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Securities code: 5482  
May 29, 2020

To our shareholders:

Takahiro Fujioka,  
President  
**AICHI STEEL CORPORATION**  
220, Rinowari, Arao-machi, Tokai-shi, Aichi

## NOTICE OF THE 116th GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 116th General Meeting of Shareholders of AICHI STEEL CORPORATION (the “Company”), which will be held as indicated below.

### Meeting Details

**1. Date and Time:** Thursday, June 18, 2020, 10:00 a.m. (Japan Standard Time)

**2. Venue:** **Main Conference Room, Main Building, AICHI STEEL CORPORATION**  
220, Rinowari, Arao-machi, Tokai-shi, Aichi

### 3. Purposes:

#### Items to be reported;

Business Report, Consolidated Financial Statements, Financial Statements and Audit Reports concerning Consolidated Financial Statements by the Financial Auditors and the Audit & Supervisory Board for the 116th Term (April 1, 2019 to March 31, 2020)

#### Items to be resolved;

- Proposal 1:** Appropriation of Surplus
- Proposal 2:** Election of Six (6) Directors
- Proposal 3:** Election of One (1) Audit & Supervisory Board Member
- Proposal 4:** Election of One (1) Substitute Audit & Supervisory Board Member
- Proposal 5:** Payment of Bonuses to Directors
- Proposal 6:** Revision of the Amount of Remuneration for Directors and Audit & Supervisory Board Members
- Proposal 7:** Determination of Amount of Remuneration for Granting Restricted Stock to Directors (Excluding Outside Directors)

## Reference Document for the General Meeting of Shareholders

### Proposals and Reference Matters

**Proposal 1:** Appropriation of Surplus

With the respect to the dividend payment, taking comprehensive account of consolidated business results and payout ratio, etc., the Company will fulfill the expectations of all its shareholders.

The dividends of the 116th Term shall be as follows:

#### Matters concerning the year-end dividend

**(1) Type of dividend assets**

Cash

**(2) Allocation of dividend assets and total amount of dividends**

Amount per share of common stock: ¥70

Total dividends: ¥1,377,796,980

**(3) Effective date of dividend payment**

June 19, 2020

**Proposal 2: Election of Six (6) Directors**

The terms of all current Directors will expire at the close of this General Meeting of Shareholders. Accordingly, we would like to propose the election of six (6) Directors.

The candidates for the Directors are as follows, and matters regarding candidates for the Directors are on pages 3 through 6.

No.	Name	Positions in the Company	Attendance at meetings of the Board of Directors (FY2019)	Term of office as Director
1	Takahiro Fujioka [Reelection]	President and Director	13/13 (100%)	9 years
2	Motoshi Nakamura [Reelection]	Executive Vice President and Director	13/13 (100%)	2 years
3	Naohiro Yasunaga [Reelection]	Director	10/10 (100%)	1 year
4	Koichi Yasui [Reelection] [Outside] [Independent]	Director	12/13 (92%)	5 years
5	Yuko Arai [Reelection] [Outside] [Independent]	Director	13/13 (100%)	4 years
6	Katsunori Kojima [New]	Senior Executive Officer	-	-

- Notes:
1. There are no special interests between the candidates and the Company.
  2. Mr. Koichi Yasui and Ms. Yuko Arai are candidates for Outside Director.
  3. The number of attendances at meetings of the Board of Directors differs depending on the timing of the appointment.
  4. The Company has designated Mr. Koichi Yasui and Ms. Yuko Arai as Independent Officer pursuant to the provisions of the Tokyo Stock Exchange and the Nagoya Stock Exchange.
  5. The Company has concluded agreements to limit the liability for damages with Mr. Koichi Yasui and Ms. Yuko Arai as prescribed in Article 423, Paragraph 1 of the Companies Act. Based on these agreements, their liability shall be limited to the amount stipulated by Article 425, Paragraph 1 of the Companies Act. In the event that their reelection is approved, the aforementioned agreement is planned to continue.
  6. Candidates are selected based on the proposal submitted to the Board of Directors by the optional officer remuneration and nomination committee, where the majority of members composed of Independent Outside Directors and chaired by an Independent Outside Director, and it assesses and deliberates each candidate's experience, knowledge, accomplishments, etc. The Enforcement Rules for Securities Listing Regulations stipulated by the Tokyo Stock Exchange and the Nagoya Stock Exchange are used as a reference for the independence criteria for Outside Director candidates. Furthermore, at the time of appointment, various factors such as background, knowledge, character, etc. are holistically taken into consideration, with the most appropriate person becoming a candidate.

