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Securities code: 3156

August 31, 2017

To our shareholders:

Yukio Fukuju  
President  
**UKC Holdings Corporation**  
1-11-2 Osaki, Shinagawa-ku, Tokyo

## Notice of Convocation of the 8th Ordinary General Meeting of Shareholders

UKC Holdings Corporation (hereinafter referred to as “the Company”) will hold its 8th Ordinary General Meeting of Shareholders as explained below, and we respectfully request your attendance at the meeting.

If you are unable to attend in person on the day, you are able to use one of the methods below to exercise your voting rights. We ask that you exercise your voting rights after having considered the accompanying Reference Materials for the General Meeting of Shareholders.

### [Exercising voting rights by mail]

Please indicate your approval or disapproval for each of the proposals on the enclosed form for exercising voting rights and ensure that we receive it no later than 5:30 PM on Thursday, September 14, 2017 (JST).

### [Exercising voting rights over the Internet]

Please access our designated voting web site (<http://www.evotep.jp/>) by entering the login ID and temporary password printed on the enclosed form for exercising voting rights and follow the on-screen instructions to enter your approval or disapproval for each of the proposals no later than 5:30 PM on Thursday, September 14, 2017 (JST).

In addition, if using the Internet to exercise your voting rights, we request that you kindly check “Exercising your Voting Rights over the Internet” in “Instructions on Exercising your Voting Rights etc.” (Japanese only)

- 1. Date and Time:** 10:00 AM on Friday, September 15, 2017 (JST)
- 2. Venue:** Shinagawa Prince Hotel Main Tower, 30F, Diamond 30  
4-10-30 Takanawa, Minato-ku, Tokyo

### 3. Agenda:

#### Matters to be reported:

1. Report on corrections to the financial statement for prior periods
2. Business Report for the 8th fiscal year (April 1, 2016 to March 31, 2017), Consolidated Financial Statements and audit reports on the Consolidated Financial Statements from the Financial Auditor and the Board of Statutory Auditors
3. Report on Non-consolidated Financial Statements for the 8th fiscal year (April 1, 2016 to March 31, 2017)

#### Matters to be resolved:

- Proposal No. 1:** Election of Five Directors  
**Proposal No. 2:** Election of Three Statutory Auditors  
**Proposal No. 3:** Election of One Substitute Statutory Auditor

We ask that those attending in person on the day to present their form for exercising voting rights at the reception desk of the meeting.

In the event of revisions to the Reference Materials for the General Meeting of Shareholders, the Business Report, the Non-consolidated Financial Statements or the Consolidated Financial Statements, the revised documents will be made available on the Company’s web site (<http://www.ukcgroup.com/>).

To our shareholders:

We sincerely apologize from the bottom of our hearts for the great inconvenience and trouble caused by the delays in the announcement of financial results and submission of the Annual Securities Report for the fiscal year ended March 31, 2017 (the 8th fiscal year), corrections of prior period financial statements, and postponement of the 8th Ordinary General Meeting of Shareholders of the Company due to inappropriate accounting treatment in UKC ELECTRONICS (H.K.) CO., LTD. (hereinafter referred to as "UKC H.K."), which is a consolidated subsidiary of the Company.

During the process of preparing for financial statements for the fiscal year ended March 31, 2017, it turned out that a close inspection would be necessary for the valuation of assets including advance payments in UKC H.K., and the Company started conducting an internal investigation to determine the recoverability of such advance payments. In the investigation process on advance payments to a certain supplier, doubts were raised regarding the accounts receivable recovery relating to a portion of the advance payments, so the Company set up an Independent Investigation Committee on May 30, 2017 for the factual investigation, bringing to light of the whole picture and cause, assessment of an impact on the Company's operating results, recommendations for effective recurrence prevention measures and other purposes regarding this matter and strived to clarify the whole picture.

