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(Securities Code 6274)
April 9, 2019

To Shareholders with Voting Rights:

Takashi Nagano
President and CEO,
Representative Director
SHINKAWA LTD.
2-51-1, Inadaira,
Musashimurayama-shi, Tokyo

**NOTICE OF
THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

You are cordially invited to attend the Extraordinary General Meeting of Shareholders of SHINKAWA LTD. (the “Company”) to be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights through either of the methods stated below. Please review the appended “Reference Documents for the Extraordinary General Meeting of Shareholders” and exercise your voting rights by 5:25 p.m. on Thursday, April 25, 2019, Japan time.

Exercise of voting rights by mail:

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and return it so that it is received by the above deadline.

Exercise of voting rights via the Internet:

Please refer to the appended “Exercise of Voting Rights” and exercise your voting rights by the above deadline.

If you exercise your voting rights both in writing using the Voting Rights Exercise Form and via the Internet, only your exercise of voting rights via the Internet will be valid.

If you exercise your voting rights multiple times via the Internet, only the last exercise of voting rights will be valid.

- 1. Date and Time:** Friday, April 26, 2019, at 10 a.m. Japan time
- 2. Place:** Conference Room (Bldg. No. 8, 6F) at the West-Tokyo Office of SHINKAWA LTD.
2-51-1, Inadaira, Musashimurayama-shi, Tokyo

3. Meeting Agenda:

Proposal to be resolved:

Proposal 1:	Issuance of Shares for Subscription through the Third Party Allotment
Proposal 2:	Approval of Incorporation-type Company Split Plan
Proposal 3:	Partial Amendment to the Articles of Incorporation (1)
Proposal 4:	Partial Amendment to the Articles of Incorporation (2)
Proposal 5:	Election of Six (6) Directors (Excluding Directors who are Audit & Supervisory Committee Members)
Proposal 6:	Election of Three (3) Directors who are Audit & Supervisory Committee Members
Proposal 7:	Election of One (1) Substitute Director who is an Audit & Supervisory Committee Member
Proposal 8:	Determination of Amount of Remuneration, etc., for Directors (Excluding Directors who are Audit & Supervisory Committee Members)
Proposal 9:	Determination of Amount of Remuneration, etc., for Directors who are Audit & Supervisory Committee Members
Proposal 10:	Determination of Remuneration to Grant Restricted Stock to Directors (Excluding Directors who are Audit & Supervisory Committee Members, Outside Directors, and Part-time Directors)

End

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1. When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
 2. Any updates to the Reference Documents for the Extraordinary General Meeting of Shareholders will be posted on the Company's website at <https://www.shinkawa.com/ir/meeting/>
 3. An English translation of this notice of the general meeting of shareholders is available on the Company's website. The translation is provided for reference purposes only. Should any translation errors be found, they will be corrected immediately, but the Company assumes no responsibility for any problems arising from the translation.

Exercise of Voting Rights

When attending the meeting

Date of the General Meeting of Shareholders: Friday, April 26, 2019 at 10:00 a.m. Japan time

Please submit the enclosed Voting Rights Exercise Form without separating it at the reception desk.

When not attending the meeting

When exercising voting rights by mail

Exercise deadline: Received by Thursday, April 25, 2019 at 5:25 p.m. Japan time

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and return it to the shareholder registration administrator of the Company by the above exercise deadline.

Please use the sticker on the card to cover and protect your information.

When exercising voting rights by electronic means (the Internet, etc.)

Exercise deadline: Thursday, April 25, 2019 at 5:25 p.m. Japan time

Method for scanning the QR code (for smartphones)

Exercising voting rights using a smartphone does not require you to enter the “login ID” and “temporary password.”

You can log in by scanning the “login QR code” provided in the enclosed Voting Rights Exercise Form Sub Slip (right side).

* You can use the method below only once.

1. Scanning the QR code.

Scan the “login QR code” provided in the enclosed Voting Rights Exercise Form Sub Slip (right side) by using your smartphone.

2. Select a method of exercising voting rights

On the screen for selecting a displayed voting method, select your method of exercising voting rights.

3. Select a vote for or against each proposal

Select your vote for or against each proposal by following the on-screen instructions.

Complete your vote in accordance with instructions on the screen.

Second and subsequent login
Please log in in accordance with instructions below.

Method for entering the “login ID” and “temporary password”

STEP 1

Access the voting rights exercise website.

Click “Next”

STEP 2

Enter the “login ID” and “temporary password” that are provided in your Voting Rights Exercise Form Sub Slip (right side).

Enter
Click “Login.”

STEP 3

Enter both “New password” and “New password (for confirmation).”

Enter
Click “Submit.”

Please vote for or against the proposals by following the on-screen instructions.

Remarks

1. About the voting rights exercise website

- (1) The voting rights exercise website may not be available depending on the Internet environment, services or the model of PC or smartphone that a shareholder is using.
- (2) Exercise of voting rights via the Internet will be accepted until 5:25 p.m. on Thursday, April 25, 2019, Japan time, but your prompt exercise of voting rights will be appreciated.

2. Handling of voting rights exercised in duplicate

- (1) If you exercise your voting rights both by mailing the Voting Rights Exercise Form and via the Internet, only your vote via the Internet will be valid.
- (2) If you exercise your voting rights multiple times via the Internet, only the last exercise of voting rights will be valid. The same applies when you exercise your voting rights using your PC, smartphone and mobile phone.

3. Costs incurred when accessing the voting rights exercise website

Shareholders are kindly asked to bear Internet connection fees, telecommunication charges or any other costs incurred when accessing the voting rights exercise website.

Voting rights exercise website

<https://evote.tr.mufg.jp/>

* The website is unavailable from 2:00 a.m. to 5:00 a.m. every day.

Inquiries about the system, etc.

Stock Transfer Agency Department of Mitsubishi UFJ Trust and Banking Corporation (Help Desk)

Telephone: 0120-173-027

(Operating hours: 9:00 a.m. to 9:00 p.m. toll-free)

Reference Documents for the Extraordinary General Meeting of Shareholders

Proposal 1 Issuance of Shares for Subscription through the Third Party Allotment

The Company resolved to issue new shares through a third party allotment to Yamaha Motor Co., Ltd. (hereinafter “Yamaha Motor” or the “Planned Allottee”) (hereinafter the “Third Party Allotment Capital Increase”) at the Board of Directors meeting held on February 12, 2019. Shares of common stock to be issued to the Planned Allottee through the Third Party Allotment Capital Increase amount to 26,178,100 shares (261,781 voting rights). This number of shares corresponds to 130.58% (144.11% of voting rights; rounded to two decimal places; the same shall apply hereinafter) of the current total number of issued shares of 20,047,500 shares (the total number of voting rights is 181,657 as of September 30, 2018). If the Third Party Allotment Capital Increase is completed, Yamaha Motor will account for 59.03% of the Company’s voting rights. This means that Yamaha Motor will be the controlling shareholder (parent company) of the Company. As such, implementing the Third Party Allotment Capital Increase is expected to cause a change of the controlling shareholder as well as 25% or more stock dilution. Accordingly, the Company requests shareholders’ approval of the Third Party Allotment Capital Increase as a procedure for confirming shareholders’ intentions pursuant to the provisions of Rule 432 (2) of the Securities Listing Regulations prescribed by the Tokyo Stock Exchange, Inc.

1. Outline of issuance of new shares through third party allotment

(1)	Type and number of shares for subscription	26,178,100 shares of common stock
(2)	Amount to be paid	382 yen per share
(3)	Total amount to be paid	10,000,034,200 yen
(4)	Increase in capital stock	5,000,017,100 yen (191 yen per share)
(5)	Increase in capital surplus	5,000,017,100 yen (191 yen per share)
(6)	Method of offering or allotment	Third party allotment
(7)	Payment period	June 24, 2019 to December 31, 2019 (Note)
(8)	Planned Allottee and number of shares to be allotted	Yamaha Motor Co., Ltd.; 26,178,100 shares

(9)	Others	<p>The Company has concluded a business integration agreement (hereinafter the “Business Integration Agreement”) with Yamaha Motor (Planned Allottee), and APIC YAMADA CORPORATION (hereinafter “Apic Yamada”) as of February 12, 2019. The content of the Business Integration Agreement is as follows: Yamaha Motor will make the Company a subsidiary through the Third Party Allotment Capital Increase; the Company will make Apic Yamada a wholly-owned subsidiary, and; business integration of the three companies will be carried out (hereinafter the “Business Integration”), which involves a transition to a joint holding company structure of the Company and Apic Yamada through an incorporation-type company split where the Company’s businesses will be transferred to a company newly established by the split company (hereinafter the “Company Newly Established by Company Split” in this Proposal). The Third Party Allotment Capital Increase will be conducted on the condition that (1) the Company completes a tender offer for the shares of Apic Yamada (hereinafter the “Tender Offer”), (2) the securities registration statement submitted in accordance with the Financial Instruments and Exchange Act is not suspended with regard to the issuance of the Company’s new shares through the Third Party Allotment Capital Increase, (3) approval is obtained from foreign competition authorities, (4) approval for the Third Party Allotment Capital Increase is obtained at the Company’s Extraordinary General Meeting of Shareholders (hereinafter the “Extraordinary General Meeting of Shareholders”) to be held on April 26, 2019, and (5) there are no actions, suits or proceedings seeking restriction or prohibition of the Third Party Allotment Capital Increase with a judicial or administrative agency, etc., including suspension of the Third Party Allotment Capital Increase and no determination, etc., made by a judicial or administrative agency, etc., restricting or prohibiting the Third Party Allotment Capital Increase, and there is no potential risk thereof.</p> <p>The Company intends to enter into a contract for subscription for the total number of the shares with the Planned Allottee after the registration statement in accordance with the Financial Instruments and Exchange Act becomes effective.</p>
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(Note) The reason for setting a period from June 24, 2019 through December 31, 2019 as the payment period is as follows:
Payment for the Third Party Allotment Capital Increase is projected to require permission and authorization from foreign competition authorities regarding notifications relating to the business combination as well as permission and authorization from relevant authorities. Thus, it is a prerequisite to obtain such permission or authorization together with expiration of a waiting period (if any) in implementing the Third Party Allotment Capital Increase. It is also a prerequisite for the foreign competition authorities to complete necessary procedures before commencing the Tender Offer. However, the Company was unable to confirm the date for receiving permission and authorization regarding notifications from such competition authorities, the expiration date of the waiting period, and the commencement date and completion date of the Tender Offer, at the time of the resolution of the Board of Directors meeting held on February 12, 2019.

2. Purpose and Reason for the Third Party Allotment Capital Increase

In July 1955, Yamaha Motor became independent from Nippon Gakki Co., Ltd. (currently Yamaha Corporation), and was established in Hamamatsu City, Shizuoka Prefecture. It has continued the production and sale of motorcycles that it had manufactured before becoming independent. Subsequently, the company started sales of boats and outboard motors, etc., and in September 1961 was listed on the first section (hereinafter “Tokyo Stock Exchange First Section”) of the Tokyo Stock Exchange Inc. (hereinafter “Tokyo Stock Exchange”). Yamaha Motor has 113 consolidated subsidiaries, three companies accounted for by the equity method, and 27 affiliates accounted for by the equity method (as of December 31, 2018; hereinafter referred to together with Yamaha Motor as the “Yamaha Motor Group”). Its principle businesses are in the motorcycle, marine, power products, and industrial machinery & robot segments. The main businesses and products of the Yamaha Motor Group are as follows.

Main Businesses	Main Products
Motorcycle Business	Motorcycles, Intermediate Parts for Products, KD Parts for Overseas Production
Marine Business	Outboard Motors, Water Vehicles, Boats, Pools, Fishing Boats, Utility Boats
Power Products Business	All-terrain Vehicles, Recreational Off-highway Vehicles, Golf Cars, Snowmobiles, Generators, Snow Throwers, Multi-purpose Engines
Industrial Machinery and Robot Products Business	Surface Mounters, Industrial Robots
Other Business Segments	Electrically Power Assisted Bicycles, Automobile Engines, Automobile Components, Industrial-use Unmanned Helicopters, Electric Wheelchairs

Yamaha Motor announced its “Long-Term Vision” and “New Medium-Term Management Plan (2019 - 2021)” in December 2018. In its long-term vision, it introduced the slogan “ART for Human Possibilities” and proposed a growth strategy up to 2030. With people’s increasingly diversified values and surrounding societies, under its “Long Term Vision,” Yamaha Motor will implement its growth strategies while promoting solutions to address social issues based on its own historical values. While generating profits from existing businesses, the New Medium-Term Management Plan will allocate resources to strategic growth areas such as new businesses, and work toward achieving a target of consolidated net sales of 2 trillion yen and consolidated operating income of 180 billion yen. The business of the Yamaha Motor Group related to the Business Integration is the industrial machinery and robots segment, to which the following relates unless otherwise stated.

In May 2015, Yamaha Motor and the Company announced that they had concluded a sales alliance agreement, under which Yamaha Motor would apply its mounter device technology to develop and manufacture flip chip bonder products for the semiconductor market, which would be sold under the Company brand. This arrangement has continued until the present day, with the Company selling Yamaha Motor-made products to semiconductor manufacturers, etc. The aim of this sales alliance was to respond to changes in the business environment, such as a recent global trend to stronger technological integration across the industries which consequently become intertwined, and thus, in overseas markets in particular, the ability to deliver total solutions having a greater impact on business competitiveness. Demand on device manufacturers is growing for technological total solutions which span both the semiconductor back-end processing industry (in which the Company is engaged) and the electronic component mounting industry (which includes the industrial machinery and robots business, one of Yamaha Motor’s main business segments, in which one of its main products is mounter equipment for mounting semiconductors and electronic parts on printed circuit boards).

The Company was founded as Shinkawa Seisakusho Co., Ltd. in August 1959 for the purpose of secondary processing of transistor parts, with its headquarters in Mitaka City, Tokyo. Subsequently, in order to change the par value of Shinkawa Seisakusho shares, it merged on February 1, 1980 with the dormant company Nakamaru Trading Co., Ltd.; the latter was the surviving company, which changed its trading name to SHINKAWA LTD. on the same date. The Company listed on the Tokyo Stock Exchange Second Section (hereinafter “Tokyo Stock Exchange Second Section”) in September 1988, then changed its market to the Tokyo Stock Exchange First Section in September 2000. As of February 12, 2019, the Company has 12 subsidiaries (hereinafter referred to together with the Company as the “Company Group”). The Company Group works mainly in the development, manufacturing, and sales of semiconductor manufacturing equipment and electronic component mounting equipment for semiconductor manufacturers and electronic component manufacturers. The Company Group has also expanded into maintenance services related to these areas of business. The main businesses and products of the Company Group are as follows.

Main Businesses	Main Products
Semiconductor Manufacturing Equipment and Electronic Component Mounting Equipment	Wire Bonders, Die Bonders, Flip Chip Bonders, Active Alignment Devices, Blank Mounting Machines, FPD Inspection Devices

The semiconductor manufacturing process is broadly divided into Front-end and Back-end processes. The former, so-called Wafer processes consists of the processes until circuits such as transistors and metal wirings are formed on sliced disc-shaped silicon wafers using the principle of photographic photosensitivity. The latter, so-called Package processes consists of the processes until IC chips are cut out from silicon wafers, the chips are fixed to the package, wired, and mold encapsulated in ceramic or resin to assemble them into semiconductor products. The Company works mainly in back-end processes, particularly in the development, manufacturing, and sale of industrial precision robots used in a process called bonding, which conducts the internal wiring for semiconductor packages containing IC chips. Examples of bonding products include wire bonders, which wire and connect the electrical circuits of IC chips and printed circuit boards using thin gold and copper wires; die bonders, which fix IC chips to printed circuit boards; and flip chip bonders, which directly connect the electrical circuits of IC chips and printed circuit boards without the use of wires.

In addition, in June 2018, the company acquired all shares of Pioneer FA (now PFA Corporation) - which has over 38 years' experience in the field of development and sales of factory automation production facilities. After making PFA a subsidiary, the Company has expanded into the electronic component mounting equipment business, which is highly complementary to the Company's existing bonding equipment technology and is also closely matched to customer needs.

Under the Company Group's corporate mission of "Shinkawa will cultivate robot technology and continue to suggest cutting-edge technology to realize a society where people can dream and hope while exercising creativity, and also realize an environment where people can challenge their limits" and in anticipation of the coming of a new era in the semiconductor market where technological innovation is required for next-generation semiconductor manufacturing for high-speed networks such as 5G communication standards and high-speed data centers for big data processing, the group aims to be a leading company in bonding technology, constantly trying to achieve sustainable growth by challenging the limits of innovation in mounting technology.

Described below is an explanation of Apic Yamada. Along with the Company and Yamaha Motor, Apic Yamada is involved in the Business Integration, part of which is the Third Party Allotment Capital Increase.

Apic Yamada was originally founded in March 1950 as Yamada Seisakusho Co., Ltd. (a sole trader business) in the Kamiyamada Town of the Sarashina district in Japan's Nagano Prefecture (presently Chikuma City, Nagano Prefecture). The company's main business was in the machining of mechanical parts. Subsequently, in January 1968, the company began manufacturing and selling lead frame tools, and in February 1969 it started Japan's first manufacturing and sales of transfer molding tools for semiconductor plastic encapsulation. In 1971, the company started to sell lead frames, and the following year, it started manufacturing and selling lead processing machines. Throughout its history, Apic Yamada has consistently developed, manufactured, and sold semiconductor back-end processing equipment and electronic components, which have become its core business. In April 1993, the company changed its name to Apic Yamada Corporation, and in January 1996 it was listed on the Tokyo Stock Exchange Second Section. Apic Yamada has six subsidiaries and three affiliated companies (as of September 30, 2018 - hereinafter referred to together with Apic Yamada as the "Apic Yamada Group"). Similarly to the Company, the main business of the Apic Yamada Group is electronic component assembly equipment for semiconductor back-end processes, electronic components, and other manufacturing and sales. The main businesses and products of the Apic Yamada Group are as follows.

