

Securities Code: 6357

June 11, 2018

To Shareholders,

Noboru Rachi
President & CEO, Representative Director,
Executive Officer
Sansei Technologies, Inc.
4-3-29 Miyahara, Yodogawa-ku, Osaka City

Notice of the 68th Annual General Meeting of Shareholders

You are cordially invited to attend the 68th 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 27, 2018.

Details

1. Date and Time: Thursday, June 28, 2018, at 10 a.m., Japan Standard Time

2. Place: Canale, 5th 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 68th fiscal year ended March 31, 2018 (April 1, 2017-March 31, 2018)
2. Report on the Non-consolidated Financial Statements for the 68th fiscal year ended March 31, 2018 (April 1, 2017-March 31, 2018)

Proposals to be resolved **Proposal 1** Appropriation of surplus

Proposal 2 Election of eight directors

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 27, 2018.

- (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 27, 2018.

- (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/>).

[Guidance for Exercise of Voting Rights via the Internet]

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: <https://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 27, 2018. 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)

(Attachments)

Business Report

(From April 1, 2017
to March 31, 2018)

1. Overview of the Corporate Group

(1) Business Activities and Performance

On March 30, 2018, aiming to realize its global niche top strategy in the amusement rides business, the Company acquired Vekoma B.V. (hereinafter referred to as “Vekoma”) of the Netherlands, one of the world's leading manufacturers of amusement rides based in Europe. The deemed acquisition date of Vekoma is December 31, 2017, which is its account closing date. The Company prepared its consolidated financial statements, by including the Vekoma business, based on the figures of Vekoma as of its account closing date, by applying the principle in Note 4 of the Accounting Standards for Consolidated Financial Statements (published by the Accounting Standards Board of Japan). Therefore, the balance sheet of Vekoma is included in the consolidated balance sheet of the Company as of March 31, 2018, but the profit and loss statement of Vekoma is not included in the consolidated profit and loss statement of the Company for the year ended March 31, 2018.

During the fiscal year ended March 31, 2018, the economy in Japan modestly recovered, supported by improvement in the business performance of enterprises and improvement in the employment environment, among other factors. On the other hand, uncertainties about the future remained mainly due to the global movement toward exit from the monetary easing policy, and concerns for political conditions in other countries.

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 during the current fiscal year ended March 31, 2018, increased to 32,581 million yen, a 13.7% increase from the previous fiscal year. The breakdown by segment is as follows:

The Stage Equipment segment increased by 5.8% to 8,145 million yen, mainly driven by orders for big projects, such as public halls; the Amusement Rides segment increased by 24.2% to 12,413 million yen, supported by a continued increase in orders for big projects in and outside Japan; the Elevators segment decreased by 57.3% to 472 million yen; and the Maintenance & Repair segment increased by 17.3% to 11,549 million yen.

The net sales during the current fiscal year decreased to 27,277 million yen, a 6.3% decrease from the previous fiscal year. The breakdown by segment is as follows:

The Amusement Rides business decreased to 9,109 million yen, a 12.6% decrease from the previous fiscal year, in which a big theme park project and new-type roller coasters were completed; the Stage Equipment business increased by 5.8% to 7,142 million yen due to strong sales to public halls and large concert and other events; the Elevators business decreased by 14.0% to 879 million yen; the Maintenance & Repair business decreased to 10,062 million yen, a 7.3% decrease from the previous fiscal year, in which big stage renovation projects were completed.

As for profits, it was initially projected at the beginning of the current fiscal year that profits would decrease compared to the previous fiscal year, in which big projects in the Amusement Rides business and big renovation projects in the Stage Equipment business were completed. It turned out that the operating profit decreased by 31.8% from the previous fiscal year to 2,211 million yen, the ordinary profit decreased by 31.5% to 2,337 million yen and the net income attributable to the parent company's shareholders decreased by 37.4% to 1,398 million yen. However, as we managed to absorb the costs of the Vekoma acquisition and increases in other costs, the decreases in profits were lower than the initial forecasts.

