TRANSLATION

March 4, 2016

TO OUR SHAREHOLDERS:

SHOWA DENKO K.K.
(Securities Code: 4004)
13-9, Shiba Daimon 1-Chome, Minato-ku,
Tokyo, Japan

Hideo Ichikawa
President and Chief Executive Officer

Notice of Convocation of the 107th Ordinary General Meeting of Shareholders

The 107th Ordinary General Meeting of Shareholders of Showa Denko K.K. will be held as described below and you are cordially invited to attend the Meeting.

If you do not expect to attend the Meeting, please exercise your voting rights in writing or by electronic means (including the use of the Internet) after reviewing the following Reference Materials for the General Meeting of Shareholders.

1. **Date and Hour** Wednesday, March 30, 2016 at 10:00 a.m.
2. **Place** Tokyo International Forum (Hall B7)
   5-1, Marunouchi 3-Chome, Chiyoda-ku, Tokyo, Japan
3. **Matters constituting the Purpose of the Meeting:**

Matters to be Reported:
(1) Reports on the Business Report and the Consolidated Financial Statements for the 107th Business Term (January 1, 2015 to December 31, 2015), and reports on the Auditing Results from Accounting Auditors and the Board of Auditors.
(2) Reports on the Non-consolidated Financial Statements for the 107th Business Term (January 1, 2015 to December 31, 2015).

Matters to be Resolved upon:

Proposal No. 1: Appropriation of Surplus
Proposal No. 2 Consolidation of Shares
Proposal No. 3 Partial Amendment to the Articles of Incorporation
Proposal No. 4: Election of Nine Directors
Proposal No. 5: Election of Three Auditors
Proposal No. 6: Introduction of Performance-linked Stock Compensation Scheme for Directors, etc.
Proposal No. 7 Revision of the Maximum Amount of Compensation Payable to Directors

4. Other Matters that have been decided by the Board of Directors before Convocation:

Repeated voting:

1) If the voting rights are exercised both in writing and via the Internet, the voting via the Internet will be regarded as effective.

2) If the voting rights are exercised repeatedly using one and the same method, either via the Internet or in writing, the last voting will be regarded as effective.

5. Methods for exercising voting rights for shareholders who do not expect to attend the Meeting:

1) Exercise of voting rights in writing (by mail)

Please indicate your consent or dissent to the proposals on the enclosed Card for Exercise of Voting Rights, and return it by mail to reach us no later than Tuesday, March 29, 2016.

2) Exercise of voting rights via the Internet, etc.

Please log on to the designated website for exercise of voting rights at http://www.it-soukai.com/. Enter your code number and password as provided on the enclosed Card for Exercise of Voting Rights and, by following the instructions on the computer screen, enter your consent or dissent and send it to reach us no later than 5:45 p.m. on Tuesday, March 29, 2016. For your information, we are also a member to the electronic voting rights exercise platform for institutional investors operated by ICJ, Inc.

✧ Upon attending the Meeting, please present the enclosed Card for Exercise of Voting Rights to the receptionist.

✧ When the need arises to amend Reference Materials for the General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements or Consolidated Financial Statements, such amendments will be announced on the Company's website at http://www.sdk.co.jp/.

Reference Materials for the General Meeting of Shareholders

Proposals and References

Proposal No. 1: Appropriation of Surplus

It is proposed that surplus be appropriated as follows:

It is the Company's basic policy to decide on the distribution of dividends in consideration of earnings performance of the relevant business term and the need to retain earnings for future business development.

Concerning the term-end dividends for this term, the Company, after taking into account the business results of the term as well as the need to improve future competitiveness and financial strength, proposes a term-end dividend as described below.

1. Matters related to term-end dividends
   (1) Type of dividend assets
   Cash
   (2) Matters related to the appropriation of dividend assets and total amount thereof:
   3.00 yen per common share of the Company Total amount: 4,284,763,059 yen
   (3) Effective date for appropriation of surplus:
   March 31, 2016

2. Matters related to the appropriation of other surplus:
   None

Proposal No. 2: Consolidation of Shares

1. Reason for consolidation
   Japan's stock exchanges announced the "Action Plan for Consolidating Trading Units" with the aim of standardizing the trading units for common stock of all listed domestic corporations at 100 shares.
   As a corporation listed in the Tokyo Stock Exchange, the Company respects the objectives of the plan and will change the trading unit (share unit) for the Company's stock from 1,000 shares to 100 shares. Along with the change in the share unit, the Company will also consolidate its shares (ten shares into one share) in order to maintain the level of investment unit considered desirable for the Company's shares by the stock exchanges (50,000 yen or more and less than 500,000 yen).

