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Stock Code: 4626

June 1, 2017

To Our Shareholders:

Eiji Sato

President and CEO

TAIYO HOLDINGS CO., LTD.

2-7-1 Hazawa, Nerima-ku, Tokyo 176-8508, Japan

NOTICE OF 71ST ORDINARY GENERAL SHAREHOLDERS' MEETING

You are cordially invited to attend the 71st Ordinary General Shareholders' Meeting of Taiyo Holdings Co., Ltd. (the "Company"), which will be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights by postal mail, Internet, or other means.

Please review the attached Reference Documents for the General Shareholders' Meeting and exercise your voting rights no later than 5:00 p.m. on Tuesday, June 20, 2017 (Japan Standard Time).

Meeting Details

- 1. Date and Time:** Wednesday, June 21, 2017 at 10:00 a.m.
- 2. Venue:** Ballroom Fuji, 3F, Hotel Metropolitan Tokyo Ikebukuro
1-6-1 Nishi-Ikebukuro, Toshima-ku, Tokyo, Japan
(See the General Shareholders' Meeting Venue Diagram at the end)

3. Purpose:

Items to be reported:

1. Business Report and Consolidated Financial Statements for the 71st Period (from April 1, 2016 to March 31, 2017), and results of the audit of the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors
2. Non-Consolidated Financial Statements for the 71st Period (from April 1, 2016 to March 31, 2017)

Items to be resolved:

- Proposal 1:** Appropriation of Surplus
- Proposal 2:** Partial Amendment of the Articles of Incorporation (1)
- Proposal 3:** Partial Amendment of the Articles of Incorporation (2)
- Proposal 4:** Partial Amendment of the Articles of Incorporation (3)
- Proposal 5:** Partial Amendment of the Articles of Incorporation (4)
- Proposal 6:** Partial Amendment of the Articles of Incorporation (5)
- Proposal 7:** Election of Two (2) Directors
- Proposal 8:** Election of One (1) Alternate Audit & Supervisory Board Member
- Proposal 9:** Revision of the Compensation System for Directors

4. Exercise of Voting Rights

Institutional investors who have requested electronic exercise of voting rights in advance may use the Electronic Voting System Platform run by Investor Communications Japan (ICJ), which was established by Tokyo Stock Exchange Inc. in partnership with Broadridge Financial Solutions, Inc.

Reference Documents for the General Shareholders' Meeting

Proposal 1: Appropriation of Surplus

The Company regards profit distribution to shareholders in cash as an important policy and will effectuate a continuous, stable profit distribution at high levels. We use the dividend on equity ratio as our target index, and aim to keep this figure at a minimum of 5% of consolidated financial results for the mid-to long-term.

We intend to declare the following year-end dividends, based on this policy.

The year-end dividends for Series 1 Class A shares and Series 2 Class A shares will also be the same amount declared for common shares, as specified in the issuance guidelines for each class of shares.

(1) Dividend type

Cash

(2) Details of dividend allocation and total amount

65.10 yen per common share	Total dividends:	1,873,354,382 yen
65.10 yen per Series 1 Class A Company shares	Total dividends:	1,406,160 yen
65.10 yen per Series 2 Class A Company shares	Total dividends:	2,792,790 yen

(3) Effective distribution date for dividends of surplus

June 22, 2017

Annual dividends for the current term will be 120.10 yen per share, including an interim dividend of 55 yen per share which has already been distributed. This is a 10.10 yen increase compared to annual dividends per share last term.

Proposal 2: Partial Amendment of the Articles of Incorporation (1)

1. Reason for Proposal

A new purpose has been added to Article 2 of the current Articles of Incorporation in order for the Company and its subsidiaries to make the leap from being a company mainly engaged in the development and manufacture of solder resist for printed wiring board (PWB) to becoming a comprehensive chemical company engaged in business of inventing a wide range of products based on chemicals, and the necessary adjustments have been made to the numbering in this Article.

2. Description of Amendments

A description of the amendments is provided below.

(Amended parts are underlined)

Current Articles of Incorporation	Proposed Amendments
Article 1 (Article text omitted)	Article 1 (Same as current)
(Purpose)	(Purpose)
Article 2 <u>The purpose of the Company is to engage in the following businesses.</u>	Article 2 (Deleted)
<u>1.</u> The purpose of the Company is to hold shares in companies engaged in the following businesses to control and manage the business activities of such companies.	The purpose of the Company is to hold the shares <u>of or equity interest</u> in companies engaged in the following businesses <u>and all businesses incidental or related to such businesses</u> to control and manage the business activities of such companies, <u>and for the Company itself to engage in the following businesses and all businesses incidental or related to such businesses.</u>
<u>(1) Development, manufacture, and sale of printing ink and coatings for printed wiring boards (PWB), adhesives and applied products</u>	(Deleted)
<u>(2) Manufacture and sale of general printing ink and adjuvants</u>	(Deleted)
<u>(3) Manufacture and sale of chemicals for producing boards</u>	(Deleted)
<u>(4) Development, manufacture, and sale of synthetic resins for PWB electronic components</u>	(Deleted)
<u>(5) Purchase and sale of manufacturing equipment and accessories for PWB</u>	(Deleted)

