

June 3, 2016

Notice of Convocation of 26th Ordinary General Meeting of Shareholders

Yukitoshi Kubota, President
Isolite Insulating Products Co., Ltd.
3-3-23 Nakanoshima, Kita-ku, Osaka, Japan

To Our Shareholders:

I would like to hereby cordially invite you to attend the 126th Ordinary General Meeting of Shareholders to be held as indicated below.

Should you be unable to attend the meeting, you may exercise your voting rights in writing. Therefore I would be grateful if you could review the attached documents, complete the enclosed “Exercise of Voting Rights” form, sign and then send it back to the Company at the address below by 5:30 pm on June 27 (Mon), 2016.

Details:

1. **Date and time:** **Tuesday, June 28, 2016, 10:00am**
2. **Place:** **Isolite Insulating Products Co., Ltd.,**
8th Floor Nakanoshima Dai Building Conference Room
3-3-23, Nakanoshima, Kita-ku, Osaka 530-6108, Japan
(refer to the attached map for directions)

3. Purposes:

Matters to be reported:

1. Business Report, Consolidated Financial Statements for the 126th term (from April 1, 2015 to March 31, 2016) and Audit Reports by Accounting Auditors and the Board of Corporate Auditors on the consolidated financial statements.
2. Financial Statements for the 126th term (from April 1, 2015 to March 31, 2016).

Matters to be resolved:

- | | |
|--------------------------|---|
| Resolution No. 1: | Appropriation Plan of Retained Earnings |
| Resolution No. 2: | Amendments to the Articles of Incorporation |
| Resolution No. 3: | Election of 5 Directors (Excluding Directors who are audit and supervisory committee members.) |
| Resolution No. 4: | Election of 3 Directors who are audit and supervisory committee members |
| Resolution No. 5: | Setting of remuneration amount for Directors (Excluding Directors who are audit and supervisory committee members.) |
| Resolution No. 6: | Setting of remuneration amount for Directors who are audit and supervisory committee members |

Upon arrival at the meeting, please hand in the enclosed "Exercise of Voting Rights" form at the reception desk. In case of any changes in the information contained in the following business report, consolidated financial statements and financial statements, we will post the changes on our website (<http://www.isolite.co.jp/>).

Business Report

(from April 1, 2015 to Mar 31, 2016)

1. Brief Business Review of Isolite Group

(1) Business Progress and Results

Overall Performance

In the current fiscal year, Japan's economy has seen gradual recovery in the first half of the fiscal year due to the effects of a weak yen and the low price of crude oil; however, due to the slowdown in China and emerging economies and the appreciation of the yen, the situation in the second half of the year has become uncertain. On the other hand, there was strong improvement in corporate earnings, and there are signs of recovery in the employment situation and capital investment.

In such an environment, we made efforts to improve the strength of our brand and technical capabilities, and worked to strengthen development and sales promotion measures for products that meet the needs of domestic and foreign customers. As a result, overseas orders for automotive and semiconductor manufacturing equipment were strong, and sales increased. In addition, as efforts were made to reduce costs at our foreign subsidiaries, operating profit, recurring profit and current term net profit attributable to parent company shareholders also increased.

As a result, the results of this fiscal year on a consolidated basis showed a revenue of 14.33 billion yen (2.7% increase compared to the previous year), an operating profit of 1.683 billion yen (73.7% increase), a recurring profit of 1.539 billion yen (53.3% increase), and a current term net profit attributable to the parent company of 947 million yen (61.3% increase).

Individual Segment's Performance

In our insulation materials-related business, as the core business of the Group, overseas orders for automotive and semiconductor manufacturing equipment have been steady, sales were higher than in the previous year.

As a result, consolidated sales for the insulation materials-related business that is mainly involved in the sales of insulation materials such as ceramics fibers and insulating firebricks, as well as the design and construction of industrial furnaces, reached 12.888 billion yen, an increase of 3.7% compared to the same period last year.

In our other businesses, sales in functional ceramics products were higher than in the previous year. Environment greening products were down on the previous year. Sales of construction-related materials were about the same level year on year.

As a result, the consolidated revenue for the other businesses reached 1.442 billion yen (5.2% decrease compared to the same period last year).

(2) Investments in Plants and Equipment by Isolite Group

The total amount of capital investment of the Group during the consolidated fiscal year under review was 279 million yen. Within the Isolite Group, the main investments were for updating production equipment at our company, and updating production equipment at ITM Co., Ltd.

