

Securities identification code: 6332

June 4, 2019

To our shareholders:

Kazuhiko Yamada

President & CEO

Representative Director

Tsukishima Kikai Co., Ltd.

3-5-1, Harumi, Chuo-ku, Tokyo

NOTICE OF THE 157TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 157th Ordinary General Meeting of Shareholders of Tsukishima Kikai Co., Ltd. (the “Company”), which will be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights either by postal mail or via the Internet, etc.

Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights no later than 5:05 p.m. on Monday, June 24, 2019 (Japan Standard Time).

Meeting Details

- 1. Date and time:** Tuesday, June 25, 2019 at 10:00 a.m. (Japan Standard Time)
(Reception desk opens at 9:00 a.m.)
- 2. Place:** Hotel Mariners' Court Tokyo
Meeting room “Hakuho” on the 4th floor
4-7-28, Harumi, Chuo-ku, Tokyo, Japan
(Please refer to the map to the hall for the General Meeting of Shareholders at the end of this notice.)
- 3. Meeting Agenda:**
 - Matters to be reported:**
 1. Business Report and Consolidated Financial Statements for the 157th Term (from April 1, 2018 to March 31, 2019), as well as the results of audit of the Consolidated Financial Statements by the Accounting Auditor and the Board of Statutory Auditors.
 2. Non-Consolidated Financial Statements for the 157th Term (from April 1, 2018 to March 31, 2019)
 - Matters to be resolved:**
 - Proposal 1:** Partial Amendment to the Articles of Incorporation
 - Proposal 2:** Election of Nine (9) Directors
 - Proposal 3:** Election of One (1) Statutory Auditor
 - Proposal 4:** Election of One (1) Substitute Statutory Auditor
 - Proposal 5:** Determination of Compensation for the Purpose of Granting Restricted Shares to Directors (excluding Outside Directors)

Guidance for exercising your voting rights:

- **Exercise of voting rights by postal mail**

Please indicate your approval or disapproval of the proposals on the enclosed voting form and return it to us so that it arrives no later than 5:05 p.m. on Monday, June 24, 2019 (Japan Standard Time).

- **Exercise of voting rights via the Internet, etc.**

Please access the designated Website to Exercise Voting Rights (<https://evote.tr.mufg.jp/>) and exercise your voting rights no later than 5:05 p.m. on Monday, June 24, 2019 (Japan Standard Time).

To vote via the Internet, please review the “Guidance for exercising your voting rights via the Internet” shown on page 3.

Institutional investors can exercise their voting rights using the Electronic Voting Platform operated by ICJ, Inc.

Other matters related to this notice

- If you attend the meeting in person, please submit the enclosed voting form at the reception when you arrive. In addition, please bring this Notice of the Ordinary General Meeting of Shareholders with you in order to conserve resources.
- Pursuant to the Company’s Articles of Incorporation, if you are exercising your voting rights by proxy, please select a shareholder with voting rights as your proxy. Only one (1) proxy may be used.
- If it becomes necessary to amend the Reference Documents for the General Meetings of Shareholders, Business Reports, Consolidated Financial Statements or Non-Consolidated Financial Statements, any such amendments will be posted on the Company’s website (<http://www.tsk-g.co.jp>).

Matters Concerning Disclosure on the Internet

Of the documents that should be provided with this Notice of the Ordinary General Meeting of Shareholders, Consolidated Statement of changes in Net Assets, Notes to the Consolidated Financial Statements, Non-consolidated Statement of changes in Net Assets and Notes to the Non-Consolidated Financial Statements are provided to shareholders on the Company’s website (<http://www.tsk-g.co.jp>) pursuant to the laws, regulations, and provisions in Article 15 of the Articles of Incorporation.

The Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Statutory Auditors and Accounting Auditor consist of the documents described in the documents accompanying this Notice of the Ordinary General Meeting of Shareholders, as well as the above mentioned documents posted on the Company’s website.

Reference Documents for the General Meeting of Shareholders

Proposal 1: Partial Amendment to the Articles of Incorporation

1. Reason for the amendment

With a view to addressing the diversification of its business operation, the Company proposes an addition of a business purpose to Article 2 of the current Articles of Incorporation.

