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You should be aware that the issuer may purchase securities otherwise than under the share exchange, such as in open market or privately negotiated purchases.

This document has been translated from the Japanese-language original for reference purposes only. While this English translation is believed to be generally accurate, it is subject to, and qualified by, in its entirety, the Japanese-language original. Such Japanese-language original shall be the controlling document for all purposes.

[Translation]

Securities Code (in Japan) 6911  
June 4, 2018

Ryo Ogura  
President and Representative Director  
New Japan Radio Co., Ltd.  
3-10, Nihonbashi Yokoyama-cho,  
Chuo-ku, Tokyo

**CONVOCATION NOTICE OF  
THE 83rd ORDINARY GENERAL MEETING OF  
SHAREHOLDERS**

Dear Shareholders:

Notice is hereby given that the 83rd Ordinary General Meeting of Shareholders of New Japan Radio Co., Ltd. (the “**Company**”) will be held as described below. Your attendance is cordially requested.

If you are unable to attend the meeting, after reviewing the Reference Documents for the Ordinary General Meeting of Shareholders in the postscript, please exercise your voting rights by sending back the enclosed Voting Rights Exercise Form to the Company expressing your approval or disapproval of the proposals. Your vote must reach the Company by 5:15 p.m., Friday, June 22, 2018.

1. Date and Time: Monday, June 25, 2018, at 10:00 a.m.
2. Place: Conference room at the Company’s Kawagoe Works  
1-1, Fukuoka 2-chome, Fujimino-shi, Saitama  
(Please refer to the map of the meeting venue at the end of this document.)
3. Agenda for the Meeting  
Subjects for Report  
Business Report, Consolidated Financial Statements, Non-Consolidated Financial Statements and reports for the results of the audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 83rd fiscal year (from April 1, 2017 to March 31, 2018)  
  
Subjects for Resolution  
1st Proposal: Partial Amendment to the Articles of Incorporation  
2nd Proposal: Approval of the Share Exchange Agreement between the Company and Nisshinbo Holdings

Inc.  
3rd Proposal: Election of 9 Directors  
4th Proposal: Election of 1 Substitute Audit & Supervisory  
Board Member

4. Matters concerning the Attached documents to this Convocation Notice and the Reference Documents for the Ordinary General Meeting of Shareholders

(1) Of the documents to be attached to this Convocation Notice, the Company has posted the following documents on the Company's website on the Internet based on laws and regulations and the provisions of the Company's Articles of Incorporation; accordingly, those matters are not included in the Attached document to this Convocation Notice:

- (i) Notes to Consolidated Financial Statements;  
and
- (ii) Notes to Non-Consolidated Financial Statements.

(2) Should the Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements, and the Reference Documents for the Ordinary General Meeting of Shareholders require revisions, the revised versions will be posted on the Company's website on the Internet.

The Company's website: <http://www.njr.co.jp/>

If you attend the meeting, please submit the enclosed Voting Rights Exercise Form to the reception desk at the meeting venue.

Officers of the Company and staff will attend the meeting in light dress ("Cool Biz"). Your understanding is greatly appreciated.

(Attached document)

**Business Report**  
(April 1, 2017 - March 31, 2018)

1. Matters Regarding Current Condition of the Corporate Group
  - (1) Progress and results of the business

During the consolidated fiscal year from April 1, 2017 to March 31, 2018 (the “**Consolidated Fiscal Year**”), the global economy saw a continued strong upturn in the United States driven by domestic demand and economic expansion in Europe under an accommodative monetary policy. Although the Chinese consumption experienced a slight downturn, the Chinese economy saw a stable growth due to strong export in the context of economic recovery in the U.S. and Europe. The Japanese economy also performed well with mainly export companies maintaining a high level of corporate revenue in the strong global economy. However, the economic outlook is uncertain as the U.S. government has announced a series of protectionist trade policies, which might lead to a global trade war.

Under such economic conditions, the Company group implemented an organizational change on April 1, 2017, and proceeded with business development under a three business division system: Electronic Device Division for automotive and industrial equipment markets, Wireless Communication Device Division mainly for smartphone and communication device markets, and Microwave Division for satellite communication markets.

With respect to the Company Group’s performance for the Consolidated Fiscal Year, although sales of core electronic device products for communication devices dropped significantly, sales of electronic device products for automotive and industrial equipment were strong and

increased compared to the previous fiscal year. For microwave products, sales of satellite communication components were strong. As a result, net sales of the Company Group as a whole increased compared to the previous fiscal year.

Net income attributable to owners of parent increased as a result of extraordinary income arising due to a decrease in retirement benefit obligations in association with the change in the retirement benefit plan of Saga Electronics Co., Ltd., which is a consolidated subsidiary.

As a result, the results of operations for the Consolidated Fiscal Year are as follows:

Net sales	51,665 million yen (5.7% increase compared to the previous fiscal year)
Operating income	2,138 million yen (19.3% increase compared to the previous fiscal year)
Ordinary income	2,058 million yen (10.7% increase compared to the previous fiscal year)
Net income attributable to owners of parent	2,520 million yen (309.1% increase compared to the previous fiscal year)

It is regrettable that the Company determined not to pay year-end dividends. The Company would appreciate the shareholders' understanding.

The segment information is as set out below. The figures of the segment income are based on the operating income.

### **Microwave Products**

Sales of satellite communication components significantly increased because satellite communication devices for vessels and base station relay circuits sold to China, India, South Korea and Israel as well as the U.S. have been strong. With respect to sales of microwave tubes and peripheral equipment for marine radars, sales of products for new vessels are still on the road to recovery, but demand for maintenance has been strong.

As a result, net sales and income in this segment has significantly increased compared to the previous fiscal year.

Net sales	7,499 million yen (23.6% increase compared to the previous fiscal year)
Segment income	1,382 million yen (150.3% increase compared to the previous fiscal year)

### **Electronic Devices**

Although there was a significant decrease in sales of electronic devices for communication devices due to inventory adjustments in the Chinese smartphone market, sales of electronic devices for automotive equipment were strong because of accelerated development of automobiles equipped with electronic devices and the Company received orders mainly from domestic customers. Sales of industrial equipment remained strong with robust capital investment in China and an increase in orders from domestic industrial equipment manufacturers.

As a result, net sales in this segment increased compared to the previous fiscal year. Segment income was low due to an increase in process improvement costs and personnel costs for the launch of new businesses.

Net sales	44,165 million yen (3.2% increase compared to the previous fiscal year)
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Segment income            2,525 million yen (15.0% decrease  
compared to the previous fiscal year)

(2)      Capital investment

The total amount of capital investment in the Consolidated Fiscal Year, mainly in manufacturing equipment for electronic devices and research and development facilities, was 4,329 million yen (increase of 1,562 million yen compared to the previous fiscal year).

There is no matter to be stated in this business report that falls under main equipment completed during the Consolidated Fiscal Year, new installation or expansion of on-going main equipment, or sales, removal or loss of significant non-current assets.

(3)      Financing

- (i)      The Company has not issued any corporate bonds, new shares, or other similar securities during the Consolidated Fiscal Year.
- (ii)     The balance of borrowings as of the end of the Consolidated Fiscal Year was 11,109 million yen in total, which was an increase of 1,039 million yen compared to the previous fiscal year.
- (iii)    The Company participated in cash management service (CMS) transactions provided by Nisshinbo Holdings Inc., the Company's parent company, and the balance of borrowings as of the end of the Consolidated Fiscal Year was 5,998 million yen as short-term borrowings. Some of the consolidated subsidiaries procured funds from group companies of Nisshinbo Holdings Inc., and the balance of borrowings as of the end of the Consolidated Fiscal Year was 1,121 million yen as short-term borrowings.

(4) Issues to be addressed

The Company has made efforts to execute a drastic management reform since FY 2011, and it has actively developed products and expanded its sales. The Company is working to develop products that meet the needs of its customers, endeavoring to further enhance its operational results and improve its cash flow, and making efforts to live up to the expectations of its shareholders and the other stakeholders.

The Company's medium- to long-term management strategy and issues to be addressed are as follows.

The first strategy is related to "initiatives aimed at growth markets." The Company regards the following three markets as growth markets on which it should focus: the automotive and industrial equipment market, which is steadily expanding due to an increase in the use of electronics, the communication device market, which is continuing to expand all over the world mainly in relation to smartphones, and the satellite communication market, which is expected to expand thanks to the development of the IoT. In order to serve those markets, the Company has clearly indicated the direction of its business and concentrate personnel and property resources by establishing the three business division system comprising the Electronic Device Division, the Wireless Communication Device Division and the Microwave Division on April 1, 2017. The Company is strategically developing sales activities that answer the needs in those markets as quickly as possible.

The second strategy is related to "new businesses." The Company has developed new "passive products" and expanded its business by combining the technology acquired through the development and production of passive products, with which the Company Group has not dealt up to this point, with the semiconductor production technology in the Company's existing "active products." Since the organizational restructuring of the Company Group, the Company has called that new business "FORWARD" and has emphasized that business as the engine of



growth for expanding its operational results. The Company will develop that business to become its new core.

The third strategy is related to “collaboration with Ricoh Electronic Devices Co., Ltd.” There is very little duplication or competition between the businesses of the Company and Ricoh Electronic Devices Co., Ltd., which became a member of the parent company group on March 1, 2018, so positive synergy effects are expected such as a result of improved price competitiveness through collaboration in terms of manufacturing processes and the expansion of products through the mutual use of the technological assets of both companies. By combining the analog mixed signal technologies of both companies, the Company will strengthen its business foundation in the electronic device field and further expand devices for automotive and industrial equipment, which are expected to grow in the future, and the IoT and other electronic device businesses in the communication field.

The fourth strategy is related to “promotion of the healthy company.” With the falling birthrate and ageing population in Japan, the employees of the Company Group are also aging. The Company is making efforts to create an environment where its employees can work with enthusiasm regardless of their age and it is endeavoring to revitalize the organization.

(5) Changes in assets and income

Items	80th fiscal year ended March 2015	81st fiscal year ended March 2016	82nd fiscal year ended March 2017	83rd fiscal year ended March 2018 (the Consolidated Fiscal

		Year)			
Net sales	(million yen)	45,220	47,816	48,865	51,665
Ordinary income	(million yen)	3,379	3,095	1,859	2,058
Net income attributable to owners of parent	(million yen)	4,580	2,496	616	2,520
Net income per share	(yen)	117.09	63.81	15.75	64.44
Total assets	(million yen)	39,011	40,254	40,409	44,999
Net assets	(million yen)	10,708	10,666	11,192	14,056

(6) Parent company and subsidiaries (as of March 31, 2018)

(i) Parent company

The parent company of the Company is Nisshinbo Holdings Inc. Nisshinbo Holdings Inc. holds 24,885,000 shares of common stock of the Company (shareholding ratio of 63.61%). The Company conducts transactions with Nisshinbo Holdings such as borrowing funds.

(Note) When conducting transactions with its parent company, Nisshinbo Holdings Inc., the Company reasonably determines the interest of loans using the market interest rate and other similar market indexes as a reference, and

judges that the interest will not harm the interests of the Company.

(ii) Subsidiaries

Company name	Capital	Investment ratio	Summary of principal businesses
SAGA ELECTRONICS CO., LTD.	JPY 50 million	100.00%	Assembly and selling of electronic devices
NJR CORPORATION	USD 70 thousand	100.00%	Sales support of electronic devices
THAI NJR CO., LTD.	THB 240 million	100.00%	Assembly of electronic devices and other similar products
NJR (SINGAPORE) PTE LTD	SGD 200 thousand	100.00%	Selling of electronic devices and other similar products
NJR FUKUOKA CO., LTD.	JPY 300 million	100.00%	Manufacturing and selling of electronic devices
NJR SHANGHAI CO., LTD.	USD 700 thousand	100.00%	Selling of electronic devices and other similar products

NJR KOREA CO., LTD.	KRW 100 million	100.00%	Sales support of electronic devices
NJR Europe GmbH	EUR 150 thousand	100.00%	Sales support of electronic devices

- (Note) 1. The Investment ratio of THAI NJR CO., LTD. includes an indirect holding ratio of 5.83%.  
2. NJR KOREA CO., LTD. and NJR Europe GmbH are non-consolidated subsidiaries.

(7) Summary of principal businesses (as of March 31, 2018)

The principal businesses of the Company are manufacturing, selling, and research and development of microwave products and electronic devices.

Segment	Products
Microwave products	Electron tubes for microwave applications (magnetrons, CFAs, TWTs, klystrons, TR tubes, etc.), radar components, cathodes (barium impregnated cathodes, etc.)
	Microwave components (BUC and LNB for VSAT, FWA RF units for terrestrial communications, sensor modules for security, etc.)
Electronic devices	Integrated circuits (bipolar, CMOS, Bi-CMOS), semiconductor devices (optoelectronic devices, GaAs IC/FET), SAW filters, MEMS, etc.

(8) Principal offices and plants (as of March 31, 2018)

(i) The Company

Name	Location
Head Office	Chuo-ku, Tokyo
Kawagoe Works	Fujimino-shi, Saitama
Western Sales Department	Chuo-ku, Osaka-shi, Osaka

(ii) Subsidiaries

Company name	Location	
SAGA ELECTRONICS CO., LTD.	Head Office	Chuo-ku, Tokyo
	Saga Works	Yoshinogari-cho, Kanzaki-gun, Saga
NJR CORPORATION	California, U.S.A.	
THAI NJR CO., LTD.	Lamphun, Thailand	
NJR (SINGAPORE) PTE LTD	Singapore	
NJR FUKUOKA CO., LTD.	Nishi-ku, Fukuoka-shi, Fukuoka	
NJR SHANGHAI CO., LTD.	Shanghai, China	
NJR KOREA CO., LTD.	Seoul, South Korea	
NJR Europe GmbH	Frankfurt am Main, Germany	

(Note) NJR KOREA CO., LTD. and NJR Europe GmbH are non-consolidated subsidiaries.

(9) Employees (as of March 31, 2018)

Segment	Number of employees	Increase/decrease from the end of the previous fiscal year
Microwave products	245	5
Electronic devices	2,417	71
Company-wide (common)	142	(3)
Total	2,804	73

(Note) The number of employees refers to the number of workers, and does not include persons who concurrently serve as employees and directors.

(10) Principal lenders (as of March 31, 2018)

Lender	Loan amount
Syndicated loan	JPY 3,400 million
Nisshinbo Holdings Inc. (CMS)	JPY 5,998 million

(Note) The syndicated loan refers to financing by a total of seven banks for which Mizuho Bank, Ltd. acts as the arranger.

2. Matters regarding shares of the Company (as of March 31, 2018)

- (1) Total number of issued shares: 39,131,000 shares
- (2) Number of shareholders: 2,918
- (3) Major shareholders (top ten shareholders)

Shareholder	Number of shares held	Shareholding ratio (%)
Nisshinbo Holdings Inc.	24,885,000	63.61
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG / JASDEC / FIM / LUXEMBOURG FUNDS / UCITS ASSETS	1,900,000	4.85
Japan Trustee Services Bank, Ltd. (Trust Account)	1,721,600	4.40
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	1,272,200	3.25
The Master Trust Bank of Japan, Ltd. (Investment Trust Account)	907,900	2.32
New JRC Employees' Shareholding Association	615,358	1.57
New JRC Clients' Shareholding Association	506,800	1.29
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	264,800	0.67
Japan Trustee Services Bank, Ltd. (Trust Account)	235,000	0.60

1)		
Japan Trustee Services Bank, Ltd. (Trust Account 5)	232,100	0.59

(Note) The shareholding ratios shown above have been calculated after deducting the treasury stock (9,938 shares).