Current Articles of Incorporation	Proposed Amendments
<p>(6) <u>Development, manufacture, and sale of inks, coatings, adhesives and applied products for plasma display panels and liquid crystal panels</u></p> <p>(New)</p> <p>(New)</p> <p>(New)</p> <p>(New)</p> <p>(New)</p> <p>(New)</p> <p>(New)</p> <p>(New)</p> <p>(New)</p> <p>(7) Real estate leasing and management</p> <p>(8) Businesses related to power generation with renewable energy, etc. and power supply, sale, etc.</p> <p>(9) Import/export relating to each the above items</p> <p>(10) All businesses incidental to the above items</p> <p><u>2. Directly engaging in each of the businesses above</u></p> <p>Articles 3 through 49 (text of articles omitted)</p>	<p>(Deleted)</p> <p>(1) <u>Businesses related to the development, manufacture, and sale of the following products</u></p> <p><u>1) Insulation materials and components for electronic devices and applied products</u></p> <p><u>2) Conductive materials and components for electronic devices and applied products</u></p> <p><u>3) General printing ink and adjuvants</u></p> <p><u>4) Dyes, pigments, coatings, adhesives, and solvents</u></p> <p><u>5) Pharmaceutical drugs, quasi-drugs, veterinary drugs, and cosmetics</u></p> <p><u>6) Insecticides, fungicides, herbicides, and other agrochemicals</u></p> <p><u>7) Organic chemicals, inorganic chemicals</u></p> <p><u>8) Products related to each of the above products</u></p> <p><u>9) Raw materials related to each of the above products</u></p> <p>(2) Real estate leasing and management</p> <p>(3) Businesses related to power generation with renewable energy, etc. and power supply, sale, etc.</p> <p>(4) Import/export relating to each of the above items</p> <p>(Deleted)</p> <p>(Deleted)</p> <p>Articles 3 through 49</p> <p>(No changes made to maintain consistency with these amendments of the Articles of Incorporation)</p>

* The details of other amendments are dealt with individually in Proposals 3 through 6.

Proposal 3: Partial Amendment of the Articles of Incorporation (2)

1. Reason for Proposal

To amend the representations in current rules to clearly describe the existing business activities of the Company and its subsidiaries and also prepare for diversification of the Company's business activities to help the Company fulfill its corporate social responsibilities in the future, and make the necessary changes to the numbering in this Article consistent with such amendments.

2. Description of Amendments

A description of the amendments is provided below.

Please note that a description of changes that duplicate the content of Proposal 2, Partial Amendment of the Articles of Incorporation (1), has been omitted.

Moreover, the numbering listed for the proposed amendments is the numbering that will be used if the Proposal 2, Partial Amendment of the Articles of Incorporation (1), is approved. If Proposal 2 is not approved, Items (4) through (6) in Article 2 of the proposed amendments will be Items (9) through (11) in Article 2, Paragraph 1, and Item (10) in Article 2, Paragraph 1 of the current Articles of Incorporation will be Item (12) in Article 2, Paragraph 1.

(Amended parts are underlined)

Current Articles of Incorporation	Proposed Amendments
Article 1 (Article text omitted)	Article 1 (Same as current)
(Purpose)	(Purpose)
Article 2 (Article text omitted)	Article 2
(1) through (8) (Article text omitted)	(No changes made to maintain consistency with these amendments of the Articles of Incorporation)
(New)	(1) through (3)
(New)	(No changes made to maintain consistency with these amendments of the Articles of Incorporation)
(9) Import/Export relating to each of the above-noted items	(4) <u>Agriculture, forestry and fisheries</u>
(10) (Article text omitted)	(5) <u>Operation of tourism, health, healthcare, sports, training, childcare, and lodging and dining facilities</u>
2. (Article text omitted)	(6) Import/Export relating to each of the above items
Articles 3 through 49 (Article text omitted)	(No changes made to maintain consistency with these amendments of the Articles of Incorporation)
	(No changes made to maintain consistency with these amendments of the Articles of Incorporation)
	Articles 3 through 49
	(No changes made to maintain consistency with these amendments of the Articles of Incorporation)

* The details of other amendments are dealt with individually in Proposal 2 and Proposals 4 through 6.

Proposal 4: Partial Amendment of the Articles of Incorporation (3)

1. Reason for Proposal

The Company is working to relocate and consolidate headquarter functions to improve operational efficiency, and the location of headquarters will change from Nerima-ku, Tokyo in Article 3 of the current Articles of Incorporation to Ranzan-machi, Hiki-gun, Saitama Prefecture.

2. Description of Amendment

A description of the amendment is provided below.

(Amended parts are underlined)

Current Articles of Incorporation	Proposed Amendments
Articles 1 and 2 (Article text omitted)	Articles 1 and 2 (No changes made to maintain consistency with this amendment of the Articles of Incorporation)
(Location of Headquarters) Article 3 The Company headquarters is located in <u>Nerima-ku, Tokyo.</u>	(Location of Headquarters) Article 3 The Company headquarters is located in <u>Ranzan-machi, Hiki-gun, Saitama Prefecture.</u>
Articles 4 through 49 (Article text omitted)	Articles 4 through 49 (No changes made to maintain consistency with this amendment of the Articles of Incorporation)

* The details of other amendments are dealt with individually in Proposal 2, Proposal 3, and Proposals 5 and 6.

Proposal 5: Partial Amendment of the Articles of Incorporation (4)

1. Reason for Proposal

To amend the text concerning convocation of the General Shareholders' Meeting in Article 13 of the current Articles of Incorporation in an effort to provide information to shareholders quickly, and add new article text on disclosure of the Reference Documents for the General Shareholders' Meeting and other information in the current Articles of Incorporation via the Internet and new article text on deemed provision to enable efficient and enhanced disclosure of information to shareholders.

2. Description of Amendments

A description of the amendments is provided below.