(2) Capital investment and fund procurement

Capital investment of 1,012 million yen was made during the current fiscal year to improve productivity and to increase order receipts. Major investments were as shown below.

Construction of a new office building	745 million yen
of an overseas subsidiary and a plant	
Production facilities for plants	63 million yen
Stage equipment	25 million yen

Fund procurement: During the term under review, the Company procured funds in order to meet cash requirements and acquire shares of subsidiaries. As a result, the year-end balance of loans payable increased by 16,662 million yen from the previous year to 19,594 million yen.

(3) Assets and Profit/Loss Status

Classification	65th Business Year April 1, 2014 to March 31, 2015	66th Business Year April 1, 2015 to March 31, 2016	67th Business Year (Note 2) April 1, 2016 to March 31, 2017	68th Business Year (current fiscal year) April 1, 2017 to March 31, 2018
Orders Received ^(Note 1) (in million yen)	27,591	27,660	28,645	32,581
Net sales (in million yen)	24,479	23,990	29,122	27,277
Net income attributable to owners of parent (in million yen)	1,059	1,291	2,235	1,398
Net income per share	57.58 yen	70.17 yen	121.46 yen	75.98 yen
Total assets (in million yen)	39,277	35,829	40,303	65,792
Net assets (in million yen)	25,444	25,700	27,505	28,592
Net assets per share	1,382.72 yen	1,395.13 yen	1,490.97 yen	1,547.50 yen

(Note 1) Orders received do not include orders received in the leisure & service business and in the real estate lease business.

(Note 2) The impact of retroactive application of the change in the accounting policy is reflected in the figures of the 67th Business Year.

(4) Significant subsidiaries

① Significant subsidiaries

Company Name	Capital Stock	Voting Right Holding Ratio	Major Businesses
Sun Ace Co., Ltd.	10 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 (Note 2)	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
Vekoma Rides B.V.	3.5 million Euro	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) Issues to be overcome / Challenges

The economic environment for the Sansei Technologies Group is expected to remain uncertain in the future, with uncertainty in the world economy due to the expansion of trade friction, continual increases in the interest rate in the United States, and the unstable international political situation. In Japan, increases in costs of labor and outsourcing due to the constant labor shortage, and in material prices and other costs will remain unchanged.

Under these circumstances, the Sansei Technologies Group acquired and added the business of Vekoma to the Amusement Rides business. The Group will actively pursue the expansion of its businesses in the Amusement Rides, Stage Equipment, Elevators and Maintenance & Repair segments, with a more global perspective.

In the Amusement Rides business, the Company collaborates with Vekoma, the world leading amusement rides manufacturer, and S&S Worldwide, Inc., a subsidiary in the U.S.A., aiming to realize a better global production and sales network and to solidify the Group's foundation as the world top amusement rides manufacturer. In the Stage Equipment business, we will continue to respond to the needs of existing and new customers. In addition, we will put our efforts in responding to entertainment-related needs that are expected to arise from the hosting of international events in Japan, including the Rugby World Cup, Tokyo Olympics, and World Masters Games in Kansai, and inbound effects of these events. In the Elevators and the Maintenance & Repair businesses, we will work on applying IoT and other innovative technologies to our businesses, aiming to improve the quality and to realize safe and comfortable products.

We would like to ask for further support and guidance from shareholders.

(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

Sansei Technologies, Inc.	Name	Address
	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, Tokyo
Sansei Technologies, Inc.		California, U.S.A.
S&S Worldwide, Inc.		Utah, U.S.A.
Vekoma Rides B.V.		Limburg, Netherlands

(8) Employees (as of March 31, 2018)

① Employees in the corporate group

Number	Change from the end of the previous year	Average age	Average service years
1,081 employees	+272	40.1	11.4 years

(Note) The main reason for the increase was that Vekoma Rides B.V. and its subsidiaries became consolidated subsidiaries of Sansei Technologies.

