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(Stock Exchange Code 6652)  
May 25, 2018

To Shareholders with Voting Rights:

2-6-64 Nishimiyahara, Yodogawa-ku,  
Osaka  
**IDEC CORPORATION**  
Toshiyuki Funaki  
Chairman and Chief Executive Officer

## **NOTICE OF THE 71ST ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

You are cordially invited to attend the 71st Annual General Meeting of Shareholders of IDEC CORPORATION (the "Company"). The meeting will be held for the purposes as described below.

**If you are unable to attend this meeting, you may exercise your voting rights by document or via the Internet. Please examine the attached Reference Documents for the General Meeting of Shareholders, and exercise your voting rights in accordance with the guidance on Page 3.**

**1. Date and Time:** Friday, June 15, 2018 at 3:00 p.m. Japan time  
(The reception is scheduled to start at 1:30 p.m.)

**2. Place:** 2F Hall at the Head Office of the Company located at  
2-6-64 Nishimiyahara, Yodogawa-ku, Osaka

**3. Meeting Agenda:**

- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company's 71st Fiscal Year (April 1, 2017 - March 31, 2018) and results of audits by the Accounting Auditors and the Board of Company Auditors of the Consolidated Financial Statements
  2. Non-consolidated Financial Statements for the Company's 71st Fiscal Year (April 1, 2017 - March 31, 2018)

**Proposals to be resolved:**

- Proposal 1:** Partial Change to the Articles of Incorporation
- Proposal 2:** Election of Five (5) Directors (excluding those who are Audit and Supervisory Committee Members)
- Proposal 3:** Election of Five (5) Directors Who are Audit and Supervisory Committee Members
- Proposal 4:** The Amount of Compensation for Directors (excluding those who are Audit and Supervisory Committee Members)

- Proposal 5:** The Amount of Compensation for Directors Who are Audit and Supervisory Committee Members
- Proposal 6:** Payment of retirement benefits to the Retiring Company Auditor
- Proposal 7:** Delegation to the Board of Directors of the Company of Determination of Matters Regarding Subscription of Stock Acquisition Rights to be Issued as Stock Options

**4. Matters concerning Reference Documents for the General Meeting of Shareholders and the Appendix to the Convocation Notice:**

(1) In accordance with the provisions of laws and Article 15 of the Company's Articles of Incorporation, the following items in the Appendix to this Convocation Notice are posted on the Company's website (<http://jp.idec.com>).

1. "Matters concerning shares of the Company", "Matters concerning stock acquisition rights of the Company", "Matters concerning establishment of the system to ensure the appropriateness of business operations, and the operational status of the said system" of the Business Report.
2. "Consolidated statements of changes in shareholders' equity" and "Consolidated notes" of the consolidated financial statements.
3. "Non-consolidated statements of changes in shareholders' equity" and "Non-consolidated notes" of the non-consolidated financial statements.

The Business Report, the consolidated financial statements and the non-consolidated financial statements, which have been audited by company auditors and the accounting auditor when preparing the respective audit reports, include the above 1. to 3. in addition to the Appendix to this Convocation Notice.

(2) If any revisions are made to the Reference Documents for the General Meeting of Shareholders, the Business Report, the consolidated financial statements, and the non-consolidated financial statements, such revisions will be posted on the Company's website as mentioned in the above (1).

## Guidance on the Exercise of Voting Rights

A voting right at the Annual General Meeting of Shareholders is an important right for shareholders to participate in the management of the Company. We would like you to exercise your voting right by using one of the following three methods after referring to the Reference Materials for the Annual Shareholders' Meeting.

- If you attend the meeting, you are not required to follow the procedures to exercise your voting rights by postal mail or via the Internet.
- If you have exercised your voting rights in duplicate by mail and via the Internet, the vote via the Internet will be treated as valid.
- If you have exercised your voting rights multiple times via the Internet, or exercised voting rights in duplicate by using personal computer, smartphone, and mobile phone, the last vote will be deemed valid.

### **1. In case of attending the Annual General Meeting of Shareholders**

Please submit the Voting Form to the receptionist at the meeting. You are also requested to bring this Convocation Notice with you.

### **Date and time of the Annual General Meeting of Shareholders:**

3:00 p.m. on Friday, June 15, 2018  
(Reception will start at 1:30 p.m.)

### **2. In case of mailing by postal mail the Voting Form**

Please post the Voting Form indicating whether you are for or against each of the agenda items.

### **Exercise deadline:**

Required to arrive by 5:15 p.m. on Thursday, June 14, 2018

### **3. In case of exercising voting rights via the Internet**

Please indicate whether you are for or against each of the agenda items on the Voting Rights Exercise Website (<http://www.web54.net>) after referring to the following page.

### **Exercise deadline:**

Required to be submitted by 5:15 p.m. on Thursday, June 14, 2018

## Reference Documents for the General Meeting of Shareholders

### Proposal 1: Partial Change to the Articles of Incorporation

#### 1. Reasons for the proposal

We plan to make partial changes to the Articles of Incorporation for the following reasons. These partial changes based on this proposal will become effective at the conclusion of this general shareholders' meeting.

- (1) The Company has worked on strengthening corporate governance, such as enhancing supervisory and business execution functions, as well as improving the transparency of business management.  
We intend to enhance the supervisory functions of the board of directors by having directors who serve as Audit and Supervisory Committee Members have voting rights at board of directors' meetings, in addition to realizing prompter decision-making, so that our corporate governance will be further strengthened and corporate value will be improved. For these purposes, we plan to transition from a company with a board of company auditors to a company with an Audit and Supervisory Committee. In this regard, we plan to create new provisions concerning directors serving as Audit and Supervisory Committee Members and the Audit and Supervisory Committee, and delete some provisions concerning company auditors and the board of company auditors. We also plan to create new provisions on delegating authority to executive directors and make other necessary changes, in order to improve the efficiency of business management and enable prompt decision-making.
- (2) In association with the transition under the revised Companies Act of Japan that a counterparty to a limited liability agreement be limited to directors who are not executive directors, etc., we will change the subject of a limited liability agreement, so that directors who do not execute business, in addition to outside directors, can fully play their expected roles. Each company auditor has already agreed to this change.
- (3) We will make the necessary changes to the titles of Chapters and the numbers of Articles in relation to the above changes.