(Amended parts are underlined)

Current Articles of Incorporation	Proposed Amendments
Article 1 through Article 12-2 (Article text omitted)	Article 1 through Article 12-2 (No changes made to maintain consistency with these amendments of the Articles of Incorporation)
(Convocation)	(Convocation)
Article 13 The Company's ordinary General Shareholders' Meeting is convened <u>in June of each year</u> , and an extraordinary General Shareholders' Meeting is convened as necessary.	Article 13 The Company's ordinary General Shareholders' Meeting is convened <u>within three (3) months of the day after the final day of each fiscal year</u> , and an extraordinary General Shareholders' Meeting is convened as necessary.
Articles 14 and 15 (Article text omitted)	Articles 14 and 15 (No changes made to maintain consistency with these amendments of the Articles of Incorporation)
(New)	<u>(Disclosure of Reference Documents for the General Shareholders' Meeting and Other Information via the Internet and Deemed Provision)</u> <u>Article 15-2 When convening a General Shareholders' Meeting, the Company may deem provision to shareholders by using the Internet to disclose information that should be included or represented in the Reference Documents for the General Shareholders' Meeting, business reports, non-consolidated financial statements, and consolidated financial statements, as specified in the laws and ordinances.</u>
Articles 16 through 49 (Article text omitted)	Articles 16 through 49 (No changes made to maintain consistency with these amendments of the Articles of Incorporation)

* The details of other amendments are dealt with individually in Proposals 2 through 4, and Proposal 6.

Proposal 6: Partial Amendment of the Articles of Incorporation (5)

1. Reason for proposal

To amend the provisions concerning limited liability agreements in Articles 31 and 42 of the current Articles of Incorporation to also enable the conclusion of limited liability agreements with directors who are not outside directors (excluding individuals who are executive directors, etc.) and audit and supervisory board members who are not outside audit and supervisory board members and thereby establish an environment that enables the appointment of a capable and diverse range of human resources to such positions and enables such individuals to fully manifest the roles expected of them.

The Company has obtained the consent of each of the audit and supervisory board members concerning amendment of Article 31 of the current Articles of Incorporation.

2. Description of amendments

A description of the amendments is provided below.

(Amended parts are underlined)

Current Articles of Incorporation	Proposed Amendments
Articles 1 through 30 (Article text omitted)	Articles 1 through 30 (No changes made to maintain consistency with these amendments of the Articles of Incorporation)
(Limited Liability Agreements for <u>Outside</u> Directors)	(Limited Liability Agreements for Directors)
Article 31 Under Article 427, Paragraph 1 of the Companies Act, the Company may conclude an agreement with <u>outside</u> directors limiting the liability for damages set forth in Article 423, Paragraph 1 of the same Act <u>to the Minimum Liability Amount mandated by law.</u>	Article 31 Under Article 427, Paragraph 1 of the Companies Act, the Company may conclude an agreement with directors (<u>excluding executive directors, etc.</u>) limiting the liability for damages set forth in Article 423, Paragraph 1 of the same Act. <u>However, the limit on liability for damages based on such an agreement shall be the legally mandated amount.</u>
Articles 32 through 41 (Article text omitted)	Articles 32 through 41 (No changes made to maintain consistency with these amendments of the Articles of Incorporation)
(Limited Liability Agreements for <u>Outside</u> Audit & Supervisory Board Members)	(Limited Liability Agreements for Audit and Supervisory Board Members)
Article 42 Under Article 427, Paragraph 1 of the Companies Act, the Company may conclude an agreement with <u>outside</u> audit and supervisory board members limiting the liability for damages set forth in Article 423, Paragraph 1 of the same Act <u>to the Minimum Liability Amount mandated by law.</u>	Article 42 Under Article 427, Paragraph 1 of the Companies Act, the Company may conclude an agreement with audit and supervisory board members limiting the liability for damages set forth in Article 423, Paragraph 1 of the same Act. <u>However, the limit on liability for damages based on such an agreement shall be the legally mandated amount.</u>
Articles 43 through 49 (Article text omitted)	Articles 43 through 49 (No changes made to maintain consistency with these amendments of the Articles of Incorporation)

* The details of other amendments are dealt with individually in Proposals 2 through 5.

Proposal 7: Election of Two (2) Directors

The Company shall increase the number of directors by two (2) directors to strengthen the corporate management structure, and requests that they be elected. If this proposal is approved, the terms of the newly elected directors will last until the expiration of the terms of the other directors serving (until the conclusion of the General Shareholders' Meeting scheduled in June of 2018), as specified in the Company's Articles of Incorporation.

Each of the candidates for director has agreed to serve as a director.

The candidates for director are as follows:

No.	Name (Date of birth)	Brief resume of positions, responsibilities, and important concurrent positions held	Number of the Company's shares owned
1	New Masaya Nakafuji (December 20, 1961)	<p>Apr. 1984 Joined The Fuji Bank, Limited (Current Mizuho Bank, Limited)</p> <p>Apr. 2009 General Manager of Kabutocho Corporate Banking and Securities Business Division, Mizuho Corporate Bank, Limited (Current Mizuho Bank, Limited)</p> <p>Apr. 2011 Executive Officer, General Manager of Corporate Banking Division #11, Mizuho Corporate Bank, Limited (Current Mizuho Bank, Limited)</p> <p>Apr. 2013 Joined DIC Corporation Executive Officer, General Manager of Overseas Business Coordination Department</p> <p>Jan. 2015 Executive Officer, General Manager of Corporate Planning Department, DIC Corporation (Present post)</p> <p>June 2016 External Director, Renaissance Inc. (Present post)</p>	—
<p>[Reason chosen as a candidate for director] Masaya Nakafuji has business experience in financial institutions and possesses extensive experience and knowledge as an executive officer of listed companies. He was selected as a candidate because the Company wishes to use his expertise in corporate decision-making.</p>			