(3) Fund-Raising by Isolite Group

There are no significant fund-raising matters to be reported during the term under review.

(4) Issues To Be Addressed by Isolite Group

With regard to future prospects, because of the decline in growth of the Chinese economy, and the downturn in emerging economies due to the decline in resource prices, the outlook is uncertain. Growth in the Japanese economy is also expected to remain sluggish.

Under such an environment, our Group is making an effort to secure the profitability through the maximum utilization of the power of our branding, technology, and sales.

In our insulation material-related business, we will strengthen our sales promotion measures in order to precisely meet the needs and expectations of our domestic and foreign customers. In addition, we will continue to aim to increase sales in overseas markets, particularly in the Southeast Asian region.

In our other businesses, the Group will seize demand in the environmental sector, focus on sales of new low thermal conductivity products, and aim to increase sales.

(5) Change in Results and Assets

1) Change in results and assets of Isolite Group

Unit: million yen

	123 rd Term (Apr. 2012 - Mar. 2013)	124 th Term (Apr. 2013 - Mar. 2014)	125 th Term (Apr. 2014 - Mar. 2015)	126 th Term (Current consolidated fiscal year) Apr. 2015 - Mar. 2016)
Sales	12,540	13,068	13,948	14,330
Recurring Profit	781	786	1,004	1,539
Current Term Net Profit attributable to parent company shareholders	574	353	587	947
Profit per Share	24.37	15.02	24.94	40.24
Total Assets	16,582	16,950	17,461	17,139
Net Assets	6,112	6,901	7,616	8,135

2) Change in results and assets of the Company (Isolite only)

Unit: million yen

	123 rd Term (Apr. 2012 - Mar. 2013)	124 th Term (Apr. 2013 - Mar. 2014)	125 th Term (Apr. 2014 - Mar. 2015)	126 th Term (Apr. 2015 - Mar. 2016)
Sales	6,509	6,300	7,170	7,475
Recurring Profit	586	453	582	751
Net Profit	594	321	401	401
Net Profit per Share	25.23	13.67	17.04	17.06
Total Assets	13,318	13,230	13,999	13,691
Net Assets	6,327	6,596	6,898	7,149

(6) Status of Parent Company and Subsidiary Companies

1) Relationship with the parent company

The parent company of the Company is Shinagawa Refractories Co., Ltd. who holds 12,919,000 shares of the Company (54.86% of the voting rights). The Company sells insulating refractory materials to the parent company, and buys refractory materials from the parent company.

With regard to the buying, etc., of products from the parent company, the general conditions in the market is taken into account when evaluating the price and trading conditions, and the decision is made to buy if they are determined to be at the same level as other terms and conditions. In addition, for the sale of our products, etc., we present our asking prices, taking into account market prices and the total cost, etc., and decide on whether to sell them through discussion.

Our Board of Directors determine their appropriateness and validity after gaining an understanding of these transactions and confirming that they do not harm the interests of the Group.

2) Important subsidiary companies

Company	Capital	% of holdings	Major business
Isolite Kenzai Co., Ltd.	¥70,000,000	100%	Production and sales of laminated wood products
Isolite Tochikaihatsu Co., Ltd.	¥34,000,000	100%	Operation of gas station, etc.
ITM Co., Ltd.	¥50,000,000	100%	Production and sales of ceramic fibers
Isolite Juki Co., Ltd.	¥20,000,000	100%	Production and sales of home-use boilers and kitchen ranges
Isolite Insulating Firebrick Sdn. Bhd. (Malaysia)	RM24,000,000	100%	Production and sales of insulating firebricks
Isolite Eastern Union Refractories Co., Ltd.(Taiwan)	NT\$156,000,000	60%	Production and sales of ceramic fibers
Isolite Ceramic Fiber Sdn. Bhd. (Malaysia)	RM3,500,000	100%	Production and sales of ceramic fibers
Suzhou Isolite Eastern Union Ceramic Fiber Co., Ltd.(China)	US\$7,000,000	80%	Production and sales of ceramic fibers
Isolite (Shanghai) Trade Co., Ltd. (China)	¥31,250,000	100%	Sales of insulating firebricks and ceramic fibers
ITM Europe GmbH (Germany)	€25,000	100%	Production and sales of ceramic fiber

(NOTES)

1. As listed above, there are 10 key subsidiaries under the consolidated group.
2. There are 3 subsidiaries accounted for under the equity method.
3. The Chinese name of Isolite (Shanghai) Trading Co., Ltd. was changed.