#### 2. Details of changes

The changes made are as follows:

(The underlined portions indicate amendments.)

Current Articles of Incorporation	Proposed Changes
<p style="text-align: center;">Chapter 1      General Provisions</p> <p>Article 1 - Article 3 (Provisions omitted)</p> <p>Article 4 (Governance organizations) The Company shall have the following governance organizations, as well as General Meetings of Shareholders and directors.</p> <p>(1)      Board of Directors (2)      <u>Company Auditors</u> (3)      <u>Board of Company Auditors</u> (4)      Accounting auditors</p> <p>Article 5 - Article 17 (Provisions omitted)</p> <p style="text-align: center;">Chapter 4   Directors and Board of Directors</p> <p>Article 18 (Authorized number) The Company shall have not more than seven (7) directors.</p> <p>Article 19 (Method of election) Directors shall be elected at a General Meeting of Shareholders.</p>	<p style="text-align: center;">Chapter 1      General Provisions</p> <p>Article 1 - Article 3 (Provisions omitted)</p> <p>Article 4 (Governance organizations) The Company shall have the following governance organizations, as well as General Meetings of Shareholders and directors.</p> <p>(1)      Board of Directors (2)      <u>Audit and Supervisory Committee</u> (Deleted) (3)      Accounting auditors</p> <p>Article 5 - Article 17 (Same as the current version)</p> <p style="text-align: center;">Chapter 4   Directors and Board of Directors</p> <p>Article 18 (Authorized number) The Company shall have not more than seven (7) directors <u>who are not Audit and Supervisory Committee Members</u> and have <u>not more than five (5) directors who are Audit and Supervisory Committee Members</u>.</p> <p>Article 19 (Method of election) Directors <u>who are not Audit and Supervisory Committee Members</u> and <u>directors who are</u></p>

Current Articles of Incorporation	Proposed Changes
<p>Resolutions for the election of directors shall be adopted at a General Meeting of Shareholders at which shareholders holding one-third (1/3) or more of voting rights of the shareholders entitled to vote shall be present, by a majority of the voting rights of shareholders so present. Resolutions for the election of directors shall not be passed by cumulative voting.</p>	<p><u>Audit and Supervisory Committee Members</u> shall be <u>separately</u> elected at a general meeting of shareholders. Resolutions for the election of directors shall be adopted at a General Meeting of Shareholders at which shareholders holding one-third (1/3) or more of voting rights of the shareholders entitled to vote shall be present, by a majority of the voting rights of shareholders so present. Resolutions for the election of directors shall not be passed by cumulative voting.</p>
<p>Article 20 (Term of office) The term of office of each director shall expire at the close of the Ordinary General Meeting of Shareholders relating to the last of the business years to end within one year after his/her election.</p>	<p>Article 20 (Term of office) The term of office of each director <u>who is not an Audit and Supervisory Committee Member</u> shall expire at the close of the annual general meeting of shareholders for the last business year which ends within one (1) year from their election. <u>The term of office of each director who is an Audit and Supervisory Committee Member shall expire at the close of the annual general meeting of shareholders for the last business year which ends within two (2) years from his/her election.</u> <u>The term of office of each director who is an Audit and Supervisory Committee Member elected as the substitute for a director who is an Audit and Supervisory Committee Member who retired before the expiration of his/her term of office shall be the same as the remaining term of office of his/her predecessor.</u></p>
<p>Article 21 - Article 23 (Provisions omitted)</p>	<p>Article 21 - Article 23 (Same as the current version)</p>
<p>Article 24 (Notice of convocation of meetings of the Board of Directors) A notice convening a meeting of the Board of Directors shall be dispatched to each director <u>and each company auditor</u> at least three (3) days prior to the date of the meeting; provided, however, that such period of notice may be shortened in case of urgent necessity. If consent of all directors <u>and company auditors</u> is obtained in advance, a meeting may be held without following the procedures for convening a meeting.</p>	<p>Article 24 (Notice of convocation of meetings of the Board of Directors) A notice convening a meeting of the Board of Directors shall be dispatched to each director at least three (3) days prior to the date of such meeting; provided, however, that such period of notice may be shortened in case of urgent necessity. If the consent of all directors is obtained in advance, a meeting may be held without following the procedures for convening a meeting.</p>
<p>Article 25 (Omission of resolution of the Board of Directors) In case all directors express unanimous consent to a resolution of the Board of Directors in writing or via an electronic method, a resolution of the Board of Directors on the matter shall be deemed to have been adopted to that effect <u>unless a company auditor expresses an objection.</u></p>	<p>Article 25 (Omission of resolution of the Board of Directors) In case all directors express unanimous consent to a resolution of the Board of Directors in writing or via an electronic method, a resolution of the Board of Directors on the matter shall be deemed to have been adopted to that effect.</p>