2. Class of shares to be consolidated and consolidation ratio
   The Company will consolidate every ten shares of common stock into one share.
   If any fractional shares less than one share are created as a result of the consolidation of shares, such fractional shares will be disposed of together in accordance with the Companies Act and the proceeds will be distributed to shareholders who held the fractional shares in proportion to the number of their fractional shares.

3. Effective date for the consolidation of shares and the change in share unit
   July 1, 2016

4. Number of authorized shares as of the effective date for the consolidation of shares
   330,000,000 shares
   Number of authorized shares will be decreased form 3.3 billion shares to 330 million according to the ratio of the consolidation of shares.

5. Others

The consolidation of shares pertaining to this proposal is subject to the approval of the "Proposal No. 3: Partial Amendment to the Articles of Incorporation" below. Shareholders are kindly requested to entrust the Board of Directors of the Company with other necessary decision making over formalities to execute the consolidation of shares.

Proposal No. 3: Partial Amendment to the Articles of Incorporation

1. Reason for amendment

(1) Changes in the number of authorized shares and the share unit (proposed amendments to Article 6, 8, and addition of Supplementary Provisions)

Article 8 of the Articles of Incorporation will be amended in order to change the number of shares per share unit from 1,000 to 100, on condition that the "Proposal No. 2: Consolidation of Shares" above is approved.

The effective date for this amendment will be determined in the "Supplementary Provisions," which will also determine how the "Supplementary Provisions" will be treated. It shall be deemed that Article 6 of the Articles of Incorporation below is amended on July 1, 2016, the effective date for the consolidation of shares, in accordance with Article 182, paragraph 2 of the Companies Act.

(2) Change in the scope of directors and auditors who can conclude agreements to limit their liabilities (proposed amendments to Article 27 and 35)

In line with the change in the scope of an agreement limiting liability upon the enforcement of the "Law for Partial Amendment to the Companies Act" (Act No. 90 of 2014) on May 1, 2015, the provisions of Article 27, paragraph 2 and Article 35, paragraph 2 of the Articles of Incorporation will be partly amended in order to enable non-executive directors and auditors other than outside auditors to fully execute their expected functions.

In addition, each auditor has consented to the amendment to the provisions of Article 27, paragraph 2, of the Articles of Incorporation.

2. Details of amendment

The details of partial amendment to the Articles of Incorporation are as follows:

(Underline indicates changes)

Current Articles of Incorporation	Proposed Amendments
Articles 1 to 5 (Text omitted)	Articles 1 to 5 (Same as present text)
(Total Number of Shares That Can Be Issued) Article 6 The total number of shares of the capital stock that can be issued by this corporation shall be <u>3.3 billion</u>.	(Total Number of Shares That Can Be Issued) Article 6 The total number of shares of the capital stock that can be issued by this corporation shall be <u>330 million</u>.
Article 7 (Text omitted)	Article 7 (Same as present text)
(Number of Shares of Each Transferable Unit, and Handling of Shares Less Than a Transferable Unit) Article 8 ① The number of shares of each transferable unit of this corporation shall be <u>1,000</u>. ② (Text omitted)	(Number of Shares of Each Transferable Unit, and Handling of Shares Less Than a Transferable Unit) Article 8 ① The number of shares of each transferable unit of this corporation shall be <u>100</u>. ② (Same as present text)
Articles 9 to 26 (Text omitted)	Articles 9 to 26 (Same as present text)

Current Articles of Incorporation	Proposed Amendments
(Exemption of Directors from Liabilities) Article 27 ① (Text omitted) ② This corporation may, pursuant to the provisions of Article 427, paragraph 1, of the Companies Act, conclude agreements with outside directors to limit their liabilities for damages caused by their negligence; provided, however, that the amount of limited liability under the agreements shall not fall below the minimum liability as stipulated by relevant laws and regulations.	(Exemption of Directors from Liabilities) Article 27 ① (Same as present text) ② This corporation may, pursuant to the provisions of Article 427, paragraph 1, of the Companies Act, conclude agreements with directors (except for executive directors, etc.) to limit their liabilities for damages caused by their negligence; provided, however, that the amount of limited liability under the agreements shall not fall below the minimum liability as stipulated by relevant laws and regulations.
Articles 28 to 34 (Text omitted)	Articles 28 to 34 (Same as present text)
(Exemption of Auditors from Liabilities) Article 35 ① (Text omitted) ② This corporation may, pursuant to the provisions of Article 427, paragraph 1, of the Companies Act, conclude agreements with outside auditors to limit their liabilities for damages caused by their negligence; provided, however, that the amount of limited liability under the agreements shall not fall below the minimum liability as stipulated by relevant laws and regulations.	(Exemption of Auditors from Liabilities) Article 35 ① (Same as present text) ② This corporation may, pursuant to the provisions of Article 427, paragraph 1, of the Companies Act, conclude agreements with auditors to limit their liabilities for damages caused by their negligence; provided, however, that the amount of limited liability under the agreements shall not fall below the minimum liability as stipulated by relevant laws and regulations.
Articles 36 to 42 (Text omitted)	Articles 36 to 42 (Same as present text)
(New)	Supplementary Provisions (Effective Date) Article 1 The effective date for Articles 6 and 8 shall be July 1, 2016. (Handling of Supplementary Provisions) Article 2 Articles 1 and 2 of the Supplementary Provisions shall be deleted on the effective date set out in Article 1 of the Supplementary Provisions.