② Employees in the Company

Number	Change from the end of the previous year	Average age	Average service years
257 employees	+13	42.2	16.2 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	3,178
④ Large shareholders	

Name of shareholders	Number of shares held	Shareholding ratio
	Unit: thousand	%
Setsuo Toriumi	1,768	9.60
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
MSIP CLIENT SECURITIES	507	2.76

(Note) Although the Company has 920,213 treasury shares, the Company is not included in the above-mentioned large shareholders. The above shareholding ratios are calculated by excluding treasury shares.

(2) Status of stock acquisition rights (as of March 31, 2018)

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

Name	Date of resolution on the issue	Number of holding officers	Number of stock acquisition rights	Class and number of shares to be issued upon exercise of stock acquisition rights	Paid-in amount for stock acquisition rights	Value of assets to be contributed upon exercise of stock acquisition rights	Exercise period
First new share acquisition rights	July 9, 2015	Five directors (Note 1)	238 (Note 2)	Common shares: 23,800	60,600 yen per stock acquisition right	100 yen per stock acquisition right (One yen per share)	From August 8, 2015 to August 7, 2045
Second stock acquisition rights	July 14, 2016	Six directors (Note 1)	345 (Note 2)	Common shares 34,500 shares	54,700 yen per stock acquisition right	100 yen per stock acquisition right (One yen per share)	From August 13, 2016 to August 12, 2046
Third stock acquisition rights	July 13, 2017	Six directors (Note 1)	326 (Note 2)	Common shares: 32,600	75,200 yen per stock acquisition right	100 yen per stock acquisition right (One yen per share)	From August 12, 2017 to August 11, 2047

- Notes: 1. Stock acquisition rights were not granted to outside directors and corporate auditors.
2. The Company pays as compensations to directors who are to receive stock acquisition rights the same amount as such directors would be required to pay for such stock acquisition rights. The right to claim such compensation is set off against the obligation to pay for the stock acquisition rights.
3. Major conditions for exercise of stock acquisition rights are as follows:
- Within the exercise period, stock acquisition rights holders may exercise all their stock acquisition rights at once only within 10 days following the day of ceasing to be neither a director nor an executive officer.
 - In the case where a stock acquisition rights holder dies, only if and when the stock acquisition rights belong to one of the legal heirs of the stock acquisition rights holder (hereinafter the "successor"), may the successor exercise the stock acquisition rights.
 - Other conditions will be governed by the "stock acquisition rights allocation agreement" 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 third 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: 260 Number of shares to be issued upon exercise of stock acquisition rights: 26,000 Number of allocated persons: 14

Note: The outline of the third 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, 2018)

① Directors and Audit & Supervisory Board Members

Position	Name	Duties and important concurrent positions
President & CEO, Representative Director, Executive Officer	Makoto Nakagawa	
Executive Vice President, Representative Director, Executive Officer	Kimihiro Oshima	
Executive Vice President, Representative Director, Executive Officer	Noboru Rachi	In charge of Corporate Planning Office, General Manager of Maintenance & Service 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
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. 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
Makoto Nakagawa	President & CEO, Representative Director, Executive Officer	Chairman, Representative Director
Noboru Rachi	Executive Vice President, Representative Director, Executive Officer, In charge of Corporate Planning Office, General Manager of Maintenance & Service Division	President & CEO, Representative Director, Executive Officer
Kazuaki Ebe	Director, Managing Executive Officer, General Manager of Amusement Rides Division Concurrent position: Sun Ace Co., Ltd., President, Representative Director	Director, Senior Executive Officer, General Manager of Amusement Rides Division
Hitoshi Ogino	Director, Managing Executive Officer, General Manager of Stage Equipment Division	Director, Executive Officer
Tadashi Ono	Director, Managing Executive Officer, General Manager of Tokyo Branch	Director, Executive Officer

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

Position	Number of persons	Payment amount (1,000 yen)
Directors (External Members of the Board)	8 (2)	181,767 (21,492)
Audit & Supervisory Board Members (External Audit & Supervisory Board Members)	4 (3)	30,810 (13,770)
Total	12	212,577

Notes: 1. The payment amount for directors doesn't include employee's salary for director cum employee.
2. The 67th Ordinary General Meeting of Shareholders held on June 29, 2017 resolved that the maximum compensation amount for directors should not exceed 250 million yen a year (excluding employee's compensation, for external members of the Board not exceeding 30 million yen). Separately from the compensation, the 64th 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: 24 million yen).
4. The 67th Ordinary General Meeting of Shareholders held on June 29, 2017 resolved that the maximum compensation amount for audit & supervisory board members should not exceed 50 million yen a year.