Main Businesses	Main Products
Semiconductor Assembly Equipment	Molding Equipment, Lead Processing Machines, Molding Tools, Test Handlers, and other automation equipment
Electronic Components	Lead Frames, LED Pre-molded Substrates (LPS), Electronic Communication Parts
Others	Lead Processing Tools, Lead Frame Stamping Tools

Based on the company's management concept of "Be friendly with Nature, and bring prosperity to society and happiness to mankind," Apic Yamada aims to contribute to the semiconductor industry through the supply of precision machinery products cultivated through its proprietary die design and manufacturing technology. Further growth and development of the Apic Yamada Group will enable the company to meet the expectations of its shareholders, customers, employees, and other stakeholders.

The semiconductor manufacturing equipment industry in which both the Company and Apic Yamada are engaged is greatly affected by the trends in the broader semiconductor industry and the trends in capital

investment by its customers, such as semiconductor manufacturers and component assembly manufacturers. In addition, the demand for price reductions from customers in semiconductor manufacturing is extremely strong, and the competition between semiconductor manufacturing equipment manufacturers is also fierce, which leads to declining selling prices and requires further cost reductions.

In recent years, capital expenditure by semiconductor manufacturers has continued to grow thanks to increased sales of smartphones and the expansion of data center facilities. However in January 2019, the capital expenditure by semiconductor manufacturers is showing a downward trend due to a slump in the sales of smartphones, which has brought about a sudden deterioration of the environment for the semiconductor manufacturing equipment industry. Under this declining situation, orders from semiconductor manufacturers and component assembly manufacturers have also suffered, which has in turn hurt the business performance of both the Company and Apic Yamada, so in going forward adjustments will be necessary for improvement. In the short term, the Company and Apic Yamada believe that there is an urgent need to build a financial strength that is not affected by market trends in the semiconductor industry, reduce expenses - including lowering fixed costs - and establish a structure that can ensure profit even if demand drops. In the medium- to long-term, in order to continue to respond to the future anticipated demand for IoT/big data semiconductors and demand for higher-performance back-end processing equipment, the business environment makes strengthening of research and development investment in advanced technology fields essential for growth strategies. In addition to the desirability of strengthening the financial platform, supply of advanced process solutions that work in both front-end and back-end processing are an important element for establishing a competitive advantage.

In the industrial machinery and robot business in which Yamaha Motor is engaged, customer demand is increasing for inter-process linkage between semiconductor back-end processing equipment and mounter equipment, which is a main product of Yamaha Motor's. Thus, Yamaha Motor also believes that it is necessary for future growth to realize technological integration with semiconductor back-end process equipment manufacturers to provide total solutions to customers.

In the above ways, the Company, Yamaha Motor, and Apic Yamada face common challenges in their industrial environments. As the three companies work on ways to address their common issue of delivering the total solutions demanded in the semiconductor back-end processing industry and the electronic component mounting industry, Yamaha Motor and the Company have further strengthened their existing sales alliance, bringing their respective strengths to improved offers of total solutions to their customers. The Company has been operating at a deficit since the fiscal year ended March 2009, with only the exception of the fiscal year ended March 2017, meaning that drastic improvements in profitability are urgently required. For that reason the Company determined to deepen the relationship with Yamaha Motor from the viewpoint of financial strength and creditworthiness. Yamaha Motor and the Company therefore started considering strengthening their relationship, including a capital tie-up, in mid-March 2018. While consideration was ongoing, Apic Yamada made a proposal regarding Business Integration to the Company in early April 2018. Specifically, from semiconductor users, there is an increasing need for modularization that integrates the functions of the multiple semiconductors, and as a result, vertical integration in semiconductor manufacturing processes has advanced beyond the previous distinction between front-end and back-end processes. Apic Yamada cannot cope alone with the needs of modularization due to the lack of company size and financial strength. In the face of ever higher future semiconductor demand and requirements for higher functionality, it is believed that if semiconductor manufacturing equipment manufacturers in Japan work together, contribute the technologies that each one possesses, and create total solutions which achieve high productivity, stable quality, and low cost in a well-balanced manner, Japanese semiconductor manufacturing equipment manufacturers will likely survive and develop further. As the Company happens to be a manufacturer of bonding machines with which Apic Yamada was seeking to have a technological merger for their molding machines, and also both the Company and Apic Yamada are thought to be major Japanese semiconductor manufacturing equipment manufacturers who respectively operate their bonding and semiconductor molding businesses that are sequential processes (molding process comes after bonding process) within the main processes in the semiconductor back-end processing market, they will firstly integrate their businesses to cover the main areas of back-end processing in semiconductors. A proposal has also been received to include other Japanese companies engaged in various semiconductor back-end processes to form an alliance that can compete against overseas companies with the integration of the Company and Apic Yamada at its core. As a result of consideration at the Company, it was believed that, although the integration of only the Company and Yamaha Motor or the Company and Apic Yamada would not be enough to build a total solution structure and to prevail in competition against major overseas competitors which have already realized integration of the businesses of semiconductor back-end process equipment and mounter equipment, if the three companies including the Company, Yamaha Motor, and Apic Yamada were to cooperate, they would be

able to offer total solutions to customers by combining their respective technologies. Believing that this will contribute to improving the corporate value of each company, in early July 2018 the Company suggested that Yamaha Motor consider business integration across the three companies. Furthermore, in mid-July 2018 the Company suggested that Apic Yamada consider business integration across the three companies. After this suggestion was made, the Company, Yamaha Motor, and Apic Yamada continued their discussions, and in early November 2018 the three companies started specific studies toward business integration. In these considerations, Yamaha Motor appointed Nomura Securities Co., Ltd. as financial advisors and Mori Hamada & Matsumoto as legal advisors, the Company selected Plutus Consulting Co., Ltd. as financial advisors and Sato Sogo Law Office as legal advisors, and Apic Yamada appointed Yamada Consulting Group Co., Ltd. as financial advisors and Iwata Godo as legal advisors. This has worked to establish a framework for consultation and negotiation concerning the Business Integration. In addition, Apic Yamada established a third-party committee on January 8, 2019 as an advisory body to Apic Yamada's Board of Directors to examine the proposal regarding the Business Integration. In addition, the Company carried out due diligence on Apic Yamada and Yamaha Motor conducted the same on Apic Yamada and the Company to examine the feasibility of the Business Integration from mid-November 2018 to late January 2019, and at the same time, discussions continued between the three companies on the integration form as well as the management structure, the organizational structure, and the collaboration structure of the business, etc., after the completion of this Business Integration.

As a result, because the Company, Yamaha Motor, and Apic Yamada need to provide total solutions required by customers by combining each other's technologies and products in order to respond flexibly to changes in the business environment and to surpass competitors, and additionally, in order to establish corporate strength which is not so easily influenced by the market situation of the semiconductor industry, it was determined in early January 2019 that not only the Company and Apic Yamada, but also Yamaha Motor joining the integration would be effective in enhancing business credibility.

In addition, while the Company, Yamaha Motor, and Apic Yamada were discussing and examining ways to conduct this Business Integration among the three companies, as the Company's business and Apic Yamada's were quite close in semiconductor manufacturing back-end process equipment, the conclusion was reached that wide-ranging business integration was necessary for the structural reform to realize total solutions establishing competitive advantages and for cost reductions at both companies. After examining the method as a form of overall business integration, it was found that it will take time to integrate the payroll systems, etc., of both companies, and furthermore if the system is assimilated to the higher level, costs will increase making the option too difficult. In addition, although the Company and Apic Yamada also examined ways to create a parent company relationship while maintaining their respective corporate status, it was decided that it is desirable to integrate the two companies in an equal relationship as a parent company relationship may lead to a decline in motivation of executives and employees of both companies. In addition, as Yamaha Motor's industrial machinery and robot business is part of a business operated by Yamaha Motor, it was determined by Yamaha Motor that full legal integration with the Company and Apic Yamada may be too problematic. Through this consideration, the three companies have moved forward with formulating a joint holding company structure with the Company Newly Established by Company Split and Apic Yamada as wholly-owned subsidiaries as the method for the Business Integration. Advancing business integration of the two companies under the joint holding company avoids cost increases, makes promoting business integration easier, and is useful in creating an equal relationship between the two companies. As Yamaha Motor will become the parent company of the joint holding company for the Company and Apic Yamada, the three companies can build a strong capital relationship through the joint holding company, which will also lead to strengthening creditworthiness. Thus, consideration moved forward on the basis that this would be an effective arrangement. In order to maximize the synergies under the joint holding company between the Company Newly Established by Company Split and Apic Yamada, it was believed that not maintaining its share market listing as a subsidiary but instead becoming a wholly-owned subsidiary of the joint holding company would enable building a prompt decision making structure and make closer collaboration and structural reform, etc., easier to implement. In addition, Yamaha Motor has determined that a strong partnership in terms of sales, technology, and finance is possible by going further to establish a capital relationship by making the joint holding company a subsidiary, and not forming a business alliance without capital. Based on the above consideration process, and as a result of examination from various viewpoints such as legal, accounting, and taxation, ultimately, the Company, Yamaha Motor, and Apic Yamada reached agreement on February 12, 2019 between the three companies regarding conducting (1) the Tender Offer for Apic Yamada's shares by the Company and a series of subsequent procedures in order to make Apic Yamada a wholly-owned subsidiary of the Company (hereinafter the "Outright Acquisition Transaction" in conjunction with the Tender Offer), and (2) in order to procure funds for the

implementation of the Outright Acquisition Transaction and structural reform, etc., the Third Party Allotment Capital Increase by the Company to which Yamaha Motor is assigned (the proportion of the Company's shares which Yamaha Motor will hold to the total number of the Company's shares issued after the Third Party Allotment Capital Increase is planned to be 56.63%) as a result of which the Company will become a subsidiary of Yamaha Motor (for details of appropriation of funds, refer to "(2) Specific use of funds to be procured" in "3. Amount of Funds to Be Procured, Their Purpose of Use, and Planned Expenditure Period" described below), and furthermore (3) a series of transactions (the series of transactions concerned is hereinafter collectively referred to as the "Transactions") in which the current Shinkawa will be made the joint holding company (hereinafter the "Joint Holding Company") through a company split to enable the Company Newly Established by Company Split to inherit the businesses of the Company (hereinafter the "Company Split") will be conducted. For details of the Transactions, please refer to "(Method of the Business Integration)" below.

Through the Business Integration, we aim to provide a total solution that exceeds our customers' expectation as the "Turn-Key provider (Note) in the field of semiconductor back-end processing and electronic component mounting," by integrating the technologies of Yamaha Motor's surface mounters (equipment which mounts electronic components and semiconductors on the surface of printed circuit boards) and FA (refers to factory automation; a system which promotes automation during the production process at factories), the Company's bonders (equipment which connects the IC chip and the electric circuit on the printed circuit boards), and Apic Yamada's molds (package encapsulation equipment). In addition, we will invite more companies to participate as "companies that create and disseminate new process technologies originating in Japan" and will aim for the top market share in the global back-end semiconductor manufacturing and electronic component assembling equipment market.

(Note) To provide a set of manufacturing process equipment for the series of semiconductor back-end processing and electronic component manufacturing processes. Furthermore, to propose and provide overall optimization solution for the entire process when the multiple manufacturing processes are recognized as a single process.

The Company, Yamaha Motor, and Apic Yamada anticipate the following effects to be demonstrated through the Business Integration.

(i) Expected effects in terms of sales

- The three companies' products have few duplications, and by linking the products of these three companies, it is possible to provide a one-stop solution for production lines of semiconductor back-end processing, with anticipated expanded business opportunities
- In terms of the customers, combining the Company's strength in the memory business, Apic Yamada's specialty in high-end processors and automotive devices, and Yamaha Motor's sales network with a wide range of customers in the electronic component packaging field, will build a complementary relationship between the three companies and expand the line-up of products, and therefore create further business opportunities going forward.
- The Company and Apic Yamada are expected to expand business opportunities for both companies thanks to Yamaha Motor's creditworthiness, and will increase the reliability and stability for customers in terms of scale and financial strength.
- Collection and analysis of technical trends and market trends can be carried out jointly, which can then be utilized in proposing effective sales strategies and marketing activities that contribute to product development strategies.

(ii) Expected effects in technical developments

- It is expected that bringing together the technical strengths of the three companies the Company: overall fundamental technology of die bonders that handle fragile IC chips and wire bonders, FA and integration technology (integrated control technology that realizes functions which resolve the customers' issues by combining various fundamental technology in the form of an equipment), Apic Yamada: semiconductor packaging molding technology, precision mold design and processing technology, Yamaha Motor: high-speed multi axis control technology (technology which controls multiple axes operating at high speed which operate the equipment), M2M control technology (technology which connect separate equipment and carries out integrated operation/control as if it is a single unit) will enable new product development for not only single equipment but taking into consideration the whole production line.
- It is expected that cooperation of system-related personnel of each company will solve the shortage of personnel and improve technical skills with respect to control/software development for which the load is increasing each year.

(iii) Expected effects in terms of procurement and production

- It is anticipated that a stable procurement system that is resilient against demand fluctuations

- can be built by utilizing the procurement network of the three companies.
- It is anticipated that a cost reduction will be achieved by promoting the standardization of parts within the three companies.
- It is anticipated that a production system that is resilient against demand fluctuations can be built by mutually utilizing production bases and subcontractors.
- In addition, it is anticipated that there will be reduction in production costs through improvement of production efficiency by consolidating production sites, etc., such as in Thailand where the Company and Apic Yamada's plant are located in neighboring areas.
- (iv) Expected effects in terms of indirect costs
 - A reduction of indirect costs is expected due to mutual utilization of the bases of the three companies, as well as consolidation of indirect divisions such as accounting, finance, personnel affairs, general affairs, and legal affairs.

(Method of the Business Integration)

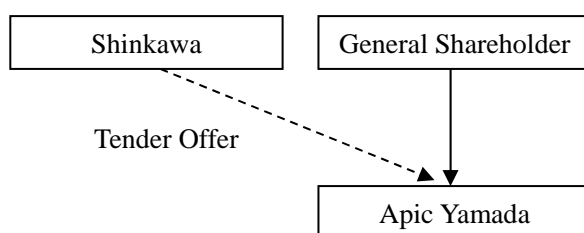
The Business Integration is carried out through a series of transactions (the Transactions) which consist of (i) the Tender Offer for Apic Yamada's shares by the Company and a series of subsequent procedures through which Apic Yamada will become a wholly-owned subsidiary of the Company, (ii) making the Company a subsidiary of Yamaha Motor by conducting the Third Party Allotment Capital Increase by the Company with Yamaha Motor as an allottee, the purposes of which are to procure funds for the implementation of transactions for the transition into a wholly-owned subsidiary and for structural reform, etc., and (iii) the Company Split which makes the current the Company a joint holding company.

Details of each of the above transactions are as follows. For conditions for implementing each transaction, refer to "(Outline of the Business Integration Agreement)" below.

(1) Tender offers and transactions involved in transition to a wholly-owned subsidiary

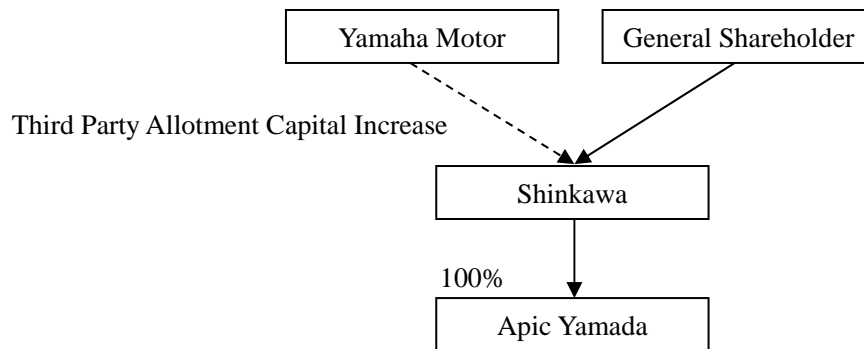
The Company will implement the Tender Offer to make Apic Yamada a wholly-owned subsidiary.

The Company will conduct a series of procedures to make Apic Yamada a wholly-owned subsidiary of the Company after the completion of the Tender Offer if the Company fails to acquire all of Apic Yamada's common shares through the Tender Offer. As the Company will implement the Tender Offer with the intention of making Apic Yamada a wholly owned subsidiary, depending on the outcome of the Tender Offer, Apic Yamada shares may be delisted through prescribed procedures. In addition, in the event that the Tender Offer is concluded, the Company intends to make Apic Yamada a wholly-owned subsidiary even if it does not fall under the conditions of delisting at the time of the conclusion. In this case, it will be delisted through the prescribed procedures.



(2) The Third Party Allotment Capital Increase and the Company's transfer to a company with the Audit & Supervisory Committee, as well as other partial amendments to the articles of incorporation

The Company is to carry out the Third Party Allotment Capital Increase with Yamaha Motor as an allottee and Yamaha Motor will make the Company its subsidiary. The Third Party Allotment Capital Increase is to procure funds for the Tender Offer to be conducted by the Company, relocation and construction costs for consolidation of domestic/foreign plants and sales service bases, reconstruction costs including the relocation and construction costs for consolidation to optimize the sales service functions at overseas sales service bases. It is also to procure funds for research and development of next-generation equipment and new process technologies corresponding to next-generation semiconductor manufacturing for high-speed network such as in 5G communication standards and high-speed data centers for big data processing. The payment of the Third Party Allotment Capital Increase will be carried out conditional upon the conclusion of the Tender Offer itself.

