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<Code Number 6794>
May 31, 2017

To Our Shareholders with Voting Rights

Hiromi Yoshizawa, President
Foster Electric Company, Limited
1-1-109, Tsutsujigaoka, Akishima City, Tokyo

NOTICE OF THE 83RD ORDINARY GENERAL MEETING OF SHAREHOLDERS

We hereby inform you of the 83rd Ordinary General Meeting of Shareholders of Foster Electric Company, Limited (the “Company”), to be held as follows and your attendance will be most sincerely requested.

You can exercise your voting rights in writing or using the Internet, etc.; so if you are unable to attend the meeting please read the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights in accordance with the “Guidance to Exercising Voting Rights” (Japanese Only), by no later than the closing time of our daily business hours (5:15 p.m.) on Wednesday, June 21, 2017 (Japan Time).

1. Date and Time: Thursday, June 22, 2017 at 10 a.m. (Japan Time)

2. Place: “SYLVAN HALL” (2F), Forest Inn Showakan,
4017-3 Haijimacho, Akishima City, Tokyo

3. Agenda of the Meeting

Matters to be reported:

1. The Business Report and Consolidated Financial Statements for the 83rd Fiscal Year (from April 1, 2016 to March 31, 2017) and results of audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements
2. Standalone Financial Statements for the 83rd Fiscal Year (from April 1, 2016 to March 31, 2017)

Matters to be resolved:

- | | |
|--------------------|--|
| Proposal 1: | Dividends of Surplus |
| Proposal 2: | Election of seven (7) Directors |
| Proposal 3: | Election of two (2) Corporate Auditors |
| Proposal 4: | Introduction of Performance-Based New Stock Compensation Plan for Directors and Executive Officers |

4. Others

- (1) If you are attending, please present the enclosed Exercise Voting Rights Form at the reception on arrival to the meeting. Please bring this notice for eco purposes.
- (2) In case you are unable to attend the meeting, one (1) shareholder with a voting right can nominate a proxy to this meeting, for which a document that verifies the proxy right of the person representing you must be submitted.
- (3) Of the documents that the Company needs to provide along with this notice, the following matters are posted on the Company’s website (http://www.foster.co.jp/investors/shareholder_info/meeting.html) pursuant to laws and regulations, and Article 15 of the Articles of Incorporation to the Company. Therefore, these matters are not included in this notice and the attached Reference Documents for the General Meeting of Shareholders.

- 1) “Structure and Policy of the Company” in the Business Report
- 2) “Consolidated Statement of Changes in Shareholders’ Equity” and “Notes to the Consolidated Financial Statements” in the Consolidated Financial Statements.
- 3) “Changes in Shareholders’ Equity” and “Notes to the Standalone Financial Statements” in the Standalone Statement

The Business Report, the Consolidated Financial Statements and the Standalone Financial Statements in the attached Reference Documents for the General Meeting of Shareholders are part of the Business Report and the Consolidated and Standalone Financial Statements that were audited by the Accounting Auditor and Corporate Auditors of the Company when preparing the Accounting Auditor’s Report and the Corporate Auditors’ Report.

- (4) If you exercise your voting rights in duplicate through the Internet and in writing, the vote using the Internet, etc., will be validated. If you exercise your vote multiple times, the vote you exercise last will be validated.
- (5) On the day of the meeting, our executives will be dressed casually (“Cool Biz”). Thank you for understanding.
- (6) In the event any matters are to be changed with respect to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Standalone Financial Statements or the Consolidated Financial Statements, the changes will be disclosed immediately on the corporate website (<http://www.foster.co.jp/>).

An English translation of the Notice of the 83rd Ordinary General Meeting of Shareholders is posted at corporate website (<http://www.foster-electric.com/investors/meeting/index.html>).

About the platform for exercising voting rights electronically

All institutional investors may use the platform for exercising voting rights electronically that is operated by ICJ, Inc.

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal No. 1: Dividends of Surplus

The Company regards enhanced corporate value as a major management issue while following a basic policy of promoting comprehensive improvements in shareholder profits by the distribution of profits that is commensurate with the Company's business results and the enhancement of internal reserves from a long-term viewpoint.

We propose a year-end dividend of ¥25 per share for the fiscal year under review as a distribution of profit commensurate with our business results, as a reward to reciprocate the support our shareholders have bestowed upon us. Accordingly, since the Company paid an interim dividend of ¥15 per share, the annual dividend is ¥40 per share.