(4) Outside officers

Main activities in the business term under review

Position	Name	Main activities
Director	William Ireton	He attended 15 out of 16 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 all of the 16 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 15 out of 16 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 16 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 16 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 have 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	26,000
Total of money and other property benefits which must be paid by the Company and its consolidated subsidiaries	26,000

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 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.

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 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 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, 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

(1) Status of the system related to director's execution of duties

During the current fiscal year, the Board of Directors of the Company held 13 regular meetings and 3 special meetings to discuss and make determinations on important matters related to the management of the Company, including proposals on business acquisitions, in accordance with the internal regulations of the Board of Directors. The Board also reviewed and revised internal rules and regulations as needed.

At the Board meetings, outside directors expressed opinions based on their abundant experience and insights and the members of the Audit & Supervisory Board expressed their opinions from an impartial and objective standpoint, which reinforced the appropriateness and efficiency of the duties of directors.

(2) Risk management

The Compliance & Risk Management Committee identified risks in Sansei Technologies Group related to the conduct of businesses, and reviewed and discussed the extent of the risks, measures against these risks, and the status of risk management and improvement measures. The Quality Improvement Meeting was held twice during the current fiscal year to discuss the securing of product safety and quality improvement and implemented the PDCA cycle based on the quality management system.

(3) Compliance

The Company provides consultation desks, one within and another outside the organization, which receive reports of compliance issues from directors, auditors and employees. The Compliance & Risk Management Committee held meetings to review and discuss matters that impact or may impact the overall compliance system of Sansei Technologies Group.

(4) Audit system

The full-time member of the Audit & Supervisory Board conducted the auditor's audit and attended meetings of the Board of Directors, the Management Council, the Council of General Managers, and other important meetings within the organization, to monitor the execution of the businesses, and collect and share necessary information. In addition, the members of the Audit & Supervisory Board met with an independent accounting auditor 4 times during the current fiscal year to exchange opinions about the operation of the accounting audit and the internal control system and other matters.

The Company's Legal & Internal Audit Office conducted internal audits of the Company and Sansei Technologies Group companies, based on the internal audit plan.

(5) Internal control system over financial reporting

To secure the reliability of the financial report of the Company, the Legal & Internal Audit Office of the Company monitored the status of establishment and operation of the overall internal control systems of the Company and Sansei Technologies Group companies and assessed their effectiveness, in collaboration with the independent accounting auditor.

4. Basic policy regarding control of the Company

At the closing of the 66th general meeting of shareholders held on June 29, 2016, the term of the Company's Response Policy for Large-Scale Purchase of Shares expired and the Company determined not to renew the term of the Policy on and after that day because the business conditions for the Company have changed since the time when the Policy was first introduced and regulations concerning large scale purchase of shares have been established under the Financial Instruments and Exchange Act. However, 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, 2018)

(in thousand yen)

