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## NOTICE OF THE 196TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

**Date and Time:** Friday, June 24, 2016 at 10 a.m. Japan time

**Place:** Fourth floor hall in the Chuo-ku NIHONBASHI KOUKAIDO, located at 1-31-1 Nihonbashikakigara-cho, Chuo-ku, Tokyo, Japan  
(Please see the map to the meeting at the hall at the end of this document for directions.)

**Proposals to be resolved:**

- Proposal No. 1:** Partial Amendments to the Articles of Incorporation (Change in Trade Name and Transition to a Company with Audit and Supervisory Committee)
- Proposal No. 2:** Election of Four (4) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)
- Proposal No. 3:** Determination of Amount of Remuneration for Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)
- Proposal No. 4:** Election of Four (4) Directors Serving as Audit and Supervisory Committee Members
- Proposal No. 5:** Determination of Amount of Remuneration for Directors Serving as Audit and Supervisory Committee Members
- Proposal No. 6:** Determination of Amount of Remuneration, etc. and Details of the Stock Acquisition Rights in the Form of Stock Options to Be Issued to Directors (Excluding Directors Serving as Audit and Supervisory Committee Members and Outside Directors)
- Proposal No. 7:** Election of Accounting Auditor

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**Daito Woolen Spinning & Weaving Company, Limited**  
(Securities Code 3202)

Dear Shareholders,

We would like to give our utmost gratitude to our shareholders for their daily support.

We present this notice of convocation for our 196th Annual General Meeting of Shareholders for your perusal.

Performance for the Company Group's 196th term started with a severe condition with structural reforms in the textile and apparel business, forcing downward revisions to the mid-term management plan. However, with factors that led to the downward swing in performance greatly improving by the structural reforms, and support from robust performance of the commercial facility SUN TO MOON Kakitagawa in Shizuoka Prefecture, each quarterly cumulative period from the first quarter onwards have recorded a profit, resulting in mostly achieving the results forecasts that were revised upward in the middle of the term, securing final surplus.

Moving forward, based on our new mid-term management plan on the occasion of the 120th anniversary milestone, "Bridge to the Future," we will evolve toward a new growth stage for the Group while expanding the volume of profit. To achieve this, we will make company-wide efforts to undertake managerial initiatives and strive to improve corporate value.

We appreciate our shareholders' further encouragement and support moving forward.

Kazuhiro Yamauchi  
President and Representative Director

**To Shareholders with Voting Rights:**

Kazuhiro Yamauchi  
President and Representative Director  
Daito Woolen Spinning & Weaving  
Company, Limited  
6-6 Nihonbashikobuna-cho, Chuo-ku,  
Tokyo, Japan

**NOTICE OF  
THE 196TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

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

You are cordially invited to attend the 196th Annual General Meeting of Shareholders of Daito Woolen Spinning & Weaving Company, Limited (the “Company”) and its subsidiaries (collectively, the “Group”). The meeting will be held for the purposes as described below.

**If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet. Please review the Reference Documents for the General Meeting of Shareholders (described hereinafter), indicate your vote for or against the proposal on the enclosed Voting Rights Exercise Form, and return it so that it is received by 5 p.m. on Thursday, June 23, 2016 Japan time, or, please review the “Instructions for Exercising Voting Rights via the Internet” (on pages 58 to 59, in Japanese) and vote via the Internet.**

- 1. Date and Time:** Friday, June 24, 2016 at 10 a.m. Japan time
- 2. Place:** Fourth floor hall in the Chuo-ku NIHONBASHI KOUKAIDO, located at 1-31-1 Nihonbashikakigara-cho, Chuo-ku, Tokyo, Japan  
(Please see the map to the meeting at the hall at the end of this document for directions.)
- 3. Meeting Agenda:**
  - Matters to be reported:** The Business Report, Non-Consolidated Financial Statements, and Consolidated Financial Statements for the Company’s 196th Fiscal Year (April 1, 2015 - March 31, 2016) and results of audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements
  - Proposals to be resolved:**
    - Proposal No. 1:** Partial Amendments to the Articles of Incorporation (Change in Trade Name and Transition to a Company with Audit and Supervisory Committee)
    - Proposal No. 2:** Election of Four (4) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)
    - Proposal No. 3:** Determination of Amount of Remuneration for Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)
    - Proposal No. 4:** Election of Four (4) Directors Serving as Audit and Supervisory Committee Members
    - Proposal No. 5:** Determination of Amount of Remuneration for Directors Serving as Audit and Supervisory Committee Members
    - Proposal No. 6:** Determination of Amount of Remuneration, etc. and Details of the Stock Acquisition Rights in the Form of Stock Options to Be Issued to Directors (Excluding Directors Serving as Audit and Supervisory Committee Members and Outside Directors)
    - Proposal No. 7:** Election of Accounting Auditor

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- When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
  - Of the documents to be provided with this Convocation Notice, Notes to the Consolidated Financial Statements and Notes to the Non-Consolidated Financial Statements are posted on the Company's website (<http://www.daitobo.co.jp/>) pursuant to provisions of laws and regulations as well as Article 16 of the Articles of Incorporation of the Company.
  - Any updates to the Reference Materials for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements, and the Non-Consolidated Financial Statements will be posted on the Company's website (<http://www.daitobo.co.jp/>).

## Consolidated Balance Sheet

(As of March 31, 2016)

(Thousands of yen)

Description	Amount	Description	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>1,856,216</b>	<b>Current liabilities</b>	<b>4,561,660</b>
Cash and deposits	777,476	Notes and accounts payable-trade	401,870
Notes and accounts receivable-trade	512,836	Short-term loans payable	3,168,584
Inventories	424,094	Current portion of bonds	169,000
Other	141,807	Income taxes payable	7,002
		Provision for bonuses	31,677
		Other	783,526
<b>Non-current assets</b>	<b>17,140,028</b>	<b>Non-current liabilities</b>	<b>10,134,269</b>
<b>Property, plant and equipment</b>	<b>16,060,922</b>	Bonds payable	696,500
Buildings and structures	6,488,744	Long-term loans payable	4,495,106
Land	9,343,758	Lease obligations	178,542
Leased assets	192,997	Guarantee deposits received	2,226,166
Other	35,422	Deferred tax liabilities	3,194
<b>Intangible assets</b>	<b>12,995</b>	Deferred tax liabilities for land revaluation	2,212,849
<b>Investments and other assets</b>	<b>1,066,110</b>	Net defined benefit liability	248,096
Investment securities	265,809	Asset retirement obligations	44,132
Investments in capital of subsidiaries and associates	567,601	Other	29,681
Claims provable in bankruptcy, claims provable in rehabilitation and other	101,243		
Other	228,038	<b>Total liabilities</b>	<b>14,695,929</b>
Allowance for doubtful accounts	(96,583)	<b>(Net assets)</b>	
		<b>Shareholders' equity</b>	<b>(815,826)</b>
		Capital stock	1,500,000
		Capital surplus	503,375
		Retained earnings	(2,812,168)
		Treasury shares	(7,033)
		<b>Accumulated other comprehensive income</b>	<b>5,116,141</b>
		Valuation difference on available-for-sale securities	(23,462)
		Deferred gains or losses on hedges	(484)
		Revaluation reserve for land	4,990,956
		Foreign currency translation adjustment	149,131
		<b>Total net assets</b>	<b>4,300,315</b>
<b>Total assets</b>	<b>18,996,244</b>	<b>Total liabilities and net assets</b>	<b>18,996,244</b>

