

Note: This document has been translated from the Japanese original for reference purpose only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Securities Code: 6357

June 10, 2019

To Shareholders,

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

## Notice of the 69th Annual General Meeting of Shareholders

You are cordially invited to attend the 69th Annual General Meeting of Shareholders of Sansei Technologies, Inc. (hereinafter, the “Company” or “we”). The meeting will be held as detailed below.

If you are unable to attend the meeting, you can exercise your voting rights by paper ballot or via the Internet. Please review the “Reference Documents for the General Meeting of Shareholders” below to complete the exercise of your voting rights in accordance with the guidance hereinafter no later than 5:15 p.m., Japan Standard Time, on Wednesday, June 26, 2019.

### Details

- |                                  |  |
|----------------------------------|--|
| <b>1. Date and Time:</b>         | Thursday, June 27, 2019, at 10 a.m., Japan Standard Time   |
| <b>2. Place:</b>                 | Canale, 5th floor, Hotel Mielparque Osaka<br>4-2-1 Miyahara, Yodogawa-ku, Osaka City, Osaka  |
| <b>3. Agenda of the Meeting:</b> |  |
| <b>Matters to be reported</b>    | <ol style="list-style-type: none"><li>1. Report on the Business Report, the Consolidated Financial Statements, and the results of an audit on the Consolidated Financial Statements by the Accounting Auditor and the Audit &amp; Supervisory Board for the 69th fiscal year ended March 31, 2019 (April 1, 2018-March 31, 2019)</li><li>2. Report on the Non-consolidated Financial Statements for the 69th fiscal year ended March 31, 2019 (April 1, 2018-March 31, 2019)</li></ol> |
| <b>Proposals to be resolved</b>  | <b>Proposal 1</b> Appropriation of surplus   |
| Incorporation                    | <b>Proposal 2</b> Partial amendment of the Articles of   |
|                                  | <b>Proposal 3</b> Election of nine directors   |
|                                  | <b>Proposal 4</b> Election of three Audit & Supervisory Board members  |
|                                  | <b>Proposal 5</b> Revision of the directors' compensation  |

#### **4. Guide to Exercise of Voting Rights**

- (1) Exercise of voting rights by paper ballot  
Please indicate your vote for or against each of the proposals on the enclosed Voting Rights Exercise Form and return the form so that it reaches us no later than 5:15 p.m., Japan Standard Time, on Wednesday, June 26, 2019.
- (2) Exercise of voting rights via the Internet  
If you wish to exercise your voting rights via the Internet, please review the “Guidance for Exercise of Voting Rights via the Internet” on page 3, and complete the exercise of voting rights no later than 5:15 p.m., Japan Standard Time, on Wednesday, June 26, 2019.
- (3) If you exercise your voting rights more than once, the last vote we have received shall be deemed effective. If the vote exercised via the Internet and the Voting Rights Exercise Form reach us on the same date, the vote exercised via the Internet shall be deemed effective.

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

### [Guidance for Exercise of Voting Rights via the Internet]

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

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

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

Voting Website: <https://www.web54.net>

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

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



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

- (1) If you wish to exercise your voting rights via the Internet, please follow the instructions on the screen and enter your vote for or against each of the proposals using the "voting rights exercise code" and "password" printed on the enclosed Voting Rights Exercise Form.
- (2) You will be able to exercise your voting rights until 5:15 p.m., Japan Standard Time, on Wednesday, June 26, 2019. You are advised to exercise your voting rights at the earliest opportunity.
- (3) If you exercise your voting rights more than once, the last vote we have received shall be deemed effective. If the vote exercised via the Internet and the Voting Rights Exercise Form reach us on the same date, the vote exercised via the Internet shall be deemed effective.
- (4) Fees for internet providers and carriers (e.g. connection charges) associated with using the website for exercise of voting rights are at your own expense.


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

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

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

- (1) If you have any questions about how to operate a personal computer, mobile phone, or other device to exercise your voting rights on the Voting Website, please contact the following for assistance:

Hotline of Stock Transfer Agency Web Support, Sumitomo Mitsui Trust Bank, Limited

 0120-652-031 (Operating hours: 9:00 a.m. to 9:00 p.m., Japan Standard Time)


- (2) For any other inquiries, please contact the following for assistance:

A. Stockholder with an account with a securities company:

Please contact the securities company which you hold an account at.

B. Stockholder without an account with a securities company (stockholder with a special account):

Stock Transfer Agency Business Center, Sumitomo Mitsui Trust Bank, Limited

 0120-782-031 (Operating hours: 9:00 a.m. to 5:00 p.m., Japan Standard Time, except for weekends and holidays)

(Attachments)

## **Business Report**

( From April 1, 2018  
to March 31, 2019 )

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

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

In the fiscal year under review, the Japanese economy continued a modest recovery supported by solid corporate performance and the employment environment. On the other hand, uncertainty about prospects increased at the end of the fiscal year due to earthquakes, typhoons and many other natural disasters that struck the nation, concerns about the trade frictions caused by the US trade policy, and unstable situations surrounding the UK's exit from the EU.

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

The total orders received by all businesses during the current fiscal year ended March 31, 2019, increased by 86.0% to 60,601 million yen. The breakdown by segment is as follows: orders received by the Amusement Rides segment increased by 214.9% from the previous year to 39,090 million yen supported by the addition of the orders received by Vekoma Rides B.V. (hereinafter "Vekoma"), which became a 100% subsidiary of the Company in March 2018; orders received by the Stage Equipment segment increased by 12.7% to 9,181 million yen driven by orders for big projects, such as temporary facilities for large-scale concerts and public halls; and orders received by the Maintenance & Repair segment increased by 1.4% to 11,710 million yen.

The net sales of all businesses during the current fiscal year increased by 93.6% from the previous year to 52,794 million yen. The breakdown by segment is as follows:

sales by the Amusement Rides segment rose by 238.8% to 30,860 million yen primarily supported by sales by Vekoma and steady progress of large projects in Japan; sales by the Stage Equipment segment increased by 35.7% to 9,692 million yen due to the robust sales of temporary facilities for large concerts and public halls; and sales by the Maintenance & Repair segment increased by 14.7% to 11,544 million yen with the completion of a large stage refurbishment project.

The Company achieved a significant increase both in revenues and profits in the current year. Operating profit increased to 4,319 million yen (a 95.3% increase from the previous year), ordinary profit rose to 4,284 million yen (an 83.3% increase), and net income attributable to shareholders of the parent company totaled 2,746 million yen (a 96.3% increase).

## (2) Capital investment and fund procurement

### ① Capital investment

Capital investment of 994 million yen was made during the current fiscal year to improve productivity and to increase order receipts. Major investments were as shown below.

Construction of a new office building of an overseas subsidiary and of a plant	522 million yen
Production facilities for plants	51 million yen
Stage equipment	82 million yen

### ② Fund procurement:

During the term under review, the Company repaid the borrowing procured for the acquisition of Vekoma as scheduled. As a result, the year-end balance of loans payable decreased by 1,285 million yen from the previous year to 18,308 million yen.

## (3) Assets and Profit/Loss Status

Classification	66th Business Year April 1, 2015 to March 31, 2016	67th Business Year (Note 2) April 1, 2016 to March 31, 2017	68th Business Year April 1, 2017 to March 31, 2018	69th Business Year (current fiscal year) April 1, 2018 to March 31, 2019
Orders Received <sup>(Note 1)</sup> (in million yen)	27,660	28,645	32,581	60,601
Net sales (in million yen)	23,990	29,122	27,277	52,794
Net income attributable to owners of parent (in million yen)	1,291	2,235	1,398	2,746
Net income per share	70.17 yen	121.46 yen	75.98 yen	148.87 yen
Total assets (in million yen)	35,829	40,303	66,489	69,188
Net assets (in million yen)	25,700	27,505	28,592	30,481
Net assets per share	1,395.13 yen	1,490.97 yen	1,547.50 yen	1,645.77 yen

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

(Note 2) The impact of the retroactive application of the change in the accounting policy is reflected in the figures of the 67th and 68th Business Years.