Account	Amount	Account	Amount
ASSETS		LIABILITIES	
Current assets	35,301,495	Current liabilities	18,807,767
Cash and deposits	10,616,701	Notes and accounts payable - trade	3,649,761
Notes and accounts receivable - trade	17,244,113	Short-term loans payable	2,318,750
Electronically recorded monetary claims - operating	6,538	Current portion of long-term loans payable	1,326,008
Securities	231,085	Income taxes payable	753,155
Work in process	653,883	Accrued consumption taxes	145,464
Raw materials and supplies	1,875,716	Advances received	5,604,091
Deferred tax assets	449,161	Provision for bonuses	487,633
Other current assets	4,246,895	Provision for directors' bonuses	25,000
Allowance for doubtful accounts	-22,600	Provision for loss on construction contracts	1,159,085
Non-current assets	30,490,911	Other current liabilities	3,338,817
Property, plant and equipment	10,368,420	Non-current liabilities	18,392,236
Buildings and structures	4,185,560	Long-term loans payable	15,949,782
Machinery, equipment and vehicles	687,272	Deferred tax liabilities	410,664
Land	4,240,094	Net defined benefit liability	1,989,280
Construction in progress	968,563	Other non-current liabilities	42,509
Other non-current assets	286,928	Total liabilities	37,200,003
Intangible non-current assets	15,001,437	NET ASSETS	
Goodwill	14,179,494	Shareholders' equity	26,425,248
Other intangible assets	821,942	Capital stocks	3,251,279
Investments and other assets	5,121,053	Capital surplus	2,424,117
Investment securities	3,828,374	Retained earnings	21,212,707
Long-term loans receivable	37,580	Treasury shares	-462,855
Deferred tax assets	318,307	Accumulated other comprehensive income	2,067,053
Other assets	938,830	Valuation difference on available-for-sale securities	1,392,852
Allowance for doubtful accounts	-2,039	Deferred gains or losses on hedges	25,660
		Foreign currency translation adjustment	649,376
		Remeasurements of defined benefit plans	-835
		New share acquisition rights	100,101
		Total net assets	28,592,403
Total assets	65,792,407	Total liabilities and net assets	65,792,407

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

Consolidated Statement of Income

(April 1, 2017 to March 31, 2018)

(in thousand yen)

Account	Amount	
Net sales		27,277,070
Cost of sales		19,601,587
Gross profit		7,675,483
Selling, general and administrative expenses		5,463,590
Operating income		2,211,892
Non-operating income		
Interest income	6,283	
Dividend income	79,762	
Dividend income of insurance	47,580	
Rent income	25,228	
Other non-operating income	78,608	
		237,463
Non-operating expenses		
Interest expenses	20,898	
Share of loss of entities accounted for using equity method	70,885	
Foreign exchange losses	14,050	
Other non-operating expenses	6,212	
		112,047
Ordinary income		2,337,308
Extraordinary income		
Gain on sales of non-current assets	2,240	
Gain on sales of investment securities	71,456	
		73,696
Extraordinary loss		
Loss on sales of investment securities	539	
Loss on sales of non-current assets	511	
		1,051
Income before income taxes		2,409,954
Income taxes - current	978,961	
Income taxes - deferred	32,089	
		1,011,051
Net Income		1,398,903
Net income attributable to non-controlling interests		-
Net income attributable to owners of parent		1,398,903

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

Consolidated Statement of Changes in Equity

(April 1, 2017 to March 31, 2018)

(in thousand yen)

	Shareholders' equity				
	Capital stocks	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Year-beginning balance	3,251,279	2,423,913	20,648,141	-463,782	25,859,551
Cumulative effects of changes in accounting policies			-236,001		-236,001
Restated balance	3,251,279	2,423,913	20,412,139	-463,782	25,623,549
Changes of items during the year					
Dividends of surplus			-598,335		-598,335
Net income attributable to owners of parent			1,398,903		1,398,903
Purchase of treasury shares				-996	-996
Disposal of treasury shares		203		1,924	2,127
Net changes of items other than shareholders' equity					
Total changes of items during the year	-	203	800,568	927	801,699
Year-end balance	3,251,279	2,424,117	21,212,707	-462,855	26,425,248

