

IMPORTANT NOTICE

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Securities Code: 1893
June 6, 2017

To Shareholders with Voting Rights

Takuzo Shimizu
President, Chief Executive Officer &
Representative Director
PENTA-OCEAN CONSTRUCTION CO., LTD.
2-8 Koraku 2-chome, Bunkyo-ku, Tokyo, Japan

NOTICE OF THE 67TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 67th Ordinary General Meeting of Shareholders of the PENTA-OCEAN CONSTRUCTION CO., LTD. (the "Company"). The meeting will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights either in writing (mail) or electromagnetic method (the Internet). Please review the Reference Documents for the General Meeting of Shareholders to complete the exercise of your voting rights in accordance with the guidance hereinafter no later than 6:00 p.m., Japan Standard Time (JST) on Monday, June 26, 2017.

- 1. Date and Time:** Tuesday, June 27, 2017 at 10:00 a.m., JST
(The reception will begin at 9:00 a.m.)
- 2. Place:** Conference Room, 11th Floor at the Head Office of the Company
2-8 Koraku 2-chome, Bunkyo-ku, Tokyo, Japan
- 3. Agenda of the Meeting:**
Matters to be reported:
 1. The Business Report, the Consolidated Financial Statements, and the audit results of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 67th Fiscal Year (from April 1, 2016 to March 31, 2017).
 2. The Non-consolidated Financial Statements for the 67th Fiscal Year (from April 1, 2016 to March 31, 2017).
Proposals to be resolved:
 - Proposal No. 1:** Appropriation of Retained Earnings
 - Proposal No. 2:** Election of Eleven (11) Members of the Board
 - Proposal No. 3:** Introduction of a Performance-Based Stock Compensation Program for Members of the Board

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- ◎ Subsequent amendments to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements and the Non-consolidated Financial Statements (if any) will be listed on the Company's website (<http://www.penta-ocean.co.jp/>).
 - ◎ Of the documents to be included with this notice, the "Notes to the Consolidated Financial Statements" and the "Notes to the Non-consolidated Financial Statements" are posted on the Company's website (<http://www.penta-ocean.co.jp/>) pursuant to laws and regulations and the Articles of Incorporation, and are not included in the attached documents of this notice. Furthermore, the attached documents of this notice and the documents listed on the website above are the documents that were audited by the audit & supervisory board member and the accounting auditor during preparation of the audit report and the accounting auditor's report, respectively.

Guidance for Exercise of Voting Rights

Voting rights for the General Meeting of Shareholders may be exercised by either of the following methods.

If attending the General Meeting of Shareholders

Please bring the enclosed Voting Rights Exercise Form with you and submit it to the reception desk.

(If attending on the day of the meeting, exercise procedures for voting rights by mail (Voting Rights Exercise Form) or the Internet are not required.)

Date and time of General Meeting of Shareholders: Tuesday, June 27, 2017 at 10:00 a.m., JST

If not attending the General Meeting of Shareholders

● If exercising Voting Rights in writing via mail

Please indicate your vote for or against each proposal by marking a circle on the enclosed Voting Rights Exercise Form and return it so that it is received by the shareholder registry administrator of the Company.

Voting rights exercise deadline: Arrival by Monday, June 26, 2017 at 6:00 p.m., JST

● Exercise of Voting Rights via the Internet

Please use the “Voting Rights Exercise Code” and “Password” printed on the right of the Voting Rights Exercise Form on the Voting Rights Exercise Website (<http://www.it-soukai.com/>) and follow the instructions on the screen to input your vote for or against the proposals.

Voting rights exercise deadline: Monday, June 26, 2017 at 6:00 p.m., JST

For details, please review the “Guidance for Exercise of Voting Rights via the Internet” on the following page.

Contact Information

If you have any inquiries, please contact the Company’s Shareholder Registry Administrator, “Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd” (below).

(1) Issues related to operation of the Voting Rights Exercise Website:

Toll-free in Japan **0120-768-524**
(Operating hours: 9:00 a.m. to 9.00 p.m., JST, weekdays)

(2) For other inquiries relating to share administration:

Toll-free in Japan **0120-288-324**
(Operating hours: 9:00 a.m. to 5.00 p.m., JST, weekdays)

[For institutional investors]

In addition to the method to exercise your voting rights via the Internet as described above, the online voting platform operated by ICJ, Inc. will be available if applied in advance.

Guidance for Exercise of Voting Rights via the Internet

- (1) You can exercise your voting rights via the Internet through the Company's designated "Voting Rights Exercise Website" (the URL below) instead of the paper ballot. Please log in to the system using the "Voting Rights Exercise Code" and "Password" printed on the right of the enclosed Voting Rights Exercise Form and follow the instructions on the screen to input. In order to maintain security, users will be prompted to change the Password when logging in to the system for the first time.

Voting Rights Exercise Website	http://www.it-soukai.com/
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- (2) You will need to exercise your voting rights via the Internet by completing the process by 6:00 p.m., JST on Monday, June 26, 2017. Your exercise at the earliest opportunity is advised.
- (3) If you exercise your voting rights both by the Voting Rights Exercise Form and via the Internet, the exercise through the Internet shall be deemed to be effective. If you exercise your voting rights more than once through the Internet, the last vote shall be deemed to be effective.
- (4) The Password (including the Password you changed) is valid only for this Ordinary General Meeting of Shareholders. A new Password will be issued at the time of the next meeting.
- (5) Fees for connecting to the Internet would be at your own expense.