## (4) Significant subsidiaries

### ① Significant subsidiaries

Company Name	Capital Stock	Voting Right Holding Ratio	Major Businesses
Sun Ace Co., Ltd.	10 million yen	100 %	Operation and management of amusement facilities
Sansei Maintenance Co., Ltd. <WEST>	20	100	Installation, maintenance and repair service of elevators and other facilities (Note 1)
Sansei Maintenance Co., Ltd. <EAST>	10	100	Installation, maintenance and repair service of elevators and other facilities (Note 1)
Sansei Facilities Co., Ltd.	10	100	Property management service and logistics operations
TELMIC Corp.	13 <sup>(Note 2)</sup>	100	Production, installation and operation of illuminative and mechanical equipment for TV programs, concerts, etc.
Sansei Technologies, Inc.	19 million US dollars <sup>(Note 2)</sup>	100	A holding company in the U.S.
S&S Worldwide, Inc.	4 million US dollars <sup>(Note 2)</sup>	Indirect 100	Design, production, installation and sale of amusement machines
Vekoma Rides B.V.	3.5 million Euro	100	Design, production, installation and sale of amusement machines

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

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

- ② Status of special wholly-owned subsidiaries as of the closing date of the fiscal year  
There is no relevant information.

#### **(5) Issues to be overcome**

The future business environment in Japan looks favorable for the Company with large events that are expected to increase orders in the future, including the Tokyo Olympics in 2020, the Osaka Expo in 2025 and preparation for opening an integrated resort with a casino. On the other hand, uncertainty is expected to increase in international business, with the trade friction between China and the United States and the UK's exit from the EU.

Under these circumstances, the Sansei Technologies Group will actively pursue the development of new products and expansion of business domains in its four divisions: the Amusement Rides, Stage Equipment, Elevators, and Maintenance & Repair segments, by taking advantage of the strength of respective divisions.

We aim to become a leading company group that is highly recognized by customers from all over the world, by taking advantage of the combination of respective strong points of Vekoma, S&S and the Company; cross-sell and collaboration in the product development between these companies; and production sites in Japan, the United States, Europe and China. We will also focus on discovering amusement and entertainment-related needs expected to arise from the hosting of the above-mentioned international events in Japan, inbound effects of these events, and technological reforms. We will also work to improve the productivity of employees by utilizing rapidly-advancing digital technologies to promote the work style reform for employees.

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

#### **(6) Major businesses**

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

**(7) Major Offices and Plants**

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

**(8) Employees (as of March 31, 2019)**

① Employees in the corporate group

Number	Change from the end of the previous year	Average age	Average service years
1,134 employees	+53	40.5	10.7 years

② Employees in the Company

Number	Change from the end of the previous year	Average age	Average service years
277 employees	+20	41.75	15.5 years



## 2. Matters concerning the Company's ownership

### (1) State of shares

① Total number of authorized shares	39,000,000
② Total number of shares outstanding	19,332,057
③ Number of shareholders at the end of current term	4,136
④ Large shareholders	

Name of shareholders	Number of shares held (Unit: thousand)	Shareholding ratio (%)
Setsuo Toriumi	1,582	8.58
GOLDMAN, SACHS & CO. REG	1,123	6.09
Japan Trustee Services Bank, Ltd. (Trust Accounts)	1,021	5.54
Keihanshin Building Co., Ltd.	828	4.49
Sumitomo Mitsui Banking Corporation	805	4.37
The Mie Bank, Ltd.	805	4.37
Torishima Pump Mfg. Co., Ltd.	801	4.34
Sumitomo Mitsui Finance & Leasing Company, Limited	693	3.76
Sumitomo Mitsui Card Co., Ltd.	692	3.75
Maruichi Steel Tube Ltd.	652	3.54

(Note) Although the Company has 880,197 treasury shares, the Company is not included in the above-mentioned large shareholders. The above shareholding ratios are calculated by excluding treasury shares.

**(2) Status of stock acquisition rights (as of March 31, 2019)**

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

Name	Date of resolution on the issue	Number of holding officers	Number of stock acquisition rights	Class and number of shares to be issued upon exercise of stock acquisition rights	Paid-in amount for stock acquisition rights	Value of assets to be contributed upon exercise of stock acquisition rights	Exercise period
First stock acquisition rights	July 9, 2015	Three directors (Note 1)	172 (Note 2)	Common shares: 17,200 shares	60,600 yen per stock acquisition right	100 yen per stock acquisition right (One yen per share)	From August 8, 2015 to August 7, 2045
Second stock acquisition rights	July 14, 2016	Five directors (Note 1)	285 (Note 2)	Common shares: 28,500 shares	54,700 yen per stock acquisition right	100 yen per stock acquisition right (One yen per share)	From August 13, 2016 to August 12, 2046
Third stock acquisition rights	July 13, 2017	Six directors (Note 1)	278 (Note 2)	Common shares: 27,800 shares	75,200 yen per stock acquisition right	100 yen per stock acquisition right (One yen per share)	From August 12, 2017 to August 11, 2047
Fourth stock acquisition rights	July 12, 2018	Six directors (Note 1)	195 (Note 2)	Common shares: 19,500 shares	131,800 yen per stock acquisition right	100 yen per stock acquisition right (One yen per share)	From August 11, 2018 to August 10, 2048

Notes: 1. Stock acquisition rights were not granted to outside directors and corporate auditors.

2. The Company pays to persons to whom stock acquisition rights are allocated a monetary reward which is equivalent to the gross paid in amount for the stock acquisition rights. The right to claim such monetary reward is set off against the obligation to pay for the stock acquisition rights.

3. Major conditions for exercise of stock acquisition rights are as follows:

- Within the exercise period, stock acquisition rights holders may exercise their stock acquisition rights in a lump sum only within 10 days from the day immediately following the day when they resign as both a Company director and executive officer.
- In the case where a stock acquisition rights holder dies, only if the stock acquisition rights belong to one of the legal heirs of the stock acquisition rights holder (hereinafter the "successor") may the successor exercise the stock acquisition rights.
- Other conditions will be governed by the "stock acquisition rights allocation agreement" which is concluded between the Company and stock acquisition rights holders.

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

Name of stock acquisition rights		Fourth stock acquisition rights
Status of allocation to employees, etc.	The Company's executive officers (excluding those with concurrent position of director)	Number of stock acquisition rights: 107 Number of shares to be issued upon exercise of stock acquisition rights: 10,700 Number of allocated persons: 12

Note: The fourth stock acquisition rights are outlined in "① Status of stock acquisition rights issued as compensation for the execution of duties which are held by the Company's officers."