An Investigation Report and other documents received from the Independent Investigation Committee on July 19, 2017 then proved the following facts:

- Allowances for doubtful accounts were not recorded based on reasonable estimates in light of actual collection of accounts receivable in UKC H.K.
- A portion of advance payments in transactions related to this matter was circulated as the collection of accounts receivable, and it is recognized that UKC H.K. intentionally disguised its collection of accounts receivable.
- Net sales were presented on a gross basis as a principal in some transactions, which should have been presented on a net basis as an agent, and excessive amounts of net sales were presented.

The Company accordingly corrected its prior period financial statements, and submitted the 8th Annual Securities Report and amended Annual Securities Reports and Quarterly Securities Reports for prior periods as well as submitted Consolidated Financial Results for the fiscal year ended March 31, 2017 and amended Consolidated Financial Results and Quarterly Consolidated Financial Results for prior periods on July 31, 2017.

We are taking this matter very seriously and so that nothing like this will ever happen again, we will further strengthen our internal controls over financial reporting and corporate governance including those of overseas subsidiaries through such efforts as the establishment of a system that is foolproof against inappropriate transactions and accounting treatments and the reinforcement of compliance education to officers and employees. Through such measures and other sound business activities to increase our corporate value, we will strive to restore your trust. We would appreciate your continued support.

Report on delays in announcement of financial results, submission of Annual Securities Report for the fiscal year ending March 31, 2017 (the 8th fiscal year), and holding the Ordinary General Meeting of Shareholders

As described above, during the process of preparing for financial statements for the fiscal year ended March 31, 2017, it turned out that a close inspection would be necessary for the valuation of assets including advance payments in UKC H.K., which is a consolidated subsidiary of the Company, and the Company postponed the announcement of financial results for the fiscal year ended March 31, 2017 (the 8th fiscal year) and started conducting an internal investigation. In the process, doubts were raised regarding the accounts receivable recovery relating to a portion of advance payments, so it was decided that the Company would set up an Independent Investigation Committee to clarify the whole picture, and the Company postponed the submission of the 8th Annual Securities Report since it would take time to investigate them.

The investigation by the Independent Investigation Committee confirmed that there were inappropriate accounting treatments in UKC H.K. As a result, the Company amended Consolidated Financial Results, Quarterly Consolidated Financial Results, Annual Securities Reports, and Quarterly Securities Reports for prior periods, and carried out the submission of the 8th Annual Securities Report, and disclosure of Consolidated Financial Results for the fiscal year ended March 31, 2017 (the 8th fiscal year) on July 31, 2017.

The Company initially was scheduled to hold an Ordinary General Meeting of Shareholders on June 29, 2017. The Company, however, could not correct Financial Statements for fiscal year 2016 (the 8th fiscal year) before the deadline for sending out notices of convocation of the Ordinary General Meeting of Shareholders and postponed the meeting until September.

The background and summary of this matter are as follows:

May 10, 2017	Postponed the announcement of financial results for the fiscal year ended March 31, 2017 due to a scrutiny of advance payments, etc. of UKC H.K.
May 30, 2017	Set up the Independent Investigation Committee due to an investigation into the doubts on accounts receivable recovery relating to a portion of advance payments, which were raised during the scrutiny of advance payments, etc. of UKC H.K., and further postponed the announcement of financial results for the fiscal year ended March 31, 2017.
June 13, 2017	Postponed the 8th Ordinary General Meeting of Shareholders since the investigation to clarify facts by the Independent Investigation Committee was ongoing, and Financial Statements for fiscal year 2016 (the 8th fiscal year) were unverifiable.
June 29, 2017	Filed an application for an extension of the deadline for submission of the Annual Securities Report with Kanto Local Finance Bureau.
July 19, 2017	Received an Investigation Report by the Independent Investigation Committee.
July 25, 2017	Disclosed the Investigation Report by the Independent Investigation Committee.
July 31, 2017	Submitted the 8th Annual Securities Report and Amendment Reports for Annual Securities Reports and other documents for prior periods, disclosed Consolidated Financial Results for the fiscal year ended March 31, 2017 and amended Consolidated Financial Results for prior periods and other documents, and disclosed the date and venue of the 8th Ordinary General Meeting of Shareholders.