(4) Other significant matters regarding shares

Treasury stock held at the end of the period                      Common stock    9,938 shares

There are no applicable matters regarding the acquisition, disposition, etc. of treasury stock other than the above.

3. Matters regarding stock acquisition rights, etc. of the Company

There are no applicable matters.

4. Matters regarding officers of the Company

(1) Names and other details of Directors and Audit & Supervisory Board Members (as of March 31, 2018)

Position in the Company	Name	Areas of responsibility or status of significant concurrent positions, etc.
Representative Director and President	Ryo Ogura	Director, Executive Managing Officer of Nisshinbo Holdings Inc. Director of Japan Radio Co., Ltd.



Representative Director and Senior Managing Corporate Officer	Manabu Arai	General Manager Supervising the Administrative Division, General Administration Headquarters
Director and Managing Corporate Officer	Kazushige Nobe	General Manager Supervising the Business Division, Electronic Device Division
Director and Corporate Officer	Kenichi Morita	General Manager, Management Unit
Director	Masaya Kawata	Representative Director, President of Nisshinbo Holdings Inc. Director of Japan Radio Co., Ltd.
Director	Kenji Ara	Representative Director and President of Japan Radio Co., Ltd. Director, Senior Executive Managing Officer of Nisshinbo Holdings Inc.
Director	Kenichiro Tanaka	Lawyer
Director	Kazuo Toyama	
Audit & Supervisory Board Member	Kazuo Ozoe	
Audit & Supervisory Board Member	Takehiro Imai	
Audit & Supervisory Board Member	Makoto Fujimaki	Representative Director, Vice President of Chuo Real Estate Co., Ltd.

(Note) 1. Director Kenichiro Tanaka and Director Kazuo Toyama are

outside directors.

2. Audit & Supervisory Board Members Takehiro Imai and Makoto Fujimaki are outside Audit & Supervisory Board Members.

3. Audit & Supervisory Board Member Kazuo Ozoe has broad expertise including experience as a director of the Company and an Audit & Supervisory Board Member of a subsidiary, Audit & Supervisory Board Member Takehiro Imai has business experience as a Head of the Corporate Internal Auditing Department of Japan Radio Co., Ltd., a subsidiary of the Company's parent company, and Audit & Supervisory Board Member Makoto Fujimaki has experience as a Managing Executive Officer of Mizuho Securities Co., Ltd., and each of them has sufficient knowledge regarding finance and accounting.

4. The Company has designated Directors Kenichiro Tanaka and Kazuo Toyama as independent officers in accordance with the provisions of Tokyo Stock Exchange, Inc. and registered them as independent officers with Tokyo Stock Exchange.

5. Nobuo Sano was elected as a Substitute Audit & Supervisory Board Member at the 82nd Ordinary General Meeting of Shareholders held on June 23, 2017.

6. Audit & Supervisory Board Member Mikio Nakanishi resigned from his position at the conclusion of the 82nd Ordinary General Meeting of Shareholders held on June 23, 2017.

7. The areas of responsibility of the Directors changed as follows as of April 1, 2018.

- Representative Director Manabu Arai, previously General Manager Supervising the Administrative Division of the General Administration Headquarters, assumed the position of Supervisor of the Administrative Division.

- Director Kazushige Nobe, previously General Manager Supervising the Business Division of the Electronic Device

Division, assumed the position of General Manager of the Electronic Device Division.

- Director Kenichi Morita, previously Corporate Officer and General Manager of the Management Unit, assumed the position of Managing Corporate Officer and Supervisor of the Business Division.

8. The Company has adopted a corporate officer system in order to make the Board of Directors more effective by separating (a) decision-making and supervision and (b) execution. The constitution of the corporate officers as of April 1, 2018, which excludes corporate officers who concurrently serve as Directors, is as follows.

Position in the Company	Name	Areas of responsibility or status of significant concurrent positions, etc.
Managing Corporate Officer	Shigeki Yamaga	General Manager, Wireless Communication Device Division
Managing Corporate Officer	Akira Seshimoto	In charge of Advanced Technology Development
Managing Corporate Officer	Takashi Jozuka	General Manager, Microwave Division
Managing Corporate Officer	Kazuaki Komiyama	General Manager, Electronic Device Production Headquarters
Corporate Officer	Ikuo Kisanuki	Chief, Kawagoe Works
Corporate Officer	Norio Otomo	General Manager, Electronic Device Sales Headquarters
Corporate Officer	Chikara	General Manager, Personal

	Oshima	Headquarters
Corporate Officer	Chikara Hayashi	Deputy General Manager, Electronic Device Production Headquarters President & CEO of SAGA ELECTRONICS CO., LTD.
Corporate Officer	Kimio Ogata	General Manager, General Administrative Headquarters

(2) Summary of the contents of the limited liability agreement

The Company executed agreements that limit the liability for damages in Article 423, Paragraph 1 of the Companies Act with its non-executive directors and Audit & Supervisory Board Members in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act. The summary of the agreements is to limit the liability stipulated in Article 423, Paragraph 1 of the Companies Act to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act. That limitation of liability is recognized only if the relevant non-executive director or Audit & Supervisory Board Member has acted in good faith and without gross negligence regarding the performance of duties that caused the liability.

(3) Total amount of officers' remuneration, etc.

- (i) Total amount of remuneration, etc. for the fiscal year ended on March 31, 2018

Total amount of remuneration, etc.	Outside the company
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	Number of people	Million yen	among those on the left	
			Number of people	Million yen
Directors	8	144	2	12
Audit & Supervisory Board Members	4	29	3	15
Total	12	173		

- (ii) Total amount of officers' remuneration, etc. received by outside officers from the parent company, etc. or a subsidiary, etc. of the parent company, etc. (excluding the Company)

There is no remuneration, etc. received by outside officers from the parent company or a subsidiary of the parent company as officers during the fiscal year ended on March 31, 2018.

- (4) Other significant matters regarding officers

There are no applicable matters.

- (5) Matters regarding outside officers

- (i) Status of significant concurrent positions, etc. of outside officers (as of March 31, 2018)

Category	Name	Name of the	Title in the company	Relationship with
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		company officer holding a concurrent position	in which a concurrent position is held	the Company
Directors	Kenichiro Tanaka	-	-	-
	Kazuo Toyama	-	-	-
Audit & Supervisory Board Members	Takehiro Imai	-	-	-
	Makoto Fujimaki	Chuo Real Estate Co., Ltd.	Representative Director and Vice President	-

- (ii) Family relationships with executive officers, etc. of the Company or a specified related service provider of the Company

There are no applicable matters.

- (iii) Status of main activities of outside officers

Category	Name	Status of main activities
Directors	Kenichiro Tanaka	Kenichiro Tanaka attended all meetings of the Board of Directors and from time to time gave appropriate advice and opinions as an outside Director.
	Kazuo Toyama	Kazuo Toyama attended all meetings of the Board of Directors and from time to time gave appropriate advice and opinions as an outside Director.

Audit & Supervisory Board Members	Takehiro Imai	Takehiro Imai attended all meetings of the Board of Directors and meetings of the Audit & Supervisory Board after being appointed on June 23, 2017, and from time to time gave appropriate opinions as an outside Audit & Supervisory Board Member.
	Makoto Fujimaki	Makoto Fujimaki attended all meetings of the Board of Directors and meetings of the Audit & Supervisory Board, and from time to time gave appropriate opinions as an outside Audit & Supervisory Board Member.

5. Accounting Auditor

(1) Name of the Accounting Auditor

Deloitte Touche Tohmatsu LLC

(2) Summary of the contents of the limited liability agreement

There are no applicable matters.

(3) Remuneration for the Accounting Auditor for the fiscal year ended on March 31, 2018

Total amount of compensation for services stipulated in Article 2(1) of the Certified Public Accountants Act (Act No. 103 of 1948) that the Company should pay to the Accounting Auditor	42 million yen
Total amount of money and any other economic benefits to be paid by the Company and its consolidated	42 million yen

subsidiaries	
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- (Note) 1. In the audit agreement between the Company and the Accounting Auditor, the amounts of the audit certification fee under the Companies Act and the audit certification fee under the Financial Instruments and Exchange Act are not clearly separated, and those amounts cannot be substantially separated, so the above amounts constitute the total amount of the audit certification fee under the Companies Act and the Financial Instruments and Exchange Act.
2. The Company's overseas consolidated subsidiaries (excluding NJR CORPORATION) are audited by auditors other than the Accounting Auditor of the Company.
- (4) Reason the Audit & Supervisory Board consented to the remuneration for the Accounting Auditor

The Audit & Supervisory Board gave consent under Article 399, Paragraph 1 of the Companies Act because it determined that the amount of remuneration is reasonable as a result of comprehensively examining factors such as the contents of the Accounting Auditor's audit plan, the status of the performance of duties in the prior business year, and the basis for the calculation of the estimated amount of remuneration by obtaining necessary materials and listening to reports from the Board of Directors, related organizational units, and the Accounting Auditor.

- (5) Policy regarding decision of dismissal or refusal of reappointment of the Accounting Auditor

If the Audit & Supervisory Board determines it is necessary because, for example, the Accounting Auditor is unable to execute its duties, it will confirm that it will decide to dismiss or refuse to reappoint the Accounting Auditor and it will make that proposal the purpose of a



general shareholders' meeting.

In addition, if it is believed the Accounting Auditor falls under a category prescribed in any item of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board will dismiss the Accounting Auditor by obtaining the consent of all of the Audit & Supervisory Board Members. In this case, an Audit & Supervisory Board Member appointed by the Audit & Supervisory Board will report that dismissal and the reason for the dismissal at the first general shareholders' meeting convened after the dismissal.

## 6. Systems and Policies of the Company

- (1) Overview of details of decisions for systems to ensure the appropriateness of the business

The basic policy on the development of internal controls that was resolved at a meeting of the Board of Directors in accordance with the Companies Act and the Ordinance for Enforcement of the Companies Act is as follows.

### Basic Policy on Development of Internal Controls

The Company believes it is important in terms of management to continuously develop and operate internal controls for the sound and continuous development of its business, and it has determined the Basic Policy on Development of Internal Controls (this "**Policy**") as follows in accordance with the provisions of the Companies Act and the Ordinance for Enforcement of the Companies Act, which makes its business more effective, efficient, and appropriate and leads to an increase in corporate value.

1. Systems for ensuring that the execution of duties by Directors and employees complies with laws and regulations, and the

#### Company's Articles of Incorporation

- (1) Directors and employees are to execute their duties in accordance with the New Japan Radio Business Code of Conduct as a basis for compliance with laws and regulations (“**Compliance**”).
- (2) The Company is endeavoring to maintain and improve the supervisory function of the execution of duties of its Directors by continuing to appoint outside directors.
- (3) Audit & Supervisory Board Members supervise the execution of the duties of the Directors including the status of the development and operation of internal controls from an independent standpoint.
- (4) The Company is endeavoring to maintain and improve awareness of Compliance among its officers and employees by familiarizing them with and conducting systematic training on the New Japan Radio Business Code of Conduct.
- (5) The Company will sever all relationships with antisocial forces that threaten the order of civil society and sound corporate activities through a resolute response by the entire organization including cooperation with related organizations.
- (6) Internal audit departments monitor whether the internal controls function effectively.
- (7) The Company will develop a foundation for compliance with legal requirements by identifying laws and regulations that apply to the Company's business and ensuring all related departments have a thorough understanding of the contents of those laws and regulations.
- (8) The Company thoroughly protects whistleblowers and is endeavoring to detect violations of laws and regulations early and

rectify those violations in accordance with the Rules for the Operation of Internal Controls and other rules.

2. Systems related to retention and management of information on the execution of duties by Directors
  - (1) Minutes of important meetings such as general shareholders' meetings and meetings of the Board of Directors and records, etc. pertaining to important managerial decision making and operational execution are to be appropriately and securely recorded, saved, and managed in accordance with regulations such as the Document Management Rules and the Information Management Rules.
3. Rules and other systems related to managing the risk of loss
  - (1) The Company regards risk management as a key managerial issue, and it identifies risks, takes risk countermeasures, verifies risk countermeasures, and responds to emergency situations in accordance with the Company Group's Internal Control System Operation Rules, Crisis Management Rules, and other rules.
  - (2) The Company responds to risk of outflow of internal information including personal information and customer information in accordance with the Information Management Rules and other rules.
  - (3) The Company responds to the risk of default of accounts receivable in accordance with the Credit Management Rules and other rules.
4. Systems to ensure that the duties of Directors are executed efficiently
  - (1) The Company has adopted a corporate officer system for the purpose of strengthening the systems for the execution of

business by expediting managerial decision making in response to changes to the business environment and clarifying the authority and responsibilities of corporate officers.

- (2) The Company is endeavoring to understand the status of the execution of business and develop the mutual checking system by holding executive committee meetings comprising full-time Directors and corporate officers at least once per month.
- (3) The Company is endeavoring to secure prompt and efficient settlement administration and internal decision making
- (4) The Company is endeavoring to clarify and secure efficient decision-making authority in accordance with the Rules on Separated Duties, the Rules on Directors' Authority and other rules.

5. Systems to ensure the appropriateness of the businesses in the corporate group comprising the Company, its parent company, and its subsidiaries
  - (1) Directors of Nisshinbo Holdings Inc., which is the parent company of the Company, have assumed the office of Directors of the Company, and the Company is under supervision of the execution of its business as a corporate group.
  - (2) The Company has established business codes of conduct and other regulations for each of its subsidiaries and the Company is working to develop a Compliance system for the entire Company Group.
  - (3) The Company has established a department in charge of ensuring business appropriateness at each affiliated company and receives reports and communications regarding business from each affiliated company in accordance with the Administrative Rules for Affiliated Companies.
  - (4) The officers of the Company concurrently serve as Directors and Audit & Supervisory Board Members of each subsidiary and supervise and audit the execution of the business of each subsidiary.
  - (5) The whistleblower contact (helpline) established externally by the Company applies to the entire Company Group.
6. Systems to ensure the reliability of financial reporting
  - (1) The Company is endeavoring to improve the reliability of financial reporting and is making efforts to ensure there is no false statement regarding any important matter in a financial report in accordance with the Internal Control System Operation

Rules.

7. Matters regarding employees if Audit & Supervisory Board Members request the appointment of employees who are to support duties of those Audit & Supervisory Board Members, and matters regarding the independence of those employees from Directors
  - (1) The Audit & Supervisory Board Members may give instructions on matters that are necessary for auditing work to employees belonging to an internal audit department or another department.
  - (2) An employee who has received an instruction regarding auditing work from an Audit & Supervisory Board Member will not be under the directions and orders of any Director or his or her superior in the department to which he or she belongs with respect to the instruction from the Audit & Supervisory Board Member.
8. Systems regarding reporting to Audit & Supervisory Board Members and systems for ensuring the effectiveness of audits by Audit & Supervisory Board Members
  - (1) Audit & Supervisory Board Members may attend and state opinions at meetings of the Board of Directors, executive committee meetings, and other important meetings pertaining to management, and Audit & Supervisory Board Members may request the Directors, Audit & Supervisory Board Members, corporate officers, and employees of the Company or any subsidiary to report on the status of the execution of business or auditing work.
  - (2) Audit & Supervisory Board Members may inspect at any time records pertaining to the execution of business such as minutes of meetings of the Board of Directors of the Company or any

subsidiary.