## Consolidated Statement of Income

(April 1, 2015 - March 31, 2016)

(Thousands of yen)

Description	Amount	
<b>Net sales</b>		<b>5,407,011</b>
<b>Cost of sales</b>		<b>4,100,505</b>
<b>Gross profit</b>		<b>1,306,506</b>
<b>Selling, general and administrative expenses</b>		<b>927,705</b>
<b>Operating income</b>		<b>378,801</b>
<b>Non-operating income</b>		
Interest income	201	
Dividend income	7,790	
Share of profit of entities accounted for using equity method	4,572	
Other	72,254	84,818
<b>Non-operating expenses</b>		
Interest expenses	249,542	
Other	139,280	388,822
<b>Ordinary income</b>		<b>74,797</b>
<b>Extraordinary income</b>		
Gain on transfer of business	64,814	64,814
<b>Profit before income taxes</b>		<b>139,612</b>
Income taxes-current	15,393	
Income taxes-deferred	(613)	14,780
Profit		124,831
<b>Profit attributable to owners of parent</b>		<b>124,831</b>

## Consolidated Statement of Changes in Equity

(April 1, 2015 - March 31, 2016)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,500,000	503,375	(2,937,000)	(7,012)	(940,636)
Changes of items during period					
Profit attributable to owners of parent			124,831		124,831
Purchase of treasury shares				(21)	(21)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	124,831	(21)	124,810
Balance at end of current period	1,500,000	503,375	(2,812,168)	(7,033)	(815,826)

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	41,034	(648)	4,869,546	181,176	5,091,108	4,150,472
Changes of items during period						
Profit attributable to owners of parent						124,831
Purchase of treasury shares						(21)
Net changes of items other than shareholders' equity	(64,497)	163	121,410	(32,044)	25,032	25,032
Total changes of items during period	(64,497)	163	121,410	(32,044)	25,032	149,842
Balance at end of current period	(23,462)	(484)	4,990,956	149,131	5,116,141	4,300,315

## Non-Consolidated Balance Sheet

(As of March 31, 2016)

(Thousands of yen)

Description	Amount	Description	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>1,265,970</b>	<b>Current liabilities</b>	<b>4,141,116</b>
Cash and deposits	266,674	Notes payable-trade	152,917
Notes receivable-trade	104,341	Accounts payable-other	253,152
Accounts receivable-trade	374,273	Short-term loans payable	3,168,584
Inventories	413,515	Current portion of bonds	169,000
Other	107,165	Income taxes payable	3,379
		Provision for bonuses	23,490
<b>Non-current assets</b>	<b>17,258,121</b>	Other	370,592
<b>Property, plant and equipment</b>	<b>16,270,492</b>	<b>Non-current liabilities</b>	<b>10,132,085</b>
Buildings and structures	6,491,478	Bonds payable	696,500
Land	9,553,528	Long-term loans payable	4,495,106
Leased assets	196,050	Lease obligations	178,542
Other	29,435	Guarantee deposits received	2,247,503
<b>Intangible assets</b>	<b>12,594</b>	Deferred tax liabilities	3,194
<b>Investments and other assets</b>	<b>975,034</b>	Deferred tax liabilities for land revaluation	2,212,849
Investment securities	228,257	Provision for retirement benefits	231,837
Shares and investments in capital of subsidiaries and associates	503,643	Asset retirement obligations	36,870
Long-term loans receivable	204,107	Other	29,681
Claims provable in bankruptcy, claims provable in rehabilitation and other	101,243	<b>Total liabilities</b>	<b>14,273,201</b>
Other	223,864	<b>(Net assets)</b>	
Allowance for doubtful accounts	(286,083)	<b>Shareholders' equity</b>	<b>(716,119)</b>
		<b>Capital stock</b>	<b>1,500,000</b>
		<b>Capital surplus</b>	<b>503,375</b>
		Legal capital surplus	503,270
		Other capital surplus	104
		<b>Retained earnings</b>	<b>(2,712,462)</b>
		Legal retained earnings	375,000
		Other retained earnings	(3,087,462)
		Retained earnings brought forward	(3,087,462)
		<b>Treasury shares</b>	<b>(7,033)</b>
		<b>Valuation and translation adjustments</b>	<b>4,967,009</b>
		<b>Valuation difference on available-for-sale securities</b>	<b>(23,462)</b>
		<b>Deferred gains or losses on hedges</b>	<b>(484)</b>
		<b>Revaluation reserve for land</b>	<b>4,990,956</b>
		<b>Total net assets</b>	<b>4,250,889</b>
<b>Total assets</b>	<b>18,524,091</b>	<b>Total liabilities and net assets</b>	<b>18,524,091</b>



## Non-Consolidated Statement of Income

(April 1, 2015 - March 31, 2016)

(Thousands of yen)

Description	Amount	
<b>Net sales</b>		<b>4,265,457</b>
<b>Cost of sales</b>		<b>3,081,881</b>
<b>Gross profit</b>		<b>1,183,575</b>
<b>Selling, general and administrative expenses</b>		<b>806,493</b>
<b>Operating income</b>		<b>377,082</b>
<b>Non-operating income</b>		
Interest income	5,903	
Dividend income	7,737	
Other	18,120	31,761
<b>Non-operating expenses</b>		
Interest expenses	248,849	
Other	121,462	370,311
<b>Ordinary income</b>		<b>38,532</b>
<b>Extraordinary income</b>		
Reversal of allowance for doubtful accounts	204,067	204,067
<b>Profit before income taxes</b>		<b>242,600</b>
Income taxes-current	4,772	
Income taxes-deferred	(610)	4,161
<b>Profit</b>		<b>238,438</b>

## Non-Consolidated Statement of Changes in Equity

(April 1, 2015 - March 31, 2016)