Proposal No. 4: Election of Nine Directors

The term of office of all the eight Directors is to expire at the close of this ordinary general meeting of shareholders. The Company proposes election of nine Directors, including three Outside Directors and one Director as a successor of a Director who resigned before the expiration of his term of office.

The list of candidates is as follows:

Candidate No.	Name (Date of Birth)	Personal History, Positions at the Company, and Important Concurrent Posts	Number of Shares of the Company Held
1.	Kyohei Takahashi (July 17, 1944) To be reelected	April 1968 Joined the Company October 1995 General Manager, Planning Department, Japan Polyolefins Co., Ltd. June 1996 President, Montell-JPO Co., Ltd. June 1999 Executive Vice President, Montell SDK Sunrise Ltd. January 2001 Executive Vice President, SunAllomer Ltd. March 2002 Managing Director; Executive Officer, Petrochemicals Sector, of the Company March 2004 Senior Managing Director January 2005 President January 2007 President and Chief Executive Officer (CEO) January 2011 Chairman of the Board (up to the present) Important Concurrent Post: Chairman, Japan Association for Chemical Innovation Reason for nomination as a candidate for Director After taking charge of Petrochemicals Sector and Corporate Strategy Office, he served consecutively as President and CEO, and Chairman of the Board of the Company. Thus he has wide-ranging insight, rich experience and track record as top management. In addition, he chairs Board of Directors' meetings on the basis of his deep knowledge and understanding of the Group. Based on these, the Company judged he is qualified to superintend performance of duties by Directors, and nominated him as a candidate for Director.	345,500 shares

Candidate No.	Name (Date of Birth)	Personal History, Positions at the Company, and Important Concurrent Posts	Number of Shares of the Company Held
2.	Hideo Ichikawa (March 18, 1952) To be reelected	April 1975 Joined the Company June 1999 General Manager, Business Support Department, Montell SDK Sunrise Ltd. January 2001 General Manager, Business Support Department, SunAllomer Ltd. May 2003 General Manager, Corporate Strategy Department, of the Company January 2006 Corporate Officer; General Manager, Corporate Strategy Office March 2008 Director; Corporate Officer; General Manager, Corporate Strategy Office September 2008 Director; Corporate Officer; Executive Officer, HD Sector January 2010 Director; Managing Corporate Officer; Executive Officer, HD Sector January 2011 President and Chief Executive Officer (CEO) (up to the present) Reason for nomination as a candidate for Director After taking charge of Corporate Strategy Office and HD Sector, he has been serving as President and CEO of the Company and promoting strategies to expand "individualized businesses." Thus he has wide-ranging insight, rich experience and track record as top management. Based on these, the Company judged he is qualified to make decisions over execution of important duties and superintend performance of duties by Directors, and nominated him as a candidate for Director.	323,000 shares
3.	Masaru Amano (August 29, 1952) To be reelected	April 1976 Joined the Company January 2005 General Manager, Human Resources Group, Business Support Center January 2006 General Manager, Human Resources Office January 2009 Corporate Officer; General Manager, Human Resources Office January 2011 Corporate Officer; General Manager, General Affairs Office January 2013 Corporate Officer March 2013 Director; Corporate Officer January 2015 Director; Managing Corporate Officer, in charge of Internal Audit, Legal & Intellectual Property, General Affairs & Human Resources, and Purchasing & SCM departments; Chief Risk Management Officer (CRO) (up to the present) Reason for nomination as a candidate for Director He has been taking charge of human resources and general affairs sectors through many years. In 2013, he was appointed as CRO, and has been taking charge of Internal Audit, Legal & Intellectual Property, and Purchasing &SCM departments, and promoting measures to enhance compliance and reduce risks. Thus he has wide-ranging insight, rich experience and track record as a Director. Based on these, the Company judged he is qualified to make decisions over execution of important duties and superintend performance of duties by Directors, and nominated him as a candidate for Director	105,000 shares