- (3) Audit & Supervisory Board Members may check all approval documents such as circulated approval forms of the Company and each subsidiary.
- (4) Audit & Supervisory Board Members may inspect audit reports pertaining to auditing by all internal auditing departments and written reports pertaining to remedial measures. Further, each internal auditing department will report on important matters concerning internal auditing to the Audit & Supervisory Board Members and endeavor to cooperate with the Audit & Supervisory Board Members.
- (5) Audit & Supervisory Board Members may have periodic meetings with representative directors and exchange opinions for the purpose of communication with representative directors.
- (6) Directors, Audit & Supervisory Board Members, corporate officers, and employees of the Company and each subsidiary will report to the Audit & Supervisory Board Members directly or through their superiors if a significant loss of credibility of the Company Group, a serious adverse impact on business performance, or a material act that violates Compliance arises or is likely to arise. People responsible at accounting departments, internal audit departments, and other similar departments report to Audit & Supervisory Board Members depending on the contents of their duties.
- (7) Directors and employees of the Company and subsidiaries will not treat a person who reports to Audit & Supervisory Board Members about auditing work or similar matters disadvantageously on the grounds that that person made such a report.
- (8) The Company bears costs necessary to execute the duties of the

Audit & Supervisory Board Members.

-End-



(2) Overview of operating status of systems for ensuring the appropriateness of businesses

(i) Efforts related to Compliance

The Company is endeavoring to maintain and improve awareness of Compliance among its officers and employees by implementing Compliance education in all departments based on the New Japan Radio Business Code of Conduct.

The Company is also endeavoring to ensure there is a thorough understanding of the protection of whistleblowers and conducts early detection and rectification of violations of laws and regulations by operating internal controls based on the Rules for the Operation of Internal Controls.

(ii) Efforts related to information management

The Company appropriately and securely records, saves, and manages as the entire Company Group information pertaining to the execution of duties of Directors by integrating the information management systems and management methods of the Company Group and establishing document management rules based on the Information Management Rules and the Insider Trading Control Rules.

(iii) Efforts related to crisis management

The Company Group identifies risks and takes countermeasures against risks and verifies those countermeasures. In addition, its Board of Directors assesses risks and supervises the effectiveness of responses based on the Internal Control System Operation Rules.

The Company has also developed systems for the Company Group to make prompt and appropriate responses such as a framework to notify all officers of crisis reports by establishing the Crisis Management Rules that set forth a basic policy and an action policy and a crisis management

system to deal with emergencies in the Company Group. Furthermore, as a response related to business continuity, the Company has developed a BCP (business continuity plan) for the Company Group to deal with earthquakes and infectious diseases and the Company is endeavoring to improve the effectiveness of that BCP.

(iv) Efforts to secure the efficiency of the execution of Directors' duties

The Company has adopted a corporate officer system and is endeavoring to expedite decision making of management in response to changes to the business environment, and the Company has clearly defined the matters to be resolved at meetings of the Board of Directors and the matters to be delegated to the corporate officers in accordance with the Board of Directors Regulations, the Rules on Directors' Authority, and other rules.

Further, any matter that is important in terms of execution of the business other than matters to be submitted to a meeting of the Board of Directors is to be resolved at an executive committee meeting, and the Board of Directors receives reports on those matters as required.

(v) Efforts regarding the appropriateness of the business in the corporate group

The Company has set out the basic matters for managing affiliated companies and it is endeavoring to strengthen cooperation and ensure proper management in the Company Group by establishing the Administrative Rules for Affiliated Companies, and the Company receives reports and communications regarding business from subsidiaries when required by clarifying the matters that require counseling and consultation between the Company and subsidiaries in those rules.

The Company has also established an external multilingual (Japanese, English, Korean, Chinese) whistleblower contact point (global hotline) for the Company to deal with the Company Group including its overseas subsidiaries, and the Company is making efforts for early detection and rectification of violations of laws and regulations in the Company Group.

(vi) Efforts to ensure the reliability of financial reporting

The Company Group conducts self-inspections of the status of the development and operational status of internal control of the business processes of its departments and the officers in charge evaluate the effectiveness of the internal control of those business processes based on the Internal Control System Operation Rules.

Further, internal audit departments monitor whether the internal controls are functioning effectively by auditing the internal control of business processes.

(vii) Efforts to ensure the effectiveness of auditing by Audit & Supervisory Board Members

Audit & Supervisory Board Members audit the execution of duties by Directors and check the development and the operational status of internal controls by attending meetings of the Board of Directors, executive committee meetings, and other important meetings and periodically exchanging information with representative directors, accounting auditors, and internal audit departments.

The Company is also developing a system to ensure the effectiveness of auditing by Audit & Supervisory Board Members by enhancing a framework so that full-time Audit & Supervisory Board Members are also notified of the contents of whistleblower reports in the Rules for the Operation of Internal Controls.

(3) Policy regarding determination of dividends of surplus, etc.

The Company believes it is important to maintain stable dividend payouts to its shareholders. However, as announced on April 24, 2018, the Company regrets that it will not pay year-end dividends for the fiscal year ended on March 31, 2018.

(4) Basic policy regarding control of a stock company

There are no applicable matters.

-End-

(Note) The amounts stated in the business report do not include consumption tax and other taxes and are rounded down to the nearest unit of 1 million yen.

## Consolidated Balance Sheet

(As of March 31, 2018)

(Millions of yen)

Item	Amount	Item	Amount
<b>(Assets)</b>	<b>44,999</b>	<b>(Liabilities)</b>	<b>30,942</b>
<b>Current assets</b>	<b>30,736</b>	<b>Current liabilities</b>	<b>19,815</b>
Cash and deposits	1,327	Notes and accounts payable – trade	3,324
Notes and accounts receivable – trade	9,912	Electronically recorded obligations	1,714
Electronically recorded monetary claims	3,689	Short-term loans payable	7,119
Merchandise and finished goods	3,070	Current portion of long-term loans payable	1,040
Work in process	7,269	Lease obligations	6
Raw materials and supplies	4,025	Income taxes payable	150
Deferred tax assets	939	Accrued expenses	4,106
Other	501	Provision for directors' bonuses	36
<b>Non-current assets</b>	<b>14,262</b>	Other	2,317
<b>Property, plant and equipment</b>	<b>12,958</b>	<b>Non-current liabilities</b>	<b>11,127</b>
Buildings and structures	5,466	Long-term loans payable	2,950
Machinery, equipment and vehicles	3,976	Lease obligations	13
Tools, furniture and fixtures	1,735	Deferred tax liabilities	0
Land	268	Net defined benefit liability	7,700
Leased assets	18	Asset retirement obligations	56
Construction in progress	1,492	Other	405
<b>Intangible assets</b>	<b>273</b>	<b>(Net assets)</b>	<b>14,056</b>
Trademark right	0	<b>Shareholders' equity</b>	<b>15,199</b>
Right of using facilities	1	<b>Capital stock</b>	<b>5,220</b>
Software	258	<b>Capital surplus</b>	<b>5,223</b>
Software in progress	13	<b>Retained earnings</b>	<b>4,760</b>
<b>Investments and other assets</b>	<b>1,030</b>	<b>Treasury stock</b>	<b>(4)</b>
Investment securities	191	<b>Accumulated other comprehensive income</b>	<b>(1,143)</b>
Deferred tax assets	67	<b>Valuation difference on available-for-sale securities</b>	<b>68</b>
Other	771	<b>Foreign currency translation adjustment</b>	<b>(332)</b>
		<b>Remeasurements of defined benefit plans</b>	<b>(879)</b>
<b>Total assets</b>	<b>44,999</b>	<b>Total liabilities and net assets</b>	<b>44,999</b>

**Consolidated Statement of Income**  
From April 1, 2017 to March 31, 2018

(Millions of yen)

Item	Amount	
Net sales		51,665
Cost of sales		41,926
Gross profit		<b>9,738</b>
Selling, general and administrative expenses		7,600
<b>Operating income</b>		<b>2,138</b>
Non-operating income		
Interest income	1	
Dividend income	3	
Gain on sales of scrap	94	
Insurance income	25	
Rent income	75	
Other	39	240
Non-operating expense		
Interest expense	70	
Foreign exchange loss	87	
Commission for syndicate loan	3	
Compensation for damage	155	
Other	4	320
<b>Ordinary income</b>		<b>2,058</b>
Extraordinary income		
Gain on sales of non-current assets	13	
Gain on revision of retirement benefit plan	848	861
Extraordinary loss		
Loss on retirement of non-current assets	26	
Loss on sales of non-current assets	0	
Loss on valuation of investment securities	35	
Impairment loss	8	70
<b>Income before income taxes</b>		<b>2,849</b>
Income taxes-current	291	
Income taxes-deferred	37	328
<b>Net income</b>		<b>2,520</b>
Net income attributable to non-controlling interests		-
Net income attributable to owners of the parent		2,520

## Consolidated Statement of Changes in Equity

From April 1, 2017 to March 31, 2018

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current fiscal year	5,220	5,223	2,239	(4)	12,678	47	(453)	(1,079)	(1,486)	11,192
Changes of items during fiscal year										
Net income attributable to owners of the parent			2,520		2,520					2,520
Net changes of other than shareholders' equity						21	121	200	343	343
Total changes of items during fiscal year	-	-	2,520	-	2,520	21	121	200	343	2,864
Balance at end of current fiscal year	5,220	5,223	4,760	(4)	15,199	68	(332)	(879)	(1,143)	14,056

## Non-Consolidated Balance Sheet

As of March 31, 2018

(Millions of yen)

Item	Amount	Item	Amount
<b>(Assets)</b>	<b>35,178</b>	<b>(Liabilities)</b>	<b>23,754</b>
<b>Current assets</b>	<b>25,944</b>	<b>Current liabilities</b>	<b>16,585</b>
Cash and deposits	328	Electronically recorded obligations	1,714
Notes receivable – trade	223	Accounts payable – trade	3,536
Electronically recorded monetary claims	3,610	Short-term loans payable	6,067
Accounts receivable – trade	8,131	Current portion of long-term loans payable	1,040
Merchandise and finished goods	2,888	Lease obligations	4
Work in process	5,630	Accounts payable – other	990
Raw materials and supplies	2,202	Accrued expenses	2,534
Prepaid expenses	62	Income taxes payable	85
Deferred tax assets	770	Advances received	29
Short-term loans receivable	3,481	Deposits received	141
Accounts receivable – other	1,655	Provision for directors' bonuses	25
Other	15	Other	414
Allowance for doubtful accounts	(3,057)	<b>Non-current liabilities</b>	<b>7,168</b>
<b>Non-current assets</b>	<b>9,234</b>	Long-term loans payable	2,950
<b>Property, plant and equipment</b>	<b>6,192</b>	Lease obligations	10
Buildings	3,141	Provision for retirement benefits	3,378
Structures	74	Provision for loss on business of subsidiaries and associates	415
Machinery and equipment	1,070	Asset retirement obligations	33
Vehicles	4	Long-term guarantees deposited	266
		Other	114
Tools, furniture and fixtures	750	<b>(Net assets)</b>	<b>11,424</b>
Land	173	<b>Shareholders' equity</b>	<b>11,364</b>
Leased assets	13	<b>Capital stock</b>	<b>5,220</b>
Construction in progress	963	<b>Capital surplus</b>	<b>5,223</b>
<b>Intangible assets</b>	<b>209</b>	Legal capital surplus	5,223
Software	195	<b>Retained earnings</b>	<b>925</b>
Software in progress	13	Legal retained earnings	441
<b>Investments and other assets</b>	<b>2,833</b>	Other retained earnings	483
Investment securities	183	Retained earnings carried forward	483
Investments of subsidiaries and associates	1,631	<b>Treasury stock</b>	<b>(4)</b>
Investments in capital of subsidiaries and associates	80	<b>Valuation and translation adjustments</b>	<b>59</b>
Long-term prepaid expenses	468		
Prepaid pension cost	358	<b>Valuation difference on available-for-sale securities</b>	<b>59</b>
Deferred tax assets	64		
Other	46		
<b>Total assets</b>	<b>35,178</b>	<b>Total liabilities and net assets</b>	<b>35,178</b>

## Non-Consolidated Statement of Income

From April 1, 2017 to March 31, 2018

(Millions of yen)

Item	Amount	
Net sales		44,082
Cost of sales		36,672
<b>Gross profit</b>		<b>7,409</b>
Selling, general and administrative expenses		6,656
<b>Operating income</b>		<b>752</b>
Non-operating income		
Interest income	43	
Dividend income	2,215	
Reversal of reserve for loss on business of affiliate	994	
Compensation for damage	91	
Other	75	3,420
Non-operating expense		
Interest expense	51	
Foreign exchange loss	156	
Commission for syndicate loan	3	
Compensation for damage	155	
Other	1	367
<b>Ordinary income</b>		<b>3,805</b>
Extraordinary income		
Gain on sales of non-current assets	18	18
Extraordinary loss		
Loss on retirement of non-current assets	14	
Loss on valuation of investment securities	35	
Impairment loss	8	58
<b>Income before income taxes</b>		<b>3,765</b>
Income taxes-current	(103)	
Income taxes-deferred	38	(64)
<b>Net income</b>		<b>3,830</b>



## Non-Consolidated Statement of Changes in Equity

From April 1, 2017 to March 31, 2018

(Millions of yen)

	Shareholders' equity							Valuation and translation adjustments		Total net assets	
	Capital stock	Capital surplus		Retained earnings			Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities		Total valuation and translation adjustments
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings					
Balance at beginning of current fiscal year	5,220	5,223	5,223	441	(3,346)	(2,905)	(4)	7,534	38	38	7,572
Changes of items during fiscal year											
Net income					3,830	3,830		3,830			3,830
Net changes of other than shareholders' equity									21	21	21
Total changes of items during fiscal year	-	-	-	-	3,830	3,830	-	3,830	21	21	3,851
Balance at end of current fiscal year	5,220	5,223	5,223	441	483	925	(4)	11,364	59	59	11,424

(TRANSLATION)

**INDEPENDENT AUDITOR'S REPORT**

May 15, 2018

To the Board of Directors of  
New Japan Radio Co., Ltd.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Hidetsugu Tsuda

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Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Mitsuru Hirano

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Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Tsutomu Suzuki

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Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2018 of New Japan Radio Co., Ltd. (the "Company") and its consolidated subsidiaries, and the related consolidated statements of income and changes in equity for the fiscal year from April 1, 2017 to March 31, 2018, and the related notes.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in

the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Audit Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New Japan Radio Co., Ltd. and its consolidated subsidiaries as of March 31, 2018, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

### **Emphasis of Matter**

As discussed in the "Notes on Material Subsequent Events" in the Notes to Consolidated Financial Statements, following approval at a meeting of the Board of Directors held on May 10, 2018, New Japan Radio Co., Ltd. entered into a share exchange agreement with Nisshinbo Holdings Inc. in which New Japan Radio Co., Ltd. would become a wholly owned subsidiary of Nisshinbo Holdings Inc. Our opinion is not modified in respect of this matter.

### **Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

End

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

**INDEPENDENT AUDITOR'S REPORT**

May 15, 2018

To the Board of Directors of  
New Japan Radio Co., Ltd.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Hidetsugu Tsuda

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Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Mitsuru Hirano

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Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Tsutomu Suzuki

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Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the non-consolidated financial statements, namely, the non-consolidated balance sheet as of March 31, 2018 of New Japan Radio Co., Ltd. (the "Company"), and the related non-consolidated statements of income and changes in equity for the 83rd fiscal year from April 1, 2017 to March 31, 2018, and the related notes and the accompanying supplemental schedules.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements and the accompanying supplemental schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements and the accompanying supplemental schedules that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these non-consolidated financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and the accompanying supplemental schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Audit Opinion**

In our opinion, the non-consolidated financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of New Japan Radio Co., Ltd. as of March 31, 2018, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

### **Emphasis of Matter**

As discussed in the "Notes Regarding Material Subsequent Events" in the Notes to Non-Consolidated Financial Statements, following approval at a meeting of the Board of Directors held on May 10, 2018, New Japan Radio Co., Ltd. entered into a share exchange agreement with Nisshinbo Holdings Inc. in which New Japan Radio Co., Ltd. would become a wholly owned subsidiary of Nisshinbo Holdings Inc. Our opinion is not modified in respect of this matter.