Current Articles of Incorporation	Proposed Changes
(Newly established)	
<p>Article <u>26</u> (Provisions omitted)</p> <p>Article <u>27</u> (Remuneration, etc.) Remuneration, bonuses, and other proprietary benefits directors may receive from the Company in consideration of the execution of their duties (hereinafter referred to as “Remuneration, etc.”) shall be determined by a resolution of the General Meeting of Shareholders.</p> <p>Article <u>28</u> (Reduction of liabilities of directors) Pursuant to the provision of Paragraph 1, Article 426 of the Companies Act of Japan, the Company may, by a resolution of the Board of Directors, exempt any director (including any former director) from damage compensation liabilities due to his/her negligence, to the extent provided for by laws or ordinances. Pursuant to the provision of Paragraph 1, Article 427 of the Companies Act of Japan, the Company may enter into an agreement with <u>any outside director</u> to reduce his/her damage compensation liabilities due to his/her negligence. The upper limit of such liabilities based on the agreement shall be within the limits stipulated by laws or ordinances.</p> <p>Chapter 5 <u>Company Auditors and Board of Company Auditors</u></p> <p>Article <u>29</u> (Authorized number) <u>The Company shall have not more than five (5) company auditors.</u></p> <p>Article <u>30</u> (Method of election) <u>Company auditors shall be elected at a General Meeting of Shareholders.</u> <u>Resolutions for election of company auditors shall be adopted at a General Meeting of Shareholders at which shareholders holding one-third (1/3) or more of voting rights of the shareholders entitled to vote shall be present, by</u></p>	<p><u>Article 26 (Delegation of decisions on the execution of important operations to directors)</u> <u>Based on the provisions of Paragraph 6 of Article 399-13 of the Companies Act of Japan, the Company may delegate all or part of decisions on the execution of important operations (excluding matters described in each Item of Paragraph 5 of the said Article) to directors upon the resolution of the Board of Directors meetings.</u></p> <p>Article <u>27</u>(Same as the current version)</p> <p>Article <u>28</u> (Remuneration, etc.) Remuneration, bonuses, and other proprietary benefits directors may receive from the Company in consideration of the execution of their duties (hereinafter referred to as “Remuneration, etc.”) shall be <u>separately</u> determined by a resolution of the General Meeting of Shareholders, <u>for directors who are not Audit and Supervisory Committee Members and directors who are Audit and Supervisory Committee Members.</u></p> <p>Article <u>29</u> (Reduction of liabilities of directors) Pursuant to the provision of Paragraph 1, Article 426 of the Companies Act of Japan, the Company may, by a resolution of the Board of Directors, exempt any director (including any former director) from damage compensation liabilities due to his/her negligence, to the extent provided for by laws or ordinances. Pursuant to the provision of Paragraph 1, Article 427 of the Companies Act of Japan, the Company may enter into an agreement with <u>any director (excluding directors who are executive directors, etc.)</u> to reduce his/her damage compensation liabilities due to his/her negligence. The upper limit of such liabilities based on the agreement shall be within the limits stipulated by laws or ordinances.</p> <p>Chapter 5 <u>Audit and Supervisory Committee</u></p> <p>(Deleted)</p> <p>(Deleted)</p>

Current Articles of Incorporation	Proposed Changes
<p><u>a majority of the voting rights of the shareholders so present.</u></p>	
<p><u>Article 31 (Term of office)</u>  <u>The term of office of each company auditor shall expire at the close of the Ordinary General Meeting of Shareholders relating to the last of the business years ending within four years after his/her election.</u>  <u>The term of office of a company auditor elected to fill a vacancy created by a predecessor shall be for the unexpired balance of the term of office of the predecessor.</u></p>	(Deleted)
<p><u>Article 32 (Full-time company auditor)</u>  <u>Each full-time company auditor shall be elected by a resolution of the Board of Company Auditors.</u></p>	(Deleted)
<p><u>Article 33 (Notice of convocation of meetings of the Board of Company Auditors)</u>  A notice convening a meeting of <u>the Board of Company Auditors</u> shall be dispatched to <u>each company auditor</u> at least three (3) days prior to the date of the meeting; provided, however, that such period of notice may be shortened in case of urgent necessity.  If the consent of all <u>company auditors</u> is obtained in advance, a meeting may be held without following the procedures for convening a meeting.</p>	<p><u>Article 30 (Notice of convocation of meetings of the Audit and Supervisory Committee)</u>  A notice convening a meeting of <u>the Audit and Supervisory Committee</u> shall be dispatched to <u>each Audit and Supervisory Committee Member</u> at least three (3) days prior to the date of the meeting; provided, however, that such period of notice may be shortened in case of urgent necessity.  If the consent of all <u>Audit and Supervisory Committee Members</u> is obtained in advance, a meeting may be held without following the procedures for convening a meeting.</p>
<p><u>Article 34 (Regulations of the Board of Company Auditors)</u>  Matters concerning <u>the Board of Company Auditors</u> shall be subject to the Regulations of <u>the Board of Company Auditors</u> adopted by <u>the Board of Company Auditors</u>, in addition to matters provided for in laws, ordinances, and these Articles of Incorporation.</p>	<p><u>Article 31 (Regulations of the Audit and Supervisory Committee)</u>  Matters concerning <u>the Audit and Supervisory Committee</u> shall be subject to the Regulations of <u>the Audit and Supervisory Committee</u> adopted by <u>the Audit and Supervisory Committee</u>, in addition to matters provided for in laws, ordinances, and these Articles of Incorporation.</p>
<p><u>Article 35 (Remuneration, etc.)</u>  <u>Remuneration, etc. of a company auditor shall be determined by a resolution of the General Meeting of Shareholders.</u></p>	(Deleted)
<p><u>Article 36 (Reduction of liabilities of company auditors)</u>  <u>Pursuant to the provision of Paragraph 1, Article 426 of the Companies Act of Japan, the Company may, by a resolution of the Board of Directors, exempt any company auditor (including any former company auditor) from damage compensation liabilities due to his/her negligence, to the extent provided for by laws or ordinances.</u>  <u>Pursuant to the provision of Paragraph 1, Article</u></p>	(Deleted)



**Proposal 2: Election of Five (5) Directors (excluding those who are Audit and Supervisory Committee Members)**

When proposal 1: Partial Changes to the Articles of Incorporation is passed and approved as proposed, the Company will transition to a company with an Audit and Supervisory Committee, and the terms of all seven (7) directors will expire when changes to the Articles of Incorporation become effective.