(Thousands of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of current period	1,500,000	503,270	104	503,375	375,000	(3,325,900)	(2,950,900)	(7,012)	(954,537)
Changes of items during period									
Profit						238,438	238,438		238,438
Purchase of treasury shares								(21)	(21)
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	-	238,438	238,438	(21)	238,417
Balance at end of current period	1,500,000	503,270	104	503,375	375,000	(3,087,462)	(2,712,462)	(7,033)	(716,119)

	Valuation and translation adjustments				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of current period	26,078	(648)	4,869,546	4,894,976	3,940,439
Changes of items during period					
Profit					238,438
Purchase of treasury shares					(21)
Net changes of items other than shareholders' equity	(49,541)	163	121,410	72,032	72,032
Total changes of items during period	(49,541)	163	121,410	72,032	310,450
Balance at end of current period	(23,462)	(484)	4,990,956	4,967,009	4,250,889

# Reference Documents for the General Meeting of Shareholders

## **Proposal No. 1: Partial Amendments to the Articles of Incorporation (Change in Trade Name and Transition to a Company with Audit and Supervisory Committee)**

### 1. Reasons for the proposal

#### (1) Change to the trade name

As a milestone for the 120th anniversary of the Company's establishment, based on the present corporate conditions in which non-textile related business is becoming the majority, the Company has decided change its written name to the Japanese Katakana alphabet, and shall make the new name to Daitobo Co., Ltd., a name which has become entrenched as the Company's nominal designation over many years. As a result, the Company shall change its trade name and carry out amendments to the Articles of Incorporation where necessary.

The amendments to the Articles of Incorporation shall take effect on September 1, 2016; transitional measures that stipulate to that effect shall be established as supplemental provisions, and said transitional measures shall be removed upon the amendments taking effect.

#### (2) Transition to a company with Audit and Supervisory Committee

1) Due to the "Act for Partial Revision of the Companies Act" (Act No. 90 of 2014; hereinafter the "Revised Companies Act.") enacted on May 1, 2015, it has become possible to newly transition to a Company with Audit and Supervisory Committee. With the goal of strengthening the audit and supervision of the Board of Directors and further improving corporate governance under transparent and agile corporate management, the Company would like to transition to a Company with Audit and Supervisory Committee. Accordingly, the Company proposes amendments necessary when transitioning to a Company with Audit and Supervisory Committee such as establishing new provisions concerning the Audit and Supervisory Committee Members as well as the Audit and Supervisory Committee, creating new provisions concerning the delegation of important decisions for business execution, and removing provisions concerning the Corporate Auditors and Board of Corporate Auditors.

2) Due to the Revised Companies Act, the range of officers that can enter into a limited liability agreement has changed, so Article 29, Paragraph 2 of the current Articles of Incorporation shall be amended in order to allow Directors that do not conduct business execution to sufficiently perform their expected roles. Furthermore, consent has been obtained from each Corporate Auditor with regard to these amendments to the Articles of Incorporation.

3) While the Company has already appointed an Accounting Auditor, in light of the fact that the Revised Companies Act obliges the appointment of an Accounting Auditor in Companies with Audit and Supervisory Committee, new regulations have been added regarding the Accounting Auditor in order to clarify its relationship with the Company.

4) In addition to the above, other amendments such as changes to the Article numbers when adding, revising, or removing Articles shall be carried out as necessary.

These amendments to the Articles of Incorporation shall become effective at the time of conclusion of this General Meeting of Shareholders.

2. Content of the amendments

Contents of the amendments are as follows.

Current Articles of Incorporation	Proposed Amendments
<p style="text-align: center;">CHAPTER 1 GENERAL PROVISIONS</p> <p>(Trade Name) Article 1 The name of the Company shall be “<u>Daito Boshoku</u> Kabushiki Kaisha” and in English it should be <u>Daito Woolen Spinning &amp; Weaving Company, Limited</u>.</p> <p>Article 2 ~ 3 (Omitted)</p> <p>(Governing Bodies) Article 4 In addition to the general meeting of shareholders and Directors, the Company shall have the following governing bodies. (1) Board of Directors (2) <u>Corporate Auditors</u> (3) <u>Board of Corporate Auditors</u> (4) Accounting Auditor</p> <p>Article 5 ~ 19 (Omitted)</p> <p style="text-align: center;">CHAPTER 4 DIRECTORS AND BOARD OF DIRECTORS</p> <p>(Number of Directors) Article 20 The number of Directors of the Company shall not exceed eleven (11).</p> <p style="text-align: center;">(Newly established)</p> <p>(Election of Directors) Article 21 1. Directors shall be elected at a general meeting of shareholders.  2. (Omitted) 3. (Omitted)</p>	<p style="text-align: center;">CHAPTER 1 GENERAL PROVISIONS</p> <p>(Trade Name) Article 1 The name of the Company shall be “<u>Daitobo</u> Kabushiki Kaisha” and in English it should be <u>Daitobo Co., Ltd.</u></p> <p>Article 2 ~ 3 (Unchanged)</p> <p>(Governing Bodies) Article 4 In addition to the general meeting of shareholders and Directors, the Company shall have the following governing bodies. (1) Board of Directors (Deleted) (2) <u>Audit and Supervisory Committee</u> (3) Accounting Auditor</p> <p>Article 5 ~ 19 (Unchanged)</p> <p style="text-align: center;">CHAPTER 4 DIRECTORS AND BOARD OF DIRECTORS</p> <p>(Number of Directors) Article 20 1. The number of Directors (<u>excluding Directors serving as Audit and Supervisory Committee Members</u>) of the Company shall not exceed eleven (11). 2. <u>The number of Directors serving as Audit and Supervisory Committee Members of the Company shall not exceed four (4).</u></p> <p>(Election of Directors) Article 21 1. Directors shall be elected at a general meeting of shareholders, <u>distinguished between Directors serving as Audit and Supervisory Committee Members and those who are not.</u>  2. (Unchanged) 3. (Unchanged)</p>