### **Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language and "the related notes and the accompanying supplemental schedules" referred to in this report are not included in the attached non-consolidated financial documents.

End

The above represents a translation, for convenience only, of the original report issued in the Japanese language and "the related notes and the accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

**AUDIT REPORT**

With respect to the Directors' performance of their duties during the 83rd fiscal year (from April 1, 2017 to March 31, 2018), the Audit & Supervisory Board has prepared this audit report and hereby reports as follows.

1. Method and Contents of the Audit

In accordance with the audit policies and the audit plans of the current fiscal year, we conducted the audit by the following methods while endeavoring to facilitate a mutual understanding with the Directors, the Corporate Internal Auditing Department, and other employees and endeavoring to collect information and improve the audit environment.

- (i) We have attended the meetings of the Board of Directors and other important meetings, received reports on the status of the performance of duties from the Directors and the Corporate Internal Auditing Department, etc., requested explanations as necessary, examined important approval/decision documents and other documents, and inspected the status of the corporate affairs and assets at the Company's head office and primary operation sites. With respect to subsidiaries, we endeavored to facilitate a mutual understanding and exchange information with the Directors and the Audit & Supervisory Board Members, etc. of each subsidiary, requested reports on their respective businesses as necessary, and inspected the status of the corporate affairs and assets.
- (ii) In relation to (a) the contents of the Board of Directors' resolutions regarding the development of the system to ensure that the Directors' performance of their duties described in the Business Report complies with laws and regulations and the Articles of Incorporation, and the development of other systems stipulated in Article 100, Paragraph 1 and Paragraph 3 of the Ordinance for Enforcement of the Companies Act as being necessary for ensuring the appropriateness of the corporate affairs of a corporate group, comprised of a stock company (*kabushiki kaisha*) and its subsidiaries and (b) the systems (internal control systems) developed based on those resolutions, we have regularly received reports from Directors and other employees, etc., requested explanations as necessary, and expressed our opinion on the structure and status of operation of those systems.
- (iii) The contents of the matters to be noted in Article 118, Item (v), Subitem (a) of the Ordinance for Enforcement of the Companies Act and the judgments and reasons in Item (v), Subitem (b) of that Article that are stated in the Business Report were considered in light of the circumstances, etc. of deliberations by the Board of Directors and other bodies.
- (iv) We monitored and verified whether the Accounting Auditor maintained its independence and properly conducted its audit, received a report from the Accounting Auditor on the status of the performance of its duties, and requested explanations as necessary. We were notified by the Accounting Auditor that it established a "system to ensure that the accounting auditor's

duties will be executed in an appropriate manner” (the matters listed in the items of Article 131 of the Rules of Corporate Accounting) in accordance with the “Quality Control Standards for Audits” (Business Accounting Council on October 28, 2005), and requested explanations as necessary.

Based on the above-described methods, we examined the Business Report and the supplementary statements, the Non-Consolidated Financial Statements (the Non-Consolidated Balance Sheet, the Non-Consolidated Statement of Income, the Non-Consolidated Statement of Changes in Equity, and the Notes on Non-Consolidated Financial Statements) and the supplementary statements, and the Consolidated Financial Statements (the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Changes in Equity, and the Notes on Consolidated Financial Statements) for the fiscal year under consideration.

## 2. Results of Audit

### (1) Results of Audit of the Business Report, etc.

- (i) We acknowledge that the Business Report and the supplementary schedules fairly present the status of the Company in accordance with laws and regulations and the Articles of Incorporation.
- (ii) We acknowledge that no misconduct or material fact constituting a violation of laws and regulations or the Articles of Incorporation was found with respect to the Directors’ performance of their duties.
- (iii) We acknowledge that the Board of Director’s resolutions concerning the internal control systems are appropriate. We did not find any matter in the Business Report or the Directors’ performance of their duties concerning the internal control systems that require mentioning.
- (iv) In relation to transactions with the parent company, etc. that are stated in the Business Report, we did not find any matter that requires mentioning in the judgements and reasons of the Board of Directors for the matter to be noted so as not to harm the interests of the Company upon conducting transactions and whether the transactions do not harm the interests of the Company.

### (2) Results of the Audit of the Consolidated Financial Statements

We acknowledge that the methods and results of the audit performed by the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

### (3) Results of the Audit of the Non-Consolidated Financial Statements and the Supplementary Schedules

We acknowledge that the methods and results of the audit performed by the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

May 21, 2018

The Audit & Supervisory Board of New Japan Radio Co., Ltd.

Audit & Supervisory Board Member

Kazuo Ozo

[seal]

Audit & Supervisory Board Member	Takehiro Imai	[seal]
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Audit & Supervisory Board Member	Makoto Fujimaki	[seal]
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(Note) Audit & Supervisory Board Member Takehiro Imai and Audit & Supervisory Board Member Makoto Fujimaki are outside Audit & Supervisory Board Members stipulated in Article 2, Item (xvi) and Article 335, Paragraph (3) of the Companies Act.

End



## Reference Documents for the Ordinary General Meeting of Shareholders

1st Proposal: Partial Amendment to the Articles of Incorporation

1. Reason for the proposal

This proposal is to amend parts of Article 11 (Convocation of General Meetings of Shareholders), Article 13 (Record Date of Ordinary General Meetings of Shareholders), Article 35 (Business Year), and Article 37 (Record Date for Distribution of Surplus) of the current Articles of Incorporation of the Company, the effective date of which will be June 25, 2018, because in the parent company, Nisshinbo Holdings Inc., the business year will be changed in order to align the end of each fiscal period within the Group.

2. The details of the amendments

The details of the amendments are as follows:

(Underlined portions indicate amended parts)

Current Articles of Incorporation	Proposed Amendment
(Convocation of General Meetings of Shareholders) Article 11 An Ordinary General Meeting of Shareholders will be convened in <u>June</u> of each year. An Extraordinary General Meeting of Shareholders will be convened from time to time whenever necessary.	(Convocation of General Meetings of Shareholders) Article 11 An Ordinary General Meeting of Shareholders will be convened in <u>March</u> of each year. An Extraordinary General Meeting of Shareholders will be convened from time to time whenever necessary.
(Record Date of Ordinary General Meetings of Shareholders) Article 13 The record date with respect to	(Record Date of Ordinary General Meetings of Shareholders) Article 13 The record date with respect

Current Articles of Incorporation	Proposed Amendment
<p>voting rights exercisable at an Ordinary General Meeting of Shareholders of the Company is <u>March</u> 31 of each year.</p> <p>(Business Year)</p> <p>Article 35 The business year of the Company commences on <u>April</u> 1 of each year and ends on <u>March</u> 31 of <u>the following year</u>.</p> <p>(Record Date for Distribution of Surplus)</p> <p>Article 37 The record date for payment of year-end dividends of the Company is <u>March</u> 31 of each year.</p> <p>The record date for payment of interim dividends of the Company is <u>September</u> 30 of each year.</p> <p>In addition to the provisions of the preceding two paragraphs, the Company may distribute surplus by specifying another record date.</p> <p>(New provisions)</p>	<p>to voting rights exercisable at an Ordinary General Meeting of Shareholders of the Company is <u>December</u> 31 of each year.</p> <p>(Business Year)</p> <p>Article 35 The business year of the Company is commences on <u>January</u> 1 and ends on <u>December</u> 31 of each year.</p> <p>(Record Date for Distribution of Surplus)</p> <p>Article 37 The record date for payment of year-end dividends of the Company is <u>December</u> 31 of each year.</p> <p>The record date for payment of interim dividends of the Company is <u>June</u> 30 of each year.</p> <p>In addition to the provisions of the preceding two paragraphs, the Company may distribute surplus by specifying another record date.</p> <p>(Supplementary provisions)</p> <p><u>Article 1 Notwithstanding the provisions of Article 35 (Business Year), the 84th business year will be a period of nine months commencing on April 1, 2018 and ending on December 31, 2018.</u></p>

Current Articles of Incorporation	Proposed Amendment
	<p data-bbox="826 533 1284 786"><u>Article 2</u> <u>Notwithstanding the provisions of Article 37 (Record Date for Distribution of Surplus), the record date for payment of interim dividends of the 84th business year is September 30, 2018.</u></p> <p data-bbox="826 801 1284 927"><u>Article 3</u> <u>These supplementary provisions will be deleted upon the end of the 84th business year.</u></p>

2nd Proposal      Approval of the Share Exchange Agreement between the Company and Nisshinbo Holdings Inc.

The Company and Nisshinbo Holdings Inc. (“**Nisshinbo Holdings**”) resolved at meetings of their respective Board of Directors held on May 10, 2018 to implement a share exchange through which Nisshinbo Holdings will become a wholly-owning parent company resulting from a share exchange and the Company will become a wholly-owned subsidiary resulting from a share exchange (the “**Share Exchange**”) and Nisshinbo Holdings and the Company executed a share exchange agreement (the “**Share Exchange Agreement**”). This proposal is a request for the approval of the Company’s shareholders for the Share Exchange.

The effective date of the Share Exchange is scheduled to be September 1, 2018. Further, Nisshinbo Holdings plans on implementing the Share Exchange without approval of its general shareholders’ meeting by way of a simplified share exchange as prescribed in Article 796, Paragraph 2 of the Companies Act.

If this proposal is approved, Nisshinbo Holdings will become the wholly-owning parent company of the Company and the Company will become a wholly-owned subsidiary of Nisshinbo Holdings as of the effective date of the Share Exchange Agreement (September 1, 2018). Prior to the effective date of the Share Exchange, the Company plans to delist its shares of common stock (the “**Company Shares**”) from the First Section of the Tokyo Stock Exchange, Inc. (“**TSE**”) on August 29, 2018 (with a final trading date of August 28, 2018).

1.      Reasons for implementing the Share Exchange

Nisshinbo Holdings originated in 1907 as Nisshin Cotton Spinning Co., Ltd., which was a cotton spinning manufacturer, and following that, in addition to textiles, it proceeded with diversifying its business into automobile brakes, precision instruments, chemicals, and electronics, and in recent years Nisshinbo Holdings has offered solutions to challenges faced by human society such as environmental destruction and global

warming, and it strives every day to improve its corporate value as an *Environment and Energy Company* group that contributes to people living in safety and peace.

In 2009 Nisshinbo Holdings transitioned to a holding company structure, and with the aim of achieving “sales of 1 trillion yen and a ROE of 12%,” which is its long-term business performance target for FY 2025, in addition to strengthening its existing businesses, Nisshinbo Holdings is working to convert its earnings structure by combining technology throughout the entire group, creating new businesses, and changing its portfolio through aggressive M&As.

Meanwhile, the Company was established in 1959 as Saitama Japan Radio Co., Ltd., which is wholly owned by Japan Radio Co., Ltd. (“**JRC**”), and in 1961 it changed its name to New Japan Radio Co., Ltd. Since its establishment, New JRC has developed a business that focusses on electronic devices, particularly microwave products and analog semiconductors, based on microwave technology and microelectronics technology. In 2005, New JRC became a consolidated subsidiary of Nisshinbo Holdings, which was expanding and strengthening its electronics business as its strategic core business, and New JRC has steadily accumulated results such as improving its business performance and improving its cash flow by working on fundamental organizational restructuring since 2011 and putting activities such as proactive product development and sales promotion into practice.

The Company manufactures and sells analog semiconductor products that are available in a broad range of specifications such as audio, operational amplifiers for vehicles and industrial equipment, and power management ICs, but by participating in joint development projects with the Nisshinbo Group, the Company has further deepened its relationships with automakers and major Tier 1 automotive parts suppliers by utilizing the trust the Nisshinbo Group has built up through those business relationships, and the Company has also increased business involving automotive electronic devices for control systems. Further, in August 2016, a

German company (Frankfurt) was established as a wholly-owned subsidiary of the Company, and it is expected the Company will see further growth in automotive electronic devices considering it is also committed to expanding into the European market on a full scale.

The Nisshinbo Group has a policy of focusing its management resources on automotive businesses and super smart society-related businesses<sup>\*[1]</sup> in its medium- to long-term strategy based on its corporate philosophy of *Public Entity, Consistent Integrity, and Innovation*, but as medium- to long-term measures, it is particularly focused on areas involving self-driving vehicles such as ADAS (Advanced Driving Assistance Systems).

Autonomous driving comprises three key areas of functionality — recognition, decision-making and control, but the goal at the Nisshinbo Group is to develop its business with a focus on the functional area of “recognition” where there is a significant scope for technical differentiation. To that end, the Nisshinbo Group is endeavoring to maximize synergy by utilizing resources within the Nisshinbo Group through measures such as applying superior technology at JRC and the Company such as sensor, semiconductor, radar, and laser technologies and the trust with automakers and major Tier 1 automotive parts suppliers it has built up through many years of business in the automotive break and the precision instruments businesses.

Based on that business strategy, in the Nisshinbo Group’s electronic business, there are accelerated efforts towards capitalizing on demand in super smart society-related markets such as the IoT in addition to automotive parts, which are expected to see rapid growth in the future. As specific measures, the Nisshinbo Group strengthened its business foundation in the semiconductor and electronic device fields by making JRC a wholly-owned subsidiary in October 2017 and adding Ricoh Electronic Devices Co., Ltd. (“**Ricoh Electronic Devices**”), which is a global supplier of analog power management ICs, as a new subsidiary of the group in March 2018.

Further, in April 2018, the Nisshinbo Group developed measures such as spinning off the mobility sector within the Communications Products and Network Division of JRC into JRC Mobility Inc. with an aim of expanding its business areas from automotive to mobility by combining the Nisshinbo Group's wireless communication and electronic device technologies to develop business in automated driving, electric vehicles, and connected car markets.

While the Company previously provided electronic devices for many control systems as automotive parts such as power supply control systems and drive motor systems for power control units to be used in electric vehicles (EV), as a result of vehicles becoming more networked with the electrification of vehicles such as ADAS or autonomous driving or the emergence of the IoT, markets are rapidly emerging not only in conventional control areas of engines and brakes, but also in information and communications areas, in which the Company excels, such as increased speeds and lower power consumption in data communication, and it will become necessary to allocate even more resources to respond to technical innovations that are expected to develop at a rapid pace.

Under these circumstances, in the Company, which will play a central role in future growth of the Nisshinbo Group, there are calls to effectively invest management resources to rapidly respond to sudden changes in the business environment, and there is a pressing need to establish a solid financial basis that will allow even faster and more flexible decision making and investment decisions and will allow timely growth investments including M&As. Further, to expand its business area towards automotive and industrial products, which is the Company's goal, it will also be essential to create a system that will allow full utilization of the abundant human resources and knowledge possessed by the Nisshinbo Group in that area.

Based on the above awareness, Nisshinbo Holdings and the Company have had discussions for some time on a collaborative framework for both companies, and in December 2017, Nisshinbo Holdings made a proposal

to the Company to have discussions on making the Company a wholly-owned subsidiary through a share exchange and the companies began considering the Share Exchange at that time.

Following that, as a result of repeated and ongoing discussions between Nisshinbo Holdings and the Company, the two companies reached a conclusion that the best course of action to improve the corporate value of Nisshinbo Group as a whole would be that Nisshinbo Holdings makes the Company, whose business performance and cash flow have improved as a result of fundamental organizational restructuring, a wholly-owned subsidiary. Further, amid an increasingly severe competitive environment in the run-up to a large-scale increase in demand in next-generation vehicle technology areas such as automated driving, electric vehicles, and connected cars, the need for the Company to strengthen its access to the Nisshinbo Group's business resources is increasing day by day, and the Company reached a conclusion that accelerating its growth strategy by becoming a wholly-owned subsidiary of Nisshinbo Holdings as soon as possible will contribute to improving the corporate value of the Company.

