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Representative Director & President  
**TACHI-S CO., LTD.**  
3-3-7 Matsubara-cho, Akishima-shi, Tokyo  
Securities code: 7239

June 1, 2017

To Our Shareholders,

## Notice of the 65th Annual General Meeting of Shareholders

The shareholders of TACHI-S CO., LTD. (the “Company”) are invited to participate in the 65th Annual General Meeting of Shareholders of the Company, the details of which are set forth below.

**If you are unable to attend the meeting in person, you are entitled to exercise your voting rights by mail or over the Internet. To do this, we cordially ask you to study the attached Reference Documents for the General Meeting of Shareholders, the Business Report, and exercise your voting rights by 5 p.m. on Thursday, June 22, 2017.**

- 1. Date and time:** 10:00 a.m. Friday, June 23, 2017
- 2. Venue:** TACHI-S CO., LTD. Head Office (Auditorium on the third floor)  
3-3-7 Matsubara-cho, Akishima-shi, Tokyo
- 3. Agenda:**

- Matters for reporting:**
1. Business Report, the consolidated financial statements, and audit report of the consolidated financial statements by the Independent Auditors and Audit & Supervisory Board for the 65th term (from April 1, 2016 to March 31, 2017)
  2. Report of the non-consolidated financial statements for the 65th term (from April 1, 2016 to March 31, 2017)

### Matters for approval:

- Proposal 1:** Appropriation of Surplus  
**Proposal 2:** Partial Change to Articles of Incorporation  
**Proposal 3:** Election of seven Directors  
**Proposal 4:** Election of one Audit & Supervisory Board Member  
**Proposal 5:** Election of one Substitute Audit & Supervisory Board Member  
**Proposal 6:** Payment of Bonuses to Directors

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- \* If you are attending the meeting on the scheduled day, please submit the enclosed voting form at the reception.
  - \* We will post any revisions we make to the attached Reference Documents for the General Meeting of Shareholders, the Business Report, or non-consolidated financial statements and consolidated financial statements on our website (<http://www.tachi-s.co.jp/>).
  - \* If you wish to exercise your voting rights via the Internet, please enter your vote for or against each of the proposals on the following voting rights exercise website (<http://www.web54.net>).
  - \* If voting rights are exercised more than once via the Internet, the most recent votes submitted via the Internet will be regarded as the effective votes.
  - \* If voting rights are exercised both through indications on the voting right exercise form and through voting via the Internet, causing voting rights to be exercised more than once, the votes submitted via the Internet will be regarded as the effective votes.

## Reference Documents for the General Meeting of Shareholders

### Proposals and reference matters

#### **Proposal 1: Appropriation of Surplus**

We wish to appropriate surplus as follows:

##### Matters related to year-end dividend

The Company, viewing that appropriate profit distribution through continuous enhancement of corporate value is one of the important management issues, strives to enhance shareholders' equity and improve profitability as well as maintain stable dividend payments. In consideration of the earnings for the fiscal year and the business operations going forward, Company decided to pay a year-end dividend as follows for the fiscal year under review, in addition to the commemorative dividends to mark the 30th anniversary of the Company's listing on the Tokyo Stock Exchange and to mark the anniversaries of domestic and overseas affiliated companies.

(1) Type of dividend: Cash

(2) Matters related to appropriation of dividends and total amount thereof

We will pay ¥10 per share of the Company's common stock (ordinary dividend of ¥8 and commemorative dividend of ¥2). We will pay a total amount of ¥354,381,380 as dividends. As a result, the annual dividend, including the interim dividend of ¥9 per share (ordinary dividend of ¥8 and commemorative dividend of ¥1), amounts to ¥19 per share.

(3) Effective date of dividend from surplus: June 26, 2017

## **Proposal 2: Partial Change to Articles of Incorporation**

### 1. Reasons for change

- (1) To add provisions to Article 14 (Provision of reference documents, etc., for Meeting of Shareholders through Internet disclosure) of the Articles of Incorporation, in consideration of the common usage of the Internet, and based on the relevant ordinance of the Ministry of Justice, which allows for the disclosure of some matters recorded in the reference documents, etc., for Meeting of Shareholders via the Internet.
- (2) To add provisions to Article 22, Paragraph 2 (Notice of convocation of Board of Directors meeting) and Article 30, Paragraph 2 (Notice of convocation of Audit & Supervisory Board meeting) of the Articles of Incorporation that allow for the holding of Board of Directors meetings and Audit & Supervisory Board meetings without calling procedures, in order to allow for flexible operation of the Board of Directors and the Audit & Supervisory Board.
- (3) To add provisions that allow the Board of Directors to make written resolutions to Article 23 (Omission of resolutions of the Board of Directors) of the Articles of Incorporation, in order to allow for more flexible operation of the Board of Directors.
- (4) To add provisions to Article 26, Paragraphs 4 and 5 (Designated number of Audit & Supervisory Board Members and election of Audit & Supervisory Board Members) of the Articles of Incorporation to provide for Substitute Audit & Supervisory Board Members, in case the Company does not have the number of Audit & Supervisory Board Members required by law, and to change Article 27, Paragraph 2 (Term of office of Audit & Supervisory Board Members) of the Articles of Incorporation to clarify the term of office in the event that a Substitute Audit & Supervisory Board Member assumes office as an Audit & Supervisory Board Member.
- (5) To add provisions to Article 34 (Institution that determines dividends of surplus, etc.) of the Articles of Incorporation and delete a portion of the existing Article 7 (Purchase of treasury stock) and Article 34 (Interim dividends) of the Articles of Incorporation, which duplicated a portion of said article, and add Article 35, Paragraphs 2 and 3 (Record date of dividends of surplus) of the Articles of Incorporation, based on Article 459, Paragraph 1 of the Companies Act, in order to flexibly implement our capital policy and dividend policy. Furthermore, the additions to Article 34 do not eliminate the right to dispose of surplus through a resolution at the Meeting of Shareholders.
- (6) Other necessary changes, such as changes to article numbers because of additions or deletions of articles.