Accordingly, you are requested to elect five (5) directors (excluding those who are Audit and Supervisory Committee Members; the same shall apply hereinafter in this Proposal). This proposal will become valid when changes to the Articles of Incorporation based on proposal 1: Partial Changes to the Articles of Incorporation become effective.

The candidates for directors are as follows.

Candidate number	Name	Current Position and primary area of responsibility in the Company
1	<u>Reappointment</u> <b>Toshiyuki Funaki</b>	Representative Executive Officer of the Company Chairman and Chief Executive Officer of the Company
2	<u>Reappointment</u> <b>Mikio Funaki</b>	Senior Managing Executive Officer of the Company Senior Executive Vice President of the Company
3	<u>Reappointment</u> <b>Takeshi Nakagawa</b>	Director <u>Outside Director candidate</u> <u>Independent Officer candidate</u>
4	<u>Reappointment</u> <b>Nobuo Hatta</b>	Director <u>Outside Director candidate</u> <u>Independent Officer candidate</u>
5	<u>Reappointment</u> <b>Takuji Yamamoto</b>	Director <u>Outside Director candidate</u> <u>Independent Officer candidate</u>

(Note) Notes to Proposal 2 are described on page 13.

**Candidate No. 1** Reappointment

**Name:** Toshiyuki Funaki

**Date of birth:** August 30, 1947

**Number of shares of the Company held:** 353,987 shares

**Attendance at the Board of Directors meeting (FY 2018):** 100 % (7/7 times)

**Career summary** (positions and responsibilities)

October 1975 Executive Vice President of IDEC CORPORATION (USA)

July 1985 Director of the Company

December 1990 Executive Director of the Company

June 1994 Senior Executive Director of the Company

June 1997 Chief Executive Officer of the Company

April 2000 Representative Executive Officer of the Company (to present)

June 2006 Chairman and Chief Executive Officer of the Company (to present)

**Reasons for election**

Mr. Toshiyuki Funaki has served as the Chairman and Chief Executive Officer of the Company, and to strive for the sustained growth as a continuing Company based on his abundant experience and achievements, the Company has elected him as a candidate for Director as in the previous year in the belief that he would be best suited to continue in his current position.

**Significant concurrent positions**

Chairman, C.E.O., IDEC CORPORATION (USA)

**Candidate No. 2** Reappointment

**Name:** Mikio Funaki

**Date of birth:** January 17, 1953

**Number of shares of the Company held:** 180,969 shares

**Attendance at the Board of Directors meeting (FY 2018):** 86 % (6/7 times)

**Career summary** (positions and responsibilities)

June 1979 Joined IDEC CORPORATION (USA)

June 1991 Vice President of IDEC CORPORATION (USA)

April 1993 Joined the Company

June 1997 Director of the Company

April 1999 Executive Officer in charge of IT of the Company

May 2003 Senior Executive Director of the Company

May 2003 Senior Managing Executive Officer of the Company (to present)

June 2006 Senior Executive Vice President of the Company (to present)

**Reasons for election**

Mr. Mikio Funaki has been engaged in the management of the Company and its Group companies for many years and has abundant experience and achievements mainly in overseas businesses. The Company has elected him as a candidate for Director as in the previous year in the belief that his abundant experience and achievements would link to the sustained growth of the Company.

**Significant concurrent positions**

President, C.O.O., IDEC CORPORATION (USA)

**Candidate No. 3**  Reappointment  Outside  Independent

**Name:** Takeshi Nakagawa

**Date of birth:** September 13, 1941

**Number of shares of the Company held:** 27,051 shares

**Attendance at the Board of Directors meeting (FY 2018):** 100 % (7/7 times)

**Career summary** (positions and responsibilities)

June 1998 Corporate Vice President of TOSHIBA CORPORATION

June 2000 Corporate Senior Vice President of TOSHIBA CORPORATION

June 2003 Director, Executive Officer and Corporate Executive Vice President of TOSHIBA CORPORATION

June 2004 Director, Representative Executive Officer and Corporate Senior Executive Vice President of TOSHIBA CORPORATION

June 2006 Executive Advisor of TOSHIBA CORPORATION

June 2007 Director of the Company (to present)

**Reasons for election**

Mr. Takeshi Nakagawa is highly regarded for his abundant knowledge and experience with a global perspective as well as for his management skills in the electrical industry. The Company has elected him as a candidate for Director as in previous year in the belief that his precise and productive advice, given from an independent perspective with no special interests, on the Company's management in general would lead to further reinforcement of the Company's management system.

**Significant concurrent positions**

Not applicable.

**Candidate No. 4**  Reappointment  Outside  Independent

**Name:** Nobuo Hatta

**Date of birth:** December 13, 1946

**Number of shares of the Company held:** 11,774 shares

**Attendance at the Board of Directors meeting (FY 2018):** 100 % (7/7 times)

**Career summary** (positions and responsibilities)

June 1997 Director and General Manager of Overseas Sales Headquarters of ROHM Co., Ltd.

July 2003 Director in charge of Public Relations of ROHM Co., Ltd.

September 2004 Director and General Manager of Administrative Headquarters of ROHM Co., Ltd.

December 2009 Director in charge of Special Missions of ROHM Co., Ltd.

June 2011 Chief Advisor of ROHM Co., Ltd.

June 2012 Director of the Company (to present)

**Reasons for election**

Mr. Nobuo Hatta has been engaged mainly in overseas businesses for many years in the semiconductor industry and is highly regarded for his abundant knowledge and experience. The Company has elected him as a candidate for Director as in previous year in the belief that his precise and productive advice, given from an independent perspective with no special interests, on the Company's management in general would lead to further reinforcement of the Company's management system.

**Significant concurrent positions**

Outside Company Auditor of Pharma Foods International Co., Ltd.