2. Details of the amendment

Details of the amendment are as follows.

(Amended portions are underlined.)

Current Articles of Incorporation	After the proposed amendment
(Purposes) Article 2. The purposes of the Company shall be to engage in the following businesses: 1. – 13. (The articles are omitted.) (Newly established) <u>14.</u> Any and all businesses relating or incidental to each of the foregoing.	(Purposes) Article 2. The purposes of the Company shall be to engage in the following businesses: 1. – 13. (Unchanged) <u>14. Worker dispatch business; and</u> <u>15.</u> (Unchanged)

Proposal 2: Election of Nine (9) Directors

As the term of office will expire for all nine (9) Directors at the conclusion of this meeting, the Company proposes the election of nine (9) Directors.

The candidates for Directors are as follows. In nominating these candidates, the Company has, in accordance with a report by the Nomination and Remuneration Advisory Committee chaired by an Outside Director, nominated individuals with discernment, experience and capabilities that achieve effective corporate governance and contribute to the Company's sustainable growth as well as medium to long-term enhancement of its corporate value.

Candidate No.	Name	Position and responsibilities in the Company	Attendance at the board of directors meetings
1	Reappointment Kazuhiko Yamada	President & CEO, Representative Director	100% (13/13)
2	Reappointment Keita Takatori	Senior Managing Executive Officer, Representative Director Corporate General Manager, Environmental Business Division	100% (9/9)*
3	Reappointment Yoshiro Fujii	Director, Managing Executive Officer Corporate General Manager, Procurement Management Division	100% (13/13)
4	Reappointment Naoya Fujita	Director, Managing Executive Officer Corporate General Manager, Industrial Business Division	100% (13/13)
5	New candidate Yoshiyuki Fukuzawa	Managing Executive Officer Corporate General Manager, Research & Development Division Deputy Corporate General Manager, Environmental Business Division Deputy Corporate General Manager, Industrial Business Division Deputy Corporate General Manager, Procurement Management Division	-
6	New candidate Jun Kawasaki	Managing Executive Officer Corporate General Manager, Corporate Administration Division	-
7	Reappointment Bunyu Futamura Outside Independent	Outside Director	100% (13/13)
8	Reappointment Takeshi Odagi Outside Independent	Outside Director	92% (12/13)
9	Reappointment Michiyoshi Mazuka Outside Independent	Outside Director	100% (9/9)*

* The status of attendance for Keita Takatori and Michiyoshi Mazuka is for the period since their assumption of office as Directors on June 26, 2018.

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)		Number of the Company's shares owned
1	Kazuhiko Yamada (January 1, 1947) [Reappointment] Attendance at 13 out of 13 board of directors meetings	April 1969 April 1998 June 2000 June 2002 June 2003 June 2005	Joined the Company. Executive Officer (Riji) of the Company Director of the Company Managing Director of the Company Senior Managing Director, Representative Director of the Company President & CEO, Representative Director of the Company (present position)	98,110
Reasons for nomination as candidate for Director Since his appointment as President & CEO and Representative Director, Kazuhiko Yamada has pursued company-wide operational reforms, and has developed the environmental and energy business and expanded the overseas business to build a foundation for the Company's sustainable growth. Given his strong discernment, and abundant experience and achievements, we ask that his reappointment as Director be approved.				