Candidates for Director

No.	Name	Career summary, positions and areas of responsibility in the Company, and notable concurrent positions	Number of the Company's shares held
1	<p>Takahiro Fujioka (August 31, 1954) [Reelection]</p> <p>Attendance at meetings of the Board of Directors (FY2019) 13/13 (100%)</p> <p>Term of office as Director (at the conclusion of this meeting) 9 years</p>	<p>April 1979      Joined Toyota Motor Industrial Corporation (current Toyota Motor Corporation)</p> <p>June 2006      Managing Officer of Toyota Motor Corporation</p> <p>May 2011      Standing Corporate Advisor of the Company</p> <p>June 2011      President and Director of the Company (to present)</p>	14,400
		<p>[Notable Concurrent Positions]</p> <p>Vice Chairman of the Board of Shanghai Aichi Forging Co., Ltd.</p>	
		<p>[Reasons for Election of the Candidate for Director]</p> <p>Mr. Takahiro Fujioka has been serving as Representative Director since 2011. While exhibiting leadership as a head manager and working to improve the Group's corporate value, he has been aptly performing supervision on determining important matters and business execution. Furthermore, he also possesses a wealth of business experience and knowledge regarding global business operation and overall management in both the Company and Toyota Motor Corporation. Thus, the Company proposes his continued appointment as Director.</p>	
2	<p>Motoshi Nakamura (September 4, 1960) [Reelection]</p> <p>Attendance at meetings of the Board of Directors (FY2019) 13/13 (100%)</p> <p>Term of office as Director (at the conclusion of this meeting) 2 years</p>	<p>April 1983      Joined Toyota Motor Corporation</p> <p>April 2014      Standing Director of Toyota Motor Corporation</p> <p>January 2018    Standing Corporate Advisor of the Company</p> <p>April 2018      Senior Managing Officer of the Company</p> <p>June 2018      Director and Senior Managing Officer of the Company</p> <p>April 2020      Executive Vice President and Director of the Company (to present)</p>	4,700
		<p>[Responsibility]</p> <p>Assist overall management</p> <p>Kitaeru Company President</p>	
		<p>[Reasons for Election of the Candidate for Director]</p> <p>Mr. Motoshi Nakamura has been serving as Director since 2018, and as Kitaeru Company President, he strives to strengthen the brand power and competitiveness of the forged products business and improve the Group's corporate value. Furthermore, he also possesses a wealth of business experience and knowledge regarding global business management and production technology in both the Company and Toyota Motor Corporation. Thus, the Company proposes his continued appointment as Director.</p>	

