

Securities Code: 6357

June 12, 2017

## To Shareholders,

Makoto Nakagawa  
President & CEO, Representative Director  
**Sansei Technologies, Inc.**  
4-3-29 Miyahara, Yodogawa-ku, Osaka City

### Notice of the 67<sup>th</sup> Annual General Meeting of Shareholders

You are cordially invited to attend the 67<sup>th</sup> Annual General Meeting of Shareholders of Sansei Technologies, Inc. (hereinafter, the “Company” or “we”). The meeting will be held as detailed below.

If you are unable to attend the meeting, you can exercise your voting rights by paper ballot or via the Internet. Please review the “Reference Documents for the General Meeting of Shareholders” below to complete the exercise of your voting rights in accordance with the guidance hereinafter no later than 5:15 p.m., Japan Standard Time, on Wednesday, June 28, 2017.

#### Details

- 1. Date and Time:** Thursday, June 29, 2017, at 10 a.m., Japan Standard Time
- 2. Place:** Canale, 5<sup>th</sup> floor, Hotel Mielparque Osaka  
4-2-1 Miyahara, Yodogawa-ku, Osaka City, Osaka
- 3. Agenda of the Meeting:**
- Matters to be reported**
1. Report on the Business Report, the Consolidated Financial Statements, and the results of an audit on the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 67<sup>th</sup> fiscal year ended March 31, 2017 (April 1, 2016-March 31, 2017)
  2. Report on the Non-consolidated Financial Statements for the 67<sup>th</sup> fiscal year ended March 31, 2017 (April 1, 2016-March 31, 2017)
- Proposals to be resolved**
- Proposal 1** Appropriation of surplus
- Proposal 2** Partial revision of the Articles of Incorporation
- Proposal 3** Election of eight directors
- Proposal 4** Election of one audit & supervisory board member
- Proposal 5** Revision of compensation for directors and audit & supervisory board members
- 4. Guide to Exercise of Voting Rights**
- (1) Exercise of voting rights by paper ballot  
Please indicate your vote for or against each of the proposals on the enclosed Voting Rights Exercise Form and return the form so that it reaches us no later than 5:15 p.m., Japan Standard Time, on Wednesday, June 28, 2017.
  - (2) Exercise of voting rights via the Internet  
If you wish to exercise your voting rights via the Internet, please review the “Guidance for Exercise of Voting Rights via the Internet” on page 2, and complete the exercise of voting rights no later than 5:15 p.m., Japan Standard Time, on Wednesday, June 28, 2017.
  - (3) If you exercise your voting rights more than once, the last vote we have received shall be deemed effective. If the vote exercised via the Internet and the Voting Rights Exercise Form reach us on the same date, the vote exercised via the Internet shall be deemed effective.

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1. If you plan to attend the meeting, please hand in the enclosed Voting Rights Exercise Form at the reception desk when you arrive the venue.
  2. Of the documents that should be included in this notice, “Notes to Consolidated Financial Statements” and “Notes to Non-Consolidated Financial Statements” are not included in the attachments hereto as they are posted on the Company’s website (<http://www.sansei-technologies.com/>) as provided for in laws and regulations and Article 16 of the Company’s Articles of Incorporation.
  3. If any modifications are made to the contents of the Reference Documents for General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements, and the Non-Consolidated Financial Statements, such modifications will be posted on the Company’s website (<http://www.sansei-technologies.com/>).

Before exercising your voting rights via the Internet, please be aware of the following:

#### 1. Website for exercise of voting rights

You can exercise your voting rights via the Internet only through the Company's designated voting website below:

**Voting Website:** <http://www.web54.net>

\* You can also access the Voting Website using your mobile phone if it has the function to read barcodes. Please read the "QR Code®" on the right-hand side to access the website. Please check the operation manual of your mobile phone to find out how to use this function on your mobile phone.

(QR Code is the registered trademark of Denso Wave Incorporated.)





#### 2. Handling of exercise of voting rights

- (1) If you wish to exercise your voting rights via the Internet, please follow the instructions on the screen and enter your vote for or against each of the proposals using the "voting rights exercise code" and "password" printed on the enclosed Voting Rights Exercise Form.
- (2) You will be able to exercise your voting rights until 5:15 p.m., Japan Standard Time, on Wednesday, June 28, 2017. You are advised to exercise your voting rights at the earliest opportunity.
- (3) If you exercise your voting rights more than once, the last vote we have received shall be deemed effective. If the vote exercised via the Internet and the Voting Rights Exercise Form reach us on the same date, the vote exercised via the Internet shall be deemed effective.
- (4) Fees for internet providers and carriers (e.g. connection charges) associated with using the website for exercise of voting rights are at your own expense.

#### 3. Handling of password and voting rights exercise code

- (1) The password is important information used to verify whether the person voting is a legitimate shareholder. Please handle it as carefully as you do your seals and PINs.
- (2) The password will be disabled when inputted incorrectly for a certain number of times. If you wish to have a new password issued, please follow the instructions on the screen.
- (3) The voting rights exercise code printed on the Voting Rights Exercise Form shall be valid only for this General Meeting of Shareholders.

#### 4. Inquiries on Operation Method of Personal Computer and Other Devices

- (1) If you have any questions about how to operate a personal computer, mobile phone, or other device to exercise your voting rights on the Voting Website, please contact the following for assistance:  
Hotline of Stock Transfer Agency Web Support, Sumitomo Mitsui Trust Bank, Limited  
 0120-652-031 (Operating hours: 9:00 a.m. to 9:00 p.m., Japan Standard Time)
- (2) For any other inquiries, please contact the following for assistance:
  - A. Stockholder with an account with a securities company:  
Please contact the securities company which you hold an account at.
  - B. Stockholder without an account with a securities company (stockholder with a special account):  
Stock Transfer Agency Business Center, Sumitomo Mitsui Trust Bank, Limited  
 0120-782-031 (Operating hours: 9:00 a.m. to 5:00 p.m., Japan Standard Time, except for weekends and holidays)

## Business Report

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

### **1. Overview of the Corporate Group**

#### **(1) Business Activities and Performance**

The Japanese economy during the fiscal year ended March 31, 2017 showed signs of modest recovery mainly in the areas of employment and income while uncertainties remained in the global economy with the exit of the U.K. from the EU, uncertainty about the new U.S. administration and concerns about a slow-down of the Chinese economy.

Under these circumstances, the Sansei Technologies Group has worked on improvement of the performance results in four major business segments: Stage Equipment, Amusement Rides, Elevators and Maintenance & Repair.

The total orders received by all businesses during the fiscal year ended March 31, 2017 increased 3.6% from the previous year to 28,645 million yen. The breakdown by segment is as follows:

Orders received by the Stage Equipment segment increased 10.7% to 7,701 million yen, mainly driven by orders for big projects, such as public halls; orders received by the Amusement Rides segment increased 3.7% to 9,995 million yen, supported by a continued increase in orders for big projects in and outside Japan; orders to the Elevators segment increased 19.6% to 1,104 million yen; and orders to the Maintenance & Repair segment decreased 2.9% to 9,844 million yen.

The net sales of all businesses during the fiscal year ended March 31, 2017 increased 21.4% from the previous year to 29,122 million yen. The breakdown by segment is as follows:

Sales by the Amusement Rides business increased 55.1% from the previous year to 10,424 million yen, mainly supported by the completion of a big theme park project and new-type roller coasters; sales by the Maintenance & Repair business increased 18.1% to 10,850 million yen, mainly due to completion of big stage renovation projects; sales by the Stage Equipment business decreased 5.8% to 6,751 million yen, despite the revenues recognized for “Staff Hall” within Kannonji Citizen Hall, the “Cominess” Shirakawa Culture Exchange Hall, and other public halls and large concert and other events; and sales of the Elevators business increased 20.8% to 1,022 million yen.

Operating income increased 54.9% to 3,226 million yen from the previous year, mainly due to steady progress in large-scale projects and improvement in the profitability of the Amusement Rides business both in the Company and our subsidiary in the U.S. and strong sales in the Maintenance and Service business. Ordinary income increased 52.7% to 3,396 million yen. Net income attributable to shareholders of the parent company significantly increased 72.3% to 2,224 million yen. We achieved record bests both in sales and profit, with significant growth from the previous year.

#### **(2) Capital investment and fund procurement**

Capital investment of 665 million yen was made during the current fiscal year to improve productivity and to increase order receipts. Major investments were as shown below. The Company’s own funds were appropriated for these investments.

Construction of a new office building for an overseas subsidiary and a plant	330 million yen
LED Vision and others	70 million yen
Production facilities for plants	51 million yen

Fund procurement: During the term under review, the Company procured funds in order to meet cash requirements. As a result, the year-end balance of loans payable increased by 279 million yen from the previous year to 2,932 million yen.

### (3) Assets and Profit/Loss Status

Classification	64th Business Year April 1, 2013 to March 31, 2014	65th Business Year April 1, 2014 to March 31, 2015	66th Business Year April 1, 2015 to March 31, 2016	67th Business Year (current fiscal year) April 1, 2016 to March 31, 2017
Orders Received (in million yen)	20,871	27,591	27,660	28,645
Net sales (in million yen)	20,805	24,479	23,990	29,122
Net income attributable to owners of parent (in million yen)	599	1,059	1,291	2,224
Net income per share	32.57 yen	57.58 yen	70.17 yen	120.85 yen
Total assets (in million yen)	33,756	39,277	35,829	40,303
Net assets (in million yen)	24,351	25,444	25,700	27,726
Net assets per share	1,320.76 yen	1,382.72 yen	1,395.13 yen	1,502.99 yen

(Note) Orders received do not include orders received in the leisure/service business and in the real estate lease business.

