 1,333,776 shares of treasury stock)
- (3) Number of Shareholders: 14,876
(Increased by 1,770 from the end of the previous term)
- (4) Major Shareholders (Top 10)

Shareholders	Number of shares held (shares)	Percentage of shares held (%)
Takaichi Mabuchi	5,000,800	7.4
Mabuchi International Scholarship Foundation, Public Interest Incorporated Foundation	3,000,000	4.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,989,700	4.4
Japan Trustee Services Bank, Ltd. (Trust Account)	2,966,400	4.4
Premiere Corporation	2,068,600	3.1
Takashi Mabuchi	2,060,600	3.0
Tamotsu Mabuchi	2,060,414	3.0
Taka Corporation Co., Ltd.	2,056,000	3.0
TEXAS Inc.	1,856,000	2.7
BBH FOR MATTHEWS JAPAN FUND	1,418,700	2.1

(Notes)

1. The number of shares of treasury stock (1,333,776 shares) is excluded from “Percentage of shares held.” The percentages are rounded to one decimal place.
2. 63,800 shares held by the ESOP Trust Utilizing Employee Shareholding Association, and 116,386 shares held by the Executive Compensation BIP Trust are included in the calculation of “Percentage of shares held.”

(5) Other Significant Matters Relating to Stocks

1) Introduction of the Performance-based Stock Compensation Plan

At the 75th Ordinary General Meeting of Shareholders held on March 30, 2016, the Company resolved the introduction of a compensation system for the Company’s directors (performance-based stock compensation plan) which is closely linked to medium-term business performance, with the purpose of enhancing the motivation of directors to contribute to improved business performance and increased corporate value over the medium term. Based on the resolution, the Company has adopted a trust called the Executive Compensation BIP (Board Incentive Plan) Trust.

The number of shares held in the trust account of the Executive Compensation BIP Trust as of the fiscal year-end was 116,386 shares.

2) Purchase of Treasury Stock

Treasury stock purchased in accordance with a resolution at a meeting of the Board of Directors held on February 14, 2017

- Class and total number of shares purchased: 801,600 shares of common stock of the Company
- Total amount of purchase cost: ¥4,999,843,000
- Purchase period: from February 16, 2017 to March 24, 2017

3) Cancellation of Treasury Stock

Treasury stock cancelled in accordance with a resolution at a meeting of the Board of Directors held on February 14, 2017

- Class and total number of shares cancelled: 801,600 shares of common stock of the Company
- Date of cancellation: April 14, 2017

4) ESOP Trust Utilizing Employee Shareholding Association

The Company introduced an employee incentive plan called the ESOP Trust Utilizing Employee Shareholding Association (the “ESOP Trust”) to further improve welfare programs for employees who support the Company’s growth. The introduction of this plan also aims to enhance the Company’s corporate value over the medium to long term by creating greater awareness of the Company’s business performance and stock value among its employees.

The Company established a trust with those employee members of Mabuchi Motor Employee Shareholding Association (“Our Shareholding Association”) who meet certain requirements as its beneficiaries, and this trust, under the ESOP Trust, will acquire at one time the number of Company shares that Our Shareholding Association is expected to acquire between June 2013 and June 2018. Subsequently, the said trust will sell off the Company’s shares to Our Shareholding Association on a predetermined day every month.

The number of shares that the ESOP Trust held as of the fiscal year-end was 63,800 shares.

3. Matters Concerning the Subscription Rights to Shares

(1) Subscription Rights to Shares Held by the Company's Directors as of December 31, 2017.

Designation	Date of resolution for issuance	Number of subscription rights to shares	Number of persons granted subscription rights to shares	Type and number of shares underlying subscription rights to shares	Subscription amount required in exchange for subscription rights to shares	Value of property invested in exercising subscription rights to shares	Period for exercising subscription rights to shares
1st Subscription Rights to Shares	March 28, 2013	290 units	Three (3) directors of the Company (excluding outside directors)	5,800 shares of the Company's common stock (20 shares per subscription right)	Not required	One (1) yen per share	From May 21, 2013 to May 20, 2033
2nd Subscription Rights to Shares	March 28, 2014	194 units	Three (3) directors of the Company (excluding outside directors)	3,880 shares of the Company's common stock (20 shares per subscription right)	Not required	One (1) yen per share	From April 22, 2014 to April 21, 2034
3rd Subscription Rights to Shares	March 27, 2015	381 units	Five (5) directors of the Company (excluding outside directors)	3,810 shares of the Company's common stock (10 shares per subscription right)	Not required	One (1) yen per share	From April 21, 2015 to April 20, 2035
4th Subscription Rights to Shares	March 30, 2016	651 units	Six (6) directors of the Company (excluding outside directors)	6,510 shares of the Company's common stock (10 shares per subscription right)	Not required	One (1) yen per share	From April 21, 2016 to April 20, 2036
5th Subscription Rights to Shares	March 30, 2017	655 units	Six (6) directors of the Company (excluding outside directors)	6,550 shares of the Company's common stock (10 shares per subscription right)	Not required	One (1) yen per share	From April 21, 2017 to April 20, 2037