### (3) The Company's officers (as of March 31, 2019)

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

Position	Name	Duties and important concurrent positions
Chairman and Representative Director	Makoto Nakagawa	
President & CEO, Representative Director, Executive Officer	Noboru Rachi	
Executive Vice President, Representative Director, Executive Officer	Kimihiro Oshima	
Director and Senior Managing Executive Officer	Kazuaki Ebe	General Manager of Amusement Rides Division
Director and Officer	Kazuya Miyazaki	General Manager of Quality Control Division
Director and Officer	Yukio Noguchi	General Manager of Stage Equipment Division
Director	William Ireton	President and Representative Director of Ireton Entertainment Inc.
Director	Tadashi Ono	Professor of business sciences at the University of Tsukuba
Audit & Supervisory Board Member (full-time)	Hiroyuki Minaki	
Audit & Supervisory Board Member	Tsuyoshi Ikeguchi	Attorney
Audit & Supervisory Board Member	Kikuo Yasukawa	President and Representative Director of Genome Pharmaceuticals Institute
Audit & Supervisory Board Member	Akihiko Kakiuchi	

- Notes: 1. Both Directors William Ireton and Tadashi Ono are External Members of the Board as specified in subparagraph 15 of Article 2 of the Companies Act.
2. The Company has not made any important transactions, nor has any relationship, with other corporations, etc. at which Directors William Ireton and Tadashi Ono have concurrent positions.
3. Audit & Supervisory Board Members Tsuyoshi Ikeguchi, Kikuo Yasukawa and Akihiko Kakiuchi are External Audit & Supervisory Board Members as specified in subparagraph 16 of Article 2 of the Companies Act.
4. The Company has not made any important transactions, nor has any relationship, with the corporation at which Mr. Kikuo Yasukawa, who is an Audit & Supervisory Board member of the Company, has a concurrent position.
5. External Members of the Board William Ireton and Tadashi Ono are independent officers as specified in the rules of Tokyo Stock Exchange, Inc.
6. Audit & Supervisory Board Members Tsuyoshi Ikeguchi, Kikuo Yasukawa and Akihiko Kakiuchi are independent officers as specified in the rules of Tokyo Stock Exchange, Inc.
7. Audit & Supervisory Board Member Hiroyuki Minaki has assumed the position of General Manager of the General Administration Division at the Company and therefore he has considerable knowledge of finance and accounting.
8. Changes in directors during the year under review were as follows:  
At the 68th ordinary general meeting of shareholders held on June 28, 2018, Mr. Kazuya Miyazaki and Mr. Yukio Noguchi were newly elected as directors and assumed office, and Mr. Hitoshi Ogino and Mr. Tadashi Ono resigned as directors.
9. After the last day of the business term under review, positions, duties and important concurrent positions of directors were changed as follows.

Name	Positions, duties and important concurrent positions	
	Before change	After change
Kazuaki Ebe	Director and Senior Managing Executive Officer General Manager of Amusement Rides Division	Director and Senior Managing Executive Officer and CTO

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

Position	Number of persons	Payment amount (1,000 yen)
Directors (External Members of the Board)	10 (2)	227,495 (21,984)
Audit & Supervisory Board Members (External Audit & Supervisory Board Members)	4 (3)	31,500 (14,400)
Total	14	258,995

Notes: 1. The payment amount for directors doesn't include employee's salary for director cum employee.  
2. The 67<sup>th</sup> Ordinary General Meeting of Shareholders held on June 29, 2017 resolved that the maximum compensation amount for directors should not exceed 250 million yen a year (excluding employee's compensation, for external members of the Board not exceeding 30 million yen). Separately from the compensation, the 64<sup>th</sup> Ordinary General Meeting of Shareholders held on June 27, 2014 resolved that the amount of compensation for stock acquisition rights (stock options) should not exceed 30 million yen a year.  
3. The amount of above-mentioned compensation, etc. includes the amount recorded as expenses relating to stock acquisition rights granted as stock options in the business term under review (directors: 25 million yen).  
4. The 67<sup>th</sup> Ordinary General Meeting of Shareholders held on June 29, 2017 resolved that the maximum compensation amount for Audit & Supervisory Board members should not exceed 50 million yen a year.

**(4) Outside officers**

Main activities in the business term under review

Position	Name	Main activities
Director	William Ireton	He attended all of the 14 meetings of the Board of Directors held in the business term under review, and expressed his opinions based on his profound experience in business administration.
Director	Tadashi Ono	He attended all of the 14 meetings of the Board of Directors held in the business term under review, and expressed his opinions based on his advanced knowledge and insight as a professor.
Audit & Supervisory Board Member	Tsuyoshi Ikeguchi	He attended 13 out of 14 meetings of the Board of Directors and all of the 13 meetings of the board of corporate auditors, which were held in the business term under review, and expressed his opinions based on his expertise as an attorney.
Audit & Supervisory Board Member	Kikuo Yasukawa	He attended all of the 14 meetings of the Board of Directors and all of the 13 meetings of the board of corporate auditors, which were held in the business term under review, and expressed his opinions based on his profound experience of business administration.
Audit & Supervisory Board Member	Akihiko Kakiuchi	He attended all of the 14 meetings of the Board of Directors and all of the 13 meetings of the board of corporate auditors, which were held in the business term under review, and expressed his opinions based on his profound experience of business administration.

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

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

#### **(6) Accounting auditor**

① Name: Ernst & Young ShinNihon LLC

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

① Compensation owed by the Company to the accounting auditors as consideration for services stipulated in Article 2.1 of the Certified Public Accountants Act (Audit and attestation services)	32,000,000 yen
② Compensation owed by the Company to the accounting auditors as consideration for other services than those stipulated in Article 2.1 of the Certified Public Accountants Act	9,980,000 yen
Total of ① and ②	41,980,000 yen

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

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

3. The compensation in ② is consideration for advisory services related to internal controls for financial reporting.

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

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

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

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

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

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

The particulars of the revised policy are as follows.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- ① The Company will establish the group ethical code, make the code fully known to all officers and employees of the Company Group and provide training concerning compliance, etc., to them to raise their awareness of compliance.
- ② Each subsidiary of the Company Group will be requested to appoint the appropriate number of Audit & Supervisory Board Members depending on their scale, industry, etc. The company’s Legal & Internal Audit Office will conduct an internal audit of subsidiaries based on the internal audit regulations and the affiliates management regulations.
- ③ The Company will establish the whistle-blowing system by which officers or employees of the Company Group may directly report to an outside attorney, etc.

**(6) In the case where an Audit & Supervisory Board Member of the Company asks**

**for the appointment of an employee to assist the Audit & Supervisory Board Member, matters concerning the employee, matters concerning independence from directors of the Company, and matters concerning ensuring of the effectiveness of instructions from the Company's Audit & Supervisory Board Member to the employee**

- ① If requested by an Audit & Supervisory Board Member, an employee to assist him/her will be appointed, and the employee will be appointed by consultation between Audit & Supervisory Board Members and directors.
- ② An employee to assist an Audit & Supervisory Board Member must follow directions or orders from the Audit & Supervisory Board Member.

**(7) System for reporting to Audit & Supervisory Board Members of the Company**

**1) System for reporting to Audit & Supervisory Board Members of the Company by directors and employees of the Company**

- ① The Audit & Supervisory Board Members will attend meetings of the Board of Directors and management council, Council of General Managers and other important meetings to receive reports from directors.
- ② If any director or employee detects any of the following matters, they will immediately report to Audit & Supervisory Board Members:
  - (a) Legal or financial problems which could have a serious impact on the Company;
  - (b) Any other facts which could cause serious damage to the Company.

**2) System for reporting to Audit & Supervisory Board Members of the Company by subsidiaries' directors, accounting advisors, Audit & Supervisory Board Members, employees executing their duties, persons who must execute duties as specified in paragraph 1 of Article 598 of the Companies Act, or equivalent persons or employees, or persons who received reports from the foregoing persons**

- ① If requested by an Audit & Supervisory Board Member of the Company to report to the Audit & Supervisory Board Member about matters concerning the execution of operations, officers or employees of the Company Group will immediately report to the Audit & Supervisory Board Member in a proper manner.
- ② If officers or employees of the Company Group detect any facts which could cause serious damage to the Company or the Company Group, including violations of laws and regulations, they will immediately report to any Audit & Supervisory Board Member or the board of corporate auditors of the Company.