No.	Name (Date of birth)	Brief resume of positions, responsibilities, and important concurrent positions held	Number of the Company's shares owned
2	New Outside Keiko Tsuchiya (May 13, 1960)	<p>Apr. 1981 Joined Dentsu, Co.Ltd.</p> <p>Apr. 1989 Joined Ferag Japan Co.Ltd.</p> <p>Apr. 1991 Joined Australian Trade Commission, Tokyo</p> <p>Jan. 1994 Joined Becton Dickinson Co. Ltd.</p> <p>HR Planning & Organizational Effectiveness Director</p> <p>Jul. 2004 Joined Human Value Co.Ltd.</p> <p>Chief Researcher & Producer</p> <p>Oct. 2005 Joined GE Toshiba Silicones Co., Ltd.</p> <p>(Current Momentive Performance Materials Japan LLC)</p> <p>General Manager, Human Resources for Pacific Region</p> <p>Jan. 2009 Joined Cisco Systems LLC</p> <p>Senior HR Manager</p> <p>Feb. 2011 Joined Johnson & Johnson Medical Company</p> <p>Vice President, Human Resources</p> <p>Aug. 2015 Adecco Ltd.</p> <p>CHRO, Japan</p> <p>Jan. 2016 Adecco Ltd.</p> <p>CHRO, Japan (Present post)</p>	—
<p>[Reason chosen as a candidate for outside director]</p> <p>Keiko Tsuchiya has management experience as a director of temporary employment agencies and staffing agencies. She also possesses extensive experience and knowledge in the human resources area. She was selected as a candidate for outside director because the Company wishes to use her expertise in our Human Resources division and to strengthen the Company's human resources.</p>			

Notes:

- Neither candidate has a special vested interest in the Company.
- Keiko Tsuchiya is a candidate for outside director.
- If Keiko Tsuchiya is elected, the Company intends to conclude an agreement with her limiting liability for damages set forth in Article 423, Paragraph 1 of the Companies Act, pursuant to Article 427, Paragraph 1 of the same Act. A general outline of the agreement provisions is as follows:
 - Assumption of liability for the legally mandated Minimum Liability Amount in the event the Company is found liable for damages attributable to the neglect of duties by the director.
 - Recognition of the limited liability mentioned above shall be limited to instances in which the director to whom the liability is attributable has executed her duties in good faith and without gross negligence.

Moreover, If Masaya Nakafuji is elected, the Company intends to conclude a similar limited liability agreement with him, on the condition that Proposal 6, Partial Amendment of the Articles of Incorporation (5), is approved.
- Keiko Tsuchiya meets the requirements of an independent officer as stipulated by Tokyo Stock Exchange, Inc., and the Company intends to report her as an independent officer to the exchange.

Proposal 8: Election of One (1) Alternate Audit & Supervisory Board Member

The election of Masahiko Todo, who was elected as an alternate audit & supervisory board member during the 70th Ordinary General Shareholders' Meeting on June 21, 2016 will remain valid until the 71st Ordinary General Shareholders' Meeting convenes. The Company is therefore requesting Mr. Todo's election as alternate audit & supervisory board member once again to maintain the legally mandated number of audit & supervisory board members.

The Board of Corporate Auditors concurs with this proposal.

The alternate audit & supervisory board member also agrees to serve as an audit & supervisory board member if the board lacks the legally mandated number of audit & supervisory board members.

The candidate for alternate audit & supervisory board member is as follows:

Name (Date of birth)	Brief resume of positions, responsibilities, and important concurrent positions held		Number of the Company's shares owned
Outside Masahiko Todo (July 17, 1968)	Apr. 1997	Admitted in Japan (Dai-ni Tokyo Bar Association) Joined Ushijima & Associates (Currently Ushijima & Partners)	—
	Jan. 2005	Partner, Ushijima & Partners (Present post)	
[Reason chosen as a candidate for alternate outside audit & supervisory board member] Although Masahiko Todo has no past direct management experience, he was selected as a candidate for alternate outside audit & supervisory board member because the Company determined that his professional knowledge and experience as an attorney will enable him to properly execute the duties of this position.			

Notes:

1. Masahiko Todo has no special vested interest in the Company.
2. Mr. Todo is a candidate for alternate outside audit & supervisory board member.
3. If Mr. Todo is appointed as an audit & supervisory board member, the Company intends to conclude an agreement with him limiting liability for damages set forth in Article 423, Paragraph 1 of the Companies Act, pursuant to Article 427, Paragraph 1 of the same Act. A general outline of the agreement provisions is as follows:
 - Assumption of liability for the legally mandated Minimum Liability Amount in the event the Company is found liable for damages attributable to the neglect of duties by the audit & supervisory board member.
 - Recognition of the limited liability mentioned above shall be limited to instances in which the audit & supervisory board member to whom the liability is attributable has executed his duties in good faith and without gross negligence.

Proposal 9: Revision of the Compensation System for Directors

The Company introduced the performance cash bonus deferral in restricted stock system at the 68th Ordinary General Shareholders' Meeting to motivate employees to increase the medium to long-term corporate value of the Taiyo Group. Stock bonuses were paid to executive directors eligible under the system (directors mentioned in each provision of Article 363, Paragraph 1 of the Companies Act; the same applies hereafter) in the 69th and 70th fiscal years.

This proposal will provide an even greater incentive for directors to work for ongoing improvement in corporate value, and the Company requests that shareholders approve the following introduction of a restricted stock bonus system for executive directors as a new stock compensation system for directors and a change in the content of the existing performance cash bonus deferral in restricted stock system along with this, with the goal of further sharing the value with directors and shareholders.

The Company currently has seven (7) directors (two of which are outside directors). If Proposal 7 is approved in its original form, there will be nine (9) directors (three of which will be outside directors), and five (5) of which will be executive directors.