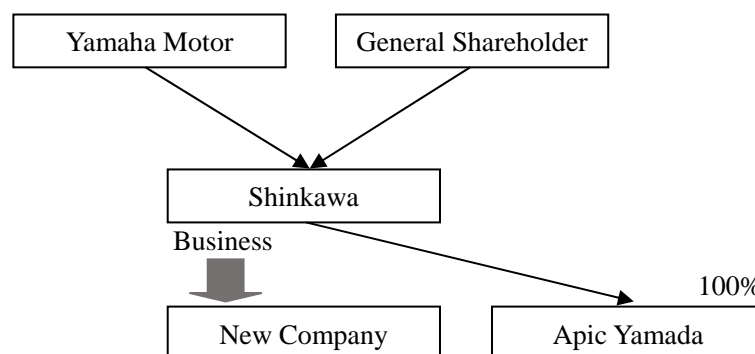


The Company plans to make partial amendments to the articles of incorporation that it will transition to a company with the Audit & Supervisory Committee, conditional upon the completion of the payment for the Third Party Allotment Capital Increase and the conclusion of the Ordinary General Meeting of Shareholders scheduled to be held in late June 2019, and appoint new directors of the Company, conditional upon the above-mentioned amendments to the articles of incorporation coming into effect. The Company also submitted bills regarding the Third Party Allotment Capital Increase, the above-mentioned amendments to the articles of incorporation and the above-mentioned appointment of new directors to this Extraordinary General Meeting of Shareholders.

(3) Company Split, changes in the company name, and other partial amendments to the articles of incorporation

The Company will transfer the business excluding the functions required to operate itself as the Joint Holding Company to the Company's wholly-owned subsidiary (the Company Newly Established by Company Split) through the Company Split and the Company will transition to a joint holding company under which there exists the Company Newly Established by Company Split and Apic Yamada.

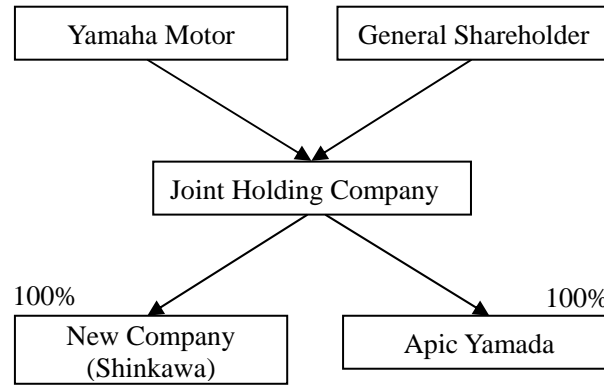
The Company plans to make partial amendments to the articles of incorporation including a change to its company name and changes to their business purposes reflecting its transition to a holding company, conditional upon the completion of the Company Split scheduled to take place on July 1, 2019. The bills relating to the Company Split and the above-mentioned amendments to the articles of incorporation have been submitted to this Extraordinary General Meeting of Shareholders.



(4) After completion of the Transactions

Yamaha Motor will become the parent company of the Joint Holding Company (the proportion of the Company's shares which Yamaha Motor will hold to the total number of the Company's shares issued after completion of the Transactions will be 56.63%), and the Company and Apic Yamada will become wholly-owned subsidiaries of the Joint Holding Company.

The Joint Holding Company plans to maintain its listing even after the completion of the Transactions.



(5) Management policy after completion of the Transactions

The Tender Offer is a part of procedures for the Transactions and the management structure and business operation of the joint holding company is scheduled to be as follows after completion of the Transactions.

- On the condition that a necessary resolution at the General Meeting of Shareholders is obtained, the Company, Yamaha Motor, and Apic Yamada agree that the Joint Holding Company shall have four Directors from Yamaha Motor (including one Audit & Supervisory Committee Member), one Director from the Company, and one Director from Apic Yamada as well as three Outside Directors (including two Audit & Supervisory Committee Members), immediately after completion of the Transactions. (There is no agreement about the total number of Directors).
- If the Joint Holding Company makes a decision on a certain matter regarding each company of the Company Group (including the Company Newly Established by Company Split incorporated through the Company Split and Apic Yamada Group; The same shall apply hereinafter) or any company of the Company Group implements a certain matter, prior permission for the matter to be decided or implemented shall be obtained in writing from Yamaha Motor, or the outline of the matter to be decided or implemented shall be submitted in writing to Yamaha Motor in advance and a prior discussion with Yamaha Motor shall be carried out.

(Outline of the Business Integration Agreement)

The outline of the Business Integration Agreement is as follows.

(1) Outline of the Transactions

In accordance with regulations of the Business Integration Agreement, etc., the Company, Yamaha Motor, and Apic Yamada will conduct transactions involving a tender offer for the Apic Yamada's shares by the Company, privatization of Apic Yamada by a squeeze-out process, the Third Party Allotment Capital Increase by the Company with Yamaha Motor as an allottee, and a transition of the Company to a holding company by the Company's incorporation-type company split.

(2) Implementation of the Tender Offer

The Company will implement the Tender Offer on the condition that all the preconditions outlined below are satisfied.

- (i) The proposal regarding the Third Party Allotment Capital Increase has been approved at the Extraordinary General Meeting of Shareholders.
- (ii) The resolution regarding approval of the Tender Offer has been made at the Board of Directors of Apic Yamada and such resolution remains effective.
- (iii) Yamaha Motor and the Company have concluded a contract for subscription for the total number of the shares relating to the Third Party Allotment Capital Increase, such contract remains in force, and there is objectively no specific risk that cancellation or invalidity may occur.
- (iv) With respect to the issuance of new shares of the Company by the Third Party Allotment Capital Increase, the securities registration statement based on the Financial Instruments and Exchange Act has come into effect and its effect is not suspended.
- (v) There are no actions, suits or proceedings seeking restriction or prohibition of any of the Transactions with a judicial or administrative agency, etc., there is no determination, etc., made by a judicial or administrative agency, etc., restricting or prohibiting any of the Transactions, and there is no specific risk thereof.

- (vi) With respect to the Transactions, in all countries or regions where permission, authorization, etc., are required based on the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947; includes the subsequent revised versions) and other foreign competition laws, such permission, authorization, etc. (hereinafter, the “Permission, Authorization, etc.”), have been gained and implemented and the waiting period (if any) has expired (including receipt of a notification to the effect that a cease and desist order will not be issued; the same shall apply hereinafter). Also, it is reasonably estimated that a fair trade commission of those countries and regions and other judicial or administrative agency, etc., enforcing competition laws will not take any action or procedure to prevent implementation of the Transactions.
- (vii) The representations and warranties of Yamaha Motor and Apic Yamada set forth in the Business Integration Agreement are true and correct in all material respects.
- (viii) All duties of Yamaha Motor and Apic Yamada to be implemented or observed before the commencement date of the Tender Offer in accordance with the Business Integration Agreement have been implemented or observed in all material respects.
- (ix) There has not occurred any event or condition with a specific risk that may cause serious adverse effects to the financial position, business results, cash flows, businesses, or rights and duties of Apic Yamada Group.

However, if any of the following conditions fails to be satisfied at noon on the business day before the commencement date of the Tender Offer, Yamaha Motor may request the Company not to commence the Tender Offer.

- (i) The representations and warranties of the Company and Apic Yamada set forth in the Business Integration Agreement are true and correct in all material respects.
- (ii) All duties of the Company and Apic Yamada to be implemented or observed before the commencement date of the Tender Offer in accordance with the Business Integration Agreement have been implemented or observed in all material respects.
- (iii) There has not occurred any event or condition with a specific risk that may cause serious adverse effects on the financial positions, business results, cash flows, businesses, or rights and duties of the Company Group or Apic Yamada Group.

Conditions for the Tender Offer are as follows.

- (i) Price of purchase
570 yen per share of Apic Yamada’s common stock
- (ii) Upper and lower limits on the number of shares that can be purchased
Lower limit of the number of shares scheduled that can be purchased is 8,279,600 shares, no limit to the maximum number of shares that can be purchased
- (iii) Period of purchase
Scheduled to be set to 30 business days

(3) Announcement of opinion by Apic Yamada

Apic Yamada shall express its opinion to the effect that it supports the Tender Offer on the execution date of the Business Integration Agreement and shall not revoke or amend such opinion during the tender offer period, except where Apic Yamada reasonably determines that there is a specific risk that maintaining such opinion may cause a violation of a duty of care of Apic Yamada’s Directors.

If Apic Yamada has received a proposal for a tender offer for the common stock of Apic Yamada from any party other than the Company or has learned about the existence of such proposal during the period from the execution date of the Business Integration Agreement to the last date of the tender offer period, Apic Yamada shall notify Yamaha Motor and the Company of such fact and details of such proposal.

The Company may not extend the tender offer period without prior written approval of Yamaha Motor and Apic Yamada, except the case where (i) any law or regulation requires such extension or (ii) the tender offer period is extended within a range allowed by laws and regulations in the event that determination of a judicial or administrative agency, etc., regarding the Permission, Authorization, etc., have not been received by the last date of the tender offer period without violation of the Company’ duties under the Business Integration Agreement or the waiting period regarding the Permission, Authorization, etc., has not expired.

(4) Implementation of squeeze-out

The Company and Apic Yamada shall implement necessary procedures so that the Company will become a sole shareholder of Apic Yamada, as soon as practically possible after settlement of the Tender Offer.

(5) Third Party Allotment Capital Increase

Yamaha Motor shall conclude a contract for subscription for the total number of the shares with the Company and make payment for the Third Party Allotment Capital Increase, on the condition that all the preconditions outlined below are satisfied.

- (i) The Tender Offer is completed.
- (ii) With respect to the issuance of new shares of the Company by the Third Party Allotment Capital Increase, the securities registration statement based on the Financial Instruments and Exchange Act has come into effect and its effect is not suspended.
- (iii) There are no actions, suits or proceedings seeking restriction or prohibition of any of the Transactions with a judicial or administrative agency, etc., there is no determination, etc., made by a judicial or administrative agency, etc., restricting or prohibiting any of the Transactions, and there is no specific risk thereof.
- (iv) With respect to the Transactions, the Permission, Authorization, etc., have been gained and implemented and the waiting period (if any) has expired. Also, it is reasonably estimated that a fair trade commission of the related countries and regions and other judicial or administrative agency, etc., enforcing competition laws will not take any action or procedure to prevent implementation of the Transactions.

(6) Company Split

The Company shall implement the Company Split on the condition that all the preconditions outlined below are satisfied.

- (i) Payment for the Third Party Allotment Capital Increase is completed.
- (ii) Settlement relating to the Tender Offer is completed.
- (iii) The incorporation-type company split plan relating to the Company Split has been approved at the Extraordinary General Meeting of Shareholders of Company.

(7) Management structure and business operation

On the condition that a necessary resolution at the General Meeting of Shareholders is obtained, the Company, Yamaha Motor, and Apic Yamada agree that the Joint Holding Company shall have four Directors from Yamaha Motor (including one Audit & Supervisory Committee Member), one Director from the Company, and one Director from Apic Yamada as well as three Outside Directors (including two Audit & Supervisory Committee Members), immediately after completion of the Transactions.

If the Joint Holding Company makes a decision on a certain matter regarding each company of the Company Group (includes the Company Newly Established by Company Split (new company) incorporated through the Company Split and Apic Yamada Group; the same shall apply hereinafter) or any company of the Company Group implements a certain matter, prior permission for the matter to be decided or implemented shall be obtained in writing from Yamaha Motor.

If the Joint Holding Company makes a decision on a certain matter regarding each company of the Company Group or any company of the Company Group implements a certain matter, the outline of the matter to be decided or implemented shall be submitted in writing to Yamaha Motor in advance and a prior discussion with Yamaha Motor shall be carried out.

3. Amount of Funds to Be Procured, Their Purpose of Use, and Planned Expenditure Period

(1) Amount of funds to be procured

(i)	Total amount to be paid	10,000,034,200 yen
(ii)	Approximate cost of various issuance expenses	40,000,000 yen
(iii)	Approximate amount of net proceeds	9,960,034,200 yen

(Notes) 1. Approximate cost of various issuance expenses does not include consumption taxes, etc.

2. Approximate cost of various issuance expenses will include attorney's fees, advisory fees, registration expenses, and expenses for preparing the securities registration statement and other documents.

(2) Specific use of funds to be procured

The proceeds are planned to be used for the following: (i) 7,079 million yen for purchase funds for the Tender Offer; (ii) 3,100 million yen for structural reform for improving the Company's performance; and (iii) 5,300 million yen for research and development of new products.

The specific use and the planned expenditure period are as follows. The insufficient amount of 5,519 million yen, which is the amount to be procured by the Third Party Allotment Capital Increase deducted from the abovementioned total capital demand, is planned to be procured through self-financing and borrowings from financial institutions. The specific use and the planned expenditure period of 9,960 million yen are as follows.

	Specific use	Amount (million yen)	Planned expenditure period
(i)	Purchase funds for the Tender Offer (Note 2)	7,079	From late June 2019 through around December 31, 2019
(ii)	Structural reform expenses (Note 3)	1,440	From around July 2019 through around December 2021
(iii)	Research and development expenses (Note 4)	1,440	From around July 2019 through around March 2022

(Notes) 1. The proceeds will be managed in our bank account, etc., until actual expenditure.

2. The purchase funds for the Tender Offer is an amount calculated in a manner that the number of shares (12,419,426 shares) planned to be bought in the Tender Offer is multiplied by the price of purchase per share of Apic Yamada's common stock (570 yen).

3. Structural reform expenses expectedly consist of expenses for relocation and construction of domestic/foreign plants and sales service bases and expenses for reconstruction of the IT system associated with consolidation and abolition of the plants and bases. A planned breakdown of the total capital demand for the above structural reform expenses (approximately 3,100 million yen) is: (i) 2,000 million yen for relocation and construction expenses (mainly construction work expenses) associated with consolidation of overseas plants, etc., from around January 2020 through around March 2021; (ii) 500 million yen for partial relocation expenses (mainly relocation work expenses) associated with optimizing functions of domestic plants of the three companies following the Business Integration from around April 2020 through around September 2021; (iii) 100 million yen for relocation and construction expenses associated with consolidation and abolition for optimizing sales service functions at overseas sales service bases of the Company and Apic Yamada (in the U.S., Europe, South Korea, China, Taiwan, the Philippines, Singapore, Malaysia, and Thailand) from around July 2019 through around March 2020; and (iv) 500 million yen for expenses for reconstructing the IT system (mainly mission-critical systems such as ERP). If the payment is made in July or after, the expenditure period will be postponed to after the payment, since the expenditure for structural reform expenses is conditional on the Business Integration.

4. Research and development expenses expectedly consist of expenses for research and development of next-generation equipment and new process technology that cover next-generation semiconductor manufacturing for high-speed network such as in 5G communication standards and high-speed data centers for big data processing. A planned breakdown of the above total capital demand for research and development expenses (5,300 million yen) is: (i) 1,300 million yen from around July 2019 through around March 2020; (ii) 1,900 million yen from around April 2020 through around March 2021; and (iii) 2,100 million yen from around April 2021 through around March 2022. If the payment is made in July or after, temporary financing will be arranged through self-financing and borrowings from financial institutions.

4. Rationale for the Use of Funds to Be Procured

As described in "2. Purpose and Reason of the Third Party Allotment Capital Increase" above, the Third Party Allotment Capital Increase is implemented as a part of the Transactions. Funds procured through the Third Party Allotment Capital Increase can be used for the Tender Offer as well as structural reform and research and development of new products which, the Company believes, will contribute to increasing earnings of the Company Group and consequently enhancing corporate value in the mid- to long-term.

5. Rationale for Issuance Conditions

(1) Basis and details regarding calculation of the amount to be paid

The issuance price for the Third Party Allotment Capital Increase represents 382 yen (rounded to the nearest yen; the same shall apply in this section). This price is the simple average closing price of the Company's common stock at the Tokyo Stock Exchange for a one-month period preceding the business day immediately before the resolution date of the Board of Directors regarding the Third Party Allotment Capital Increase (January 9, 2019 through February 8, 2019).

The average of the closing prices of the Company's common stock was adopted because the Company determined that, given the daily share price fluctuation, the average price would be more objective since adopting the equalized value of the average price for a recent certain period would exclude the impact of

special factors such as temporary changes in the share price, rather than setting one specific time as a reference. The reason for adopting the most recent one-month period as the calculation basis is that the Company determined that it would be more rational to adopt the period that reflects the recent market price more accurately compared with the most recent three months and six months, given the recently increasing volatility of semiconductor manufacturing equipment stocks, including the Company's stock, that results from growing uncertainty over the environment surrounding the semiconductor industry as indicated by the latest trend that the impact of the U.S. and China trade war has produced in the semiconductor sector.

The issuance price complies with the "Guidelines Concerning Handling of Allotment of New Shares to Third Party, etc." (as of April 1, 2010) of Japan Securities Dealers Association. It represents a premium of 3.0% (rounded to one decimal place; the same shall apply in this section) to the closing price of 371 yen of the Company's common stock at the Tokyo Stock Exchange First Section as of February 8, 2019, the business day immediately before the resolution date of the Board of the Director with respect to the Third Party Allotment Capital Increase; a discount of 10.7% to the simple average closing price of 428 yen for the three month period preceding the business day immediately before the resolution date; and a discount of 25.0% to the simple average closing price of 509 yen for the six month period preceding the business day immediately before the resolution date. Therefore, the Company determined that it is not a particularly favorable price for the Planned Allottee.

Also, all of the three Audit & Supervisory Board Members of the Company (out of which three are Outside Audit & Supervisory Board Members) that attended the Board of Director's meeting with respect to the Third Party Allotment Capital Increase expressed their opinions that the calculation basis of the issuance price is reasonable and complies with the "Guidelines Concerning Handling of Allotment of New Shares to Third Party, etc." (as of April 1, 2010) of Japan Securities Dealers Association, and it is legal and does not fall under favorable issuance.

(2) Reason for the conclusion that the number of shares to be issued and the scale of stock dilution are reasonable

The number of shares relating to the Third Party Allotment Capital Increase is 26,178,100 shares (261,781 voting rights) which corresponds to 130.58% of the Company's total number of issued shares of 20,047,500 shares as of September 30, 2018 (144.11 % of the total number of voting rights of 181,657 as of September 30, 2018) (rounded to two decimal places; the same shall apply in this item and the next section) and therefore stock dilution will occur.