3) Other important affiliated company

Company	Capital	% of holdings	Major business
Isolite Fanshin (Taiwan) Co., Ltd.	NT\$24,000,000	50%	Sales of insulating firebricks and ceramic fibers

(7) Main Businesses of Isolite Group (as of March 31, 2016)

Business Segments	Operations
Insulation materials-related business	Production and sales of ceramic fibers, insulating firebricks, materials for IT industry-related equipment, materials for automotive exhaust gas purification systems, and monolithic refractory materials and its related products; design and installation of industrial furnaces; sales of fire protection materials.
Other businesses	Production and sales of metal matrix compound materials. Production and sales of porous ceramics. Production and sales of laminated wood products. Sales of home-use burning appliances and petroleum products. Power generation in photovoltaic power plants, supply of electricity

(8) Main Offices and Plants (as of March 31, 2016)

Isolite Insulating Products Co., Ltd.	Head Office (Kita-ku, Osaka City) Tokyo Branch (Chiyoda-ku, Tokyo) Osaka Branch (Kita-ku, Osaka City) Nagoya Branch (Nishi-ku, Nagoya City) Kyushu Sales Office (Kokura, Kita-ku, Kitakyushu City) Hokuriku Sales Office (Nanao City, Ishikawa) Singapore Branch (Singapore) Otowa Plant (Toyokawa City, Aichi) Nanao Plant (Nanao City, Ishikawa)
Isolite Kenzai Co., Ltd.	Nanao City, Ishikawa Pref.
Isolite Tochikaihatsu Co., Ltd.	Nanao City, Ishikawa Pref.
ITM Co., Ltd.	Kanzakicho, Katorigun, Chiba Pref.
Isolite Juki Co., Ltd.	Nanao City, Ishikawa Pref.
Isolite Insulating Firebrick Sdn. Bhd.	Malaysia
Isolite Eastern Union Refractories Co., Ltd.	Taiwan
Isolite Ceramic Fibers Sdn. Bhd.	Malaysia
Suzhou Isolite Eastern Union Ceramic Fiber Co., Ltd.	China
Isolite (Shanghai) Trade Co., Ltd.	China
ITM Europe GmbH	Germany

(9) Status of Employment (as of March 31, 2016)

1) Isolite Group

Business Segment	Number of Employees
Insulation materials-related business	565
Other business	44
Total	609

(Note) Number of employees is the number of working employees, including part-time, and does not include temporary employees.

2) Isolite

Number of Employees	Change from previous year	Mean Age	Length of Service
177	+4	44.6	17.5 years

(Note) Number of employees is the number of working employees, including part-time, and does not include temporary employees.

(10) Major Lenders (as of March 31, 2015)

Lender	Amount (million yen)
The Sumitomo Trust and Banking Company, Limited.	1,822
Sumitomo Mitsui Banking Corporation	1,685

2. Company Overview

(1) Share Overview (as of March 31, 2016)

- | | |
|---|-------------------|
| 1) Total number of authorized shares to be issued | 51,259,000 shares |
| 2) Total number of outstanding shares | 23,606,573 shares |
| 3) Number of shareholders | 3,015 |
| 4) Major Shareholder (top 10) | |

Shareholder	Number of shares	Share Ratio
Shinagawa Refractories Co., Ltd.	12,919,000	54.85%
Nichias Corporation	1,010,000	4.29%
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	515,000	2.19%
Mitsui Sumitomo Insurance, Limited	382,000	1.62%
Japan Trustee Services Bank, Ltd. (Trust account)	271,000	1.15%
Sumitomo Mitsui Trust Bank, Limited	215,000	0.91%
The Master Trust Bank of Japan, Ltd. (Trust account)	207,000	0.88%
Hiroshi Kubota	175,000	0.74%
Sumitomo Mitsui Banking Corporation	145,000	0.62%
Daiwa Securities Co. Ltd.	135,000	0.58%

(Note) The shareholding ratio is calculated after deducting treasury stock (55,342 shares).