	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	Remeasurements of defined benefit plans	Accumulated other comprehensive income		
Year-beginning balance	1,158,111	69,488	581,484	-	1,809,084	58,158	27,726,794
Cumulative effects of changes in accounting policies				14,682	14,682		-221,319
Restated balance	1,158,111	69,488	581,484	14,682	1,823,766	58,158	27,505,475
Changes of items during the year							
Dividends of surplus							-598,335
Net income attributable to owners of parent							1,398,903
Purchase of treasury shares							-996
Disposal of treasury shares							2,127
Net changes of items other than shareholders' equity	234,751	-43,828	67,891	-15,518	243,286	41,943	285,229
Total changes of items during the year	234,741	-43,828	67,891	-15,518	243,286	41,943	1,086,928
Year-end balance	1,392,852	25,660	649,376	-835	2,067,053	100,101	28,592,403

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

Non-Consolidated Balance Sheet

(As of March 31, 2018)

(in thousand yen)

Account	Amount	Account	Amount
ASSETS		LIABILITIES	
Current assets	12,042,334	Current liabilities	7,578,772
Cash and deposits	4,967,117	Notes payable - trade	52,463
Notes receivable - trade	110,458	Accounts payable- trade	2,120,449
Electronically recorded monetary claims - operating	2,197	Short-term loans payable.	1,330,000
Accounts receivable - trade	5,081,940	Short-term loans payable from affiliates	1,500,000
Securities	30,075	Current portion of long-term loans payable	1,100,000
Work in process	507,477	Accrued expenses	704,272
Raw materials and supplies	332,272	Advances received	336,213
Advance payments -trade	162,400	Provision for bonuses	164,513
Deferred tax assets	256,490	Provision for loss on construction contracts	234,435
Income taxes receivable	323,835	Other current liabilities	36,424
Other current assets	268,068	Non-current liabilities	16,749,816
Non-current assets	33,107,118	Long-term loans payable	15,150,000
Property, plant and equipment	5,109,273	Provision for retirement benefits	1,321,328
Buildings	2,424,251	Deferred tax liabilities	278,438
Structures	11,743	Other non-current liabilities	50
Machines and equipment	102,429	Total liabilities	24,328,589
Vehicles	2,916	NET ASSETS	
Tools, furniture and fixtures	119,330	Shareholders' equity	19,305,171
Land	2,433,792	Capital stocks	3,251,279
Construction in progress	14,809	Capital surplus	2,994,985
Intangible non-current assets	132,182	Legal capital surplus	2,989,057
Software	112,552	Total other capital surplus	5,927
Telephone subscription rights	9,679	Retained earnings	13,117,407
Other intangible assets	9,951	Legal retained earnings	434,000
Investments and other assets	27,865,661	Other retained earnings	12,683,407
Investment securities	3,722,416	Reserve for advanced depreciation of non-current assets	278,850
Stocks of subsidiaries and affiliates	23,622,164	General reserve	9,320,000
Guarantee deposits	152,748	Retained earnings brought forward	3,084,556
Business insurance	254,332	Treasury shares	-58,500
Others	115,576	Valuation and translation adjustments	1,415,590
Allowance for doubtful accounts	-1,577	Valuation difference on available-for-sale securities	1,389,929
		Deferred gains or losses on hedges	25,660
		New share acquisition rights	100,101
Total assets	45,149,452	Total net assets	20,820,863
		Total liabilities and net assets	45,149,452

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

Non-Consolidated Profit and Loss Statement

(April 1, 2017 to March 31, 2018)

(in thousand yen)

Account	Amount	
Net sales		15,978,729
Cost of sales		13,334,131
Gross profit		2,644,597
Selling, general and administrative expenses		2,235,631
Operating income		408,966
Non-operating income		
Interest income	634	
Dividend income	660,180	
Dividend income of insurance	1,785	
Other non-operating income	26,922	689,524
Non-operating expenses		
Interest expenses	10,942	
Loss on operation of limited liability partnership	70,885	
Other non-operating expenses	10,173	92,001
Ordinary income		1,006,489
Extraordinary income		
Gain on sales of investment securities	0	0
Income before income tax		1,006,490
Income taxes - current	72,500	
Income taxes - deferred	111,247	183,747
Net Income		822,742

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

Non-Consolidated Statement of Changes in Equity

(April 1, 2017 to March 31, 2018)

(in thousand yen)