**Candidate No. 5**  Reappointment  Outside  Independent

**Name:** Takuji Yamamoto

**Date of birth:** November 26, 1949

**Number of shares of the Company held:** 3,659 shares

**Attendance at the Board of Directors meeting (FY 2018):** 100 % (7/7 times)

**Career summary** (positions and responsibilities)

September 1997 Vice President of OMRON MANAGEMENT CENTER OF EUROPE

June 2001 Executive Officer of OMRON CORPORATION

April 2003 Division General Manager in charge of Industrial Products of OMRON CORPORATION

June 2005 Senior Executive Officer of OMRON CORPORATION

April 2009 CEO of OMRON MANAGEMENT CENTER OF AMERICA, INC.

June 2015 Director of the Company (to present)

**Reasons for election**

Mr. Takuji Yamamoto has been engaged mainly in starting up overseas businesses, planning and implementing business strategies for many years in the control instrument business and is highly regarded for his abundant knowledge and experience. The Company has elected him as a candidate for Director as in previous year in the belief that his precise and productive advice, given from an independent perspective with no special interests, on the Company's management in general would lead to further reinforcement of the Company's management system.

**Significant concurrent positions**

Not applicable.

(Notes)

1. There are no special interests between each candidate and the Company.
2. Candidates for Directors, Messrs. Takeshi Nakagawa, Nobuo Hatta, and Takuji Yamamoto are candidates for Outside Directors, and are designated as independent officers required by Tokyo Stock Exchange, Inc., who will not have conflicts of interests with general shareholders.
3. The Company has transactional relationships with TOSHIBA CORPORATION, where Mr. Takeshi Nakagawa served as director. However, the Company's transactions with the company in fiscal 2018 accounted for less than 1% of consolidated net sales, so there is no problem with regards to their independence. The Company does not have transactional relationships with ROHM Co., Ltd., where Mr. Nobuo Hatta served as director, and OMRON CORPORATION, where Mr. Takuji Yamamoto served as executive officer, so there is no problem with regards to their independence.
4. Candidates for Directors, Messrs. Takeshi Nakagawa, Nobuo Hatta, and Takuji Yamamoto are currently Outside Directors of the Company and Mr. Takeshi Nakagawa will have served 11 years, and Mr. Nobuo Hatta will have served 6 years, and Mr. Takuji Yamamoto will have served 3 years as Directors at the conclusion of this Annual General Meeting of Shareholders.
5. The Company has entered into agreements with candidates for Directors, Messrs. Takeshi Nakagawa, Nobuo Hatta, and Takuji Yamamoto in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, limiting their liabilities for damages. Based on these agreements, the maximum amount of liabilities for damages shall be an amount provided by laws and regulations. Upon election of candidates as proposed, the Company intends to continue these agreements.

**Proposal 3: Election of Five (5) Directors Who are Audit and Supervisory Committee Members**

When proposal 1: Partial Changes to the Articles of Incorporation is passed and approved as proposed, the Company will transition to a company with an Audit and Supervisory Committee, and the terms of all four (4) company auditors will expire when changes to the Articles of Incorporation become effective.

Accordingly, you are requested to elect five (5) directors who are Audit and Supervisory Committee Members. This proposal will become valid when changes to the Articles of Incorporation based on proposal 1: Partial Changes to the Articles of Incorporation become effective.

The Board of Company Auditors has already agreed to this proposal.

The candidates for directors who are Audit and Supervisory Committee Members are as follows.

Candidate number	Name	Current Position and primary area of responsibility in the Company
1	<u>Reappointment</u> <b>Kejiro Fujita</b>	Director
2	<u>New candidate</u> <b>Hirokazu Taniguchi</b>	Company Auditor <u>Outside Director candidate</u> <u>Independent Officer candidate</u>
3	<u>New candidate</u> <b>Masanori Sakamoto</b>	Company Auditor <u>Outside Director candidate</u> <u>Independent Officer candidate</u>
4	<u>New candidate</u> <b>Masataka Kawahito</b>	Company Auditor <u>Outside Director candidate</u> <u>Independent Officer candidate</u>
5	<u>Reappointment</u> <b>Michiko Kanai</b>	Director <u>Outside Director candidate</u> <u>Independent Officer candidate</u>

(Note) Notes to Proposal 3 are described on page 18.

**Candidate No. 1** Reappointment

**Name:** Keijiro Fujita

**Date of birth:** December 7, 1946

**Number of shares of the Company held:** 730,737 shares

**Attendance at the Board of Directors meeting (FY 2018):** 100 % (7/7 times)

**Career summary** (positions and responsibilities)

March 1977 Joined the Company

May 1992 Director of Eledeck Co., Ltd.

June 1992 Director of the Company

October 1997 President and Director of Eledeck Co., Ltd.

June 1998 Senior Corporate Officer of the Company (current Senior Executive Officer)

June 2008 Director of the Company (to present)

**Reasons for election**

Mr. Keijiro Fujita has been engaged in the business operations of the Company and its Group companies for many years, and has abundant experience and knowledge acquired through his duty as Executive Officer in charge of human resources. The Company has elected him as a candidate for Director in the belief that his abundant experience and knowledge would link to the reinforcement of the Company's auditing system.

**Significant concurrent positions**

Not applicable.

**Candidate No. 2** New Outside Independent Reappointment

**Name:** Hirokazu Taniguchi

**Date of birth:** June 8, 1935

**Number of shares of the Company held:** 6,534 shares

**Attendance at the Board of Directors meeting (FY 2018):** 100 % (7/7 times)

**Career summary** (positions and responsibilities)

October 1966 Certified Public Accountant/Commencement of practice registered

February 1967 Certified Tax Accountant/Commencement of practice registered

December 1970 Audit corporation Nissin /Representative Partner

January 1986 Audit corporation Century/Administration Officer

May 1993 Audit corporation Century/Executive Director

May 1998 Audit corporation Century/Vice Chairman

June 2004 Company Auditor of the Company (to present)

**Reasons for election**

Mr. Hirokazu Taniguchi has extensive knowledge and experience as a Certified Public Accountant, and has contributed to reinforcing our company's auditing system from the viewpoint of finance and accounting. Judging that he also has a fair and neutral standpoint in regards to audit independence, the Company has elected him again as a candidate for Director.