Candidate No.	Name (Date of Birth)	Personal History, Positions at the Company, and Important Concurrent Posts	Number of Shares of the Company Held
4.	Saburo Muto (January 15, 1954) To be reelected	April 1976 Joined the Company March 2004 General Manager, Accounting Group, Business Support Center January 2006 General Manager, Accounting Office January 2010 Corporate Fellow; General Manager, Accounting Office January 2011 Corporate Officer; General Manager, Accounting Office January 2013 Corporate Officer; General Manager, Finance & Accounting Department March 2014 Director; Corporate Officer; General manager, Finance & Accounting Department August 2014 Director; Corporate Officer January 2015 Director; Managing Corporate Officer, in charge of Finance & Accounting and Information Systems departments; Chief Financial Officer (CFO) (up to the present) Reason for nomination as a candidate for Director He has been taking charge of Finance & Accounting sections through many years. In 2013, he was appointed as CFO, and has been taking charge of financial and accounting strategies of the Group, thereby promoting measures to strengthen its financial standing. Thus he has wide-ranging insight, rich experience and track record as a Director. Based on these, the Company judged he is qualified to make decisions over execution of important duties and superintend performance of duties by Directors, and nominated him as a candidate for Director.	81,000 shares

Candidate No.	Name (Date of Birth)	Personal History, Positions at the Company, and Important Concurrent Posts	Number of Shares of the Company Held
5.	Kohei Morikawa (June 6, 1957) To be newly elected	April 1972 Joined the Company June 2003 General Manager, Fine Chemicals Department, Specialty Chemicals Division, Chemicals Sector June 2005 General Manager, Specialty Chemicals Department, Chemicals Division, Chemicals Sector January 2010 General Manager, Chemicals Development Department, Chemicals Sector January 2012 General Manager, Electronic Chemicals Division, Chemicals Sector January 2013 Corporate Officer; General Manager, Electronic Chemicals Division January 2016 Managing Corporate Officer, in charge of Electronic Chemicals and Functional Chemicals divisions, Business Development Center, Isesaki and Kumano plants, and Corporate R&D Department; Chief Technology Officer (CTO) (up to the present) Reason for nomination as a candidate for Director He has been taking charge of Chemicals section through many years, and promoting strategies to strengthen the Company's electronic-materials-processing high-purity gases and functional chemicals businesses in China and ASEAN region. In addition, he has insight good enough to perform as a Director who make decisions over execution of important duties and superintend performance of duties by Directors. Based on these, the Company judged he qualifies as a Director, and nominated him as a candidate for Director.	42,000 shares
6.	Taichi Nagai (October 13, 1960) To be newly elected	April 1984 Joined the Company September 2006 General Manager, Production Technology Department, Chemicals Production Center, Chemicals Sector January 2008 Plant Manager, Kawasaki Plant, Chemicals Production Center, Chemicals Sector December 2008 General Manager, Production Department, Kawasaki Plant, Chemicals Sector January 2012 Plant Manager, Kawasaki Plant, Chemicals Sector January 2013 Plant Manager, Kawasaki Plant January 2015 Corporate Officer; Plant Manager, Kawasaki Plant January 2016 Corporate Officer, in charge of Production Technology, Energy & Electricity, SPS Innovation, and CSR departments (up to the present) Reason for nomination as a candidate for Director After taking charge of production technology and production sections of Kawasaki Plant, which is a major production base of the Chemicals segment of the Company, he contributed to the expansion of Chemicals segment as the Plant Manager of Kawasaki Plant. In addition, he has insight good enough to perform as a Director who make decisions over execution of important duties and superintend performance of duties by Directors. Based on these, the Company judged he qualifies as a Director, and nominated him as a candidate for Director.	55,000 shares

Candidate No.	Name (Date of Birth)	Personal History, Positions at the Company, and Important Concurrent Posts	Number of Shares of the Company Held
7.	Tomofumi Akiyama (August 13, 1935) To be reelected Independent	April 1959 Joined Fukoku Mutual Life Insurance Company May 1982 General Manager, Finance Department, Fukoku Mutual Life Insurance Company July 1984 Director, Fukoku Mutual Life Insurance Company March 1989 Managing Director, Fukoku Mutual Life Insurance Company July 1998 President, Fukoku Mutual Life Insurance Company March 2008 Director, of the Company (incumbent) July 2010 Chairman, Fukoku Mutual Life Insurance Company (incumbent) (up to the present) Important Concurrent Post: Chairman, Fukoku Mutual Life Insurance Company Reason for nomination as a candidate for Director We have received from him valuable advice on the management of the Company based on his insight and his experience in managing a life insurance company for many years. We therefore believe he is well qualified for the position as Outside Director.	0 shares
8.	Akiyoshi Morita (August 23, 1941) To be reelected Independent	April 1967 Joined Toyota Motor Co., Ltd. (currently Toyota Motor Corporation) September 1994 Director, Toyota Motor Corporation June 1998 Managing Director, Toyota Motor Corporation June 1999 Senior Managing Director, Toyota Motor Corporation June 2000 Executive Vice President, Aichi Steel Corporation June 2004 President, Aichi Steel Corporation June 2008 Chairman, Aichi Steel Corporation June 2011 Advisor, Aichi Steel Corporation March 2012 Director, of the Company (incumbent) June 2015 Counselor, Aichi Steel Corporation (incumbent) (up to the present) Reason for nomination as a candidate for Director We have received from him valuable advice on the management of the Company based on his insight and his experience in managing a car manufacturing company and a special steel manufacturing company for many years. We therefore believe he is well qualified for the position as Outside Director.	50,000 shares