### (4) Significant subsidiaries

#### ① Significant subsidiaries

Company Name	Capital Stock	Voting Right Holding Ratio	Major Businesses
Sun Ace Co., Ltd.	50 million yen	100 %	Operation and management of amusement facilities
Sansei Maintenance Co., Ltd. <WEST>	20	100	Installation, maintenance and repair service of elevators and other facilities (Note 1)
Sansei Maintenance Co., Ltd. <EAST>	10	100	Installation, maintenance and repair service of elevators and other facilities (Note 1)
Sansei Facilities Co., Ltd.	10	100	Property management service and logistics operations
TELMIC Corp.	13	100	Production, installation and operation of illuminative and mechanical equipment for TV programs, concerts, etc.
Sansei Technologies, Inc.	19 million US dollars (Note 2)	100	A holding company in the U.S.
S&S Worldwide, Inc.	4 million US dollars (Note 2)	Indirect 100	Design, production, installation and sale of amusement machines

(Note 1) Sansei Maintenance Co., Ltd. <WEST> provides services in western Japan. Sansei Maintenance Co., Ltd. <EAST> provides services in eastern Japan.

(Note 2) The amount of capital surplus is included in the amount of capital stock.

#### ② Status of special wholly-owned subsidiaries as of the closing date of the fiscal year Not applicable

### (5) Issued to be overcome

The Japanese economy is expected to continue its modest recovery while some uncertainties will remain about the political environments in the U.S. and Europe and the situation on the Korean Peninsula.

Under these circumstances, the Sansei Technologies Group will focus on both domestic and international markets in its four main businesses: Stage Equipment, Amusement Rides, Elevators and Maintenance and Repair, and will also explore new businesses and new customers.

Moreover, we will endeavor to become a “Unique Global Niche Company” by taking advantage of the abundant experience and technologies of group companies and to develop unique products of high quality that overpower our competitors.

We would like to ask for further support and guidance from our shareholders in the future.

**(6) Major businesses**

Businesses Segment	Major Products
Stage Equipment Business	Production and sale of stage facilities, suspended facilities, sound equipment, lighting equipment, etc. Production, installation and operation of illuminative and mechanical equipment for TV programs, concerts, stages, events, etc.
Amusement Rides Business	Production and sale of roller coasters, sky towers, looping coasters, wonder wheels, rafting rides, jungle mouse rides, splash falls and other amusement rides
Elevators Business	Production and sale of elevators, facilities and special mechanisms
Maintenance & Repair Business	Maintenance and repair of products sold by the above-mentioned business departments
Real Estate Lease Business	Leasing and management of real estate and parking lots
Leisure & Service Business	Operation and management of amusement facilities installed in amusement parks in Japan

**(7) Major Offices and Plants**

	Name	Address
Sansei Technologies, Inc.	Osaka Head Office	Osaka, Osaka Prefecture
	Kobe Plant	Kobe, Hyogo Prefecture
	Tokyo Branch and five other offices	Shinjuku, Tokyo and others
	Sansei Maintenance Co., Ltd.<WEST>	Osaka, Osaka Prefecture
	Sansei Maintenance Co., Ltd.<EAST>	Shinjuku, Tokyo
	Sun Ace Co., Ltd.	Osaka, Osaka Prefecture
	Sansei Facilities Co., Ltd.	Osaka, Osaka Prefecture
	TELMIC Corp.	Taito-ku, Tokyo
	Sansei Technologies, Inc.	California, U.S.A.
	S&S Worldwide, Inc.	Utah, U.S.A.

**(8) Employees (as of March 31, 2017)**

## ① Employees in the corporate group

Number	Change from the end of the previous year	Average age	Average service years
809 employees	+21	40.4	12.9 years

## ② Employees in the Company

Number	Change from the end of the previous year	Average age	Average service years
244 employees	+11	42.7	16.8 years

## 2. Matters Concerning the Company's Ownership

### (1) State of shares

① Total number of authorized shares	39,000,000
② Total number of shares outstanding	19,332,057
③ Number of shareholders at the end of current term	3,877
④ Large shareholders	

Name of shareholders	Number of shares held	Shareholding ratio
	Unit: thousand	%
Setsuo Toriumi	1,846	10.03
Japan Trustee Services Bank, Ltd.	936	5.08
Keihanshin Building Co., Ltd.	828	4.50
Sumitomo Mitsui Banking Corporation	805	4.38
The Mie Bank, Ltd.	805	4.38
Torishima Pump Mfg. Co., Ltd.	801	4.35
Sumitomo Mitsui Finance & Leasing Company, Limited	693	3.77
Sumitomo Mitsui Card Co., Ltd.	692	3.76
Sumiseki Materials Co., Ltd.	666	3.62
Maruichi Steel Tube Ltd.	652	3.54

(Note) Although the Company has 922,988 treasury shares, the Company is not included in above-mentioned large shareholders. The above shareholding ratios are calculated by excluding treasury shares.

**(2) Status of stock acquisition rights (as of March 31, 2017)**

① Status of stock acquisition rights issued as compensation for the execution of duties which are held by the Company's officers

Name of stock acquisition rights		The first stock acquisition rights	The second stock acquisition rights
Date of resolution on the issue		July 9, 2015	July 14, 2016
Number of stock acquisition rights		238 (Note 1)	345 (Note 1)
Class and number of shares to be issued upon exercise of stock acquisition rights		Common shares: 23,800	Common shares: 34,500
Paid-in amount for stock acquisition rights		60,600 yen per stock acquisition right	54,700 yen per stock acquisition right
Value of assets to be contributed upon exercise of stock acquisition rights		100 yen per stock acquisition right (1 yen per share)	100 yen per stock acquisition right (1 yen per share)
Exercise period		From August 8, 2015 to August 7, 2045	From August 13, 2016 to August 12, 2046
Exercise conditions		(Notes 2, 3 and 4)	(Notes 2, 3, and 4)
Officers holding stock acquisition rights	Directors (excluding External Members of the Board)	Number of stock acquisition rights: 238 Number of shares to be issued upon exercise of stock acquisition rights: 23,800 Number of holders: 5	Number of stock acquisition rights: 345 Number of shares to be issued upon exercise of stock acquisition rights: 34,500 Number of holders: 6
	External Members of the Board	—	—
	Audit & Supervisory Board Members	—	—

- Notes: 1. The Company pays to persons to whom stock acquisition rights are allocated a monetary reward which is equivalent to the gross paid-in amount for the stock acquisition rights. The right to claim such monetary reward is set off against the obligation to pay for the stock acquisition rights.
2. Within the exercise period, stock acquisition rights holders may exercise their stock acquisition rights in a lump sum only within 10 days from the day immediately following the day when they resign as both the Company's director and executive officer.
3. In the case where a stock acquisition rights holder dies, only if stock acquisition rights belong to one of the legal heirs of the stock acquisition rights holder (hereinafter the "successor"), the successor may exercise the stock acquisition rights under the following conditions. However, any person defined as a criminal offender who has been found to have committed a serious crime cannot become the successor.
- 1) If the successor dies, his/her heir cannot exercise the stock acquisition rights.
- 2) The successor must complete the succession procedures designated by the Company within 10 months from the day of succession and before the last day of the exercise period.
- 3) The successor may exercise the stock acquisition rights in a lump sum only within two months from the day of completion of the succession procedures designated by the Company.
4. Other conditions will be governed by the "stock acquisition rights allocation agreement" which is concluded between the Company and stock acquisition rights holders.

② Status of stock acquisition rights allocated to employees, etc. as compensation for the execution of duties during the business term under review

Name of stock acquisition rights		The second stock acquisition rights
Status of allocation to employees, etc.	The Company's executive officers (excluding those with concurrent position of director)	Number of stock acquisition rights: 305 Number of shares to be issued upon exercise of stock acquisition rights: 30,500 Number of allocated persons: 13

Note: The outline of the second stock acquisition rights is the same as that specified in "① Status of stock acquisition rights issued as compensation for the execution of duties which are held by the Company's officers."

### (3) The Company's officers (as of March 31, 2017)

#### ① Directors and Audit & Supervisory Board Members

Position	Name	Duties and important concurrent positions
President & CEO, Representative Director	Makoto Nakagawa	
Vice President, Representative Director	Kimihiro Oshima	Concurrent position: President and Representative Director of Sansei Facilities Co., Ltd.
Director and Senior Managing Executive Officer	Noboru Rachi	General Manager of Maintenance & Service Division Concurrent position: Deputy General Manager of Production Division
Director and Managing Executive Officer	Kazuaki Ebe	General Manager of Amusement Rides Division Concurrent position: President and Representative Director of Sun Ace Co., Ltd.
Director and Managing Executive Officer	Hitoshi Ogino	General Manager of Stage Equipment Division
Director and Managing Executive Officer	Tadashi Ono	General Manager of Tokyo Branch Concurrent position: General Manager of Elevator Division
Director	William Ireton	President and Representative Director of Ireton Entertainment Inc.
Director	Tadashi Ono	Professor of business sciences at the University of Tsukuba
Audit & Supervisory Board Member (full-time)	Hiroyuki Minaki	
Audit & Supervisory Board Member	Tsuyoshi Ikeguchi	Attorney
Audit & Supervisory Board Member	Kikuo Yasukawa	President and Representative Director of Genome Pharmaceuticals Institute
Audit & Supervisory Board Member	Akihiko Kakiuchi	