Details of the amended financial results, Investigation Report and other information are as described in the respective disclosures and not included herein.

We will strive to further strengthen our internal controls over financial reporting and corporate governance including those of overseas subsidiaries through such efforts as the establishment of a system that is foolproof against inappropriate transactions and accounting treatments and the reinforcement of compliance education to officers and employees so that nothing like this will ever happen again.

## Reference Materials for the General Meeting of Shareholders

### Proposals and reference matters

#### Proposal No. 1: Election of Five Directors

The terms of office of three Directors will expire at the conclusion of this General Meeting of Shareholders. Director Nobuyuki Oneda resigned on June 29, 2017. In that regard, the Company proposes that five Directors be elected.

The candidates for Director are as follows.

Candidate No.	Name (Date of birth)	Career summary, positions and responsibilities within the Company	Number of shares of the Company owned
1	Nobuki Kurita (May 6, 1955) New election	Apr. 1979      Joined Sony Corporation Jan. 1994      General Manager, Asia Marketing Co. (Singapore) Mar. 1997      General Manager, Consumer Products Sales Department, International Marketing Center, Sony Corporation May 1999      President, Sony de Mexico S.A. de C.V. Apr. 2003      President, e-Vehicle Company, IT & Mobile Solutions Network Company, Sony Corporation Apr. 2006      EVP, Consumer Product Marketing, Sony Electronics Inc. (USA) Apr. 2008      Representative Director, Executive Deputy President, Sony Marketing Inc. June 2009      Group Executive, Sony Corporation July 2009      Representative Director, Executive President, Sony Marketing Inc. Apr. 2012      President, Sony (China) Limited June 2014      Chairman and President, Sony (China) Limited [Significant concurrent positions outside the Company] None.	0
[Reasons for nomination] Mr. Nobuki Kurita has been nominated due to his abundant management experience and wide-ranging knowledge of businesses both in Japan and overseas. In addition to long years involved in the electronics industry, he has held positions such as Representative Director, Executive President of Sony Marketing Inc. and Chairman and President of Sony (China) Limited, and is expected to fulfill his duties as a Director of the Company. [Significant conflicts of interest between the candidate and the Company] There are no significant conflicts of interest.			

Candidate No.	Name (Date of birth)	Career summary, positions and responsibilities within the Company	Number of shares of the Company owned
2	<p data-bbox="352 501 523 591">Masaaki Taguchi (April 10, 1958) Reelection</p> <p data-bbox="347 629 528 689">Tenure as Director 7 years</p> <p data-bbox="288 728 587 853">Record of attendance at Board of Directors meetings for this fiscal term 13 / 13 (100%)</p>	<p data-bbox="612 241 1182 367">June 1995    Joined USC Corporation Apr. 2007    Corporate Officer, Accounting &amp; Finance Division Manager &amp; General Manager, Accounting Department, USC Corporation</p> <p data-bbox="612 374 1225 528">June 2009    Director, USC Corporation Oct. 2009    Senior General Manager, Accounting &amp; Finance Division, the Company Group Executive, Administration Group, USC Corporation</p> <p data-bbox="612 535 1129 595">June 2010    Director, the Company (in charge of Accounting &amp; Finance Division)</p> <p data-bbox="612 602 1225 663">July 2010    (In charge of Finance Department, Accounting Division)</p> <p data-bbox="612 669 1190 730">Oct. 2011    (In charge of Human Resources &amp; General Affairs Division)</p> <p data-bbox="612 736 1161 766">June 2014    Executive Vice President, the Company</p> <p data-bbox="612 772 1193 853">June 2015    Executive Vice President, the Company (in charge of Administrative Divisions and Administration of Group Companies)</p> <p data-bbox="612 860 1209 940">Oct. 2015    (Executive General Manager, Administration Group, in charge of Administration of Group Companies)</p> <p data-bbox="612 947 1145 1028">July 2016    (In charge of Administration of Group Companies) (present post)</p> <p data-bbox="612 1034 1134 1115">Aug. 2017    Director, the Company (present post) [Significant concurrent positions outside the Company] None.</p>	4,304
<p data-bbox="277 1122 528 1151">[Reasons for nomination]</p> <p data-bbox="277 1158 1445 1406">Mr. Masaaki Taguchi has been nominated due to the abundant experience and knowledge of management, accounting and finance that he has accumulated as a person in charge of the Accounting &amp; Finance Division of the Company. In addition, he is currently working to resolve the problems the Group is facing in regards to the recovery of accounts receivable related to advance payments to a certain supplier, and is thus well-qualified for the role of Director with its responsibility for management and oversight of the new department tasked with preventing recurrences of this problem in the future. The Company also judges that he is ideally suited to implementing improvements to the Group's finances and more rigorous management of Group Companies, as well as driving the adoption of a management style that will be able to restore the trust of stakeholders, including shareholders and investors.</p> <p data-bbox="277 1413 991 1442">[Significant conflicts of interest between the candidate and the Company]</p> <p data-bbox="277 1449 708 1462">There are no significant conflicts of interest.</p>			