(Important Notice)

- The Password is the method to verify whether the person voting is a legitimate shareholder. The Company will never ask shareholders to provide their Passwords.
- The Password will be locked and suspended when entered incorrectly for a certain number of times. Please follow the instruction on the screen when the Password is locked.
- Although the Voting Rights Exercise Website has been tested of operation with general internet connecting devices, the system may not be available depending on the device you use.

Reference Documents for the General Shareholders' Meeting

Proposals and References

Proposal No. 1: Appropriation of Retained Earnings

Our basic policies are to increase earning power and enhance corporate value by forward-looking reinforcement of business infrastructure and implementation of technology development and capital investment, as well as to distribute stable dividends continuously to shareholders.

The Company proposes appropriation of retained earnings as follows in comprehensive consideration of business results for the fiscal year under review, the degree of soundness of the Company's financial standing, and future business expansion, etc.

1. Year-end Dividend

- (1) Type of dividend property
Cash
- (2) Allocation of dividend property and total amount
¥12 per common stock of the Company
¥3,430,839,552 in total
- (3) Effective date of dividend payment
June 28, 2017

2. Other Appropriation of Retained Earnings

- (1) Item and the amount of retained earnings to be increased
General reserve: ¥10,000,000,000
- (2) Item and the amount of retained earnings to be decreased
Retained earnings carried forward: ¥10,000,000,000

Proposal No. 2: Election of Eleven (11) Members of the Board

The term of office of all ten (10) members of the board will expire at the close of this Ordinary General Meeting of Shareholders. Accordingly, adding one (1) independent outside member of the board to further enhance and strengthen corporate governance, the Company proposes the election of a total of eleven (11) members of the board.

The candidates are as follows:

Candidate No.	Name	Current positions and titles at the Company
1	<u>Reappointment</u> Takuzo Shimizu	President, Chief Executive Officer and Representative Director
2	<u>Reappointment</u> Kunihiko Sasaki	Executive Vice President, Representative Director
3	<u>Reappointment</u> Kazuya Ueda	Executive Vice President, Representative Director
4	<u>Reappointment</u> Akihiko Togo	Executive Vice President, Member of the Board
5	<u>Reappointment</u> Yuji Nakamitsu	Senior Managing Executive Officer, Member of the Board
6	<u>Reappointment</u> Tetsushi Noguchi	Managing Executive Officer, Member of the Board
7	<u>Reappointment</u> Michio Inatomi	Managing Executive Officer, Member of the Board
8	<u>New appointment</u> Hiroshi Watanabe	Managing Executive Officer
9	<u>Reappointment</u> <u>Outside</u> <u>Independent</u> Yasuhiro Kawashima	Outside Member of the Board
10	<u>New appointment</u> <u>Outside</u> <u>Independent</u> Hidenori Takahashi	
11	<u>New appointment</u> <u>Outside</u> <u>Independent</u> Naoki Furuya	

Candidate No.	Name (Date of birth)	Career summary, positions, and assignments	Number of shares of the Company held
1	Takuzo Shimizu (June 8, 1958) <u>Reappointment</u>	<p>April 1983 Joined the Company</p> <p>April 2009 Executive Officer</p> <p> General Manager of Nagoya Branch</p> <p>April 2012 Managing Executive Officer, Head of Civil Engineering Sales and Marketing Divisions Group, Civil Engineering Business Unit</p> <p>June 2012 Managing Executive Officer, Member of the Board, same as above</p> <p>April 2013 Senior Managing Executive Officer, Member of the Board, same as above</p> <p>April 2014 Executive Vice President, Representative Director</p> <p>June 2014 President, Chief Executive Officer and Representative Director (to the present)</p> <p>May 2016 Chairman, Japan Dredging and Reclamation Engineering Association (to the present)</p> <p>■ Status of important concurrent positions Chairman, Japan Dredging and Reclamation Engineering Association</p> <p>■ Reasons for selection as a candidate for Member of the Board Mr. Takuzo Shimizu has a wealth of operational experience mainly regarding civil engineering business and corporate planning of the Company. After being appointed President in June 2014, he has promoted corporate strategy with the aim of improving corporate value as top management. The Company believes that he can continue to draw on his wealth of experience and knowledge of duties in management.</p> <p>■ Attendance at the board meetings during the fiscal year 100% (23 meetings out of 23 meetings)</p>	45,600 shares