Matters related to year-end dividends

(1) Type of property dividend

Cash

(2) Allotment of property dividend to shareholders and the total amount

¥25 per share of common stock of the Company Total amount: ¥643,244,750

(3) Effective date of dividend

June 23, 2017

Proposal No. 2: Election of seven (7) Directors

The terms of office of all seven (7) Directors Hiromi Yoshizawa, Atsushi Narikawa, Kazuhiro Kishi, Lu San Tie, Hidetoshi Shirakawa, Minoru Matsumoto and Chieko Matsuda will expire at the conclusion of this Ordinary General Meeting of Shareholders. We therefore propose that seven (7) Directors be elected.

The candidates for Director are as follows:

No.	Name (Date of birth)	Career summary, position and responsibilities and significant positions concurrently held	Number of Company's shares held
1	 <p>Hiromi Yoshizawa (February 11, 1954)</p> <p>[Reelection]</p>	<p>Mar. 1976 Joined the Company</p> <p>Apr. 1998 Deputy Manager, Sales Department No. 1 of the Company</p> <p>Apr. 1999 Manager, Sales Department No. 1 of the Company</p> <p>Apr. 2000 President, Foster Electric (Singapore) Pte. Ltd.</p> <p>Apr. 2002 Geschäftsführer, Foster Electric (Europe) GmbH</p> <p>Feb. 2006 Executive Officer, Deputy General Manager, Administration Division and Manager, Corporate Planning Department of the Company</p> <p>June 2007 Director, General Manager, Administration Division and Manager, Corporate Planning Department of the Company</p> <p>June 2009 Managing Director, General Manager, Administration Division and Manager, Corporate Planning Department of the Company</p> <p>Apr. 2012 General Manager, Administration Division, Manager, Human Resources Development Department and in charge of Corporate Planning of the Company</p> <p>Apr. 2013 General Manager, Administration Division and in charge of Corporate Planning of the Company</p> <p>June 2013 Senior Managing Director of the Company</p> <p>Apr. 2014 President and Representative Director of the Company (to the present)</p>	17,400
<p>Reason for election of the candidate for Director</p> <p>Mr. Hiromi Yoshizawa has demonstrated his capabilities widely in general corporate operations over many years. Since his appointment as President and Representative Director of the Company in 2014, he has demonstrated leadership in general management of the Company and committed to the improvement of corporate value based on his extensive knowledge and experience. He has also contributed to the improvement of the function of the Board of Directors through his great efforts to strengthen the corporate governance system. For these reasons, we judge that he is suitable for achieving sustainable growth and improvement of corporate value of the Company and request that Mr. Hiromi Yoshizawa continue to serve as a Director.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities and significant positions concurrently held	Number of Company's shares held
2	 <p data-bbox="384 815 557 922">Atsushi Narikawa (May 13, 1959) [Reelection]</p>	<p data-bbox="630 286 1222 1160"> Apr. 1982 Joined The Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.) Nov. 1997 Assistant General Manager, Kudan Branch, The Fuji Bank Apr. 2002 Deputy Manager, Americas Non-Japanese Sales Division No.2, Mizuho Corporate Bank, Ltd. Mar. 2003 Deputy Manager, Americas Products Sales Department, Mizuho Corporate Bank, Ltd. Apr. 2004 Deputy Manager, Americas Business Administration Division, Mizuho Corporate Bank, Ltd. Mar. 2006 General Manager, Seoul Branch, Mizuho Corporate Bank, Ltd. Apr. 2009 Executive Officer, General Manager of Corporate Banking Division No. 13, Mizuho Corporate Bank, Ltd. Apr. 2010 Managing Executive Officer, Mizuho Corporate Bank, Ltd. July 2010 Chief Officer for the European Region, Mizuho Corporate Bank, Ltd. July 2013 Managing Executive Officer, Head of the European Region Unit, Mizuho Bank, Ltd. May 2015 Advisor of the Company June 2015 Senior Managing Director and Assistant to the President of the Company (to the present) Jan. 2017 General Manager, Global Corporate Support Division of the Company (to the present) </p>	6,500
<p data-bbox="323 1173 1406 1352"> Reason for election of the candidate for Director Mr. Atsushi Narikawa has supported the President based on the experience and global perspective he has garnered at financial institutions and contributed to the improvement of corporate value. He has also contributed to the improvement of the function of the Board of Directors through his efforts to further enhance CSR, compliance and risk management system. For these reasons, we judge that he is suitable for achieving sustainable growth and improvement of corporate value of the Company and request that Mr. Atsushi Narikawa continue to serve as a Director. </p>			