Candidate No.	Name (Date of birth)	Career summary, positions and responsibilities within the Company	Number of shares of the Company owned
3	Hiroshi Yajima (August 24, 1957) New election	Apr. 1981    Joined Ryoyo Electronics Corporation (currently Ryoyo Electro Corporation) Feb. 1987    Joined Sony Corporation Apr. 2001    General Manager, SoC Marketing Department, Component Headquarters, Sony Corporation June 2005    Vice President, Device Marketing, Sony Taiwan Limited. Oct. 2006    President, Device Marketing, Sony Taiwan Limited. Mar. 2010    President, Device Marketing Department, Sony Korea Corporation July 2014    President, Device Marketing Department, Sony (China) Limited and Sony Corporation of Hong Kong Ltd. [Significant concurrent positions outside the Company] None.	0
[Reasons for nomination] Mr. Hiroshi Yajima has been nominated due to the Company's belief that the participation in management of a candidate with such abundant experience and insights in device sales and marketing and in overseas will contribute to the realization of the Group's growth strategy. [Significant conflicts of interest between the candidate and the Company] There are no significant conflicts of interest.			

Candidate No.	Name (Date of birth)	Career summary, positions and responsibilities within the Company	Number of shares of the Company owned
4	<p>Noriaki Shimazaki (August 19, 1946) Reelection Outside Independent</p> <p>Tenure as Director 2 years</p> <p>Record of attendance at Board of Directors meetings for this fiscal term 13 / 13 (100%)</p>	<p>Apr. 1969      Joined Sumitomo Corporation June 1998      Director, Sumitomo Corporation Apr. 2002      Managing Director, Sumitomo Corporation Apr. 2004      Senior Managing Director, Sumitomo Corporation Apr. 2005      Executive Vice President, Member of the Board, Sumitomo Corporation July 2009      Special Adviser, Sumitomo Corporation June 2011      Outside Director, AUTOBACS SEVEN CO., LTD. (present post) Public Governor, Chair of Self-regulation Board, Japan Securities Dealers Association Sept. 2013      Executive Adviser, The Japanese Institute of Certified Public Accountants (present post) Mar. 2014      Member of Executive Advisory Committee, SBI Holdings, Inc. June 2015      Outside Director, the Company (present post) June 2016      Outside Director, Nomura Holdings, Inc. (present post) Director, Nomura Securities Co., Ltd. (present post) Outside Director, LOGINET JAPAN CO., LTD. (present post)</p> <p>[Significant concurrent positions outside the Company] Outside Director, AUTOBACS SEVEN CO., LTD. Outside Director, Nomura Holdings, Inc. Director, Nomura Securities Co., Ltd. Outside Director, LOGINET JAPAN CO., LTD. Executive Adviser, The Japanese Institute of Certified Public Accountants</p>	1,592
<p>[Reasons for nomination] Mr. Noriaki Shimazaki has been nominated due to his wide-ranging experience as a manager in a general trading company and his superior insight in the field of accounting. He is expected to offer appropriate advice from an objective standpoint while also strengthening the Company's corporate governance. [Significant conflicts of interest between the candidate and the Company] There are no significant conflicts of interest.</p>			