**(8) System for ensuring that any person who has reported to an Audit & Supervisory Board Member will not receive adverse treatment on the ground that the person has reported to the Audit & Supervisory Board Member**

- ① The Company will prohibit the adverse treatment of any officer or employee of the Company Group who has reported to an Audit & Supervisory Board Member of the Company Group on the ground that they have reported to the Audit & Supervisory Board Member, and will make the prohibition fully known to the officers and employees of the Company Group.
- ② The Company will establish the Company Group's whistle-blowing system which allows officers or employees of the Company Group to directly report to an Audit & Supervisory Board Member of the Company, prohibit the adverse treatment of them on the ground that they have reported to the Audit & Supervisory Board Member, and will make the prohibition fully known to the officers and employees of the Company Group.



**(9) Matters concerning the procedures for advance payment or repayment of expenses arising from the execution of duties by an Audit & Supervisory Board Members of the Company, or concerning the treatment of expenses or debts arising from the execution of duties by an Audit & Supervisory Board Members of the Company**

If an Audit & Supervisory Board Member asks the Company to pay expenses in advance or later as specified in Article 388 of the Companies Act in connection with the execution of his/her duties, the department in charge at the Company will examine the matter, and then the Company will pay such expenses or debts in full and have a consultation with the Audit & Supervisory Board Members concerned about the procedure of such payment as needed.

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

① Based on the regulations of the board of corporate auditors, the Audit & Supervisory Board Members of the Company will regularly confer with the representative director, exchange opinions with the representative director concerning the matters to be addressed by the Company, the status of establishment of an appropriate environment for the auditor's audit and important problems concerning audits, and make requests to the representative director as needed.

② The Audit & Supervisory Board Members of the Company will regularly confer with the accounting auditor, the Company's Legal & Internal Audit Office, etc. to exchange opinions concerning the current state of the Company Group's accounting audit, internal audit, compliance, risk management, etc.

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

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

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

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

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

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

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

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

**(2) Risk management**

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

**(3) Compliance**

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

**(4) Audit system**

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

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

**(5) Internal control system over financial reporting**

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

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

At the closing of the 66<sup>th</sup> general meeting of shareholders held on June 29, 2016, the term of the Company's Response Policy for Large-Scale Purchase expired, and the Company determined not to continue the Policy on and after that day because the business conditions for the Group had changed since the time when the Policy was first introduced and regulations concerning large-scale purchase of shares had been established under the Financial Instruments and Exchange Act. However, if any party attempts a large-scale purchase of Company shares, the Company will endeavor to collect and disclose necessary information so that shareholders can make an informed decision on whether to accept the offer and will take appropriate measures to the extent allowed under the relevant laws and the Articles of Incorporation of the Company, from the viewpoint of protecting the corporate value of the Company and common interests of shareholders.

## Consolidated Balance Sheet

(As of March 31, 2019)

(in thousand yen)

Account	Amount	Account	Amount
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Current assets</b>	<b>37,807,027</b>	<b>Current liabilities</b>	<b>19,707,928</b>
Cash and deposits	9,344,718	Notes and accounts payable - trade	4,365,794
Notes and accounts receivable - trade	24,539,795	Short-term loans payable	1,248,975
Electronically recorded monetary claims - operating	139,689	Current portion of long-term loans payable	1,276,008
Work in process	771,257	Income taxes payable	684,373
Raw materials and supplies	1,721,155	Accrued consumption taxes	165,696
Other current assets	1,392,468	Advances received	7,991,272
Allowance for doubtful accounts	-102,057	Provision for bonuses	506,526
<b>Non-current assets</b>	<b>31,381,034</b>	Provision for directors' bonuses	34,750
<b>Property, plant and equipment</b>	<b>10,671,232</b>	Provision for loss on construction contracts	1,179,676
Buildings and structures	5,278,990	Other current liabilities	2,254,855
Machinery, equipment and vehicles	786,751	<b>Non-current liabilities</b>	<b>18,998,494</b>
Land	4,227,306	Long-term loans payable	15,783,974
Construction in progress	29,269	Deferred tax liabilities	1,099,141
Other non-current assets	348,915	Net defined benefit liability	2,072,009
<b>Intangible non-current assets</b>	<b>14,098,796</b>	Other non-current liabilities	43,368
Goodwill	10,429,637	<b>Total liabilities</b>	<b>38,706,423</b>
Other intangible assets	3,669,158	<b>NET ASSETS</b>	
<b>Investments and other assets</b>	<b>6,611,005</b>	<b>Shareholders' equity</b>	<b>28,597,227</b>
Investment securities	5,103,377	<b>Capital stocks</b>	<b>3,251,279</b>
Long-term loans receivable	33,617	<b>Capital surplus</b>	<b>2,429,502</b>
Deferred tax assets	539,053	<b>Retained earnings</b>	<b>23,359,730</b>
Other assets	936,602	<b>Treasury shares</b>	<b>-443,285</b>
Allowance for doubtful accounts	-1,645	<b>Accumulated other comprehensive income</b>	<b>1,770,222</b>
		Valuation difference on available-for-sale securities	1,394,967
		Deferred gains or losses on hedges	8,793
		Foreign currency translation adjustment	362,070
		Remeasurements of defined benefit plans	4,390
		<b>New share acquisition rights</b>	<b>114,189</b>
		<b>Total net assets</b>	<b>30,481,639</b>
<b>Total assets</b>	<b>69,188,062</b>	<b>Total liabilities and net assets</b>	<b>69,188,062</b>

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

## Consolidated Statement of Income

(April 1, 2018 to March 31, 2019)

(in thousand yen)

Account	Amount	
<b>Net sales</b>		<b>52,794,828</b>
<b>Cost of sales</b>		<b>39,365,443</b>
<b>Gross profit</b>		<b>13,429,384</b>
<b>Selling, general and administrative expenses</b>		<b>9,109,844</b>
<b>Operating income</b>		<b>4,319,540</b>
<b>Non-operating income</b>		
Interest income	4,033	
Dividend income	95,515	
Dividend income of insurance	47,806	
Rent income	26,212	
Other non-operating income	23,560	<b>197,128</b>
<b>Non-operating expenses</b>		
Interest expenses	201,366	
Share of loss of entities accounted for using equity method	9,043	
Foreign exchange losses	7,091	
Other non-operating expenses	14,846	<b>232,347</b>
Ordinary income		<b>4,284,320</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	7,742	
Gain on sales of investment securities	3,482	<b>11,224</b>
<b>Income before income taxes</b>		<b>4,295,545</b>
Income taxes - current	1,383,675	
Income taxes - deferred	165,754	<b>1,549,429</b>
<b>Net Income</b>		<b>2,746,115</b>
<b>Net income attributable to non-controlling interests</b>		<b>-</b>
<b>Net income attributable to owners of parent</b>		<b>2,746,115</b>

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

## Consolidated Statement of Changes in Equity

(April 1, 2018 to March 31, 2019)

(in thousand yen)

	Shareholders' equity				
	Capital stocks	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
<b>Year-beginning balance</b>	3,251,279	2,424,117	21,212,707	−462,855	26,425,248
<b>Changes of items during the year</b>					
Dividends of surplus			−599,092		−599,092
Net income attributable to owners of parent			2,746,115		2,746,115
Purchase of treasury shares				−801	−801
Disposal of treasury shares		5,385		20,371	25,756
Net changes of items other than shareholders' equity					
<b>Total changes of items during the year</b>	-	5,385	2,147,023	19,570	2,171,978
<b>Year-end balance</b>	3,251,279	2,429,502	23,359,730	−443,285	28,597,227