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
2	<p>Keita Takatori (July 29, 1965)</p> <p>[Reappointment] Attendance at 9 out of 9 board of directors meetings</p>	<p>April 1988 Joined the Company.</p> <p>July 2004 Senior General Manager, Environmental Business Dept. of the Company</p> <p>June 2007 President and Representative Director, Samukawa Water Service Co., Ltd.</p> <p>October 2008 Senior General Manager, Corporate Management Planning Dept. of the Company</p> <p>June 2009 Executive Officer of the Company</p> <p>December 2014 President and Representative Director, Owari Water & Energy Co., Ltd.</p> <p>April 2017 Managing Executive Officer of the Company Deputy Corporate General Manager, Environmental Business Division of the Company</p> <p>April 2018 Corporate General Manager, Environmental Business Division of the Company (present position)</p> <p>June 2018 Director of the Company</p> <p>April 2019 Senior Managing Executive Officer, Representative Director of the Company (present position)</p>	11,200
<p>Reasons for nomination as candidate for Director</p> <p>As executive manager in the environmental business of the Company, Keita Takatori has, for many years, been committed to the development of the business through promotion of active business expansion not only in Japan but also overseas. He also has abundant experience and a proven performance record in management including his service as executive manager in the corporate management planning division. Accordingly, we ask that his reappointment as Director be approved.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
3	Yoshiro Fujii (May 27, 1958) [Reappointment] Attendance at 13 out of 13 board of directors meetings	<p>April 1981 Joined The Mitsubishi Bank, Ltd.</p> <p>May 2006 General Manager, Corporate Banking Division No.1, Corporate Banking Group No.1, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)</p> <p>March 2008 Executive Officer, The Bank of Ikeda, Ltd.</p> <p>May 2010 Managing Executive Officer, The Senshu Ikeda Bank, Ltd.</p> <p>July 2011 Executive Officer, Takasago Thermal Engineering Co., Ltd.</p> <p>August 2016 Corporate Advisor of the Company</p> <p>October 2016 Managing Executive Officer of the Company (present position) Deputy Corporate General Manager, Corporate Planning and Administration Division of the Company</p> <p>April 2017 Corporate General Manager, Corporate Planning and Administration Division of the Company</p> <p>June 2017 Director of the Company (present position)</p> <p>April 2019 Corporate General Manager, Procurement Management Division of the Company (present position)</p>	10,000
<p>Reasons for nomination as candidate for Director</p> <p>Yoshiro Fujii has many years of experience at financial institutions and in the construction industry and extensive knowledge about finance, and has served in positions of responsibility in administrative divisions in general, such as the Company's corporate management planning, finance and administration. At present, he is involved in management in a position of responsibility in the procurement management division of the Company. In order to make use of such experience and achievements in the Company's management, we ask that his reappointment as Director be approved.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
4	Naoya Fujita (February 5, 1964) [Reappointment] Attendance at 13 out of 13 board of directors meetings	<p>April 1987 Joined MITSUI & CO., LTD.</p> <p>November 2002 President and Chief Executive Officer, Bussan Packaging Service Co., Ltd.</p> <p>July 2012 President and Chief Executive Officer, Retail System Service Co., Ltd.</p> <p>January 2016 General Manager of Retail Business Division, Food Products & Services Business Unit, MITSUI & CO., LTD.</p> <p>April 2017 Managing Executive Officer of the Company (present position) Deputy Corporate General Manager, Industrial Business Division of the Company</p> <p>June 2017 Director of the Company (present position)</p> <p>April 2018 Corporate General Manager, Industrial Business Division of the Company (present position)</p>	8,400
<p>Reasons for nomination as candidate for Director</p> <p>Naoya Fujita has acquired abundant experience and a proven performance record at home and abroad, primarily in the food and chemical industry business at a general trading company, and has been involved in management in positions of responsibility in the Company's industrial business division. In order to make use of such experience and achievements in the Company's management, we ask that his reappointment as Director be approved.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)		Number of the Company's shares owned
5	Yoshiyuki Fukuzawa (July 15, 1964) [New candidate]	April 1990 July 2004 April 2006 April 2013 April 2017 April 2018 April 2019	<p>Joined the Company.</p> <p>Senior General Manager, Research & Development Dept. of the Company</p> <p>Senior General Manager, Solution Technology Dept. of the Company</p> <p>Executive Officer of the Company</p> <p>Managing Executive Officer of the Company (present position)</p> <p>Deputy Corporate General Manager, Environmental Business Division of the Company (present position)</p> <p>Corporate General Manager, Research & Development Division of the Company (present position)</p> <p>Deputy Corporate General Manager, Industrial Business Division of the Company (present position)</p> <p>Deputy Corporate General Manager, Procurement Management Division of the Company (present position)</p>	7,300
<p>Reasons for nomination as candidate for Director</p> <p>Yoshiyuki Fukuzawa has acquired abundant experience and a proven performance record as executive manager in the technology divisions such as development and plant planning/design, and we therefore believe that he qualifies for positions of responsibility in the Company's technology divisions in general. Accordingly, we ask that his appointment as Director be approved.</p>				