(Notes)

1. Conditions for the exercise of the subscription rights to shares are as follows:

- 1) A person who is allotted the subscription rights to shares (hereafter "Subscription Right Holder") shall be allowed to exercise the subscription rights to shares, solely in a lump sum,

only within a period of not later than ten (10) days following the next day after the date when he or she forfeits the director's position of the Company.

- 2) In the event a Subscription Right Holder passes away, his or her heir may exercise the subscription rights to shares, provided, however, that any person who has inherited the subscription rights to shares from the heir of an allotted person is not allowed to exercise the subscription rights to shares.
2. In keeping with the stock split that the Company conducted on January 1, 2015, in which each share of the Company's common stock was split into two shares, the "type and number of shares underlying subscription rights to shares" for the 1st and 2nd Subscription Rights to Shares have been adjusted.
3. Of the above, the subscription rights to shares granted to one (1) director include those that were granted before the director assumed the position of director.

(2) Subscription Rights to Shares Granted to Employees during the Fiscal Year under Review

Designation	Date of resolution for issuance	Number of subscription rights to shares	Number of persons to whom subscription rights to shares were granted	Type and number of shares underlying subscription rights to shares	Subscription amount required in exchange for subscription rights to shares	Value of property invested in exercising subscription rights to shares	Period for exercising subscription rights to shares
5th Subscription Rights to Shares	March 30, 2017	163 units	Four (4) executive officers of the Company	1,630 shares of the Company's common stock (10 shares per subscription right)	Not required	One (1) yen per share	From April 21, 2017 to April 20, 2037

(Note) Conditions for the exercise of the subscription rights to shares are as follows:

- 1) A Subscription Right Holder shall be allowed to exercise the subscription rights to shares, solely in a lump sum, only within a period of not later than ten (10) days following the next day after the date when he or she forfeits the executive officer's position of the Company.
- 2) In the event a Subscription Right Holder passes away, his or her heir may exercise the subscription rights to shares, provided, however, that any person who has inherited the subscription rights to shares from the heir of an allotted person is not allowed to exercise the subscription rights to shares.

4. Directors and Audit & Supervisory Board Members of the Company

(1) Directors and Audit & Supervisory Board Members

(As of December 31, 2017)

Position	Name	Duty and Significant Positions Concurrently Held
Representative Director and President	Hiroo Okoshi	President and CEO
Representative Director	Masato Itokawa	Managing Executive Officer, Chief Quality Officer and Senior General Manager of Quality Assurance Headquarters
Director	Tadashi Takahashi	Managing Executive Officer, Chief Technology Officer and Senior General Manager of Manufacturing Headquarters
Director	Hirotarō Katayama	Managing Executive Officer and Chief Business Operation Officer
Director	Tadahito Iyoda	Executive Officer and Senior General Manager of Administration Headquarters, in charge of Internal Controls
Director	Eiji Uenishi	Executive Officer and Senior General Manager of Product Development Headquarters
Director	Ichiro Hashimoto	
Director	Naoki Mitarai	
Full-time Audit & Supervisory Board Member	Kazuyuki Someya	
Audit & Supervisory Board Member	Nobutaka Motohashi	CPA, Representative of Motohashi Nobutaka Accounting Office Outside Auditor of NAGAWA Co., Ltd.
Audit & Supervisory Board Member	Toru Masuda	Attorney, Representative of Masuda Toru Law Office Director of Juutaku Loan Servicer Ltd.
Audit & Supervisory Board Member	Takashi Asai	Attorney, Partner of DAI-ICHI FUYO LAW OFFICE

(Notes)

- Directors Ichiro Hashimoto and Naoki Mitarai are outside directors. The Company designated these two (2) outside directors as “independent officers” as stipulated by the Tokyo Stock Exchange and registered them there.
- Audit & Supervisory Board Members Nobutaka Motohashi, Toru Masuda and Takashi Asai are outside audit & supervisory board members. The Company designated these three (3) outside audit & supervisory board members as “independent officers” as stipulated by the Tokyo Stock Exchange and registered them there.
- Audit & Supervisory Board Member Kazuyuki Someya has engaged in the administration of the Company for many years. He has also served in overall management as the President of a Chinese subsidiary of the Company, and has significant knowledge of finance and accounting.
- Audit & Supervisory Board Member Nobutaka Motohashi is a certified public accountant and has professional knowledge of finance and accounting.
- Audit & Supervisory Board Members Toru Masuda and Takashi Asai are attorneys. They are familiar with corporate legal affairs and have significant knowledge of finance and accounting.
- Changes of Directors and Audit & Supervisory Board Members during the Fiscal Year under Review
 - At the 76th Ordinary General Meeting of Shareholders held on March 30, 2017, Eiji Uenishi

and Naoki Mitarai were elected as directors for the first time and each assumed the position of director.