Candidate No.	Name (Date of Birth)	Personal History, Positions at the Company, and Important Concurrent Posts	Number of Shares of the Company Held
9.	*Masaharu Oshima (March 17, 1949) To be reelected Independent	April 1974 Joined Nippon Telegraph and Telephone Public Corporation (currently Nippon Telegraph and Telephone Corporation) November 1995 Professor, Applied Chemistry Department, Graduate School of Engineering, The University of Tokyo April 2006 Director, Synchrotron Radiation Research Organization, The University of Tokyo October 2009 Chairman, The Japanese Society for Synchrotron Radiation Research April 2013 Project Professor, Synchrotron Radiation Research Organization, The University of Tokyo May 2013 Chairman, The Surface Science Society of Japan June 2013 Emeritus Professor, The University of Tokyo (incumbent) April 2014 Project Researcher, Synchrotron Radiation Research Organization, The University of Tokyo (incumbent) March 2015 Director, of the Company (incumbent) April 2015 Special Professor, Tokyo City University (incumbent) (up to the present) Reason for nomination as a candidate for Director We have received from him valuable advice on the management of the Company, especially in the field of research and development, based on his abundant expertise and experience as a researcher of electronics. We therefore believe he is well qualified for the position as Outside Director. Though Mr. Oshima has never taken part in management of business companies in the past, he participated in commercialization of results of joint researches with multiple companies. We therefore judge he can appropriately fulfill his duties as Outside Director.	0 shares

Notes: 1. None of the candidates for the Directors has any special interest in the Company.

2. Mr. Kohei Morikawa and Mr. Taichi Nagai are candidates to be newly elected.

3. Mr. Tomofumi Akiyama, Mr. Akiyoshi Morita, and Mr. Masaharu Oshima are candidates for Outside Directors.

4. Mr. Akiyama, Mr. Morita, and Mr. Oshima will have served as Outside Directors of the Company for eight (8) years, four (4) years, and one (1) year respectively at the close of this ordinary general meeting of shareholders.

5. Pursuant to the provisions of Articles of Incorporation, in case Mr. Akiyama, Mr. Morita, and Mr. Oshima are reelected, the Company plans to extend the existing agreements with them limiting their liability for damages within a defined range. In addition, on condition that the "Proposal No. 3: Partial Amendment to the Articles of Incorporation" above is approved, the Company plans to conclude the same agreements with other non-executive Directors. The amount of limited liability under the agreement shall be the minimum level stipulated by laws and regulations.

6. Pursuant to relevant rules of the Tokyo Stock Exchange, Inc. (TSE), the Company has notified the TSE that Mr. Akiyama, Mr. Morita, and Mr. Oshima have been appointed the Company's independent directors who will not have conflicting interests with general shareholders. Though Fukoku Mutual Life Insurance Company, in which Mr. Akiyama has another position, holds shares of the Company, the percentage of shares held by Fukoku Mutual Life Insurance Company is 3.86% and does not meet the condition to be recognized as major stock holder. In addition, though the Company has business relations with Fukoku Mutual Life Insurance Company including borrowing money form it, the percentage of money borrowed from Fukoku Mutual Life Insurance Company is less than1% of the Company's total assets, and does not meet the condition to be recognized as major business acquaintance of the Company. We therefore judge Mr. Akiyama will not have conflicting interests with general shareholders.

   Though Mr. Akiyoshi Morita is an Advisor of Aichi Steel Corporation, the amount of annual business transactions between the Company and Aichi Steel Corporation is less than 1% of the Company's net sales, and does not meet the condition to be recognized as major business acquaintance of the Company. We therefore judge Mr. Morita will not have conflicting interests with general shareholders.

   Mr. Masaharu Oshima and the Company had joint researches until 2008. The annual research expenses were less than 10 million yen, and do not meet the condition to be recognized as major business acquaintance of the Company. We therefore judge Mr. Oshima will not have conflicting interests with general shareholders.