Specifically, it is expected the Nisshinbo Group will be able to enjoy the following advantages after the Company becomes a wholly-owned subsidiary of Nisshinbo Holdings.

(i) Accelerated growth strategy

Nisshinbo Holdings has a policy in its medium- to long-term strategy of focusing its management resources on automotive areas such as self-driving vehicles, electric vehicles, and connected cars and on super smart society-related businesses. In that context, it is anticipated that the electronic device-related technology possessed by the Company will be applied to a wide range of applications, and accordingly it is expected that Nisshinbo Group as a whole will see accelerated business growth and become more competitive as a result of the Company and the other business departments of



Nisshinbo Holdings more actively accessing each other's technology and knowledge.

(ii) Promoting cost structure reform through integration

As a result of integrating and sharing in overlapping indirect sectors in Nisshinbo Holdings and the Company, it is expected there will be a lower burden and reduced costs in indirect services in the Nisshinbo Group as a whole, and in addition to that, Nisshinbo Group will endeavor to reduce manufacturing costs by promoting collaboration in terms of manufacturing processes with Ricoh Electronic Devices, which has previously cooperated with the Company in manufacturing electronic devices, and it is expected that price competitiveness of electronic devices will continue to improve in the entire group.

(iii) Improved governance level in the entire group

By making New JRC a wholly-owned subsidiary, it will become possible at Nisshinbo Holdings to have unified business operations that are in line with the growth strategy of the Nisshinbo Group as a whole, and it is expected it will become possible to accelerate the growth strategy in line with the rapidly changing business environment.

At the same time, the following is specifically anticipated as advantages that the Company will be able to enjoy as a result of becoming a wholly-owned subsidiary of Nisshinbo Holdings.

(i) Expectation of investments utilizing Nisshinbo Holdings' credibility and capital strength

Now that the results of organizational restructuring are paying off, for the Company to further develop by seizing the chance of changes to the business environment surrounding it such as steady market expansion in the automotive and industrial device markets, it will be

necessary to make focused investments in the areas to be strengthened based on judgements on selection and concentration of resources. It is expected the Company will be able to make focused investments as a result of more effective fund procurement by utilizing Nisshinbo Holdings' credibility and capital strength.

- (ii) Stabilization of business operations and management as a result of a long-term perspective

With the delisting of the Company, it will become easier to conduct business operations that focus on a long-term perspective and to strategically and effectively invest management resources, and it is also expected management will be conducted in an even more stable manner without being impacted by short-term changes in business performance.

- (iii) Utilization of the global network built by Nisshinbo Holdings

While the Company has had good business relationships with its existing overseas customers, as it develops new fields and launches new products, it will need to find new customers in addition to its existing customers. By utilizing the business development knowhow and the global customer network already possessed by Nisshinbo Holdings, it is expected the Company will be able to quickly and efficiently proceed with more global business development of its existing products and attracting customers with respect to new fields and new products.

- (iv) Utilization of human resources by rationalizing indirect services through unified business operations and delisting

By promoting the rationalization of overlapping indirect departments in Nisshinbo Holdings and the Company and reducing administrative work upon the delisting, it will be possible to effectively assign personnel, who are valuable management resources of the Company, and it will be possible to focus human

resources on growth areas in an even more strategic manner. Also, by promoting collaboration with Ricoh Electronic Devices in terms of manufacturing processes, it is expected the manufacturing costs of electronic devices will be reduced and price competitiveness in the global market will improve.

- (v) Utilization of the Nisshinbo Group's abundant human resources and knowledge

The Nisshinbo Group has strengthened its business foundation in the entire electronics field by, among other measures, making JRC a wholly-owned subsidiary in 2017 and making Ricoh Electronic Devices a wholly-owned subsidiary in March 2018, and after the Company becomes a wholly-owned subsidiary of Nisshinbo Holdings, it is expected it will be possible to even more effectively utilize the Nisshinbo Group's abundant human resources and knowledge.

- (vi) Rapid decision-making

As a result of Nisshinbo Holdings becoming the Company's single shareholder, which shares the policy with the Company, it will become possible for the Company to make quick decisions, and it is expected that will contribute to speedy management decisions necessary in the Company's business.

Further, for the Company's minority shareholders to also enjoy the effects of the above improvement in corporate value that will be brought about as a result of the Company becoming a wholly-owned subsidiary of Nisshinbo Holdings, Nisshinbo Holdings and the Company believe the best course of action would be for all of the Company's minority shareholders to become shareholders of Nisshinbo Holdings by way of a share exchange in which Nisshinbo Holdings becomes the wholly-owning parent company resulting from a share exchange and the Company becomes the wholly-owned subsidiary resulting from a share exchange. The Share Exchange will allow the optimal and efficient use of the

Nisshinbo Group's management resources and both companies will continue to build a framework that will succeed in increasingly intense global competition by strengthening profitability and competitiveness.

## 2. Overview of the terms of the Share Exchange Agreement

The terms of the Share Exchange Agreement executed by the Company and Nisshinbo Holdings on May 10, 2018 are as follows.

### Share Exchange Agreement (copy)

Nisshinbo Holdings Inc. ("**Nisshinbo Holdings**") and New Japan Radio Co., Ltd. ("**New JRC**") execute this Share Exchange Agreement (this "**Agreement**") as follows.

#### **Article 1 Share Exchange**

Nisshinbo Holdings and New JRC shall conduct a share exchange through which Nisshinbo Holdings will become a wholly-owning parent company resulting from a share exchange and New JRC will become a wholly-owned subsidiary resulting from a share exchange (the "**Share Exchange**") in accordance with the provisions of this Agreement, and Nisshinbo Holdings shall acquire all of the issued shares of New JRC (excluding shares of New JRC held by Nisshinbo Holdings, hereinafter the same) through the Share Exchange.

#### **Article 2 Trade Names and Addresses of the Parties**

The trade names and addresses of Nisshinbo Holdings and New JRC are as follows.

Nisshinbo Holdings	Trade name: Nisshinbo Holdings Inc. Address: 2-31-11, Ningyo-cho, Nihonbashi, Chuo-ku, Tokyo
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New JRC	Trade name: New Japan Radio Co., Ltd.
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Address: 3-10, Nihonbashi Yokoyama-cho,  
Chuo-ku, Tokyo

**Article 3            Number of Shares to be Delivered upon the Share Exchange and Matters Related to the Allotment of those Shares**

1. Upon the Share Exchange, Nisshinbo Holdings shall deliver to the shareholders of New JRC at the time (the “**Record Time**”) immediately prior to the acquisition by Nisshinbo Holdings of all the issued shares of New JRC through the Share Exchange (meaning shareholders after the cancellation of treasury shares of New JRC as prescribed in Article 7, and excluding Nisshinbo Holdings, the “**Shareholders Subject to Allotment**”) the number of shares of common stock of Nisshinbo Holdings obtained by multiplying the total number of shares of common stock of New JRC held by those shareholders by 0.65 as money, etc. in lieu of the shares of common stock of New JRC held by those shareholders.
2. Upon the Share Exchange, Nisshinbo Holdings shall allot to the Shareholders Subject to Allotment 0.65 shares of common stock of Nisshinbo Holdings per share of common stock of New JRC held by those shareholders.
3. If the number of common shares of Nisshinbo Holdings to be allotted to the Shareholders Subject to Allotment in accordance with the provisions of the preceding two paragraphs includes a fraction of less than a single share, Nisshinbo Holdings shall handle those shares in accordance with the provisions of Article 234 of the Companies Act and other related laws and regulations.

**Article 4            Effective Date of the Share Exchange**

The date on which the Share Exchange will take effect (the “**Effective Date**”) is September 1, 2018; provided, however, that Nisshinbo Holdings and New JRC may, upon agreement through consultation, change the

Effective Date if required in light of the progress of the Share Exchange procedures or for any other reason.

#### **Article 5           Amounts of Capital and Reserves**

The amounts of capital and reserves of Nisshinbo Holdings that are to increase as a result of the Share Exchange are the amounts separately provided by Nisshinbo Holdings in an appropriate manner in accordance with the provisions of Article 39, Paragraph 2 of the Rules of Corporate Accounting.

#### **Article 6           Approval of the Share Exchange Agreement**

1. Nisshinbo Holdings shall conduct the Share Exchange without approval by resolution of its general shareholders' meeting prescribed in Article 795, Paragraph 1 of the Companies Act under this Agreement in accordance with the provisions of the main clause of Article 796, Paragraph 2 of the Companies Act; provided, however, that if approval by resolution of Nisshinbo Holdings' general shareholders' meeting regarding the Share Exchange becomes necessary in accordance with the provisions of Article 796, Paragraph 3 of the Companies Act, Nisshinbo Holdings shall request a resolution for approval of this Agreement and other matters necessary for the Share Exchange at a general shareholders' meeting no later than the day immediately preceding the Effective Date.
2. New JRC shall request a resolution for approval of this Agreement and other matters necessary for the Share Exchange at a general shareholders' meeting prescribed in Article 783, Paragraph 1 of the Companies Act no later than the day immediately preceding the Effective Date.

#### **Article 7           Cancellation of New JRC's Treasury Shares**

New JRC shall, at the Record Time, cancel all treasury shares it holds at the Record Time (including shares to be acquired by New JRC in response

to a share purchase demand by a dissenting shareholder as prescribed in Article 785, Paragraph 1 of the Companies Act that may be exercised in relation to the Share Exchange) by resolution of a meeting of the Board of Directors of New JRC held on or before the day immediately preceding the Effective Date.

#### **Article 8 Management of Company Property**

Each party shall itself, and cause each of its subsidiaries to, execute its own business and manage and operate its own property with the due care of a prudent manager during the period from the execution date of this Agreement until the Effective Date, and if either party desires to conduct an act that is likely to have a significant effect on its property or its rights and obligations or conduct an act that will have a significant effect on the execution or the conditions of the Share Exchange, it shall consult with the other party and obtain the agreement of the other party in advance.

#### **Article 9 Dividends of Surplus**

1. Nisshinbo Holdings may distribute surplus up to 15 yen per share and a total amount of 2,681,984,085 yen to shareholders and registered pledgees of shares stated or recorded in the final shareholder registry on March 31, 2018.
2. Except for the case provided for in the preceding paragraph, neither party may, following the execution of this Agreement, adopt a resolution to distribute surplus where the record date is a day preceding the Effective Date or adopt a resolution to acquire treasury shares (excluding any acquisition of treasury shares where a party is required to acquire its own shares upon the exercise of rights by shareholders in accordance with an applicable law or regulation) where the acquisition date is a day preceding the Effective Date.

#### **Article 10 Amendments to and Cancellation of this Agreement**

During the period from the execution date of this Agreement until the day

immediately preceding the Effective Date, either party may, after consulting with and obtaining the agreement of the other party, amend the terms of the Share Exchange or any other terms of this Agreement or cancel this Agreement if there is a significant change to the financial condition or management condition of either party (excluding where that is due to an event that is attributable to that party), if circumstances that will seriously hinder the execution of the Share Exchange arise or become clear, or if it otherwise becomes difficult to achieve the purpose of this Agreement.

#### **Article 11            Effect of this Agreement**

This Agreement will cease to be effective in the case of any of the following items.

- (1) If approval by resolution of a general shareholders' meeting of Nisshinbo Holdings becomes necessary in accordance with the proviso of Article 6.1 and approval for this Agreement or another matter necessary for the Share Exchange is not obtained at a general shareholders' meeting of Nisshinbo Holdings on or before the day immediately preceding the Effective Date
- (2) If approval for this Agreement or another matter necessary for the Share Exchange is not obtained at a general shareholders' meeting of New JRC prescribed in Article 6.2 on or before the day immediately preceding the Effective Date
- (3) If a permission, approval, etc. from a related government agency, or procedures for notification to a related government agency that is required under laws or regulations in relation to the Share Exchange is not obtained or completed on or before the Effective Date
- (4) If this Agreement is cancelled under the preceding Article



**Article 12      Jurisdiction**

The parties agree that the Tokyo District Court has exclusive jurisdiction as the court of first instance if any dispute regarding the performance or interpretation of this Agreement arises.

**Article 13      Consultation**

The parties shall determine any matter that is not provided for in this Agreement or necessary matter related to the Share Exchange upon consultation and agreement in accordance with the purpose of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in duplicate by affixing their names and seals hereto and each has retained one original hereof.

May 10, 2018

Nisshinbo Holdings: Nisshinbo Holdings Inc.  
2-31-11,                    Ningyo-cho,  
Nihonbashi, Chuo-ku, Tokyo  
Masaya Kawata, President and  
Representative Director

New JRC:                    New Japan Radio Co., Ltd.  
3-10, Nihonbashi Yokoyama-cho,  
Chuo-ku, Tokyo  
Ryo Ogura, President and  
Representative Director

(End of the Share Exchange Agreement)

3. Method of the Share Exchange, contents of the allotment in

connection with the Share Exchange, and other details of the Share Exchange

- (1) Matters related to the adequacy of the total number and the total amount of the consideration for the exchange
  - (i) Contents of the allotment in connection with the Share Exchange

	Nisshinbo Holdings (wholly-owning parent company resulting from a share exchange)	The Company (wholly-owned subsidiary resulting from a share exchange)
Allotment ratio in connection with the Share Exchange	1	0.65
Number of shares to be delivered in the Share Exchange	Common shares of Nisshinbo Holdings: 9,253,440 shares (scheduled)	

- (Note 1) Allotment ratio in connection with the Share Exchange (the “Share Exchange Ratio”)

Nisshinbo Holdings will furnish 0.65 shares of common stock of Nisshinbo Holdings (the “Nisshinbo Holdings Shares”) per share of common stock of the Company (the “**Company Shares**”). The Share Exchange Ratio might be changed upon discussions and agreement between Nisshinbo Holdings and the Company if a significant change occurs in the terms and conditions that constitute the bases for the relevant calculations.

- (Note 2) Number of the Nisshinbo Holdings Shares to be delivered in the Share Exchange

Upon the Share Exchange, Nisshinbo Holdings will deliver to the shareholders of the Company (meaning shareholders after the cancellation of treasury shares as described below, and excluding Nisshinbo Holdings) at the time (the “Record Time”) immediately prior to the acquisition by Nisshinbo Holdings of all the issued shares of the Company (excluding the Company Shares held by Nisshinbo Holdings (24,885,000 shares as of May 10, 2018)) the number of the Nisshinbo Holdings Shares calculated in accordance with the Share Exchange Ratio described in the above table in exchange for the Company Shares held by those shareholders.

Nisshinbo Holdings plans to allocate the treasury shares held by Nisshinbo Holdings (16,818,957 shares as of March 31, 2018) to all of the Nisshinbo Holdings Shares to be delivered in the Share Exchange, and Nisshinbo Holdings will not issue any new shares.

The Company plans to cancel all of its treasury shares (including shares acquired by the Company in response to a share purchase demand by a dissenting shareholder as prescribed in Article 785, Paragraph 1 of the Companies Act that may be exercised in relation to the Share Exchange) at the Record Time by resolution at the meeting of its Board of Directors held before the day immediately prior to the Share Exchange Effective Date. The number of shares to be delivered in the Share Exchange might be changed due to the number of treasury shares New JRC comes to hold before the Record Time or another reason.

(Note 3) Handling of shares less than one unit

As a result of the Share Exchange, it is expected that new shareholders who hold shares less than one unit (shares less than 100 shares) of Nisshinbo Holdings will arise. In particular, the shareholders of the Company who hold less than

154 shares of the Company Shares are expected to hold only shares less than one unit of Nisshinbo Holdings, and shares less than one unit may not be sold on a financial instruments exchange. All shareholders that come to hold shares less than one unit of Nisshinbo Holdings may participate in either of the following programs.