Candidate No.	Name (Date of birth)	Career summary, positions, and assignments	Number of shares of the Company held
2	Kunihiko Sasaki (August 6, 1951) <u>Reappointment</u>	<p>April 1974 Joined the Company</p> <p>April 2006 Executive Officer, General Manager, Head of Human Resources Division, Executive General Manager, Deputy Head of General Affairs Division Group</p> <p>June 2008 Executive Officer, Member of the Board, General Manager, Head of Human Resources Division, Executive General Manager, Deputy Head of Corporate Administration Divisions Group</p> <p>April 2011 Managing Executive Officer, Member of the Board, Head of Corporate Administration Divisions Group, Head of CSR Planning Office, Executive of Human Resources Division</p> <p>April 2012 Senior Managing Executive Officer, Member of the Board, Head of Corporate Administration Divisions Group, Head of CSR Planning Office</p> <p>June 2014 Executive Vice President, Representative Director, Head of Corporate Administration Divisions Group, Head of CSR Planning Office, Executive of Environment Health, Safety and Quality Division</p> <p>April 2016 Executive Vice President, Representative Director</p> <p>July 2016 Same as above, Executive of Audit Division (to the present)</p> <p>■ Reasons for selection as a candidate for Member of the Board Mr. Kunihiko Sasaki has a wealth of operational experience regarding corporate administration such as accounting and human resources of the Company. The Company believes that he can continue to draw on his ample experience and knowledge of duties in management as member of the board.</p> <p>■ Attendance at the board meetings during the fiscal year 100% (23 meetings out of 23 meetings)</p>	73,400 shares

Candidate No.	Name (Date of birth)	Career summary, positions, and assignments	Number of shares of the Company held
3	Kazuya Ueda (August 2, 1958) <u>Reappointment</u>	<p>April 1983 Joined the Company</p> <p>April 2011 Executive Officer, Executive General Manager, Deputy Head of Civil Engineering Sales and Marketing Divisions Group, Civil Engineering Business Unit</p> <p>April 2013 Managing Executive Officer, Executive General Manager, Deputy Head of Civil Engineering Sales and Marketing Divisions Group, Civil Engineering Business Unit Executive of 2020 Business Development Office</p> <p>April 2014 Managing Executive Officer, Head of Civil Engineering Sales and Marketing Divisions Group, Civil Engineering Business Unit Executive of 2020 Business Development Office</p> <p>June 2014 Managing Executive Officer, Member of the Board, same as above</p> <p>April 2015 Senior Managing Executive Officer, Member of the Board, Head of Civil Engineering Sales and Marketing Divisions Group, Civil Engineering Business Unit</p> <p>April 2017 Executive Vice President, Representative Director Executive of Civil Engineering Business Unit Head of Civil Engineering Sales and Marketing Divisions Group, Civil Engineering Business Unit (to the present)</p> <p>■ Reasons for selection as a candidate for Member of the Board Mr. Kazuya Ueda has a wealth of operational experience regarding civil engineering business, etc., of the Company. The Company believes that he can continue to draw on his ample experience and knowledge of duties in management as member of the board.</p> <p>■ Attendance at the board meetings during the fiscal year 100% (23 meetings out of 23 meetings)</p>	12,100 shares

Candidate No.	Name (Date of birth)	Career summary, positions, and assignments	Number of shares of the Company held
4	Akihiko Togo (November 16, 1953) <u>Reappointment</u>	<p>April 1976 Joined the Company</p> <p>April 2008 Executive Officer, Executive General Manager, Deputy Head of International Business Divisions Group, General Manager of Singapore Branch, General Manager of Indonesia Branch</p> <p>April 2011 Managing Executive Officer, Deputy Head of International Business Divisions Group General Manager of World Operations Center, International Business Divisions Group General Manager of Singapore Branch</p> <p>April 2013 Managing Executive Officer, Senior Executive General Manager, Head of International Business Divisions Group</p> <p>April 2014 Senior Managing Executive Officer, same as above</p> <p>April 2015 Senior Managing Executive Officer, Head of International Business Unit</p> <p>June 2015 Senior Managing Executive Officer, Member of the Board, Head of International Business Unit</p> <p>April 2017 Executive Vice President, Member of the Board Executive of International Business Unit (to the present)</p> <p>■ Reasons for selection as a candidate for Member of the Board Mr. Akihiko Togo has a wealth of operational experience regarding overseas business, etc., of the Company. The Company believes that he can continue to draw on his ample experience and knowledge of duties in management as member of the board.</p> <p>■ Attendance at the board meetings during the fiscal year 100% (23 meetings out of 23 meetings)</p>	10,700 shares

Candidate No.	Name (Date of birth)	Career summary, positions, and assignments	Number of shares of the Company held
5	Yuji Nakamitsu (August 1, 1958) <u>Reappointment</u>	<p>April 1981 Joined the Company</p> <p>April 2011 Executive Officer, Deputy General Manager of Tokyo Building Construction Branch</p> <p>June 2012 Executive Officer, Member of the Board, Head of Building Construction Divisions Group, Building Construction Business Unit Executive of Environment Health, Safety and Quality Divisions Group</p> <p>April 2014 Managing Executive Officer, Member of the Board, Head of Building Construction Sales and Marketing Divisions Group, Building Construction Business Unit</p> <p>April 2016 Senior Managing Executive Officer, Member of the Board, Head of Building Construction Sales and Marketing Divisions Group, Building Construction Business Unit Executive of Environment Health, Safety and Quality Divisions Group</p> <p>April 2017 Senior Managing Executive Officer, Member of the Board, Head of Building Construction Divisions Group, Building Construction Business Unit Executive of Environment Health, Safety and Quality Divisions Group (to the present)</p> <p>■ Reasons for selection as a candidate for Member of the Board Mr. Yuji Nakamitsu has a wealth of operational experience regarding the building construction business, etc., of the Company. The Company believes that he can continue to draw on his ample experience and knowledge of duties in management as member of the board.</p> <p>■ Attendance at the board meetings during the fiscal year 100% (23 meetings out of 23 meetings)</p>	20,500 shares