2. Content of the changes

Changes are as follows:

(The underline indicates the part to be changed.)

Current Articles of Incorporation	Proposed Changes
Chapter 2 - Shares	Chapter 2 - Shares
Article 6 (Text omitted)	Article 6 (Unchanged)
(Purchase of treasury stock) Article 7 <u>The Company may purchase treasury stock through a resolution of the Board of Directors, under the provisions of Article 165, Paragraph 2 of the Companies Act.</u>	(Deleted)
Articles 8 - 11 (Text omitted)	Articles <u>7-10</u> (Unchanged)
Chapter 3 – Meeting of Shareholders	Chapter 3 - Meeting of Shareholders
Articles <u>12-14</u> (Text omitted)  (New)	Articles <u>11-13</u> (Unchanged)
	<u>(Provision of reference documents, etc., for Meeting of Shareholders through Internet disclosure)</u> Article 14 <u>The Company may deem that information related to matters that must be recorded or disclosed in reference documents, Business Report, financial statements, and consolidated financial statements when convening a Meeting of Shareholders, have been provided to shareholders if they have been disclosed via the Internet, in accordance with the relevant ordinance of the Ministry of Justice.</u>
Articles 15-16 (Text omitted)	Articles 15-16 (Unchanged)
Chapter 4 - Directors and the Board of Directors	Chapter 4 - Directors and the Board of Directors
Articles 17-21 (Text omitted)	Articles 17-21 (Unchanged)

Current Articles of Incorporation	Proposed Changes
<p>(Notice of convocation of Board of Directors meeting)</p> <p>Article 22 (Text omitted) (New)</p> <p>(New)</p> <p>Article 23-24 (Text omitted)</p> <p>Chapter 5 - Audit &amp; Supervisory Board Members and the Audit &amp; Supervisory Board</p> <p>(Designated number of Audit &amp; Supervisory Board Members and election of Audit &amp; Supervisory Board Members)</p> <p>Article 25 (Text omitted) (2) (Text omitted) (3) (Text omitted) (New)</p>	<p>(Notice of convocation of Board of Directors meeting)</p> <p>Article 22 (Unchanged) (2) <u>A Board of Directors meeting may be held without calling procedures if an agreement is reached by all Directors and Audit &amp; Supervisory Board Members.</u></p> <p>(Omission of resolutions of the Board of Directors)</p> <p>Article 23 <u>The Company may deem that there has been a resolution by the Board of Directors if it fulfills the requirements of Article 370 of the Companies Act.</u></p> <p>Article 24-25 (Unchanged)</p> <p>Chapter 5 - Audit &amp; Supervisory Board Members and the Audit &amp; Supervisory Board</p> <p>(Designated number of Audit &amp; Supervisory Board Members and election of Audit &amp; Supervisory Board Members)</p> <p>Article 26 (Unchanged) (2) (Unchanged) (3) (Unchanged) (4) <u>The Company may elect Substitute Audit &amp; Supervisory Board Members at Meeting of Shareholders if there are fewer than the number of Audit &amp; Supervisory Board Members required by law, under the provisions of Article 329, Paragraph 3 of the Companies Act.</u> (5) <u>The effective period of resolutions related to the Substitute Audit &amp; Supervisory Board Members referred to in the previous paragraph lasts until the start of the Annual General Meeting of Shareholders for the final fiscal year that will end within 4 years of the resolution in question.</u></p>

Current Articles of Incorporation	Proposed Changes
<p>(Term of office of Audit &amp; Supervisory Board Members)  Article <u>26</u> (Text omitted)  (2) The term of appointment of Audit &amp; Supervisory Board Members, who were elected as Substitute Audit &amp; Supervisory Board Members that resigned before the completion of their term, is the remainder of the term of the Audit &amp; Supervisory Board Member that resigned.</p>	<p>(Term of office of Audit &amp; Supervisory Board Members)  Article <u>27</u> (Unchanged)  (2) The term of appointment of Audit &amp; Supervisory Board Members, who were elected as Substitute Audit &amp; Supervisory Board Members that resigned before the completion of their term, is the remainder of the term of the Audit &amp; Supervisory Board Member that resigned.  <u>However, if a Substitute Audit &amp; Supervisory Board Member elected under Paragraph 4 of the above article assumes the role of Audit &amp; Supervisory Board Member, the term of appointment of said Audit &amp; Supervisory Board Member cannot exceed the conclusion of the Annual General Meeting of Shareholders for the final fiscal year that will end within 4 years of appointment.</u></p>
<p>Articles <u>27-28</u> (Text omitted)</p>	<p>Articles <u>28-29</u> (Unchanged)</p>
<p>(Notice of convocation of Audit &amp; Supervisory Board meeting)  Article <u>29</u> (Text omitted)  (New)</p>	<p>(Notice of convocation of Audit &amp; Supervisory Board meeting)  Article <u>30</u> (Unchanged)  (2) <u>An Audit &amp; Supervisory Board meeting may be called without calling procedures if an agreement is reached by all Audit &amp; Supervisory Board Members.</u></p>
<p>Articles <u>30-31</u> (Text omitted)</p>	<p>Articles <u>31-32</u> (Unchanged)</p>
<p>Chapter 6 - Accounting</p>	<p>Chapter 6 - Accounting</p>
<p>Article <u>32</u> (Text omitted)  (New)</p>	<p>Article <u>33</u> (Unchanged)  <u>(Institution that determines dividends of surplus, etc.)</u>  Article <u>34</u> <u>The Company may determine any of the items listed in Article 459, Paragraph 1 of the Companies Act through a resolution by the Board of Directors, unless stipulated otherwise by law.</u></p>



### **Proposal 3: Election of seven Directors**

The terms of office of all seven Directors will expire at the conclusion of this Annual General Meeting of Shareholders. Accordingly, we propose to elect the following seven Director candidates.