- Notes: 1. Both Directors William Ireton and Tadashi Ono are External Members of the Board as specified in subparagraph 15 of Article 2 of the Companies Act.
2. The Company has not made any important transactions, nor has any relationship, with other corporations, etc. at which Directors William Ireton and Tadashi Ono have concurrent positions.
3. Audit & Supervisory Board Members Tsuyoshi Ikeguchi, Kikuo Yasukawa and Akihiko Kakiuchi are External Audit & Supervisory Board Members as specified in subparagraph 16 of Article 2 of the Companies Act.
4. The Company has not made any important transactions, nor has any relationship, with the corporation at which Mr. Kikuo Yasukawa, who is an audit & supervisory board member of the Company, has a concurrent position.
5. External Members of the Board William Ireton and Tadashi Ono are independent officers as specified in the rules of Tokyo Stock Exchange, Inc.
6. Audit & Supervisory Board Members Tsuyoshi Ikeguchi, Kikuo Yasukawa and Akihiko Kakiuchi are independent officers as specified in the rules of Tokyo Stock Exchange, Inc.
7. Audit & Supervisory Board Member Hiroyuki Minaki has assumed the position of General Manager of the General Administration Division at the Company and therefore he has considerable knowledge of finance and accounting.
8. Changes in directors during the year under review were as follows:  
At the 66th ordinary general meeting of shareholders held on June 29, 2016, Mr. Noboru Rachi was newly elected as a director and assumed the office of a director. At the same meeting, Mr. Tomokazu Okita resigned as a director.
9. After the last day of the business term under review, positions, duties and important concurrent positions of directors were changed as follows.

Name	Positions, duties and important concurrent positions	
	Before change	After change
Kimihiro Oshima	Vice President, Representative Director President and Representative Director of Sansei Facilities Co., Ltd.	Vice President, Representative Director
Noboru Rachi	Director and Senior Managing Executive Officer General Manager of Maintenance & Service Division and Deputy General Manager of Production Division	Vice President, Representative Director In charge of Corporate Planning Office and General Manager of Maintenance & Service Division
Tadashi Ono	Director and Managing Executive Officer General Manager of Tokyo Branch and General Manager of Elevator Division	Director and Managing Executive Officer General Manager of Tokyo Branch

#### ② Amount of compensation, etc. for directors and Audit & Supervisory Board Members

Position	Number of persons	Payment amount (1,000 yen)
Directors	9	165,617
(External Members of the Board)	(2)	(20,016)
Audit & Supervisory Board Members	4	28,880
(External Audit & Supervisory Board Members)	(3)	(11,610)
Total	13	194,497

- Notes: 1. The payment amount for directors doesn't include employee's salary for director cum employee.
2. The 64<sup>th</sup> Ordinary General Meeting of Shareholders held on June 27, 2014 resolved that the maximum compensation amount for directors should not exceed 200 million yen a year (excluding employee's compensation). Separately from the compensation, the 64<sup>th</sup> Ordinary General Meeting of Shareholders held on June 27, 2014 resolved that the amount of compensation for stock acquisition rights (stock options) should not exceed 30 million yen a year.
3. The amount of above-mentioned compensation, etc. includes the amount recorded as expenses relating to stock acquisition rights granted as stock options in the business term under review (directors: 18 million yen).
4. The 56<sup>th</sup> Ordinary General Meeting of Shareholders held on June 29, 2006 resolved that the maximum compensation amount for directors should not exceed 35 million yen a year.



#### (4) Outside officers

Main activities in the business term under review

Position	Name	Main activities
Director	William Ireton	He attended 12 out of 13 meetings of the Board of Directors held in the business term under review, and expressed his opinions based on his profound experience in business administration.
Director	Tadashi Ono	He attended 12 out of 13 meetings of the Board of Directors held in the business term under review, and expressed his opinions based on his advanced knowledge and insight as a professor.
Audit & Supervisory Board Member	Tsuyoshi Ikeguchi	He attended all of the 13 meetings of the Board of Directors and all of the 12 meetings of the board of corporate auditors which were held in the business term under review, and expressed his opinions based on his expertise as an attorney.
Audit & Supervisory Board Member	Kikuo Yasukawa	He attended all of the 13 meetings of the Board of Directors and all of the 12 meetings of the board of corporate auditors which were held in the business term under review, and expressed his opinions based on his profound experience of business administration.
Audit & Supervisory Board Member	Akihiko Kakiuchi	He attended all of the 13 meetings of the Board of Directors and all of the 12 meetings of the board of corporate auditors which were held in the business term under review, and expressed his opinions based on his profound experience of business administration.

#### (5) Outline of the liability limiting agreement

The Company and each of two External Members of the Board and three External Audit & Supervisory Board Members has concluded a liability limiting agreement concerning compensation liability as specified in paragraph 1 of Article 423 of the Companies Act which limits their liability to the minimum liability as specified in paragraph 1 of Article 425 of the Companies Act on condition that they perform their duties in good faith and they don't commit gross negligence.

#### (6) Accounting auditor

① Name: Ernst & Young ShinNihon LLC

② Amount of compensation for the accounting auditor for the business term under review

	Payment amount (1,000 yen)
Amount of compensation for the accounting auditor for the business term under review	25,000
Total of money and other property benefits which must be paid by the Company and its consolidated subsidiaries	25,000

Notes: 1. Based on the "operational guidelines concerning cooperation with the accounting auditor" issued by the Japan Audit & Supervisory Board Members Association, the board of corporate auditors checked the audit hours by audit item, changes of audit fees and audit plans and actual audit results in the past years, and examined the appropriateness of the audit hours and 11 audit fees for the business term under review. As a result, the board of corporate auditors approved the accounting auditor's fee, etc. as specified in paragraph 1 of Article 399 of the Companies Act.

2. In the audit agreement concluded between the Company and the accounting auditor, the fee for audit under the Companies Act and the fee for audit under the Financial Instruments and Exchange Act are not separated from each other and such fees cannot be separated in effect. Therefore, the total of these fees are stated as the amount of compensation, etc.

③ Policy concerning decision on dismissal or non-reappointment of the accounting auditor

If the accounting auditor falls under any of the subparagraphs of paragraph 1 of Article 340 of the Companies Act and it is found reasonable to dismiss the accounting auditor, the board of corporate auditors will dismiss the accounting auditor.

If it is found appropriate or reasonable to dismiss or not to reappoint the accounting auditor in accordance with the standards of appointment and evaluation of accounting auditor which are established by the board of corporate auditors, the board of corporate auditors will decide on the particulars of a proposal on dismissal or non-reappointment of the accounting auditor.

④ Matters concerning the sanction of business suspension which the accounting auditor has received in the past two years

The particulars of the business suspension which was announced by the Financial Services Agency on December 22, 2015

1. Sanctioned party

Ernst & Young ShinNihon LLC

2. Particulars of the sanction

- Suspension of business for which a new agreement is concluded (for three months from January 1 to March 31, 2016)

- Business improvement order (improvement of the business management system)

3. Reasons for the sanction

- In the case of an audit of another company, the accounting auditor certified financial statements containing material misstatements as not including any material misstatements.
- The audit firm's operations were found extremely inadequate.

### **3. System to ensure the appropriateness of business operations and the state of operation of the system**

#### **I. Details of the decision on the system to ensure the appropriateness of business operations**

The Company's Board of Directors resolved to revise a part of the system to ensure the appropriateness of business operations at a meeting held on May 14, 2015.

The particulars of the revised policy are as follows.

#### **(1) System for the storage and management of information on the execution of duties by directors**

- ① The information on the execution of duties by directors will be strictly retained and managed in accordance with laws and regulations and the regulations on the preparation, storage and management of information, including documents, established by the Company
- ② The General Administration Division will be responsible for the timely disclosure of the Company's important information and will establish a system to collect information rapidly and exhaustively.

#### **(2) Risk of loss management regulations and other systems**

- ① Company-wide risk management will be conducted by the Compliance & Risk Management Committee (chaired by the President).
- ② Each divisional general manager will manage risks in accordance with the risk management regulations.
- ③ The measures to ensure the safety, and improvement, of the Company's products will be periodically reviewed at the Quality Improvement Meeting and then properly promoted.
- ④ A "system for responding to an emergency situation or a serious risk" will be established in case of emergency, and the roles of employees at a time of emergency will be clarified.

#### **(3) System for ensuring that the duties of directors will be executed efficiently**

- ① A meeting of the Board of Directors will be held once a month or more as needed in order to properly and rapidly make decisions on important matters and supervise the state of implementation of business operations in accordance with laws and regulations, the articles of incorporation, and the regulations of the Board of Directors.
- ② Company-wide important matters, including the personnel affairs of officers, organizations and business plans, will be at first discussed at the management council attended by Directors and Senior Managing Executive Officers and higher ranking officers and persons nominated by the President, and then discussed at the meeting of the Board of Directors. Audit & Supervisory Board Members may attend meetings of the management council and express their opinions.
- ③ A general managers meeting attended by divisional general managers will be held as needed. Business operations will be implemented after opinions are consolidated.
- ④ A company-wide line managers meeting attended by managers, etc. will be held to examine the business operation policy at the start of each business term so that the policy will be strictly implemented.

#### **(4) System for ensuring that duties will be executed by directors and employees in compliance with laws and regulations and the articles of incorporation**

- ① The Company will establish the "Sansei Technologies, Inc. Code of Ethics" to ensure that all the Company's officers and employees comply not only with laws and regulations but also take the right stance and follow the code of conduct in order to win and further improve the trust of society.
- ② The Legal & Internal Audit Office will conduct an internal audit of the state of establishment and implementation of the company-wide compliance system.
- ③ The Company will establish a whistle-blowing system to promptly detect and correct compliance violations.
- ④ The Compliance & Risk Management Committee (chaired by the President) will inspect and improve the compliance system.