Proposal No. 5: Election of Three Auditors

The term of office of Standing Statutory Auditor Akira Sakamoto, Auditors Hiroyuki Tezuka, and Kiyomi Saito is to expire at the close of this ordinary general meeting of shareholders. The Company proposes election of three auditors.

As to this proposal, approval from the Board of Auditors has been obtained.

The candidates for Auditors are as listed below:

Candidate No.	Name (Date of Birth)	Personal History, Positions at the Company, and Important Concurrent Posts	Number of Shares of the Company Held
1.	Akira Koinuma (August 20, 1951) To be newly elected	April 1975 Joined the Company June 1999 General Manager, Production Technology Department, Oita Plant, Japan Polyolefins Co., Ltd. October 2001 General Manager, Oita Plant, Japan Polyolefins Co., Ltd. August 2003 General Manager, Production Group, Oita Plant, of the Company July 2005 General Manager, Production Technology Department, Technology Headquarters January 2006 General Manager, Production Technology Office and Production Technology Center, Technology Headquarters January 2008 Corporate Officer; Deputy Executive Officer, Technology Headquarters January 2010 Corporate Officer; Executive Officer, Production Technology Headquarters March 2011 Director; Corporate Officer; Executive Officer, Production Technology Headquarters January 2012 Director; Managing Corporate Officer; Executive Officer, Production Technology Headquarters January 2013 Director; Managing Corporate Officer January 2015 Director; Senior Managing Corporate Officer, in charge of Production Technology, Energy & Electricity, SPS Innovation, and CSR departments; Chief Technology Officer (CTO) January 2016 Director, Assistant to President (up to the present) Reason for nomination as a candidate for Auditor After taking charge of production and production technology sections of Oita Complex, which is a major production base of the Petrochemicals segment of the Company, he was consecutively appointed as General Manager, Production Technology Department and Executive Officer, Production Technology Head Quarters, and supervised production technology of the entire Company. He took office as Chief Technology Officer (CTO) in 2012, and was appointed Representative Director in 2015. Thus he has deep knowledge and understanding of the Group, and rich experience and track record as top management. In addition, he has insight good enough to perform as an Auditor, who secures appropriateness of the management of the Company. Based on these, the Company judged he qualifies as an Auditor, and nominated him as a candidate for Auditor.	271,000 shares

Candidate No.	Name (Date of Birth)	Personal History, Positions at the Company, and Important Concurrent Posts	Number of Shares of the Company Held
2.	Hiroyuki Tezuka (May 8, 1961) To be reelected Independent	April 1986 Registered with Dai-ichi Tokyo Bar Association Joined Nishimura & Sanada Law Offices (Currently Nishimura & Asahi) September 1992 Clearly, Gottlieb, Steen & Hamilton, New York January 1993 Admitted to the bar of the state of New York June 1993 Returned to Nishimura & Sanada Law Offices (currently Nishimura & Asahi) as Partner (incumbent) March 2008 Auditor, of the Company (incumbent) (up to the present) Important Concurrent Post: Partner, Nishimura & Asahi Reason for nomination as a candidate for Auditor Since his inauguration as Outside Auditor of the Company, he has contributed toward securing the appropriateness of the management of the Company, giving advice from the viewpoint of risk management and compliance based on his insight and accumulated experience as a lawyer handling international and corporate legal affairs. Thus we believe he is well qualified for the position as Outside Director. While his ways of participating in the management of a company has been limited to becoming an outside director/auditor, we consider he will be able to adequately perform the duties as Outside Auditor of the Company because of the reasons stated above.	0 shares
3.	*Kiyomi Saito (December 1, 1950) To be reelected Independent	April 1973 Joined Nikkei Inc. September 1975 Joined Sony Corporation August 1984 Joined Morgan Stanley investment bank January 1990 Executive Director, Morgan Stanley investment bank April 2000 President, JBond Co., Ltd. (currently JBond Totan Securities Co., Ltd.) (incumbent) April 2011 President, The Totan Information Technology Co., Ltd. March 2012 Auditor, of the Company (incumbent) (up to the present) Important Concurrent Post: President, JBond Totan Securities Co., Ltd. Reason for nomination as a candidate for the Auditor Since her inauguration as Outside Auditor of the Company, she has contributed toward securing the appropriateness of the management of the Company, giving advice based on her experience in launching and managing a business consulting firm and a securities firm focusing on electronic transactions. We therefore believe she is well qualified for the position as Outside Auditor.	0 shares