	Accumulated other comprehensive income					New share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income		
<b>Year-beginning balance</b>	1,392,852	25,660	649,376	−835	2,067,053	100,101	28,592,403
<b>Changes of items during the year</b>							
Dividends of surplus							−599,092
Net income attributable to owners of parent							2,746,115
Purchase of treasury shares							−801
Disposal of treasury shares							25,756
Net changes of items other than shareholders' equity	2,115	−16,866	−287,305	5,226	−296,830	14,087	−282,742
<b>Total changes of items during the year</b>	2,115	−16,866	−287,305	5,226	−296,830	14,087	1,889,235
<b>Year-end balance</b>	1,394,967	8,793	362,070	4,390	1,770,222	114,189	30,481,639

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

## Non-Consolidated Balance Sheet

(As of March 31, 2019)

(in thousand yen)

Account	Amount	Account	Amount
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Current assets</b>	<b>12,402,148</b>	<b>Current liabilities</b>	<b>9,669,700</b>
Cash and deposits	1,469,113	Notes payable - trade	50,421
Notes receivable - trade	80,226	Accounts payable- trade	3,650,681
Electronically recorded monetary claims - operating	58,670	Short-term loans payable from affiliates	3,500,000
Accounts receivable - trade	9,774,237	Current portion of long-term loans payable	1,050,000
Work in process	346,918	Accrued expenses	214,209
Raw materials and supplies	356,021	Advances received	892,031
Advance payments -trade	2,026	Provision for bonuses	179,442
Income taxes receivable	124,468	Provision for loss on construction contracts	86,604
Other current assets	190,465	Other current liabilities	46,309
<b>Non-current assets</b>	<b>34,309,882</b>	<b>Non-current liabilities</b>	<b>15,547,620</b>
<b>Property, plant and equipment</b>	<b>5,047,623</b>	Long-term loans payable	14,100,000
Buildings	2,332,877	Provision for retirement benefits	1,344,681
Structures	9,933	Deferred tax liabilities	102,888
Machines and equipment	99,411	Other non-current liabilities	50
Vehicles	5,999	<b>Total liabilities</b>	<b>25,217,320</b>
Tools, furniture and fixtures	139,256	<b>NET ASSETS</b>	
Land	2,433,792	<b>Shareholders' equity</b>	<b>19,978,243</b>
Construction in progress	26,353	<b>Capital stocks</b>	<b>3,251,279</b>
<b>Intangible non-current assets</b>	<b>130,492</b>	<b>Capital surplus</b>	<b>3,018,149</b>
Software	112,711	Legal capital surplus	2,989,057
Telephone subscription rights	9,679	Total other capital surplus	29,092
Other intangible assets	8,101	<b>Retained earnings</b>	<b>13,765,524</b>
<b>Investments and other assets</b>	<b>29,131,766</b>	Legal retained earnings	434,000
Investment securities	4,998,599	Other retained earnings	13,331,524
Stocks of subsidiaries and affiliates	23,622,164	Reserve for advanced depreciation of non-current assets	278,850
Guarantee deposits	162,438	General reserve	9,320,000
Business insurance	234,353	Retained earnings brought forward	3,732,673
Others	115,393	<b>Treasury shares</b>	<b>-56,710</b>
Allowance for doubtful accounts	-1,183	<b>Valuation and translation adjustments</b>	<b>1,402,277</b>
		Valuation difference on available-for-sale securities	1,393,483
		Deferred gains or losses on hedges	8,793
		<b>New share acquisition rights</b>	<b>114,189</b>
<b>Total assets</b>	<b>46,712,030</b>	<b>Total net assets</b>	<b>21,494,709</b>
		<b>Total liabilities and net assets</b>	<b>46,712,030</b>

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

## **Non-Consolidated Profit and Loss Statement**

(April 1, 2018 to March 31, 2019)

(in thousand yen)

Account	Amount	
<b>Net sales</b>		<b>20,348,166</b>
<b>Cost of sales</b>		<b>17,598,859</b>
<b>Gross profit</b>		<b>2,749,306</b>
<b>Selling, general and administrative expenses</b>		<b>2,366,993</b>
<b>Operating income</b>		<b>382,313</b>
<b>Non-operating income</b>		
Interest income	897	
Dividend income	1,137,249	
Dividend income of insurance	7,036	
Other non-operating income	38,457	<b>1,183,640</b>
<b>Non-operating expenses</b>		
Interest expenses	132,889	
Loss on operation of limited liability partnership	9,043	
Other non-operating expenses	7,180	<b>149,112</b>
<b>Ordinary income</b>		<b>1,416,841</b>
<b>Extraordinary income</b>		
Gain on sales of investment securities	3,482	<b>3,482</b>
<b>Income before income tax</b>		<b>1,420,323</b>
Income taxes - current	86,700	
Income taxes - deferred	86,414	<b>173,114</b>
<b>Net Income</b>		<b>1,247,209</b>

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

## Non-Consolidated Statement of Changes in Equity

(April 1, 2018 to March 31, 2019)

(in thousand yen)

	Shareholders' equity			
	Capital stocks	Capital surplus		
		Legal capital surplus	Total other capital surplus	Total capital surplus
<b>Year-beginning balance</b>	<b>3,251,279</b>	<b>2,989,057</b>	<b>5,927</b>	<b>2,994,985</b>
<b>Changes of items during the year</b>				
Dividends of surplus				
Net Income				
Purchase of treasury shares				
Disposal of treasury shares			23,164	23,164
Net changes of items other than shareholders' equity				
<b>Total changes of items during the year</b>			<b>23,164</b>	<b>23,164</b>
<b>Year-end balance</b>	<b>3,251,279</b>	<b>2,989,057</b>	<b>29,092</b>	<b>3,018,149</b>

	Shareholders' equity				
	Retained earnings				
	Legal retained earnings	Other retained earnings			Total retained earnings
		Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
<b>Year-beginning balance</b>	<b>434,000</b>	<b>278,850</b>	<b>9,320,000</b>	<b>3,084,556</b>	<b>13,117,407</b>
<b>Changes of items during the year</b>					
Dividends of surplus				-599,092	-599,092
Net Income				1,247,209	1,247,209
Purchase of treasury shares					
Disposal of treasury shares					
Net changes of items other than shareholders' equity					
<b>Total changes of items during the year</b>				<b>648,116</b>	<b>648,116</b>
<b>Year-end balance</b>	<b>434,000</b>	<b>278,850</b>	<b>9,320,000</b>	<b>3,732,673</b>	<b>13,765,524</b>

	Shareholders' equity		Valuation and translation adjustments			New share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
<b>Year-beginning balance</b>	<b>-58,500</b>	<b>19,305,171</b>	<b>1,389,929</b>	<b>25,660</b>	<b>1,415,590</b>	<b>100,101</b>	<b>20,820,863</b>
<b>Changes of items during the year</b>							
Dividends of surplus		-599,092					-599,092
Net Income		1,247,209					1,247,209
Purchase of treasury shares	-801	-801					-801
Disposal of treasury shares	2,592	25,756					25,756
Net changes of items other than shareholders' equity			3,553	-16,866	-13,313	14,087	774
<b>Total changes of items during the year</b>	<b>1,790</b>	<b>673,072</b>	<b>3,553</b>	<b>-16,866</b>	<b>-13,313</b>	<b>14,087</b>	<b>673,846</b>
<b>Year-end balance</b>	<b>-56,710</b>	<b>19,978,243</b>	<b>1,393,483</b>	<b>8,793</b>	<b>1,402,277</b>	<b>114,189</b>	<b>21,494,709</b>

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



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

### Independent Auditors' Report

May 17, 2019

To: Board of Directors Sansei Technologies, Inc.