The candidates for Director are as follows:

No.	Name (Date of birth)	Brief History, Position, Principal Duties and Key Concurrent Posts	Number of shares of the Company owned
1	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">RE-nomination</div> <p>Taro Nakayama (September 18, 1955)</p> <p>Attendance at Board of Directors meetings (13/13)</p>	<p>April 1980      Joined NISSAN MOTOR CO., LTD.</p> <p>April 2010      General Manager of Global Multi-Sourcing &amp; Export Management Department</p> <p>April 2011      Joined TACHI-S CO., LTD. as Corporate Advisor</p> <p>June 2011      Director &amp; Executive Vice President, Chief of Business Administration Headquarters, Division Manager of Overseas Division</p> <p>April 2012      Division Manager of Business Development and Sales</p> <p>April 2014      Director &amp; Chief Operating Officer</p> <p>June 2014      Representative Director, President &amp; Chief Operating Officer (incumbent)</p> <p>April 2017      In charge of Global Headquarters (incumbent)</p>	12,300 shares
<p>&lt;Reasons for selection as a Candidate for Director&gt;</p> <p>Mr. Taro Nakayama has developed broad experience and superior judgment over the many years he has worked at overseas businesses. He has appropriately fulfilled his roles, such as determining priority management matters and supervising executive functions, and we have nominated him as a candidate to continue in his role as Director, as we have determined that he is necessary for the sustainable improvement in the Group's corporate value, due to his exceptional leadership in promoting globalization of the Company's businesses.</p>			
2	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">RE-nomination</div> <p>Yoshiyuki Nogami (January 9, 1952)</p> <p>Attendance at Board of Directors meetings (13/13)</p>	<p>April 1975      Joined Maeda Corporation</p> <p>April 1998      Deputy General Manager of Overseas Business Department</p> <p>January 2000    Joined TACHI-S CO., LTD.</p> <p>June 2003      Executive Officer</p> <p>June 2005      Senior Executive Officer</p> <p>April 2007      Division Manager of Business Control Division</p> <p>June 2007      Director &amp; Senior Executive Officer</p> <p>April 2008      Division Manager of Administration and Management Control Division (incumbent)</p> <p>April 2009      Director &amp; Executive Vice President</p> <p>April 2010      Chief of Administration and Management Control Headquarters,</p> <p>April 2011      Chief of Business Headquarters, Chief of Administration and Management Control Headquarters, Division Manager of Overseas Division</p> <p>April 2016      Chief of Administration Headquarters (incumbent)</p> <p>June 2016      Representative Director &amp; Executive Vice President (incumbent)</p>	12,500 shares
<p>&lt;Reasons for selection as a Candidate for Director&gt;</p> <p>Mr. Yoshiyuki Nogami has been nominated as a candidate to continue in his role as Director, as he has superior expertise and wide-ranging knowledge in the fields of management, finance, and corporate governance, and as we have determined that he is essential to the sustainable improvement of the Company's corporate value as the person responsible for the Administration and Management Control Division.</p>			

No.	Name (Date of birth)	Brief History, Position, Principal Duties and Key Concurrent Posts	Number of shares of the Company owned
3	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">RE-nomination</div> <p>Kiyoshi Saito (January 25, 1947)</p> <p>Attendance at Board of Directors meetings (13/13)</p>	<p>March 1973    Joined TACHI-S CO., LTD.</p> <p>June 1982    Director</p> <p>June 1993    Managing Director, Chief of Production Headquarters</p> <p>June 1996    Representative Director &amp; President</p> <p>June 2001    Representative Director, President &amp; Chief Operating Officer</p> <p>June 2005    Representative Director, Chairman &amp; Chief Executive Officer</p> <p>April 2014    Representative Director, Chairman</p> <p>June 2014    Representative Director &amp; Senior Corporate Adviser</p> <p>June 2016    Director &amp; Senior Corporate Adviser (incumbent) (Key concurrent posts)</p> <p>Outside Audit &amp; Supervisory Board Member of YAMABIKO CORPORATION</p>	736,028 shares
<p>&lt;Reasons for selection as a Candidate for Director&gt;</p> <p>Mr. Kiyoshi Saito has been nominated as a candidate to continue in his role as Director, as he has wide-ranging knowledge of all aspects of the Group's management and has appropriately carried out his functions, and we have determined that he is essential to the sustainable improvement of the Group's corporate value, based on his extensive experience over many years as a manager at the Company.</p>			
4	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">New Nominee</div> <p>Yuichiro Yamamoto (July 30, 1968)</p> <p>Attendance at Board of Directors meetings (-/-)</p>	<p>April 1997    Joined TACHI-S CO., LTD.</p> <p>April 2005    General Manager of Overseas Business Team</p> <p>October 2005    Seconded to TACHI-S Engineering U.S.A., Inc. General Manager</p> <p>August 2006    Seconded to TACLE Seating U.S.A. LLC (currently TACHI-S Automotive Seating U.S.A. LLC) President</p> <p>April 2011    Executive Officer Deputy General Manager of Overseas Division</p> <p>April 2012    In Charge of Nissan Business and Overseas Business Management</p> <p>April 2014    In Charge of China Business Seconded to TACHI-S China Co., Ltd. President</p> <p>April 2015    Senior Executive Officer</p> <p>April 2016    In Charge of Compliance (incumbent)</p> <p>April 2017    Executive Vice President (incumbent) President, Regional Headquarters for Japan (incumbent)</p>	94,800 shares
<p>&lt;Reasons for selection as a Candidate for Director&gt;</p> <p>Mr. Yuichiro Yamamoto has been nominated as a new candidate for Director, as he has valuable knowledge in the Marketing and Overseas Division, and many years of experience and results as a manager at overseas subsidiaries in North America and China, and we have determined that he is essential to promoting globalization at the Group and the sustainable improvement of the Group's corporate value.</p>			