Candidate No.	Name (Date of birth)	Career summary, positions and responsibilities within the Company	Number of shares of the Company owned
5	Eisaburo Iwamoto (November 4, 1945) New election Outside Independent	<p>June 1971      Joined Eiko Business Machine K.K.  Oct. 1975      Joined Texas Instruments Japan Limited  July 1985      Joined Sony Corporation  June 2006      President, Vitec Co., Ltd.  Sept. 2010      Representative Director, iP Networks Co., Ltd.  Oct. 2010      Auditor, W-SCOPE Corporation (present post)  June 2012      Auditor, Kook Je Electric Korea Co., Ltd.  (Kokusai Electric Korea Co., Ltd.)  [Significant concurrent positions outside the Company]  Auditor, W-SCOPE Corporation</p>	0
<p>[Reasons for nomination]  Mr. Eisaburo Iwamoto has been nominated due to his wide-ranging experience, including management roles, and superior insights accumulated at semiconductor manufacturers and trading companies both in Japan and overseas. In particular, he is expected to be able to provide appropriate advice from an objective standpoint regarding the semiconductor and electronic parts operations, which comprise the main businesses of the Company.  [Significant conflicts of interest between the candidate and the Company]  There are no significant conflicts of interest.</p>			

- (Notes)
1. Mr. Noriaki Shimazaki and Mr. Eisaburo Iwamoto are candidates for Outside Directors.
  2. The Company has concluded a liability limitation contract with Mr. Noriaki Shimazaki pursuant to Article 427, Paragraph 1 of the Companies Act such that his liability for damages outlined under Article 423, Paragraph 1 of the same act shall be limited to the minimum liability amount stipulated in Article 425, Paragraph 1 of the same act. If this proposal is approved, the Company plans to continue the liability limitation contract with Mr. Noriaki Shimazaki and conclude the same contract with Mr. Eisaburo Iwamoto.
  3. The Company has notified the Tokyo Stock Exchange that Mr. Noriaki Shimazaki is being designated an Independent Director according to the rules of the said stock exchange. If this proposal is approved, the Company intends to notify the said stock exchange that, in addition to Mr. Noriaki Shimazaki, the newly appointed Mr. Eisaburo Iwamoto is also an Independent Director. Mr. Eisaburo Iwamoto used to work for Sony Corporation, a major client of the Group, until February 2006. However, the Company believes that there is no risk of conflict of interest with general shareholders as 11 years and six months has elapsed since he retired.  
Furthermore, the Company's criteria for determining independence of Outside Officers is appended for your reference.



**Proposal No. 2:** Election of Three Statutory Auditors

The terms of office of all three Statutory Auditors will expire at the conclusion of this General Meeting of Shareholders, and the Company proposes that three Statutory Auditors be elected.

The prior approval of the Board of Statutory Auditors for this proposal has been obtained.

The candidates for Statutory Auditor are as follows.