Candidate No.	Name (Date of birth)	Career summary, positions, and assignments	Number of shares of the Company held
6	Tetsushi Noguchi (September 11, 1960) <u>Reappointment</u>	<p>April 1983 Joined the Company</p> <p>April 2012 Executive Officer, General Manager of Nagoya Branch</p> <p>April 2014 Executive Officer, Senior Executive General Manager, Deputy Head of Civil Engineering Divisions Group, Civil Engineering Business Unit Executive of Institute of Technology, Executive of R&D Strategy Planning Office</p> <p>June 2014 Executive Officer, Member of the Board Deputy Head of Civil Engineering Divisions Group, Civil Engineering Business Unit Executive of Institute of Technology, Executive of R&D Strategy Planning Office</p> <p>April 2016 Managing Executive Officer, Member of the Board, Head of Civil Engineering Divisions Group, Civil Engineering Business Unit Executive of Environment Health, Safety and Quality Divisions Group Executive of Institute of Technology Executive of R&D Strategy Planning Office</p> <p>April 2017 Managing Executive Officer, Member of the Board, Head of Civil Engineering Divisions Group, Civil Engineering Business Unit Executive of Environment Health, Safety and Quality Divisions Group Executive of R&D Strategy Planning Office (to the present)</p> <p>■ Reasons for selection as a candidate for Member of the Board Mr. Tetsushi Noguchi has a wealth of operational experience regarding civil engineering business, etc., of the Company. The Company believes that he can continue to draw on his ample experience and knowledge of duties in management as member of the board.</p> <p>■ Attendance at the board meetings during the fiscal year 100% (23 meetings out of 23 meetings)</p>	7,100 shares

Candidate No.	Name (Date of birth)	Career summary, positions, and assignments	Number of shares of the Company held
7	Michio Inatomi (July 16, 1961) <u>Reappointment</u>	<p>April 1984 Joined the Company</p> <p>April 2012 General Manager, Head of Corporate Planning Division, Corporate Administration Divisions Group</p> <p>April 2014 Executive Officer, Executive General Manager, Deputy Head of Corporate Administration Divisions Group</p> <p>June 2014 Head of Corporate Planning Division, Corporate Administration Divisions Group</p> <p>June 2014 Executive Officer, Member of the Board, Executive General Manager, Deputy Head of Corporate Administration Divisions Group</p> <p>April 2016 General Manager, Head of Corporate Planning Division, Corporate Administration Divisions Group</p> <p>April 2016 Executive Officer, Member of the Board, Head of Corporate Administration Divisions Group</p> <p>April 2017 Head of CSR Planning Office</p> <p>April 2017 Managing Executive Officer, Member of the Board, same as above (to the present)</p> <p>■ Reasons for selection as a candidate for Member of the Board</p> <p>Mr. Michio Inatomi has a wealth of operational experience regarding finance and corporate planning, etc., of the Company. The Company believes that he can continue to draw on his ample experience and knowledge of duties in management as member of the board.</p> <p>■ Attendance at the board meetings during the fiscal year 100% (23 meetings out of 23 meetings)</p>	9,500 shares
8	Hiroshi Watanabe (March 16, 1960) <u>New appointment</u>	<p>April 1984 Joined the Company</p> <p>April 2012 Deputy Head of Building Construction Sales and Marketing Divisions Group, Building Construction Business Unit</p> <p>April 2015 Executive Officer, Deputy Head of Building Construction Sales and Marketing Divisions Group, Building Construction Business Unit</p> <p>April 2017 Managing Executive Officer, Head of Building Construction Sales and Marketing Divisions Group, Building Construction Business Unit (to the present)</p> <p>■ Reasons for selection as a candidate for Member of the Board</p> <p>Mr. Hiroshi Watanabe has a wealth of operational experience regarding the building construction business, etc., of the Company. The Company believes that he can draw on his ample experience and knowledge of duties in management as member of the board.</p>	15,200 shares

Candidate No.	Name (Date of birth)	Career summary, positions, and assignments	Number of shares of the Company held
9	Yasuhiro Kawashima (August 18, 1944) <u>Reappointment</u> <u>Outside</u> <u>Independent</u>	<p>April 1969 Joined Ministry of Transport (currently Ministry of Land, Infrastructure, Transport and Tourism)</p> <p>June 1998 Bureau Manager, Ports and Harbours Bureau</p> <p>June 2000 Minister's Secretariat, Deputy Minister for Technical Affairs</p> <p>January 2001 Minister's Secretariat, Deputy Minister for Technical Affairs, Ministry of Land, Infrastructure, Transport and Tourism</p> <p>July 2001 President, Service Center of Port Construction Engineering (currently Service Center of Port Engineering)</p> <p>March 2004 Advisor, Nippon Steel Corporation (currently NIPPON STEEL & SUMITOMO METAL CORPORATION)</p> <p>May 2005 Chairman, FEDERATION OF JAPAN PORTS AND AIRPORTS CONSTRUCTION ASSOCIATION</p> <p>May 2006 Chairman, Japan Marine Surveys Association (to the present)</p> <p>July 2006 Advisor, Nippon Steel Engineering Co., Ltd. (currently NIPPON STEEL & SUMIKIN ENGINEERING CO., LTD.)</p> <p>June 2016 Outside Member of the Board, the Company (to the present)</p> <p>■ Status of important concurrent positions Chairman, Japan Marine Surveys Association</p> <p>■ Reasons for selection as a candidate for Outside Member of the Board As Mr. Yasuhiro Kawashima has a wealth of experience at the top of organizations such as the Bureau Manager of the Ports and Harbours Bureau, and has advanced insight and specialized knowledge regarding the construction industry and port and harbor construction technology, the Company believes that he can continue to adequately fulfill the role of supervising the determination of important matters in the Company's management and business execution, etc.</p> <p>■ Attendance at the board meetings during the fiscal year (after assumption of office) 100% (18 meetings out of 18 meetings)</p> <p>■ Years served as Member of the Board at the close of this General Meeting of Shareholders One year</p>	600 shares