#### **(5) System for ensuring that business operations are properly conducted by the corporate group consisting of the Company and its subsidiaries**

##### **1) System concerning reporting on the execution of duties by directors of subsidiaries**

The Company will dispatch directors to subsidiaries, and such directors will receive reports at meetings of the Board of Directors of subsidiaries.

##### **2) Regulations of management of risk of loss at subsidiaries and other systems**

- ① The Company will establish the Compliance & Risk Management Committee which will be in charge of the 13 Company Group's compliance risk management. The Committee as controlling organ will deliberate problems, measures, etc. concerning the implementation of the Company Group's risk management, and exhaustively manage the risks of the Company Group as a whole.
- ② The Company will make its subsidiaries comply with the Company's basic policy on risk management based on the affiliates management regulations.

##### **3) System for ensuring that the duties of directors of subsidiaries will be executed efficiently**

- ① The Company will establish the group medium-term management plan which clarifies the group's priority targets and budgets by business term.
- ② The Company will establish the group's standards concerning the division of duties, the reporting line, authorities, decision making, etc., and will make its subsidiaries establish systems based on the standards.

- 4) System for ensuring that duties will be executed by directors and employees of subsidiaries in compliance with laws and regulations and the articles of incorporation**
- ① The Company will establish the group ethical code, make the code fully known to all officers and employees of the Company Group and provide training concerning compliance, etc., to them to raise their awareness of compliance.
  - ② Each subsidiary of the Company Group will be requested to appoint the appropriate number of Audit & Supervisory Board Members depending on their scale, industry, etc. The company's Legal & Internal Audit Office will conduct an internal audit of subsidiaries based on the internal audit regulations and the affiliates management regulations.
  - ③ The Company will establish the whistle-blowing system by which officers or employees of the Company Group may directly report to an outside attorney, etc.
- (6) In the case where a Audit & Supervisory Board Member of the Company asks for the appointment of an employee to assist the Audit & Supervisory Board Member, matters concerning the employee, matters concerning independence from directors of the Company, and the matters concerning ensuring of the effectiveness of instructions from the Company's Audit & Supervisory Board Member to the employee**
- ① If requested by a Audit & Supervisory Board Member, an employee to assist him/her will be appointed, and the employee will be appointed by consultation between Audit & Supervisory Board Members and directors.
  - ② An employee to assist a Audit & Supervisory Board Member must follow directions or orders from the Audit & Supervisory Board Member.
- (7) System for reporting to Audit & Supervisory Board Members of the Company**
- 1) System for reporting to Audit & Supervisory Board Members of the Company by directors and employees of the Company**
- ① The Audit & Supervisory Board Members will attend meetings of the Board of Directors and management council, Council of General Managers and other important meetings to receive reports from directors.
  - ② If any director or employee detects any of the following matters, they will immediately report to Audit & Supervisory Board Members:
    - (a) Legal or financial problems which could have a serious impact on the Company;
    - (b) Any other facts which could cause serious damage to the Company.
- 2) System for reporting to Audit & Supervisory Board Members of the Company by subsidiaries' directors, accounting advisors, Audit & Supervisory Board Members, employees executing their duties, persons who must execute duties as specified in paragraph 1 of Article 598 of the Companies Act, or equivalent persons or employees, or persons who received reports from the foregoing persons**
- ① If requested by a Audit & Supervisory Board Member of the Company to report to the Audit & Supervisory Board Member about matters concerning the execution of operations, officers or employees of the Company Group will immediately report to the Audit & Supervisory Board Member in a proper manner.
  - ② If officers or employees of the Company Group detect any facts which could cause serious damage to the Company or the Company Group, including violations of laws and regulations, they will immediately report to any Audit & Supervisory Board Member or the board of corporate auditors of the Company.
- (8) System for ensuring that any person who has reported to a Audit & Supervisory Board Member will not receive adverse treatment on the ground that the person has reported to the Audit & Supervisory Board Member**
- ① The Company will prohibit the adverse treatment of any officer or employee of the Company Group who has reported to a Audit & Supervisory Board Member of the Company Group on the ground that they have reported to the Audit & Supervisory Board Member, and will make the prohibition fully known to the officers and employees of the Company Group.
  - ② The Company will establish the Company Group's whistle-blowing system which allows officers or employees of the Company Group to directly report to a Audit & Supervisory Board Member of the Company, prohibit the adverse treatment of them on the ground that they have reported to the Audit & Supervisory Board Member, and will make the prohibition fully known to the officers and employees of the Company Group.
- (9) Matters concerning the procedures for advance payment or repayment of expenses arising from the execution of duties by a Audit & Supervisory Board Members of the Company, or concerning the treatment of expenses or debts arising from the execution of duties by a Audit & Supervisory Board Members of the Company**
- If a Audit & Supervisory Board Member asks the Company to pay expenses in advance or later as specified in Article 388 of the Companies Act in connection with the execution of his/her duties, the department in charge at the Company will examine the matter, and then the Company will pay such expenses or debts in full and have a consultation with the Audit & Supervisory Board Members concerned about the procedure of such payment as needed.

**(10) System for ensuring that audits by Audit & Supervisory Board Members of the Company will be conducted effectively**

- ① Based on the regulations of the board of corporate auditors, the Audit & Supervisory Board Members of the Company will regularly confer with the representative director, exchange opinions with the representative director concerning the matters to be addressed by the Company, the status of establishment of an appropriate environment for the auditor's audit and important problems concerning audits, and make requests to the representative director as needed.
- ② The Audit & Supervisory Board Members of the Company will regularly confer with the accounting auditor, the Company's Legal & Internal Audit Office, etc. to exchange opinions concerning the current state of the Company Group's accounting audit, internal audit, compliance and risk management, etc.

**(11) System for ensuring the reliability of financial reporting**

To ensure the reliability of financial reporting, the Company will establish and operate internal control over the financial reporting system. Furthermore, the Company will revise the system, as needed, by evaluating whether or not the system functions effectively.

**(12) Basic approach for the exclusion of anti-social forces and the relevant system**

The Company will deal with anti-social forces which threaten the order and safety of civil society in a resolute attitude and cut off relations with them. For this purpose, the Company will set up the responsible department to coordinate with the police stations concerned, the corporate attorney, etc.

**II. Outline of the status of operation of the system for ensuring the appropriateness of business operations**

The Company has established the internal control system as mentioned above, and the Board of Directors has been examining measures to respond to new risks for business management on a continuous basis. In addition, the company has been, as needed, reviewing internal various regulations and business operations and improving the effectiveness of the internal control system.

The Audit & Supervisory Board Members (Full-time) has been conducting the auditor's audit and attending meetings of the Board of Directors and management council, Council of General Managers and other important meetings in order to supervise the state of execution of business operations and compliance risks.

The Legal & Internal Audit Office also conducts regular internal audits to evaluate the effectiveness of the internal control system of the Company.

**4. Basic policy regarding control of the company**

The Company introduced the Response Policy for Large-Scale Purchases at the meeting of the Board of Directors held on May 27, 2005. Subsequently, the Company maintained this Response Policy by obtaining the approval of shareholders at the 57th, 58th and 59th general meetings of shareholders held on June 28, 2007, June 27, 2008 and June 26, 2009, respectively. The Company has made partial revisions to the Response Policy (hereinafter the Response Policy after these revisions is simply referred to as "Response Policy" in this document) and has continued the Response Policy by obtaining the approval of shareholders at the 60th and the 63rd general meetings of shareholders held on June 29, 2010 and June 27, 2013, respectively.

However, as the market conditions and business conditions for the Group have changed since the time when the Response Policy was first introduced, and provisions concerning large-scale purchases of shares have been established under the Financial Instruments and Exchange Act, the importance of continuing the Response Policy has lessened while we implement medium- and long-term strategies of the Group and strive to further improve our corporate value and common interests of shareholders. Considering these circumstances, the Board of Directors of the Company resolved in its meeting held on May 12, 2016, not to continue the current Response Policy on and after the closing of the 66th general meeting of shareholders on June 29, 2016, which was the expiration date of the then current Response Policy. At the meeting of the Board of Directors held on the same day as the general meeting, it was confirmed that the Basic Policy also had terminated at the same time as the cease of the Response Policy due to its expiration.

After the expiration of the Response Policy, if any party attempts a large-scale purchase of Company shares, the Company will endeavor to collect and disclose necessary information so that shareholders can make an informed decision on whether to accept the offer and will take appropriate measures to the extent allowed under the relevant laws and the Articles of Incorporation of the Company, from the viewpoint of protecting the corporate value of the Company and common interests of shareholders.