Current Articles of Incorporation	Proposed Amendments
<p>(Term of Office of Directors) Article 22</p> <p>The term of office of a Director shall expire upon conclusion of the annual general meeting of shareholders held with respect to the last business year ending within one (1) year from his/her election to office.</p> <p>(Newly established)</p> <p>(Newly established)</p>	<p>(Term of Office of Directors) Article 22</p> <p><u>1. The term of office of a Director other than Audit and Supervisory Committee Member shall expire upon conclusion of the annual general meeting of shareholders held with respect to the last business year ending within one (1) year from his/her election to office. The term of office of a Director serving as Audit and Supervisory Committee Member shall expire upon conclusion of the annual general meeting of shareholders held with respect to the last business year ending within two (2) years from his/her election to office.</u></p> <p><u>2. The term of office of a Director who is not Audit and Supervisory Committee Member elected to increase the number of Directors or to fill a vacancy shall expire at the time the terms of office of the other Directors in office expire.</u></p> <p><u>3. The term of office of a Director serving as Audit and Supervisory Committee Member elected to fill a vacancy caused by retirement of a Director serving as Audit and Supervisory Committee Member prior to the expiry of his/her term of office shall the same as the remaining term of office of the retired Director serving as Audit and Supervisory Committee Member.</u></p>
<p>(Representative Directors and Directors with Titles) Article 23</p> <p>1. Representative Director(s) shall be elected by resolution of the Board of Directors.</p> <p>2. The Board of Directors may appoint one (1) Chairman and Director, one (1) President and Director, and a number of Vice Presidents and Directors, Senior Managing Directors, and Managing Directors by resolution of the Board of Directors.</p>	<p>(Representative Directors and Directors with Titles) Article 23</p> <p>1. Representative Director(s) shall be elected by resolution of the Board of Directors <u>from among Directors (excluding Directors serving as Audit and Supervisory Committee Members).</u></p> <p>2. The Board of Directors may appoint one (1) Chairman and Director, one (1) President and Director, and a number of Vice Presidents and Directors, Senior Managing Directors, and Managing Directors <u>from among Directors (excluding Directors serving as Audit and Supervisory Committee Members)</u> by resolution of the Board of Directors.</p>

Current Articles of Incorporation	Proposed Amendments
<p>Article 24 (Omitted)</p> <p>(Notice of Convocation of the Board of Directors Meetings)</p> <p>Article 25</p> <ol style="list-style-type: none"> <li>1. A notice of convocation of a meeting of the Board of Directors shall be sent to each Director <u>and Corporate Auditor</u> at least three (3) days prior to the meeting; provided, however, that such period may be shortened in the event of emergency.</li> <li>2. With the consent of all Directors <u>and Corporate Auditors</u>, the Board of Directors may be convened without following the procedure for convocation.</li> </ol> <p>(Newly established)</p> <p>Article <u>26 ~ 27</u> (Omitted)</p> <p>(Remuneration, etc. to Directors)</p> <p>Article <u>28</u></p> <p>The amount of remuneration, bonuses, and any other proprietary benefits to be granted to Directors by the Company in consideration of their performance of duty (hereinafter referred to as “Remunerations”) shall be determined by resolution of the general meeting of shareholders.</p>	<p>Article 24 (Unchanged)</p> <p>(Notice of Convocation of the Board of Directors Meetings)</p> <p>Article 25</p> <ol style="list-style-type: none"> <li>1. A notice of convocation of a meeting of the Board of Directors shall be sent to each Director <u>and Director serving as Audit and Supervisory Committee Member</u> at least three (3) days prior to the meeting; provided, however, that such period may be shortened in the event of emergency.</li> <li>2. With the consent of all Directors, the Board of Directors may be convened without following the procedure for convocation.</li> </ol> <p><u>(Delegation of Determination of Important Business Execution)</u></p> <p><u>Article 26</u></p> <p><u>The Company may delegate to Directors all or part of determination of important business execution (excluding matters stated in each Item of Paragraph 5 of Article 399-13 of the Companies Act) by resolution of the Board of Directors.</u></p> <p>Article <u>27 ~ 28</u> (Unchanged)</p> <p>(Remuneration, etc. to Directors)</p> <p>Article <u>29</u></p> <p>The amount of remuneration, bonuses, and any other proprietary benefits to be granted to Directors by the Company in consideration of their performance of duty (hereinafter referred to as “Remunerations”) shall be determined by resolution of the general meeting of shareholders, <u>distinguished between Directors serving as Audit and Supervisory Committee Members and those who are not.</u></p>

Current Articles of Incorporation	Proposed Amendments
<p>(Exemption of liability of Directors)  Article <u>29</u></p> <ol style="list-style-type: none"> <li>1. Based on the stipulations of Article 426, Paragraph 1 of the Companies Act, the Company may exempt the liability for damages due to negligence of duties of Directors (including those who used to be Directors) to the extent permitted by laws and regulations by resolution of the Board of Directors.</li> <li>2. Based on the stipulations of Article 427, Paragraph 1 of the Companies Act, the Company may conclude an agreement with its <u>Outside Directors</u> to limit the liability for damages due to negligence of duties; provided, however, that the limit of liability under such agreement shall be the amount set forth in laws and regulations.</li> </ol>	<p>(Exemption of liability of Directors)  Article <u>30</u></p> <ol style="list-style-type: none"> <li>1. (Unchanged)</li> <li>2. Based on the stipulations of Article 427, Paragraph 1 of the Companies Act, the Company may conclude an agreement with its <u>Directors (excluding persons who are Executive Directors)</u> to limit the liability for damages due to gross negligence of duties; provided, however, that the limit of liability under such agreement shall be the amount set forth in laws and regulations.</li> </ol>
<p style="text-align: center;"><u>CHAPTER 5</u>  <u>CORPORATE AUDITORS AND BOARD OF</u>  <u>CORPORATE AUDITORS</u></p>	<p>(Deleted)</p>
<p>(Number of Corporate Auditors)  Article <u>30</u></p>	<p>(Deleted)</p>
<p><u>The number of Corporate Auditors of the Company shall not exceed four (4).</u></p>	
<p>(Election of Corporate Auditors)</p>	
<p>Article <u>31</u></p>	<p>(Deleted)</p>
<ol style="list-style-type: none"> <li>1. <u>Corporate Auditors shall be elected at a general meeting of shareholders.</u></li> <li>2. <u>The election of Corporate Auditors shall be adopted by a majority vote of the attending shareholders who hold one third (1/3) or more of the voting rights of the shareholders entitled to exercise voting rights.</u></li> </ol>	