The Company has fully deliberated on the necessity of the Third Party Allotment Capital Increase, considering that the Third Party Allotment Capital Increase as a part of the Transaction will be implemented for enhancing future shareholder value. As a result, the Company concluded that it definitely needs to become a subsidiary of Yamaha Motor, make Apic Yamada a wholly-owned subsidiary of the Company by funds procured through this capital increase, and establish a joint holding company system with Apic Yamada through the Company Split, by implementing the Third Party Allotment Capital Increase, in order to build a structure enabling the Company's continuous growth and enhance corporate value in the medium- to long-term. The Company also believes that the Third Party Allotment Capital Increase will lead to enhancing the Company's corporate value exceeding effects of the share dilution and improving shareholder value. Therefore, the Company determined that implementing the Third Party Allotment Capital Increase is reasonable from the viewpoint of influence on the Company and all shareholders.

Based on the above, the Company's Board of Directors, including Outside Directors Ichiro Anjo and Yuichi Kawakami, determined that such number of shares to be issued for the Third Party Allotment Capital Increase and such scale of stock dilution are reasonable.

(Opinion of the Audit & Supervisory Board Members regarding allotment of the shares for subscription to the special subscriber)

Yamaha Motor, the Planned Allottee of the Third Party Allotment Capital Increase, is a special subscriber as defined in Article 206-2, Paragraph 1 of the Companies Act in the Third Party Allotment Capital Increase.

At the Board of Directors meeting held on February 12, 2019, three Audit & Supervisory Board Members (out of which three are Outside Audit & Supervisory Board Members) expressed their opinions that allotment of the shares for subscription to Yamaha Motor, which is a special subscriber as defined in Article 206-2, Paragraph 1 of the Companies Act, is legal and reasonable based on the facts described below. (i) It is reasonable that: The Third Party Allotment Capital Increase is implemented as a part of the business integration of the Company, Yamaha Motor, and Apic Yamada and such funds can be used for the Tender Offer; such funds can be utilized in structural reform and research and development of new products, which will contribute to increasing earnings of the Company Group; and therefore they will help enhance corporate value in the mid- to long-term; (ii) the issuance price for the Third Party Allotment Capital Increase complies with the "Guidelines Concerning Handling of Allotment of New

Shares to Third Party, etc.” (as of April 1, 2010) of Japan Securities Dealers Association and does not represent a “particularly favorable price” as defined in Article 199, Paragraph 3 of the Companies Act; (iii) unlike borrowings from financial institutions, the Third Party Allotment Capital Increase does not cause deterioration in the financial base and therefore it is reasonable from the viewpoint of influence to the Company and all shareholders as well as the scale of stock dilution is reasonable; and (iv) necessary procedures have been taken in accordance with laws and regulations.

6. Reason for Selection of the Planned Allottee, etc.

(1) Outline of the Planned Allottee

Outline of the Planned Finance				
(1)	Name	Yamaha Motor Co., Ltd.		
(2)	Address	Shingai 2500, Iwata-shi, Shizuoka, Japan		
(3)	Title and name of representative	Yoshihiro Hidaka, President		
(4)	Business description	Motorcycle Business, Marine Business, Power Products Business, Industrial Machinery Robot Products Business and Other Business Segments		
(5)	Capital	85,797 million yen		
(6)	Date of foundation	July 1, 1955		
(7)	Number of shares issued	349,914,284 shares		
(8)	Fiscal year end	December 31		
(9)	Number of employees	(Total) 53,977 employees (Singular) 10,614 employees		
(10)	Main customers	Sales agents		
(11)	Main trading banks	Mizuho Bank, Ltd., The Shizuoka Bank, Ltd., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd.		
(12)	Major shareholders and shareholding ratio (As of June 30, 2018)	The Master Trust Bank of Japan, Ltd. (Trust Account)	10.00%	
		Yamaha Corporation	9.90%	
		Japan Trustee Services Bank, Ltd. (Trust Account)	6.98%	
		State Street Bank and Trust Company	5.41%	
		Toyota Motor Corporation	3.57%	
(13)	Relationship between concerned parties			
	Capital	Not applicable.		
	Personnel	Not applicable.		
	Business	The Company purchases products from Yamaha Motor.		
	Applicable situations to related parties	Not applicable.		
(14) Operating results and financial position over the last three years				
Fiscal Year End		Year ended December 2016	Year ended December 2017	Year ended December 2018
Consolidated net assets		575,404	665,232	695,743
Consolidated total assets		1,318,776	1,415,845	1,433,458
Consolidated net assets per share (yen)		1,529.53	1,783.35	1,882.64
Consolidated net sales		1,502,834	1,670,090	1,673,137
Consolidated operating income		108,594	149,782	140,787
Consolidated ordinary income		102,073	154,826	137,969
Consolidated net income attributable to owners of parent		63,153	101,603	93,366
Earnings per share - basic (yen)		180.84	290.93	267.35
Annual dividends per share (yen)		60.0	88.0	90.0

(Unit: Million yen unless otherwise specified)

(Note) The Planned Allottee Yamaha Motor is listed on the Tokyo Stock Exchange and the Company has determined that Yamaha Motor and its officers do not have any relationship with antisocial forces after confirming its basic views on elimination of antisocial forces and progress of development thereof in matters related to the internal control system in “Corporate Governance Report” (last update: December 27, 2018) that Yamaha Motor submitted to the Tokyo Stock Exchange.

(2) Reason for selection of the Planned Allottee

Refer to “2. Purpose and Reason of the Third Party Allotment Capital Increase” above.

(3) The Planned Allottee’s policy on shareholding

The Company confirmed orally with Yamaha Motor that it intends to hold the shares for the long term.

The Company intends to obtain a confirmation letter from Yamaha Motor agreeing that if Yamaha Motor transfers a whole or part of the allotted shares within two years from the payment date, Yamaha Motor will immediately notify the Company of the name and address of the transferee, the number of transferred shares, date of the transfer, transfer price, reasons for the transfer, method of the transfer, and so on; that the Company will report the content of the notification to the Tokyo Stock Exchange; and that details of such report will be made available for public inspection.

(4) Confirmation of the existence of assets of the Planned Allottee necessary for payment

The Company confirmed that the Planned Allottee has cash and deposits required for payment for the Third Party Allotment Capital Increase with the status of cash and deposits in the Consolidated Balance Sheet in the Annual Securities Report for the Fiscal Year Ended December 31, 2017 (submitted on March 26, 2018) (156,634 million yen) and the status of cash and deposits in the Consolidated Balance Sheet in the Quarterly Securities Report for the Nine Month Ended September 30, 2018 (submitted on November 1, 2018) (123,196 million yen) of the Planned Allottee Yamaha Motor.

7. Major Shareholders and Shareholding Ratio after the Issuance

Before the issuance (as of September 30, 2018)		After the issuance	
STATE STREET BANK AND TRUST COMPANY 505019	5.50%	Yamaha Motor	56.63%
GOLDMAN SACHS INTERNATIONAL	4.98%	STATE STREET BANK AND TRUST COMPANY 505019	2.38%
Kiraboshi Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	4.49%	GOLDMAN SACHS INTERNATIONAL	2.16%
Japan Trustee Services Bank, Ltd. (Trust Account)	4.05%	Kiraboshi Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	1.95%
The Master Trust Bank of Japan, Ltd. (Trust Account)	3.27%	Japan Trustee Services Bank, Ltd. (Trust Account)	1.76%
THE BANK OF NEW YORK MELLON (INTERNATIONAL) Ltd. 131800	2.90%	The Master Trust Bank of Japan, Ltd. (Trust Account)	1.42%
SHINKAWA Business Partners Share-Holding Association	2.89%	THE BANK OF NEW YORK MELLON (INTERNATIONAL) Ltd. 131800	1.26%
I & E Corporation	2.49%	SHINKAWA Business Partners Share-Holding Association	1.26%
Tokyo Kiraboshi Lease	2.02%	I & E Corporation	1.08%
STATE STREET BANK AND TRUST COMPANY 505001	1.79%	Tokyo Kiraboshi Lease	0.88%

- (Notes) 1. The shareholding ratio is the percentage to the total number of shares issued (including treasury shares) and described by rounding to two decimal places.
2. The shareholding ratio before the issuance was calculated based on the number of shareholders on the shareholder register as of September 30, 2018.
3. Although the Company held 1,858,789 treasury shares as of September 30, 2018, it is excluded from the major shareholders above.

8. Matters Regarding Procedures under the Corporate Code of Conduct

The number of the Company's shares of common stock to be allotted to Yamaha Motor through the Third Party Allotment Capital Increase is 26,178,100 shares (261,781 voting rights), which corresponds to 130.58% of the Company's total number of issued shares of common stock of 20,047,500 shares as of September 30, 2018 (144.11% of the total number of voting rights of 181,657) and therefore the Company's shares of common stock will be diluted by 25% or more. If the Third Party Allotment Capital Increase is completed, Yamaha Motor, which is the Planned Allottee, will account for 59.03% of the Company's voting rights. This means that Yamaha Motor will be the controlling shareholder (parent company) of the Company. Since the Third Party Allotment Capital Increase involves the change of the controlling shareholder, the Company is required to obtain an opinion from a third party independent of the Company and its management or to confirm shareholders' intentions pursuant to the provisions of Rule 432 of the Securities Listing Regulations prescribed by the Tokyo Stock Exchange. Accordingly, the Company decided to confirm intentions of all shareholders regarding the Third Party Allotment Capital Increase at the Extraordinary General Meeting of Shareholders. Since Yamaha Motor is a special subscriber defined in Article 206-2, Paragraph 1 of the Companies Act in the Third Party Allotment Capital Increase, in the event that a shareholder holding one-tenth or more of the voting rights of all shareholders makes a notice of opposition regarding subscription for the shares by the special subscriber, the Company is required to obtain approval at a General Meeting of Shareholders (Article 206-2, Paragraph 4 of the Companies Act). In light of the importance of the third Party Allotment Capital Increase, the Company has submitted a proposal regarding the Third Party Allotment Capital Increase to the Extraordinary General Meeting of Shareholders, considering that the approval should be obtained from all shareholders, regardless of existence of a notice of opposition.

Proposal 2 Approval of Incorporation-type Company Split Plan

The Company resolved at the Board of Directors meeting held on February 12, 2019 to transition to a joint holding company structure with Apic Yamada through the incorporation-type company split scheduled to become effective on July 1, 2019. The Company Split is implemented as a part of a series of transactions for the business integration of the Company, Yamaha Motor and Apic Yamada. The Company will transfer its current businesses relating to research, development, designing, manufacturing, sales, and maintenance services of semiconductor manufacturing equipment and electronic precision equipment, which applies semiconductor manufacturing technology, to a new business company to be established (hereinafter the “New Company” in this Proposal) by separating these businesses and passing them on to the New Company. As a result, the Company will continue to be listed, taking charge of a group strategy function and a controlling function over each business company as a holding company of each subsidiary.

Accordingly, based on the purpose for this transition to a joint holding company, the Company requests shareholders’ approval of the incorporation-type company split plan relating to the Company Split. The reason for implementing the Company Split, details of the incorporation-type company split plan, and other matters relating to this Proposal are as follows.

Further, the resolution of this Proposal will become effective on the condition that Proposal 1 “Issuance of Shares for Subscription through the Third Party Allotment” is approved as proposed, that the payment based on issuance of shares for subscription through the third party allotment has been conducted in accordance with Proposal 1, and that the Tender Offer is completed.

1. Reason for Implementing the Company Split

The Company, Yamaha Motor, and Apic Yamada made a resolution at the Board of Directors meeting of each company held on February 12, 2019 that Yamaha Motor will make the Company a subsidiary through a third-party allotment capital increase, that the Company will make Apic Yamada a wholly-owned subsidiary through a tender offer and subsequent procedures, and that the three companies implement the Business Integration where the Company and Apic Yamada will transition to a joint holding company structure through the Company Split of the Company, and concluded the Business Integration Agreement. The Company Split is implemented as a part of a series of transactions for the Business Integration. The purpose of the Business Integration is as described in “2. Purpose and Reason of the Third Party Allotment Capital Increase” of Proposal 1 “Issuance of Shares for Subscription through the Third Party Allotment.”

2. Outline of the Incorporation-type Company Split Plan

The details of the incorporation-type company split plan relating to the Company Split are as follows.

Incorporation-type Company Split Plan (Copy)

SHINKAWA LTD. (scheduled to change its trade name to “Yamaha Motor Robotics Holdings Co., Ltd.” as of July 1, 2019; hereinafter “Current Shinkawa”) will prepare the incorporation-type company split plan (hereinafter the “Split Plan”) as described below with respect to the incorporation-type company split (hereinafter the “Split”) through which new “SHINKAWA LTD.” (hereinafter “New Shinkawa”) will be established and Current Shinkawa will transfer its businesses relating to research, development, designing, manufacturing, sales, and maintenance services of semiconductor manufacturing equipment and electronic precision equipment, which applies semiconductor manufacturing technology (hereinafter the “Businesses”), as well as assets, obligations, employment agreements, and other rights and duties relating to these businesses.

Article 1 (Matters to Be Included in the Articles of Incorporation of New Shinkawa)

The purpose, trade name, location of the head office, the total number of authorized shares, and other matters to be prescribed in the Articles of Incorporation of New Shinkawa shall be as described in the “Articles of Incorporation” set forth in Appendix 1. The specific location of the head office of New Shinkawa shall be 2-51-1, Inadaira, Musashimurayama-shi, Tokyo.

Article 2 (Names of Directors at Incorporation and Audit & Supervisory Board Members at Incorporation of New Shinkawa)

Directors at incorporation and an Audit & Supervisory Board Members at incorporation of New Shinkawa shall be as follows.

(Directors at incorporation) Takashi Nagano, Osamu Ishioka, Takumi Sakuma, Atsuhiko Nagashima
(Audit & Supervisory Board Members at incorporation) Hiroshi Ito

Article 3 (Assets, Obligations, Employment Agreements, and Other Rights and Duties to Be Transferred)

- (1) On the split day prescribed in Article 6, New Shinkawa will succeed to assets, obligations, employment agreements, and other rights and duties listed in Appendix 2 “Particulars of Rights and Duties Transferred” (hereinafter collectively the “Transferred Assets, etc.”) from Current Shinkawa with the balance sheet and other accounts of Current Shinkawa as of March 31, 2019 as bases, confirmed by adding/deducting the amount of their increases/decreases for the period until the day prior the split day prescribed in Article 6.
- (2) After the Split, Current Shinkawa will transfer all obligations transferred to New Shinkawa by the method of noncumulative taking of obligation and will not responsible for these obligations after the Split.

Article 4 (Acquisition of all Shares of Common Stock by New Shinkawa)

New Shinkawa will issue 10,000 shares of common stock upon incorporation of New Shinkawa, all of which will be allotted to Current Shinkawa as a consideration for all of the Transferred Assets, etc.

Article 5 (Amount of Capital and Reserves of the Company Newly Established by Company Split)

The amount of capital, capital surplus, and retained earnings of New Shinkawa upon its incorporation shall be as follows.

- | | |
|-----------------------|---|
| (1) Capital | 100,000,000 yen |
| (2) Capital surplus | Amount of changes in shareholder equity, etc., prescribed in Article 49, Paragraph 1 of the Regulation on Corporate Accounting from which the amount of capital prescribed in (1) above is deducted |
| (3) Retained earnings | 0 yen |

Article 6 (Date of Formation of New Shinkawa)

The date on which incorporation of New Shinkawa is registered (hereinafter the “Split Day” in the Split Plan) shall be July 1, 2019; provided, however, that if required by progress of procedures of the Split or other circumstances, this may be changed after approval by a resolution of the Board of Directors of Current Shinkawa is obtained.

Article 7 (Non-existence of Non-compete Obligation)

Even after the Split Day of the Split, Current Shinkawa shall not bear any non-compete obligation regarding the businesses transferred to New Shinkawa regardless of laws and regulations (including but not limited to Article 21 of the Companies Act).

Article 8 (Approval of the Plan)

Current Shinkawa shall hold its General Meeting of Shareholders to be held by April 26, 2019 and request approval regarding matters necessary for the Split; provided, however, that if required by progress of procedures of the Split or other circumstances, this may be changed after approval by a resolution of the Board of Directors of Current Shinkawa is obtained.

Article 9 (Change of Conditions)

Current Shinkawa may change the Split Plan or suspend the Split, if Current Shinkawa has a material change in its financial position or business conditions or there occurs an event that causes a significant problem for implementation of the Split between the date of the Split Plan preparation and the Split Day.

Article 10 (Others)

Current Shinkawa shall decide on matters necessary for the Split, in addition to those prescribed in the Split Plan, in accordance with the purpose of the Split.

March 25, 2019

2-51-1, Inadaira, Musashimurayama-shi, Tokyo
(Current Shinkawa) SHINKAWA LTD.
Takashi Nagano (seal)
President and CEO, Representative Director

Appendix 1

Articles of Incorporation of SHINKAWA LTD.

CHAPTER I GENERAL PROVISIONS

(Trade Name)

Article 1 The name of the company shall be “*Kabushiki Gaisha Shinkawa*” and “SHINKAWA LTD.” in English.

(Purpose)

Article 2 The purpose of the company shall be to engage in the following businesses:

- (1) Manufacturing and sales of industrial robots, production line systems, and their parts and attachments
- (2) Manufacturing and sales of electric machinery and instruments, telecommunication machinery and instruments, applied electronic machinery and instruments, and their parts and attachments
- (3) Manufacturing and sales of transportation machinery and instruments, precision and optical machinery and instruments, and their parts and attachments
- (4) Development and sales of software and its related systems
- (5) Repair and maintenance services relating to products listed in preceding items
- (6) Businesses relating to information communication, information processing, and information provision services
- (7) General leasing business and rental business
- (8) Consulting, engineering, development of technologies and knowhow, provision, and sales of businesses listed in preceding items
- (9) All businesses incidental or related to the preceding items

(Location of Head Office)

Article 3 The company shall locate its head office in Musashimurayama-shi, Tokyo.