1. Description of Main Changes to the Amount of Director Compensation

The amount of Company director compensation approved to date includes: 1) aggregate base salaries of no more than 300 million yen approved at the 64th Ordinary General Shareholders' Meeting held on June 22, 2010, 2) performance cash bonuses of no more than 1.6% of consolidated net income* in aggregate, in each fiscal year as performance-based compensation for executive directors and cash payments of no more than 6.4% of consolidated net income* in aggregate, in each fiscal year for performance cash bonus deferral in restricted stock (premised on the pay-in of funds for the purchase of class shares issued by the Company), approved at the 68th Ordinary General Shareholders' Meeting held on June 20, 2014.

The Company requests that shareholders approve this proposal, which will revise the amount of director compensation mainly as follows: 1) in conjunction with the introduction of a new restricted stock bonus system for executive directors, the aggregate amount of cash compensation paid for the granting of restricted stock (hereafter, "restricted stock") shall be no greater than 300 million yen a year and this shall be allocated separately from the base salary compensation, and 2) some changes will be made to the existing performance cash bonus deferral in restricted stock: (i) the aggregate cash amount paid for performance cash bonus deferral in restricted stock shall be no more than 3.4% of profit attributable to owners of parent in each fiscal year, and (ii) payment of this cash is premised on its use as funds for payment for the acquisition of new common shares issued or allocated by the Company.

Please note that no changes will be made to compensation in the form of the base salary and performance cash bonus.

* Due to the revision of the accounting standard in September 2013, the amount which had heretofore been stated as "net income" on the Consolidated Statement of Income has been stated as "profit attributable to owners of parent" since the 70th fiscal year. The performance cash bonus deferral in restricted stock is therefore paid according to the baseline of "profit attributable to owners of parent," however this represents no change from the prior baseline.

2. Overview of the New Director Stock Compensation System

The new director stock compensation system (hereafter, “the system”) consists of two types of stock compensation systems: 1) the restricted stock system (hereafter, “System I”) and 2) the performance cash bonus deferral in restricted stock system (hereafter, “System II”).

In either system, the Company allocates newly issued or allocated common shares to executive directors via the private placement method, under the following conditions listed in Items 1) through 3). However, executive directors eligible under System I are individuals who are executive directors of the Company at the time common shares are allocated based on System I. Executive directors eligible under System II are individuals who were executive directors of the Company during the period extending from the date of the ordinary General Shareholders’ Meeting for the fiscal year two years prior to the fiscal year in which common shares were allocated based on System II to the day prior to the date of the ordinary General Shareholders’ Meeting for the past fiscal year.

- 1) The maximum aggregate number of common shares newly issued or allocated by the Company under these systems (hereafter, “maximum number of shares issued”), namely the aggregate number of shares allocated based on the 1) the restricted stock system and 2) the performance cash bonus deferral in restricted stock system (hereafter, “calendar year total”) shall be the number calculated by subtracting the number of treasury shares on the day 10 days prior to the date of each Board of Directors resolution (however, when it is clear that the number of treasury shares has changed as a result of the purchase or disposition of treasury stock by the Company, the number shall be the number of treasury shares after the change) from the total number of shares issued on the business day prior to the date of each Board of Directors resolution (hereafter, “the Board of Directors resolution date”) concerning a decision on proposals concerning offerings related to the common shares issued or allocated in each fiscal year (hereafter, “total number of shares outstanding (net of treasury shares)”), and multiplying the resulting figure by 0.5% (fractional amounts disregarded).

Moreover, the calendar year total for a given fiscal year shall be the number derived by aggregating the common shares held by all executive directors (limited to individuals who are an executive director of the Company at the time of receipt) who have received such common shares and the total number of Series 1 and Series 2 Class A shares on the business day prior to the Board of Directors resolution date. This aggregate number shall be less than the total number of shares outstanding (net of treasury shares) on the business day prior to the Board of Directors resolution date, multiplied by 5% (fractional amounts disregarded; hereafter, “maximum number of shares held by eligible individuals”).

- 2) The number of common shares allocated based on the restricted stock system shall be given priority in determining the number of shares allocated based on each of the restricted stock and the performance cash bonus deferral in restricted stock systems.
- 3) The amount paid in per common share of the Company allocated based on these systems shall be the closing price of the Company’s common shares on the Tokyo Stock Exchange on the business day prior to the Board of Directors resolution date, in principle (if no trades were executed on that day, the closing price on the most recent day on which the stock was traded). The Board of Directors will determine an amount that does not afford the executive director receiving the common shares a special advantage.

The following is an overview of the restricted stock system and the performance cash bonus deferral in restricted stock system.

(1) Restricted Stock System (System I)

Under System I, the Company may pay restricted stock bonuses of no more than 300 million yen a year in aggregate, granting restricted stock to executive directors.

Each executive director who is compensated by the Company with restricted stock shall pay in the entire cash bonus credit for that compensation as an investment in kind, and shall receive common shares newly issued or allocated by the Company. The Company would like to leave the specific timing of payment and allocation to each executive director and other details up to the discretion of the Board of Directors.

Executive directors conclude a restricted stock allocation agreement with the Company having the general outline and content described below and agree to pay-in the entire cash bonus credit they have been paid as a restricted stock bonus as investment in kind for allocation of common shares in the Company that the Company has newly issued or allocated. Moreover, the conditions for payment are that the executive director holds the position of an executive director of the Company immediately prior to the pay-in date for the new shares or allocated treasury shares subject to the stated allocation, and that the new share issue or treasury share allocation subject to the stated allocation has not been halted on the grounds of revocation, injunction, or other reason.