Current Articles of Incorporation	Proposed Amendments
<p><u>(Term of Office of Corporate Auditors)</u></p> <p><u>Article 32</u></p> <p>1. <u>The term of office of a Corporate Auditor shall expire upon conclusion of the annual general meeting of shareholders held with respect to the last business year ending within four (4) years from his/her election to office.</u></p> <p>2. <u>The term of office of a Corporate Auditor elected to fill a vacancy caused by retirement of a Corporate Auditor prior to the expiry of his/her term of office shall be the same as the remaining term of office of the retired Corporate Auditor.</u></p>	(Deleted)
<p><u>(Full-Time Corporate Auditors)</u></p> <p><u>Article 33</u></p> <p><u>The Board of Corporate Auditors shall appoint one (1) or more full-time Corporate Auditors by resolution of the Board of Corporate Auditors.</u></p>	(Deleted)
<p><u>(Notice of Convocation of Board of Corporate Auditors Meetings)</u></p> <p><u>Article 34</u></p> <p>1. <u>Notice of convocation of a meeting of the Board of Corporate Auditors shall be sent to each Corporate Auditor at least three (3) days prior to the meeting; provided, however, that said period may be shortened in the event of emergency.</u></p> <p>2. <u>With the consent of all Corporate Auditors, the Board of Corporate Auditors may be convened without following the procedure for convocation.</u></p>	(Deleted)
<p><u>(Board of Corporate Auditors Regulations)</u></p> <p><u>Article 35</u></p> <p><u>Matters related to the Board of Corporate Auditors shall be based on the Board of Corporate Auditors Regulations defined by the Board of Corporate Auditors, in addition to laws and regulations and these Articles of Incorporation.</u></p>	(Deleted)



Current Articles of Incorporation	Proposed Amendments
<p><u>(Remuneration, etc. to Corporate Auditors)</u>  <u>Article 36</u>  <u>The amount of remuneration, etc. to be granted to Corporate Auditors by the Company shall be determined by resolution of the general meeting of shareholders.</u></p>	<p>(Deleted)</p>
<p><u>(Exemption of liability of Corporate Auditors)</u>  <u>Article 37</u>  1. <u>Based on the stipulations of Article 426, Paragraph 1 of the Companies Act, the Company may exempt the liability for damages due to negligence of duties of Corporate Auditors (including those who used to be Corporate Auditors) to the extent permitted by laws and regulations by resolution of the Board of Directors.</u>  2. <u>Based on the stipulations of Article 427, Paragraph 1 of the Companies Act, the Company may conclude an agreement with its Outside Corporate Auditors to limit the liability for damages due to negligence of duties; provided, however, that the limit of liability under such agreement shall be the amount set forth in laws and regulations.</u></p>	<p>(Deleted)</p>
<p>(Newly established)</p> <p>(Newly established)</p>	<p><u>CHAPTER 5</u>  <u>AUDIT AND SUPERVISORY COMMITTEE</u>  <u>(Authority of Audit and Supervisory Committee)</u>  <u>Article 31</u>  <u>The Audit and Supervisory Committee shall determine items as required by laws and regulations, in addition to exercising authority to execute its duties.</u></p>

Current Articles of Incorporation	Proposed Amendments
(Newly established)	<p><u>(Convocation of Audit and Supervisory Committee)</u></p> <p><u>Article 32</u></p> <p><u>1. Notice of convocation of a meeting of the Audit and Supervisory Committee shall be sent to each Audit and Supervisory Committee Member at least three (3) days prior to the meeting; provided, however, that said period may be shortened in the event of emergency.</u></p> <p><u>2. With the consent of all Audit and Supervisory Committee Members, the Audit and Supervisory Committee may be convened without following the procedure for convocation.</u></p>
(Newly established)	<p><u>(Full-Time Audit and Supervisory Committee Members)</u></p> <p><u>Article 33</u></p> <p><u>The Audit and Supervisory Committee may appoint one (1) or more full-time Audit and Supervisory Committee Member by resolution of the Audit and Supervisory Committee.</u></p>
(Newly established)	<p><u>(Audit and Supervisory Committee Regulations)</u></p> <p><u>Article 34</u></p> <p><u>Matters related to the Audit and Supervisory Committee shall be based on the Audit and Supervisory Committee Regulations defined by the Audit and Supervisory Committee, in addition to laws and regulations and these Articles of Incorporation.</u></p>
(Newly established)	<p style="text-align: center;"><u>CHAPTER 6</u></p> <p style="text-align: center;"><u>ACCOUNTING AUDITOR</u></p> <p><u>(Election of Accounting Auditor)</u></p>
(Newly established)	<p><u>Article 35</u></p> <p><u>The Accounting Auditor shall be elected at a general meeting of shareholders.</u></p>

Current Articles of Incorporation	Proposed Amendments
(Newly established)	<p><u>(Term of Office of Accounting Auditor)</u>  <u>Article 36</u>  1. <u>The term of office of the Accounting Auditor shall expire upon conclusion of the annual general meeting of shareholders held with respect to the last business year ending within one (1) year from his/her election to office.</u>  2. <u>Unless otherwise resolved at the annual general meeting of shareholders referred to in the previous Paragraph, the Accounting Auditor shall be deemed to have been re-elected at said annual general meeting of shareholders.</u></p>
(Newly established)	<p><u>(Remuneration to Accounting Auditor)</u>  <u>Article 37</u>  <u>The amount of remuneration, etc. to be granted to the Accounting Auditor shall be determined by the Representative Director subject to the consent of the Audit and Supervisory Committee.</u></p>
CHAPTER 6 ACCOUNTS	CHAPTER 7 ACCOUNTS
Article 38 ~ 41 (Omitted)	Article 38 ~ 41 (Unchanged)
(Newly established)	<p><u>Supplementary Provisions</u>  <u>(Transitional Measures Regarding Exemption of Liability of Corporate Auditors)</u>  1. <u>The Company may, by resolution of the Board of Directors, exempt liability for damages to the extent permitted by laws and regulations, for actions taken by Corporate Auditors (including those who used to be Corporate Auditors) defined by Article 423, Paragraph 1 of the Companies Act before conclusion of the 196th Annual General Meeting of Shareholders.</u></p>

Current Articles of Incorporation	Proposed Amendments
(Newly established)	<p><u>2. Regarding agreements that limit the liability for damages in Article 423, Paragraph 1 of the Companies Act concerning actions of Outside Corporate Auditors (including those who used to be Outside Corporate Auditors) before the conclusion of the 196th Annual General Meeting of Shareholders, the stipulations of Article 37, Paragraph 2 (Exemption of liability of Corporate Auditors) of these Articles of Incorporation before the revisions from the resolutions of said Annual General Meeting of Shareholders shall apply.</u></p>
(Newly established)	<p><u>(Timing of Trade Name Change)</u></p> <p><u>3. Article 1 shall take effect on September 1, 2016, and this Article shall be removed upon the effective date.</u></p>

**Proposal No. 2: Election of Four (4) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)**

Subject to the approval of Proposal No. 1: Partial Amendments to the Articles of Incorporation, the Company will transition to a company with an Audit and Supervisory Committee. In line with this change, in accordance with the stipulations of Article 332, Paragraph 7, Item 1 of the Companies Act, the terms of office of all six (6) Directors will expire at the conclusion of this year’s General Meeting of Shareholders. Accordingly, the election of four (4) Directors (excluding Directors serving as Audit and Supervisory Committee Members) is proposed.