## Consolidated Balance Sheet

(As of March 31, 2017)

(in thousand yen)

Account	Amount	Account	Amount
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Current assets</b>	<b>22,999,621</b>	<b>Current liabilities</b>	<b>8,295,330</b>
Cash and deposits	11,267,636	Notes and accounts payable - trade	2,458,457
Notes and accounts receivable - trade	8,732,537	Short-term loans payable	384,417
Electronically recorded monetary claims - operating	383	Current portion of long-term loans payable	371,858
Securities	295,571	Income taxes payable	1,059,818
Work in process	535,752	Accrued consumption taxes	440,831
Raw materials and supplies	773,676	Advances received	1,906,813
Deferred tax assets	656,625	Provision for bonuses	438,067
Other current assets	784,033	Provision for directors' bonuses	20,000
Allowance for doubtful accounts	-46,596	Provision for loss on construction contracts	200,173
<b>Non-current assets</b>	<b>17,304,267</b>	Other current liabilities	1,014,893
<b>Property, plant and equipment</b>	<b>9,128,495</b>	<b>Non-current liabilities</b>	<b>4,281,764</b>
Buildings and structures	4,028,777	Long-term loans payable	2,175,790
Machinery, equipment and vehicles	567,710	Deferred tax liabilities	571,638
Land	4,068,288	Net defined benefit liability	1,523,455
Construction in progress	215,913	Other non-current liabilities	10,880
Other non-current assets	247,805	<b>Total liabilities</b>	<b>12,577,095</b>
<b>Intangible non-current assets</b>	<b>3,138,288</b>	<b>NET ASSETS</b>	
Goodwill	2,157,331	<b>Shareholders' equity</b>	<b>25,859,551</b>
Other intangible assets	980,956	<b>Capital stocks</b>	<b>3,251,279</b>
<b>Investments and other assets</b>	<b>5,037,484</b>	<b>Capital surplus</b>	<b>2,423,913</b>
Investment securities	3,763,854	<b>Retained earnings</b>	<b>20,648,141</b>
Long-term loans receivable	49,564	<b>Treasury shares</b>	<b>-463,782</b>
Deferred tax assets	267,183	<b>Accumulated other comprehensive income</b>	<b>1,809,084</b>
Other assets	959,316	Valuation difference on available-for-sale securities	1,158,111
Allowance for doubtful accounts	-2,434	Deferred gains or losses on hedges	69,488
		Foreign currency translation adjustment	581,484
		<b>New share acquisition rights</b>	<b>58,158</b>
		<b>Total net assets</b>	<b>27,726,794</b>
<b>Total assets</b>	<b>40,303,889</b>	<b>Total liabilities and net assets</b>	<b>40,303,889</b>

(Any fractional amounts less than 1,000 yen are rounded down.)

## Consolidated Statement of Income

(April 1, 2016 to March 31, 2017)

(in thousand yen)

Account	Amount	
<b>Net sales</b>		<b>29,122,408</b>
<b>Cost of sales</b>		<b>21,315,495</b>
<b>Gross profit</b>		<b>7,806,913</b>
<b>Selling, general and administrative expenses</b>		<b>4,580,805</b>
<b>Operating income</b>		<b>3,226,107</b>
<b>Non-operating income</b>		
Interest income	16,147	
Dividend income	70,121	
Dividend income of insurance	54,039	
Other non-operating income	69,465	<b>209,775</b>
<b>Non-operating expenses</b>		
Interest expenses	16,014	
Share of loss of entities accounted for using equity method	16,549	
Other non-operating expenses	6,387	<b>38,951</b>
<b>Ordinary income</b>		<b>3,396,931</b>
<b>Extraordinary loss</b>		
Loss on abandonment of non-current assets	3	
Loss on valuation of investment securities	1,646	<b>1,650</b>
<b>Income before income taxes</b>		<b>3,395,281</b>
Income taxes - current	1,614,123	
Income taxes - deferred	-443,429	<b>1,170,694</b>
<b>Net Income</b>		<b>2,224,587</b>
<b>Net income attributable to non-controlling interests</b>		<b>-</b>
<b>Net income attributable to owners of parent</b>		<b>2,224,587</b>

(Any fractional amounts less than 1,000 yen are rounded down.)

## Consolidated Statement of Changes in Equity

(April 1, 2016 to March 31, 2017)

(in thousand yen)

	Shareholders' equity				
	Capital stocks	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
<b>Year-beginning balance</b>	<b>3,251,279</b>	<b>2,423,069</b>	<b>18,791,662</b>	<b>-467,333</b>	<b>23,998,678</b>
<b>Changes of items during the year</b>					
Dividends of surplus			-368,109		-368,109
Net income attributable to owners of parent			2,224,587		2,224,587
Purchase of treasury shares				-97	-97
Disposal of treasury shares		843		3,648	4,491
Net changes of items other than shareholders' equity					
<b>Total changes of items during the year</b>	<b>-</b>	<b>843</b>	<b>1,856,478</b>	<b>3,550</b>	<b>1,860,872</b>
<b>Year-end balance</b>	<b>3,251,279</b>	<b>2,423,913</b>	<b>20,648,141</b>	<b>-463,782</b>	<b>25,859,551</b>

	Accumulated other comprehensive income				New share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Accumulated other comprehensive income		
<b>Year-beginning balance</b>	<b>1,061,203</b>	<b>-29,971</b>	<b>643,031</b>	<b>1,674,262</b>	<b>27,088</b>	<b>25,700,029</b>
<b>Changes of items during the year</b>						
Dividends of surplus						-368,109
Net income attributable to owners of parent						2,224,587
Purchase of treasury shares						-97
Disposal of treasury shares						4,491
Net changes of items other than shareholders' equity	96,908	99,460	-61,546	134,821	31,070	165,892
<b>Total changes of items during the year</b>	<b>96,908</b>	<b>99,460</b>	<b>-61,546</b>	<b>134,821</b>	<b>31,070</b>	<b>2,026,764</b>
<b>Year-end balance</b>	<b>1,158,111</b>	<b>69,488</b>	<b>581,484</b>	<b>1,809,084</b>	<b>58,158</b>	<b>27,726,794</b>

(Any fractional amounts less than 1,000 yen are rounded down.)

## Non-Consolidated Balance Sheet

(As of March 31, 2017)

(in thousand yen)

Account	Amount	Account	Amount
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Current assets</b>	<b>13,955,985</b>	<b>Current liabilities</b>	<b>7,105,114</b>
Cash and deposits	6,871,522	Notes payable - trade	211,801
Notes receivable – trade	318,416	Accounts payable- trade	2,506,753
Electronically recorded monetary claims - operating	383	Short-term loans payable from affiliates	1,500,000
Accounts receivable - trade	5,400,076	Current portion of long-term loans payable	100,000
Work in process	338,817	Accrued expenses	494,388
Raw materials and supplies	326,561	Income taxes payable	602,646
Advance payments -trade	196,479	Advances received	1,019,617
Deferred tax assets	399,714	Provision for bonuses	147,067
Other current assets	104,013	Provision for loss on construction contracts	188,040
<b>Non-current assets</b>	<b>16,113,649</b>	Other current liabilities	334,798
<b>Property, plant and equipment</b>	<b>5,157,692</b>	<b>Non-current liabilities</b>	<b>2,417,111</b>
Buildings	2,500,795	Provision for retirement benefits	959,165
Structures	13,554	Long-term loans payable	1,150,000
Machines and equipment	79,297	Deferred tax liabilities	307,896
Vehicles	4,862	Other non-current liabilities	50
Tools, furniture and fixtures	122,584	<b>Total liabilities</b>	<b>9,522,225</b>
Land	2,433,792	<b>NET ASSETS</b>	
Construction in progress	2,805	<b>Shareholders' equity</b>	<b>19,315,634</b>
<b>Intangible non-current assets</b>	<b>162,332</b>	<b>Capital stocks</b>	<b>3,251,279</b>
Software	120,217	<b>Capital surplus</b>	<b>2,993,090</b>
Telephone subscription rights	9,679	Legal capital surplus	2,989,057
Other intangible assets	32,436	Total other capital surplus	4,033
<b>Investments and other assets</b>	<b>10,793,624</b>	<b>Retained earnings</b>	<b>13,129,001</b>
Investment securities	3,341,650	Legal retained earnings	434,000
Stocks of subsidiaries and affiliates	6,853,956	Other retained earnings	12,695,001
Guarantee deposits	116,488	Reserve for advanced depreciation of non-current assets	278,850
Business insurance	254,332	General reserve	9,320,000
Others	229,168	Retained earnings brought forward	3,096,151
Allowance for doubtful accounts	-1,971	<b>Treasury shares</b>	<b>-57,737</b>
		<b>Valuation and translation adjustments</b>	<b>1,173,616</b>
		<b>Valuation difference on available-for-sale securities</b>	<b>1,104,127</b>
		<b>Deferred gains or losses on hedges</b>	<b>69,488</b>
		<b>New share acquisition rights</b>	<b>58,158</b>
<b>Total assets</b>	<b>30,069,635</b>	<b>Total net assets</b>	<b>20,547,409</b>
		<b>Total liabilities and net assets</b>	<b>30,069,635</b>

(Any fractional amounts less than 1,000 yen are rounded down.)



## Non-Consolidated Profit and Loss Statement

(April 1, 2016 to March 31, 2017)

(in thousand yen)

Account	Amount	
<b>Net sales</b>		<b>19,426,490</b>
<b>Cost of sales</b>		<b>16,322,617</b>
Gross profit		<b>3,103,872</b>
<b>Selling, general and administrative expenses</b>		<b>2,079,362</b>
<b>Operating income</b>		<b>1,024,510</b>
<b>Non-operating income</b>		
Interest income	630	
Dividend income	559,659	
Dividend income of insurance	31,183	
Other non-operating income	24,803	
		<b>616,276</b>
<b>Non-operating expenses</b>		
Interest expenses	10,462	
Loss on operation of limited liability partnership	16,549	
Other non-operating expenses	5,377	
		<b>32,389</b>
<b>Ordinary income</b>		<b>1,608,397</b>
<b>Extraordinary loss</b>		
Loss on valuation of shares of subsidiaries and associates	40,000	
Loss on valuation of investment securities	1,646	
		<b>41,646</b>
<b>Income before income tax</b>		<b>1,566,751</b>
Income taxes - current	657,000	
<b>Income taxes - deferred</b>	-285,561	
		<b>371,438</b>
<b>Net Income</b>		<b>1,195,313</b>

(Any fractional amounts less than 1,000 yen are rounded down.)