#### Ernst & Young ShinNihon LLC

Designated Limited Partner      Certified Public Accountant      Yutaka Masuda      (Seal)  
Engagement Partner

Designated Limited Partner      Certified Public Accountant      Satoshi Uchida      (Seal)  
Engagement Partner

The auditors of this auditing firm conducted audits of the consolidated financial statements of Sansei Technologies, Inc. (hereinafter, "the Company"), comprising consolidated balance sheet as of March 31, 2018, consolidated statement of income for the year from April 1, 2018 to March 31, 2019, consolidated statement of changes in equity for the same year and notes to consolidated financial statements, in accordance with the provisions under Article 444 (4) of the Companies Act.

#### Responsibilities of the Management for Consolidated Financial Statements

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

#### Responsibility of Auditors

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

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

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

#### Opinions

In our opinion, the consolidated financial statements referred to previously present fairly, in all material respects, the status of the property and the profit and loss of the Sansei Technologies Group, comprising Sansei Technologies, Inc. and its consolidated subsidiaries, as of March 31, 2018, and for the year then ended in conformity with accounting principles generally accepted in Japan.

#### Relationship of interest

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

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

### Independent Auditors' Report

May 17, 2019

To: Board of Directors Sansei Technologies, Inc.

### Ernst & Young ShinNihon LLC

Designated Limited Partner      Certified Public Accountant    Yutaka Masuda    (Seal)  
Engagement Partner

Designated Limited Partner      Certified Public Accountant    Satoshi Uchida    (Seal)  
Engagement Partner

The auditors of this audit firm conducted audits of the financial statements of Sansei Technologies, Inc., comprising balance sheet as of March 31, 2019, statement of income for the year from April 1, 2018 to March 31, 2019, statement of changes in equity for the same year and notes to financial statements and supplementary schedules, in accordance with the provisions under Article 436 (2)(i) of the Companies Act.

#### Responsibility of the Management for Financial Statements

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

#### Responsibility of Auditors

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

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

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

#### Opinions

In our opinion, the financial statements and supplementary schedules referred to previously present fairly, in all material respects, the status of the property and the profit and loss of Sansei Technologies, Inc. as of March 31, 2018, and for the years then ended in conformity with accounting principles generally accepted in Japan.

#### Relationship of interest

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

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

### Audit Report by Corporate Auditors

The Board of Corporate Auditors of the Company presents this Audit Report as the unanimous opinion of all Audit & Supervisory Board Members of the Company, prepared based on reports prepared by individual Audit & Supervisory Board Members regarding auditing of the business execution of directors during the 69th business year of the Company from April 1, 2018 to March 31, 2019, as follows:

1. Auditing techniques used by the Audit & Supervisory Board Members and the Board of Corporate Auditors and audited items
  - (1) The Board of Corporate Auditors defined the audit policies and division of duties among the Audit & Supervisory Board Members, received reports from individual Audit & Supervisory Board Members regarding the progress and results of their audits. The Board of Corporate Auditors also received reports from directors and other officers and independent accounting auditors regarding the progress of the execution of their respective duties and requested explanations from them as needed.
  - (2) Individual Audit & Supervisory Board Members conducted their audits, in accordance with the audit standards for Audit & Supervisory Board Members established by the Board of Corporate Auditors, following the audit policies and the division of duties among the Audit & Supervisory Board Members, maintaining close communication with directors, the Legal & Internal Audit Office and employees, collecting necessary information and by establishing an appropriate environment for auditing, by using the following audit techniques:
    - (i) The Audit & Supervisory Board Members attended meetings of the Board of Directors and other important meetings, received reports from directors, employees and other related parties regarding the execution of their duties and requested explanations from them as needed. They also inspected important managerial approval documents and operations and the status of properties at the head office and major business offices. The Audit & Supervisory Board Members also communicated and exchanged information with directors and Audit & Supervisory Board Members of subsidiaries and received business reports from subsidiaries as needed.
    - (ii) With respect to the systems stipulated in Article 100 (1) and (3) of the Ordinance for Enforcement of the Companies Act to ensure the appropriateness of the business operations of a corporate group comprising a parent and its subsidiaries, including a system to ensure compliance of the duties performed by directors and reported in business reports with the applicable laws and the Articles of Incorporation of the Company ("internal control system"), the Audit & Supervisory Board Members received reports from directors, employees and other related parties, asked for explanations and expressed opinions as needed, regarding the resolutions adopted by the Board of Directors on the establishment of such system, the system established in accordance with the resolutions, and the status of improvement and operation of the system. Regarding internal control related to the financial report of the Company, the Audit & Supervisory Board Members received reports from directors and other related parties and Ernst & Young ShinNihon LLC regarding the assessment and audit of such internal control, and requested explanations from them as needed.
    - (iii) The Audit & Supervisory Board Members monitored and examined whether the independent accounting auditors maintained independence and conducted fair audits, received reports from the independent accounting auditors about their execution of duties and requested explanations from them as needed. The Audit & Supervisory Board Members received a notice from the independent accounting auditors that the independent accounting auditors had a "system that guarantees the fair execution of duties" in place (items stipulated under Article 131 of the Corporate Accounting Rules) in accordance with the Quality Control Standards for Audit (October 28, 2005) and other regulations, and requested explanations from them as needed.

By using the techniques and methods referred to above, the Audit & Supervisory Board Members examined the business report of the Company for the fiscal year ended March 31, 2018 and supplementary schedules thereto, financial statements (balance sheet, statement of income, statement of change in equity and notes to financial statements) for the same fiscal year and supplementary schedules thereto, and consolidated financial statements (consolidated balance sheet, consolidated state of income, consolidated statement of change in equity and notes to consolidated financial statements) for the same fiscal year.

2. Result of the Audits

(1) Results of the audit of business report

The Audit & Supervisory Board Members acknowledge that

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

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

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

(3) Results of audits of consolidated financial statements

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

May 20, 2019

Sansei Technologies, Inc.

Board of Corporate Auditors

Audit & Supervisory Board Member (Full-time) : Hiroyuki Minaki (Seal)

External Audit & Supervisory Board Member : Tsuyoshi Ikeguchi (Seal)

External Audit & Supervisory Board Member : Kikuo Yasukawa (Seal)

External Audit & Supervisory Board Member : Akihiko Kakiuchi (Seal)

## Materials for General Meeting of Shareholders

### Proposal No. 1: Appropriation of surplus

Distribution of year-end dividend

In accordance with the basic policy to continue stable distribution of dividends, and considering the business performance of the Company and future business plans, the Company proposes the following year-end dividend for the 69th business year:

(1) Type of dividend

Dividend will be distributed in cash.

(2) Appropriation and the amount of dividend

A dividend of 17.50 yen per share will be distributed.

The total amount of dividend will be 322,907,550 yen. (Dividends per share paid for the full year will be 35 yen per share, including the interim dividend of 17.50 yen per share already paid during the year.)

(3) Effective date of distribution of dividend from surplus

June 28, 2019

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

1. Reasons for the proposal

The upper limit of the number of directors is to be increased to nine from eight to prepare for improvement and reinforcement of the management of the Company.

2. Details of the proposed amendment

Details of the proposed amendment are as follows:

(Amended words are underlined.)

Current Articles of Incorporation	Revised Articles of Incorporation (proposed)
Chapter 4 Directors and Board of Directors Article 18 (Number of Directors) The Company shall have a maximum of <u>eight (8)</u> directors.	Chapter 4 Directors and Board of Directors Article 18 (Number of Directors) The Company shall have a maximum of <u>nine (9)</u> directors.

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

The terms of the eight current directors will expire at the closing of this general meeting of shareholders. Subject to the approval of Proposal 2 (Partial amendment of the Articles of Incorporation) to add one external director to further enhance management transparency and corporate governance of the Company, we propose that nine directors be elected.