- (i) Buyback program for shares less than one unit (sale of shares less than 100 shares)

Under this program, any holder of shares less than one unit of Nisshinbo Holdings may demand that Nisshinbo Holdings purchase the shares less than one unit held by that shareholder in accordance with the provisions of Article 192, Paragraph 1 of the Companies Act.

- (ii) Top-up purchase program for shares less than one unit (top-up purchase of less than 100 shares)

Under this program, any holder of shares less than one unit of Nisshinbo Holdings may, in accordance with the provisions of Article 194, Paragraph 1 of the Companies Act, and the Articles of Incorporation of Nisshinbo Holdings, demand that Nisshinbo Holdings sell the number of the Nisshinbo Holdings Shares that will constitute one unit when combined with the shares less than one unit held by that shareholder, and purchase those shares from Nisshinbo Holdings.

(Note 4) Treatment of fractions of less than a single share

Nisshinbo Holdings will pay an amount equal to fractional shares less than a single Nisshinbo Holdings Share in cash to the shareholders of New JRC who come to receive an allotment of fractional shares less than a single Nisshinbo Holdings Share in association with the Share Exchange in

accordance with the provisions of Article 234 of the Companies Act and other relevant laws and ordinances.

(ii) Basis for the allotment in connection with the Share Exchange

a. Basis and reason for the allotments

As explained in “1. Reasons for implementing the Share Exchange” above, Nisshinbo Holdings proposed the Share Exchange to the Company in December 2017, and as a result of repeated discussions and negotiations in good faith between Nisshinbo Holdings and the Company, Nisshinbo Holdings and the Company determined that the best decision to improve the corporate value of the Company and the entire Nisshinbo Group would be to make the Company a wholly-owned subsidiary of Nisshinbo Holdings.

As stated in “(3)(i) Measures to Ensure Fairness” below, to ensure that the Share Exchange Ratio to be used in the Share Exchange described in “(i) Contents of the allotment in connection with the Share Exchange” above is fair and appropriate, and to ensure that the Share Exchange is otherwise fair and appropriate, Nisshinbo Holdings appointed SMBC Nikko Securities Inc. (“**SMBC Nikko Securities**”), and the Company appointed Mizuho Securities Co., Ltd. (“Mizuho Securities”), as their respective third-party valuation agents, and Nisshinbo Holdings appointed Mori Hamada & Matsumoto, and the Company appointed Citi-Yuwa Partners, as their respective legal advisers, after which they began seriously considering the Share Exchange.

As a result of careful deliberation and examination taking into consideration the share exchange ratio valuation report received from SMBC Nikko Securities that Nisshinbo Holdings requested to calculate the share exchange ratio to be used in the Share Exchange, advice from Mori Hamada & Matsumoto, and the results of due diligence conducted by Nisshinbo Holdings on the

Company, Nisshinbo Holdings determined that the Share Exchange Ratio is appropriate for the shareholders of both companies.

As explained in “(3)(i) Measures to Ensure Fairness” and “(3)(ii) Measures to Avoid Conflicts of Interest” below, the Company carefully discussed and examined the Share Exchange using the Share Exchange Ratio while taking into consideration the share exchange ratio valuation report received on May 9, 2018 from Mizuho Securities that the Company requested to calculate the share exchange ratio to be used in the Share Exchange, advice from Citi-Yuwa Partners, a written opinion received on May 10, 2018 from Messrs. Kenichiro Tanaka and Kazuo Toyama, who are outside directors of the Company and who have no interest in Nisshinbo Holdings, which is a controlling shareholder of the Company, and who are registered as independent officers with TSE, that they do not believe the implementation of the Share Exchange will be disadvantageous to the minority shareholders of the Company, and the results of due diligence conducted on Nisshinbo Holdings. Further, as stated in “b.(b) Outline of Calculation” below, the Company determined that the implementation of the Share Exchange using the Share Exchange Ratio is appropriate because the level of the Share Exchange Ratio is reasonable because it is within the calculation range of the discounted cash flow method (the “**DCF Analysis**”) and it exceeds the upside of the calculation range of the average market price analysis among the calculation results of the share exchange ratio received from Mizuho Securities, and the Share Exchange Ratio is not disadvantageous to the minority shareholders of the Company.

As such, because Nisshinbo Holdings and the Company determined that the Share Exchange Ratio is appropriate for their respective shareholders as a result of repeated thorough negotiations on the share exchange ratio after carefully examining

the Share Exchange Ratio based on the results of due diligence conducted by Nisshinbo Holdings and the Company on each other while referring to the calculation results of the share exchange ratio and advice obtained from their third-party valuation agents, and advice from their legal advisers, and by comprehensively taking into account factors such as the financial condition, performance trends, and stock price performance of both companies, Nisshinbo Holdings and the Company decided to implement the Share Exchange using the Share Exchange Ratio, and on May 10, 2018 they resolved at respective meetings of their Boards of Directors to execute the Share Exchange Agreement.

b. Matters Relating to the Calculation

(a) Names of the Valuation Agents and Relationships with Nisshinbo Holdings and the Company

Neither SMBC Nikko Securities, which is a third-party valuation agent of Nisshinbo Holdings, nor Mizuho Securities, which is a third-party valuation agent of the Company, is a related party of Nisshinbo Holdings or the Company or has a material interest that must be stated in relation to the Share Exchange.

(b) Outline of Calculation

To ensure fairness in calculating the share exchange ratio to be used in the Share Exchange, Nisshinbo Holdings appointed SMBC Nikko Securities, and the Company appointed Mizuho Securities, as their respective third-party valuation agents, and Nisshinbo Holdings and the Company requested SMBC Nikko Securities and Mizuho Securities to calculate the share exchange ratio to be used in the Share Exchange and obtained share exchange ratio valuation reports that included the following details.

With respect to Nisshinbo Holdings and the Company, because the shares of common stock of Nisshinbo Holdings and the Company are listed on the First Section of TSE and are quoted, SMBC Nikko Securities used the market price analysis (setting May 9, 2018 as the calculation base date, and based on the average daily closing price of the shares of each company for the one-month, three-month and six-month periods up to and including the calculation base date), and the DCF Analysis in order to reflect the status of future business activities in the calculation.

The share exchange ratio valuation report by SMBC Nikko Securities was prepared as reference information to be used when the Board of Directors of Nisshinbo Holdings determines the share exchange ratio, and SMBC Nikko Securities does not express an opinion on the fairness of the share exchange ratio agreed to and determined between Nisshinbo Holdings and the Company.

The calculation ranges using each of those valuation methods where the share value per share of Nisshinbo Holdings Shares is one are as follows.

Method Used	Calculation Range for the Share Exchange Ratio
Market price analysis	0.545 – 0.598
DCF Analysis	0.456 – 0.773

In calculating the share exchange ratios, SMBC Nikko Securities has, in principle, used such things as information provided to it by Nisshinbo Holdings and the Company and publicly available information as presented, and assumed that this data, information and the like it has used is entirely accurate and complete. It has not made an independent study



of the accuracy or completeness thereof. Also, SMBC Nikko Securities has not made an independent assessment, appraisal or evaluation and has not requested an appraisal or evaluation from any independent institution in connection with any relevant assets or liabilities (including contingent liabilities) of Nisshinbo Holdings, the Company or any of their affiliates. In addition, SMBC Nikko Securities assumed that the financial forecasts of Nisshinbo Holdings and the Company have been reasonably prepared based on the best forecasts and judgements obtained from the management of Nisshinbo Holdings and the Company at that time. The calculation of the share exchange ratio by SMBC Nikko Securities is subject to information and economic conditions as of May 9 2018.

In the future financial outlook of Nisshinbo Holdings used by SMBC Nikko Securities as the premises for the calculation using the DCF Analysis, Nisshinbo Holdings expects a substantial increase in operating profits in the coming fiscal years with the operating profits for the fiscal year ending December 2018 forecast to be 3,560 million yen, the operating profits for the fiscal year ending December 2019 forecast to be 24,560 million yen, and the operating profits for the fiscal year ending December 2020 forecast to be 42,480 million yen (subject to the approval of the agenda item regarding a change to the end of the fiscal period to be proposed to the general shareholders' meeting to be held on June 28, 2018), mainly as a result of taking into account factors for increases in profits due to the recovery of the sea transportation industry, the incorporation of demand for the replacement of equipment, and an increase in demand for small- and medium-sized vessels in JRC's marine systems business, as well as an increase in domestic private-sector demand and overseas demand for disaster prevention in JRC's solution and specialized equipment businesses. One other factor is the consolidation of Ricoh Electronic Devices, which became a

subsidiary in March 2018. Further, even in its automotive break business, Nisshinbo Holdings expects an increase of profits due to the strengthening of the production and sales system for frictional materials to comply with copper regulations for which it is expected there will be global demand and further improvement of the earning structure of TMD Friction, which became a subsidiary.

Further, in the future financial outlook of the Company, the Company expects a substantial increase in operating profits in the coming fiscal years with the operating profits for the fiscal year ending December 2018 forecast to be 2,100 million yen, the operating profit for the fiscal year ending December 2019 forecast to be 3,900 million yen, and the operating profit for the fiscal year ending December 2020 forecast to be 4,800 million yen (subject to the approval of the agenda item regarding a change to the end of the fiscal period to be proposed to the general shareholders' meeting to be held on June 25, 2018), mainly due to increased profitability in association with an increase in sales such as increased sales of highly profitable products for automotive and industrial equipment and lower fixed costs.

Meanwhile, Mizuho Securities made its calculations regarding the share exchange ratio of the common stock of Nisshinbo Holdings and the Company using the average market price analysis because the common stock of both companies are listed on TSE and are quoted, and Mizuho Securities calculated the share exchange ratio using the DCF Analysis for the purpose of reflecting the status of future business activities of both companies in the calculation.

In the average market price analysis, May 9, 2018 was set as the calculation base date, and the closing price of the common stock of each company on TSE on the calculation base date

and the simple average daily closing price of those shares for the one-month, three-month and six-month periods up to and including the calculation base date were used in the average market price analysis.

In the DCF Analysis, Mizuho Securities evaluated Nisshinbo Holdings' future cash flow based on financial forecasts from the fiscal year ending December 2018 until the fiscal year ending December 2020 prepared by Nisshinbo Holdings and it evaluated Nisshinbo Holdings' corporate value and share value by discounting the present value at a certain discount rate. The discount rate was in a range of 5.65 – 6.15%, and the perpetual growth method was used in calculating Nisshinbo Holdings' going concern value, and a range of -0.25 – 0.25% was used as the perpetual growth rate in the perpetual growth method. At the same time, Mizuho Securities evaluated the Company's future cash flow based on financial forecasts from the fiscal year ending December 2018 until the fiscal year ending December 2020 prepared by the Company and it evaluated the Company's corporate value and share value by discounting the present value at a certain discount rate. The discount rate was in a range of 6.45 – 6.95%, and the perpetual growth method was used in calculating the Company's going concern value, and a range of -0.25 – 0.25% was used as the perpetual growth rate in the perpetual growth method. The financial forecasts of both companies that served as the basis for the calculations made using the DCF Analysis did not anticipate the implementation of the Share Exchange.

The calculation ranges using each of those valuation methods where the share value per share of Nisshinbo Holdings Shares is one are as follows.

Method Used	Calculation Range for the Share Exchange Ratio
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Average market price analysis	0.545 – 0.598
DCF Analysis	0.401 – 0.656

When calculating the above share exchange ratios, Mizuho Securities used such things as information provided to it by Nisshinbo Holdings and the Company and publicly available information, and assumed that this data, information and the like it has used is entirely accurate and complete and that there are no facts that might have a significant impact on the calculation of the share exchange ratios that have not been disclosed to Mizuho Securities, and Mizuho Securities has not made an independent study of the accuracy or completeness thereof. Also, Mizuho Securities has not made an independent assessment or evaluation and has not requested an appraisal or evaluation from any independent institution in connection with any relevant assets or liabilities (including contingent liabilities) of Nisshinbo Holdings, the Company or any of their subsidiaries or affiliates. In addition, Mizuho Securities assumed that the business forecasts and the financial forecasts of Nisshinbo Holdings and the Company have been reasonably prepared and created based on the best forecasts and judgements obtained from the management of Nisshinbo Holdings and the Company at that time.

Further, in the future financial outlook of Nisshinbo Holdings used by Mizuho Securities as the premises for the calculation using the DCF Analysis, Nisshinbo Holdings expects a substantial increase in operating profits in the coming fiscal years with the operating profits for the fiscal year ending December 2018 forecast to be 3,560 million yen, the operating profits for the fiscal year ending December 2019 forecast to be 24,560 million yen, and the operating profits for the fiscal year ending December 2020 forecast to be 42,480 million yen (subject to the approval of the agenda item regarding a change

to the end of the fiscal period to be proposed to the general shareholders' meeting to be held on June 28, 2018), mainly as a result of taking into account factors for increases in profits due to the recovery of the sea transportation industry, the incorporation of demand for the replacement of equipment, and an increase in demand for small- and medium-sized vessels in JRC's marine systems business, as well as an increase in domestic private-sector demand and overseas demand for disaster prevention in JRC's solution and specialized equipment businesses. One other factor is the consolidation of Ricoh Electronic Devices, which became a subsidiary in March 2018. Further, even in its automotive break business, Nisshinbo Holdings expects an increase of profits due to the strengthening of the production and sales system for frictional materials to comply with copper regulations for which it is expected there will be global demand and further improvement of the earning structure of TMD Friction, which became a subsidiary.

Further, in the future financial outlook of the Company, the Company expects a substantial increase in operating profits in the coming fiscal years with the operating profits for the fiscal year ending December 2018 forecast to be 2,100 million yen, the operating profit for the fiscal year ending December 2019 forecast to be 3,900 million yen, and the operating profit for the fiscal year ending December 2020 forecast to be 4,800 million yen (subject to the approval of the agenda item regarding a change to the end of the fiscal period to be proposed to the general shareholders' meeting to be held on June 25, 2018), mainly due to increased profitability in association with an increase in sales such as increased sales of highly profitable products for automotive and industrial equipment and lower fixed costs.

- (2) Reason that property has been selected as the consideration for the

exchange

The Company has determined that using the Nisshinbo Holdings Shares as the consideration for the Share Exchange is appropriate after considering factors such as the fact that even after the Company Shares are delisted, the Nisshinbo Holdings Shares, which are to be allotted to the shareholders of the Company through the Share Exchange, will be listed on the First Section of TSE, the First Section of Nagoya Stock Exchange, Inc. (“NSE”), Fukuoka Stock Exchange (“FSE”), and Sapporo Securities Exchange (“SSE”), and it is therefore believed the Nisshinbo Holdings Shares will maintain liquidity and convertibility and that their trading opportunities are secured, and the fact that it is possible the shareholders of the Company that will come to hold the Nisshinbo Holdings Shares in the future will be benefited from the effects of the business integration in association with the Company becoming a wholly-owned subsidiary through the Share Exchange.

(3) Matters that have been noted to ensure the interests of the shareholders of the Company are not harmed

(i) Measures to Ensure Fairness

Since Nisshinbo Holdings is already a parent company of the Company and holds 63.61% (24,885,000 shares) of the total number of issued shares of the Company, for the Company, the Share Exchange constitutes an important transaction, etc. with a controlling shareholder, so Nisshinbo Holdings and the Company determined that it is necessary to ensure fairness in the Share Exchange, and they have taken the following measures to ensure fairness.

a. Obtaining a Valuation Report from an Independent Third-Party Valuation Agent

To ensure fairness in calculating the share exchange ratio to be used in the Share Exchange, Nisshinbo Holdings appointed

SMBC Nikko Securities, and the Company appointed Mizuho Securities, as their respective third-party valuation agents, and Nisshinbo Holdings and the Company requested SMBC Nikko Securities and Mizuho Securities to calculate the share exchange ratio to be used in the Share Exchange and obtained share exchange ratio valuation reports. See “(1)(ii)b.(b) Outline of Calculation” above for an outline of those valuation reports.