**Significant concurrent positions**

Certified Public Accountant/Certified Tax Accountant (Taniguchi Hirokazu Certified Public Accountant/Certified Tax Accountant Office/General Manager)

**Candidate No. 3**  New  Outside  Independent

**Name:** Masanori Sakamoto

**Date of birth:** January 31, 1942

**Number of shares of the Company held:** 9,324 shares

**Attendance at the Board of Directors meeting (FY 2018):** 86 % (6/7 times)

**Career summary** (positions and responsibilities)

April 1970 Registered in Osaka Bar Association

April 1991 Vice President of Osaka Bar Association

June 2002 Chairman of Training Committee, Japan Federation of Bar Associations

June 2004 Company Auditor of the Company (to present)

November 2009 Chairman of Osaka Tender Monitoring Committee

**Reasons for election**

As a lawyer with a high-degree of law expertise, Mr. Masanori Sakamoto has contributed to reinforcing the Company's auditing system using his audit ability based on extensive knowledge and excellent insight. Judging that he also has a fair and neutral standpoint in regards to audit independence, the Company has elected him again as a candidate for Director.

**Significant concurrent positions**

Lawyer (Representative of Kansai Chuo Law Firm)

**Candidate No. 4**  New  Outside  Independent

**Name:** Masataka Kawahito

**Date of birth:** April 15, 1948

**Number of shares of the Company held:** 5,097 shares

**Attendance at the Board of Directors meeting (FY 2018):** 100 % (7/7 times)

**Career summary** (positions and responsibilities)

July 2000 Director of Yashiro Tax Office

July 2005 Director of Nishinomiya Tax Office

July 2007 Director of Kobe Tax Office

September 2008 Established Masataka Kawahito Tax Accountant Office

June 2010 Company Auditor of the Company(to present)

**Reasons for election**

With the experience of serving in tax offices and having expertise as a tax accountant, Mr. Masataka Kawahito has contributed to strengthening the Company's auditing system regarding accounting and tax affairs. Judging that he also has a fair and neutral standpoint in regards to audit independence, the Company has elected him as a candidate for Director.

**Significant concurrent positions**

Certified Tax Accountant (General Manager of Masataka Kawahito Tax Accountant Office)

**Candidate No. 5** Reappointment Outside Independent

**Name:** Michiko Kanai

**Date of birth:** June 16, 1955

**Number of shares of the Company held:** 1,655 share

**Attendance at the Board of Directors meeting (FY 2018):** 100 % (7/7 times)

**Career summary** (positions and responsibilities)

April 1990 Registered in Osaka Bar Association  
Joined Oh-Ebashi Law Offices (currently Oh-Ebashi LPC & Partners)

April 1998 Partner at Oh-Ebashi Law Offices

August 2002 Member at Oh-Ebashi LPC & Partners (to present)

June 2016 Director of the Company (to present)

**Reasons for election**

As a lawyer, Ms. Michiko Kanai has a high-degree of expertise in corporate legal affairs and has contributed to strengthening the Company's auditing system regarding legal affairs. Judging that she also has a fair and neutral standpoint in regards to audit independence, the Company has elected her as a candidate for Director.

**Significant concurrent positions**

Lawyer (Member at Oh-Ebashi LPC & Partners)  
Outside Director of KONDOTEC INC.  
Outside Company Auditor of SANKYO SEIKO CO., LTD.

(Notes)

1. There are no special interests between each candidate and the Company.
2. Candidates for Directors who are Audit and Supervisory Committee Members, Messrs. Hirokazu Taniguchi, Masanori Sakamoto, Masataka Kawahito, and Michiko Kanai are candidates for Outside Directors, and are designated as independent officers required by Tokyo Stock Exchange, Inc., who will not have conflicts of interests with general shareholders.
3. Candidates for Directors who are Audit and Supervisory Committee Members, Messrs. Hirokazu Taniguchi, Masanori Sakamoto, Masataka Kawahito are currently Outside Company Auditors of the Company and Mr. Hirokazu Taniguchi will have served 14 years, and Mr. Masanori Kawahito will have served 14 years, and Mr. Masataka Kawahito will have served 8 years as Company Auditors at the conclusion of this Annual General Meeting of Shareholders. Candidate for Directors who is Audit and Supervisory Committee Members, Ms. Michiko Kanai is currently Outside Directors of the Company, and she will have served 2 years as Directors at the conclusion of this Annual General Meeting of Shareholders.
4. The Company has entered into agreements with candidates for Directors who are Audit and Supervisory Committee Members, Messrs. Hirokazu Taniguchi, Masanori Sakamoto, Masataka Kawahito, and Michiko Kanai in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, limiting their liabilities for damages. Based on these agreements, the maximum amount of liabilities for damages shall be an amount provided by laws and regulations. Upon election of candidates as proposed, the Company intends to continue these agreements.
5. In case where the election of Mr. Keijiro Fujita is passed and approved, in addition to proposal 1: Partial Changes to the Articles of Incorporation, the Company intends to enter into an agreement with him in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act of Japan, limiting liabilities for damages. Based on such agreement, the maximum amount of liabilities for damages shall be an amount provided by laws and regulations.