No.	Name	Career summary, positions and areas of responsibility in the Company, and notable concurrent positions	Number of the Company's shares held
3	<p>Naohiro Yasunaga (December 16, 1959) [Reelection]</p> <p>Attendance at meetings of the Board of Directors (FY2019) 10/10 (100%)</p> <p>Term of office as Director (at the conclusion of this meeting) 1 year</p>	<p>April 1982      Joined the Company</p> <p>June 2008      Officer and General Manager, Chita Plant of the Company</p> <p>June 2012      Director of the Company</p> <p>June 2013      Operating Officer of the Company</p> <p>April 2015      Senior Operating Officer of the Company</p> <p>June 2015      Director and Senior Operating Officer of the Company</p> <p>April 2016      Director and Managing Officer of the Company</p> <p>June 2018      Managing Officer of the Company</p> <p>April 2019      Senior Managing Officer of the Company</p> <p>June 2019      Director and Senior Managing Officer of the Company</p> <p>April 2020      Director and Senior Executive Officer of the Company (to present)</p> <p>[Responsibility] General Manager of Manufacturing Innovation Headquarters Safety &amp; Environmental Division</p>	5,000
	<p>[Reasons for Election of the Candidate for Director]</p> <p>Mr. Naohiro Yasunaga has been serving as Director since 2019, and as General Manager of Manufacturing Innovation Headquarters, he has been undertaking total management toward achieving optimal production, striving to improve the Group's corporate value. Furthermore, he has a wealth of business experience and knowledge regarding global business management and production technology in the Company. Thus, the Company proposes his continued appointment as Director.</p>		
4	<p>Koichi Yasui (January 8, 1952) [Reelection] [Outside] [Independent]</p> <p>Attendance at meetings of the Board of Directors (FY2019) 12/13 (92%)</p> <p>Term of office as Director (at the conclusion of this meeting) 5 years</p>	<p>April 1976      Joined Toho Gas Co., Ltd.</p> <p>June 2006      Operating Officer of Toho Gas Co., Ltd.</p> <p>June 2008      Director and Managing Officer of Toho Gas Co., Ltd.</p> <p>June 2010      Director and Senior Managing Officer of Toho Gas Co., Ltd.</p> <p>June 2012      President and Director of Toho Gas Co., Ltd.</p> <p>June 2015      Director of the Company (to present)</p> <p>June 2016      Chairman and Director of Toho Gas Co., Ltd. (to present)</p> <p>[Notable Concurrent Positions] Chairman and Director of Toho Gas Co., Ltd. Outside Director of Chubu-Nippon Broadcasting Co., Ltd.</p>	2,300
	<p>[Reasons for Election of the Candidate for Director]</p> <p>Mr. Koichi Yasui has abundant experience, broad insight, an excellent and highly ethical character acquired through active performance as a corporate manager following experience in important positions in the sales division of Toho Gas Co., Ltd., one of the core companies in the Chubu area. Since 2015, as an Outside Director, with regard to important matters in Board of Directors deliberations, he has given proactive opinions and proposals that come from his independent position and distinct viewpoint from a background in a different industry, helping to strengthen corporate governance. Thus, the Company proposes his continued appointment as Director.</p> <p>(Matters regarding independence)</p> <p>Mr. Yasui is Chairman and Director of Toho Gas Co., Ltd. Although Toho Gas Co., Ltd. has transactions with the Company to operate as a usual gas supplier, there are no special interests between the candidate and the Company, and the Company judges that there would be no risk of conflicts of interest arising between Toho Gas Co., Ltd. and ordinary shareholders.</p>		

No.	Name	Career summary, positions and areas of responsibility in the Company, and notable concurrent positions	Number of the Company's shares held
5	<p>Yuko Arai (January 27, 1961) [Reelection] [Outside] [Independent]</p> <p>Attendance at meetings of the Board of Directors (FY2019) 13/13 (100%)</p> <p>Term of office as Director (at the conclusion of this meeting) 4 years</p>	<p>April 1979      Joined All Nippon Airways Co., Ltd</p> <p>April 2010      Assistant Branch Manager of Osaka Office of All Nippon Airways Co., Ltd</p> <p>April 2011      Assistant Branch Manager of Tokyo Office of All Nippon Airways Co., Ltd</p> <p>April 2014      Executive Officer, Branch Manager of Osaka Office, All Nippon Airways Co., Ltd</p> <p>April 2016      Senior Executive Officer and Deputy Director of Business Center, General Manager of Kansai Branch, All Nippon Airways Co., Ltd. (to present)</p> <p>June 2016      Director of the Company (to present)</p> <p>[Notable Concurrent Positions] Senior Executive Officer of All Nippon Airways Co., Ltd. Executive Vice President and Director of ANA Sales Co., Ltd.</p>	1,500
<p>[Reasons for Election of the Candidate for Director]</p> <p>Ms. Yuko Arai has abundant experience, broad insight, an excellent and highly ethical character acquired through active performance as a corporate manager following experience in important positions in the sales division of All Nippon Airways Co., Ltd and ANA Sales Co., Ltd., which have expanded their businesses globally. Since 2016, as an Outside Director, with regard to important matters in Board of Directors deliberations, she has given proactive opinions and proposals that come from her independent position and distinct viewpoint from a background in a different industry, helping to strengthen corporate governance. Thus, the Company proposes her continued appointment as Director.</p> <p>(Matters regarding independence)</p> <p>The Company has judged that there are no personal interests, capital interests, transactional interests, or other special interests between the candidate and the Company, and that there is no possibility of conflict of interest with general shareholders.</p>			
6	<p>Katsunori Kojima (February 24, 1957) [New]</p>	<p>April 1981      Joined Toyota Motor Industrial Corporation (current Toyota Motor Corporation)</p> <p>January 2004      Representative Manager and Global Production Planning Department Vehicle Planning Section of Toyota Motor Corporation</p> <p>June 2008      President of Toyota Motor Manufacturing (UK) Ltd.</p> <p>January 2013      Standing Corporate Advisor of the Company</p> <p>June 2013      Operating Officer of the Company</p> <p>June 2013      Chairman and President of Aichi International (Thailand) Co., Ltd.</p> <p>April 2015      Senior Operating Officer of the Company</p> <p>April 2016      Managing Officer of the Company</p> <p>June 2016      Director and Managing Officer of the Company</p> <p>June 2018      Managing Officer of the Company</p> <p>April 2020      Senior Executive Officer of the Company (to present)</p> <p>[Responsibility] Smart Company President</p>	5,200
<p>[Reasons for Election of the Candidate for Director]</p> <p>As Smart Company President, Mr. Katsunori Kojima strives to strengthen the brand power and competitiveness of the electromagnetic component business and improve the Group's corporate value. Furthermore, he also possesses a wealth of business experience and knowledge regarding global business management and production technology in both the Company and Toyota Motor Corporation. Thus, the Company proposes his appointment as Director.</p>			