No.	Name (Date of birth)	Brief History, Position, Principal Duties and Key Concurrent Posts	Number of shares of the Company owned
5	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">New Nominee</div> <p>Mitsuo Shimazaki (July 4, 1955)</p> <p>Attendance at Board of Directors meetings (-/-)</p>	<p>April 1979      Joined TACHI-S CO., LTD.</p> <p>April 2010      Director of R&amp;D Administration Department</p> <p>October 2010    General Manager of Management Planning Office</p> <p>April 2011      General Manager of Management Planning Office</p> <p>April 2012      Executive Officer</p> <p>April 2014      Senior Executive Officer (incumbent)</p> <p>                        Division Manager of R&amp;D Engineering Division</p> <p>April 2016      Chief of Monozukuri Headquarters (incumbent)</p> <p>                        Division Manager of R&amp;D and Technology Division</p> <p>April 2017      Division Manager of Production and Technology Division (incumbent)</p>	6,100 shares
<p>&lt;Reasons for selection as a Candidate for Director&gt;</p> <p>Mr. Mitsuo Shimazaki has extensive experience in divisions involved with Monozukuri, such as the R&amp;D and Technology Division, as well as superior judgment and ability as the Division Manager of Production and Technology Division. He has been nominated as a new candidate for Director in order to further strengthen the Company's global development framework going forward in locations such as North America, Central and South America, and China.</p>			
6	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 2px;">RE- nomination</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 2px;">Outside</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Independent Director</div> <p>Michihiro Kitsukawa (March 19, 1947)</p> <p>Attendance at Board of Directors meetings (13/13)</p>	<p>April 1975      Registered with Dai-Ichi Tokyo Bar Association</p> <p>                        Joined Tanigawa Hachiro Law Office</p> <p>April 1977      Established Kitsukawa Michihiro Law Office</p> <p>April 1999      Established and became a partner at Clover Law Office (incumbent)</p> <p>June 2006      Outside Director of TACHI-S CO., LTD. (incumbent)</p> <p>                        Member of the Special Committee of TACHI-S CO., LTD.</p> <p>April 2011      Vice President of Japan Federation of Bar Associations</p> <p>                        President of Dai-Ichi Tokyo Bar Association</p> <p>(Key concurrent posts)</p> <p>Partner &amp; attorney at law, Clover Law Office</p> <p>Chairman of Tokyo lawyers national health insurance society</p>	9,600 shares
<p>&lt;Reasons for selection as a Candidate for Outside Director&gt;</p> <p>Although Mr. Michihiro Kitsukawa has no experience in being directly involved with corporate management, other than serving as an Outside Director, he has been nominated as a candidate to continue in his role as Outside Director, as he has expert knowledge and experience in matters such as corporate law gained as a partner in Clover Legal Professional Corporation, and is contributing to the appropriate decision-making of the Board of Directors from an objective standpoint. He will have served as an Outside Director of the Company for 11 years as of the conclusion of this Shareholders' Meeting.</p>			

No.	Name (Date of birth)	Brief History, Position, Principal Duties and Key Concurrent Posts	Number of shares of the Company owned			
7	<table border="1" data-bbox="225 327 437 439"> <tr><td data-bbox="225 327 437 360">RE- nomination</td></tr> <tr><td data-bbox="225 360 437 394">Outside</td></tr> <tr><td data-bbox="225 394 437 439">Independent Director</td></tr> </table> <p data-bbox="225 819 437 1021">Toshio Kinoshita (April 12, 1949)</p> <p data-bbox="225 931 437 1021">Attendance at Board of Directors meetings (13/13)</p>	RE- nomination	Outside	Independent Director	<p data-bbox="469 297 1182 360">January 1980    Jointed Coopers &amp; Lybrand, Japan (currently PricewaterhouseCoopers Aarata LLC)</p> <p data-bbox="469 371 1118 405">July 1983        Registered as a certified public accountant</p> <p data-bbox="469 405 1118 490">February 1985    Audit Manager of Coopers &amp; Lybrand, US (currently PricewaterhouseCoopers LLP) New York Office</p> <p data-bbox="469 501 1158 586">November 1985    Managing partner of the Japanese Business Network of Midwest, Coopers &amp; Lybrand, US Detroit Office</p> <p data-bbox="469 598 1198 683">June 1995        Managing partner of the Japanese Business Network of US, Coopers &amp; Lybrand, US National Office</p> <p data-bbox="469 694 1174 779">July 1998        Managing partner of the Japanese Business Network of North America, PricewaterhouseCoopers LLP New York Office</p> <p data-bbox="469 790 1150 875">July 2005        Management Board Member for International Business of Chuo Aoyama Audit Corporation (renamed Misuzu Audit Corporation)</p> <p data-bbox="469 887 1142 972">July 2013        Established Kinoshita CPA Firm, Owner and Managing Partner of the firm (incumbent)</p> <p data-bbox="469 983 1102 1068">July 2015        Outside Director of TACHI-S CO., LTD. (incumbent)</p> <p data-bbox="469 1079 983 1458">(Key concurrent posts) Chief Executive Officer of Kinoshita CPA Firm Outside Audit &amp; Supervisory Board Member of Cool Japan Fund Inc. Outside Audit &amp; Supervisory Board Member of Panasonic Corporation Outside Audit &amp; Supervisory Board Member of Weathernews Inc. Outside Director of ASATSU-DK INC. Outside Audit &amp; Supervisory Board Member of Denka Company Limited Outside Director of Mizuho Bank, Ltd. Representative Director, President of Global Professional Partners Co., Ltd.</p>	0 shares
RE- nomination						
Outside						
Independent Director						
<p data-bbox="225 1469 871 1503">&lt;Reasons for selection as a Candidate for Outside Director&gt;</p> <p data-bbox="225 1514 1441 1662">Mr. Toshio Kinoshita has superior judgment as a certified public accountant and plentiful experience performing auditing functions at overseas locations over many years, and he has been nominated as a candidate to continue in his role as Outside Director as he is contributing to the appropriate decision-making of the Board of Directors from an objective and global standpoint. He will have served as an Outside Director of the Company for two years as of the conclusion of this Shareholders' Meeting.</p>						