Neither company has obtained from either of those third-party valuation agents an opinion stating that the Share Exchange Ratio is appropriate from a financial perspective (a so-called fairness opinion).

b. Advice from Independent Law Firms

Nisshinbo Holdings appointed Mori Hamada & Matsumoto as its legal advisor for the Share Exchange, and obtained from Mori Hamada & Matsumoto legal advice concerning various procedures for the Share Exchange and the decision-making method and processes to be carried out by Nisshinbo Holdings. Mori Hamada & Matsumoto has no material interests in Nisshinbo Holdings or the Company.

At the same time, the Company appointed Citi-Yuwa Partners as its legal advisor for the Share Exchange, and obtained from Citi-Yuwa Partners legal advice concerning various procedures for the Share Exchange and the decision-making method and processes to be carried out by the Company. Citi-Yuwa Partners has no material interests in Nisshinbo Holdings or the Company.

(ii) Measures to Avoid Conflicts of Interest

Since Nisshinbo Holdings is already a parent company of the Company and holds 63.61% (24,885,000 shares) of the total

number of issued shares of the Company, for the Company, the Share Exchange constitutes an important transaction, etc. with a controlling shareholder, so the Company has taken the following measures to avoid conflicts of interest in addition to “(i) Measures to Ensure Fairness” above.

- a. Obtaining an opinion from independent disinterested officers of the Company

In examining the Share Exchange, the Board of Directors of the Company requested Messrs. Kenichiro Tanaka and Kazuo Toyama, who are outside directors of the Company and who have no interest in Nisshinbo Holdings, and who are registered as independent officers with TSE, to examine whether the decision to implement the Share Exchange at the meeting of the Board of Directors of the Company held today is considered to be disadvantageous to the minority shareholders of the Company based on rules prescribed by TSE.

After carefully examining the Share Exchange while taking into account the share exchange ratio valuation report prepared by Mizuho Securities and other materials relating to the Share Exchange, and the details of explanations of, and interviews with, related persons, Messrs. Kenichiro Tanaka and Kazuo Toyama provided a written opinion to the Board of Directors of the Company on May 10, 2018 stating that (a) the purposes of the Share Exchange are considered fair because, given that the Company becoming a wholly-owned subsidiary of Nisshinbo Holdings will contribute to the strengthening of the Company’s financial base and stabilization of its management, strengthening of the integrated business operations of both parties, savings resulting from a reduction in indirect services, and prompt decision-making, the Share Exchange is considered reasonable in terms of the management of the Company, and because no unreasonable issue has been



specifically found in determining that the Share Exchange will contribute to improving the corporate value of the Company, (b) there is no specific event which will give rise to a suspicion on the fairness of the procedures of the Share Exchange because the Company has taken measures to avoid conflicts of interests by, for example, obtaining a share exchange ratio valuation report from Mizuho Securities, its independent third-party valuation agent, receiving advice from Citi-Yuwa Partners, its legal adviser, regarding the decision-making method and process of the Share Exchange, ensuring that the directors of the Company who have, or are likely to have, conflicts of interest in the Share Exchange will not participate in the deliberation and voting on any proposal related to the Share Exchange at the meeting of the Board of Directors of the Company held on May 10, and did not participate in discussions and negotiations on the Share Exchange on behalf of the Company, (c) no unreasonable issue has been found in the method and process of the calculations by Mizuho Securities, and the terms and conditions of the Share Exchange are considered to be appropriate and determined in a fair manner and the Company set the share exchange ratio after having discussions and negotiations with Nisshinbo Holdings over several occasions while taking into account the results of those calculations, (d) the terms and conditions of the Share Exchange are considered to be appropriate and determined in a fair manner because the share exchange ratio (1 of Nisshinbo Holdings to 0.65 of the Company) agreed upon with the Company is considered appropriate because, among other things, it exceeds the calculation range of the average market share price analysis (0.545 – 0.598) which is the calculation range for the share exchange ratio calculated by Mizuho Securities, and is at a higher position in the calculation range of the DCF Analysis (0.401 – 0.656), and it is judged that the Share Exchange is not disadvantageous to the minority shareholders of the Company after comprehensively taking

into account the above matters.

- b. Approval of all directors excluding directors of the Company who have an Interest in Nisshinbo Holdings and opinion to the effect that all audit and supervisory board members have no objection

At the meeting of the Board of Directors of the Company held on May 10, five directors out of eight directors of the Company (excluding Messrs. Ryo Ogura, Masaya Kawata and Kenji Ara) deliberated on the proposal related to the Share Exchange, and unanimously resolved to approve that proposal, and all three audit and supervisory board members of the Company participated in that deliberation and expressed an opinion to the effect that they have no objection to the implementation of the Share Exchange.

To avoid any conflict of interest, Mr. Ryo Ogura, who is a director of the Company and also serves as a director and executive managing officer of Nisshinbo Holdings, Mr. Masaya Kawata, who is a director of the Company and also serves as a president and representative director of Nisshinbo Holdings, and Mr. Kenji Ara, who is a director of the Company and also serves as a director and senior executive managing officer of Nisshinbo Holdings, did not participate in any deliberations or voting on the proposal related to the Share Exchange at the meeting of the Board of Directors of the Company held on May 10 and they did not participate in any discussions or negotiations on the Share Exchange on behalf of the Company.

- (4) Matters regarding the adequacy of the amounts of capital and reserves of Nisshinbo Holdings

Nisshinbo Holdings will determine the amounts of the capital, capital reserves, and retained earnings reserves of Nisshinbo Holdings, which are to increase as a result of the Share Exchange, in accordance with the provisions of Article 39, Paragraph 2 of the Rules of Corporate Accounting.

4. Matters that would serve as a reference for the consideration for the exchange

- (1) Provisions of the Articles of Incorporation of Nisshinbo Holdings

The Articles of Incorporation of Nisshinbo Holdings are posted on the Company's website (<http://www.njr.co.jp>) based on laws and regulations and the provisions of Article 15 of the Articles of Incorporation of the Company.

- (2) Matters regarding the method of conversion of the consideration for the exchange

- (i) Markets where the consideration for the exchange is traded

The Nisshinbo Holdings Shares are traded on the First Section of TSE, the First Section of NSE, the FSE, and the SSE.

- (ii) Person acting as an intermediary, broker, or agent for transactions involving the consideration for the exchange

Various securities companies and other companies throughout Japan act as intermediaries, brokers, etc. for the Nisshinbo Holdings Shares.

- (iii) If there is any restriction on the transfer or other disposition of the consideration for the exchange, and details of that restriction

There are no applicable matters.

- (3) If there is a market price for the consideration for the exchange, matters related to the price of the consideration for the exchange

The business day immediately preceding the day on which the execution of the Share Exchange Agreement was announced (May 10, 2018) is the record date, and the average closing prices of the Nisshinbo Holdings Shares on the First Section of TSE for one-month and three-month periods are 1,511 yen and 1,508 yen respectively.

The latest market price and other details on the Nisshinbo Holdings Shares are available on the TSE website (<http://www.jpx.co.jp>) and other websites.

- (4) Contents of Nisshinbo Holdings' balance sheets for each fiscal year the last day of which arrived in the past five years

Nisshinbo Holdings has submitted securities reports in accordance with the provisions of Article 24, Paragraph 1 of the Financial Instruments and Exchange Act each of the past five fiscal years, so this statement is omitted.

5. Matters regarding the appropriateness of provisions on share options pertaining to the Share Exchange

There are no applicable matters.

6. Matters regarding financial statements

- (1) Contents of the financial statements for the most recent fiscal year of Nisshinbo Holdings

The contents of the financial statements for the most recent fiscal year of Nisshinbo Holdings (business year ended March 2018) are posted on the Company's website (<http://www.njr.co.jp>) based on laws and regulations and the provisions of Article 15 of the Articles of Incorporation of the Company.

- (2) Details of any event that has a material impact on the condition of company's property that occurs on or after the last day of the most recent fiscal year

- (i) The Company

The Company executed with Nisshinbo Holdings on May 10, 2018 the Share Exchange Agreement in which Nisshinbo Holdings will become a wholly-owning parent company resulting from a share exchange and the Company will become a wholly-owned subsidiary resulting from a share exchange. The terms of the Share Exchange Agreement are as set out in "2. Overview of the terms of the Share Exchange Agreement."

- (ii) Nisshinbo Holdings

Nisshinbo Holdings executed with the Company on May 10, 2018 the Share Exchange Agreement in which Nisshinbo Holdings will become a wholly-owning parent company resulting from a share exchange and the Company will become a wholly-owned

subsidiary resulting from a share exchange. The terms of the Share Exchange Agreement are as set out in “2. Overview of the terms of the Share Exchange Agreement.”

<sup>[1]</sup> A super smart society is defined as “a society where the various needs of society are finely differentiated and met by providing the necessary products and services in the required amounts to the people who need them when they need them, and in which all people can receive high-quality services and live a comfortable and active life that makes allowances for their various differences such as age, gender, region, or language.” (Science and Technology Basic Plan, Cabinet Decision of January 22, 2016).

3rd Proposal: Election of 9 Directors

The terms of office of all eight Directors will expire upon the close of this General Meeting of Shareholders. Accordingly, the Company hereby proposes to elect nine Directors, increasing the number of Directors by one in order to strengthen the Company's management structure.

The candidates for Director are as follows.

Candidate No.	Name (Date of birth)	Past experience and position in Company (Significant concurrent positions)	Number of Company shares owned
1	Ryo Ogura (Oct. 1, 1948)	Feb. 1985    Joined the Company Jun. 1999    Director Apr. 2001    General Manager, General-Purpose IC Division Jun. 2004    Managing Director Apr. 2005    General Manager Supervising Semiconductor Division and General Manager, Semiconductor Technology Headquarters Apr. 2006    General Manager, Semiconductor Production Headquarters Jun. 2009    Representative Director and Senior Managing Director of NJR Fukuoka Co., Ltd. Jun. 2011    Representative Director and President of the Company (current position) Jun. 2016    Director, Executive Managing Officer of Nisshinbo Holdings Inc. (current position) Jun. 2017    Director of Japan Radio Co., Ltd. (current	37,400 shares

		position)	
		(Significant concurrent positions) Director, Executive Managing Officer of Nisshinbo Holdings Inc. Director of Japan Radio Co., Ltd.	
	(Reasons for nomination as candidate for Director) Since assuming office as Representative Director and President of the Company in June 2011, Mr. Ryo Ogura has driven structural reform of the Company's business and has a wealth of experience and excellent insight as a corporate manager. The Company considers him able to completely fulfill the responsibilities of a Director of the Company. Accordingly, the Company has nominated him as candidate for Director. Mr. Ogura serves as a Director, Executive Managing Officer of Nisshinbo Holdings Inc., the parent company of the Company.		

Candidate No.	Name (Date of birth)	Past experience and position in Company (Significant concurrent positions)	Number of Company shares owned
2	Manabu Arai (Dec. 5, 1950)	<p>Jul. 1981      Joined Japan Radio Co., Ltd.</p> <p>Apr. 2002      General Manager of Corporate Planning Department of Japan Radio Co., Ltd.</p> <p>Jun. 2005      Director in charge of Strategy and Planning of Japan Radio Co., Ltd.</p> <p>Apr. 2006      Director, General Manager of the Management Unit, in charge of Corporate Center of Japan Radio Co., Ltd.</p> <p>Jun. 2010      Director, Managing Corporate Officer, General Manager Supervising General Administration and General Manager of Export Administration Office of the Company</p> <p>Jun. 2012      Director, Senior Managing Corporate Officer Supervising the Administrative Division and General Manager of General</p>	18,600 shares



		Administrative Headquarters	
	Apr. 2014	General Manager of Management Unit and General Manager of General Administrative Headquarters	
	Jun. 2014	Representative Director and Senior Managing Corporate Officer (current position)	
	Apr. 2016	General Manager of General Administrative Headquarters	
	Jun. 2016	General Manager Supervising the Administrative Division, General Administration Headquarters	
	Apr. 2018	Supervisor of the Administrative Division (current position)	
(Reasons for nomination as candidate for Director)			
<p>Mr. Manabu Arai has experience, a proven track record, and insight regarding corporate management, finances and accounting gained through taking overall charge of the Corporate Planning, General Affairs, and Accounting Divisions. The Company considers him able to completely fulfill the responsibilities of a Director of the Company. Accordingly, the Company has nominated him as candidate for Director.</p>			

Candidate No.	Name (Date of birth)	Past experience and position in Company (Significant concurrent positions)	Number of Company shares owned
3	Kazushige Nobe (Apr. 16, 1958)	<p>Apr. 1981    Joined the Company</p> <p>Jul. 2004    General Manager, IC Factory 2nd Production Department, Semiconductor Production Headquarters</p> <p>Apr. 2007    General Manager, Production Division of NJR Fukuoka Co., Ltd.</p> <p>Apr. 2011    Corporate Officer, Deputy General Manager, Semiconductor Production Headquarters</p> <p>Apr. 2012    Corporate Officer, General Manager, Semiconductor Production Headquarters</p> <p>Apr. 2014    Managing Corporate Officer</p> <p>Apr. 2015    General Manager, Electronic Device Production Headquarters</p> <p>Jun. 2015    Director and Corporate Officer</p> <p>Apr. 2016    Director and Managing Corporate Officer (current position)</p> <p>Jun. 2016    General Manager Supervising Business Division, Electronic Device Production Headquarters</p> <p>Apr. 2017    General Manager Supervising Business Division, Electronic Device Division</p> <p>Apr. 2018    General Manager, Electronic Device Division (current position)</p>	13,500 shares
<p>(Reasons for nomination as candidate for Director)</p> <p>Mr. Kazushige Nobe has a wealth of business experience, a proven track record, and excellent insight gained through supervising the Electronic Device Production Division and taking overall charge of the Business Division. The Company considers him able to completely fulfill the responsibilities of a Director of the Company. Accordingly,</p>			

	the Company has nominated him as candidate for Director.
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Candidate No.	Name (Date of birth)	Past experience and position in Company (Significant concurrent positions)	Number of Company shares owned
4	Kenichi Morita (Oct. 23, 1958)	<p>Mar. 1990    Joined the Company</p> <p>Apr. 2005    General Manager, Accounting Department, General Administration Headquarters</p> <p>Jul. 2008    Deputy General Manager, General Administration Headquarters</p> <p>Apr. 2011    Corporate Officer and General Manager of Corporate Planning Department, Management Unit</p> <p>Jun. 2012    Corporate Officer and General Manager, Management Unit</p> <p>Apr. 2014    Corporate Officer and Deputy General Manager, Electronic Device Division</p> <p>Jun. 2015    Director and Corporate Officer</p> <p>Apr. 2016    General Manager, Management Unit</p> <p>Apr. 2018    Director and Managing Corporate Officer Supervising the Business Division (current position)</p>	10,500 shares
<p>(Reasons for nomination as candidate for Director)</p> <p>Mr. Kenichi Morita has experience, a proven track record, and excellent insight regarding corporate management, finance and accounting gained through supervising the Corporate Planning and Accounting Divisions and taking overall charge of the Business Division. The Company considers him able to completely fulfill the responsibilities of a Director of the Company. Accordingly, the Company has nominated him as candidate for Director.</p>			