- 2) Shinji Kamei and Iwao Nakamura both retired as directors due to the expiration of their terms of office at the conclusion of the 76th Ordinary General Meeting of Shareholders held on March 30, 2017.
7. The Company reinforces business execution and supervision functions by entrusting directors with strategic decision making and supervision and giving executive officers the authority of and responsibility for ordinary business execution. The Company also adopts the executive officer system to reinforce corporate governance.

Executive officers who are not concurrently directors are as follows:

Name	Areas of responsibility
Tsuyoshi Nakamura	Executive Officer and Deputy Chief Business Operation Officer
Toichi Koyata	Executive Officer and Senior General Manager of Business Platform Innovation Headquarters
Kentaro Shirai	Executive Officer and Senior General Manager of Purchasing Headquarters
Katsuhiko Katayama	Managing Group Executive Officer in charge of China and Taiwan Business

(2) Remuneration Paid to Directors and Audit & Supervisory Board Members

1) Remuneration Paid

Category	Number of persons remunerated	Total amount of remuneration paid (Millions of yen)
Directors [of whom, Outside Directors]	10 [3]	377 [19]
Audit & Supervisory Board Members [of whom, Outside Audit & Supervisory Board Members]	4 [3]	43 [25]

(Notes)

1. The amount of remuneration paid above includes subscription rights to shares of 34 million yen, which were granted to six (6) directors (excluding outside directors) as stock options pursuant to a resolution at the Board of Directors meeting held on March 30, 2017.
2. The amount of remuneration paid above includes the estimated amount of 60 million yen in the Company's shares, etc. calculated based on the points to be granted to six (6) directors (excluding outside directors) under the performance-based stock compensation plan during the fiscal year under review.
3. The amount of remuneration for directors includes 143 million yen in accrued bonuses due to directors, which was recorded during the fiscal year under review.
4. The amount of remuneration for directors does not include their salaries for their service as the Company's employees, which is 33 million yen (paid to four [4] directors/employees).
5. Other than the remuneration stated above, retirement allowance was paid to a director who retired during the fiscal year under review as follows:
Please note that the amount of allowance is excluded from provision for directors' retirement benefits which was already stated in the business report for the previous fiscal year.
48 million yen for one (1) director

2) Policy for Decision Making on Remuneration, etc.

As a basic policy for determining remuneration for directors and audit & supervisory board members, the Company set the amount at an appropriate level to clarify the area of responsibility of each director, outside director or audit & supervisory board member in the group management, enhance the transparency of management, give them incentives for raising business performance and corporate value, and secure and maintain highly capable human resources.

At the 66th Ordinary General Meeting of Shareholders of the Company held on March 29, 2007, it was approved that the remuneration of directors (the ceiling amount of total

remuneration) shall consist of monthly fixed payments within 15 million yen (excluding salaries for service as the Company's employees) and variable payments within 0.7% of consolidated profit for each fiscal year (which does not include consolidated business results-based remuneration for directors) with a ceiling amount of 200 million yen. With regard to remuneration for audit & supervisory board members (the ceiling amount of total remuneration), a fixed monthly remuneration amount within 4 million yen was approved.

A fixed amount of remuneration for each director was determined, taking into account each director's position, assignment, other companies' standards and changes in the management environment, etc. The variable amounts are determined by each individual's business performance assessed using certain evaluation indices. With regard to remuneration for outside directors, because they are independent of business execution, fixed monthly remuneration that is not affected by business results is paid to each outside director.

As audit & supervisory board members are independent of business execution, like outside directors, fixed monthly remuneration is paid to each audit & supervisory board member and the amount for each audit & supervisory board member is determined by negotiation among the audit & supervisory board members.

It was decided at the 72nd Ordinary General Meeting of Shareholders held on March 28, 2013, that stock-compensation-type stock options targeting directors (excluding outside directors) be implemented as the long-term incentives for directors, and that subscription rights to shares as stock options be allotted to the eligible directors within a cap of 60 million yen annually, separately from the aforementioned amount of remuneration. The decisions of the timing for granting the subscription rights to shares and their distribution to each director were also approved to be left to the resolution of the Board of Directors that is made based on the basic policy described above.