- 1) The director concerned shall not transfer, post as collateral, or otherwise dispose of (hereafter, “transfer restriction” in (1) of this section) the common shares of the Company which have been allocated pursuant to the allocation agreement (hereafter, “the allocated shares” in (1) of this section) for 10 years from the pay-in date (hereafter, “transfer restriction period” in (1) of this section).
- 2) The director concerned may rescind the transfer restriction on all of the allocated shares once the transfer restriction period has expired (however, the period may be separately adjusted if the director abdicates the position due to death), on the condition that the director has continuously remained in the position of executive director of the Company during the restricted stock payment eligibility period (extending from the date of the ordinary General Shareholders’ Meeting for the fiscal year prior to the fiscal year in which the restricted stock bonus was paid to the day prior to the ordinary General Shareholders’ Meeting for the current fiscal year; hereafter, the same for System I). If the director leaves during the payment eligibility period (including instances in which he/she has ceased being an executive director), the Company shall, as a matter of course, adjust the number of allocated shares subject to future expiration of the restriction period according to the length of time in the position dating from the first day of the payment eligibility period, and shall acquire the remaining allocated shares on which the transfer restriction has not expired gratis, immediately after the director leaves the position.
- 3) The Company may rescind the restriction period on the allocated shares by resolution of the Board of Directors if a proposal concerning a merger agreement that would render the Company defunct, or a proposal concerning a share transfer agreement, a share transfer plan, organizational restructuring or other such proposal that would make the Company a wholly owned subsidiary is approved at a General Shareholders’ Meeting of the Company (the Company’s Board of Directors for an organizational restructuring or other such proposal that does not require approval of the General Shareholders’ Meeting), or if action is taken as a result of a change in the Company’s majority shareholder during the transfer restriction period, the provisions in 1), above, notwithstanding. If such corporate reorganization or other such proposal is approved during the payment eligibility period for the restricted stock in question, the Company may, of course, adjust the number of allocated shares on which the transfer restriction is rescinded according to the period of time extending from the first day of the payment eligibility period to the date on which the reorganization or other such proposal is approved, or the date on which the change in majority shareholder of the Company becomes effective, and acquire the allocated shares on which the restricted period has not expired gratis.

(2) Performance Cash Bonus Deferral in Restricted Stock System (System II)

Under System II, the Company may pay cash equivalent to no more than 3.4% of profit attributable to owners of parent in aggregate, in each fiscal year as a performance cash bonus deferral in restricted stock to executive directors to be used as funds for payment for the acquisition of common stock newly issued or allocated by the Company.

Each executive director who has been paid a performance cash bonus deferral in restricted stock shall pay in the cash amount of that bonus (however, this excludes amounts equivalent to income tax, local income tax and other taxes and the social insurance premium, as well as the commission on payment, the amount by which the cash pay-in is insufficient for the number of shares in one unit, etc. The same applies hereafter) after the payment eligibility period (under System II, this refers to the period extending from the date of the ordinary General Shareholders' Meeting for two fiscal years prior to the fiscal year in which the performance cash bonus deferral in restricted stock was paid to the day prior to the date of the ordinary General Shareholders' Meeting for the previous fiscal year) has ended and receive common shares newly issued or allocated by the Company. The Company would like to leave the specifics of allocation and timing of payment to each executive director, and other details up to the discretion of the Board of Directors.

Moreover, executive directors shall conclude a performance-based stock allocation agreement having the general outline and content described below with the Company and agree to pay in the amount they have received in payment for the performance cash bonus deferral in restricted stock for allocation of common shares in the Company that the Company has newly issued or allocated.

If, however, the Company cannot issue or allocate common shares to each executive director under System II by law or as a result of a judgment by a judicial body, the Company shall pay cash only as compensation for the performance cash bonus deferral in restricted stock. If the number of common shares that should be issued or allocated under this system exceeds the maximum number of shares that can be issued or the maximum number of shares that the person concerned may hold, the Company will pay the amount equivalent to the number of excess shares in cash as compensation for the performance cash bonus deferral in restricted stock.

Moreover, the Company shall pay cash only as compensation for performance cash bonus deferral in restricted stock to persons who have inherited the right to receive payment of the performance cash bonus deferral in restricted stock from the executive director.

- 1) The director in question shall not transfer, post as collateral, or otherwise dispose of common shares of the Company (hereafter, "transfer restriction" in (2) of this section) allocated and received under the allocation agreement (hereafter, "the allocated shares" in (2) of this section) for three years from the pay-in date (hereafter, "transfer restriction period in (2) of this section).
- 2) The Company may rescind the restriction period on the allocated shares by resolution of the Board of Directors if a proposal concerning a merger agreement that would render the Company defunct, or a proposal concerning a share transfer agreement, a share transfer plan, organizational restructuring or other such proposal that would make the Company a wholly owned subsidiary is approved at a General Shareholders' Meeting of the Company (the Company's Board of Directors for an organizational restructuring or other such proposal that does not require approval of the General Shareholders' Meeting), or if action is taken as a result of a change in the Company's majority shareholder during the transfer restriction period, the provisions in 1), above, notwithstanding.

The details of the proposed compensation for executive directors after amendment are as follows.

Component	Type	Description
■ Restricted Stock	Long-term Incentive	Annually grant for annual service period with ten-year-cliff restricted period. The individual pay amount varies on the hierarchical grade. The aggregated amount is not greater than JPY 300million.
■ Performance Cash Bonus Deferral in Restricted Stock	Mid-term Incentive	Annually paid in cash to purchase stock with three-year-cliff restricted period. The fund is calculated to be no greater than 3.4% of "Net profit for the year attributable to owners of the parent", then prorated as individual pay amount depending on the hierarchical grade.
■ Performance Cash Bonus	Short-term Incentive	Annually paid in cash. The fund is calculated to be no greater than 1.6% of "Net profit for the year attributable to owners of the parent", then prorated as individual pay amount depending on the hierarchical grade.
■ Base Salary	Fixed Pay	Monthly paid in cash. The individual pay amount varies on the hierarchical grade. The aggregated amount is not greater than JPY 300million.