Notes:

- 1: The above candidates have no conflicts of interest with the Company.
- 2: Mr. Michihiro Kitsukawa and Mr. Toshio Kinoshita are candidates for Outside Director. Notification has been submitted to the Tokyo Stock Exchange for both Mr. Kitsukawa and Mr. Kinoshita to be listed as independent officers according to the rules of the Exchange, and the Exchange will be notified again that they are independent officers if they are re-elected.
- 3: The Company has concluded an agreement with Mr. Michihiro Kitsukawa and Mr. Toshio Kinoshita to limit their damage liability as stipulated in Article 423, Paragraph 1 of the Companies Act, based on the regulations specified in Article 427, Paragraph 1 of the Companies Act. Should the reappointment of Mr. Kitsukawa and Mr. Kinoshita as Outside Directors be approved, the Company intends to maintain the Liability Limitation Agreement with them.

## **<For Reference> Criteria for Assessing Independence of Outside Directors/ Audit & Supervisory Board Members**

The Company establishes following standards in order to ensure the independence of Outside Directors/  
Audit & Supervisory Board Members.

1. The person in question is not a current or former Executive<sup>1</sup> of the Company or a related company (“Group Companies”).
2. Over the past 5 years a Close Relative<sup>2</sup> of the person has not been an Executive<sup>1</sup> of any Group Companies.
3. The following items are not currently applicable to the person and have not been applicable to the person in the past 5 years:
  - (1) The person is a large shareholder of the Company (a person who directly or indirectly controls voting rights worth 10% or more of total voting rights in the Company) or an Executive<sup>1</sup> of such a large shareholder.
  - (2) The person directly or indirectly controls voting rights worth 10% or more of total voting rights in Group Companies or is an Executive<sup>1</sup> of such a large shareholder.
  - (3) The person is a Person for whom Group Companies are Important Clients<sup>3</sup> or who is an Executive<sup>1</sup> of such an entity.
  - (4) The person is an Executive<sup>1</sup> of an Important Client of Group Companies<sup>4</sup>.
  - (5) The person is an Executive<sup>1</sup> of an Important Lender to Group Companies<sup>5</sup>.
  - (6) The person is affiliated with an auditing firm performing the Company’s statutory audits.
  - (7) The person is a consultant, an accounting professional or a legal professional (in the case that a group such as a corporation or association performs such a role, a person affiliated with that group) that has received from Group Companies money compensation or other assets to a total value of more than 10 million yen annually.
  - (8) The person is a recipient of donations or grants from Group Companies (in the case that a group such as a legal corporation or association is such a recipient, a person affiliated with that group) of more than 10 million yen annually.
  - (9) The person is an Executive<sup>1</sup> of a company to which Group Companies appoint Directors (regardless of whether such Directors are executive or non-executive).
4. None of the person’s Close Relatives are persons in regards to whom Items (1) to (9) of paragraph 3 above apply (but limited to cases where such a Close Relative is an Important Person<sup>6</sup>).

(Notes)

<sup>1</sup> An Executive is defined as a person who is either a Director (excluding an Outside Director) of a company or organization, an Executive Director, an Executive Officer, an employee who manages operations, a Senior General Manager or other equivalent person or employee who manages operations.

<sup>2</sup> A Close Relative is defined as a dependent, a relative to the second degree or a cohabitating relative.

<sup>3</sup> A Person for whom Group Companies are Important Clients is defined as a person who has received 2% or more of their consolidated annual gross revenues from Group Companies during that person’s most recent fiscal year.

<sup>4</sup> An Important Client of Group Companies is defined as a person who has paid 2% or more of the gross annual consolidated revenues of Group Companies in the Company’s most recent fiscal year.

<sup>5</sup> An Important Lender to Group Companies is defined as a person who has provided finance to Group Companies that represents an amount worth 2% or more of consolidated total assets as of the end of the Company’s most recent fiscal year.

<sup>6</sup> An Important Person is defined as a person who is either a Director, an Audit & Supervisory Board Member, an Executive Officer and a General Manager or above.

#### **Proposal 4: Election of one Audit & Supervisory Board Member**

The term of office of the Audit & Supervisory Board Member, Mr. Shinsuke Matsuo, will expire at the conclusion of this Annual General Meeting of Shareholders. Accordingly, we propose to elect the following one Audit & Supervisory Board Member candidate.

The Audit & Supervisory Board has already approved this proposal.