Furthermore, the 75th Ordinary General Meeting of Shareholders held on March 30, 2016 approved the introduction of the performance-based stock compensation plan targeting directors (excluding outside directors) as the medium-term incentives for directors, separately from the aforementioned amount of remuneration. The upper limit of money to be contributed for the acquisition of the Company's shares has been set at 480 million yen, and the shares will be delivered to qualified directors who satisfy the beneficiary requirements based on the points for share delivery around May following the end of the final fiscal year of this plan (in May 2019 for the initial target period). The distribution of those shares to be delivered and other related matters will be resolved by the Board of Directors.

The retirement allowance system for directors and audit & supervisory board members was abolished at the closing of the 67th Ordinary General Meeting of Shareholders of the Company held on March 28, 2008.

- (3) Matters Concerning Outside Officers (Outside Directors and Audit & Supervisory Board Members)
 - 1) Representative Positions at Different Companies Concurrently Assumed by the Company's Officers and the Relation between those Companies and MABUCHI MOTOR CO., LTD.
 - i) Audit & Supervisory Board Member Nobutaka Motohashi also serves as an outside auditor at NAGAWA Co., Ltd. There has been no trading or other special relationship between NAGAWA Co., Ltd. and the Company.
 - ii) Audit & Supervisory Board Member Toru Masuda also serves as a director of Juutaku Loan Servicer Ltd. There has been no trading or other special relationship between Juutaku Loan Servicer Ltd. and the Company.

2) Major Activities during the Fiscal Year under Review

	Activities
Director Ichiro Hashimoto	Attended all 25 meetings of the Board of Directors held during the fiscal year under review. Based on his ample experience as a company executive over the years and from a position independent of the Company's management, he provided advice and made propositions to ensure the legality, adequacy and fairness of decision making and business execution.
Director Naoki Mitarai	Attended all 19 meetings of the Board of Directors held since he had assumed the position of director on March 30, 2017. Based on his ample experience as a company executive over the years and from a position independent of the Company's management, he provided advice and made propositions to ensure the legality, adequacy and fairness of decision making and business execution.
Audit & Supervisory Board Member Nobutaka Motohashi	Attended all 25 meetings of the Board of Directors and all 9 meetings of the Audit & Supervisory Board held during the fiscal year under review. Based on his ample experience and professional viewpoints on corporate accounting audits as a certified public accountant and from a position independent of the Company's management, he provided advice and made propositions to ensure the legality, adequacy and fairness of decision making and business execution.
Audit & Supervisory Board Member Toru Masuda	Attended all 25 meetings of the Board of Directors and all 9 meetings of the Audit & Supervisory Board held during the fiscal year under review. Based on his ample experience and professional viewpoints on corporate legal affairs as an attorney and from a position independent of the Company's management, he provided advice and made propositions to ensure the legality, adequacy and fairness of decision making and business execution.
Audit & Supervisory Board Member Takashi Asai	Attended all 25 meetings of the Board of Directors and all 9 meetings of the Audit & Supervisory Board held during the fiscal year under review. Based on his ample experience and professional viewpoints on corporate legal affairs as an attorney and from a position independent of the Company's management, he provided advice and made propositions to ensure the legality, adequacy and fairness of decision making and business execution.

3) Outline of Limited Liability Agreements

As per Article 427, Paragraph 1, of the Companies Act and the Company's Articles of Incorporation, the Company entered into an agreement with two (2) outside directors and three (3) outside audit & supervisory board members to limit their liabilities for damages as provided in Article 423, Paragraph 1, of the Companies Act. The limit of liabilities under the agreement shall be the amount set forth in the relevant laws and regulations.

Consolidated Balance Sheet

(As of December 31, 2017)

(Millions of yen)

Item	Amount	Item	Amount
(Assets)	269,318	(Liabilities)	27,138
Current assets	187,012	Current liabilities	20,798
Cash and bank deposits	117,963	Trade notes and accounts payable	7,856
Trade notes and accounts receivable	27,079	Short-term loans payable	56
Short-term investments	2,948	Accrued income taxes	2,854
Merchandises and finished goods	22,177	Accrued bonuses due to employees	259
Work in process	1,608	Accrued bonuses due to directors	143
Raw materials and supplies	9,221	Deferred tax liabilities-current	80
Deferred tax assets-current	1,706	Other current liabilities	9,547
Other current assets	4,456	Long-term liabilities	6,340
Allowance for doubtful accounts	(148)	Accrued benefits for stock payment	130
Fixed assets	82,305	Liability for retirement benefits	2,532
Property, plant and equipment	68,310	Asset retirement obligations	16
Buildings and structures	18,821	Deferred tax liabilities-non-current	3,353
Machinery, equipment and vehicles	27,793	Other long-term liabilities-non-current	306
Tools, furniture and fixture	4,404	(Net assets)	242,179
Land	6,661	Shareholders' equity	234,351
Construction in progress	10,628	Common stock	20,704
Intangible assets	1,024	Additional paid-in capital	20,419
Investments and other assets	12,970	Retained earnings	200,713
Investment securities	11,411	Treasury stock	(7,486)
Deferred tax assets-non-current	424	Accumulated other comprehensive income	7,698
Other investments and other assets	1,235	Net unrealized holding gains on securities	4,546
Allowance for doubtful accounts	(101)	Deferred gains or losses on hedges	(87)
		Foreign currency translation adjustments	4,443
		Retirement benefits liability adjustments	(1,203)
		Subscription rights to shares	130
Total assets	269,318	Total liabilities and net assets	269,318