Candidates for directors and their profiles are as follows:

Candidate No.	Name (Date of Birth)	Career History, Major Positions and Responsibilities, and Important Concurrent Service	Holding of Company shares
1	Makoto Nakagawa (born February 2, 1953)	May 2007 Sansei Technologies, Corporate Advisor June 2007 Sansei Technologies, Executive Vice President, General Manager of Production Division, Officer in Charge of the Quality and Safety Management Department June 2008 Sansei Technologies, Executive Vice President, Representative Director August 2008 Sansei Technologies, Executive Vice President, Representative Director, General Manager of Tokyo Branch December 2009 Sansei Technologies, Executive Vice President, Representative Director April 2010 Sansei Technologies, President & CEO, Representative Director April 2018 Sansei Technologies, Chairman, Representative Director (to date)	38,000 shares
2	Noboru Rachi (born May 7, 1959)	May 2016 Sansei Technologies, Senior Executive Officer, General Manager of Maintenance & Services Division, Deputy General Manager of Production Division June 2016 Sansei Technologies, Director, Senior Managing Executive Officer, General Manager of Maintenance & Service Division, Deputy General Manager of Production Division April 2017 Sansei Technologies, Executive Vice President, Representative Director, In charge of Corporate Planning Office, General Manager of Maintenance & Service Division April 2018 Sansei Technologies, President & CEO, Representative Director, Executive Officer (to date)	3,500 shares
3	Kimihiro Oshima (born February 21, 1955)	June 2008 Sansei Technologies, Deputy General Manager, Tokyo Branch June 2008 Sansei Technologies, Director, Managing Executive Officer, General Manager of Tokyo Branch June 2008 Sansei Technologies, Director, Managing Executive Officer in Charge of Eastern Japan April 2010 Sansei Technologies, Director, Managing Executive Officer, General Manager of Corporate Planning Office June 2011 Sansei Technologies, Executive Vice President, Representative Director, General Manager of Corporate Planning Office June 2012 Sansei Technologies, Executive Vice President, Representative Director, General Manager of Quality Control Division, General Manager of Maintenance & Services Division April 2014 Sansei Technologies, Executive Vice President, Representative Director, General Manager of Quality Control Division April 2016 Sansei Technologies, Executive Vice President, Representative Director, General Manager of Maintenance & Services Division May 2016 Sansei Technologies, Executive Vice President, Representative Director, Executive Officer (to date)	14,600 shares

Candidate No.	Name (Date of Birth)	Career History, Major Positions and Responsibilities, and Important Concurrent Service	Holding of Company shares
4	Kazuaki Ebe (born April 21, 1954)	<p>April 1979 Joined Sansei Technologies</p> <p>November 2004 Sansei Technologies, Manager of Third Design Department, Design Division</p> <p>June 2008 Sansei Technologies, Executive Officer, Deputy General Manager of Amusement Rides Division and General Manager of Design Department</p> <p>July 2010 Sansei Technologies, Executive Officer, General Manager of Amusement Rides Division</p> <p>June 2011 Sansei Technologies, Director and Managing Executive Officer, General Manager of Amusement Rides Division</p> <p>June 2012 Sansei Technologies, Director and Managing Executive Officer, General Manager of Amusement Rides Division, and General Manager of Kobe Plant</p> <p>April 2018 Sansei Technologies, Director and Senior Managing Executive Officer, General Manager of Amusement Rides Division</p> <p>April 2019 Sansei Technologies, Director and Senior Managing Executive Officer and CTO (to date)</p>	9,100 shares
5	Kazuya Miyazaki (born November 26, 1960)	<p>April 1985 Joined Sansei Technologies</p> <p>December 2006 Sansei Technologies, Manager of Second Design Department, First Business Division</p> <p>June 2008 Sansei Technologies, Manager of Design Department, Elevator Division</p> <p>April 2013 Sansei Technologies, Manager of Design Department, Stage Equipment Division</p> <p>July 2015 Sansei Technologies, Manager of Production Administration Department</p> <p>April 2017 Sansei Technologies, Executive Officer, Manager of Production Administration Department</p> <p>April 2018 Sansei Technologies, Executive Officer, General Manager of Quality Control Division</p> <p>June 2018 Sansei Technologies, Director, Managing Executive Officer, and General Manager of Quality Control Division (to date)</p>	1,100 shares
6	Yukio Noguchi (born August 27, 1964)	<p>April 1983 Joined Sansei Technologies</p> <p>June 2007 Sansei Technologies, Manager of Engineering Department, First Business Division</p> <p>April 2014 Sansei Technologies, Manager of Sales Department, Stage Equipment Division</p> <p>April 2016 Sansei Technologies, Executive Officer, Manager of Sales Department, Stage Equipment Division</p> <p>April 2017 Sansei Technologies, Executive Officer, Deputy General Manager of Stage Equipment Division</p> <p>April 2018 Sansei Technologies, Executive Officer, General Manager of Stage Equipment Division</p> <p>June 2018 Sansei Technologies, Director, Managing Executive Officer, and General Manager of Stage Equipment Division (to date)</p>	1,000 shares

Candidate No.	Name (Date of Birth)	Career History, Major Positions and Responsibilities, and Important Concurrent Service	Holding of Company shares
7	William Ireton (born December 6, 1955)	<p>June 1976      Joined Toho-Towa Co., Ltd.</p> <p>March 1979      Joined Movie/TV Marketing Co., Ltd.</p> <p>July 1988      Joined Warner Bros. Pictures, representative for Japan</p> <p>June 2006      Warner Entertainment Japan Inc., President and Representative Director</p> <p>December 2014      Warner Entertainment Japan, Advisor</p> <p>March 2015      Warner Entertainment Japan, resigned as Advisor</p> <p>April 2015      Established Ireton Entertainment Inc., President, Representative Director (to date)</p> <p>June 2015      Sansei Technologies, External Members of the Board (to date)</p> <p>[Important Concurrent Service]</p> <p>April 2015      Ireton Entertainment Inc., President, Representative Director</p>	2,300 shares
8	Tadashi Ono (born February 13, 1955)	<p>August 2008      University of Tsukuba, Graduate School of Business Science Study (currently Graduate School of Business Sciences), Professor (to date)</p> <p>June 2012      Sansei Technologies, Audit &amp; Supervisory Board Member</p> <p>June 2015      Sansei Technologies, External Director (to date)</p> <p>[Important Concurrent Service]</p> <p>August 2008      University of Tsukuba, Graduate School of Business Sciences, Professor</p>	6,100 shares
9	* Yoshiko Ando (born March 17, 1959)	<p>April 1982      Joined the Ministry of Labor</p> <p>July 2013      Manager of the Worker's Compensation Division, Labor Standards Bureau, Ministry of Health, Labor and Welfare</p> <p>July 2014      Director of Equal Employment, Children and Families Bureau, Ministry of Health, Labor and Welfare</p> <p>October 2015      Director-General (in charge of labor), Ministry of Health, Labor and Welfare</p> <p>June 2016      Director-General (in charge of statistics and information), Ministry of Health, Labor and Welfare</p> <p>July 2017      Director-General of Human Resource Development, Ministry of Health, Labor and Welfare</p> <p>July 2018      Retired from the Ministry</p> <p>March 2019      Kirin Holdings Co. Ltd., External Audit &amp; Supervisory Board Member (to date)</p> <p>[Important Concurrent Service]</p> <p>March 2019      Kirin Holdings, External Audit &amp; Supervisory Board Member</p>	0 shares