**Proposal 3:** Election of One (1) Audit & Supervisory Board Member

At the close of this General Meeting of Shareholders, the term of Audit & Supervisory Board Member Mr. Takashi Goto will expire. Accordingly, we would like to propose the election of one (1) Audit & Supervisory Board Member. The candidate for the Audit & Supervisory Board Member is as follows.

This Proposal has already been approved by the Audit & Supervisory Board.

Name	Positions in the Company	Attendance at meetings of the Board of Directors (FY2019)	Attendance at meetings of the Audit & Supervisory Board (FY2019)	Term of office as Audit & Supervisory Board Member
Takashi Goto [Reelection]	Standing Audit & Supervisory Board Member	13/13 (100%)	13/13 (100%)	8 years

- Notes:
1. There are no special interests between the candidate and the Company.
  2. The Company has concluded an agreement to limit the liability for damages with Mr. Takashi Goto as prescribed in Article 423, Paragraph 1 of the Companies Act. Based on this agreement, his liability shall be limited to the amount stipulated by Article 425, Paragraph 1 of the Companies Act. In the event that his reelection is approved, the aforementioned agreement is planned to continue.
  3. Candidates are selected based on the proposal submitted to the Board of Directors by the optional officer remuneration and nomination committee, where the majority of members composed of Independent Outside Directors and chaired by an Independent Outside Director, and it assesses and deliberates each candidate's experience, knowledge, accomplishments, etc.

Candidate for Audit & Supervisory Board Member

Name	Career summary and positions	Number of the Company's shares held
<p>Takashi Goto (April 2, 1957) [Reelection]</p> <p>Attendance at meetings of the Board of Directors (FY2019) 13/13 (100%)</p> <p>Attendance at meetings of the Audit &amp; Supervisory Board (FY2019) 13/13 (100%)</p> <p>Term of office as Audit &amp; Supervisory Board Member (at the conclusion of this meeting) 8 years</p>	<p>April 1981      Joined the Company</p> <p>January 2007    Assistant Manager of Forging Plant of the Company</p> <p>June 2012      Standing Audit &amp; Supervisory Board Member of the Company (to present)</p>	<p>5,800</p>
<p>[Reasons for Election of the Candidate for Audit &amp; Supervisory Board Member]</p> <p>Mr. Takashi Goto has been serving as Audit &amp; Supervisory Board Member since 2012, and has played a vital role in the Company's audit operations. Furthermore, he has been utilizing his wealth of business experience and knowledge regarding production technology in the Company, and has provided proactive opinions and proposals. Thus, the Company proposes his continued appointment as Audit &amp; Supervisory Board Member.</p>		

**Proposal 4:** Election of One (1) Substitute Audit & Supervisory Board Member

To prevent the situation where the number of Audit & Supervisory Board Members of the Company is less than the number required by law, the Company proposes to appoint one (1) Substitute Audit & Supervisory Board Member in advance.