	Shareholders' equity			
	Capital stocks	Capital surplus		
		Legal capital surplus	Total other capital surplus	Total capital surplus
Year-beginning balance	3,251,279	2,989,057	4,033	2,993,090
Cumulative effects of changes in accounting policies				
Restated balance	3,251,279	2,989,057	4,033	2,993,090
Changes of items during the year				
Dividends of surplus				
Net Income				
Purchase of treasury shares				
Disposal of treasury shares			1,894	1,894
Net changes of items other than shareholders' equity				
Total changes of items during the year	-	-	1,894	1,894
Year-end balance	3,251,279	2,989,057	5,927	2,994,985

	Shareholders' equity				
	Retained earnings				
	Legal retained earnings	Other retained earnings			Total retained earnings
		Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Year-beginning balance	434,000	278,850	9,320,000	3,096,151	13,129,001
Cumulative effects of changes in accounting policies				-236,001	-236,001
Restated balance	434,000	278,850	9,320,000	2,860,149	12,893,000
Changes of items during the year					
Dividends of surplus				-598,335	-598,335
Net Income				822,742	822,742
Purchase of treasury shares					
Disposal of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during the year	-	-	-	224,406	224,406
Year-end balance	434,000	278,850	9,320,000	3,084,556	13,117,407

	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		
Year-beginning balance	-57,737	19,315,634	1,104,127	69,488	1,173,616	58,158	20,547,409
Cumulative effects of changes in accounting policies		-236,001					-236,001
Restated balance	-57,737	19,079,633	1,104,127	69,488	1,173,616	58,158	20,311,408
Changes of items during the year							
Dividends of surplus		-598,335					-598,335
Net Income		822,742					822,742
Purchase of treasury shares	-996	-996					-996
Disposal of treasury shares	233	2,127					2,127
Net changes of items other than shareholders' equity			285,802	-43,828	241,973	41,943	283,916
Total changes of items during the year	-763	225,537	285,802	-43,828	241,973	41,943	509,454
Year-end balance	-58,500	19,305,171	1,389,929	25,660	1,415,590	100,101	20,820,863

(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 17, 2018

To: Board of Directors Sansei Technologies, Inc.

Ernst & Young ShinNihon LLC

Designated Limited Partner
Engagement Partner

Certified Public Accountant Yutaka Masuda (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, 2018, consolidated statement of income for the year from April 1, 2017 to March 31, 2018, 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, 2018, 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 17, 2018

To: Board of Directors Sansei Technologies, Inc.

Ernst & Young ShinNihon LLC

Designated Limited Partner Engagement Partner	Certified Public Accountant	Yutaka Masuda (Seal)
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Designated Limited Partner Engagement Partner	Certified Public Accountant	Masahiko Naka (Seal)
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The auditors of this audit firm conducted audits of the financial statements of Sansei Technologies, Inc., comprising balance sheet as of March 31, 2018, statement of income for the year from April 1, 2017 to March 31, 2018, 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, 2018, 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 68th business year of the Company from April 1, 2017 to March 31, 2018, 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, 2018 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 18, 2018

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 68th business year:

(1) Type of dividend

Dividend will be distributed in cash.

(2) Appropriation and the amount of dividend

A dividend of 15 yen per share will be distributed.

The total amount of dividend will be 276,177,660 yen. (Dividends per share paid for the full year will be 27.50 yen per share, including the interim dividend of 12.50 yen per share already paid during the year.)