- Notes: 1. A candidate with a “\*” mark is a candidate for a new appointment as a director.
2. No relationship of interest to be noted exists between each candidate and the Company.
3. Mr. William Ireton, Mr. Tadashi Ono, and Ms. Yoshiko Ando are candidates for External Members of the Board of Directors. Mr. William Ireton and Mr. Tadashi Ono satisfy the requirements for independent officers as stipulated in the rules of the Tokyo Stock Exchange and have been registered as independent officers of the Company with the Exchange. Ms. Yoshiko Ando satisfies the requirements for an independent officer as stipulated in the rules of the Tokyo Stock Exchange and will be registered as an independent officer of the Company with the Exchange.
4. The Company has liability limitation agreements with Mr. Ireton and Mr. Ono that limit their liabilities for compensation under Article 423 (1) of the Companies Act to the minimum amount stipulated in Article 425 (1) of the same Act as long as they perform their duties in good faith free of material negligence. If they are re-appointed as directors, the liability limitation agreement with them will be continued. If Ms. Yoshiko Ando is appointed as a director, the Company will also conclude a liability limitation agreement with her.
5. Reasons for Nomination
- (1) Mr. William Ireton has abundant global experience and great knowledge as a business executive. Expecting that his experience will contribute to the better supervision of the management of the Company, we request shareholders to elect him as an External Member of the board of the Company.
- (2) Mr. Ono Tadashi has abundant experience in international businesses and extensive knowledge as an expert in the business science. Expecting that his experience will contribute to the better supervision of the management of the Company, we request shareholders to elect him as an External Member of the board of the Company.
- (3) Ms. Yoshiko Ando has been engaged in policy development in the labor administration area as a national public official for many years. She has abundant experience and knowledge in a wide range of employment and labor fields, including promoting women's careers. We recommend Ms. Ando as a candidate for an external member of the Board of Directors, expecting her supervision based on her experience will contribute to the management of the Company. Although Ms. Ando has no experience in the management of a commercial business, except for serving as an external director or an external Audit & Supervisory Board member of a company, we believe that she can adequately execute the duties of an external director for the reasons stated above.
6. The office term of Mr. William Ireton and Mr. Tadashi Ono as External Members of the Board of the Company will reach four years at the closing of this general meeting of shareholders.

#### Proposal No.4: Election of three Audit & Supervisory Board members

The terms of Mr. Hiroyuki Minaki, Mr. Kikuo Yasukawa, and Mr. Akihiko Kakiuchi as Audit & Supervisory Board members will expire at the closing of this general meeting of shareholders. The shareholders are requested to elect three Audit & Supervisory Board members for the next term. This agenda item was approved by the Audit & Supervisory Board.

The profiles of the candidates for Audit & Supervisory Board members are as follows:

Candidate No.	Name (Date of Birth)	Career History, Positions and Important Concurrent Service	Holding of Company shares
1	Hiroyuki Minaki (Born October 13, 1955)	<p>June 2007 Sansei Technologies, General Manager of Legal &amp; Internal Audit Office</p> <p>April 2009 Sansei Technologies, Managing Executive Officer, General Manager of Legal &amp; Internal Audit Office</p> <p>June 2011 Sansei Technologies, Managing Executive Officer, General Manager of Legal &amp; Internal Audit Office and General Manager of Personnel and General Affairs Department</p> <p>August 2011 Sansei Technologies, Managing Executive Officer and General Manager of Personnel and General Affairs Department</p> <p>April 2014 Sansei Technologies, Managing Executive Officer, General Manager of the General Administration Division and General Manager of Personnel and General Affairs Department</p> <p>April 2015 Sansei Technologies, Managing Executive Officer and General Manager of the General Administration Division</p> <p>June 2015 Sansei Technologies, Audit &amp; Supervisory Board Member (full time) (to date)</p>	9,000 shares
2	Kikuo Yasukawa (Born August 14, 1950)	<p>July 2005 Mie Bank Co. Ltd. (currently San Ju San Financial Group, Inc.), Managing Executive Officer</p> <p>June 2012 Mie Bank, Representative Director and Executive, Managing Executive Officer, and General Manager of Secretariat</p> <p>June 2013 Mie Gin Sogo Lease Co. Ltd., Representative Director and President</p> <p>June 2015 Sansei Technologies, Audit &amp; Supervisory Board Member (to date)</p> <p>May 2016 Genome Pharmaceuticals Institute, President and Representative Director (to date)</p> <p>[Important Concurrent Service]</p> <p>May 2016 Genome Pharmaceuticals Institute, President and Representative Director</p>	1,700 shares
3	Akihiko Kakiuchi (Born December 28, 1954)	<p>April 2005 Ginsen Insurance Consulting Co. Ltd. (currently Ginsen Risk Solutions Co., Ltd.), Director and General Manager of Operation Planning Department</p> <p>April 2007 Ginsen Co. Ltd., Managing Executive Officer</p> <p>October 2008 The Uehara Memorial Foundation (currently, Public interest incorporated foundation) Deputy Secretary-General</p> <p>July 2009 Secretary-General of the foundation above</p> <p>June 2015 Sansei Technologies, Audit &amp; Supervisory Board Member (to date)</p>	900 shares

- Notes: 1. No special relationship of interest to be noted exists between each candidate and the Company.
2. Mr. Kikuo Yasukawa and Mr. Akihiko Kakiuchi are candidates for external members of the Audit & Supervisory Board. They satisfy the requirements for independent officers as stipulated in the rules of the Tokyo Stock Exchange and have been registered as independent officers of the Company with the Exchange.
3. Reasons for nomination
- (1) Mr. Kikuo Yasukawa has abundant knowledge and experience and great insight into the banking business and business management. Expecting that he will provide useful advice on the auditing system of the Company, we request shareholders to elect him as an external member of the Audit & Supervisory Board of the Company.
- (2) Mr. Akihiko Kakiuchi has a wide range of experience and great insight cultivated during his service at a public interest incorporated foundation and other organizations. Expecting that his advice will contribute to better supervision of the management of the Company, we request shareholders to elect him as an external member of the Audit & Supervisory Board of the Company.
4. The Company has liability limitation agreements with Mr. Kikuo Yasukawa and Mr. Akihiko Kakiuchi that limit their liabilities for damage compensation under Article 423 (1) of the Companies Act to the minimum amount stipulated in Article 425 (1) of the same Act as long as they perform their duties in good faith free of gross negligence. If they are re-appointed as external members of the Audit and Supervisory Board, the liability limitation agreements with them will be continued.
5. The office terms of Mr. Kikuo Yasukawa and Mr. Akihiko Kakiuchi as Audit & Supervisory Board members of the Company will reach four years at the closing of this general meeting of shareholders.

**Proposal No.5: Revision of compensation for directors**

The upper limit of the annual total compensation for directors has been 250 million yen (including 30 million yen at the maximum for external directors) since it was approved at the 67<sup>th</sup> general meeting of shareholders held on June 29, 2017. In addition to this compensation, it was approved at the 64<sup>th</sup> general meeting of shareholders held on June 27, 2014 that the annual upper limit for the stock acquisition rights issued as stock options should be 30 million yen.

If Proposals 2 and 3 are approved at this general meeting of shareholders as initially proposed, one external director will be added to the Board. Considering this expansion, we propose to raise the upper limit of the annual compensation for external directors to 50 million yen, and accordingly, raise the upper limit of the annual total compensation for all directors (including external directors) to 270 million yen.

The annual upper limit for the stock option will remain at 30 million yen. As it has been the case, compensation for a director who is also an employee of the Company does not include salaries received by him/her as an employee of the Company.

The Company currently has eight directors (including two external directors). If Proposals 2 and 3 are approved at this general meeting of shareholders as initially proposed, the number of total directors will become nine (including three external directors).