Candidate No.	Name (Date of birth)	Career summary and positions within the Company		Number of shares of the Company owned
1	Kiyofumi Morita (March 15, 1955) Reelection  Tenure as Statutory Auditor 4 years  Record of attendance at Board of Directors meetings for this fiscal term 13 / 13 (100%)  Record of attendance at Board of Statutory Auditors meetings for this fiscal term 17 / 17 (100%)	Apr. 1977 Oct. 1998  Oct. 2000  July 2006  Mar. 2008  Oct. 2009 June 2013  [Significant concurrent positions outside the Company] None.	Joined The Tokyo Tomin Bank, Limited Head of Yokohama Branch Office, The Tokyo Tomin Bank, Limited Head of Higashi-nihombashi Branch Office, The Tokyo Tomin Bank, Limited Associate Director, Head of Hachioji Branch Office, The Tokyo Tomin Bank, Limited Joined USC Corporation Director, General Manager, Finance Department, Accounting & Finance Division, USC Corporation General Manager, Finance Dept., the Company Full-time Statutory Auditor, the Company (present post)	1,168
<p>[Reasons for nomination] Mr. Kiyofumi Morita has been nominated due to the abundant experience and knowledge related to accounting and finance that he has accumulated at financial institutions, which the Company expects him to apply to monitoring and supervision of the management, leading to a further strengthening of the Company's corporate governance. [Significant conflicts of interest between the candidate and the Company] There are no significant conflicts of interest.</p>				

Candidate No.	Name (Date of birth)	Career summary and positions within the Company	Number of shares of the Company owned
2	<p data-bbox="363 371 512 533">Yuji Sakakura (May 3, 1951) Reelection Outside Independent</p> <p data-bbox="300 566 576 629">Tenure as Statutory Auditor 1 year</p> <p data-bbox="288 663 587 786">Record of attendance at Board of Directors meetings for this fiscal term 10 / 10 (100%)</p> <p data-bbox="288 819 587 943">Record of attendance at Board of Statutory Auditors meetings for this fiscal term 12 / 12 (100%)</p>	<p data-bbox="611 241 1241 949"> Apr. 1974    Joined Nissho Iwai Corporation  Apr. 1998    General Manager, Financial Market Dept.,  Nissho Iwai Corporation  June 1999    President and Chief Executive Officer, Nissho  Iwai Securities Co., Ltd.  Mar. 2004    President and Chief Executive Officer, Fides  Securities Corporation  Apr. 2005    Executive Officer, General Manager, Corporate  Business Dept., E*Trade Securities Co., Ltd.  Sept. 2005    Chief Financial Officer, GCA Co., Ltd.  May 2006    Board Member and Chief Financial Officer,  GCA Co., Ltd.  July 2007    Chief Development Officer, GCA Savvian  Corporation  May 2011    Representative Director, Relations Japan  Corporation (present post)  June 2011    Outside Audit and Supervisory Board Member,  AUTOBACS SEVEN CO., LTD. (present post)  Mar. 2014    Outside Audit and Supervisory Board Member,  Fullcast Holdings Co., Ltd.  June 2016    Outside Statutory Auditor, the Company  (present post)  [Significant concurrent positions outside the Company]  Representative Director, Relations Japan Corporation  Outside Audit and Supervisory Board Member, AUTOBACS  SEVEN CO., LTD. </p>	0
<p data-bbox="276 1088 528 1115">[Reasons for nomination]</p> <p data-bbox="276 1122 1433 1245">Mr. Yuji Sakakura has been nominated due to his many years of practical experience and various knowledge accumulated as a financial executive of a general trading company, a management executive of a securities company and the CFO of an M&amp;A advisory firm, which the Company expects him to apply to monitoring and supervision of the management, leading to a further strengthening of the Company's corporate governance.</p> <p data-bbox="276 1252 991 1279">[Significant conflicts of interest between the candidate and the Company]</p> <p data-bbox="276 1285 708 1312">There are no significant conflicts of interest.</p>			