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
6	Jun Kawasaki (July 29, 1971) [New candidate]	<p>April 1992 Joined the Company.</p> <p>December 2003 General Manager, TBR Promotion Sec. of the Company</p> <p>January 2006 General Manager, Secretary Sec. of the Company</p> <p>June 2009 General Manager, Executive Secretary office of the Company</p> <p>April 2010 Senior General Manager, Personnel and Administration Dept. of the Company</p> <p>April 2014 Senior General Manager, Corporate Management Planning Dept. of the Company (present position)</p> <p>April 2015 Executive Officer of the Company</p> <p>April 2017 Managing Executive Officer of the Company (present position)</p> <p> Deputy Corporate General Manager, Corporate Planning and Administration Division of the Company</p> <p>April 2019 Corporate General Manager, Corporate Administration Division of the Company (present position)</p>	6,800
<p>Reasons for nomination as candidate for Director</p> <p>Jun Kawasaki has acquired abundant experience and a proven performance record as executive manager in the administration divisions such as operational reforms, personnel and corporate management planning, and we therefore believe that he qualifies for positions of responsibility in the Company's administration divisions in general. Accordingly, we ask that his appointment as Director be approved.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
7	<p>Bunyu Futamura (January 9, 1947)</p> <p>[Reappointment] [Outside Director Candidate]</p> <p>Attendance at 13 out of 13 board of directors meetings</p>	<p>April 1972 Joined Nippon Steel Corporation. (currently NIPPON STEEL CORPORATION)</p> <p>June 2001 Director, Nippon Steel Corporation</p> <p>April 2006 Managing Director, Nippon Steel Corporation</p> <p>June 2006 Managing Executive Officer, Nippon Steel Corporation</p> <p>April 2007 Executive Vice President, Nippon Steel Corporation</p> <p>June 2007 Executive Vice President and Representative Director, Nippon Steel Corporation</p> <p>April 2009 Director, Nippon Steel Corporation</p> <p>June 2009 President and Representative Director, Nippon Steel Chemical Co., Ltd. (currently NIPPON STEEL Chemical & Material Co., Ltd.)</p> <p>June 2013 Senior Advisor and Director, NIPPON STEEL & SUMIKIN CHEMICAL CO., LTD.</p> <p>April 2014 Senior Advisor, NIPPON STEEL & SUMIKIN CHEMICAL CO., LTD.</p> <p>June 2015 Outside Director of the Company (present position) Outside Director, DAISO CO., LTD. (currently OSAKA SODA CO., LTD.) (present position)</p> <p>June 2018 Statutory Auditor, NITTO KAKO CO., LTD. (present position)</p>	4,700
<p>Reasons for nomination as candidate for Director</p> <p>Bunyu Futamura has made points and shared opinions that have been valuable for the Group's management, based on his impressive experience and knowledge of corporate management built up during a long career in the manufacturing industry. Accordingly, we ask that his reappointment as Outside Director be approved.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
8	<p>Takeshi Odagi (September 14, 1942)</p> <p>[Reappointment] [Outside Director Candidate] Attendance at 12 out of 13 board of directors meetings</p>	<p>April 1970 Completed Judicial Apprenticeship Training program. Registered as an attorney, Joined ISHII Law Office</p> <p>April 1980 Partner of ISHII Law Office (present position)</p> <p>September 1986 Statutory Auditor, Invesco MIM Investment Advisory Co., Ltd.</p> <p>November 1990 Statutory Auditor, Invesco MIM Investment Trust Management Co., Ltd.</p> <p>June 2002 Outside Statutory Auditor, Snow Brand Milk Products Co., Ltd. (currently MEGMILK SNOW BRAND Co., Ltd.)</p> <p>June 2011 Outside Statutory Auditor, TOKYO ROPE MFG. CO., LTD. (present position)</p> <p>June 2017 Outside Director of the Company (present position)</p>	-
<p>Reasons for nomination as candidate for Director</p> <p>As an attorney, Takeshi Odagi is well-versed in corporate legal affairs, and has made points and shared opinions that have been valuable for enhancing the transparency and objectivity of the Company's management, based on his high level of expertise and impressive knowledge. Accordingly, we ask that his reappointment as Outside Director be approved. Other than serving as Outside Officer in the past, he does not have experience with corporate management, but for the reasons stated above we believe that he can fulfill his responsibilities satisfactorily as an Outside Director.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
9	<p>Michiyoshi Mazuka (October 17, 1943)</p> <p>[Reappointment] [Outside Director Candidate]</p> <p>Attendance at 9 out of 9 board of directors meetings</p>	<p>April 1968 Joined Fujitsu FACOM Co., Ltd.</p> <p>April 1971 Joined FUJITSU LIMITED.</p> <p>June 2001 Member of the Board and Head of East Japan Sales Business Unit, FUJITSU LIMITED</p> <p>June 2005 Member of the Board, Corporate Executive Vice President, FUJITSU LIMITED</p> <p>June 2006 Corporate Senior Executive Vice President and Representative Director, FUJITSU LIMITED</p> <p>June 2008 Chairman and Representative Director, FUJITSU LIMITED</p> <p>September 2009 Chairman, President and Representative Director, FUJITSU LIMITED</p> <p>April 2010 Chairman and Representative Director, FUJITSU LIMITED</p> <p>June 2012 Chairman and Director, FUJITSU LIMITED</p> <p>June 2014 Advisor and Director, FUJITSU LIMITED</p> <p>June 2015 Outside Director, NIPPON CONCRETE INDUSTRIES CO., LTD. (present position)</p> <p>June 2016 Advisor, FUJITSU LIMITED Outside Director, AMADA HOLDINGS CO., LTD. (present position)</p> <p>April 2018 Senior Advisor, FUJITSU LIMITED (present position)</p> <p>June 2018 Outside Director of the Company (present position)</p>	700
<p>Reasons for nomination as candidate for Director</p> <p>Michiyoshi Mazuka has made points and given opinions that are valuable for the management of the Group, based on his impressive experience and knowledge built up during his long career as a corporate manager. Accordingly, we ask that his appointment as Outside Director be approved.</p>			