* References

(1) Maximum Stock Bonus Amount

	Previous	Proposed amendment
Restricted Stock	—	Maximum of 300 million yen
Performance Cash Bonus Deferral in Restricted Stock	Net income* X Maximum of 6.4%	Net income* X Maximum of 3.4%

* Net income: Profit attributable to owners of parent

(2) Maximum Number of Shares Allocated for Stock Bonuses

$$\begin{aligned}
 & \left\{ \begin{array}{l} \text{Total number of shares outstanding (net of treasury shares) at time of allocation} \\ \text{Total number of shares outstanding (net of treasury shares) at time of allocation} \end{array} \right. \times 0.5\% \geq \text{Total in one (1) calendar year} \\
 & \times 5.0\% > \\
 & \text{Total number of shares held by executive directors before allocation} + \text{Total in one (1) calendar year} \\
 & \text{Total number of shares outstanding (net of treasury shares) at time of allocation} = \\
 & \text{Total number of shares issued}^{*1} - \text{Number of treasury shares}^{*2}
 \end{aligned}$$

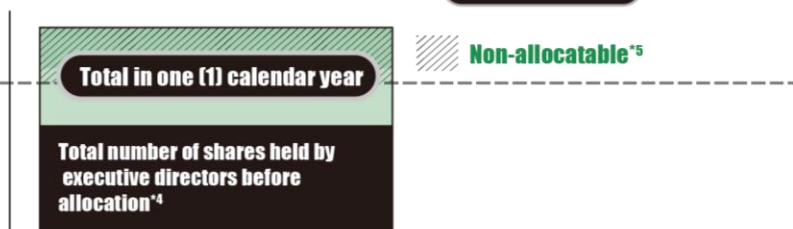
*1 Total number of shares issued on the business day prior to the Board of Directors' resolution date

*2 Number of treasury shares 10 business days prior to the Board of Directors' resolution date

Allocation timing Compensation period	July 2017*3	July 2018	July 2019	
July 2017 – June 2018	Restricted Stock	Performance Cash Bonus Deferral in Restricted Stock		
July 2018 – June 2019	Total in one (1) calendar year	Restricted Stock	Performance Cash Bonus Deferral in Restricted Stock	
July 2019 – June 2020		Total in one (1) calendar year	Restricted Stock	
			Total in one (1) calendar year	

*3 No performance cash bonus deferral in restricted stock was paid out in July 2017.

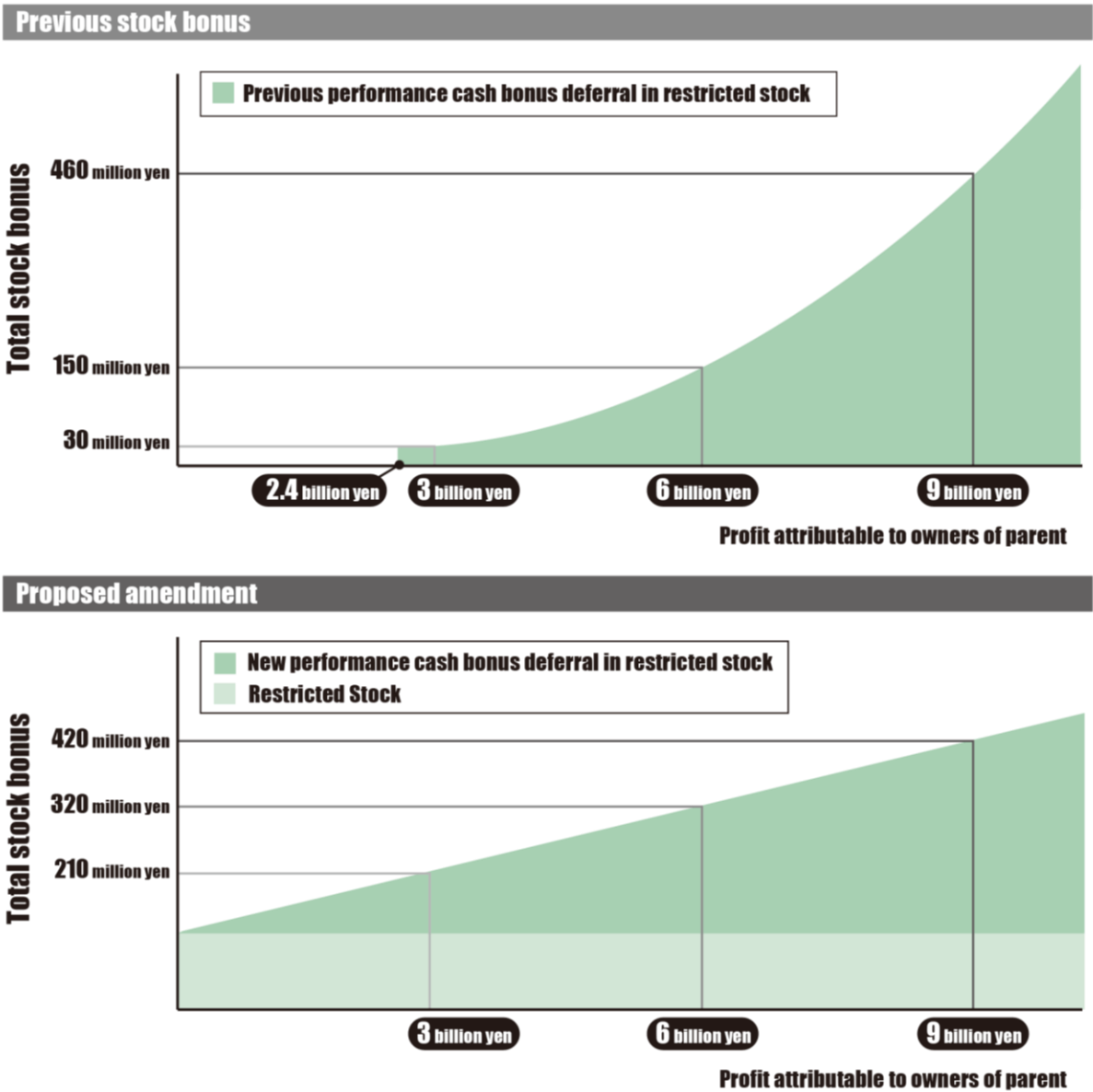
5.0% of Total number of shares outstanding (net of treasury shares) at time of allocation