(2) Status Share Warrant

None

(3) Company Executive Officers

1) Directors and Auditors (as of March 31, 2016)

Position	Name	Management Responsibility
Representative Director, President	Yukitoshi Kubota	General Manager of Sales Department
Director	Tatsuo Sano	Director of Manufacturing Group. In charge of Environmental Safety Measures Office Chairman of Isolite Insulating Firebrick Sdn. Bhd. Chairman of Isolite Eastern Union Refractories Co., Ltd. Chairman of Isolite Ceramic Fibers Sdn. Bhd.
Director	Fumihiko Sakata	Director of Overseas Operations In charge of overseas affiliates Chairman of Foster Engineering Private Limited.
Director	Toshiaki Hashimoto	Director of Research and Development Group. Chairman of Suzhou Isolite Eastern Union Ceramic Fiber Co., Ltd.
Director	Toshihiro Yamawaki	GM of General Affairs Dept. GM of Accounting Dept. In charge of Information Systems Office, in charge of domestic affiliates
Non-standing Auditor	Nobuhiro Shiroe	Head of Shiroe Certified Public Accountants Office Representative Member of Kouei Audit Corporation Representative Member of Masters Tax Accountants
Standing Auditor	Osachi Hasumoto	
Non-standing Auditor	Keiichiro Koyama	Standing Auditor of Shinagawa Refractories Co., Ltd.
Non-standing Auditor	Akihiko Ishikawa	Director of Ishikawa Accounting Office

Consolidated Balance Sheet

(As of March 31, 2016)

Unit: Million Yen

Assets		Liabilities	
Current Assets	9,888	Current Liabilities	6,670
Cash and deposits	2,614	Bills payable and accounts payable	1,297
Bills receivable and accounts receivable	4,614	Short-term borrowings	3,864
Finished products	1,423	Redemption of debenture expected within one year	180
Products in progress	257	Provision for income taxes	258
Raw materials and stored items	509	Accrued expenses	413
Deferred tax asset	166	Accrued bonus	283
Other current assets	305	Other current liabilities	372
Allowance for doubtful accounts	—3	Fixed Liabilities	2,333
Fixed Assets	7,251	Debenture Loans	40
Tangible Fixed Assets	5,155	Long-term borrowings	1,102
Buildings & structures	1,520	Allowance for environmental measures	30
Machinery and vehicle equip.	1,197	Allowance for retirement benefits	33
Tools, apparatus and fixtures	165	Allowance for executive retirement benefits	627
Land	2,231	Guarantee deposits received	169
Construction in progress	39	Other fixed liabilities	329
Intangible Fixed Assets	157	Total of Liabilities	9,004
Investments/Other Assets	1,938	Net Assets	
Investment in securities	945	Shareholders' Equity	7,564
Long-term loans	517	Capital stock	3,196
Deferred tax asset	171	Capital surplus	2,254
Other investments	417	Accumulated earnings	2,124
Allowance for doubtful accounts	—114	Treasury stock	—10
		Total of Other Comprehensive Income	46
		Reserve from securities revaluation	137
		Exchange adjustments	—90
		Foreign currency translation adjustment	—0
		Non-controlling shareholder equity	524
		Total of Net Assets	8,135
Total of Assets	17,139	Total of Liabilities and Net Assets	17,139

Consolidated Profit and Loss Statement

(April 1, 2015 - March 31, 2016)

Unit: Million Yen

Item	Amount	
Sales		14,330
Cost of sales		9,534
Gross profit		4,796
Selling and general administrative expenses		3,112
Operating profit		1,683
Non-operating profit		
Interest/dividend received	28	
Rent payment receivable	15	
Equity in earnings of affiliates	106	
Other	33	185
Non-operating expenses		
Interest paid	66	
Depreciation of temporarily idling fixed asset	23	
Currency exchange loss	200	
Other	38	329
Recurring Profit		1,539
Net Income Before Taxes and Other Adjustments		1,539
Corporate tax, corporate inhabitant tax and corporate enterprise tax	421	
Corporate tax adjustment	147	568
Current Term Net Profit		970
Current Term Net Profit attributable to non-controlling shareholders		22
Current Term Net Profit attributable to parent company shareholders		947

Consolidated statement of shareholders' equity

(April 1, 2015 - March 31, 2016)

(Unit: Million Yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder equity
Balance at the beginning of current period	3,196	2,254	1,271	-10	6,711
Change during the consolidated fiscal year					
Dividends from surplus			-94		-94
Current term net profit attributable to parent company shareholders			947		947
Net change during the consolidated fiscal year for items other than shareholder equity [net]					
Total change during the consolidated fiscal year	—	—	853	—	853
Balance at the end of current period	3,196	2,254	2,124	-10	7,564