(Note) Amounts less than one million yen have been omitted.

Consolidated Statement of Income
(For the year ended December 31, 2017)

(Millions of yen)

Item	Amount	
Net sales		146,925
Cost of sales		99,619
Gross profit		47,305
Selling, general and administrative expenses		23,239
Operating income		24,066
Non-operating income		
Interest income	382	
Dividend income	206	
Foreign exchange gains	280	
Gain on sale of raw material scrap	1,080	
Other	379	2,328
Non-operating expenses		
Stock-related expenses	62	
Non-deductible consumption tax	84	
Environmental expenses	50	
Other	357	553
Ordinary income		25,841
Extraordinary income		
Gain on disposal of fixed assets	724	
Gain on reversal of foreign currency translation adjustments resulting from liquidation of foreign subsidiary	1,259	1,984
Extraordinary loss		
Loss on disposal of fixed assets	279	
Loss on sales of investment securities	36	
Other	23	339
Profit before income taxes		27,485
Income taxes		
Current	7,132	
Deferred	50	7,182
Profit		20,303
Profit attributable to owners of parent		20,303

(Note) Amounts less than one million yen have been omitted.

Consolidated Statement of Changes in Net Assets

(For the year ended December 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	20,704	20,579	193,141	(6,633)	227,792
Changes of items during the period					
Cash dividend (Note: 1)	—	—	(5,212)	—	(5,212)
Cash dividend (Interim dividends)	—	—	(3,660)	—	(3,660)
Profit attributable to owners of parent	—	—	20,303	—	20,303
Purchase of treasury stock	—	—	—	(5,001)	(5,001)
Disposal of treasury stock	—	(8)	—	138	130
Cancellation of treasury stock	—	(151)	(3,858)	4,009	—
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	(159)	7,571	(852)	6,558
Ending balance	20,704	20,419	200,713	(7,486)	234,351

(Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Total net assets
	Net unrealized holding gains on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Beginning balance	2,708	(472)	4,222	(1,443)	5,014	110	232,917
Changes of items during the period							
Cash dividend (Note: 1)	—	—	—	—	—	—	(5,212)
Cash dividend (Interim dividends)	—	—	—	—	—	—	(3,660)
Profit attributable to owners of parent	—	—	—	—	—	—	20,303
Purchase of treasury stock	—	—	—	—	—	—	(5,001)
Disposal of treasury stock	—	—	—	—	—	—	130
Cancellation of treasury stock	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	1,838	384	220	239	2,683	19	2,703
Total changes of items during the period	1,838	384	220	239	2,683	19	9,262
Ending balance	4,546	(87)	4,443	(1,203)	7,698	130	242,179

(Notes)

1. The dividends were paid as appropriations of retained earnings based on a resolution at the 76th ordinary general meeting of shareholders held on March 30, 2017.
2. Amounts less than one million yen have been omitted.

<Reference>

Consolidated Statement of Comprehensive Income

(For the year ended December 31, 2017)

(Millions of yen)

Item	Amount
Profit	
Other comprehensive income	
Net unrealized holding gains (losses) on securities	
Deferred gains or losses on hedges	
Foreign currency translation adjustments	
Retirement benefits liability adjustments	
Total other comprehensive income	
Comprehensive income	
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	
Comprehensive income attributable to non-controlling interests	

(Note) Amounts less than one million yen have been omitted.