The candidate for Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Brief History, Position and Key Concurrent Posts	Number of shares of the Company owned		
<table border="1" data-bbox="153 573 400 645"> <tr> <td data-bbox="153 573 400 607">RE- nomination</td> </tr> <tr> <td data-bbox="153 607 400 645">Outside</td> </tr> </table> <p data-bbox="185 685 368 748">Shinsuke Matsuo (August 4, 1970)</p> <p data-bbox="164 792 389 887">Attendance at Board of Directors meetings (13/13)</p> <p data-bbox="153 931 400 1061">Attendance at Board of Audit &amp; Supervisory Board Members meetings (9/9)</p>	RE- nomination	Outside	<p data-bbox="432 544 1158 757">April 1997 Registered with the Tokyo Bar Association Joined Sakura Kyodo Law Offices</p> <p data-bbox="432 607 1158 640">June 2006 Sakura Kyodo Law Offices Partner (incumbent)</p> <p data-bbox="432 640 1158 757">June 2011 Outside Audit &amp; Supervisory Board Member of TACHI-S CO., LTD. (incumbent) Member of the Special Committee of TACHI-S CO., LTD.</p> <p data-bbox="432 768 679 801">(Key concurrent posts)</p> <p data-bbox="432 801 1110 887">Partner &amp; attorney at law, Sakura Kyodo Law Offices Partner Outside Audit &amp; Supervisory Board Member of IASS Co., Ltd. Outside Director of Nuts Inc.</p>	<p data-bbox="1270 801 1406 835">2,100 shares</p>
RE- nomination				
Outside				
<p data-bbox="153 1104 1110 1137">&lt;Reasons for selection as a Candidate for Outside Audit &amp; Supervisory Board Member &gt;</p> <p data-bbox="153 1137 1447 1299">Although Mr. Shinsuke Matsuo has no experience in being directly involved with corporate management, other than serving as an Outside Audit &amp; Supervisory Board Member, he has been nominated as a candidate to continue in his role as Outside Audit &amp; Supervisory Board Member, as he has expert knowledge and experience of matters such as corporate law as a lawyer, and we hope to utilize this in the auditing of the Company. He will have served as an Outside Audit &amp; Supervisory Board Member of the Company for six years as of the conclusion of this Shareholders' Meeting.</p>				

Notes:

- 1: The above candidate has no conflicts of interest with the Company.
- 2: Mr. Shinsuke Matsuo is a candidate for Outside Audit & Supervisory Board Member.
- 3: Mr. Matsuo is affiliated with Sakura Kyodo Law Offices, with which the Company has concluded a legal consulting agreement; however, legal fees paid to this law firm in the most recent fiscal year are a trifling amount, at less than 0.003% of the Company's consolidated net sales, and less than 0.5% of the law firms net sales, hence there is no risk of a conflict of interest with regular shareholders, and it does not impact his independence.
- 4: The Company has concluded an agreement with Mr. Shinsuke Matsuo to limit his damage liability as stipulated in Article 423, Paragraph 1 of the Companies Act, based on the regulations specified in Article 427, Paragraph 1 of the Companies Act. Should the reappointment of Mr. Matsuo as Outside Audit & Supervisory Board Member be approved, the Company intends to maintain the Liability Limitation Agreement with him. The maximum amount of liability for damage based on the Liability 6 Limitation agreement is the minimum liability as stipulated in Article 425, Paragraph 1 of the Companies Act.

## **Proposal 5: Election of one Substitute Audit & Supervisory Board Member**

The effectiveness of the election of Mr. Noriaki Kinoshita as a Substitute Audit & Supervisory Board Member at the 64th Annual General Meeting of Shareholders held on June 23, 2016 is limited up to this Annual General Meeting of Shareholders. Therefore, to ensure that the number of Outside Audit & Supervisory Board Members stipulated under laws and regulations is maintained, the Company proposes to elect one candidate as the Substitute Outside Audit & Supervisory Board Member.

The effectiveness of the election at this Annual General Meeting of Shareholders may be revoked, limited to the period before accession to office, with the approval of the Audit & Supervisory Board and by the resolution of the Board of Directors.

The Audit & Supervisory Board has already approved this proposal.

The candidate for Substitute Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Brief History and Key Concurrent Posts	Number of shares of the Company owned
<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">RE- nomination</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Outside</div> Noriaki Kinoshita (December 5, 1939)	June 1966 Registered as a certified public accountant Opened Kinoshita certified public accountant office April 1972 Adjunct instructor, Faculty of Commerce of Chuo University October 1984 Senior Partner of Inoue Tatsuo Accounting Office October 1993 Senior Partner of Asahi & Co. (currently KPMG AZSA LLC) April 2002 Professor, Faculty of Commerce, Chuo University June 2006 Member of the Special Committee of TACHI-S CO., LTD. June 2007 Substitute Audit & Supervisory Board Member of TACHI-S CO., LTD. (incumbent) (Key concurrent posts) Outside Audit & Supervisory Board Member of TOPPAN FORMS CO., LTD. Representative Director, President of A&MI Advisors Firm Co., Ltd.	0 shares
<p>&lt;Reasons for selection as a Candidate for Substitute Audit &amp; Supervisory Board Member &gt;  Mr. Noriaki Kinoshita has been nominated as a candidate to continue in his role as Outside Audit &amp; Supervisory Board Member, as he has experience and financial knowledge as a certified public accountant over many years, and we hope to utilize this in the auditing of the Company.</p>		

Notes:

- 1: The above candidate has no conflicts of interest with the Company.
- 2: Mr. Noriaki Kinoshita is a candidate for Substitute Outside Audit & Supervisory Board Member.
- 3: If Mr. Noriaki Kinoshita assumes office as an Audit & Supervisory Board Member, the Company intends to maintain the Liability Limitation Agreement with him to limit his damage liability as stipulated in Article 423, Paragraph 1 of the Companies Act, based on the regulations specified in Article 427, Paragraph 1 of the Companies Act. The maximum amount of liability for damage based on the Liability Limitation agreement is the minimum liability as stipulated in Article 425, Paragraph 1 of the Companies Act.