	Accumulated amount for other comprehensive income				Controlling shareholder equity	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency conversion adjustments	Adjusted accumulated amount for retirement benefits	Total accumulated amount for other comprehensive income		
Balance at the beginning of current period	193	13	158	365	539	7,616
Change during the consolidated fiscal year						
Dividends from surplus						-94
Current term net profit attributable to parent company stock						947
Net change during the consolidated fiscal year for items other than shareholder equity [net]	-56	-104	-158	-319	-15	-334
Total change during the consolidated fiscal year	-56	-104	-158	-319	-15	518
Balance at the end of current period	137	-90	-0	46	524	8,135

Company Balance Sheet (Isolite)

(As of March 31, 2016)

Unit: Million Yen

Assets		Liabilities	
Current Assets	5,527	Current Liabilities	4,607
Cash and deposits	591	Bills payable	392
Bills receivable	1,154	Accounts payable	608
Accounts receivable	1,923	Short-term borrowings	2,250
Finished goods	655	Long-term borrowings	749
Property for sale	342	due within one year	
Products in process	39	Redemption of debenture due	180
Materials and supplies	132	within one year	
Short-term loan	726	Accounts payable-other	105
Deferred tax prepayment	82	Income taxes payable	59
Other current assets	101	Consumption tax payable	11
Allowance for doubtful accounts	-222	Accrued expenses	112
		Allowance for bonus	121
		Other current liabilities	17
Fixed Assets	8,164	Fixed Liabilities	1,934
Tangible Fixed Asset	3,113	Debenture Loans	40
Buildings	669	Long-term loan payable	1,064
Structures	42	Allowance for environmental	30
Machinery and equipment	449	measures	
Vehicles	0	Allowance for retirement benefits	335
Tools, furniture and fixtures	46	Guarantee deposits received	169
Land	1,899	Others	294
Construction in progress	6		
Intangible Fixed Assets	43	Total of Liabilities	6,542
Software	35		
Others	8	Net Assets	
Investments/Other Assets	5,006	Shareholders' Equity	7,014
Investment in securities	575	Capital Stock	3,196
Stock of affiliated companies	3,436	Capital Surplus	2,254
Investments in affiliated companies	757	Capital surplus reserve	904
Long-term prepaid expenses	37	Other capital surplus	1,350
Deferred tax prepayment	93	Accumulated Earnings	1,573
Other investments	128	Other accumulated earnings	1,573
Allowance for doubtful accounts	-22	Earned surplus brought forward	1,573
		Treasury Stock	-10
		Revaluation reserve	135
		Other gains from appreciation of securities	135
		Total of Net Assets	7,149
Total of Assets	13,691	Total of Liabilities and Net Assets	13,691

Company Profit and Loss Statement (Isolite)

(April 1, 2014 - March 31, 2016)

Unit: Million Yen

Item	Amount	
Sales		7,475
Cost of sales		5,269
Gross profit		2,205
Selling and general administrative expenses		1,646
Operating profit		558
Non-operating profit		
Interest/dividend received	272	
Others	52	325
Non-operating expenses		
Interest paid	45	
Depreciation of temporarily idling fixed asset	23	
Exchange loss	17	
Other expenses	45	132
Recurring Profit		751
Extraordinary Profit		
Reversal of allowance for doubtful receivables	109	109
Extraordinary Loss		
Provision of allowance for doubtful accounts	171	
Subsidiary stock valuation loss	97	269
Net Income Before Taxes and Other Adjustments		591
Corporate tax, corporate inhabitant tax and corporate enterprise tax	66	
Adjustment of income taxes	123	189
Current Term Net Profit		401

Statement of changes in net assets

(April 1, 2015 - March 31, 2016)

(Unit: Million Yen)

	Shareholders' Equity							
	Capital stock	Capital surplus			Retained earnings		Treasury stock	Total shareholder equity
		Capital reserves	Other capital surplus	Capital surplus total	Other retained earnings	Total retained earnings		
					Retained earnings brought forward			
Balance at the beginning of current period	3,196	904	1,350	2,254	1,266	1,266	-10	6,706
Change during the fiscal year								
Dividends from surplus					-94	-94		-94
Net income					401	401		401
Change during the fiscal year for items other than shareholder equity [net]								
Total change during the fiscal year	—	—	—	—	307	307	—	307
Balance at the end of current period	3,196	904	1,350	2,254	1,573	1,573	-10	7,014

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	192	192	6,898
Change during the fiscal year			
Dividends from surplus			-94
Net income			401
Change during the fiscal year for items other than shareholder equity [net]	-56	-56	-56
Total change during the fiscal year	-56	-56	251
Balance at the end of current period	135	135	7,149

-End-