<Reference>

Consolidated Statement of Cash Flows

(For the year ended December 31, 2017)

(Millions of yen)

Item	Amount
Cash flows from operating activities	
Profit before income taxes	27,485
Depreciation and amortization	7,383
Increase (Decrease) in liability for retirement benefits	104
Interest and dividends income	(588)
Foreign exchange losses (gains)	136
Loss (Gain) on sales of short-term investments and investment securities	36
Loss (Gain) on disposal of fixed assets	(445)
Loss (Gain) on reversal of foreign currency translation adjustments resulting from liquidation of foreign subsidiary	(1,259)
Decrease (Increase) in trade notes and accounts receivable	2,168
Decrease (Increase) in inventories	(5,255)
Increase (Decrease) in trade notes and accounts payable	126
Other, net	(1,005)
Sub total	28,887
Interest and dividends received	587
Income taxes paid	(6,889)
Net cash provided by operating activities	22,585
Cash flows from investing activities	
Proceeds from withdrawal of time deposits	168
Purchase of short-term investments	(1,000)
Proceeds from sales of short-term investments	500
Purchase of fixed assets	(14,815)
Proceeds from sales of fixed assets	802
Purchase of investment securities	(504)
Proceeds from sales of investment securities	1,093
Other, net	(271)
Net cash used in investing activities	(14,027)
Cash flows from financing activities	
Repayment of long-term loans payable	(56)
Cash dividends paid	(8,872)
Purchase of treasury stock	(5,004)
Proceeds from sales of treasury stock	88
Net cash used in financing activities	(13,844)
Effect of exchange rate changes on cash and cash equivalents	(78)
Net increase (decrease) in cash and cash equivalents	(5,365)
Cash and cash equivalents at beginning of period	122,302
Cash equivalents from newly consolidated subsidiary at beginning of period	2,019
Cash and cash equivalents at end of period	118,956

(Note) Amounts less than one million yen have been omitted.

Non-Consolidated Balance Sheet

(As of December 31, 2017)

(Millions of yen)

Item	Amount	Item	Amount
(Assets)	171,268	(Liabilities)	14,886
Current assets	95,902	Current liabilities	12,530
Cash and bank deposits	59,018	Accounts payable	7,514
Trade notes receivable	255	Short-term loans payable	56
Accounts receivable	29,213	Accounts payable-other	1,404
Short-term investments	2,948	Accrued expenses	574
Merchandises and finished goods	1,836	Accrued income taxes	1,794
Work in process	159	Accrued bonuses due to employees	259
Raw materials and supplies	1,038	Accrued bonuses due to directors	143
Deferred tax assets-current	401	Other current liabilities	784
Other current assets	1,030	Long-term liabilities	2,355
Fixed assets	75,365	Accrued benefits for stock payment	130
Property, plant and equipment	16,603	Allowance for retirement benefits for employees	637
Buildings	7,799	Asset retirement obligations	16
Structures	719	Deferred tax liabilities-non-current	1,439
Machinery and equipment	568	Other long-term liabilities-non-current	131
Vehicles	6	(Net assets)	156,382
Tools, furniture and fixture	483	Shareholders' equity	151,792
Land	5,991	Common stock	20,704
Construction in progress	1,033	Additional paid-in capital	20,419
Intangible assets	494	Legal capital surplus	20,419
Software	488	Retained earnings	118,154
Other intangible assets	5	Legal retained earnings	3,819
Investments and other assets	58,268	Other legal retained earnings	114,335
Investment securities	11,332	Reserve for the reduction of fixed assets	129
Stocks of subsidiaries and affiliates	13,567	General reserve	170,119
Investments in capital of subsidiaries and affiliates	27,729	Retained earnings carried forward	(55,913)
Long-term loans receivable from subsidiaries and affiliates	5,600	Treasury stock	(7,486)
Other investments and other assets	73	Revaluation/translation adjustments	4,458
Allowance for doubtful accounts	(35)	Net unrealized holding gains on securities	4,546
		Deferred gains or losses on hedges	(87)
		Subscription rights to shares	130
Total assets	171,268	Total liabilities and net assets	171,268

(Note) Amounts less than one million yen have been omitted.

Non-Consolidated Statement of Income

(For the year ended December 31, 2017)

(Millions of yen)

Item	Amount	
Net sales		102,738
Cost of sales		76,153
Gross profit		26,585
Selling, general and administrative expenses		16,533
Operating income		10,052
Non-operating income		
Interest income	107	
Interest on short-term investments	5	
Dividend income	6,299	
Foreign exchange gains	1,102	
Other	200	7,716
Non-operating expenses		
Stock-related expenses	62	
Environmental expenses	50	
Other	29	141
Ordinary income		17,627
Extraordinary income		
Gain on disposal of fixed assets	0	0
Extraordinary loss		
Loss on disposal of fixed assets	46	
Loss on sales of investment securities	36	
Other	1	84
Profit before income taxes		17,543
Income taxes		
Current	3,080	
Deferred	(59)	3,020
Profit		14,522

(Note) Amounts less than one million yen have been omitted.