Candidate No.	Name (Date of birth)	Career summary and positions within the Company	Number of shares of the Company owned
3	Kiyoshi Togawa (May 21, 1948) New election Outside Independent	<p>Apr. 1971      Joined Hitachi Chemical Co., Ltd.</p> <p>Apr. 2000      Executive Officer, Manager, International Business Promotion Office, Hitachi Chemical Co., Ltd.</p> <p>Apr. 2004      Vice President and Executive Officer, General Manager, Marketing &amp; Sales Operations, Hitachi Chemical Co., Ltd.</p> <p>Apr. 2007      Senior Vice President and Executive Officer, General Manager, Marketing &amp; Sales Operations, Hitachi Chemical Co., Ltd.</p> <p>Apr. 2010      Senior Vice President and Executive Officer, General Manager, Corporate Business Strategy Headquarters and Manager, Group Company Office, Hitachi Chemical Co., Ltd.</p> <p>Apr. 2012      Part-time lecturer, Aoyama Gakuin University Faculty of Law; Graduate School of Law</p> <p>Mar. 2013      Representative, VISTOM Marketing (present post) Outside Director, SWCC SHOWA HOLDINGS CO., LTD. (present post)</p> <p>Oct. 2013      Part-time lecturer, Sophia University Faculty of Economics</p> <p>[Significant concurrent positions outside the Company] Representative, VISTOM Marketing Outside Director, SWCC SHOWA HOLDINGS CO., LTD.</p>	0
<p>[Reasons for nomination] Mr. Kiyoshi Togawa has been nominated due to his wide-ranging experience and outstanding insights accumulated in his managerial roles in sales and management strategy at a manufacturer of functional materials and cutting-edge components and systems, and as a university lecturer, based on which the Company expects him to apply to the monitoring and supervision of the management, leading to a further strengthening of the Company's corporate governance.</p> <p>[Significant conflicts of interest between the candidate and the Company] There are no significant conflicts of interest.</p>			

- (Notes)
1. Mr. Yuji Sakakura and Mr. Kiyoshi Togawa are candidates for Outside Statutory Auditors.
  2. The Company has concluded a liability limitation contract with Mr. Kiyofumi Morita and Mr. Yuji Sakakura pursuant to Article 427, Paragraph 1 of the Companies Act such that their liabilities for damages outlined under Article 423, Paragraph 1 of the same act shall be limited to the minimum liability amount stipulated in Article 425, Paragraph 1 of the same act. If this proposal is approved, the Company plans to continue the liability limitation contracts with Mr. Kiyofumi Morita and Mr. Yuji Sakakura and conclude the same contract with Mr. Kiyoshi Togawa.
  3. The Company has notified the Tokyo Stock Exchange that Mr. Yuji Sakakura is being designated an Independent Auditor according to the rules of the said stock exchange. If this proposal is approved, the Company intends to notify the said stock exchange that, in addition to Mr. Yuji Sakakura, the newly appointed Mr. Kiyoshi Togawa is also an Independent Auditor.  
Furthermore, the Company's criteria for determining independence of Outside Officers is appended for your reference.

**Proposal No. 3: Election of One Substitute Statutory Auditor**

Due to the election of substitute Statutory Auditors in the 7th Ordinary General Meeting of Shareholders held on June 29, 2016 being in effect until the commencement of this general meeting, the Company proposes that one substitute Statutory Auditor be elected to prevent situations in which the number of Statutory Auditors might fall below the minimum number required by laws and regulations.

The approval of the Board of Statutory Auditors for this proposal has been obtained.

The candidate for substitute Statutory Auditor is as follows.

Name (Date of birth)	Career summary and positions within the Company	Number of shares of the Company owned
Harukazu Akiyama (September 4, 1942) Outside	Apr. 1961    Joined Ministry of Finance July 1998    District Director, Shinagawa Tax Office July 1999    Deputy Assistant Regional Commissioner, Second Large Enterprise Examination Department, Tokyo Regional Taxation Bureau July 2000    District Director, Shiba Tax Office Sept. 2001   Registered as Certified Tax Accountant (present) June 2007    Outside Auditor, USC Corporation June 2009    Director, Tokyo Certified Public Tax Accountants' Association Oct. 2009    Outside Statutory Auditor, the Company [Significant concurrent positions outside the Company] None.	5,000
[Reasons for nomination] Mr. Harukazu Akiyama has not been involved in corporate management in the past other than in the role of Outside Statutory Auditor, but the Company judges that as he is registered as a Certified Tax Accountant, he will be able to make use of his long years of experience and specialized knowledge of the taxation business to conduct audits in an objective manner. [Significant conflicts of interest between the candidate and the Company] There are no significant conflicts of interest.		