No.	Name (Date of birth)	Career summary, position and responsibilities and significant positions concurrently held	Number of Company's shares held
3	 <p data-bbox="391 772 550 884">Kazuhiro Kishi (March 7, 1964) [Reelection]</p>	<p data-bbox="630 286 1222 1075"> Mar. 1986 Joined the Company Oct. 2002 Deputy Manager, Sales Department, IT Equipment Division of the Company Apr. 2003 Manager, Sales Department, IT Equipment Division of the Company Apr. 2004 Manager, Sales Department No. 2, Sales Division of the Company Feb. 2006 Executive Officer, Deputy General Manager, HP Division of the Company Feb. 2007 Deputy General Manager, HP Business Division of the Company Dec. 2008 Deputy General Manager, Mobile Audio Business Division of the Company June 2009 Director of the Company June 2010 Acting General Manager, Mobile Audio Business Division of the Company Apr. 2011 General Manager, Sales Division of the Company Apr. 2013 General Manager, MA Business Division of the Company (to the present) June 2014 Managing Director of the Company (to the present) Apr. 2017 General Manager, New Business Development Division and General Manager, Sales of the Company (to the present) </p>	8,700
<p data-bbox="327 1090 1390 1243">Reason for election of the candidate for Director Mr. Kazuhiro Kishi has served as a person responsible for sales for many years and contributed to the development of the Mobile Audio (MA) business in particular. He has also contributed to the improvement of the function of the Board of Directors with his extensive knowledge and experience pertaining to sales. For these reasons, we judge that he is suitable for achieving sustainable growth and improvement of corporate value of the Company and request that Mr. Kazuhiro Kishi continue to serve as a Director.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities and significant positions concurrently held	Number of Company's shares held
4	 <p data-bbox="363 786 577 842">Lu San Tie (December 23, 1956)</p> <p data-bbox="411 869 529 898">[Reelection]</p>	<p data-bbox="630 286 983 315">July 1997 Joined the Company</p> <p data-bbox="630 322 1198 378">June 2001 Director, Foster Electric Co., (Hong Kong) Ltd.</p> <p data-bbox="630 385 1190 441">June 2004 Vice President, Foster Electric Co., (Hong Kong) Ltd.</p> <p data-bbox="630 448 1115 477">Feb. 2006 Executive Officer of the Company</p> <p data-bbox="630 483 1209 539">Apr. 2006 President, Foster Electric Co., (Hong Kong) Ltd.</p> <p data-bbox="630 546 1023 575">June 2007 Director of the Company</p> <p data-bbox="630 582 1222 638">July 2009 General Manager in charge of Manufacturing of the Company</p> <p data-bbox="630 645 1214 674">Feb. 2010 President, Foster Electric Co., (Heyuan) Ltd.</p> <p data-bbox="630 680 1129 736">Apr. 2011 General Manager, Production of the Company</p> <p data-bbox="630 743 1206 860">Apr. 2012 General Manager, Manufacturing Division, Manager, Manufacturing Strategy Department of the Company and Chairman, Foster Electric Co., (Hong Kong) Ltd.</p> <p data-bbox="630 866 1222 983">Apr. 2014 General Manager, Southeast Asia Production, President, Foster Electric Co., (Hong Kong) Ltd. and Chairman, Foster Electric Co., (Heyuan) Ltd. (to the present)</p> <p data-bbox="630 990 1198 1046">Apr. 2016 Managing Director of the Company (to the present)</p> <p data-bbox="630 1052 1102 1108">(Significant positions concurrently held) President, Foster Electric Co., (Hong Kong) Ltd.</p>	3,300
<p data-bbox="327 1117 796 1146">Reason for election of the candidate for Director</p> <p data-bbox="327 1146 1410 1279">Mr. Lu San Tie has supervised the manufacturing system for many years and contributed to the improvement of corporate value. He has also contributed to the improvement of the function of the Board of Directors with his extensive knowledge and experience pertaining to manufacturing. For these reasons, we judge that he is suitable for achieving sustainable growth and improvement of corporate value of the Company and request that Mr. Lu San Tie continue to serve as a Director.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities and significant positions concurrently held	Number of Company's shares held