(Organs)

Article 4 The Company shall have the following organs in addition to the General Meeting of Shareholders and Directors:

- (1) Board of Directors;
- (2) Audit & Supervisory Board Members; and
- (3) Accounting Auditor

(Method of Public Notice)

Article 5 Public notices of the company shall be electronic public notices

2. However, if the company is unable to issue an electronic public notice due to an accident or any other unavoidable reason, a public notice of the company shall be issued in the *Nihon Keizai Shimbun* newspaper.

CHAPTER II SHARES

(Total Number of Shares Authorized to Be Issued)

Article 6 The total number of shares authorized to be issued by the company shall be 10,000 shares.

(Transfer Restriction of Shares)

Article 7 Acquisition of shares issued by the company shall require approval from the Board of Directors.

(Request for Sale to Heirs)

Article 8 The company may demand that a person who acquired the company's shares with transfer restriction by general succession, including inheritance and merger, sell such shares to the company.

(Requests for Entry of Information Required to Be Entered in the Shareholder Register)

Article 9 When a person who acquired the Company's shares requests the company to enter or record information required to be entered in the shareholder register on the shareholder register, a person who is entered or recorded in the shareholder register as a shareholder of acquired shares or a stock acquirer together with general successors, including the person's heirs, shall sign or affix the names and seals on the request form designated by the company.

2. Notwithstanding the preceding paragraph, a stock acquirer may individually make a request based on the provision of the preceding paragraph, if applicable to the case prescribed in Article 22, Paragraph 1 of the Regulation for Enforcement of the Companies Act.

(Notification of Address, etc. of Shareholders)

Article 10 The company's shareholders and registered pledgees of shares or their legal agents or representatives shall submit their name, address, and seal impression to the company using the form designated by the company. The same shall apply when any change occurs in matters to be notified.

2. The registered seal based on the preceding paragraph shall be fixed on documents to be submitted to the company.

(Requests for Registration of Pledges and Indication of Trust Properties)

Article 11 In the event that a request for registration, change, or cancellation of pledges of shares issued by the company or indication or cancellation of trust properties is made, the person concerned shall submit the request form designated by the company after signing or affixing the name and seals thereon.

(Record Date)

Article 12 The Company shall determine that shareholders with voting rights who are entered or recorded in the final shareholder register as of December 31 of each year shall be able to exercise their rights at the Ordinary General Meeting of Shareholders of said fiscal year.

2. In addition to the preceding paragraph, if necessary, the record date may be extraordinarily set by a resolution of the Board of Directors with two-week prior notification.

CHAPTER III GENERAL MEETING OF SHAREHOLDERS

(Convocation)

Article 13 An Ordinary General Meeting of Shareholders shall be convened within three months after the end of each fiscal year and an Extraordinary General Meeting of Shareholders shall be convened whenever necessary.

(Convener and Chairman)

Article 14 The President and Director shall convene and chair the General Meeting of Shareholders based on a resolution of the Board of Directors unless otherwise provided by laws and regulations.

2. In the event that the President and Director has an accident, the General Meeting of Shareholders shall be convened and chaired by another Director determined in accordance with an order of priority previously defined by a resolution of the Board of Directors.

(Method of Adopting Resolutions)

Article 15 All resolutions of a General Meeting of Shareholders shall be adopted by a majority of votes of the attending shareholders entitled to exercise voting rights, unless otherwise provided by laws and regulations or the Articles of Incorporation.

2. Resolutions to be adopted pursuant to Article 309, Paragraph 2 of the Companies Act shall be adopted by two-thirds or more of the votes of the attending shareholders who collectively hold one-third or more of the voting rights of shareholders entitled to exercise voting rights.

(Exercise of Voting Rights by Proxy)

Article 16 A shareholder may exercise his/her voting rights by authorizing one (1) other shareholder with voting rights to act as his/her proxy. In this case, his/her proxy shall submit to the company a document evidencing his/her authority of representation for each General Meeting of Shareholders.

(Minutes)

Article 17 The minutes of the General Meeting of Shareholders shall be prepared in accordance with provisions of laws and regulations.

CHAPTER IV DIRECTORS AND BOARD OF DIRECTORS

(Number of Directors)

Article 18 The number of Directors of the company shall not exceed seven.

(Election of Directors)

Article 19 Directors of the company shall be elected upon resolution made by a majority vote of the attending shareholders who collectively hold one-third or more of the voting rights of shareholders entitled to exercise voting rights at the General Meeting of Shareholders.

2. Election of Directors shall not be by cumulative voting.

(Term of Office)

Article 20 The term of office of a Director shall expire at the conclusion of the Ordinary General Meeting of Shareholders held with respect to the last fiscal year ending within one year from his/her election to office.

2. The term of office of a Director elected as a substitute or for the purpose of an increase of the number of Directors shall expire at the time when the terms of office of the other Directors in office expire.

(Directors with Operational Responsibilities and Representative Directors)

Article 21 One President and Director shall be appointed by a resolution of the Board of Directors.

2. If necessary for the business execution, one Chairman of the Board of Directors, one Deputy Chairman of the Board of Directors, several Executive Vice Presidents and Directors, Senior Managing Directors and Managing Directors may be appointed.

3. Representative Directors shall be elected by a resolution of the Board of Directors.

(Compensation, etc.)

Article 22 The amount of compensation, etc., to be granted to Directors shall be determined by a resolution of the General Meeting of Shareholders.

(Board of Directors Rules)

Article 23 Convocation, the chairperson, the method of resolution, and the minutes of the Board of Directors shall comply with the Board of Directors Rules prescribed by the Board of Directors.

2. Other matters regarding the Board of Directors shall comply with the Board of Directors Rules unless otherwise provided by laws and regulations or the Articles of Incorporation.

(Omission of Resolution by the Board of Directors)

Article 24 If all of the Directors agree to matters for resolution of the Board of Directors in writing or by means of electronic records, the company shall deem that the Board of Directors has passed a resolution adopting such matters for resolution, unless an Audit & Supervisory Board Member raises any objection.

(Limited Liability Agreements with Outside Directors, etc.)

Article 25 Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the company may enter into an agreement with each of the Directors (excluding Executive Directors, etc.) to the effect that any liability for damages of such Director arising from negligence in the performance of his/her duties shall be limited; provided, however, the limit of the liability shall be an amount set by laws and regulations.

CHAPTER V AUDIT & SUPERVISORY BOARD MEMBERS

(Number of Audit & Supervisory Board Members)

Article 26 The number of Audit & Supervisory Board Members of the Company shall not exceed four.

(Election of Audit & Supervisory Board Members)

Article 27 Audit & Supervisory Board Members of the company shall be elected upon resolution made by a majority vote of the attending shareholders who collectively hold one-third or more of the voting rights of shareholders entitled to exercise voting rights at the General Meeting of Shareholders.

2. In preparation for a shortage of the number of Audit & Supervisory Board Members stipulated in laws and regulations or the Articles of Incorporation, Substitute Audit & Supervisory Board

Members may be elected at the General Meeting of Shareholders.

3. Provisions of Paragraph 1 shall be applied mutatis mutandis to the quorum in a resolution for electing Substitute Audit & Supervisory Board Members.

(Term of Office)

Article 28 The term of office of an Audit & Supervisory Board Member shall expire at the conclusion of the Ordinary General Meeting of Shareholders held with respect to the last fiscal year ending within four years from his/her election to office.

2. The term of office of an Audit & Supervisory Board Member elected as a substitute for one who retired prior to expiration of his/her term shall expire at the time when the term of office of the retired Audit & Supervisory Board Member expires.
3. If a Substitute Audit & Supervisory Board Member elected in accordance with Paragraph 2 of the preceding article takes office as an Audit & Supervisory Board Member, his/her terms of office shall be the remaining term of office of the predecessor.
4. The effective term of a resolution for electing a Substitute Audit & Supervisory Board Member in the preceding paragraph shall expire at the beginning of the Ordinary General Meeting of Shareholders relating to the last fiscal year ending within four years after such resolution was made, unless the term is shortened by such resolution.

(Compensation, etc.)

Article 29 The amount of compensation, etc., to be granted to Audit & Supervisory Board Members shall be determined by a resolution of the General Meeting of Shareholders.

(Limited Liability Agreements with Audit & Supervisory Board Members)

Article 30 Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with each of the Audit & Supervisory Board Members to the effect that any liability for damages of such Audit & Supervisory Board Member arising from negligence in the performance of his/her duties shall be limited; provided, however, the limit of the liability shall be an amount set by laws and regulations.

CHAPTER VI ACCOUNTS

(Fiscal Year)

Article 31 The fiscal year of the company shall commence on January 1 and end on December 31 of each year.

(Year-end Dividends)

Article 32 The company may distribute retained earnings in the form of cash dividends (hereinafter “Year-end Dividends”) to the shareholders, registered pledgees of shares, or trustees of trust properties entered or recorded in the final shareholder register as of December 31 of each year, by a resolution of the General Meeting of Shareholders.

(Interim Dividends)

Article 33 The Company may distribute retained earnings as prescribed in Article 454, Paragraph 5 of the Companies Act (hereinafter “Interim Dividends”) to the shareholders, registered pledgees of shares, or trustees of trust properties entered or recorded in the final shareholder register as of June 30 of each year, by a resolution of the Board of Directors.

(Statute of Limitations for Dividends)

Article 34 If Year-end Dividends and Interim Dividends are not claimed within three years from the date of commencement of payment thereof, the company shall be relieved of the obligation to make such payment.

CHAPTER VII SUPPLEMENTARY PROVISIONS

(First Fiscal Year)

Article 35 The first fiscal year of the company shall be from the date of its formation to December 31, 2019.

Appendix 2

Particulars of Rights and Duties Transferred

Details of the rights and duties to be transferred to New Shinkawa from Current Shinkawa through the Split are the following rights and duties belonging to the Businesses as of the date of formation of New Shinkawa; provided, however, rights and duties listed in “4. Assets and Other Rights and Duties Excluded from Rights and Duties to Be Transferred” in this Appendix shall be excluded.

Out of these rights and duties, assets and liabilities shall be fixed with the Balance Sheet and other accounts as of March 31, 2019 as bases, confirmed by adding/deducting the amount of their increases/decreases for the period until the day before the date of formation of New Shinkawa.

1. Assets to Be Transferred

(1) Current assets

Cash, current deposits, notes receivable - trade, electronically recorded monetary claims, accounts receivable - trade, Merchandise and finished goods, semi-finished goods, supplies, work in process, raw materials, consumption taxes receivable, other current assets, and allowance for doubtful accounts (However, those relating to Current Shinkawa's group company management business and asset management business are excluded.)

(2) Non-current assets

Machinery and equipment, vehicles, tools, furniture and fixtures, computers, construction in progress, software, shares of the Shinkawa Technologies Ltd., long-term loans receivable to employees, and other non-current assets (However, those relating to Current Shinkawa's group company management business and asset management business are excluded.)

2. Liabilities to Be Transferred

(1) Current liabilities

Accounts payable - trade, accounts payable - other, accrued expenses, deposits received, provision for product warranties, provision for bonuses, advances received, unearned revenue, and other current liabilities (However, those relating to Current Shinkawa's group company management business and asset management business are excluded.)

(2) Non-current liabilities

Provision for retirement benefits and long-term accounts payable - other, and other non-current liabilities (However, those relating to Current Shinkawa's group company management business and asset management business are excluded.)

3. Other Rights and Duties to Be Transferred

(1) Contractual status under employment agreements with employees of Current Shinkawa who engage mainly in the Businesses and all the rights and duties generated based on these status

The Company shall transfer all the rights and duties based on employment agreements concluded between the company and its employees to the New Company on the Split Day, after which employees necessary for the Company shall be secured from the New Company. The length of service in the Company shall be aggregated with that in the New Company.

(2) All contractual statuses under rental contracts, sales contracts, basic transaction contracts, outsourcing contracts, lease contracts, loan contracts, and all other contracts that Current Shinkawa has concluded relating to the Businesses as of the Split Day, as well as all the rights and duties generated based on these statuses (However, those relating to Current Shinkawa's group company management business and asset management business - including but not limited to contractual status under insurance contracts purchased commonly among the group companies and contracts relating to the IT infrastructure commonly used by the group companies- are excluded.)

(3) All intellectual property rights regarding patents, utility models, designs, trade names, and production of Current Shinkawa that belong to the Businesses as of the Split Day

(4) Licenses, permissions, authorizations, approvals, notifications, registration, etc., belonging to the Businesses as of the Split Day that are allowed to be transferred in accordance with laws and regulations

4. Assets and Other Rights and Duties Excluded from Rights and Duties to Be Transferred

(1) Assets and liabilities to be excluded

- (i) Current deposits generated by payment of the third party allotment capital increase with Yamaha Motor as an allottee
- (ii) Ordinary deposits, time deposits, foreign currency deposits, long-term time deposits, and insurance funds
- (iii) Land, buildings, and building facilities

- (iv) Shares of subsidiaries (excluding those of Shinkawa Technologies Ltd.), shares of associates, and investment securities
 - (v) Lease deposits and other guarantee deposits
 - (vi) Short- and long-term loans receivable and accrued interest
 - (vii) Income taxes payable
- (2) Rights and duties to be excluded
- (i) Rental contracts relating to the office building
 - (ii) Loan contracts and overdraft agreements concluded with financial institutions
 - (iii) Contracts relating to assets and liabilities not transferred as listed in (1) above

3. Outline of Content Prescribed in Article 205 of the Regulation for Enforcement of the Companies Act

(1) Matters relating to reasonableness of items listed in Article 763, Paragraph 1, Item vi of the Companies Act

(i) Matters relating to reasonableness of the shares of the New Company to be issued by the New Company upon the Company Split

The New Company will issue 10,000 shares of common stock upon the Company Split, all of which will be allotted to the Company.

Since the Company Split falls under an independent incorporation-type company split, the number of shares allotted does not cause any difference in actual relationship of rights between the Company and the New Company, and therefore the Company may set the number at its discretion. In light of the purpose of the Company's transition to a holding company structure, the Company has set the number of shares allotted as stated above because the Company has considered the number reasonable from the perspectives of the appropriate and efficient management of the New Company to be wholly owned by the Company and the capital amount of New Company, among other factors.

(ii) Matters relating to reasonableness of amounts of capital and reserves of the New Company

The Company determined that amounts of capital and reserves of the New Company will be as described in Article 5 of the Incorporation-type Company Split Plan in accordance with the Regulation on Corporate Accounting, from the viewpoint of realizing expeditious and flexible capital policies in consideration of assets, etc., to be transferred to the New Company and conditions of its future business activities.

The Company determines that these amounts of capital and reserves are reasonable.

(2) Matters relating to disposal of important property, etc., arising after the end of the last fiscal year of the Company

Not applicable.

Proposal 3 Partial Amendment to the Articles of Incorporation (1)

The Company will transition to a holding company structure on the effective date of July 1, 2019, conditional on approval at the Extraordinary General Meeting of Shareholders as described in Proposal 2 “Approval of Incorporation-type Company Split Plan.” Prior to this transition, the Company intends to transition to a company with the Audit & Supervisory Committee to further enhance the control function of the Board of Directors, speed up its decision making, and become more agile as well as to realize more effective corporate governance. Furthermore, if Proposal 1 “Issuance of Shares for Subscription through the Third Party Allotment” is approved as proposed and the third party allotment capital increase is implemented with Yamaha Motor as an allottee, Yamaha Motor will become the Company’s parent company. In this regard, the Company intends to change its fiscal year to the period from January 1 to December 31 of each year. This change is aimed at unifying the accounting period with that of Yamaha Motor, which will be the parent company, to streamline accounting operations, business plan preparation, business performance management, and other operations. Accordingly, the Company proposes to amend the current Articles of Incorporation.

The amendment to the Articles of Incorporation shall become effective on the condition that (i) payment by Yamaha Motor for the Third Party Allotment Capital Increase is implemented and (ii) the Company’s Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2019, scheduled to be held on June 27, 2019, has concluded.

1. Reasons for Proposal

The main reasons for making this amendment to the Articles of Incorporation are as follows.

- (1) Following the transition to a company with the Audit & Supervisory Committee, new regulations relating to the Audit & Supervisory Committee Members and the Audit & Supervisory Committee will be established and regulations relating to the Audit & Supervisory Board and the Audit & Supervisory Board Member will be abolished.
- (2) The number of Directors (excluding Directors who are Audit & Supervisory Committee Members) and the number of Directors who are Audit & Supervisory Committee Members will be changed to not more than 15 and 7, respectively, to further the future business development, strengthen the management base, and improve the internal control structure.
- (3) Following a change in the accounting period (the end date of the fiscal year), the record date for the Ordinary General Meeting of Shareholders will be changed to December 31 of each year, the record date for the year-end dividends will be changed to December 31 of each year, and the record date for the interim dividends will be changed to June 30 of each year. Additionally, Supplementary Provisions will be established as a provisional measure in response to the change in the fiscal year.
- (4) Changes in the articles’ numbers associated with adding, revising, and abolishing new articles, along with other necessary changes, will be made as stated above. The Audit & Supervisory Board Members have given their consent to the partial amendment to Article 27 of the current Articles of Incorporation, which prescribes that a limited liability agreement may be concluded with Directors who do not execute business.

2. Details of Amendment

Details of the amendment are as follows. Articles without any change from the current Articles of Incorporation are omitted.