Notes:

1. There is no conflict of interest between any of the candidates and the Company.
2. Bunyu Futamura, Takeshi Odagi and Michiyoshi Mazuka are Outside Director candidates.
3. Bunyu Futamura, Takeshi Odagi and Michiyoshi Mazuka will have served in their positions four years, two years and one year, respectively, as of the conclusion of this general meeting of shareholders.
4. Bunyu Futamura, Takeshi Odagi and Michiyoshi Mazuka meet the Criteria for Assessing the Independence of Independent Outside Officers that the Company has established and they have been reported to the Tokyo Stock Exchange as independent officers as stipulated by the rules of the Tokyo Stock Exchange.
5. The Company has a limited liability agreement with Bunyu Futamura, Takeshi Odagi and Michiyoshi Mazuka which limits their liabilities to the minimum total liability stipulated by laws and regulations. In the event that the aforementioned three individuals are reappointed, the Company plans to continue the limited liability agreement with them.
6. Michiyoshi Mazuka, a candidate for Outside Director, served as Director at FUJITSU LIMITED ("FUJITSU") until June 2016. FUJITSU was found to have violated the Antimonopoly Act in connection with transactions related to equipment for electric power security communication ordered by Tokyo Electric Power Company in July 2016, and received a cease and desist order and a surcharge payment order from the Japan Fair Trade Commission. Also in February 2017, FUJITSU was found by the Japan Fair Trade Commission to have violated the Antimonopoly Act concerning transactions of hybrid optical communication equipment and transmission-path equipment ordered by CHUBU Electric Power Co., Inc. Regarding this case, FUJITSU applied to the Japan Fair Trade Commission for immunity from or reduction of surcharge. Since the application was approved, FUJITSU was exempted from the cease and desist order and from payment of the surcharge.