Notes: 1. None of the candidates for Auditors has any special interest in the Company.
2. Mr. Akira Koinuma is a candidate to be newly elected.
3. Ms. Kiyomi Saito's name on the family register is Kiyomi Takei.
4. Mr. Hiroyuki Tezuka and Ms. Kiyomi Saito are candidates for Outside Auditors.
5. Mr. Tezuka and Ms. Saito will have served as Outside Auditors of the Company for eight (8) years and four (4) years respectively at the close of this ordinary general meeting of shareholders.
6. It became clear that Toshiba Corporation, in which Ms. Saito served as an Outside Director from June 2012 to September 2015, conducted inappropriate accounting for a long period from fiscal 2008 to fiscal 2014, and Toshiba corrected its financial statements and other related documents in September 2015. Following the fact that Toshiba committed false representations in its financial statements and other related documents for that period, Tokyo Stock Exchange and Nagoya Stock Exchange designated Toshiba's stock as a security on alert, and imposed listing agreement violation penalties on Toshiba. Moreover, in December 2015, the Commissioner of Financial Services Agency ordered Toshiba to pay a surcharge.
Ms. Saito did not take part in the false accounting, and never recognized the false accounting. However, she had always been stating importance of thorough enforcement of compliance at the meetings of the Board of Directors of Toshiba. After the reveal of the false accounting above, Ms. Saito offered opinions concerning actions to determine the cause of these wrongdoings, and, as a member of the Management Reform Committee, contributed to the formulation of measures to prevent recurrence of these wrongdoings.
7. Pursuant to the provisions of Articles of Incorporation, in case Mr. Tezuka and Ms. Saito are reelected, the Company plans to extend the existing agreements with them limiting their liabilities for damages within a defined range. In addition, on condition that the "Proposal No. 3: Partial Amendment to the Articles of Incorporation" above is approved, the Company plans to conclude the same agreement with the Auditor other than the Outside Auditors. The amount of limited liabilities under the agreements shall be the minimum level stipulated by laws and regulations.
8. Pursuant to the relevant rules of the Tokyo Stock Exchange, Inc. (TSE), the Company has notified the TSE that Mr. Tezuka and Ms. Saito have been appointed the Company's independent auditors who will not have conflicting interests with general shareholders.
Though the Company requests legal services of Nishimura & Asahi, in which Mr. Tezuka has another position, when necessary, the latest three-year-average of the ratio of fees paid from the Company to Nishimura & Asahi is less than 1% of the total fees the law office received from its customers. There is no business transaction between the Company and JBond Totan Securities Co., Ltd., in which Ms. Saito has another position.

Proposal No. 6: Introduction of Performance-linked Stock Compensation Scheme for Directors, etc.

1. Reason for the proposal and the judgement that the suggested compensation scheme is appropriate
In the past, compensation for Directors of the Company consisted of "Basic Compensation" and "Short-term Performance-linked Compensation." This time, the Company decided to introduce Performance-linked Stock Compensation Scheme (hereinafter "the Scheme") for Directors and Corporate Officers. The purpose of the proposed introduction of the Scheme is to further clarify the linkage between compensation for Directors and Corporate Officers and the share value of the Company, thereby enhancing their awareness of the need to contribute to the efforts to achieve improved business performance and greater enterprise value in the medium to long term.
This proposal is to obtain shareholders' approval on the amount of compensation to be paid to Directors (except Outside Directors), which is to be paid separately from the maximum amount of compensation payable to directors that is proposed as the Proposal No. 7 below. Based on these, the Company considers the introduction of the Scheme is appropriate.
Shareholders are kindly requested to entrust the Board of Directors of the Company with other necessary

decision making to design details of the Scheme, which is to be within the framework as described in the item "2. Framework of the Scheme and the amount of compensation to be paid under the Scheme" below.
If the "Proposal No. 4: Election of Nine Directors**"** is approved as proposed above, the number of Directors of the Company who are targets of the Scheme will be six (6).

2. Framework of the Scheme and the amount of compensation to be paid under the Scheme

(1) Outline of the Scheme

The Scheme is a performance-linked stock compensation scheme in which a trust acquires shares in the Company using underlying funds contributed by the Company and the shares and an amount of money corresponding to their prevailing market price (hereinafter "the Company's Shares and Cash Benefits") are granted by the trust to the Company's Directors and Corporate Officers pursuant to the Director Share Grant Regulations to be prescribed by the Board of Directors. Any of the Company's Shares and Cash Benefits for each of the Directors and Corporate Officers shall, in principle, be granted to him/her when he/she resigns as Director or Corporate Officer.