## Non-Consolidated Statement of Changes in Equity

(April 1, 2016 to March 31, 2017)

(in thousand yen)

	Shareholders' equity			
	Capital stocks	Capital surplus		
		Legal capital surplus	Total other capital surplus	Total capital surplus
<b>Year-beginning balance</b>	<b>3,251,279</b>	<b>2,989,057</b>	<b>-</b>	<b>2,989,057</b>
Changes of items during the year				
Dividends of surplus				
Net Income				
Purchase of treasury shares				
Disposal of treasury shares			4,033	4,033
Net changes of items other than shareholders' equity				
<b>Total changes of items during the year</b>	<b>-</b>	<b>-</b>	<b>4,033</b>	<b>4,033</b>
<b>Year-end balance</b>	<b>3,251,279</b>	<b>2,989,057</b>	<b>4,033</b>	<b>2,993,090</b>

	Shareholders' equity				
	Retained earnings				
	Legal retained earnings	Other retained earnings			
		Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
<b>Year-beginning balance</b>	<b>434,000</b>	<b>278,850</b>	<b>9,320,000</b>	<b>2,268,947</b>	<b>12,301,798</b>
Changes of items during the year					
Dividends of surplus				-368,109	-368,109
Net Income				1,195,313	1,195,313
Purchase of treasury shares					
Disposal of treasury shares					
Net changes of items other than shareholders' equity					
<b>Total changes of items during the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>827,203</b>	<b>827,203</b>
<b>Year-end balance</b>	<b>434,000</b>	<b>278,850</b>	<b>9,320,000</b>	<b>3,096,151</b>	<b>13,129,001</b>

	Shareholders' equity		Valuation and translation adjustments			New share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
<b>Year-beginning balance</b>	<b>-58,098</b>	<b>18,484,037</b>	<b>964,699</b>	<b>-49,410</b>	<b>915,289</b>	<b>27,088</b>	<b>19,426,414</b>
Changes of items during the year							
Dividends of surplus		-368,109					-368,109
Net Income		1,195,313					1,195,313
Purchase of treasury shares	-97	-97					-97
Disposal of treasury shares	458	4,491					4,491
Net changes of items other than shareholders' equity			139,428	118,898	258,327	31,070	289,397
<b>Total changes of items during the year</b>	<b>360</b>	<b>831,597</b>	<b>139,428</b>	<b>118,898</b>	<b>258,327</b>	<b>31,070</b>	<b>1,120,995</b>
<b>Year-end balance</b>	<b>-57,737</b>	<b>19,315,634</b>	<b>1,104,127</b>	<b>69,488</b>	<b>1,173,616</b>	<b>58,158</b>	<b>20,547,409</b>

(Any fractional amounts less than 1,000 yen are rounded down.)

# Independent Accounting Auditors' Report for Consolidated Financial Statements (Certified Copy)

## Independent Auditors' Report

May 9, 2017

To: Board of Directors Sansei Technologies, Inc.

**Ernst & Young ShinNihon LLC**

Designated Limited Partner Engagement Partner	Certified Public Accountant	Yoshio Ogawa (Seal)
Designated Limited Partner Engagement Partner	Certified Public Accountant	Masahiko Naka (Seal)

The auditors of this auditing firm conducted audits of the consolidated financial statements of Sansei Technologies, Inc. (hereinafter, "the Company"), comprising consolidated balance sheet as of March 31, 2017, consolidated statement of income for the year from April 1, 2016 to March 31, 2017, consolidated statement of changes in equity for the same year and notes to consolidated financial statements, in accordance with the provisions under Article 444 (4) of the Companies Act.

### Responsibilities of the Management for Consolidated Financial Statements

It is the responsibility of the management of the Company to prepare and correctly and fairly present consolidated financial statements of the Company in accordance with the generally accepted corporate accounting standards in Japan. This includes establishment and operation of an internal control system that the management of the Company deems necessary for ensuring preparation and fair presentation of consolidated financial statements free of material false or erroneous misstatements.

### Responsibility of Auditors

It is the responsibility of the auditors of this auditing firm to express opinions regarding the consolidated financial statements of the Company from an independent viewpoint based on the audit they conducted. The auditors conducted audits in accordance with the generally accepted audit standards in Japan. These accounting standards require the auditors to create an audit plan and conduct audit in accordance with such audit plan to obtain reasonable assurance that the consolidated financial statements of the Company are free of material misstatements.

The auditors implement procedures to obtain audit evidence of amounts and disclosures presented in the consolidated financial statements. The auditors select and apply audit procedures depending on their judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making risk assessment, the auditors consider internal control of the Company relevant to the preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing opinions regarding the effectiveness of the internal control system of the Company. An audit also includes evaluating the appropriateness of the accounting policies and accounting methods adopted by the management and the overall presentation of the consolidated financial statements, including the reasonableness of accounting estimates made by the management.

The auditors believe that the audit evidence they have obtained is sufficient and appropriate to provide a basis for expressing auditors' opinions.

### Opinions

In our opinion, the consolidated financial statements referred to previously present fairly, in all material respects, the status of the property and the profit and loss of the Sansei Technologies Group, comprising Sansei Technologies, Inc. and its consolidated subsidiaries, as of March 31, 2017, and for the year then ended in conformity with accounting principles generally accepted in Japan.

### Relationship of interest

There is no relationship of interest that is required to be disclosed under the provisions of the Certified Public Accountants Act between the Company and this audit firm or any of its engagement partners.

# Independent Accounting Auditors' Report for Financial Statements (Certified Copy)

## Independent Auditors' Report

May 9, 2017

To: Board of Directors Sansei Technologies, Inc.

**Ernst & Young ShinNihon LLC**

Designated Limited Partner Engagement Partner	Certified Public Accountant	Yoshio Ogawa	(Seal)
Designated Limited Partner Engagement Partner	Certified Public Accountant	Masahiko Naka	(Seal)

The auditors of this audit firm conducted audits of the financial statements of Sansei Technologies, Inc., comprising balance sheet as of March 31, 2017, statement of income for the year from April 1, 2016 to March 31, 2017, statement of changes in equity for the same year and notes to financial statements and supplementary schedules, in accordance with the provisions under Article 436 (2)(i) of the Companies Act.

### Responsibility of the Management for Financial Statements

It is the responsibility of the management of the Company to prepare and correctly and fairly present financial statements and supplementary schedules of the Company in accordance with the generally accepted corporate accounting standards in Japan. This includes establishment and operation of an internal control system that the management of the Company deems necessary for ensuring creation and fair presentation of financial statements and supplementary schedules free of material false or erroneous misstatements.

### Responsibility of Auditors

It is the responsibility of the auditors of this audit firm to express opinions regarding the financial statements and supplementary schedules of the Company from an independent viewpoint based on the audit they conducted. The auditors conducted audits in accordance with the generally accepted audit standards in Japan. These accounting standards require the auditors to create an audit plan and conduct audit in accordance with such audit plan to obtain reasonable assurance that the financial statements of and supplementary schedules of the Company are free of material misstatements.

The auditors implement procedures to obtain audit evidence of amounts and disclosures presented in the financial statements and supplementary schedules. The auditors select and apply audit procedures depending on their judgment, including the assessment of the risks of material misstatement of the financial statements and supplementary schedules, whether due to fraud or error. In making risk assessment, the auditors consider internal control of the Company relevant to the preparation and true and fair presentation of the financial statements and supplementary schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing opinions regarding the effectiveness of the internal control system of the Company. An audit also includes evaluating the appropriateness of the accounting policies and accounting methods adopted by the management and the overall presentation of the financial statements and supplementary schedules, including the reasonableness of accounting estimates made by the management.

The auditors believe that the audit evidence they have obtained is sufficient and appropriate to provide a basis for expressing auditors' opinions.

### Opinions

In our opinion, the financial statements and supplementary schedules referred to previously present fairly, in all material respects, the status of the property and the profit and loss of Sansei Technologies, Inc. as of March 31, 2017, and for the years then ended in conformity with accounting principles generally accepted in Japan.

### Relationship of interest

There is no relationship of interest that is required to be disclosed under the provisions of the Certified Public Accountants Act between the Company and this audit firm or any of its engagement partners.

## Corporate Auditors' Report for Financial Statements (Certified Copy)

### Audit Report by Corporate Auditors

The Board of Corporate Auditors of the Company presents this Audit Report as the unanimous opinion of all Audit & Supervisory Board Members of the Company, prepared based on reports prepared by individual Audit & Supervisory Board Members regarding auditing of the business execution of directors during the 67th business year of the Company from April 1, 2016 to March 31, 2017, as follows:

1. Auditing techniques used by the Audit & Supervisory Board Members and the Board of Corporate Auditors and audited items

(1) The Board of Corporate Auditors defined the audit policies and division of duties among the Audit & Supervisory Board Members, received reports from individual Audit & Supervisory Board Members regarding the progress and results of their audits. The Board of Corporate Auditors also received reports from directors and other officers and independent accounting auditors regarding the progress of the execution of their respective duties and requested explanations from them as needed.