## **Proposal 6: Payment of Bonuses to Directors**

The Company proposes to pay Bonuses to five of the seven Directors excluding the Outside Directors as of the end of the fiscal year under review amounting to a total of ¥85,000,000, in recognition of the business performance and other factors for the fiscal year under review. The Company would like to leave it to the Board of Directors to decide on the amount of bonus for each Director.

# Consolidated Balance Sheet

(As of March 31, 2017)

(Unit: Million yen)

Account Name	Amount	Account Name	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Total current assets</b>	<b>102,280</b>	<b>Total current liabilities</b>	<b>68,781</b>
Cash, time deposits and other cash equivalents	40,919	Accounts and notes payable	49,393
Accounts and notes receivable	43,529	Short-term bank loans	805
Marketable securities	177	Income taxes payable	1,864
Goods and merchandises	1,850	Reserve for directors' bonuses	85
Work in process	525	Other	16,632
Raw materials and supplies	7,322	<b>Total fixed liabilities</b>	<b>11,992</b>
Deferred income taxes	1,317	Long-term debt	6,500
Other	6,727	Deferred income taxes	4,242
Allowance for bad debts	-88	Retirement allowance for directors and audit & supervisory board	15
<b>Fixed assets</b>	<b>71,369</b>	Net defined benefit liability	437
<b>Property, plant and equipment</b>	<b>32,793</b>	Other	796
Buildings and structures	11,293	<b>Total liabilities</b>	<b>80,773</b>
Machinery and vehicles	11,065	<b>(Net assets)</b>	
Land	6,482	<b>Total shareholders' equity</b>	<b>77,087</b>
Construction in progress	1,566	Common stock	9,040
Other	2,385	Additional paid-in capital	9,247
<b>Intangibles and deferred charges</b>	<b>1,239</b>	Retained earnings	60,240
Goodwill	57	Treasury stock	-1,441
Other	1,181	<b>Valuation and translation adjustments</b>	<b>10,566</b>
<b>Investments and other assets</b>	<b>37,336</b>	Net unrealized gain on securities	4,810
Investments in securities	27,438	Foreign currency translation adjustments	5,713
Long-term loans	47	Remeasurements of defined benefit plans	42
Deferred income taxes	2,922	<b>Non-controlling interests</b>	<b>5,223</b>
Net defined benefit assets	85		
Other	6,946	<b>Total net assets</b>	<b>92,877</b>
Allowance for bad debts	-103	<b>Total liabilities and net assets</b>	<b>173,650</b>
<b>Total assets</b>	<b>173,650</b>		

# Consolidated Statement of Income

(From April 1, 2016 to March 31, 2017)

(Unit: Million yen)

Account Name	Amount	
<b>Net sales</b>		<b>282,525</b>
<b>Cost of sales</b>		<b>257,056</b>
<b>Gross profit</b>		<b>25,469</b>
<b>Selling, general and administrative expenses</b>		<b>16,609</b>
<b>Operating income</b>		<b>8,859</b>
<b>Non-operating income</b>		
Interest income	312	
Dividend income	239	
Equity in earnings of subsidiaries and associates	2,914	
Other	198	3,665
<b>Non-operating expenses</b>		
Interest expenses	74	
Exchange losses	77	
Other	34	187
<b>Ordinary income</b>		<b>12,337</b>
<b>Extraordinary income</b>		
Gain on sales of fixed assets	10	
Gain on liquidation of subsidiaries	161	171
<b>Extraordinary loss</b>		
Loss on disposal of fixed assets	72	
Loss on valuation of investment securities	28	
Loss on valuation of golf club membership	2	103
<b>Net income before taxes and adjustments</b>		<b>12,406</b>
Income taxes	3,426	
Income taxes - deferred	-313	3,112
<b>Net income</b>		<b>9,293</b>
Net income attributable to non-controlling interests		2,030
<b>Net income attributable to owners of parent</b>		<b>7,262</b>

## Consolidated Statement of Changes in Net Assets

(From April 1, 2016 to March 31, 2017)

(Unit: Million yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2016	9,040	9,247	53,580	-1,441	70,427
Change of items during the period					
Cash dividends			-602		-602
Net income attributable to owners of parent			7,262		7,262
Treasury stock purchased				-0	-0
Change in treasury shares of parent arising from transactions with non-controlling shareholders		0			0
Net changes of items other than shareholders' equity					
Total of changes during the fiscal year	—	0	6,660	-0	6,659
Balance at March 31, 2017	9,040	9,247	60,240	-1,441	77,087

(Unit: Million yen)

	Valuation and translation adjustments				Non-controlling interests	Total net assets
	Net unrealized gain on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
Balance at April 1, 2016	4,054	8,508	-112	12,450	4,824	87,701
Change of items during the period						
Cash dividends						-602
Net income attributable to owners of parent						7,262
Treasury stock purchased						-0
Change in treasury shares of parent arising from transactions with non-controlling shareholders						0
Net changes of items other than shareholders' equity	756	-2,794	155	-1,883	398	-1,484
Total of changes during the fiscal year	756	-2,794	155	-1,883	398	5,175
Balance at March 31, 2017	4,810	5,713	42	10,566	5,223	92,877

## Non-consolidated Balance Sheet

(As of March 31, 2017)