Candidate No.	Name (Date of birth)	Career summary, positions, and assignments	Number of shares of the Company held
10	<p>Hidenori Takahashi (August 26, 1951)</p> <p><u>New appointment</u></p> <p><u>Outside</u></p> <p><u>Independent</u></p>	<p>November 1977 Joined Musashi Audit Corporation (currently Ernst & Young ShinNihon LLC)</p> <p>August 1982 Registered as a certified public accountant</p> <p>August 1991 Representative Partner, Century Audit Corporation (currently Ernst & Young ShinNihon LLC)</p> <p>June 2006 Executive Director, Shin Nihon & Co. (currently Ernst & Young ShinNihon LLC)</p> <p>August 2008 Senior Executive Board Member, Ernst & Young ShinNihon LLC</p> <p>July 2010 Chief Executive, The Japanese Institute of Certified Public Accountants</p> <p>August 2010 Senior Advisor, Senior Partner, Ernst & Young ShinNihon LLC</p> <p>June 2014 Resigned from Ernst & Young ShinNihon LLC</p> <p>September 2014 Executive Director, Professional Standards and Services, The Japanese Institute of Certified Public Accountants (to the present, scheduled to retire on June 21, 2017)</p> <p>■ Reasons for selection as a candidate for Outside Member of the Board</p> <p>As Mr. Hidenori Takahashi has a wealth of experience and knowledge regarding business management at audit corporations and as a certified public accountant, the Company believes that he can adequately fulfill the role of supervising the determination of important matters in the Company's management and business execution, etc. Although Mr. Hidenori Takahashi has been engaged in the business execution of Ernst & Young ShinNihon LLC, the Accounting Auditor of the Company, retired from the said auditing firm in June 2014.</p>	0 shares

Candidate No.	Name (Date of birth)	Career summary, positions, and assignments	Number of shares of the Company held
11	Naoki Furuya (July 28, 1952) New appointment Outside Independent	<p>April 1976 Joined Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.)</p> <p>April 2005 Executive Officer, Mizuho Trust & Banking Co., Ltd.</p> <p>June 2007 Executive Managing Director</p> <p>June 2008 Audit & Supervisory Board Member, Mizuho Research Institute Ltd.</p> <p>June 2009 Managing Director and Managing Executive Officer, Fuyo General Lease Co., Ltd.</p> <p>June 2011 Audit & Supervisory Board Member, Japan Carlit Co., Ltd. Outside Audit & Supervisory Board Member, DC Co., Ltd.</p> <p>October 2013 Audit & Supervisory Board Member, Carlit Holdings Co., Ltd. (to the present, scheduled to retire on June 29, 2017)</p> <p>■ Status of important concurrent positions Outside Director, Tokyo Small and Medium Business Investment & Consultation Co., Ltd. (scheduled to be appointed on June 16, 2017)</p> <p>■ Reasons for selection as a candidate for Outside Member of the Board As Mr. Naoki Furuya has a wealth of experience and knowledge regarding corporate management through serving as Director of Mizuho Trust & Banking Co., Ltd. and Fuyo General Lease Co., Ltd., the Company believes that he can adequately fulfill the role of supervising the determination of important matters in the Company's management and business execution, etc.</p>	0 shares

- Notes: 1. No special interest exists between the Company and the above candidates for member of the board.
2. Mr. Yasuhiro Kawashima, Mr. Hidenori Takahashi and Mr. Naoki Furuya are candidates for outside members of the board as defined by the Companies Act. Furthermore, if Proposal No. 2 is approved, the Company plans to conclude agreements to limit liability for damages with Mr. Yasuhiro Kawashima, Mr. Hidenori Takahashi and Mr. Naoki Furuya based on Article 29, Paragraph 2 of the Articles of Incorporation of the Company. However, the amount of the limit for liability for damages under this agreement shall be the minimum amount for liability as defined by Article 425, Paragraph 1 of the Companies Act.
3. Mr Yasuhiro Kawashima is an independent director / auditor according to the standards defined by securities exchanges, and should his election be approved as proposed, the Company plans for him to continue being an independent director / auditor. Furthermore, if the elections of Mr. Hidenori Takahashi and Mr. Naoki Furuya are approved as proposed, the Company plans for them to newly become independent directors / auditors. In addition to the standards defined by securities exchanges, each person satisfies the standards of independence defined by the Company. The standards of determining independence for outside officers defined by the Company are provided on page 16.