The administrative measures and violations found above apply to business activities during the period in which Michiyoshi Mazuka served as Director. However, he was not directly involved in any of these cases, and after becoming aware of these cases, he worked to further strengthen initiatives related to compliance and thoroughly prevent recurrence of such cases, thus fully performing his duties.

Proposal 3: Election of One (1) Statutory Auditor

As the term of office of Statutory Auditor Hiroshi Sano will expire at the conclusion of this meeting, the Company proposes election of one (1) Statutory Auditor.

The Board of Statutory Auditors has given its consent to this proposal.

The candidate for Statutory Auditor is as follows. In nominating the candidate, the Company has, in accordance with a report by the Nomination and Remuneration Advisory Committee chaired by an Outside Director, nominated the candidate.

Name (Date of birth)	Career summary and position (Significant concurrent positions outside the Company)	Number of the Company's shares owned
Torahiko Maki (October 28, 1951) [New Candidate]	<p>April 1974 Joined Chiyoda Corporation</p> <p>August 2000 General Manager, Licensing Dept., Chiyoda Corporation</p> <p>May 2001 Joined the Company.</p> <p>October 2002 Senior General Manager, Legal & I.P. Dept. of the Company</p> <p>April 2003 Executive Officer of the Company</p> <p>June 2007 Managing Executive Officer of the Company</p> <p>June 2008 Director, Executive Officer and Corporate General Manager, Administration Division of the Company</p> <p>April 2015 Director, Managing Executive Officer and Corporate General Manager, Corporate Planning and Administration Division of the Company</p> <p>June 2017 Senior Advisor of the Company (present position)</p> <p>President and Representative Director, Tsukishima Business Support Co., Ltd.</p> <p>April 2018 Senior Advisor, Europe Representative Office of the Company</p> <p>Senior Advisor of BOKELA GmbH</p>	28,800
Reasons for nomination as candidate for Statutory Auditor Torahiko Maki has a high level of expertise regarding intellectual property management and legal affairs, and extensive knowledge about the administrative division in general, such as finance and administration. In addition, he has been involved in management as Director of the Company over many years. In order to make use of such experience and achievements in the audit of the Company, we ask that his appointment as Statutory Auditor be approved.		

Notes:

1. Torahiko Maki is a new candidate for Statutory Auditor.
2. There is no conflict of interest between Torahiko Maki and the Company.
3. In the event that the election of Torahiko Maki is approved, the Company plans to enter into a limited liability agreement with him, which limits his liability for damages to the minimum total liability stipulated by laws and regulations.

Proposal 4: Election of One (1) Substitute Statutory Auditor

The Company proposes that one (1) substitute Statutory Auditor be elected to prepare for a case where the number of Statutory Auditors falls below the number stipulated by laws and regulations.

The Board of Statutory Auditors has given its consent to this proposal.

The candidate for substitute Statutory Auditor is as follows:

Name (Date of birth)	Career summary (Significant concurrent positions outside the Company)	Number of the Company's shares owned
Masato Kobayashi (April 5, 1960)	April 1986 Completed Judicial Apprenticeship Training program. Registered as an attorney, Joined Yuasa and Hara February 1997 Outside Statutory Auditor, Oracle Corporation Japan July 1997 Partner of Hirakawa, Sato & Kobayashi February 2003 Partner of City-Yuwa Partners (present position)	-
Reasons for nomination as candidate for substitute Statutory Auditor Masato Kobayashi is a candidate for substitute Outside Statutory Auditor because, as an attorney, he is well-versed in corporate legal affairs, and we expect that his high level of expertise will be reflected in our audit system. Other than serving as Outside Officer in the past, he does not have experience with corporate management, but for the reasons stated above we believe that he can fulfill his responsibilities satisfactorily as an Outside Statutory Auditor.		