(3) Effective date of distribution of dividend from surplus

June 29, 2018

Proposal No.2: 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>May 2007 Sansei Technologies, Corporate Advisor</p> <p>June 2007 Sansei Technologies, Executive Vice President, 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, General Manager of Tokyo Branch</p> <p>December 2009 Sansei Technologies, Executive Vice President, Representative Director</p> <p>April 2010 Sansei Technologies, President & CEO, Representative Director</p> <p>April 2018 Sansei Technologies, Chairman, Representative Director</p> <p>(to date)</p>	36,800 shares
2	Noboru Rachi (born May 7, 1959)	<p>May 2016 Sansei Technologies, Senior Executive Officer, General Manager of Maintenance & Services Division, Deputy General Manager of Production Division</p> <p>June 2016 Sansei Technologies, Director, Senior Managing Executive Officer, General Manager of Maintenance & Service Division, Deputy General Manager of Production Division</p> <p>April 2017 Sansei Technologies, Executive Vice President, Representative Director, In charge of Corporate Planning Office, General Manager of Maintenance & Service Division</p> <p>April 2018 Sansei Technologies, President & CEO, Representative Director, Executive Officer</p> <p>(to date)</p>	2,300 shares
3	Kimihiro Oshima (born February 21 ,1955)	<p>June 2008 Sansei Technologies, Deputy General Manager, Tokyo Branch</p> <p>June 2008 Sansei Technologies, Director, Managing Executive Officer, General Manager of Tokyo Branch</p> <p>June 2008 Sansei Technologies, Director, Managing Executive Officer in Charge of Eastern Japan</p> <p>April 2010 Sansei Technologies, Director, Managing Executive Officer, General Manager of Corporate Planning Office</p> <p>June 2011 Sansei Technologies, Executive Vice President, Representative Director, General Manager of Corporate Planning Office</p> <p>June 2012 Sansei Technologies, Executive Vice President, Representative Director, General Manager of Quality Control Division, General Manager of Maintenance & 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 & Services Division</p> <p>May 2016 Sansei Technologies, Executive Vice President, Representative Director, Executive Officer</p> <p>(to date)</p>	13,800 shares

Candi- date No.	Name (Date of Birth)	Career History, Major Positions and Responsibilities, and Important Concurrent Service	Holding of Company shares
4	Kazuaki Ebe (born April 21, 1954)	<p>April 1979 Joined Sansei Technologies</p> <p>November 2004 Sansei Technologies, Manager of 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>April 2018 Sansei Technologies, Director and Senior Managing Executive Officer, General Manager of Amusement Rides Division</p> <p>(to date)</p>	8,500 shares
5	* Yukio Noguchi (born August 27, 1964)	<p>April 1983 Joined Sansei Technologies</p> <p>June 2007 Sansei Technologies, Manager of Engineering Department, First Business Division</p> <p>April 2014 Sansei Technologies, Manager of Sales Department, Stage Equipment Division</p> <p>April 2016 Sansei Technologies, Executive Officer, Manager of Sales Department, Stage Equipment Division</p> <p>April 2017 Sansei Technologies, Executive Officer, Deputy General Manager of Stage Equipment Division</p> <p>April 2018 Sansei Technologies, Executive Officer, General Manager of Stage Equipment Division</p> <p>(to date)</p>	400 shares
6	* Kazuya Miyazaki (born November 26, 1960)	<p>April 1985 Joined Sansei Technologies</p> <p>December 2006 Sansei Technologies, Manager of Second Design Department, First Business Division</p> <p>June 2008 Sansei Technologies, Manager of Design Department, Elevator Division</p> <p>April 2013 Sansei Technologies, Manager of Design Department, Stage Equipment Division</p> <p>July 2015 Sansei Technologies, Manager of Production Administration Department</p> <p>April 2017 Sansei Technologies, Executive Officer, Manager of Production Administration Department</p> <p>April 2018 Sansei Technologies, Executive Officer, General Manager of Quality Control Division</p> <p>(to date)</p>	500 shares

Candidate No.	Name (Date of Birth)	Career History, Major Positions and Responsibilities, and Important Concurrent Service	Holding of Company 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>	2,000 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 & 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>	5,500 shares

- Notes: 1. A candidate with a "*" mark is a candidate for a new appointment as a director.
2. No relationship of interest to be noted exists between each candidate and the Company.
3. 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.
4. 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.
5. Reasons for Nomination
- (1) Mr. William 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.
6. The office term of Mr. William Ireton and Mr. Tadashi Ono as External Members of the Board of the Company will reach three years at the closing of this general meeting of shareholders.