(Reference)

Standards of Determining Independence for Outside Officers

Independent outside member of the board and independent outside audit & supervisory board member of the Company (hereinafter the “Outside Officers”) are defined as persons to which none of the following apply.

- 1) Those who are a business executive (*1) or was a business executive of the Company or an affiliate of the Company (hereinafter the “Group”)
- 2) Those who are or was within the past five (5) years a major shareholder (*2) of the Company or a member of the board, audit & supervisory board member, accounting advisor, or business executive of the parent company or significant subsidiary thereof
- 3) Those who are a member of the board, audit & supervisory board member, accounting advisor, or business executive of a company of which the Company is currently a major shareholder
- 4) Those who are or was within the past three (3) fiscal years an entity that holds or held the Group as a major transaction partner (*3) or a business executive of the parent company or significant subsidiary thereof
- 5) Those who are or was within the past three (3) fiscal years a major transaction partner of the Company (*4) or a business executive of the parent company or significant subsidiary thereof
- 6) Those who are a business executive of an organization that receives a significant amount (*5) of donations from the Group
- 7) Those who are a company that receives member of the board (either full-time or part-time) from the Group or a member of the board, audit & supervisory board member, accounting advisor, or business executive of the parent company or significant subsidiary thereof
- 8) Those who are or was within the past three (3) years a significant creditor, etc., (*6) of the Company or a member of the board, audit & supervisory board member, accounting advisor, or business executive of the parent company or significant subsidiary thereof
- 9) Those who are a full-time employee, partner, or employee of the accounting firm that is the accounting auditor of the Company
- 10) Those who are a specialist such as a consultant, accountant, tax accountant, attorney, judicial scrivener, or patent attorney, etc., that receives a significant amount (*5) of cash or other property from the Group
- 11) Those who are a spouse, relative within the second degree of kinship, or shares living accommodations with an entity to which 1) to 10) above apply
- 12) Those who pose a constant and essential risk of conflict of interest with general shareholders of the Company for reasons other than the factors accounted for in each of the items above
- 13) Those who have served for a cumulative total of over eight (8) years in office as an outside officer of the Company

*1 An executive director, executive, executive officer, manager, or other employee of a corporation or other organization

*2 A shareholder holding a ratio of 10% or more of voting rights

*3 An entity that receives payment from the Group of 2% or more of its annual consolidated net sales in the most recent fiscal year

*4 An entity that makes payment to the Group of 2% or more of annual consolidated net sales of the Company for the most recent fiscal year

*5 An average of ¥10.0 million or more over the past three (3) fiscal years

*6 A financial institution or other large-scale creditor which the Company requires for fund procurement and is dependent upon to the extent that it is irreplaceable

(Enacted November 11, 2015)

Proposal No. 3: Introduction of a Performance-Based Stock Compensation Program for Members of the Board

1. Reasons for proposal

In this proposal, the Company seeks approval for introducing a new Performance-Based Stock Compensation Program “Board Benefit Trust” (hereinafter referred to as the “Program”) for Members of the Board of the Company.

This Program aims to clearly link compensation of the Members of the Board and Executive Officers (hereinafter referred to as “Members of the Board, etc.,” hereinafter the same unless otherwise provided) with the Company’s results of operations and its share value, and thereby increase the motivation of the Members of the Board, etc. to make contributions to improve the Company’s mid- and long-term performance and increase corporate value by not only sharing the benefits of increases in the stock price but also the risk of stock prices declining with shareholders.

In this proposal, the Company would like to provide new stock compensation to Members of the Board apart from the amount of compensation for Members of the Board (not more than ¥40 million per month) that was approved at the 52nd Ordinary General Meeting of Shareholders held on June 27, 2002, and seeks approval for the amount of compensation etc. Also, the Company proposes that details of the Program be determined by the Board of Directors within the framework outlined in 2. below.

Currently, there are ten (10) Members of the Board (of which two (2) are Outside Members of the Board) who are subject to the Program, and if Proposal No. 2 is approved and resolved as originally proposed, there will be eleven (11) Members of the Board (of which three (3) are Outside Members of the Board) who will be subject to the Program.

2. Amount of compensation, etc. under the Program and reference information

(1) Outline of the Program

The Program is a performance-based stock compensation program under which the Company’s shares will be acquired through a trust (the trust established under the Program is hereinafter referred to as the “Trust”) using money contributed by the Company as the source and the Company’s shares and the money equivalent to the market value of the Company’s shares (the “Company Shares, etc.”) will be delivered to the Members of the Board, etc. through the Trust in accordance with the Rules of the Stock Benefit Trust for Members of the Board, etc. established by the Company. The Members of the Board, etc., will receive the Company Shares, etc., in principle, upon their retirement from office.

(2) Individuals subject to the Program

Members of the Board and Executive Officers of the Company (the Program does not apply to Audit & Supervisory Board Members)

(3) Trust period

The period from August 2017 (planned) until the end of the Trust. (The Trust shall continue without determining a specific timeline as long as the Program exists. The Program shall be terminated when the Company’s stock is delisted or the Rules of the Stock Benefit Trust for Members of the Board, etc. are abolished, etc.)