Non-Consolidated Statement of Changes in Net Assets

(For the year ended December 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital			Retained earnings
		Legal capital surplus	Other capital surplus	Total additional paid-in capital	Legal retained earnings
Beginning balance	2704	2449	0	2579	389
Changes of items during the period					
Cash dividend (Note: 1)	-	-	-	-	-
Cash dividend (Interim dividends)	-	-	-	-	-
Profit	-	-	-	-	-
Purchase of treasury stock	-	-	-	-	-
Disposal of treasury stock	-	-	0	0	-
Cancellation of treasury stock	-	-	(5)	(5)	-
Reversal of reserve for the reduction of fixed assets	-	-	-	-	-
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes of items during the period	-	-	(5)	(5)	-
Ending balance	2704	2449	-	2449	389

(Millions of yen)

	Shareholders' equity			
	Retained earnings			
	Other legal retained earnings			Total retained earnings
	Reserve for the reduction of fixed assets	General reserve	Retained earnings carried forward	
Beginning balance	133	170,119	(57,708)	116,364
Changes of items during the period				
Cash dividend (Note: 1)	—	—	(5,212)	(5,212)
Cash dividend (Interim dividends)	—	—	(3,660)	(3,660)
Profit	—	—	14,522	14,522
Purchase of treasury stock	—	—	—	—
Disposal of treasury stock	—	—	—	—
Cancellation of treasury stock	—	—	(3,858)	(3,858)
Reversal of reserve for the reduction of fixed assets	(4)	—	4	—
Net changes of items other than shareholders' equity	—	—	—	—
Total changes of items during the period	(4)	—	1,795	1,790
Ending balance	129	170,119	(55,913)	118,154

(Millions of yen)

	Shareholders' equity		Revaluation/translation adjustments			Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities	Deferred gains or losses on hedges	Total revaluation/translation adjustments		
Beginning balance	(6,633)	151,014	2,708	(472)	2,236	110	153,361
Changes of items during the period							
Cash dividend (Note: 1)	—	(5,212)	—	—	—	—	(5,212)
Cash dividend (Interim dividends)	—	(3,660)	—	—	—	—	(3,660)
Profit	—	14,522	—	—	—	—	14,522
Purchase of treasury stock	(5,001)	(5,001)	—	—	—	—	(5,001)
Disposal of treasury stock	138	130	—	—	—	—	130
Cancellation of treasury stock	4,009	—	—	—	—	—	—
Reversal of reserve for the reduction of fixed assets	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	1,838	384	2,222	19	2,242
Total changes of items during the period	(852)	777	1,838	384	2,222	19	3,020
Ending balance	(7,486)	151,792	4,546	(87)	4,458	130	156,382

(Notes)

1. The dividends were paid as appropriations of retained earnings based on a resolution at the 76th ordinary general meeting of shareholders held on March 30, 2017.
2. Amounts less than one million yen have been omitted.

REFERENCE DOCUMENTS FOR THE 77TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Proposal 1: Proposed Appropriation of Retained Earnings for the 77th Fiscal Term

Our basic policy on the appropriation of retained earnings is to retain necessary earnings for sound business activities, to maintain healthy financial strength and to ensure adequate dividends to our shareholders based on performance for the year. Based on this policy, the Company makes it a principle to consistently distribute an annual ordinary dividend of 30 yen per share as payment of a long-term stable dividend, plus an additional special dividend equal to 30% (paid out on a per share basis) of the consolidated profit, depending on the performance of the Company.

We plan to pay an annual dividend of 120 yen per share consisting of an amount based on the above calculation standards (an ordinary dividend of 30 yen and a special dividend of 90 yen). Because we paid an interim dividend of 54 yen (an ordinary dividend of 15 yen and a special dividend of 39 yen) per share in September 2017, we propose the year-end dividend for the year as follows:

Matters related to the year-end dividend

- (1) Type of distributable properties
Money
- (2) Matters related to the disbursement of distributable properties and the aggregate amount
66 yen per common share of the Company
(An ordinary dividend of 15 yen and a special dividend of 51 yen)
Aggregate dividend amount: 4,474,284,276 yen
- (3) Effective date of the distribution of retained earnings
March 30, 2018

The remaining surplus will be used for measures aimed at further strengthening our existing businesses and investing in areas of future growth, with a view to further increasing corporate value.

Proposal 2: Determination of Remuneration for Granting Restricted Stock to Directors

The remuneration for the Company's directors consists of basic remuneration, bonuses, stock options, and performance-based stock compensation. The Company proposes that shareholders approve the payment of remuneration for the granting of restricted stock to directors of the Company in place of the aforementioned stock options, separately from the conventional remuneration system for directors. The aim is to provide an incentive for directors to continuously increase the corporate value of the Company and to further share the value between directors and shareholders.