Notes:

1. There is no conflict of interest between Masato Kobayashi and the Company. He is a Partner of City-Yuwa Partners, with which the Company has a legal advisory contract. The Company has a business relationship with City-Yuwa Partners including the outsourcing of legal services, but the amount of business transactions in this fiscal year represents less than 2% of the annual sales of City-Yuwa Partners.
2. Masato Kobayashi is a candidate for the position of substitute Outside Statutory Auditor.
3. Masato Kobayashi meets the Criteria for Assessing the Independence of Independent Outside Officers that the Company has established, and if Masato Kobayashi becomes an Outside Statutory Auditor, the Company intends to register him with the Tokyo Stock Exchange as an independent officer as stipulated by the rules of the Tokyo Stock Exchange.
4. If Masato Kobayashi becomes an Outside Statutory Auditor, the Company plans to enter into a limited liability agreement with him. The limit of the liability based on the agreement is the minimum total liability stipulated by laws and regulations.

Reference

Criteria for Assessing the Independence of Independent Outside Officers

Augmenting the criteria for independence stipulated by the Tokyo Stock Exchange, the Company has established the following criteria for assessing the independence of Outside Officers.

1. The individual is not a business executor for the Company or a Group company (Director, Statutory Auditor, Executive Officer, or other employee) and was not in the past as well.
2. The individual is not an important business executor (Director, Statutory Auditor, Accounting Advisor, Operating Officer, Executive Officer, or other important employee) of a major shareholder of the Company (a shareholder holding 10% or more of the voting rights).
3. The individual is not an important business executor of a company in which the Company is a major shareholder.
4. The individual is not a major business partner (a business partner whose amount of consideration received in transactions with the Company in the most recent fiscal year exceeds 2% of the Company's non-consolidated total sales; in the event of a financial institution, a business partner whose loans to the Company do not exceed 2% of the Company's non-consolidated total assets in the most recent fiscal year) nor its business executor.
5. The Company is not a major business partner for the individual (a business partner whose amount of consideration paid in transactions with the Company in the most recent fiscal year exceeds 2% of the counterparty's non-consolidated total sales) nor is the individual's business executor.
6. The individual is not a legal expert, accounting or tax expert, consultant, or research and education specialist and does not belong to such a corporation or group that has received a large sum (in the most recent fiscal year, 10 million yen or more in the case of individuals and an amount equivalent to more than 2% of the corporation's or group's non-consolidated sales in the case of a corporation or group) in compensation or contributions from the Company.
7. The individual does not have any family relationships (family relationships of the third degree or a relative living with the individual) with business executors of the Company or Group companies.
8. In addition to the above, there are no doubts as to the independence of the candidate as an independent Outside Officer and no rational reason to determine that the individual would pose a conflict of interest with general shareholders.

Proposal 5: Determination of Compensation for the Purpose of Granting Restricted Shares to Directors (excluding Outside Directors)

The aggregate amount of annual compensation for Directors of the Company was approved at the 149th Ordinary General Meeting of Shareholders held on June 29, 2011 to be 440 million yen or less (including 30 million yen or less for Outside Directors, except the portion of salaries for Directors who also hold employee positions).

On this occasion, the Company intends to pay new compensation for granting restricted shares to Directors of the Company (excluding Outside Directors; the “Eligible Directors”), separately from the compensation as described above, as part of reform of the executive compensation system, with a view to providing incentives for Directors to contribute to sustainable improvement in the corporate value of the Company, as well as to further promoting shared value between shareholders and the Company.

The type of compensation to be paid to the Eligible Directors for the purpose of granting restricted shares under this proposal shall be the monetary claim (the “Monetary Compensation Claim”), and the total amount thereof shall be 80 million yen or less per year, which is deemed adequate for achieving the purposes mentioned above. Details of timing and allocation of the grant for each Eligible Director shall be determined at the Board of Directors; provided, however, that the Company shall not pay compensation for the purpose of granting restricted shares to Outside Directors.

The total amount mentioned above shall not include the portion of salaries for Directors who also hold employee positions.

The Board of Directors of the Company currently comprises nine Directors (including three Outside Directors), and such board composition shall remain the same when the Proposal 2 (Election of Nine (9) Directors) is approved as originally proposed.