(Amended sections are underlined)

Current Articles of Incorporation	Proposed Amendments
Article 4 (Organs) The Company shall have the following organs in addition to General Meeting of Shareholders and Directors: (1) Board of Directors; (2) <u>Audit & Supervisory Board Members;</u> (3) <u>Audit & Supervisory Board; and</u> (4) Accounting Auditor	Article 4 (Organs) The Company shall have the following organs in addition to General Meeting of Shareholders and Directors: (1) Board of Directors; (2) <u>Audit & Supervisory Committee;</u> <u>and</u> <Deleted> (3) Accounting Auditor

Current Articles of Incorporation	Proposed Amendments
<p>Article 13 (Record date) The Company shall determine that shareholders with voting rights who are entered or recorded in the final shareholder register as of <u>March 31</u> of each year shall be able to exercise their rights at the Ordinary General Meeting of Shareholders of said fiscal year.</p>	<p>Article 13 (Record date) The Company shall determine that shareholders with voting rights who are entered or recorded in the final shareholder register as of <u>December 31</u> of each year shall be able to exercise their rights at the Ordinary General Meeting of Shareholders of said fiscal year.</p>
<p>Article 20 (Number of Directors) The number of Directors of the Company shall not exceed <u>seven</u>.</p> <p style="text-align: center;"><Newly established></p>	<p>Article 20 (Number of Directors) The number of Directors of the Company (<u>excluding Directors who are Audit & Supervisory Committee Members</u>) shall not exceed <u>fifteen</u>.</p> <p>2. <u>The number of Directors who are Audit & Supervisory Committee Members of the Company shall not exceed seven.</u></p>
<p>Article 21 (Election of Directors) Directors of the Company shall be elected upon resolution made by a majority vote of the attending shareholders who collectively hold one-third or more of the voting rights of shareholders entitled to exercise voting rights at the General Meeting of Shareholders.</p> <p style="text-align: center;"><Newly established></p>	<p>Article 21 (Election of Directors) Directors of the Company, <u>which separately comprise Directors who are Audit & Supervisory Committee Members and other Directors</u>, shall be elected upon resolution made by a majority vote of the attending shareholders who collectively hold one-third or more of the voting rights of shareholders entitled to exercise voting rights at the General Meeting of Shareholders.</p> <p>2. <u>In preparation for a shortage of the number of Directors who are Audit & Supervisory Committee Members stipulated in laws and regulations or the Articles of Incorporation, Substitute Directors who are Audit & Supervisory Committee Members may be elected at the General Meeting of Shareholders.</u></p>
<p>Article 22 (Term of Office) The term of office of a Director shall expire at the conclusion of the Ordinary General Meeting of Shareholders held with respect to the last fiscal year ending within <u>two years</u> from his/her election to office.</p>	<p>Article 22 (Term of Office) The term of office of a Director (<u>excluding Directors who are Audit & Supervisory Committee Members</u>) shall expire upon conclusion of the Ordinary General Meeting of Shareholders held with respect to the last fiscal year ending within <u>one year</u> from his/her election to office.</p>

Current Articles of Incorporation	Proposed Amendments
<p style="text-align: center;"><Newly established></p> <p>2. The term of office of a Director who is elected as a substitute <u>or for the purpose of an increase of the number</u> shall expire at the time when the terms of office of the <u>other Directors in office</u> expire.</p> <p style="text-align: center;"><Newly established></p>	<p>2. <u>The term of office of a Director who is an Audit & Supervisory Committee Member shall expire at the conclusion of the Ordinary General Meeting of Shareholders held with respect to the last fiscal year ending within two years from his/her election to office.</u></p> <p>3. <u>The term of office of a Director who is an Audit & Supervisory Committee Member elected as a substitute for one who retired prior to expiration of his/her term shall expire at the time when the term of office of the retired Director who is an Audit & Supervisory Committee Member expires.</u></p> <p>4. <u>The effectiveness of preliminary election of a Substitute Director who is an Audit & Supervisory Committee Member stated in Paragraph 2 of the preceding article shall expire at the beginning of the Ordinary General Meeting of Shareholders relating to the last fiscal year ending within two years from his/her election.</u></p>
<p>Article 23 (Directors with Operational Responsibilities and Representative Directors) One President and Director shall be <u>appointed</u> by a resolution of the Board of Directors.</p> <p>2. If necessary for the business execution, one Chairman of the Board of Directors, one Deputy Chairman of the Board of Directors, several Executive Vice Presidents and Directors, Senior Managing Directors and Managing Directors may be <u>appointed</u>.</p> <p>3. Representative Directors shall be elected by a resolution of the Board of Directors.</p>	<p>Article 23 (Directors with Operational Responsibilities and Representative Directors) One President and Director shall be <u>elected from Directors (excluding Directors who are Audit & Supervisory Committee Members)</u> by a resolution of the Board of Directors.</p> <p>2. If necessary for the business execution, one Chairman of the Board of Directors, one Deputy Chairman of the Board of Directors, several Executive Vice Presidents and Directors, Senior Managing Directors and Managing Directors may be <u>elected from Directors (excluding Directors who are Audit & Supervisory Committee Members) by a resolution of the Board of Directors.</u></p> <p>3. Representative Directors shall be elected <u>from Directors (excluding Directors who are Audit & Supervisory Committee Members)</u> by a resolution of the Board of Directors.</p>

Current Articles of Incorporation	Proposed Amendments
<p>Article 24 (Compensation, etc.) The amount of <u>compensation, etc.</u>, to be granted to Directors shall be determined by a resolution of the General Meeting of Shareholders.</p> <p>Article 26 (Omission of Resolution by the Board of Directors) If all of the Directors agree to matters for resolution of the Board of Directors in writing or by means of electronic records, the Company shall deem that the Board of Directors has passed a resolution adopting such matters for resolution, <u>unless the Audit & Supervisory Board raises any objection.</u></p> <p style="text-align: center;"><Newly established></p> <p>Article 27 (Limited Liability Agreements with Outside Directors, etc.) Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with each of the Directors (<u>excluding Executive Directors, etc.</u>) to the effect that any liability for damages of such Director arising from negligence in the performance of his/her duties shall be limited; provided, however, the limit of the liability shall be an amount set by laws and regulations.</p>	<p>Article 24 (Compensation, etc.) The amount of <u>compensation, bonuses and any other proprietary benefits</u> to be granted to Directors <u>by the Company in consideration of their performance of duty</u> (hereinafter the “<u>Compensation, etc.</u>”) shall be determined <u>for Directors who are Audit & Supervisory Committee Members and other Directors respectively</u>, by a resolution of the General Meeting of Shareholders.</p> <p>Article 26 (Omission of Resolution by the Board of Directors) If all of the Directors (<u>that are entitled to participate in votes</u>) agree to matters for resolution of the Board of Directors in writing or by means of electronic records, the Company shall deem that the Board of Directors has passed a resolution adopting such matters for resolution.</p> <p><u>Article 27 (Delegation of Decisions on the Important Business Execution)</u> <u>In accordance with the provisions of Article 399-13, Paragraph 6 of the Companies Act, the Company may, by a resolution of the Board of Directors, delegate to a Director all or part of a decision on the execution of important business (excluding matters set forth in Paragraph 5 of the same article).</u></p> <p>Article 28 (Limited Liability Agreements with Outside Directors, etc.) Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with each of the Directors (<u>excluding those are Executive Directors, etc., prescribed in Article 2, Item 15-a of the Companies Act</u>) to the effect that any liability for damages of such Director arising from negligence in the performance of his/her duties shall be limited; provided, however, the limit of the liability shall be an amount set by laws and regulations.</p>

Current Articles of Incorporation	Proposed Amendments
<u>CHAPTER V AUDIT & SUPERVISORY BOARD MEMBERS AND AUDIT & SUPERVISORY BOARD</u>	<Deleted>
<u>Article 28 (Number of Audit & Supervisory Board Members)</u> <u>The number of Audit & Supervisory Board Members of the Company shall not exceed four (4).</u>	<Deleted>
<u>Article 29 (Election of Audit & Supervisory Board Members)</u> <u>Audit & Supervisory Board Members of the Company shall be elected upon resolution made by a majority vote of the attending shareholders who collectively hold one-third or more of the voting rights of shareholders entitled to exercise voting rights at the General Meeting of Shareholders.</u>	<Deleted>
<u>2. In preparation for a shortage of the number of Audit & Supervisory Board Members stipulated in laws and regulations or the Articles of Incorporation, Substitute Audit & Supervisory Board Members may be elected at the General Meeting of Shareholders.</u>	<Deleted>
<u>3. The provision of Paragraph 1 shall be applied mutatis mutandis to the quorum of a resolution for electing Substitute Audit & Supervisory Board Members.</u>	<Deleted>
<u>Article 30 (Term of Office)</u> <u>The term of office of an Audit & Supervisory Board Member shall expire at the conclusion of the Ordinary General Meeting of Shareholders held with respect to the last fiscal year ending within four years from his/her election to office.</u>	<Deleted>
<u>2. The term of office of an Audit & Supervisory Board Member elected as a substitute for one who retired prior to expiration of his/her term shall expire at the time when the term of office of the retired Audit & Supervisory Board Member expires.</u>	<Deleted>

Current Articles of Incorporation	Proposed Amendments
<p><u>3. If a Substitute Audit & Supervisory Board Member elected in accordance with Paragraph 2 of the preceding article takes office as an Audit & Supervisory Board Member, his/her term of office shall be the remaining term of office of the predecessor.</u></p> <p><u>4. The effective term of a resolution for electing a Substitute Audit & Supervisory Board Member in the preceding paragraph shall expire at the beginning of the Ordinary General Meeting of Shareholders relating to the last fiscal year ending within four years after such resolution was made, unless the term is shortened by such resolution.</u></p>	<p><Deleted></p> <p><Deleted></p>
<p><u>Article 31 (Full-Time Audit & Supervisory Board Members)</u> <u>The Audit & Supervisory Board shall elect by its resolution one or more full-time Audit & Supervisory Board Members from Audit & Supervisory Board Members.</u></p>	<p><Deleted></p>
<p><u>Article 32 (Compensation, etc.)</u> <u>The amount of compensation, etc., to be granted to Audit & Supervisory Board Members shall be determined by a resolution of the General Meeting of Shareholders.</u></p>	<p><Deleted></p>
<p><u>Article 33 (Audit & Supervisory Board Rules)</u> <u>Convocation, the chairperson, the method of resolution, and the minutes of the Audit & Supervisory Board shall comply with the Audit & Supervisory Board Rules prescribed by the Audit & Supervisory Board.</u></p> <p><u>2. Other matters regarding the Audit & Supervisory Board shall comply with the Audit & Supervisory Board Rules unless otherwise provided by laws and regulations or the Articles of Incorporation.</u></p>	<p><Deleted></p> <p><Deleted></p>

Current Articles of Incorporation	Proposed Amendments
<p><u>Article 34 (Limited Liability Agreements with Audit & Supervisory Board Members)</u> <u>Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with each of the Audit & Supervisory Board Members to the effect that any liability for damages of such Audit & Supervisory Board Member arising from negligence in the performance of his/her duties shall be limited; provided, however, the limit of the liability shall be an amount set by laws and regulations.</u></p> <p><Newly established></p> <p><Newly established></p> <p><Newly established></p> <p><Newly established></p> <p><Newly established></p> <p><Newly established></p>	<p><Deleted></p> <p><u>CHAPTER V AUDIT & SUPERVISORY COMMITTEE</u></p> <p><u>Article 29 (Notice of Convocation of Audit & Supervisory Committee)</u> <u>Notice of convocation of the Audit & Supervisory Committee shall be sent to each Audit & Supervisory Committee Member at least three days prior to the meeting; provided, however, that such period may be shortened in the event of urgency.</u></p> <p><u>2. When the consent of all Audit & Supervisory Committee Members is obtained, a meeting of the Audit & Supervisory Committee may be convened without following the procedures for convening a meeting.</u></p> <p><u>Article 30 (Audit & Supervisory Committee Rules)</u> <u>The matters concerning the Audit & Supervisory Committee shall be governed by the Audit & Supervisory Committee Rules stipulated by a resolution of the Audit & Supervisory Committee, in addition to laws and regulations or these Articles of Incorporation.</u></p> <p><u>CHAPTER VI ACCOUNTING AUDITOR</u></p> <p><u>Article 31 (Selection of Accounting Auditor)</u> <u>The Accounting Auditor shall be elected by a resolution of the General Meeting of Shareholders.</u></p>

Current Articles of Incorporation	Proposed Amendments
<Newly established>	<u>Article 32 (Term of Office of Accounting Auditor)</u>
<Newly established>	<u>The term of office of an Accounting Auditor shall expire at the conclusion of the Ordinary General Meeting of Shareholders held with respect to the last fiscal year ending within one year from his/her election to office.</u>
<Newly established>	<u>2. Unless otherwise resolved at the Ordinary General Meeting of Shareholders in the preceding paragraph, the Accounting Auditor shall be deemed to be re-elected at the said Ordinary General Meeting of Shareholders.</u>
<Newly established>	<u>Article 33 (Compensation for Accounting Auditor)</u> <u>The amount of compensation, etc., to be granted to the Accounting Auditor shall be determined by the Representative Director, who obtains consent of the Audit & Supervisory Committee.</u>
<u>CHAPTER VI ACCOUNTS</u>	<u>CHAPTER VII ACCOUNTS</u>
<u>Article 35 (Fiscal Year)</u> The fiscal year of the Company shall commence on <u>April 1</u> of each year and shall end on <u>March 31</u> of the following year.	<u>Article 34 (Fiscal Year)</u> The fiscal year of the Company shall commence on <u>January 1</u> and shall end on <u>December 31</u> of each year.
<u>Article 36 (Year-end Dividends)</u> The Company may distribute retained earnings in the form of cash dividends (hereinafter “Year-end Dividends”) to the shareholders, registered pledgees of shares, or trustees of trust properties entered or recorded in the final shareholder register as of <u>March 31</u> of each year, by a resolution of the General Meeting of Shareholders.	<u>Article 35 (Year-end Dividends)</u> The Company may distribute retained earnings in the form of cash dividends (hereinafter “Year-end Dividends”) to the shareholders, registered pledgees of shares, or trustees of trust properties entered or recorded in the final shareholder register as of <u>December 31</u> of each year, by a resolution of the General Meeting of Shareholders.

Current Articles of Incorporation	Proposed Amendments
<p>Article <u>37</u> (Interim Dividends) The Company may distribute retained earnings as prescribed in Article 454, Paragraph 5 of the Companies Act (hereinafter “Interim Dividends”) to the shareholders, registered pledgees of shares, or trustees of trust properties entered or recorded in the final shareholder register as of <u>September 30</u> of each year, by a resolution of the Board of Directors.</p> <p>Article <u>38</u> (Statute of Limitations for Dividends) If Year-end Dividends and Interim Dividends are not claimed within three years from the date of commencement of payment thereof, the Company shall be relieved of the obligation to make such payment.</p> <p style="text-align: center;"><Newly established></p> <p style="text-align: center;"><Newly established></p>	<p>Article <u>36</u> (Interim Dividends) The Company may distribute retained earnings as prescribed in Article 454, Paragraph 5 of the Companies Act (hereinafter “Interim Dividends”) to the shareholders, registered pledgees of shares, or trustees of trust properties entered or recorded in the final shareholder register as of <u>June 30</u> of each year, by a resolution of the Board of Directors.</p> <p>Article <u>37</u> (Statute of Limitations for Dividends) If Year-end Dividends and Interim Dividends are not claimed within three years from the date of commencement of payment thereof, the Company shall be relieved of the obligation to make such payment.</p> <p style="text-align: center;"><u>SUPPLEMENTARY PROVISIONS</u></p> <p>Article <u>1</u> <u>Notwithstanding the provision of Article 34, the 62nd fiscal year shall be a nine-month period from April 1, 2019 through December 31, 2019. This Article shall be deleted at the end of December 31, 2019.</u></p>

Current Articles of Incorporation	Proposed Amendments
<p data-bbox="391 215 635 246"><Newly established></p>	<p data-bbox="742 215 845 246"><u>Article 2</u></p> <p data-bbox="874 215 1284 1176"><u>Exemption from liabilities of Audit & Supervisory Board Members (including those who were Audit & Supervisory Board Members) and the limited liability agreements concluded with Audit & Supervisory Board Members with respect to Article 423, Paragraph 1 of the Companies Act before the conclusion of the Ordinary General Meeting of Shareholders relating to the fiscal year ended on March 31, 2019 shall still comply with the provisions in Article 34 of the former Articles of Incorporation that follow the conclusion of the said Ordinary General Meeting of Shareholders. The same shall apply to exemption from liabilities of Audit & Supervisory Board Members reappointed at the said Ordinary General Meeting of Shareholders and the limited liability agreements newly concluded with Audit & Supervisory Board Members between the conclusion date of the said Ordinary General Meeting of Shareholders and the effective date of these Articles of Incorporation.</u></p>

Proposal 4 Partial Amendment to the Articles of Incorporation (2)

The Company will transition to a holding company structure on the effective date of July 1, 2019, conditional on approval at the Extraordinary General Meeting of Shareholders as described in Proposal 2 “Approval of Incorporation-type Company Split Plan.” Accordingly, the Company proposes to change its trade name and business purpose.

The amendment to the Articles of Incorporation shall become effective on the effective date of the Company Split, on the condition that Proposal 2 “Approval of Incorporation-type Company Split Plan” is approved as proposed and the Company Split becomes effective.

1. Reason for Proposal

Necessary changes and partial additions are made in Article 1 (Trade Name) and Article 2 (Purpose) of the current Articles of Incorporation to change the trade name and business purpose.

2. Details of Amendment

Details of the amendment are as follows. Articles without any change from the current Articles of Incorporation are omitted.