The effectiveness of resolution regarding this Proposal shall be subject to the condition that Proposal No. 1: Partial Amendments to the Articles of Incorporation is approved as proposed, and the amendments to the Articles of Incorporation by resolution of the same Proposal take effect.

The candidates for Directors (excluding Directors serving as Audit and Supervisory Committee Members) are as follows:

No.	Name (Date of birth)	Career summary, positions, responsibilities at the Company and significant concurrent positions	Number of shares of the Company held
1	Kazuhiro Yamauchi (January 5, 1957)	<p>April 1979      Joined Mitsui Trust and Banking Company, Limited (currently Sumitomo Mitsui Trust Bank, Limited)</p> <p>February 2002      General Manager, Personnel Planning Dept. of Chuo Mitsui Trust and Banking Company, Limited (currently Sumitomo Mitsui Trust Bank, Limited)</p> <p>January 2004      General Manager, Osaka Branch Business Dept. II</p> <p>January 2007      General Manager, Shinjuku Nishiguchi Branch</p> <p>June 2009      Director and General Manager, Corporate Planning Division of the Company</p> <p>August 2010      Managing Director and General Manager, Business Management Headquarters, General Manager, Corporate Planning Division</p> <p>June 2012      Senior Managing Director and General Manager, Business Management Headquarters, Deputy General Manager, Real Estate Headquarters, in charge of internal control</p> <p>July 2013      Director and Senior Managing Executive Officer, General Manager, Business Management Headquarters, General Manager, Personnel Division, in charge of business strategy and internal control</p> <p>June 2015      President and Representative Director (current post) Chairman of DAITOBOSHOKU (SHAGHAI) CORPORATION (current post) Chairman of NINGBO SHANJING APPAREL CO. LTD. (current post) (to the present)</p>	35,000 shares

No.	Name (Date of birth)	Career summary, positions, responsibilities at the Company and significant concurrent positions	Number of shares of the Company held
2	Toshiyasu Nomura (February 27, 1952)	<p>March 1974    Joined the Company</p> <p>April 2002    General Manager, Functional Textile Business Division</p> <p>April 2004    Deputy General Manager, Textile Business Headquarters</p> <p>May 2005    President and Director of Niigata Daitobo Co., Ltd.</p> <p>May 2007    President and Director of Daitobo Shinsou Co., Ltd.</p> <p>October 2011    General Manager, Functional Textile Sales Division, Sales Headquarters</p> <p>June 2012    Director and General Manager, Functional Textile Sales Division, Sales Headquarters</p> <p>June 2013    Vice President and Director</p> <p>February 2014    Vice President and Director General Manager, Health Care Business Headquarters</p> <p>June 2014    Vice President and Representative Director General Manager, Health Care Business Headquarters</p> <p>April 2015    Vice President and Representative Director Supervising health care business, textile and apparel business</p> <p>June 2015    Vice President and Representative Director (current post) (to the present)</p>	28,000 shares
3	Shogo Mieda (February 12, 1969)	<p>April 1990    Joined the Company</p> <p>September 2010    Accounting Group Leader, Administration Division</p> <p>June 2012    General Manager, Corporate Planning Division, Business Management Headquarters</p> <p>June 2015    Director and Executive Officer, General Manager, Business Management Headquarters, General Manager, Corporate Planning Division, in charge of internal control (current post) (to the present)</p>	4,000 shares
4	Yasunobu Sawada (January 9, 1953)	<p>April 1976    Joined the Ministry of Labour (currently Ministry of Health, Labour and Welfare)</p> <p>January 1989    Joined A.T. Kearney, Inc. (currently A.T. Kearney K.K.), assigned to Tokyo Office</p> <p>October 1997    Director of Practice Management</p> <p>April 2002    Executive Director of Enterprise IG Japan K.K. (currently Brand Union/WPP Group)</p> <p>July 2003    Representative Director of VieBrand Consulting Inc. (current post)</p> <p>June 2015    Outside Director of the Company (current post) (to the present)</p>	0 shares

- (Notes)
1. No special interest exists between the Company and any of the candidates for Directors (excluding Directors serving as Audit and Supervisory Committee Members).
  2. The Company has entered into an agreement with Mr. Yasunobu Sawada, to limit his liability for damages, as stipulated in Article 423, Paragraph 1 of the Companies Act. The limit of liability under this agreement is the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act. In the event his election is approved, the Company plans to conclude an agreement to limit liability for damages with him.
  3. Reasons for selecting the candidates for Directors (excluding Directors serving as Audit and Supervisory Committee Members) are as follows:
    - (1) Candidate No. 1  
Mr. Kazuhiro Yamauchi is currently President of the Company, and has sufficiently demonstrated his abilities to utilize his wealth of financial experience and many years of experience in the field of corporate planning at the Company as a leader. Thus, the Company has determined that he is fit to continue as a manager.

(2) Candidate No. 2

Mr. Toshiyasu Nomura is currently Vice President of the Company, and has a wealth of business experience and depth of knowledge in the Company's health care business and textile and apparel business, in addition to possessing a wide network both inside and outside of the Company. Thus, the Company has determined that he is appropriate to continue as a manager.

(3) Candidate No. 3

Mr. Shogo Mieda is currently a Director of the Company, and has held the role as the core of the Company's management as General Manager of the Business Management Headquarters. In addition to his deep specialized knowledge related to accounting and his wealth of experience in business management, he is acquainted with the Company's overall operations. Thus, the Company has determined that he is appropriate to continue as a manager.

(4) Candidate No. 4

Mr. Yasunobu Sawada formerly joined the Ministry of Labour, and afterward gained a wealth of experience in a major consulting firm, currently serving as Representative of a consulting firm. He is expected to utilize his wide range of knowledge and deep insight to provide checks and advice from various perspectives for the Company's management. Thus, the Company has judged him to be an excellent human resource. Mr. Yasunobu Sawada is a candidate for Outside Director. The Company has designated him as an independent director stipulated by the Tokyo Stock Exchange and Nagoya Stock Exchange, and registered him with the Exchanges.

Mr. Yasunobu Sawada is currently an Outside Director of the Company and his term of office as an Outside Director will be one (1) year at the conclusion of this General Meeting of Shareholders.