In this proposal, the Company proposes the election of a substitute for the incumbent Outside Audit & Supervisory Board Members, Messrs. Koichi Ito and Katsuyuki Ogura. If the Substitute Audit & Supervisory Board Member assumes office as an Audit & Supervisory Board Member, his term of office will be the remaining term of the person he succeeds.

This effectiveness of this proposal expires at the start of the 117th General Meeting of Shareholders. However, limited to the period before the candidate has assumed office, conditional upon approval by the Audit & Supervisory Board, this proposal may be cancelled via a Board of Directors resolution.

This Proposal has already been approved by the Audit & Supervisory Board.

Candidate for Substitute Audit & Supervisory Board Member

Name	Career summary, positions and notable concurrent positions	Number of the Company's shares held
Yu Munakata (January 10, 1968) [Reelection] [Outside] [Independent]	April 1997 Registered as an attorney-at-law (under the Tokyo Bar Association)	0
	April 1997 Joined Sekiya Munakata Law Office (formerly Sekiya Law Office) (to present) [Notable Concurrent Positions] Attorney-at-law	

[Reasons for Election of the Candidate for Substitute Audit & Supervisory Board Member]  
 Although Mr. Yu Munakata has not directly been involved in corporate management, he possesses specialized knowledge regarding the law as an attorney-at-law, as well as a high level of specialized knowledge, broad insight and abundant experience regarding corporate governance and internal control, and an excellent and highly ethical character. Furthermore, as he can give useful opinions and advice on the Company's management that come from his independent position and distinct viewpoint as a lawyer, he is deemed as being able to contribute to the strengthening of corporate governance. Thus, the Company proposes his appointment as Substitute Outside Audit & Supervisory Board Member.  
 (Matters regarding independence)  
 The Company has judged that there are no personal interests, capital interests, transactional interests, or other special interests between the candidate and the Company, and that there is no possibility of conflict of interest with general shareholders.

- Notes:
1. There are no special interests between the candidate and the Company.
  2. Mr. Yu Munakata is a candidate for Substitute Outside Audit & Supervisory Board Member.
  3. If this proposal is approved as originally proposed, and Mr. Yu Munakata assumes office as an Audit & Supervisory Board Member, the Company plans to designate him as Independent Officer pursuant to the provisions of the Tokyo Stock Exchange and the Nagoya Stock Exchange.
  4. If this proposal is approved as originally proposed, and Mr. Yu Munakata assumes office as an Audit & Supervisory Board Member, the Company plans to conclude an agreement to limit the liability for damages with him as prescribed in Article 423, Paragraph 1 of the Companies Act. Based on this agreement, his liability shall be limited to the amount stipulated by Article 425, Paragraph 1 of the Companies Act.
  5. Candidates are selected based on the proposal submitted to the Board of Directors by the optional officer remuneration and nomination committee, where the majority of members composed of Independent Outside Directors and chaired by an Independent Outside Director, and it assesses and deliberates each candidate's experience, knowledge, accomplishments, etc. The Enforcement Rules for Securities Listing Regulations stipulated by the Tokyo Stock Exchange and the Nagoya Stock Exchange are used as a reference for the independence criteria for Substitute Outside Audit & Supervisory Board Member candidates, but at the time of appointment, various factors such as background, knowledge, character, etc. are holistically taken into consideration, with the most appropriate person becoming a candidate.

**Proposal 5:** Payment of Bonuses to Directors

Taking into consideration the performance of the current term, among other factors, we propose to pay “Bonuses to Directors” at the amount of ¥72,040,000 to four (4) Directors excluding Outside Directors as of the end of the fiscal year under review.

Note: Remuneration for Directors including this proposal is deliberated at the officer remuneration and nomination committee, a majority of which is composed of Independent Outside Directors and chaired by an Independent Outside Director, and is submitted to the Board of Directors. The Board of Directors subsequently makes a decision based on the report from the committee. Remuneration for Directors excluding Outside Directors comprises monthly compensation and bonuses, determined by compensation system linked not only to corporate business results but also individual’s duties and performance. Bonuses in particular have been paid in comprehensive consideration of dividends, the bonus levels received by employees, trends of other companies, medium-to-long term business results, the historical results of payments, and other factors based on consolidated operating income in each accounting period. Since Outside Directors play independent roles in overseeing and supervising corporate management, they do not receive bonuses.