(Amended sections are underlined)

Current Articles of Incorporation	Proposed Amendments
<p>Article 1 (Trade Name)</p> <p>The name of the Company shall be “<u>Kabushiki Gaisha Shinkawa</u>” and “SHINKAWA LTD.” in English.</p>	<p>Article 1 (Trade Name)</p> <p>The name of the Company shall be “<u>Yamaha Mōtā Robotikusu Hōrudingusu Kabushiki Gaisha</u>” and “<u>Yamaha Motor Robotics Holdings Co., Ltd.</u>” in English.</p>
<p>Article 2 (Purpose)</p> <p>The purpose of the Company shall be to engage in the following businesses:</p> <p style="text-align: center;"><Newly established></p> <p>(1) <u>Manufacturing and sales of electronic equipment to which semiconductors and other electronic parts are applied</u></p> <p>(2) <u>Manufacturing and sales of precision equipment to which semiconductors and other electronic parts are applied</u></p> <p>(3) <u>All operations incidental to the preceding items</u></p> <p style="text-align: center;"><Newly established></p>	<p>Article 2 (Purpose)</p> <p>The purpose of the Company shall be to engage in the following businesses:</p> <p>1. <u>To conduct management control and operations incidental thereto of companies operating in the following businesses and foreign companies operating in the businesses corresponding to the following, by holding shares or equities in such companies</u></p> <p>(1) <u>Manufacturing and sales of industrial robots, production line systems, and their parts and attachments</u></p> <p>(2) <u>Manufacturing and sales of electric machinery and instruments, telecommunication machinery and instruments, applied electronic machinery and instruments, and their parts and attachments</u></p> <p>(3) <u>Manufacturing and sales of transportation machinery and instruments, precision and optical machinery and instruments, and their parts and attachments</u></p> <p>(4) <u>Development and sales of software and its related systems</u></p>

Current Articles of Incorporation	Proposed Amendments
<Newly established>	(5) <u>Repair and maintenance services relating to products listed in preceding items</u>
<Newly established>	(6) <u>Businesses relating to information communication, information processing, and information provision services</u>
<Newly established>	(7) <u>General leasing business and rental business</u>
<Newly established>	(8) <u>Consulting, engineering, development of technologies and knowhow, provision, and sales of businesses listed in preceding items</u>
<Newly established>	(9) <u>All businesses incidental or related to the preceding items</u>
<Newly established>	2. <u>Commissioned research, development, and investigation regarding each item in the preceding paragraph</u>
<Newly established>	3. <u>Acquisition, maintenance, management, licensing, and transfer of intellectual property rights</u>
<Newly established>	4. <u>The Company may conduct all operations incidental or relating to each item in Paragraph 1 and each preceding item.</u>

Proposal 5**Election of Six (6) Directors (Excluding Directors who are Audit & Supervisory Committee Members)**

If Proposal 3 “Partial Amendment to the Articles of Incorporation (1)” is approved and passed as proposed, the Company will transition to a company with an audit & supervisory committee. The term of office of all five (5) Directors of the Company will expire on the effective date for the amendments to the Articles of Incorporation.

Accordingly, it is proposed to elect six (6) Directors (excluding Directors who are Audit & Supervisory Committee Members; the same applies in this proposal hereafter), with the aim of further strengthening the management structure of the Company by increasing the number of Directors by one (1). The resolution of this proposal shall only take effect on the condition that the amendments to the Articles of Incorporation in Proposal 3 “Partial Amendment to the Articles of Incorporation (1)” become effective.

The candidates for Directors are as follows.

The size of the Board of Directors and the selection of candidates for Directors have been determined after consultation with the Nomination Advisory Committee, which has a majority of Outside Directors (Chairperson: Outside Director), based on the premise that the Board of Directors must consist of Directors who possess the professional knowledge and experience, etc., necessary to contribute to enhancing the corporate value of the Company Group and that the number of Directors must be optimal at this point.



Number of Shares of the
Company Held
- shares

Candidate

No.

1

Toshizumi Kato (Date of birth: March 24, 1958)

New
Candidate

Past experience, positions, responsibilities and significant concurrent positions

June 1986 Joined Yamaha Motor Co., Ltd.
January 2011 Director and President, Yamaha Motor Corporation, U.S.A.
March 2012 Senior Executive Officer, Yamaha Motor Co., Ltd.
March 2014 Senior Executive Officer and Director, Yamaha Motor Co., Ltd.
January 2016 Senior Executive Officer and Director, Chief General Manager of Vehicle & Solution Business Operations, Yamaha Motor Co., Ltd.
March 2016 Managing Executive Officer and Director, Chief General Manager of Vehicle & Solution Business Operations, Yamaha Motor Co., Ltd.
January 2018 Managing Executive Officer and Director, Chief General Manager in charge of Solution and Alliance Strategy, Yamaha Motor Co., Ltd. (to present)
(Significant concurrent positions)
Managing Executive Officer and Director, Chief General Manager in charge of Solution and Alliance Strategy, Yamaha Motor Co., Ltd.

Reasons for selecting the candidate for Director

The Company nominated Mr. Toshizumi Kato as a candidate for Director for the following reasons: he has personality traits required of a Director such as high ethics and fairness, and with his experience and business track records as President of IM Company of Yamaha Motor Co., Ltd., Director and President of Yamaha Motor Corporation, U.S.A., Chief General Manager in charge of Solution, Power Products and Alliance Strategy of Yamaha Motor Co., Ltd. and others, he has a high level of ability in corporate management required under different values as well as high ability and expertise in the marketing field. Accordingly, he is expected to demonstrate leadership toward the completion of business integration and contribute to enhancing the corporate value of the Company Group and strengthen the supervisory function of the Board of Directors.



Number of Shares of the
Company Held
- shares

Candidate

No.

2

Osamu Ishioka (Date of birth: March 12, 1959)

New
Candidate

Past experience, positions, responsibilities and significant concurrent positions

March 1982 Joined Yamaha Shatai Co., Ltd.
January 2007 General Manager of the Business Projects Division, IM Company, Yamaha Motor Co., Ltd.
January 2011 General Manager of Business Planning Division, IM Business Unit, Business Development Operations, Yamaha Motor Co., Ltd.
January 2013 Senior General Manager of UMS Business Development Section, Business Development Operations, Yamaha Motor Co., Ltd.
March 2016 President and Representative Director, Yamaha Motor Powered Products Co., Ltd.
April 2019 Advisor to Robotics Business Unit, Yamaha Motor Co., Ltd. (to present)

Reasons for selecting the candidate for Director

The Company nominated Mr. Osamu Ishioka as a candidate for Director for the following reasons: he has personality traits required of a Director such as high ethics and fairness, and with his experience and business track records as General Manager of the Business Projects Division of IM Company of Yamaha Motor Co., Ltd., President and Representative Director of Yamaha Motor Powered Products Co., Ltd. and others, he has a high level of ability in corporate management as well as high ability and expertise in the business strategy fields. Accordingly, he is expected to demonstrate a unifying force for the promotion of the business integration and contribute to enhancing the corporate value of the Company Group and strengthening the supervisory function of the Board of Directors.



Number of Shares of the
Company Held
- shares

Candidate
No.
3

Hiroyuki Ota (Date of birth: September 11, 1964)

New
Candidate

Past experience, positions, responsibilities and significant concurrent positions

April 1984	Joined Yamaha Motor Co., Ltd.
July 2013	General Manager of SMT Sales & Marketing Division, IM Business Unit, Business Development Operations, Yamaha Motor Co., Ltd.
November 2014	Executive General Manager of IM Business Unit, Business Development Operations, Yamaha Motor Co., Ltd.
July 2017	Executive Chief General Manager of IM Business Unit, Vehicle & Solution Business Operations, Yamaha Motor Co., Ltd.
January 2018	Executive Chief General Manager of Robotics Business Unit, Solution Business Operations, Yamaha Motor Co., Ltd.
March 2018	Executive Officer, Yamaha Motor Co., Ltd. (to present)
January 2019	Chief General Manager of Solution Business Operations, Yamaha Motor Co., Ltd.(to present)

(Significant concurrent positions)
Executive Officer, Chief General Manager of Solution Business Operations, Yamaha Motor Co., Ltd.

Reasons for selecting the candidate for Director

The Company nominated Mr. Hiroyuki Ota as a candidate for Director for the following reasons: he has personality traits required of a Director such as high ethics and fairness, and with his experience and business track records as Chief General Manager of Solution Business Operations of Yamaha Motor Co., Ltd. and others, he has insights into the mounter and FA system market, as well as high abilities and expertise in the business strategy fields. Accordingly, he is expected to contribute to enhancing the corporate value of the Company Group and strengthening the supervisory function of the Board of Directors.



Number of shares of the
Company held
11,005 shares

Candidate
No.
4

Takuya Mori (Date of birth: February 12, 1960)

Reelected

Past experience, positions, responsibilities and significant concurrent positions

March 1983	Joined the Company
April 2006	General Manager, Design Administration Dept.
April 2014	General Manager, Corporate Planning Dept. and Accounting Dept.
June 2014	Operating Officer, Director Director in Charge of Corporate Planning Dept., Personnel & Administration Dept., and Accounting Dept.
June 2015	Chief Financial Officer, Director Director in Charge of Corporate Planning Dept., Personnel & Administration Dept., and Accounting Dept.
April 2017	General Manager, Administrative Management Div. (to present)
June 2018	Chief Technical Officer, Director (to present)

Reasons for selecting the candidate for Director

The Company nominated Mr. Takuya Mori as a candidate for Director for the following reasons: he has personality traits required of a Director such as high ethics and fairness, and with his experience and business track records as General Manager, Corporate Planning Dept. of SHINKAWA LTD., General Manager, Administrative Management Div. of the Company and others, he has insights into the bonding equipment market, as well as high abilities and expertise in the business management fields. Accordingly, he is expected to contribute to enhancing the corporate value of the Company Group and strengthening the supervisory function of the Board of Directors.



Number of Shares of the
Company Held
- shares

Candidate
No.
5

Hirohito Oshimori (Date of birth: January 21, 1961)

New
Candidate

Past experience, positions, responsibilities and significant concurrent positions

April 1984	Joined APIC YAMADA CORPORATION
February 2010	General Manager, Sales Dept., APIC YAMADA CORPORATION
June 2010	Director, APIC YAMADA CORPORATION
October 2011	Head of Business Development Office, APIC YAMADA CORPORATION
April 2013	President and Representative Director, APIC YAMADA CORPORATION (to present)
June 2013	President and Representative Director, APIC YAMADA DISTRIBUTORS INC. (to present)

Reasons for selecting the candidate for Director

The Company nominated Mr. Hirohito Oshimori as a candidate for Director for the following reasons: he has personality traits required of a Director such as high ethics and fairness, and with his experience and business track records as General Manager, Sales Dept. of APIC YAMADA CORPORATION, President and Representative Director of the said company and others, he has insights into the molding equipment market, and has high ability and expertise in the sales fields. Accordingly, he is expected to contribute to enhancing the corporate value of the Company Group and strengthening the supervisory function of the Board of Directors.



Number of Shares of the
Company Held
4,120 shares

Candidate
No.
6

Yuichi Kawakami (Date of birth: April 22, 1950)

Reelected

Past experience, positions, responsibilities and significant concurrent positions

April 1975	Joined Nippon Electric Company, Limited
March 1999	General Manager, Microcomputer Business Dept., NEC Corporation
November 2002	General Manager, Solution Business Unit, NEC Electronics Corporation
May 2004	General Manager, Sales Management Unit, NEC Electronics Corporation
April 2005	President & CEO, NEC Electronics America Inc.
April 2010	Chairman, Renesas Electronics America Inc.
September 2011	Executive Advisor to the Chief Executive, Link_A_Media Devices Corp.
January 2012	Advisor, NEC Capital Solutions Limited (to present)
November 2012	Outside Director, Inventit Inc. (to present)
September 2014	Consultant, Manutius IP Inc. Outside Director, Atonarp Inc. (to present)
June 2015	Executive Advisor & GM, Japan, OmniTier Storage Inc. (to present)
June 2016	Director of the Company (to present)

Reasons for selecting the candidate for Outside Director

The Company requests shareholders to elect Mr. Yuichi Kawakami as an Outside Director in the belief that he will provide valuable advice and supervision regarding the Company's management based on his wide range of insights and his ample experience related to management in general and the semiconductor industry based on his experiences in managerial positions, including business division manager and corporate manager in both domestic and overseas businesses in the semiconductor industry.

Notes: 1. Mr. Toshizumi Kato, Mr. Osamu Ishioka, Mr. Hiroyuki Ota, and Mr. Hirohito Oshimori are new candidates for Directors.

2. The number of shares held in the Company is the effective number of shares held as of March 6, 2019, including shares held through Shinkawa Officers' Shareholding Association.
3. If Proposal 1 "Issuance of Shares for Subscription through the Third Party Allotment" is approved and passed as proposed, and shares of common stock related to this proposal are issued, Yamaha Motor Co., Ltd. will fall under a Parent Company of the Company. Mr. Toshizumi Kato, Mr. Osamu Ishioka, and Mr. Hiroyuki Ota execute the business of the said company. The positions and responsibilities of the three persons in the said company are described in "Past experience, positions, responsibilities and significant concurrent positions." The columns under "Past experience, positions, responsibilities and significant concurrent positions" of the three persons include their positions and responsibilities as business executors at the said company and its subsidiaries in the past five years.
4. There is no special interest between either of Mr. Takuya Mori, Mr. Hirohito Oshimori, and Mr. Yuichi Kawakami and the Company.
5. The Company has concluded an agreement with Mr. Yuichi Kawakami in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act of Japan, to limit his liability for damages stipulated in Article 423, Paragraph 1 of the said Act. The amount of liability for damages under the agreement is up to the minimum liability amount stipulated by laws and regulations. If his election is approved, the Company will renew the agreement with him.
6. Mr. Yuichi Kawakami is a candidate for Outside Director.
7. Mr. Yuichi Kawakami is currently an Outside Director of the Company and will have served as an Outside Director for 2 years and 10 months at the conclusion of this General Meeting of Shareholders.
8. The Company has registered Mr. Yuichi Kawakami as an Independent Officer as set forth by the Tokyo Stock Exchange. If his election is approved, the Company will continue his designation as an Independent Officer.

(Reference) Criteria for the Independence of Outside Officers

The Company has stipulated the criteria for the independence of Outside Officers based on the Companies Act as described below. A person who falls under any of the following conditions is deemed to have a possible conflict of interest with general shareholders and shall be judged not to be independent.

1. A person who is or was a business operator of the Shinkawa Group
(A “business operator” refers to a director with executive authority, an operating officer or an employee; the same applies hereafter)
2. The Shinkawa Group’s major business partner* or its business operator
*A “major business partner” refers to a person/entity that falls under the following:
 - Sales to the Shinkawa Group accounts for 5% or more of the consolidated net sales for the most recent business year of the person/entity
 - Sales to the person/entity accounts for 5% or more of the consolidated net sales for the most recent business year of the Company
 - A financial institution that is indispensable to the Company’s fund procurement and for which the Company relies on to such a degree that there is no alternative
3. A consultant, an accounting professional or a legal professional who receives a large amount of money or other assets* other than remuneration for officers from the Shinkawa Group (in case the recipient of such assets is an organization such as a corporation or an association, a person who belongs to such an organization)
*“a large amount of money or other assets” refers to 5% of the person/entity’s consolidated net sales for the most recent business year or 10 million yen, whichever is higher.
4. The Company’s major shareholder* or a business operator of such a major shareholder
*A “major shareholder” refers to a holder of more than 10% of the total voting rights of the Company.
5. A business operator of a corporation, etc., in which the Company holds more than 10% of the total voting rights
6. A business operator of a corporation, etc., at which the Shinkawa Group’s outside officer concurrently serves as an outside officer
7. A business operator of a corporation or other organization that received donations amounting to more than 10 million yen a year from the Shinkawa Group
8. A person who fell under 2. – 7. above for the past five years including the current business year
9. In the case that a person falls under 1. – 8. above they are deemed an “important person*”, and such person’s spouse or relatives within the second degree of kinship are also deemed not independent
*An “important person” refers to a director with executive authority, an operating officer or an employee in a management position of general manager or higher; in case of a person falling under 3. above, this refers to a certified public accountant or a lawyer.

End

Proposal 6**Election of Three (3) Directors who are Audit & Supervisory Committee Members**

If Proposal 3 “Partial Amendment to the Articles of Incorporation (1)” is approved and passed as proposed, the Company will transition to a company with an audit & supervisory committee.

Accordingly, it is proposed to elect three (3) Directors who are Audit & Supervisory Committee Members.

The prior consent of the Audit & Supervisory Board for this proposal has been obtained.

The resolution of this proposal shall only take effect on the condition that the amendments to the Articles of Incorporation in Proposal 3 “Partial Amendment to the Articles of Incorporation (1)” become effective.

The candidates for Directors who are Audit & Supervisory Committee Members are as follows.

The size of the Board of Directors and the selection of candidates for Directors have been determined after consultation with the Nomination Advisory Committee, based on the premise that the Board of Directors must consist of Directors who possess the professional knowledge and experience, etc., necessary to contribute to enhancing the corporate value of the Company Group and that the number of Directors must be optimal at this point.



Number of shares of the
Company held

- shares

Candidate
No.

1

Hiroshi Ito (Date of birth: October 8, 1957)

New
Candidate

Past experience, positions, responsibilities and significant concurrent positions

April 1980	Joined Yamaha Motor Co., Ltd.
September 2007	Vice President, Yamaha Motor Corporation, U.S.A.
March 2008	Executive Vice President, Yamaha Motor Corporation, U.S.A.
January 2011	Director and President, Yamaha Motor Manufacturing Corporation of America
January 2015	Chief General Manager in charge of planning, Corporate Planning Division, Corporate Planning & Finance Center, Yamaha Motor Co., Ltd.
March 2015	Audit & Supervisory Board Member, Yamaha Motor Co., Ltd.
March 2019	Advisor, Yamaha Motor Co., Ltd. (to present)

Reasons for selecting the candidate for Outside Director who is an Audit & Supervisory Committee Member

Mr. Hiroshi Ito has personality traits required of an Audit & Supervisory Committee Member such as high ethics and fairness and possesses ample knowledge and extensive expertise related to business management and internal control in general based on his experience and business track records as Executive Vice President of Yamaha Motor Corporation, U.S.A. (in charge of Corporate), Standing Audit & Supervisory Board Member of Yamaha Motor Co., Ltd. and others. With the aim of further strengthening our management foundation and enhancing the corporate value of the Company Group, the Company requests shareholders to elect him as an Outside Director who is an Audit & Supervisory Committee Member in the belief that he will utilize his accumulated experience and insights to supervise business execution within the Group and provide suggestions on corporate governance.