**Proposal No. 3: Determination of Amount of Remuneration for Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)**

Subject to the approval of Proposal No. 1: Partial Amendments to the Articles of Incorporation, the Company will transition to a company with an Audit and Supervisory Committee. Accordingly, in line with the stipulations of Article 361, Paragraph 1 and 2 of the Companies Act, the Company proposes the current remuneration framework for Directors (approved to be within 6 million yen per month at the 162nd Annual General Meeting of Shareholders, held on July 29, 1982) to be abolished. While there are no changes to the annual amount, the Company proposes an annual amount with an upper limit of 72 million yen as a new scope of remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Member) (of which a remuneration scope of 10 million yen for Outside Directors) to replace the current monthly system. The specific amount for each Director (excluding Directors serving as Audit and Supervisory Committee Members) and the timing of provision is requested to be determined by a resolution of the Board of Directors. The amounts of remuneration for Directors (excluding Directors serving as Audit Committee Members) do not include remuneration paid as employees, for those who serve concurrently as employees.

Subject to the approval of Proposal No. 1 and No. 2, the number of persons elected that will be eligible for the remuneration scope for Directors (excluding Directors serving as Audit and Supervisory Committee Members) stated above will be four (4).

The effectiveness of resolution regarding this Proposal shall be subject to the approval of Proposal No. 1: Partial Amendments to the Articles of Incorporation as proposed, and the effectuation of amendments to the Articles of Incorporation by resolution of the same Proposal.



#### Proposal No. 4: Election of Four (4) Directors Serving as Audit and Supervisory Committee Members

Subject to the approval of Proposal No. 1: Partial Amendments to the Articles of Incorporation, the Company will transition to a company with an Audit and Supervisory Committee. Accordingly, the election of four (4) Directors serving as Audit and Supervisory Committee Members is proposed.

This Proposal has been consented by the Board of Corporate Auditors.

The effectiveness of resolution regarding this Proposal shall be subject to the approval of Proposal No. 1: Partial Amendments to the Articles of Incorporation as proposed, and the effectuation of amendments to the Articles of Incorporation by resolution of the same Proposal.

The candidates for Directors serving as Audit and Supervisory Committee Members are as follows:

No.	Name (Date of birth)	Career summary, positions, responsibilities at the Company and significant concurrent positions	Number of shares of the Company held
1	Yuji Kakuma (July 8, 1948)	April 1967    Joined the Company July 2006    General Manager, Accounting Division June 2007    Director and General Manager, Accounting Division June 2008    Director and General Manager, Administration Division August 2010    Director and General Manager, Administration Division, Business Management Headquarters June 2012    Full-time Corporate Auditor (current post) (to the present)	67,000 shares
2	Haruki Iinuma (April 19, 1948)	April 1976    Registered as an attorney April 1978    Established IINUMA LAW OFFICE (current position) April 2000    Registered as a licensed tax accountant June 2011    Outside Corporate Auditor of the Company (current post) (to the present)	0 shares
3	Takashi Kagami (December 19, 1976)	September 2001    Joined Shin Nihon & Co. (currently Ernst & Young ShinNihon LLC) July 2005    Registered as a certified public accountant August 2006    Joined Certified Public Tax Accountants' Co. Takano Sogo Accounting Firm and Takano Sogo Consulting Co. (concurrent) November 2013    Registered as a licensed tax accountant Partner of Certified Public Tax Accountants' Co. Takano Sogo Accounting Firm and Takano Sogo Consulting Co. (current post) (to the present)	0 shares
4	Shusaku Okumura (June 16, 1952)	April 1977    Joined Sumitomo Marine & Fire Insurance Co., Ltd. (currently Mitsui Sumitomo Insurance Company, Limited) April 2003    General Manager, Nursing Care & Service Office of Mitsui Sumitomo Insurance Company, Limited April 2006    President and Representative Director of American Appraisal Japan Co., Ltd. April 2008    General Manager, Risk Management Division of Mitsui Sumitomo Insurance Company, Limited October 2010    General Manager, Corporate Risk Management Dept. of MS&AD Insurance Group Holdings, Inc. April 2013    Fixed-term employee, Corporate Risk Management Dept. of MS&AD Insurance Group Holdings, Inc. March 2016    Retired from MS&AD Insurance Group Holdings, Inc. (to the present)	0 shares

- (Notes)
1. No special interest exists between the Company and any of the candidates for Directors serving as Audit and Supervisory Committee Members.
  2. The Company has entered into an agreement with Mr. Haruki Iinuma, to limit his liability for damages, as stipulated in Article 423, Paragraph 1 of the Companies Act. The limit of liability under this agreement is the minimum liability amount set forth in Article 425, Paragraph 1 of the

- Companies Act. In the event his election is approved, the Company plans to conclude an agreement to limit liability for damages with him.
3. If election of Messrs. Takashi Kagami and Shusaku Okumura are approved, the Company plans to enter into agreements with them to limit their liability for damages, as stipulated in Article 423, Paragraph 1 of the Companies Act. Based on the stipulation in Article 29, Paragraph 2 of Articles of Incorporation, the limit of liability under the agreements will be the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act.
  4. Messrs. Haruki Iinuma, Takashi Kagami, and Shusaku Okumura are candidates for Outside Directors.  
The Company has designated the above three (3) persons as independent officers stipulated by the Tokyo Stock Exchange and Nagoya Stock Exchange, and registered them with the Exchanges.
  5. Reasons for selecting the candidates for Directors serving as Audit and Supervisory Committee Members are as follows:
    - (1) Mr. Yuji Kakuma is currently a full-time Corporate Auditor of the Company, and he has long presided over the Company's Accounting Division. In addition to his sufficient specialized knowledge, he possesses a wealth of experience and a deep insight as a Director and Corporate Auditor of the Company of many years. Thus, the Company determines that he is appropriate as an Audit and Supervisory Committee Member.  
Mr. Yuji Kakuma is currently a full-time Corporate Auditor of the Company and his term of office as a full-time Corporate Auditor will be four (4) years at the conclusion of this General Meeting of Shareholders.
    - (2) Mr. Haruki Iinuma possesses specialized knowledge in legal matters and a deep insight concerning management from his long years of experience as an attorney, and the Company expects that he will provide checks and advice from various perspectives with regard to management. Thus, the Company has determined that he is an excellent candidate for Audit and Supervisory Committee Member.  
Mr. Haruki Iijima is currently an Outside Corporate Auditor of the Company and his term of office as an Outside Corporate Auditor will be five (5) years at the conclusion of this General Meeting of Shareholders.
    - (3) Mr. Takashi Kagami gained experience in a major auditing firm and is currently having success as a partner in taxation and management consulting, so he possesses specialized knowledge and sufficient insight regarding accounting and taxes. The Company has determined that he can appropriately execute his duties as an Audit and Supervisory Committee Member on a high level.
    - (4) Mr. Shusaku Okumura has experience as a manager in nursing care related business at a major domestic non-life insurance company and in the Japanese arm of an American company, and also possesses a wealth of business experience relating to internal control at a large corporation. Thus, the Company has determined that he can appropriately execute his duties as an Audit and Supervisory Committee Member at a high level.