**Proposal 6:** Revision of the Amount of Remuneration for Directors and Audit & Supervisory Board Members

It was resolved at the 109th General Meeting of Shareholders held on June 18, 2013 that remuneration for Directors and for Audit & Supervisory Board Members are up to ¥40 million per month and up to ¥10 million per month, respectively. Since then, the Company has used the said amounts as an upper limit on monthly remuneration for Directors and Audit & Supervisory Board Members, while seeking approval at a General Meeting of Shareholders for each payment of bonuses to Directors in a specific amount.

As part of the ongoing revision of the remuneration system for Directors and for Audit & Supervisory Board Members, for the purpose of increasing flexibility of a remuneration scheme to enable the payment of bonuses that are linked to corporate business results to Directors in accordance with business results of each fiscal year, as well as for providing Directors with an incentive to sustainably increase the Company's corporate value, and in consideration of various circumstances such as increased responsibilities of Directors and Audit & Supervisory Board Members, we propose to change the monthly limit on Directors' remuneration to a yearly limit, and propose that the amount be set at up to ¥600 million per year (not including the amount of employee salaries payable to Directors who concurrently serve as employees, and including ¥100 million per year for Outside Directors). We also propose to change the monthly limit on remuneration for Audit & Supervisory Board Members to a yearly limit, and propose that the amount be set at up to ¥150 million per year.

Currently, the number of Directors is six (6) (including two (2) Outside Directors). Even if Proposal 2 "Election of Six (6) Directors" is approved as originally proposed, there will be no change in the number of Directors. Additionally, the current number of Audit & Supervisory Board Members is four (4) (including two (2) Outside Audit & Supervisory Board Members). Even if Proposal 3 "Election of One (1) Audit & Supervisory Board Member" is approved as originally proposed, there will be no change in the number of Audit & Supervisory Board Members.

To Directors, we will pay remuneration that is linked to corporate business results in a form of cash bonus, in addition to monthly remuneration, which is fixed remuneration, within the said remuneration amount. The amount of payment will be deliberated at the officer remuneration and nomination committee, a majority of which is composed of Independent Outside Directors and chaired by an Independent Outside Director, and will be submitted to the Board of Directors. The Board of Directors subsequently will make a decision based on the report from the committee. Above remuneration system for Directors (excluding Outside Directors), under which bonuses will be paid within the abovementioned amount, will be adopted from the bonuses to be paid in accordance with the corporate business results for FY2020.

Remuneration for Directors is determined by a remuneration system linked not only to corporate business results but also individual's duties and performance. Bonuses in particular have been paid in comprehensive consideration of dividends, the bonus levels received by employees, trends of other companies, medium-to-long term business results, the historical results of payments, and other factors based on consolidated operating income in each accounting period.

Since Outside Directors and Audit & Supervisory Board Members play independent roles in overseeing and supervising corporate management, they do not receive bonuses.

**Proposal 7:** Determination of Amount of Remuneration for Granting Restricted Stock to Directors (Excluding Outside Directors)

If Proposal 6 “Revision of the Amount of Remuneration for Directors and Audit & Supervisory Board Members” is approved as originally proposed, the amount of remuneration for Directors will be up to ¥600 million per year (not including the amount of employee salaries payable to Directors who concurrently serve as employees, and including ¥100 million per year for Outside Directors).

As part of the ongoing revision of the remuneration system for officers, the Company proposes to offer new remuneration for granting restricted stock to Directors (excluding Outside Directors; hereinafter “Eligible Directors”) in order to provide them with an incentive to sustainably increase the Company’s corporate value and to further promote shared value between shareholders and them, separately from the above-mentioned amount of remuneration. Currently, the number of Directors is six (6) (including two (2) Outside Directors). Even if Proposal 2 “Election of Six (6) Directors” is approved as originally proposed, there will be no change in the number of Directors.