Based on this proposal, the total amount of monetary compensation paid for the granting of restricted stock to directors (the "Target Directors," excluding outside directors) of the Company shall, as an amount deemed reasonable in view of the above aim, not exceed 60 million yen per year (provided, however, that the employee salaries for directors concurrently serving as employees are not included), which is the same amount as the total amount of remuneration relating to stock options. The specific allocation to the respective Target Directors shall be decided by the Board of Directors; however, we would like to add that the allocation method will be under the same conditions as those for stock options.

Provided that the General Meeting of Shareholders approves this proposal, the stock option plan for directors shall be abolished except for options already granted, and the Company will not issue new subscription rights to shares as stock options for directors in the future.

The Target Directors will make payments in kind as contributed assets using all of the monetary compensation claims arising from this proposal in accordance with the resolution of the Board of Directors of the Company. The Company shall issue or dispose of its common stock to them. Accordingly, the total number of the Company's common stock to be issued or disposed of shall be 50,000 or fewer per year, which is the same number of shares to be issued by stock options. (However, after the approval and adoption of this proposal, in the event of a stock split [including a gratis allotment of the Company's common stock] or reverse stock split of the Company's common stock or any other event that requires adjustments to the total number of common stock to be issued or disposed of as restricted stock, such total number will be adjusted within a reasonable range.) The amount paid in per common stock issued or disposed of shall be determined by the Board of Directors within the scope of an amount that does not provide particular advantages to the Target Directors, based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day before the day of the relevant resolution by the Board of Directors (or if no trading is reported on the day, it shall be the closing price on the immediately preceding day). When issuing or disposing of the Company's common stock for the purpose of this type of remuneration, the Company shall conclude a restricted stock allocation agreement (the "Allocation Agreement") with the Target Directors, which shall cover the following matters:

1. The Target Directors are not allowed to transfer, set collateral rights for, or otherwise dispose of the Company's common stock allocated under the Allocation Agreement (the "Allocated Shares") during the period from the day the Allocated Shares were delivered to the day when the relevant Target Directors retire or resign from the position of the Company's director or other positions as prescribed by the Company's Board of Directors (the "Transfer Restriction Period" and the "Restriction of Transfer").
2. If, prior to the expiry of the period predetermined by the Company's Board of Directors (the "Service Period"), the Target Directors retire or resign from the position of the Company's director or other positions as prescribed by the Company's Board of Directors, the Company will duly acquire all of the Allocated Shares free of charge except in cases in which there are reasons recognized as legitimate by the Company's Board of Directors.
3. Notwithstanding the provisions of paragraph 1 above, the Company will lift the Restriction of Transfer with respect to all Allocated Shares at the expiry of the Transfer Restriction Period on the condition that the Target Directors continuously held the position of the Company's director or other positions as prescribed by the Company's Board of Directors during the Service Period. If, however, Target Directors retire or resign from their position as prescribed in paragraph 2 above prior to the expiry of the Service Period for any reasons recognized as legitimate by the Company's Board of Directors as prescribed in paragraph 2 above, the Company will reasonably adjust the number of Allocated Shares for which the Restriction of

Transfer is lifted and the timing of the lifting of the Restriction of Transfer, as necessary.

4. The Company will duly acquire free of charge any Allocated Shares for which the Restriction of Transfer is not lifted based on the provisions set forth in paragraph 3 above at the expiry of the Transfer Restriction Period.
5. Notwithstanding the provisions of paragraph 1 above, if, during the Transfer Restriction Period, a merger agreement in which the Company becomes the absorbed company, a share exchange agreement or a share transfer plan under which the Company becomes a wholly-owned subsidiary of another company, or any other matter related to reorganization, etc., is resolved at a General Meeting of Shareholders of the Company (or by the Board of Directors, if the approval of the General Meeting of Shareholders is not required), then the Company will lift the Restriction of Transfer with respect to the number of Allocated Shares as determined by the Company's Board of Directors, based on a resolution by the Company's Board of Directors prior to the effective date of the relevant reorganization, etc.
6. In the case prescribed in paragraph 5 above, the Company will duly acquire free of charge any Allocated Shares for which the Restriction of Transfer is still not lifted at the time immediately after the lifting of the Restriction of Transfer, based on the provisions set forth in paragraph 5 above.
7. The Allocation Agreement contains methods for the declaration of intention and notification of the Allocation Agreement, methods for amendment to the Allocation Agreement, and other matters determined by the Board of Directors.

(Reference)

The Company plans to grant restricted stock similar to the above-mentioned restricted stock to the Company's executive officers living in Japan, while granting stock-linked monetary compensation under similar or corresponding conditions to the above-mentioned restricted stock to the Company's executive officers living outside Japan.