(Unit: Million yen)

Account Name	Amount	Account Name	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Total current assets</b>	<b>50,258</b>	<b>Total current liabilities</b>	<b>32,631</b>
Cash, time deposits and other cash equivalents	17,627	Notes payable	95
Notes receivable	54	Electronically recorded monetary claims - operating	5,793
Electronically recorded monetary claims - operating	5,273	Accounts payable	20,040
Accounts receivable	19,821	Subsidiaries' and associates' funds entrusted for investment	853
Goods and merchandises	449	Accounts payable - other	866
Work in process	1,703	Accrued expenses	3,057
Raw materials and supplies	1,912	Income taxes payable	826
Advance payments	1,233	Deposits received	396
Deferred income taxes	664	Notes payable - facilities	408
Short-term loans receivable	240	Unearned revenue	207
Other	1,293	Reserve for directors' bonuses	85
Allowance for bad debts	-15	Other	0
<b>Fixed assets</b>	<b>49,400</b>	<b>Total fixed liabilities</b>	<b>9,662</b>
<b>Property, plant and equipment</b>	<b>13,659</b>	Long-term debt	6,500
Buildings	5,622	Deferred income taxes	1,867
Structures	128	Reserve for retirement benefits	513
Machinery	2,072	Other	782
Vehicles	0	<b>Total liabilities</b>	<b>42,294</b>
Equipment	723	<b>(Net assets)</b>	
Land	4,882	<b>Total shareholders' equity</b>	<b>52,556</b>
Construction in progress	227	<b>Common stock</b>	<b>9,040</b>
<b>Intangibles and deferred charges</b>	<b>939</b>	<b>Additional paid-in capital</b>	<b>9,193</b>
Software	923	Legal capital surplus	8,592
Other	16	Other	601
<b>Investments and other assets</b>	<b>34,802</b>	<b>Retained earnings</b>	<b>35,764</b>
Investments in securities	10,193	Legal retained earnings	480
Stock of subsidiaries and associates	15,530	Other retained earnings	35,283
Investments in capital	132	Reserve for advanced depreciation of fixed assets	21
Investments in subsidiaries and associates	8,476	General reserve	15,000
Long-term loans receivable	47	Retained earnings brought forward	20,262
Long-term prepaid expenses	60	<b>Treasury stock</b>	<b>-1,441</b>
Other	372	<b>Total valuation, translation adjustments and others</b>	<b>4,807</b>
Allowance for bad debts	-12	<b>Net unrealized gain on securities</b>	<b>4,807</b>
		<b>Total net assets</b>	<b>57,364</b>
<b>Total assets</b>	<b>99,658</b>	<b>Total liabilities and net assets</b>	<b>99,658</b>

## Non-consolidated Statement of Income

(From April 1, 2016 to March 31, 2017)

(Unit: Million yen)

Account Name	Amount	
<b>Net sales</b>		<b>131,123</b>
<b>Cost of sales</b>		<b>120,379</b>
<b>Gross profit</b>		<b>10,743</b>
<b>Selling, general and administrative expenses</b>		<b>8,030</b>
<b>Operating income</b>		<b>2,712</b>
<b>Non-operating income</b>		
Interest and dividend income	2,871	
Other	70	2,941
<b>Non-operating expenses</b>		
Interest expenses	47	
Other	48	95
<b>Ordinary income</b>		<b>5,558</b>
<b>Extraordinary income</b>		
Gain on sales of fixed assets	3	3
<b>Extraordinary loss</b>		
Loss on disposal of fixed assets	30	
Loss on valuation of investments in capital of subsidiaries and associates	332	
Loss on valuation of investment securities	28	
Loss on valuation of golf club membership	2	
Loss on liquidation of subsidiaries and associates	23	417
<b>Net income before taxes</b>		<b>5,144</b>
Income taxes	1,092	
Income taxes - deferred	-150	941
<b>Net income</b>		<b>4,202</b>

## Non-consolidated Statement of Changes in Net Assets

(From April 1, 2016 to March 31, 2017)

(Unit: Million yen)

	Shareholders' equity					
	Common stock	Additional paid-in capital			Retained earnings	
		Legal capital surplus	Other additional paid-in capital	Total additional paid-in capital	Legal retained earnings	Other retained earnings
					Reserve for advanced depreciation of fixed assets	
Balance as of April 1, 2016	9,040	8,592	601	9,193	480	21
Change of items during the period						
Cash dividends						
Net income						
Reversal of reserve for advanced depreciation of fixed assets						-0
Treasury stock purchased						
Net changes of items other than shareholders' equity						
Total of changes during the fiscal year	—	—	—	—	—	-0
Balance as of March 31, 2017	9,040	8,592	601	9,193	480	21

(Unit: Million yen)

	Shareholders' equity					Evaluation, exchange differences		Total net assets
	Retained earnings			Treasury stock	Total shareholders' equity	Net unrealized gain on securities	Total evaluation, exchange differences	
	Other retained earnings		Total retained earnings					
	Special reserve	Retained earnings brought forward						
Balance as of April 1, 2016	15,000	16,661	32,164	-1,441	48,957	4,052	4,052	53,009
Change of items during the period								
Cash dividends		-602	-602		-602			-602
Net income		4,202	4,202		4,202			4,202
Reversal of reserve for advanced depreciation of fixed assets		0	—		—			—
Treasury stock purchased				-0	-0			-0
Net changes of items other than shareholders' equity						755	755	755
Total of changes during the fiscal year	—	3,600	3,599	-0	3,599	755	755	4,354
Balance as of March 31, 2017	15,000	20,262	35,764	-1,441	52,556	4,807	4,807	57,364