The remuneration to be offered to Eligible Directors for granting restricted stock in accordance with this Proposal shall be in the form of monetary claims. The total amount thereof shall be up to ¥50 million per year, an amount deemed reasonable in consideration of the aforementioned aims (not including the amount of employee salaries payable to Directors who concurrently serve as employees). The specific timing to grant the monetary claims and allocation thereof to each Eligible Director shall be deliberated at the officer remuneration and nomination committee, and shall be submitted to the Board of Directors. The Board of Directors subsequently will make a decision based on the report from the committee. However, we will not pay remuneration for granting restricted stock to Outside Directors.

Eligible Directors shall, based on a resolution of the Board of Directors, make in-kind contribution of all the monetary claims to be granted according to this Proposal, and common stock of the Company shall either be issued or disposed of by the Company with the upper limit set at 20,000 shares per year. (However, the total number may be adjusted within a reasonable range in the case that a share split (including an allotment of the Company’s common stock without consideration) or a consolidation of shares of the Company’s common stock is conducted, or any other reason that requires an adjustment to the total number of common stock to be issued or disposed of by the Company as restricted stock, on or after the day on which this Proposal is approved and resolved.)

The amount to be paid per share shall be determined by the Board of Directors based on the closing price of the Company’s common stock on the Tokyo Stock Exchange on the business day immediately prior to the date on which a resolution is made at Board of Directors meetings (or the closing price on the transaction day immediately prior thereto if no transaction is made on such business day), within the range that is not particularly advantageous to the Eligible Directors who will receive such shares of the Company’s common stock. For the purpose of such issuance or disposal of common stock of the Company, a contract on the allotment of restricted stock (hereinafter “Allotment Contract”) that includes the following provisions shall be concluded between the Company and Eligible Directors.

(1) Transfer restriction period

Eligible Directors shall not transfer, create a security interest on, or otherwise dispose of (hereinafter “Transfer Restriction”) the Company’s common stock that is allotted according to the Allotment Contract (hereinafter “Allotted Shares”) during a period from the payment date of the Allotted Shares until the time immediately after their retirement from the position predetermined by the Company’s Board of Directors (hereinafter “Transfer Restriction Period”).

(2) Treatment on retirement

In the event that Eligible Directors retire from the position predetermined by the Company's Board of Directors prior to the expiry of the period from the start date of the Transfer Restriction Period until the time immediately before the close of the first General Meeting of Shareholders after the start date, the Company shall acquire Allotted Shares rightfully without consideration unless the reason for Eligible Directors' retirement from office is the expiration of the term of office, death, or any other justifiable reason.

(3) Removal of transfer restriction

Notwithstanding the provision of (1) above, the Company shall lift the Transfer Restriction on all of the Allotted Shares at the expiration of Transfer Restriction Period on the condition that Eligible Directors have continuously served in the position predetermined by the Company's Board of Directors during Transfer Restriction Period. However, if such Eligible Directors retire from the position stipulated in (2) above prior to the expiry of Transfer Restriction Period for any of the reason such as the expiration of the term of office, death, or any other justifiable reason stipulated in (2) above, the number of Allotted Shares for which Transfer Restriction is to be lifted and the timing of the removal of Transfer Restriction shall be reasonably adjusted as necessary. In addition, at the time immediately after the removal of Transfer Restriction pursuant to the provisions described above, the Company shall acquire Allotted Shares for which Transfer Restriction has not been lifted, rightfully without consideration.

(4) Treatment on organizational restructuring, etc.

Notwithstanding the provision of (1) above, in the case where an agreement of merger with the Company as the non-surviving entity, agreement of share exchange or plan for share transfer through which the Company becomes a wholly-owned subsidiary, or a matter concerning other organizational restructuring, etc. is approved at the General Meeting of Shareholders (or at the Company's Board of Directors in the case where approval of the General Meeting of Shareholders is not required for the said organizational restructuring, etc.) during Transfer Restriction Period, Transfer Restriction shall be lifted by a resolution of the Company's Board of Directors prior to the effective date of the said organizational restructuring, etc., with regard to the number of the Allotted Shares reasonably set forth in light of the period from the start date of Transfer Restriction Period to the approval date of the said organizational restructuring, etc. In the case described above, at the time immediately after the removal of Transfer Restriction, the Company shall acquire Allotted Shares for which Transfer Restriction has not been lifted, rightfully without consideration.

(5) Others

Any other matters concerning Allotment Contract shall be determined by the Company's Board of Directors.