The Eligible Directors shall pay all the Monetary Compensation Claims provided under this proposal, in the form of payment in kind, in accordance with the resolution of the Board of Directors, and then the common shares of the Company are issued or disposed. The total number of the issued or disposed common shares of the Company shall be 93,000 or less per year; provided, however, that in case of share split (including allotment of common shares of the Company without contribution), or share consolidation of the common shares of the Company, or any other circumstances that require adjustment to the total number of common shares of the Company to be issued or disposed as restricted shares on and after the day of approval of this proposal, such total number of shares shall be adjusted within a reasonable range.

The amount to be paid per share shall be determined at the Board of Directors, based on the closing price of the common share of the Company at the Tokyo Stock Exchange on the business day immediately prior to the day of each such resolution at the Board of Directors (if no transactions are established on such date, the closing price of the immediate preceding trading day), within the range not particularly advantageous to the Eligible Directors who are to receive the common shares. Besides, the Company and each Eligible Director shall enter into an agreement on the allotment of restricted shares (the “Allotment Agreement”) that include the following terms for the issuance or disposal of the common shares of the Company under this proposal.

(1) Transfer Restriction Period

The Eligible Directors shall not transfer, create a security interest on, or otherwise dispose of the common shares of the Company (the “Allotted Shares”) allotted under the Allotment Agreement (the “Transfer Restriction”), for a period as prescribed by the Board of Directors beforehand (the “Transfer Restriction Period”) ranging from three to thirty years following the allotment.

(2) Procedures for loss of position of the Eligible Director

When the Eligible Director loses his/her position as Director of the Company, prior to the expiration of the Transfer Restriction Period, the Company shall automatically acquire the Allotted Shares without contribution unless such loss of position is due to justifiable reasons including expiration of the term of his/her office or death.

(3) Lifting of the Transfer Restrictions

Notwithstanding the provisions in (1) above, the Company shall lift the Transfer Restrictions for all of the Allotted Shares upon expiration of the Transfer Restriction Period, on condition that the Eligible Director remained in the position of Director of the Company during such Transfer Restriction Period; provided, however, that if such Eligible Director loses his/her position as set out in (2) above, prior to the expiration of the Transfer Restriction Period, due to justifiable reasons including expiration of the term of his/her office or death, as set out in (2) above, the number of the Allotted Shares subject to such lifting of the Transfer Restrictions as well as the timing thereof shall be reasonably adjusted as appropriate. Furthermore, the Company shall automatically acquire the Allotted Shares without contribution yet to be subject to the lifting of the Transfer Restrictions, immediately after such lifting pursuant to the provisions mentioned above.

(4) Procedures in case of organizational restructuring, etc.

Notwithstanding the provisions in (1) above, if matters related to a merger agreement in which the Company is to become an absorbed company, a share exchange agreement or share transfer plan in which the Company is to become a wholly-owned subsidiary, or other organizational restructuring, etc., are approved during the Transfer Restriction Period by the General Meeting of Shareholders of the Company (or by the Board of Directors of the Company where such organizational restructuring, etc., does not require approval of the General Meeting of Shareholders of the Company), the Company shall lift the Transfer Restrictions prior to the effective date of such organizational restructuring, etc., for the number of the Allotted Shares as determined reasonably commensurate with the length of period between the beginning of the Transfer Restriction Period and the date of approval for the organizational restructuring, etc., by the resolution of the Board of Directors of the Company. In the case where the aforementioned provisions apply, the Company shall automatically acquire without contribution the Allotted Shares, not subject to lifting of the Transfer Restrictions, immediately after the lifting of the Transfer Restrictions.

(5) Other matters

Any other matters related to the Allotment Agreement shall be determined by the Board of Directors of the Company.

The Company also intends to grant restricted shares, similar to those granted to Eligible Directors, to the Executive Officers of the Company not concurrently serving as Directors, as well as to some of Directors of the subsidiaries of the Company, by the resolution of the Board of Directors, thereby issuing or disposing of common shares of the Company.