(2) Individual Audit & Supervisory Board Members conducted their audits, in accordance with the audit standards for Audit & Supervisory Board Members established by the Board of Corporate Auditors, following the audit policies and the division of duties among the Audit & Supervisory Board Members, maintaining close communication with directors, the Legal & Internal Audit Office and employees, collecting necessary information and by establishing an appropriate environment for auditing, by using the following audit techniques:

(i) The Audit & Supervisory Board Members attended meetings of the Board of Directors and other important meetings, received reports from directors, employees and other related parties regarding the execution of their duties and requested explanations from them as needed. They also inspected important managerial approval documents and operations and the status of properties at the head office and major business offices. The Audit & Supervisory Board Members also communicated and exchanged information with directors and Audit & Supervisory Board Members of subsidiaries and received business reports from subsidiaries as needed.

(ii) With respect to the systems stipulated in Article 100 (1) and (3) of the Ordinance for Enforcement of the Companies Act to ensure the appropriateness of the business operations of a corporate group comprising a parent and its subsidiaries, including a system to ensure compliance of the duties performed by directors and reported in business reports with the applicable laws and the Articles of Incorporation of the Company ("internal control system"), the Audit & Supervisory Board Members received reports from directors, employees and other related parties, asked for explanations and expressed opinions as needed, regarding the resolutions adopted by the Board of Directors on the establishment of such system, the system established in accordance with the resolutions, and the status of improvement and operation of the system. Regarding internal control related to the financial report of the Company, the Audit & Supervisory Board Members received reports from directors and other related parties and Ernst & Young ShinNihon LLC regarding the assessment and the audit of such internal control, and requested explanations from them as needed.

(iii) The Audit & Supervisory Board Members monitored and examined whether the independent accounting auditors maintained independence and conducted fair audits, received reports from the independent accounting auditors about their execution of duties and requested explanations from them as needed. The Audit & Supervisory Board Members received a notice from the independent accounting auditors that the independent accounting auditors had a "system that guarantees the fair execution of duties" in place (items stipulated under Article 131 of the Corporate Accounting Rules) in accordance with the Quality Control Standards for Audit (October 28, 2005) and other regulations, and requested explanations from them as needed.

By using the techniques and methods referred to above, the Audit & Supervisory Board Members examined the business report of the Company for the fiscal year ended March 31, 2017 and supplementary schedules thereto, financial statements (balance sheet, statement of income, statement of change in equity and notes to financial statements) for the same fiscal year and supplementary schedules thereto, and consolidated financial statements (consolidated balance sheet, consolidated state of income, consolidated statement of change in equity and notes to consolidated financial statements) for the same fiscal year.

## 2. Result of the Audits

### (1) Results of the audit of business report

The Audit & Supervisory Board Members acknowledge that

- (i) The business report of the Company and supplementary schedule thereto truly and fairly present the status of the Company in accordance with the applicable laws and the articles of incorporation of the Company;
- (ii) There were no wrongful acts or material breaches of law or the articles of incorporation in the directors' execution of duties;
- (iii) The resolutions adopted by the Board of Directors related to the internal control system were appropriate. There were no issues to be noted in descriptions in the business report and the directors' execution of duties, related to such internal control system, including the internal control of financial reporting.

### (2) Results of audits of financial statements and supplementary schedules thereto

The Audit & Supervisory Board Members acknowledge that the audit techniques and methods used by Ernst & Young ShinNihon LLC, the independent accounting auditors for the Company, and the results of their audit were reasonable.

### (3) Results of audits of consolidated financial statements

The Audit & Supervisory Board Members acknowledge that the audit techniques and methods used by Ernst & Young ShinNihon LLC, the independent accounting auditors for the Company, and the results of their audit were reasonable.

May 10, 2017

Sansei Technologies, Inc. Board of Corporate Auditors

Audit & Supervisory Board Member (Full-time) :	Hiroyuki Minaki	(Seal)
External Audit & Supervisory Board Member	: Tsuyoshi Ikeguchi	(Seal)
External Audit & Supervisory Board Member	: Kikuo Yasukawa	(Seal)
External Audit & Supervisory Board Member	: Akihiko Kakiuchi	(Seal)

# Materials for General Meeting of Shareholders

## Proposal No. 1: Appropriation of surplus

Distribution of year-end dividend

In accordance with the basic policy to continue stable distribution of dividends, and considering the business performance of the Company and future business plans, the Company proposes the following year-end dividend for the 67th business year:

(1) Type of dividend

Dividend will be distributed in cash.

(2) Appropriation and the amount of dividend

A dividend of 20 yen per share will be distributed.

The total amount of dividend will be 368,181,380 yen. (Dividends per share paid for the full year will be 30 yen per share, including the interim dividend of 10 yen per share already paid during the year.)

(3) Effective date of distribution of dividend from surplus

June 30, 2017

## Proposal No. 2: Partial revision of the Articles of Incorporation

1. Reasons for the proposal

Article 22 (Caller and chair of the board meeting) in Chapter 4 of the current Articles of Incorporation should be revised to allow more flexibility in the operation of the Board of Directors.

2. Details of the proposed revision

Details of the proposed revision are as follows:

(Revised words are underlined.)

Current Articles of Incorporation	Proposed revision
Chapter 4 Directors and Board of Directors Article 22 (Caller and chair of the board meeting) A meeting of the Board of Directors shall be called and chaired by <u>the president and director of the Company</u> . <u>In the absence of the president and director</u> , one of the other directors elected in the sequence predetermined by the Board of Directors shall call and chair a meeting of the Board of Directors.	Chapter 4 Directors and Board of Directors Article 22 (Caller and chair of the board meeting) A meeting of the Board of Directors shall be called and chaired by <u>a director who has been predesignated by a resolution of the Board of Directors</u> . <u>②In the absence of such predesignated director</u> , one of the other directors elected in the sequence predetermined by the Board of Directors shall call and chair a meeting of the Board of Directors.

**Proposal No.3: Election of eight directors**

The term of the eight present directors will expire at the closing of this general meeting of shareholders. The shareholders are requested to approve eight directors for the next term.

Candidates for directors and their profiles are as follows:

Candidate No.	Name (Date of Birth)	Career History, Major Positions and Responsibilities, and Important Concurrent Service	Holding of Company shares
1	Makoto Nakagawa (born February 2 , 1953)	<p>April 1976    Joined Sumitomo Bank Limited (currently Sumitomo Mitsui Banking Corporation)</p> <p>June 2005    Sumitomo Mitsui Banking Corporation, Executive Officer, General Manager of M&amp;A Advisory Services Department</p> <p>May 2007    Sansei Technologies, Corporate Advisor</p> <p>June 2007    Sansei Technologies, Executive Vice President, Division General Manager of Production Division, officer in charge of the Quality and Safety Management Department</p> <p>June 2008    Sansei Technologies, Executive Vice president, Representative Director</p> <p>August 2008    Sansei Technologies, Executive Vice President, Representative Director and General Manager of Tokyo Branch</p> <p>December 2009    Sansei Technologies, Executive Vice President, Representative Director</p> <p>April 2010    Sansei Technologies, President &amp; CEO, Representative Director</p> <p>(to date)</p>	35,000 shares
2	Kimihiro Oshima (born February 21 , 1955)	<p>April 1977    Joined Sumitomo Bank Limited (currently Sumitomo Mitsui Banking Corporation)</p> <p>June 2008    Sansei Technologies, Deputy General Manager of Tokyo Branch</p> <p>June 2008    Sansei Technologies, Director and Managing Executive Officer, General Manager of Tokyo Branch</p> <p>June 2008    Sansei Technologies, Director and Managing Executive Officer in charge of eastern Japan</p> <p>April 2010    Sansei Technologies, Director and Managing Executive Officer, General Manager of Corporate Planning Office</p> <p>June 2011    Sansei Technologies, Executive Vice President, Representative Director and General Manager of Corporate Planning Office</p> <p>June 2012    Sansei Technologies, Executive Vice President, Representative Director, General Manager of Quality Control Division and General Manager of Maintenance &amp; Services Division</p> <p>April 2014    Sansei Technologies, Executive Vice President, Representative Director, General Manager of Quality Control Division</p> <p>April 2016    Sansei Technologies, Executive Vice President, Representative Director, General Manager of Maintenance &amp; Services Division</p> <p>May 2016    Sansei Technologies, Executive Vice President, Representative Director</p> <p>(to date)</p>	12,600 shares