(4) Amount of trust money (amount of compensation etc.)

Subject to the approval of the shareholders, the Company will introduce the Program to cover the three fiscal years from the fiscal year ending March 31, 2018 to that ending March 31, 2020 (hereinafter, the covered three-fiscal-year period shall be referred to as the “Initial Applicable Period,” and the Initial Applicable Period and the subsequent three-fiscal-year period that starts following the Initial Applicable Period each shall be referred to as the “Applicable Period”), and for each following Applicable Period. The Company will contribute the money as below to the Trust for the source of funds to acquire the Company’s shares through the Trust to deliver the Company Shares, etc. to the Members of the Board, etc.

At first, with regard to the necessary funds for the Initial Applicable Period, the Company will contribute ¥300 million (of which, ¥20 million for Outside Members of the Board, and ¥130 million for all other Members of the Board) to the Trust as the upper limit at the start of the trust period as described in (3) above.

Further, after the Initial Applicable Period, the Company will, in principle, make additional contributions to the Trust every Applicable Period, with ¥300 million (of which, ¥20 million for Outside Members of the Board, and ¥130 million for all other Members of the Board) as the upper limit for each Applicable Period, until the Program ends. Provided, however, that in cases where such additional contribution is made and the Company’s shares (excluding any undelivered portion of the Company’s shares corresponding to the number of points

granted to the Members of the Board, etc. pertaining to the immediately preceding Applicable Period) and money (hereinafter referred to as the “Remaining Stock, etc.”) remain within the trust assets, the total amounts of the Remaining Stock, etc. (for the Company’s shares, the amount of the Remaining Stock, etc. shall be the market value of the Company’s shares as of the last day of the preceding Applicable Period) and the additional contribution to the Trust shall not exceed ¥300 million (of which, ¥20 million for Outside Members of the Board, and ¥130 million for all other Members of the Board).

Note that during the Applicable Period, including the Initial Applicable Period, if the aggregate contribution amount is within range of achieving the upper limit mentioned above, the Company may divide it several times, and contribute the funds to the Trust. The Company will disclose in a timely and appropriate manner whenever it decides to make additional contributions.

(5) Method of acquiring the Company’s shares by the Trust and the number of shares to be acquired

The Trust will acquire the Company’s shares through the stock markets or disposal of treasury stock. New shares shall not be issued. Accordingly, in the event that the Company’s shares are acquired by the Trust, the Company’s total number of outstanding shares will not increase and there will be no dilution.

In the Initial Applicable Period, after setting up the Trust, an upper limit of 550,000 shares shall be acquired without delay using funds (upper limit of ¥300 million) contributed in accordance with (4) above.

Following the acquisition of the Company’s shares by the Trust, details shall be disclosed in an appropriate and timely manner.

(6) Calculation method of the Company’s Shares, etc. to be granted to the Members of the Board, etc.

For each fiscal year, the Company will award points to each Member of the Board, etc., which will be calculated based on the following formula, by taking into consideration the position and level of performance, etc.

Formula: position points x performance based coefficient (*1)

(*1) The performance based coefficient will be in accordance with a conversion table determined in advance by the Board of Directors, and will be decided based on evaluations of the Company’s performance in each fiscal year (order volume, operating income, cash flow, stock price, etc.) and progress of the Members of the Board, etc. achieving individual performance indicators. Individual performance indicators will not be included in determining the performance based coefficient for Outside Members of the Board.

One point awarded to the Members of the Board, etc., as described in (7) below, equates to one share of the Company’s common stock on the granting of Company Shares, etc. (Note that when the number of outstanding shares changes after this proposal is approved at this Ordinary General Meeting of Shareholders due to stock split, gratis allotment or reserve stock split, the Company shall reasonably adjust the upper limit of the number of points, number of points granted or exchange ratio, reflecting the change.)

For the award of Company Shares etc. in (7) below, the standard points for the Members of the Board, etc. shall in principle be the number of points awarded to eligible Members of the Board, etc. up until retirement (Points calculated based on this method are described as “fixed points” hereafter)

(7) Delivery of the Company Shares, etc.

In the event that a Member of the Board, etc. retires, in accordance with the Rules of the Stock Benefit Trust for Members of the Board, etc., the eligible Member of the Board, etc. shall receive from the Trust the Company’s shares corresponding to “fixed points” as determined based on (6) above after retirement. Provided, however, that as for a certain percentage of the Company’s shares which are supposed to be delivered, the Company may pay him/her money equivalent to the market value of such shares, instead of delivering them. Please note that the Trust may sell the Company’s shares to pay such money.

(8) Exercise of voting rights

Voting rights related to the Company’s shares held by the Trust shall not be exercised pursuant to the instructions of the trust administrator. In this way, the Trust will be able to ensure its neutrality in the Company’s management.