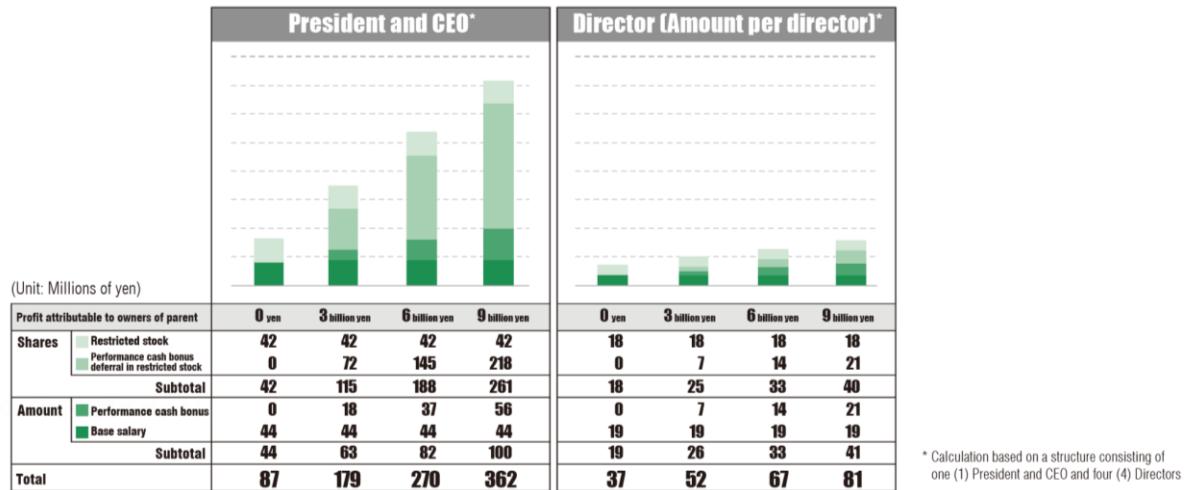
*4 Including Class A shares

*5 The excess portion from the performance cash bonus deferral in restricted stock is paid in cash equivalent to the number of shares.

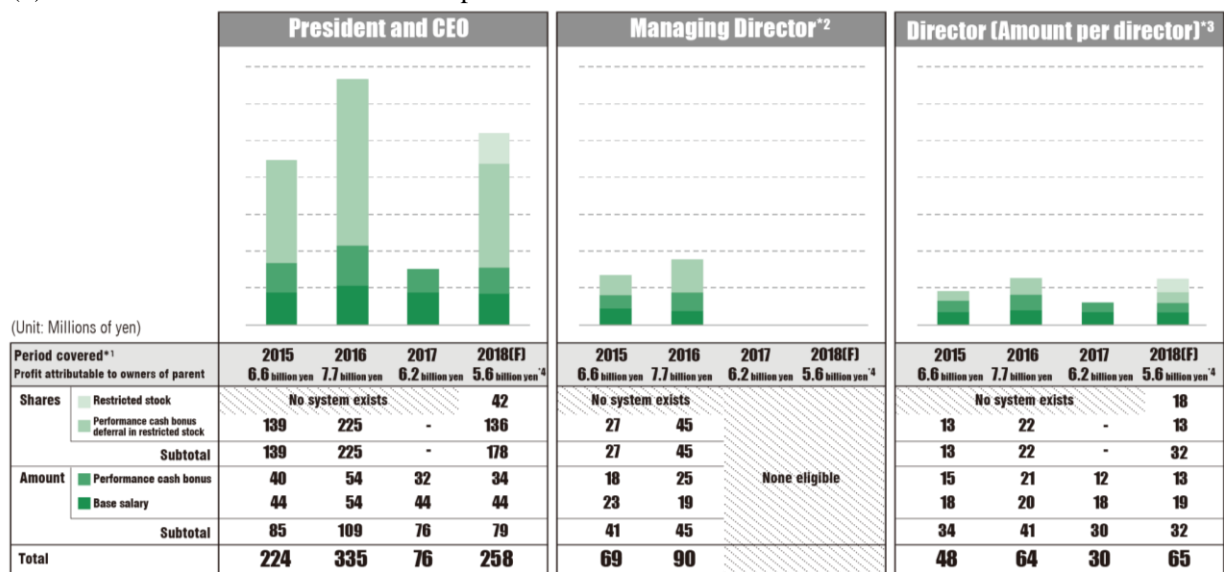
(3) Comparison of Old/New Stock Bonuses



(4) Individual Compensation Schedule for Executive Directors Based on Profit Attributable to Owners of Parent (from July 2017 to June 2018)



(5) Actual and Forecast Individual Compensation for Executive Directors



*1 2015: From July 2014 to June 2015

2016: From July 2015 to June 2016

2017: From July 2016 to June 2017 (Amounts for May and June are forecasts)

2018 (Forecast): From July 2017 to June 2018

*2 The Managing Director resigned as of the Ordinary General Shareholders' Meeting for fiscal year ended March 31, 2016.

*3 Director compensation is the average excluding directors who retired during the fiscal year.

*4 A forecast of 5.6 billion yen in profit attributable to owners of parent for the 72nd period was announced on May 2, 2017, in the consolidated financial results.