Candidate No.	Name (Date of Birth)	Career History, Major Positions and Responsibilities, and Important Concurrent Service	Holding of Company shares
3	Noboru Rachi (born May 7, 1959)	<p>April 1982 Joined Sumitomo Bank Limited (currently Sumitomo Mitsui Banking Corporation)</p> <p>April 2011 Sumitomo Mitsui Banking Corporation, Executive Officer, Manager of Corporate Business Office - I, Shinjuku Nishiguchi Office</p> <p>April 2014 Sumitomo Mitsui Banking Corporation, Managing Executive Officer, in charge of Tokyo Corporate Banking Depts. I, II, IX and X, Tokyo Corporate Banking Division</p> <p>May 2016 Sansei Technologies, Senior Executive Officer, General Manager of Maintenance &amp; Services Division, and Deputy General Manager of Production Division</p> <p>June 2016 Sansei Technologies, Director and Senior Managing Executive Officer, General Manager of Maintenance &amp; Service Division, and Deputy General Manager of Production Division</p> <p>April 2017 Sansei Technologies, Executive Vice President and Representative Director, in charge of Corporate Planning Office, and General Manager of Maintenance &amp; Service Division</p> <p>(to date)</p>	800 shares
4	Kazuaki Ebe (born April 21, 1954)	<p>April 1979 Joined Sansei Technologies</p> <p>November 2004 Sansei Technologies, General Manager of the Third Design Department, Design Division</p> <p>June 2008 Sansei Technologies, Executive Officer, Deputy General Manager of Amusement Rides Division and General Manager of Design Department</p> <p>June 2009 Sansei Technologies, Executive Officer, Deputy General Manager of Amusement Rides Division, General Manager of Design Department and General Manager of Technical Service Department</p> <p>July 2010 Sansei Technologies, Executive Officer, General Manager of Amusement Rides Division</p> <p>June 2011 Sansei Technologies, Director and Managing Executive Officer, General Manager of Amusement Rides Division</p> <p>June 2012 Sansei Technologies, Director and Managing Executive Officer, General Manager of Amusement Rides Division, and General Manager of Kobe Plant</p> <p>April 2014 Sansei Technologies, Director and Managing Executive Officer, General Manager of Amusement Rides Division</p> <p>(to date)</p> <p>[Important Concurrent Service] May 2010 Sun Ace Co., Ltd., President, Representative Director</p>	7,800 shares
5	Hitoshi Ogino (born June 26, 1950)	<p>April 1974 Joined Sansei Technologies</p> <p>January 2008 Sansei Technologies, Senior Chief Engineer, First Engineering Department, First Business Division</p> <p>October 2008 Sansei Technologies, Executive Officer, Senior Chief Engineer, Design Department, Stage Equipment Division</p> <p>June 2011 Sansei Technologies, Executive Officer, General Manager of Stage Equipment Research Center, Stage Equipment Division and Senior Chief Engineer</p> <p>July 2011 Sansei Technologies, Executive Officer, General Manager of Technical Center and Senior Chief Engineer</p> <p>June 2012 Sansei Technologies, Director and Managing Executive Officer, General Manager of Tokyo Branch, and General Manager of Technical Center</p> <p>April 2013 Sansei Technologies, Director and Managing Executive Officer, General Manager of Tokyo Branch</p> <p>April 2014 Sansei Technologies, Director and Managing Executive Officer, General Manager of Stage Equipment Division</p> <p>(to date)</p>	9,988 shares

6	Tadashi Ono (born February 27, 1953)	<p>May 1981 Joined Sansei Technologies</p> <p>June 2007 Sansei Technologies, General Manager of Operation Management Section, Production Administration Department, Production Division</p> <p>June 2008 Sansei Technologies, General Manager of Production Administration Department, Production Division</p> <p>October 2009 Sansei Technologies, Executive Officer, General Manager of Production Administration Department, Production Division</p> <p>June 2011 Sansei Technologies, Executive Officer, Deputy General Manager of Amusement Rides Division and Deputy General Manager of Elevator Division</p> <p>June 2012 Sansei Technologies, Director and Executive Officer, Deputy General Manager of Amusement Rides Division</p> <p>April 2014 Sansei Technologies, Director and Managing Executive Officer, General Manager of Maintenance &amp; Services Division, and in charge of Corporate Planning Office</p> <p>April 2016 Sansei Technologies, Director and Managing Executive Officer, General Manager of Tokyo Branch and General Manager of Elevator Division</p> <p>April 2017 Sansei Technologies, Director and Managing Executive Officer and General Manager of Tokyo Branch</p> <p>(to date)</p>	8,700 shares
7	William Ireton (born December 6, 1955)	<p>June 1976 Joined Toho-Towa Co., Ltd.</p> <p>March 1979 Joined Movie/TV Marketing Co., Ltd.</p> <p>July 1988 Joined Warner Bros. Pictures, representative for Japan</p> <p>June 2006 Warner Entertainment Japan Inc., President and Representative Director</p> <p>December 2014 Warner Entertainment Japan, Advisor</p> <p>March 2015 Warner Entertainment Japan, resigned as Advisor</p> <p>April 2015 Established Ireton Entertainment Inc., President, Representative Director</p> <p>June 2015 Sansei Technologies, External Members of the Board</p> <p>(to date)</p> <p>[Important Concurrent Service]</p> <p>April 2015 Ireton Entertainment Inc., President, Representative Director</p>	1,400 shares
8	Tadashi Ono (born February 13, 1955)	<p>April 1978 Joined Sumitomo Bank Limited (currently Sumitomo Mitsui Banking Corporation)</p> <p>May 2003 Sumitomo Mitsui Banking Corporation, Senior Vice President (loaned to Nippon Export and Investment Insurance)</p> <p>April 2006 Sumitomo Mitsui Banking Corporation, Manager of Global Corporate Investment Department</p> <p>August 2008 University of Tsukuba, Graduate School of Business Science Study (currently Graduate School of Business Sciences), Professor</p> <p>June 2012 Sansei Technologies, Audit &amp; Supervisory Board Member</p> <p>June 2015 Sansei Technologies, External Members of the Board</p> <p>(to date)</p> <p>[Important Concurrent Service]</p> <p>August 2008 University of Tsukuba, Graduate School of Business Sciences, Professor</p>	4,600 shares

- Notes:1. No relationship of interest to be noted exists between each candidate and the Company.
2. Mr. William Ireton and Mr. Tadashi Ono are candidates for External Members of the Board. They satisfy the requirements as independent officers as stipulated in the rules of the Tokyo Stock Exchange and have been registered as independent officers of the Company with the Exchange.
3. The Company has liability limitation agreements with Mr. Ireton and Mr. Ono that limit their liabilities for compensation under Article 423 (1) of the Companies Act to the minimum amount stipulated in Article 425 (1) of the same Act as long as they perform their duties in good faith free of material negligence. If they are re-appointed as directors, the liability limitation agreement with them will be continued.
4. Reasons for Nomination
- (1)Mr. Williams Ireton has abundant global experience and great knowledge as a business executive. Expecting that his experience will contribute to the better supervision of the management of the Company, we request shareholders to elect him as an External Member of the board of the Company.
- (2)Mr. Ono Tadashi has abundant experience in international businesses and extensive knowledge as an expert in the business science. Expecting that his experience will contribute to the better supervision of the management of the Company, we request shareholders to elect him as an External Member of the board of the Company.
5. The office term of Mr. William Ireton and Mr. Tadashi Ono as External Members of the Board of the Company will reach two years at the closing of this general meeting of shareholders.

**Proposal No. 4: Election of one audit & supervisory board member**

The term of Mr. Tsuyoshi Ikeguchi as an audit & supervisory board member will expire at the closing of this general meeting of shareholders. The shareholders are requested to elect one audit & supervisory board member for the next term. This agenda item was approved by the Audit & Supervisory Board.

The following is a profile of a candidate for audit & supervisory board member:

Name (Date of Birth)	Career History, Positions and Important Concurrent Service	Holding of Company shares
Tsuyoshi Ikeguchi (born March 13, 1959)	<p>April 1991 Registered as a lawyer</p> <p>April 1991 Joined Kumagai, Takashima &amp; Nakagawa Law Office (currently, Osaka Nishi Law Office)</p> <p>June 2013 Sansei Technologies, Audit &amp; Supervisory Board Member</p> <p>(to date)</p>	2,700 shares

(Notes) 1. No relationship of interest to be noted exists between Mr. Tsuyoshi Ikeguchi and the Company.

2. Mr. Tsuyoshi Ikeguchi is a candidate for an outside audit & supervisory board member. He satisfies the requirements as an independent officer as stipulated in the rules of the Tokyo Stock Exchange and has been registered as an independent officer of the Company with the Exchange.
3. We propose Mr. Tsuyoshi Ikeguchi as a candidate for an outside audit & supervisory board member, because we believe he is able to properly execute the duties of an outside audit & supervisory board member by taking advantage of his professional experience as a lawyer and we expect that he will express valuable opinions in meetings of the Board of Directors and on other occasions, especially in the area of compliance issues. He has never managed the business of a company. However, considering his background as stated above, we believe that he can properly perform the duties of an outside audit & supervisory board member.
4. The Company has a liability limitation agreement with Mr. Tsuyoshi Ikeguchi that limits his liabilities for compensation under Article 423 (1) of the Companies Act to the minimum amount stipulated in Article 425 (1) of the same Act as long as he performs his duties in good faith and free of material negligence. If he is re-appointed as an outside audit & supervisory board member, the liability limitation agreement with him will be continued.
5. The aggregated office term of Mr. Tsuyoshi Ikeguchi as an audit & supervisory board member of the Company will reach four years at the closing of this general meeting of shareholders.

**Proposal No. 5: Revision of compensation for directors and audit & supervisory board members**

At the 56th general meeting of shareholders held on June 29, 2006, it was approved that the upper limit for annual compensation should be 218 million yen for the then directors and 35 million yen for the then audit & supervisory board members. Subsequently, at the 64th general meeting of shareholders on June 27, 2014, the introduction of a stock-compensation-type stock option system was approved with an annual upper limit of 30 million yen. At the same time, the annual compensation limit for directors (the cash portion) was reduced from 218 million yen to 200 million yen. The compensation limit for audit & supervisory board members has remained at 35 million yen for ten years. On the other hand, with the growth and globalization of the Company's business, the contents and areas of our business have further expanded and the responsibilities of directors and audit & supervisory board members have also increased. Considering these circumstances, the Company proposes a revision to increase the annual compensation limits to 250 million yen for directors (30 million yen for outside directors) and to 50 million yen for audit & supervisory board members. The annual upper limit for the stock option will remain at 30 million yen. Like in the past, the proposed compensation for a director who is also an employee of the Company does not include salaries received by him/her as an employee of the Company. If Proposal 3 is approved, the total number of directors will be eight (including two outside directors) as in the past. If Proposal 4 is approved, the total number of audit & advisory board members will be four (including three outside audit & advisory board members) as in the past.