Number of Shares of the
Company Held
10,011 shares

Candidate
No.
2

Masaki Yoshino (Date of birth: April 23, 1960)

New
Candidate

Past experience, positions, responsibilities and significant concurrent positions

April 1985	Joined Ministry of Foreign Affairs of Japan
April 1995	Registered with Dai-Ichi Tokyo Bar Association Joined Kajitani Law Offices
January 2002	Registered as Attorney in New York State, USA
October 2004	Joined Takekawa, Oka & Yoshino Law Offices Partner, Takekawa, Oka & Yoshino Law Offices
June 2007	Audit & Supervisory Board Member of the Company (to present)
July 2014	Representative Partner, Yoshino Law Offices (to present)

Reasons for selecting the candidate for Outside Director who is an Audit & Supervisory Committee Member

Mr. Masaki Yoshino possesses ample experience and deep insight and expertise through his career as a lawyer for many years. With the aim of further strengthening our management foundation and enhancing the corporate value of the Company Group, the Company requests shareholders to elect him as an Outside Director who is an Audit & Supervisory Committee Member in the belief that he will utilize his accumulated experience and insights to supervise all areas of management and provide appropriate advice to the Company's management.



Number of Shares of the
Company Held
- shares

Candidate
No.
3

Mariko Mitsuya (Date of birth: March 25, 1962)

New
Candidate

Past experience, positions, responsibilities and significant concurrent positions

April 1984	Joined Asahi & Co. (currently KPMG AZSA LLC)
April 1990	Registered as Certified Public Accountant
August 2007	Joined Prominent Consulting Co., Ltd.
August 2009	Representative Director, Prominent Consulting Co., Ltd.
June 2011	Audit & Supervisory Board Member of the Company (to present)
April 2016	Auditor, Tokyo Institute of Technology (to present)

Reasons for selecting the candidate for Outside Director who is an Audit & Supervisory Committee Member

Ms. Mariko Mitsuya has a significant degree of professional knowledge on financial and accounting matters as a certified public accountant. With the aim of further strengthening our management foundation and enhancing the corporate value of the Company Group, the Company requests shareholders to elect her as an Outside Director who is an Audit & Supervisory Committee Member in the belief that she will utilize her accumulated experience and insights to supervise all areas of management and provide appropriate advice to the Company's management.

- Notes:
1. Mr. Hiroshi Ito, Mr. Masaki Yoshino, and Ms. Mariko Mitsuya are new candidates for Directors.
 2. The number of shares held in the Company is the effective number of shares held as of March 6, 2019, including shares held through Shinkawa Officers' Shareholding Association.
 3. If Proposal 1 "Issuance of Shares for Subscription through the Third Party Allotment" is approved and passed as proposed, and shares of common stock related to this proposal are issued, Yamaha Motor Co., Ltd. will fall under a Parent Company, etc., of the Company. Mr. Hiroshi Ito assumed the office as an Advisor of the said company. He has been a business executor of Yamaha Motor Co., Ltd., which will fall under a Parent Company of the Company, and its subsidiaries in the past five years. His positions and responsibilities in each of the said

- companies in the past five years are described in “Past experience, positions, responsibilities and significant concurrent positions.”
4. There is no special interest between either of Mr. Masaki Yoshino and Ms. Mariko Mitsuya and the Company.
 5. If the election of Mr. Hiroshi Ito is approved, the Company will enter into an agreement with him in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act of Japan, to limit his liability for damages stipulated in Article 423, Paragraph 1 of the said Act. The amount of liability for damages under the agreement is up to the minimum liability amount stipulated by laws and regulations.
 6. The Company has concluded an agreement with Mr. Masaki Yoshino and Ms. Mariko Mitsuya as Outside Audit & Supervisory Board Members in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act of Japan, to limit their liability for damages stipulated in Article 423, Paragraph 1 of the said Act. The amount of liability for damages under the agreement is up to the minimum liability amount stipulated by laws and regulations. If they are elected as Outside Directors, the Company will newly enter into the same agreement with each of them as Outside Directors.
 7. Mr. Hiroshi Ito, Mr. Masaki Yoshino, and Ms. Mariko Mitsuya are candidates for Outside Directors who are Audit & Supervisory Committee Members.
 8. Mr. Masaki Yoshino and Ms. Mariko Mitsuya are currently Outside Audit & Supervisory Board Members of the Company and will have served as Outside Audit & Supervisory Board Members for 11 years and 10 months and 7 years and 10 months, respectively, at the conclusion of this General Meeting of Shareholders.
 9. Although Mr. Masaki Yoshino has never been directly involved in corporate management in the past except as an Outside Officer, based on his professional knowledge and experience as a lawyer and his ample experience as legal counsel for corporations, the Company believes that he is able to appropriately perform the duties of Outside Director.
 10. The Company has registered Mr. Masaki Yoshino and Ms. Mariko Mitsuya as Independent Officers as set forth by the Tokyo Stock Exchange. If their election is approved, the Company will continue their designation as Independent Officers.

Proposal 7**Election of One (1) Substitute Director who is an Audit & Supervisory Committee Member**

If Proposal 3 “Partial Amendment to the Articles of Incorporation (1)” is approved and passed as proposed, the Company will transition to a company with an audit & supervisory committee. Accordingly, in preparation of the number of Directors who are Audit & Supervisory Committee Members falling below the number stipulated under the laws and regulations, it is proposed to elect one (1) Substitute Director who is an Audit & Supervisory Committee Member, as a substitute for Mr. Masaki Yoshino or Ms. Mariko Mitsuya, both of whom are Outside Directors who are Audit & Supervisory Committee Members if Proposal 6 “Election of Three (3) Directors who are Audit & Supervisory Committee Members” is approved and passed as proposed.

The resolution of this proposal shall only take effect on the condition that the amendments to the Articles of Incorporation in Proposal 3 “Partial Amendment to the Articles of Incorporation (1)” become effective.

The effectiveness of the election of Mr. Makoto Sano may be canceled based on the resolution of the Board of Directors after obtaining the consent of the Audit & Supervisory Committee, only prior to the assumption of the office.

Submission of this proposal has received the prior consent of the Audit & Supervisory Board. The candidate for Substitute Director who is an Audit & Supervisory Committee Member is as follows.

The selection of candidate for Director has been determined after consultation with and receiving advice/opinions from the Nomination Advisory Committee, which has a majority of Outside Directors (Chairperson: Outside Director).



Number of Shares of the
Company Held
- shares

Makoto Sano (Date of birth: April 10, 1969)

New
Candidate

Past experience, positions, responsibilities and significant concurrent positions

April 1995	Registered at Daini Tokyo Bar Association Joined Tamura Ohashi Yokoi Law Office (currently KOJIMACHI-KYOWA LAW OFFICE)
June 2001	Auditor, ARTNATURE INC.
November 2011	Joined Fuji Sogo Law Office Partner, Fuji Sogo Law Office
April 2015	Joined Satoru Oi Law Office (currently Oi Sano Law Office) Partner, Oi Sano Law Office (to present)

Reasons for selecting the candidate for Substitute Outside Director who is an Audit & Supervisory Committee Member

Mr. Makoto Sano possesses ample experience and deep insight and expertise through his career as a lawyer for many years. With the aim of further strengthening our management foundation and enhancing the corporate value of the Company Group, the Company requests shareholders to elect him as a Substitute Outside Director who is an Audit & Supervisory Committee Member in the belief that he will utilize his accumulated experience and insights to supervise all areas of management and provide appropriate advice to the Company's management.

- Notes:
1. There is no special interest between Mr. Makoto Sano and the Company.
 2. The number of shares held in the Company is as of March 6, 2019.
 3. Mr. Makoto Sano is a candidate for Substitute Outside Director who is an Audit & Supervisory Committee Member.
 4. Although Mr. Makoto Sano has never been directly involved in corporate management in the past except as an Outside Officer, based on his professional knowledge and experience as a lawyer and his ample experience as legal counsel for corporations, the Company believes that he is able to appropriately perform the duties of Outside Director.
 5. If the election of Mr. Makoto Sano is approved and he assumes the office of Director who is an Audit & Supervisory Committee Member, the Company will enter into an agreement with him in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act of Japan, to limit his liability for damages stipulated in Article 423, Paragraph 1 of the said Act. The amount

of liability for damages under the agreement is up to the minimum liability amount stipulated by laws and regulations.

6. Mr. Makoto Sano meets the requirements of an Independent Officer as set forth by the Tokyo Stock Exchange, and the Company will register him as an Independent Officer with the Tokyo Stock Exchange if he is elected as a Director who is an Audit & Supervisory Committee Member.

End

Proposal 8 Determination of Amount of Remuneration, etc., for Directors (Excluding Directors who are Audit & Supervisory Committee Members)

The Company will transition to a company with an audit & supervisory committee if Proposal 3 “Partial Amendment to the Articles of Incorporation (1)” is approved as proposed.

The 54th Ordinary General Meeting of Shareholders held on June 28, 2012 approved an upper limit of 150 million yen for the annual amount of remuneration for the Company’s Directors, effective to date. In line with the transition to a company with an audit & supervisory committee, the Company proposes to abolish the existing limit and newly set an amount of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members). The new amount to be proposed remains unchanged at an upper limit of 150 million yen annually (which includes an upper limit of 24 million yen annually for Outside Directors), reflecting the remuneration for Directors to date and recent economic conditions, etc., and specific amount for each Director, timing of payment, etc., will be determined by resolution of the Board of Directors. Note that the remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) excludes employee salaries for Directors concurrently serving as employees as before.

The number of Directors at present is five (including two Outside Directors), while the number of Directors (excluding Directors who are Audit & Supervisory Committee Members) subject to this Proposal shall be six (including one Outside Director), subject to the approval of Proposal 3 “Partial Amendment to the Articles of Incorporation (1)” and Proposal 5 “Election of Six (6) Directors (Excluding Directors who are Audit & Supervisory Committee Members)” as proposed.

Also, the resolution of this Proposal shall become effective on the condition that the amendment to the Articles of Incorporation under Proposal 3 “Partial Amendment to the Articles of Incorporation (1)” becomes effective.

The amount of remuneration for Directors is determined after receiving a report from the Remuneration Advisory Committee (Chairperson: Outside Director), the majority of whom consists of Outside Directors, to ensure the appropriateness of remuneration for Directors and transparency of the decision process thereof.

Proposal 9 Determination of Amount of Remuneration, etc., for Directors who are Audit & Supervisory Committee Members

The Company will transition to a company with an audit & supervisory committee if Proposal 3 “Partial Amendment to the Articles of Incorporation (1)” is approved as proposed.

Accordingly, the Company proposes that the amount of remuneration for Directors who are Audit & Supervisory Committee Members shall be not more than 45 million yen annually, reflecting recent economic conditions, etc., and the specific amount for each Director who is an Audit & Supervisory Committee Member, timing of payment, etc., will be determined by deliberation by the Directors who are Audit & Supervisory Committee Members.

The number of Directors who are Audit & Supervisory Committee Members subject to this Proposal shall be three (including three Outside Directors), subject to the approval of Proposal 3 “Partial Amendment to the Articles of Incorporation (1)” and Proposal 6 “Election of Three (3) Directors who are Audit & Supervisory Committee Members” as proposed.

Also, the resolution of this Proposal shall become effective on the condition that the amendment to the Articles of Incorporation under Proposal 3 “Partial Amendment to the Articles of Incorporation (1)” becomes effective.

The amount of remuneration for Directors is determined after receiving a report from the Remuneration Advisory Committee (Chairperson: Outside Director), the majority of whom consists of Outside Directors, to ensure the appropriateness of remuneration for Directors and transparency of the decision process thereof.

Proposal 10

Determination of Remuneration to Grant Restricted Stock to Directors (Excluding Directors who are Audit & Supervisory Committee Members, Outside Directors, and Part-time Directors)

The Company will transition to a company with an audit & supervisory committee if Proposal 3 “Partial Amendment to the Articles of Incorporation (1)” is approved as proposed.

As the remuneration system for officers, the Company requests shareholders’ approval for the provision of remuneration for granting restricted stock to provide an incentive for Directors (hereinafter referred to as the “Eligible Directors,” excluding Directors who are Audit & Supervisory Committee Members, Outside Directors, and Part-time Directors;) to strive for continuous enhancement of the corporate value of the Company and to promote further value sharing with all shareholders, separately from the remuneration in Proposal 8 “Determination of Amount of Remuneration, etc., for Directors (Excluding Directors who are Audit & Supervisory Committee Members).”

It is proposed that the total amount of monetary remuneration receivables to be granted to the Eligible Directors for allotment of restricted stock based on this Proposal be within 70 million yen per year as an amount deemed reasonable given the purposes as stated above. Note that the aforementioned remuneration excludes employee salaries for Directors concurrently serving as employees. Specific timing of payment to the Eligible Directors, allocation, etc., will be determined by the Board of Directors.

This proposal has been deliberated by the Remuneration Advisory Committee (Chairperson: Outside Director), the majority of whom consists of Outside Directors, to ensure appropriateness of remuneration for Directors and transparency of the decision process thereof, and its content is considered reasonable.

The number of Directors at present is five (including two Outside Directors), while the number will be six (including one Outside Director), three of whom are expected to be the Eligible Directors, subject to the approval of Proposal 3 “Partial Amendment to the Articles of Incorporation (1)” and Proposal 5 “Election of Six (6) Directors (Excluding Directors who are Audit & Supervisory Committee Members)” as proposed.

Also, the resolution of this Proposal shall become effective subject to the amendment to the Articles of Incorporation under Proposal 3 “Partial Amendment to the Articles of Incorporation (1)” becoming effective and the approval of Proposal 8 “Determination of Amount of Remuneration, etc., for Directors (Excluding Directors who are Audit & Supervisory Committee Members).”

Specific content of Restricted Stock to be granted to the Company’s Eligible Directors and the upper limit of the number thereof are as follows.

1. Allocation and Payment of Restricted Stock

The Company delivers monetary remuneration receivables within the above annual limit as remuneration related to the restricted stock to the Company’s Eligible Directors based on a resolution of the Company’s Board of Directors. Each Eligible Director receives the restricted stock by making in-kind contribution of all the monetary remuneration receivables.

The payment amount for the restricted stock is determined by the Company’s Board of Directors, based on the closing price of the Company’s common stock at the Tokyo Stock Exchange on the business day prior to the day when the Company’s Board of Directors made a resolution related the issuance or disposal of the restricted stock (in case of no trade concluded on that day, the closing price on the most recent trading day prior to that day), within a range such that the amount is not particularly advantageous to Directors who receive the restricted stock.

Provided, however, that the above monetary remuneration receivables shall be delivered to the Company’s Eligible Directors on the condition that they agree with the above in-kind contribution and they have concluded with the Company an agreement on granting the restricted stock including the content stipulated in 3. below.

2. Total Quantity of Restricted Stock

The maximum quantity of the restricted stock to be granted to the Company’s Directors (excluding Outside Directors) shall be 200,000 shares in total per fiscal year.

Provided, however, that if a stock split of the Company’s common stock (including gratis allotment of the Company’s common stock), a share consolidation or any other event occurs that require adjustment of the total quantity of the restricted stock to be granted to eligible Directors after the day of the resolution of this

proposal, the Company may reasonably adjust the total quantity of the restricted stock.

3. Details of the Agreement on Granting Restricted Stock

The agreement on granting the restricted stock to be concluded between the Company and Directors who receive an allotment of the restricted stock based on a resolution of the Company's Board of Directors shall include the following contents.

(1) Details of the restriction on the transfer of shares

Directors to whom the restricted stock was granted may not transfer to a third-party, create a pledge or transfer security interest on, make gifts before death, leave a bequest or conduct any other act of disposal of the restricted stock during a period from three to five years determined by the Company's Board of Directors (hereinafter "Transfer Restriction Period").

(2) Acquisition of the restricted stock without contribution

If a Director who received an allotment of the restricted stock resigns or retires from all the positions of Director, Operating Officer, and an employee of the Company by the day prior to date of the first general meeting of shareholders of the Company held after the start of the Transfer Restriction Period, all of the restricted stock allotted to the Director concerned (hereinafter "Allotted Stock") shall automatically be acquired by the Company without contribution except when there are reasons the Company's Board of Directors deems reasonable.

The Company shall automatically acquire without contribution the Allotted Stock, the transfer restriction of which has not been cancelled based on the provisions on causes for cancellation of transfer restrictions as provided for in (3) "Cancellation of transfer restrictions" below at the expiration of the Transfer Restriction Period of (1) above.

(3) Cancellation of transfer restrictions

In the event that the Director who received an allotment of the restricted stock has held a position of Director, Operating Officer, or an employee of the Company continuously until the date of the first general meeting of shareholders of the Company after the start of the Transfer Restriction Period, the transfer restriction on all of the Allotted Stock shall be cancelled when the Transfer Restriction Period expires.

However, if the Director concerned resigns or retires from all the positions of Director, Operating Officer, and an employee of the Company before the expiration of the Transfer Restriction Period due to reasons the Company's Board of Directors deems valid, the number of Allotted Stock on which transfer restriction shall be cancelled and the timing of cancelling the transfer restriction shall be reasonably adjusted as necessary.

(4) Treatment in the event of reorganization, etc.

If, during the Transfer Restriction Period, proposals relating to a merger agreement in which the Company becomes a disappearing company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or other reorganization are approved at the Company's general meeting of shareholders (or in the case where the approval at the Company's general meeting of shareholders is not required in relation to the said reorganization, a meeting of the Company's Board of Directors), based on the resolution of the Company's Board of Directors, transfer restrictions on the number of Allotted Stock that is reasonably calculated considering the period from the beginning of the Transfer Restriction Period to the date of approval of the said reorganization shall be cancelled prior to the date on which the said reorganization becomes effective.

In this case, the Company shall automatically acquire without contribution the Allotted Stock, the transfer restriction of which has not yet been cancelled as of the time immediately after the transfer restriction was cancelled under the above provision.

(Reference)

The Company has allotted restricted stock similar to the aforementioned restricted stock, to the Company's Operating Officers.

End