(9) Dividends

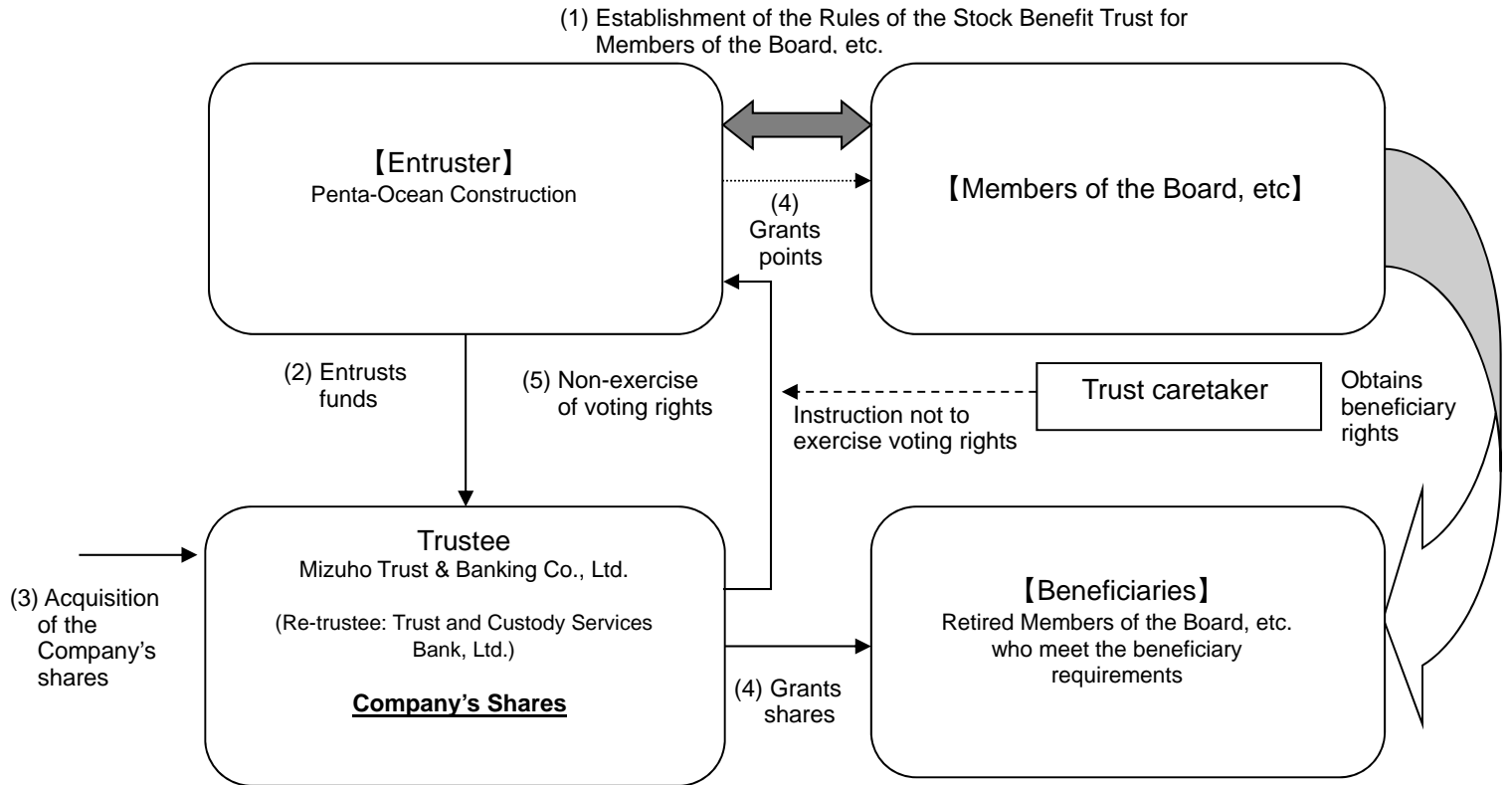
Dividends related to the Company’s shares held by the Trust shall be received by the Trust and used to acquire the Company’s shares or pay for the trustee’s compensation, etc. Any remaining dividends upon termination of the Trust will be paid to the Members of the Board, etc. in office at that time in accordance with the Rules of the Stock Benefit Trust for Members of the Board, etc. and prorated based on the number of points held by each Member of the Board, etc.

(10) Termination of the Trust

The Trust shall be terminated when the Company's stock is delisted or the Rules of the Stock Benefit Trust for Members of the Board, etc. are abolished, etc.

Of the residual assets in the Trust upon its termination, the Company's shares will be entirely acquired by the Company with no charge and be canceled pursuant to the resolution of the Board of Directors; and money excluding the portion paid to the Members of the Board, etc. as described in (9) above will be received by the Company.

<For reference, Structure of the Program>



- 1) The Company shall establish the Rules of the Stock Benefit Trust for Members of the Board, etc. within the framework of the approval for this proposal.
- 2) The Company entrusts funds in the range of the amount approved in this proposal.
- 3) The Trust uses the entrusted amount of funds as outlined in 2) above to acquire the Company's shares through the stock markets or disposals of treasury stock.
- 4) The Company awards points to Members of the Board, etc. based on the Rules of the Stock Benefit Trust for Members of the Board, etc.
- 5) Voting rights for the Company's shares held by the Trust account will not be exercised based on direction from the trust administrator, who is independent from the Company.
- 6) The Trust grants the Company's shares to retired Members of the Board, etc. in accordance with the Rules of the Stock Benefit Trust for Members of the Board, etc. based on the number of points they have been awarded. However, based on the Rules of the Stock Benefit Trust for Members of the Board, etc., the Company will pay, to a certain percentage of the points awarded, him/her money equivalent to the market value of such shares.