Candidate No.	Name (Date of birth)	Past experience and position in Company (Significant concurrent positions)	Number of Company shares owned
5	Masaya Kawata (Apr. 20, 1952)	<p>Apr. 1975    Joined Nisshin Cotton Spinning Co., Ltd. (currently Nisshinbo Holdings Inc.)</p> <p>Jun. 2006    Managing Officer, General Manager, Personal Division of Nisshin Cotton Spinning Co., Ltd.</p> <p>Apr. 2007    Deputy General Manager of Accounting Division of Nisshin Cotton Spinning Co., Ltd. (concurrent position)</p> <p>Jun. 2007    Director, Managing Officer of Nisshin Cotton Spinning Co., Ltd.</p> <p>Apr. 2008    Deputy Manager of Business Support Center of Nisshin Cotton Spinning Co., Ltd.</p> <p>Apr. 2009    Representative Director, President of Nisshinbo Brake Inc. (concurrent position)</p> <p>Jun. 2010    Director and Executive Managing Officer, Nisshinbo Holdings, Inc.</p> <p>Jun. 2011    Deputy Head of Corporate Strategy Center of Nisshinbo Holdings Inc. (concurrent position)</p> <p>Head of Business Development Division of Nisshinbo Holdings Inc.</p> <p>Representative Director and President, Nisshinbo Chemical Inc. (concurrent position)</p> <p>Jun. 2012    Director and Senior Executive Managing Officer, Nisshinbo Holdings Inc.</p> <p>Representative Director and President, Nisshinbo Mechatronics Inc. (concurrent</p>	– shares

		position)	
	Jun. 2013	Representative Director, President of Nisshinbo Holdings Inc. (current position)	
	Jun. 2016	Director of the Company (current position) Director of Japan Radio Co., Ltd. (current position)	
	(Significant concurrent positions) Representative Director, President of Nisshinbo Holdings Inc. Director of Japan Radio Co., Ltd.		
(Reasons for nomination as candidate for Director) Mr. Masaya Kawata has a wealth of experience and a proven track record as Representative Director and President of Nisshinbo Holdings Inc. and has excellent insight into business management in Japan and overseas. The Company considers him able to completely fulfill the responsibilities of a Director of the Company from an objective viewpoint independent from the business execution of the Company. Accordingly, the Company has nominated him as candidate for Director.			
(Special interests between the candidate and the Company) Mr. Masaya Kawata is Representative Director and President of Nisshinbo Holdings Inc., the parent company of the Company. The Company conducts transactions with Nisshinbo Holdings such as borrowing funds. Mr. Kawata also serves as a Director of Japan Radio Co., Ltd., a subsidiary of the Company's parent company. The Company conducts transactions with Japan Radio such as the sale and purchase of products.			
(Summary of the contents of the limited liability agreement) The Company executed a limited liability agreement with Mr. Masaya Kawata that limits his liability for damage stipulated in Article 423, Paragraph 1 of the Companies Act to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act. If his reelection is approved, the Company will continue such limited liability agreement with him.			

Candidate No.	Name (Date of birth)	Past experience and position in Company (Significant concurrent positions)	Number of Company shares owned
6	Kenji Ara (Nov. 21, 1953)	<p>Apr. 1976    Joined Japan Radio Co., Ltd.</p> <p>Apr. 2002    General Manager of Government Business Division, System Equipment Business Department of Japan Radio Co., Ltd.</p> <p>Jan. 2006    Deputy General Manager of System Equipment Business Department and General Manager of Government Business Department of Japan Radio Co., Ltd.</p> <p>Apr. 2006    General Manager of Solution Business Department, Business Strategy Division of Japan Radio Co., Ltd.</p> <p>Apr. 2008    Executive Officer, General Manager of Business Strategy Division of Japan Radio Co., Ltd.</p> <p>Apr. 2009    Executive Officer, General Manager of Solution Business Department of Japan Radio Co., Ltd.</p> <p>Jun. 2011    Director and Executive Officer, General Manager of Solution Business Department of Japan Radio Co., Ltd.</p> <p>Jun. 2012    Director of JRC System Services Co., Ltd.</p> <p>Apr. 2013    Executive Officer, Deputy General Manager of Business Operation of Japan Radio Co., Ltd.</p> <p>Apr. 2014    Executive Officer, General Manager of Business Operation of Japan Radio Co., Ltd.</p> <p>Jun. 2014    Director and Executive Officer, General Manager of Business Operation of Japan Radio Co., Ltd.</p>	– shares

		<p>Jun. 2016 Representative Director and President of Japan Radio Co., Ltd. (current position)</p> <p>Jun. 2017 Director of the Company (current position)</p> <p>Jun. 2017 Director, Senior Executive Managing Officer of Nisshinbo Holdings Inc. (current position)</p>	
<p>(Significant concurrent positions)</p> <p>Representative Director and President of Japan Radio Co., Ltd.</p> <p>Director, Senior Executive Managing Officer of Nisshinbo Holdings Inc.</p>			
<p>(Reasons for nomination as candidate for Director)</p> <p>Mr. Kenji Ara has a wealth of experience and a proven track record as Representative Director and President of Japan Radio Co., Ltd. and has excellent insight into business management in Japan and overseas. The Company considers him able to completely fulfill the responsibilities of a Director of the Company from an objective viewpoint independent from the business execution of the Company. Accordingly, the Company has nominated him as candidate for Director.</p> <p>(Special interests between the candidate and the Company)</p> <p>Mr. Kenji Ara is Representative Director and President of Japan Radio Co., Ltd., the parent company of the Company. The Company conducts transactions with Japan Radio such as the sale and purchase of products.</p> <p>(Summary of the contents of the limited liability agreement)</p> <p>The Company executed a limited liability agreement with Mr. Kenji Ara that limits his liability for damage stipulated in Article 423, Paragraph 1 of the Companies Act to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act. If his reelection is approved, the Company will continue such limited liability agreement with him.</p>			



Candidate No.	Name (Date of birth)	Past experience and position in Company (Significant concurrent positions)	Number of Company shares owned
	(New candidate)  Satoru Taji (Dec. 12, 1957)	Apr. 1981    Joined Ricoh Company, Ltd.  Apr. 2008    Head of Imaging System LSI Development Center, Electronic Devices Company of Ricoh  Oct. 2011    Head of 2nd Design Office of Ricoh  Apr. 2014    Group President of Ricoh  Oct. 2014    Director of Ricoh Electronic Devices Co., Ltd.  Apr. 2015    Group Corporate Vice President of Ricoh  Apr. 2015    President & Representative Director of Ricoh Electronic Devices Co., Ltd. (current position)	– shares
7	<p>(Reasons for nomination as candidate for Director)</p> <p>Mr. Satoru Taji has a wealth of experience and a proven track record as Representative Director and President of Ricoh Electronic Devices Co., Ltd. and has excellent insight into business management in Japan and overseas. The Company considers him able to completely fulfill the responsibilities of a Director of the Company from an objective viewpoint independent from the business execution of the Company. Accordingly, the Company has nominated him as candidate for Director.</p> <p>(Special interests between the candidate and the Company)</p> <p>Mr. Satoru Taji is Representative Director and President of Ricoh Electronic Devices Co., Ltd., the parent company of the Company. The Company conducts transactions with Ricoh Electronic Devices such as the sale and purchase of products.</p> <p>(Summary of the contents of the limited liability agreement)</p> <p>If Mr. Satoru Taji is elected, Company intends to execute with him a limited liability agreement that limits his liability for damage stipulated in Article 423, Paragraph 1 of the Companies Act to the minimum liability amount stipulated in Article 425, Paragraph</p>		

	1 of the Companies Act.
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Candidate No.	Name (Date of birth)	Past experience and position in Company (Significant concurrent positions)	Number of Company shares owned
	(Candidate for outside Director)  Kenichiro Tanaka (Apr. 30, 1946)	Apr. 1972 Registered as lawyer (Tokyo Bar Association); Sinjuku Law Office  Apr. 1982 Ogura Tanaka Law Office (currently Hibiki Law Office) (current position)  Jun. 2011 Outside Director of the Company (current position)	– shares
8	<p>(Reason for nomination as candidate for outside Director)</p> <p>The Company has judged that Mr. Kenichiro Tanaka is utilizing his expert standpoint and broad expertise as a lawyer in supervising the Company's management; accordingly, the Company has nominated him as candidate for outside Director again.</p> <p>(Matters regarding independent officer)</p> <p>The Company has registered Mr. Kenichiro Tanaka as an independent officer with the Tokyo Stock Exchange. If his reelection is approved, the Company intends to maintain such registration.</p> <p>(Summary of the contents of the limited liability agreement)</p> <p>The Company executed a limited liability agreement with Mr. Kenichiro Tanaka that limits his liability for damage stipulated in Article 423, Paragraph 1 of the Companies Act to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act. If his reelection is approved, the Company will continue such limited liability agreement with him.</p> <p>(Term served as outside Director)</p> <p>Mr. Kenichiro Tanaka currently serves as an outside Director of the Company, and at the close of this General Meeting of Shareholders, he will have served seven years in office.</p>		

Candidate No.	Name (Date of birth)	Past experience and position in Company (Significant concurrent positions)	Number of Company shares owned	
9	(Candidate for outside Director)  Kazuo Toyama (Nov. 6, 1948)	Apr. 1974	Joined Sumitomo Metal Industries, Ltd. (currently Nippon Steel & Sumitomo Metal Corporation)	– shares
		Jul. 1995	Manager of Mechanical Systems Research & Development Laboratories of General Technical Research Center of Sumitomo Metal Industries, Ltd.	
		Dec. 2000	Director and General Manager of R&D Laboratories of Sumitomo Metals (Kokura), Ltd.	
		Apr. 2002	Managing Director of Sumitomo Metal Kokura	
		Apr. 2005	Managing Executive Officer and Center Director of General Technical Research Center of Sumitomo Metal Industries, Ltd.	
		Apr. 2008	Senior Executive Officer of Nippon Steel & Sumikin Stainless Steel Corporation	
		Jun. 2008	Director and Senior Executive Officer of Nippon Steel & Sumikin Stainless Steel Corporation	
		Apr. 2009	Representative Director and Executive Vice President of Nippon Steel & Sumikin Stainless Steel Corporation	
		Apr. 2013	Corporate Advisory Officer of Nippon Steel & Sumikin Stainless Steel Corporation	
		Jun. 2016	Outside Director of the Company (current position)	
(Reason for nomination as candidate for outside Director)				
Mr. Kazuo Toyama has served as a Director of other companies in the past, and the				

	<p>Company has judged that he will utilize his wealth of experience and knowledge as a Director in the management of the Company; accordingly, the Company has nominated him as candidate for outside Director again.</p> <p>(Matters regarding independent officer)</p> <p>The Company has registered Mr. Kazuo Toyama as an independent officer with the Tokyo Stock Exchange. If his reelection is approved, the Company intends to maintain such registration.</p> <p>(Summary of the contents of the limited liability agreement)</p> <p>The Company executed a limited liability agreement with Mr. Kazuo Toyama that limits his liability for damage stipulated in Article 423, Paragraph 1 of the Companies Act to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act. If his reelection is approved, the Company will continue such limited liability agreement with him.</p> <p>(Term served as outside Director)</p> <p>Mr. Kazuo Toyama currently serves as an outside Director of the Company, and at the close of this General Meeting of Shareholders, he will have served two years in office.</p>
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Note: There are no special interests between each candidate and the Company.

4th Proposal: Election of 1 Substitute Audit & Supervisory Board Member

The Company hereby proposes to elect in advance one substitute Audit & Supervisory Board Member in order to prepare for a situation in which the number of Audit & Supervisory Board Members of the Company falls below the number prescribed by law and regulation.

The consent of the Audit & Supervisory Board has been obtained for this Proposal.

The candidate for substitute Audit & Supervisory Board Member is as follows.

Name (Date of birth)	Past experience and position in Company (Significant concurrent positions)	Number of Company shares owned
Yoshio Sato (Jan. 20, 1954)	Nov. 1977    Joined Nihombashi Corporation Certified Public Accountants  Apr. 1981    Registered as certified public accountant  Apr. 1981    Registered as certified public tax accountant  May 1981    Joined Kazuyoshi Akiyama CPA and CPTA Office  Jun. 1982    Joined Fuji Accounting Office  Jul. 2006    Representative Member, Fuji Accounting Office  Jun. 2007    Representative Member, Kisaragi Audit Corporation (current position)	– shares
(Reasons for nomination as candidate for substitute Audit & Supervisory Board Member) Mr. Yoshio Sato has a wealth of insight and experience regarding finances and accounting as a certified public accountant and certified public tax accountant, and the Company expects that he will utilize that insight and experience in auditing the Company; accordingly, the Company has nominated him as candidate for substitute outside Audit & Supervisory Board		

Member.

(Summary of the contents of the limited liability agreement)

If Mr. Yoshio Sato takes office as an outside Audit & Supervisory Board Member, the Company intends to execute with him a limited liability agreement provided for in Article 423, Paragraph 1 of the Companies Act.

Note: There are no special interests between the candidate and the Company.

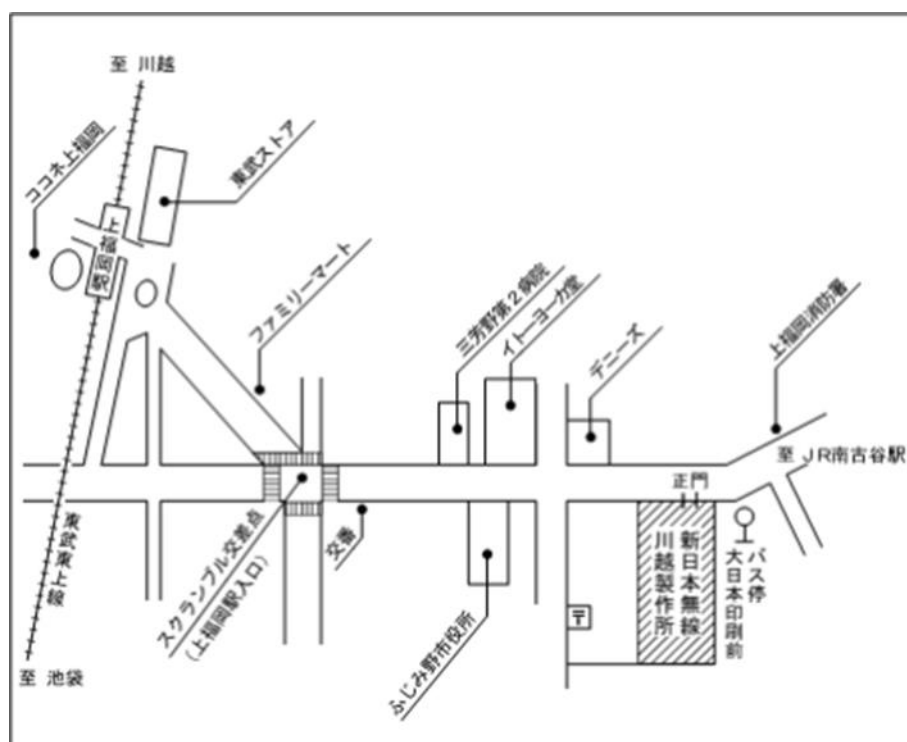
End

## Map of the meeting venue of the Ordinary General Meeting of Shareholders

1-1, Fukuoka 2-chome, Fujimino-shi,  
Saitama

Conference room at the Company's  
Kawagoe Works

(TEL 049-264-2111)



- 15-minute walk from the east exit of Kami-Fukuoka Station on the Tobu Tojo Line (about 1.3 km to the entrance of the meeting venue)
- 10 minutes on the Furu 01 route bus headed for Kami-Akasaka from Minami-Furuya Station on the JR Kawagoe Line. Get off the bus at Dai Nippon Insatsu-Mae, then 1-minute walk (about 0.1 km to the entrance of the meeting venue)