- (Notes)
1. Mr. Harukazu Akiyama is a candidate for substitute Outside Statutory Auditor.
  2. If Mr. Harukazu Akiyama assumes the position of Statutory Auditor, the Company intends to conclude a liability limitation contract with him pursuant to Article 427, Paragraph 1 of the Companies Act such that his liability for damages outlined under Article 423, Paragraph 1 of the same act shall be limited to the minimum liability amount stipulated in Article 425, Paragraph 1 of the same act.
  3. If Mr. Harukazu Akiyama assumes the position of Statutory Auditor, the Company intends to notify the Tokyo Stock Exchange that he is being designated an Independent Auditor.  
Furthermore, the Company's criteria for determining independence of Outside Officers is appended for your reference.

[Reference: Criteria for determining independence of Outside Officers]

In cases in which the Company determines that Outside Directors and Outside Statutory Auditors (collectively, “Outside Officers”) or candidates for Outside Officers do not fall into any of the following categories, it considers the Outside Officers or the candidate Outside Officers to have independence from the Company.

1. Persons who are business executives\*<sup>1</sup> of the Company or of an affiliate of the Company (collectively, “the Group”), or who have within the past 10 years been an business executive of the Group;
2. Major customers of the Group,\*<sup>2</sup> or business executives of the same;
3. Persons for whom the Group is a major customer\*<sup>3</sup>, or business executives of the same;
4. Major lender of the Group\*<sup>4</sup>, or business executives of the same;
5. Shareholders, or business executives of the same, who hold 10% or more of the total voting rights of the Company, either directly or indirectly;
6. Business executives of companies of which 10% or more of the total voting rights are held by the Group, either directly or indirectly;
7. Persons belonging to audit corporations that are Financial Auditors to the Company or to consolidated subsidiaries of the Company;
8. Persons such as consultants, certified public accountants, lawyers etc., that offer specialist services and receive large sums\*<sup>5</sup> of money or other assets, excluding officer’s remuneration, from the Group (in cases where the person receiving said assets is a corporate, a union or other organization, persons belonging to said organization);
9. Persons receiving large sums of money in donations or subsidies from the Group (in cases where the person receiving said donations or subsidies is a corporate, a union or other organization, operating officer belonging to said organization);
10. Business executives of companies at which business executives of the Group serve as Outside Officers;
11. Persons falling into any of categories 2 to 8 within the past 3 years; and,
12. In cases where persons falling into any of categories 1 to 8 or 11 are significant persons\*<sup>6</sup>, the spouses of that person and their relatives up to the second degree of kinship.

\*1: “Business executive” shall mean an Executive Director, Operating Officer or Executive Officer, or any other person or employee, of a corporation or other organization. Moreover, when determining the independence of an Outside Statutory Auditor, this definition shall include Non-Executive Directors and Accounting Advisors.

\*2: “Major customer of the Group” shall mean a person who has paid an amount equivalent to 2% or more of the Company’s annual consolidated net sales to the Group in the most recent business year.

\*3: “Person for whom the Group is a major customer” shall mean a person that has received an amount equivalent to 2% or more of their annual consolidated net sales from the Group in the most recent business year.

\*4: “Major lender of the Group” shall mean a person who has provided financing equivalent to 2% or more of the consolidated total assets of the Group at the end of the most recent business year.

\*5: “Large sums” shall mean 10 million yen or more annually in the case of an individual, and 2% or more of annual consolidated net sales or total income in the case of an organization, such as a corporation or a union.

\*6: “Significant person” shall mean a member of upper management, such as an Executive Director, Operating Officer, Executive Officer or General Manager, and in the case of organizations other than companies, persons belonging to said organization.