(2) Targets of the Scheme

Directors and Corporate Officers of the Company (excluding Outside Directors and Auditors)

(3) Amount of funds the Company will contribute to the Trust and the number of shares it will acquire in the Company

The Company will introduce the Scheme for three financial years from the one ending December 31, 2016 to the one ending December 31, 2018 (this period of three financial years, as well as each subsequent period of three financial years, are hereinafter referred as "Target Period") and for each of subsequent Target Periods. The Company will contribute up to 450 million yen (including 288 million yen for share granting to Directors) to the Trust as funds to acquire shares in the Company for the purpose of granting them to Directors and Corporate Officers under the Scheme with regard to the inaugural Target Period.

Even after the passage of the inaugural Target Period, the Company will make an additional contribution of up to 450 million yen (including 288 million yen for Directors) for each of the Target Periods until the termination of the Scheme, as funds to acquire shares in the Company as mentioned above. If, however, in the event of the Company making such additional contribution, the trust assets contain any residual shares of the Company (excluding shares yet to be granted to Directors and Corporate Officers, among shares of the Company corresponding to the number of points assigned to such executives) or any money (hereinafter "Residual Shares and Cash Benefits") on the last day of the Target Period immediately preceding the Target Period for which the Company intends to make the additional contribution, the combined total value of the Residual Shares and Cash Benefits (the applicable value of the shares of the Company shall be the amount of their book value on the last day of the above-mentioned immediately-preceding Target Period) and the money to be additionally contributed shall be an amount not exceeding the upper limit approved by the General Meeting of Shareholders.

(4) Method for the Trust to acquire shares in the Company

The trust will acquire shares in the Company by way of the stock market or by underwriting shares of the Company's treasury stock.

(5) Specific contents of the method for determining the number of shares of the Company to be granted to Directors and Corporate Officers

Based on standard points granted to each of Directors and Corporate Officers according to his/her job description and responsibility, for each financial year the Company will grant points to be calculated in light of his/her contribution to the efforts achieve enhanced and greater enterprise value in the medium to long term.

The upper limit on the total number of points to be granted to Directors and Corporate Officers each financial year will be 1,000,000 (which correspond to 1,000,000 common shares of the Company, including 640,000 for Directors, which correspond to 640,000 common shares of the Company).

Each point to be granted to Directors and Corporate Officers will be converted into one common share in the company on the occasion of the share granting mentioned in item (6) below. If, however, shares of the Company are subjected to a share split, gratis share allotment or share consolidation after the proposed scheme introduction is approved by shareholders at the General Meeting of Shareholders, the Trust will make a reasonable adjustment to the conversion ratio, according to the applicable percentage figures.

The number of points for each Director and Corporate Officer, which serves as the basis for computing the number of shares of the Company to be granted to him/her, will be determined by multiplying the cumulative number of points granted to him/her until his/her resignation by a ratio of adjustment for share price fluctuation (not more than 1.0), a ratio to be stipulated in the Director Share Grant Regulations (hereinafter "Definitive Points").

(6) Timing of granting the shares of the Company to Directors and Corporate Officers

Any of the resigned Directors and Corporate Officers meeting beneficiary requirements set forth in the Director Share Grant Regulations will be allowed, in principle, to receive from the Trust after his/her resignation, a grant of the number of the shares of the Company corresponding to an applicable number of Definitive Points, a term stipulated in item (5) above, by performing a specified beneficiary determination procedure. Nevertheless, any such resigned Director or Corporate Officer meeting relevant requirements set forth in the Director Share Grant Regulations may be granted an amount of money corresponding to the prevailing market price of shares of the Company with regard to a certain portion of the share grant, instead of the authorized grant of the shares. The Trust may sell a certain number of shares of the Company for money granting purposes.

(7) Handling of voting rights

On the instruction of the trust administrator, the Trust will uniformly not exercise voting rights for the shares of the Company held in the trust account. This is intended to ensure the neutrality of the Company's business management regarding the voting rights of such shares.

Proposal No. 7: Revision of the Maximum Amount of Compensation Payable to Directors

At the 96th Ordinary General Meeting of Shareholders of the Company held on March 20, 2005, it was resolved that the maximum monthly amount of total compensation payable to Directors of the Company should be 50,000,000 yen, which has not been changed until today. This time, on condition that the "Proposal No. 6: Introduction of Performance-linked Stock Compensation Scheme for Directors, etc.**"** is approved, it is proposed that the abovementioned maximum monthly amount of total compensation payable to Directors of the Company be changed to 42,000,000 yen, in order to execute the Performance-linked Stock Compensation Scheme.

This maximum monthly amount of total compensation payable to Directors of the Company (42,000,000 yen) does not include the portion of compensation paid as employment salary to Directors who concurrently serve as employees, as in the past.

If the "Proposal No. 4: Election of Nine Directors**"** is approved as proposed above, the number of Directors of the Company will be nine (9), including three (3) Outside Directors.