<The policy regarding the independence of an outside officer>

The Company has positively elected outside officers for their high levels of professional knowledge, extensive experience, and views on management and the execution of business. Furthermore, if an outside officer falls under all of the following items, we consider that he or she is independent:

- (1) He or she is not an executive officer of our company (including group companies. The same shall apply hereinafter).
- (2) He or she is not an executive officer of a company that has material transactions with our company.
- (3) He or she is not an executive officer of a major customer of our company.
- (4) He or she is not a consultant or an accounting expert or a legal expert employed by the company who receives a material sum of money or other assets, with the exception of executive compensation (if it is a group or a party such as a corporation or a partnership, he or she is not a member of such a group or a party).
- (5) He or she does not receive material donations or subsidies from our company.
- (6) He or she is not a major holder of our company's shares or an (a major holder) executive officer of the company.
- (7) He or she has not fallen under any of the above (1) – (6) for the five years prior to being nominated as a director.
- (8) He or she is not a spouse or a relative within the second degree of kinship of any person who falls under any of the above (1) – (6).

**Proposal 4: The Amount of Compensation for Directors (excluding those who are Audit and Supervisory Committee Members)**

The maximum annual compensation for the Company's directors is 360 million yen (including 30 million yen for outside directors) according to a resolution passed at the 64th Annual General Meeting of Shareholders on June 17, 2011.

When proposal 1: Partial Changes to the Articles of Incorporation is passed and approved as proposed, the Company will transition to a company with an Audit and Supervisory Committee. In association with such shift, we have newly decided on the amount of compensation for directors (excluding those who are Audit and Supervisory Committee) in lieu of the current one for directors. Considering directors' compensation so far and other circumstances, the maximum annual compensation is 360 million yen (including 30 million yen or less for outside directors).

The said amount will not include employee wages of directors who are concurrently employees.

The number of directors is currently seven (7) (including four (4) outside directors). When proposal 1 and proposal 2 are passed and approved as proposed, the number of directors (excluding those who are Audit and Supervisory Committee Members) in relation to this proposal will be five (5) (including three (3) outside directors).

This proposal will become valid when changes to the Articles of Incorporation based on proposal 1: Partial Changes to the Articles of Incorporation become effective.

**Proposal 5: The Amount of Compensation for Directors Who are Audit and Supervisory Committee Members**

When proposal 1: Partial Changes to the Articles of Incorporation is passed and approved as proposed, the Company will transition to a company with an Audit and Supervisory Committee. In association with the above, we would like to determine that the maximum annual amount of compensation for directors who are Audit and Supervisory Committee Members is 80 million yen, considering their duties and responsibilities and other circumstances.

When proposal 1 and proposal 3 are passed and approved as proposed, the number of directors who are Audit and Supervisory Committee Members in relation to this proposal will be five (5).

This proposal will become valid when changes to the Articles of Incorporation based on proposal 1: Partial Changes to the Articles of Incorporation become effective.

**Proposal 6: Payment of retirement benefits to the Retiring Company Auditor**

When proposal 1: Partial Changes to the Articles of Incorporation is passed and approved as proposed, the Company will transition to a company with an Audit and Supervisory Committee.

In association with the above, Mr. Masayuki Furukawa, who is a company auditor, will retire at the conclusion of this annual general meeting of shareholders.

Therefore, you are requested to approve the provision of a reasonable amount of retirement benefits (up to an amount equivalent to one-tenth of 57 million yen reported as the provision for directors' retirement benefits) to reward him for his services, in accordance with the Company's predetermined standards. The details, such as the specific amount, the timing of provision, and the method, will be determined based on discussions among directors who are Audit and Supervisory Committee Members.

In addition, as part of our management reforms, the Company changed the retirement benefit plan for directors, which was seniority-based and was not closely connected to the Company's business performance and, in association with this, we stopped accumulating such funds at the close of the 56th annual general meeting of shareholders held on June 20, 2003. Accordingly, it was resolved at the said annual general meeting of shareholders that retirement benefits that had been set aside would be paid to directors at their retirement. This proposal is based on the above.

A career summary of the retiring company auditor to whom the payment will be made is as follows.

Name	Career summary
Masayuki Furukawa	June 1996: Full-time Company Auditors of the Company (to present)

**Proposal 7: Delegation to the Board of Directors of the Company of Determination of Matters Regarding Subscription of Stock Acquisition Rights to be Issued as Stock Options**

Pursuant to Articles 236, 238 and 239 of the Companies Act, the Company seeks approval for delegating to the Board of Directors the determination of matters regarding subscription of stock acquisition rights to be issued as stock options to the Company's employees and the directors of the Company's subsidiaries (hereinafter referred to as "Employees").

**1. Reason for soliciting from non-shareholders who will subscribe to stock acquisition rights under especially favorable terms**

In order to boost the motivation and morale of Employees, and to contribute to the improvement of the Group's performance and the enhancement of its international competitiveness, the Company shall issue without consideration, stock acquisition rights without the need of payment of cash, in the following manner.

**2. Maximum number of stock acquisition rights, for which the Board of Directors shall be entitled to determine the matters for subscription, based on the resolution at the General Meeting of Shareholders**

395 units

**3. Amount of cash to be paid for the stock acquisition rights**

To be issued without consideration (The stock acquisition rights shall not require the payment of cash.)

**4. Details of the stock acquisition rights**

(1) Persons to whom the stock acquisition rights shall be allocated  
Employees

(2) Type and number of shares subject to the stock acquisition rights

The total number of shares of the stock acquisition rights shall not exceed 39,500 shares of the Company's common stock, and the number of shares subject to one unit of the said stock acquisition rights shall be 100 shares.

In the event that the Company conducts a stock split or stock consolidation, the Company may adjust the number of shares subject to the stock acquisition rights in accordance with the following formula. However, such adjustments shall only be made with respect to the number of shares subject to the stock acquisition rights that have not been exercised at the time of adjustment of the said stock acquisition rights. Any fractions of less than one share resulting from the adjustment shall be rounded down.