**Proposal No. 5: Determination of Amount of Remuneration for Directors Serving as Audit and Supervisory Committee Members**

Subject to the approval of Proposal No. 1: Partial Amendments to the Articles of Incorporation, the Company will transition to a company with an Audit and Supervisory Committee. Accordingly, in line with the stipulations of Article 361, Paragraph 1 and 2 of the Companies Act, the Company proposes the current remuneration framework for Corporate Auditors (approved to be within 3 million yen per month at the 173rd Annual General Meeting of Shareholders, held on June 29, 1993) to be abolished. While there are no changes to the annual amount, the Company proposes an annual amount with an upper limit of 36 million yen as a new scope of remuneration for Directors serving as Audit and Supervisory Committee Members to replace the current monthly system. The specific amount for each Director serving as Audit and Supervisory Committee Member and timing of provision is requested to be determined by deliberation of Directors serving as Audit and Supervisory Committee Members.

Subject to the effectuation of Proposals No. 1 and No. 4, the number of persons elected that will be eligible for the remuneration scope for Directors serving as Audit and Supervisory Committee Members stated above will be four (4) (including three (3) Outside Directors).

The effectiveness of resolution regarding this Proposal shall be subject to the approval of Proposal No. 1: Partial Amendments to the Articles of Incorporation as proposed, and the effectuation of amendments to the Articles of Incorporation by resolution of the same Proposal.

**Proposal No. 6: Determination of Amount of Remuneration, etc. and Details of the Stock Acquisition Rights in the Form of Stock Options to Be Issued to Directors (Excluding Directors Serving as Audit and Supervisory Committee Members and Outside Directors)**

With regard to the amount of current remuneration, etc. of Directors, at the 162nd Annual General Meeting of Shareholders held on July 29, 1982, it was approved to be within 6 million yen per month (however, this does not include the amount of remuneration as an employee).

In the event that Proposal No. 1: Partial Amendments to the Articles of Incorporation is approved, the Company will transition to a company with an Audit and Supervisory Committee. Accordingly, the Company proposes in Proposal No. 3 that the current remuneration framework for Directors to be abolished and the amount of remuneration, etc. for Directors (excluding Directors serving as Audit and Supervisory Committee Members) to be within 72 million yen per year (of which, the upper limit of remuneration for Outside Directors is 10 million yen. However, this does not include the amount of remuneration as an employee.).

In the scope of the remuneration, etc., above, in order to share the benefits and risks of stock price fluctuations with the Company's shareholders, and also further increase their motivation to contribute to raising share value and the improvement of the Company's corporate value, we have determined to allocate the stock acquisition rights in the form of stock options to Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) as follows.

The effectiveness of resolution regarding this Proposal shall be subject to the effectuation of the amendments to the Articles of Incorporation in Proposal No. 1 and approval of Proposal No. 2.

This stock option is a "stock remuneration-type stock option" and the amount of payment upon the exercise of each stock acquisition right is 1 yen for each share.

Regarding the stock acquisition rights in the form of stock options, we plan for payment to be offset against the compensation claims of Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) based on the compensation etc. as stock acquisition rights in the form of stock options under this Proposal, in place of the payment of an amount defined at fair value at the time of allocation.

Subject to the approval of Proposal No. 2, the number of Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) eligible for this Proposal will be three (3).

Details and maximum number of the stock acquisition rights in the form of stock options to be issued to Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) of the Company

1) Class and Number of Shares to be Allocated upon Exercise of the Stock Acquisition Rights

The class of shares to be allocated upon exercise of the stock acquisition rights shall be common shares in the Company, and the number of shares to be allocated upon exercise of the each stock acquisition right (hereinafter referred to as the "number of shares granted") shall be 1,000; provided, however, that in the event that the Company conducts a stock split (including a gratis allotment of common shares; the same applies in descriptions of stock splits hereinafter) or reverse stock split on or after the date of the resolution of this Proposal (hereinafter referred to as the "resolution date"), the number of shares granted shall be adjusted based on the following formula. Fractions less than one share generated as a result of the adjustment shall be rounded down.

$$\text{Post-adjustment number of shares granted} = \text{Pre-adjustment number of shares granted} \times \text{Ratio of stock split or reverse stock split}$$

In addition to the above, in the event the Company conducts a merger or company split on or after the resolution date, or other equivalent circumstances whereby an adjustment to the number of shares granted is necessary, the Company may appropriately adjust the number of shares granted, within reason. Furthermore, in the event that the Company conducts a change in the number of common shares that constitute one unit (excluding those accompanying stock splits and reverse stock splits; the same applies in descriptions of changes in the number of shares that constitute one unit hereinafter) on or after the resolution date, the Company may reasonably adjust the number of shares granted in line with the ratio of the change in the number of shares that constitute one unit for stock acquisition rights whose issuance is resolved by the Board of Directors on or after the effective date of the change in the number of shares that constitute one unit.

2) Total Number of Stock Acquisition Rights

The total number of stock acquisition rights allocated to Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) for each business year shall be limited to 200 units; provided, however, that in the event that the number of shares granted is adjusted in line with a change in the number of common shares that constitute one unit, the Company may reasonably adjust the total number of stock acquisition rights in line with the ratio of the adjustment.

3) Amount of Payment for Stock Acquisition Rights

The amount of payment for each unit of stock acquisition rights shall be an amount determined by the Board of Directors, based on the fair value of the stock acquisition rights calculated using fair calculation methods such as the Black-Scholes model, etc. at the time of allocation of stock acquisition rights.

4) Value of Assets to be Contributed Upon the Exercise of Stock Acquisition Rights

The value of assets to be contributed upon the exercise of each stock acquisition right shall be 1 yen for each share that may be issued upon the exercise of the stock acquisition rights, multiplied by the number of shares granted.

5) Exercise Period for Stock Acquisition Rights

The Board of Directors will determine within the range of the day of elapse of three (3) years, to the day of elapse of five (5) years from the day following the allocation date of the stock acquisition rights.

6) Restrictions on the Acquisition of Stock Acquisition Rights by Transfer

The acquisition of stock acquisition rights by transfer shall require approval by resolution of the Board of Directors.

7) Conditions for the Exercise of the Stock Acquisition Rights

The conditions for the exercise of the stock acquisition rights shall be determined by the Board of Directors.

(Reference)

Subject to approval of the Board of Directors, the Company plans to issue stock acquisition rights with the same details as those described above to Executive Officers of the Company, after the conclusion of this General Meeting of Shareholders.