Number of shares after adjustment = Number of shares before adjustment × Ratio of split or consolidation

(3) Value of assets contributed upon exercise of the stock acquisition rights

The value of assets to be contributed upon exercise of each unit of stock acquisition right shall be calculated by multiplying the amount to be paid in per share as set below by the number of shares subject to each unit of stock acquisition right.

The amount to be paid in per share shall be calculated by multiplying the average of the daily closing prices of common stock of the Company in the regular transactions at the Tokyo Stock Exchange for trading days (excluding days on which there is no trading) during each day of the month prior to the month of the allocation date, by 1.05, and any fractions of less than one yen shall be rounded up to the nearest one yen.

However, if the foregoing amount is less than the closing price of the common stock of the Company on the date of allocation of the stock acquisition rights (if there is no trading on that day, then the closing price for the immediate preceding trading day), it shall be the closing price on the date of allocation of the stock acquisition rights.

In the event that the Company conducts a stock split or stock consolidation after the date of allocation of the stock acquisition rights, the amount to be paid in shall be adjusted according to the following formula, and any fractions of less than one yen resulting from the adjustment shall be rounded up.

$$\begin{array}{l} \text{Amount to be} \\ \text{paid in after} \\ \text{adjustment} \end{array} = \begin{array}{l} \text{Amount to be} \\ \text{paid in before} \\ \text{adjustment} \end{array} \times \frac{1}{\text{Rate of split or} \\ \text{consolidation}}$$

Furthermore, in the event that the Company issues new shares or disposes its treasury stock at a price less than the market price, the amount to be paid in shall be adjusted according to the following formula,

and any fractions of less than one yen resulting from the adjustment shall be rounded up.

$$\frac{\text{Amount to be paid in after adjustment} \times \left( \frac{\text{Number of previously issued shares} + \frac{\text{Number of newly issued shares} \times \text{Amount to be paid in per share}}{\text{Market price per share prior to new issue}}}{\text{Number of previously issued shares} + \text{Number of increased shares through new issue}} \right)}{\text{Amount to be paid in before adjustment}}$$

- (4) Exercise period of stock acquisition rights  
From July 1, 2020 to June 30, 2022
- (5) Conditions for exercise of stock acquisition rights
  - 1) At the time of exercise of the right, the stock acquisition right holder must be a Director, Executive Officer or employee of the Company or its subsidiary. However, right holder may exercise his or her stock acquisition right, if he or she has retired due to the expiration of his or her term of office, or if he or she has reached the mandatory retirement age, or has any other valid reason.
  - 2) Other conditions shall be set forth in the “Stock Acquisition Rights Allocation Agreement” between the Company and the person to whom the stock acquisition rights have been allocated pursuant to the resolution of the Board of Directors with regard to the issuance of the stock acquisition rights.
- (6) Matters concerning an increase in capital stock and capital surplus in the event of issuance of shares upon exercise of stock acquisition rights  
The increased amount in capital stock in the event of the issuance of shares upon the exercise of stock acquisition rights shall be equal to one half of the maximum increase in the amount of capital or the like calculated in accordance with Article 17, Paragraph 1 of the Company Calculation Rules. Any fractions of less than one yen resulting from the calculation shall be rounded up.  
Remaining amounts shall be incorporated into capital surplus.
- (7) Restrictions on acquiring stock acquisition rights by way of transfer  
Any acquisition of stock acquisition rights by way of transfer shall require the approval of the Board of Directors of the Company.
- (8) Reasons for acquiring stock acquisition rights
  - 1) In the event that a proposal for approval of a share exchange agreement or share transfer, in which the Company is to become a wholly-owned subsidiary, is approved at the Company’s General Meeting of Shareholders, the Company may acquire stock acquisition rights without consideration on a date separately determined at the Board of Directors.
  - 2) If any person to whom stock acquisition rights have been allocated is no longer eligible under the terms for the exercise of the stock acquisition rights, the Company may acquire the stock acquisition rights without consideration on a date separately determined at the Board of Directors.
- (9) Handling of stock acquisition rights upon restructuring  
In the event that the Company conducts a merger (limited to where the Company is dissolved as a result of the merger), an absorption-type demerger, an incorporation-type demerger, a share exchange or a stock transfer (hereinafter collectively referred to as “Restructuring”), stock acquisition rights of one of the companies listed in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act, as the case may be, (hereinafter referred to as “Restructured Company”), will be each delivered to the holders of the stock acquisition rights remaining at the time the Restructuring takes effect (hereinafter referred to as “Remaining Stock Acquisition Rights”), in accordance with the following conditions. However, the foregoing applies only where the delivery of the stock acquisition rights of the Restructured Company, in accordance with the following terms, is provided for in the relevant absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger agreement, share exchange agreement or stock transfer agreement.
  - 1) The type of shares of the Restructured Company subject to the stock acquisition rights  
The Restructured Company’s common stock
  - 2) The number of shares of the Restructured Company subject to the stock acquisition rights  
A decision will be made according to (2) above, upon considering the terms, etc., for the Restructuring.
  - 3) Value of assets contributed upon exercise of the stock acquisition rights  
The amount calculated by multiplying the exercise price, which has been adjusted considering the terms, etc., for the Restructuring, by the number of shares determined in accordance with 2) above.

- 4) Exercise period of stock acquisition rights  
The exercise period shall be the same as the exercise period of the Remaining Stock Acquisition Rights.
- 5) Restrictions on acquiring stock acquisition rights by way of transfer  
Any acquisition of stock acquisition rights by way of transfer shall require the approval of the Restructured Company.
- 6) Other terms shall be determined subject to the terms of the Restructured Company.
- (10) Other details of the stock acquisition rights  
Other details of the stock acquisition rights shall be determined, together with the other matters for the subscription of the stock acquisition rights, at the Board of Directors meeting to be held with regard to the issuance of stock acquisition rights for subscription.

End