5	 <p data-bbox="368 734 572 790">Hidetoshi Shirakawa (July 22, 1963)</p> <p data-bbox="411 819 529 846">[Reelection]</p>	<p data-bbox="630 286 983 313">Apr. 1987 Joined the Company</p> <p data-bbox="630 322 1219 378">Feb. 2006 Manager, Engineering Department No. 1, SP Division of the Company</p> <p data-bbox="630 387 1222 443">June 2006 Manager, Engineering Department No. 6, HP Division of the Company</p> <p data-bbox="630 452 1222 508">Feb. 2007 Manager, Engineering Department No. 6, HP Business Division of the Company</p> <p data-bbox="630 517 1115 544">Apr. 2009 Executive Officer of the Company</p> <p data-bbox="630 553 1197 658">Mar. 2010 Acting General Manager, Strategic Technology Development Division and Manager, Elements Technology Development Department of the Company</p> <p data-bbox="630 667 1222 772">June 2010 General Manager, Strategic Technology Development Division, Manager, Elements Technology Development Department and in charge of Quality Assurance of the Company</p> <p data-bbox="630 781 1211 837">Apr. 2012 Senior Executive Officer, General Manager, Engineering Division of the Company</p> <p data-bbox="630 846 1198 902">Apr. 2013 General Manager, SP Business Division of the Company (to the present)</p> <p data-bbox="630 911 1177 938">June 2014 Director of the Company (to the present)</p> <p data-bbox="630 947 1142 1003">Apr. 2017 General Manager, Engineering of the Company (to the present)</p>	5,700
<p data-bbox="327 1019 799 1046">Reason for election of the candidate for Director</p> <p data-bbox="327 1048 1401 1198">Mr. Hidetoshi Shirakawa has demonstrated strong leadership as a person responsible for engineering for many years and also in sales operations as General Manager of the Speaker (SP) Business Division since 2013, and contributed to the improvement of corporate value. He has also contributed to the improvement of the function of the Board of Directors with his extensive knowledge and experience pertaining to engineering and sales. For these reasons, we judge that he is suitable for achieving sustainable growth and improvement of corporate value of the Company and request that Mr. Hidetoshi Shirakawa continue to serve as a Director.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities and significant positions concurrently held	Number of Company's shares held
6	 <p>Minoru Matsumoto (February 16, 1957)</p> <p>[Reelection]</p> <p>[Outside]</p> <p>[Independent]</p>	<p>Oct. 1983 Joined Tohmatsu Aoki Audit Firm (currently Deloitte Touche Tohmatsu LLC)</p> <p>Mar. 1987 Registered as Certified Public Accountant</p> <p>Sept. 2012 Resigned from Deloitte Touche Tohmatsu LLC</p> <p>Oct. 2013 Set up Minoru Matsumoto CPA Office (to the present)</p> <p>June 2014 Outside Corporate Auditor, Sanshin Electronics Co., Ltd. (to the present)</p> <p>Feb. 2015 Outside Director (Audit and Supervisory Committee Member), JASTEC Co., Ltd. (to the present)</p> <p>June 2015 Outside Director of the Company (to the present)</p> <p>(Significant positions concurrently held) Head, Minoru Matsumoto CPA Office Outside Corporate Auditor, Sanshin Electronics Co., Ltd. Outside Director (Audit and Supervisory Committee Member), JASTEC Co., Ltd.</p>	0
<p>Reason for election of the candidate for Outside Director</p> <p>Mr. Minoru Matsumoto utilizes the professional knowledge and expertise he has garnered throughout his many years of experiences as an accounting auditor at a listed company and as a certified public accountant in the management of the Company and contributes to strengthen the supervisory and checking function over the management. For these reasons, we judge that he is suitable for achieving sustainable growth and improvement of corporate value of the Company and request that Mr. Minoru Matsumoto continue to serve as a Director. Even though he does not have experience of involvement in corporate management other than as an Outside Director/Outside Corporate Auditor, we judge that he will perform his duties appropriately as an Outside Director and request that Mr. Minoru Matsumoto continue to serve as a Director for the above reasons.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities and significant positions concurrently held	Number of Company's shares held
7	 <p>Chieko Matsuda (November 18, 1964)</p> <p>[Reelection] [Outside] [Independent]</p>	<p>Apr. 1987 Joined The Long-Term Credit Bank of Japan, Limited</p> <p>Oct. 1998 Joined Moody's Japan K.K.</p> <p>Sept. 2001 Joined Corporate Directions, Inc.</p> <p>May 2006 President, Matrix, Inc.</p> <p>Oct. 2006 Vice President (partner), Booz & Company Inc.</p> <p>Apr. 2011 Professor, Faculty of Urban Liberal Arts, Tokyo Metropolitan University and Professor, Graduate School of Social Sciences, Tokyo Metropolitan University (to the present)</p> <p>June 2012 Outside Director, S.T. CORPORATION</p> <p>June 2012 Audit & Supervisory Board Member (External), SATO HOLDINGS CORPORATION</p> <p>June 2013 Outside Director, Hitachi Chemical Co., Ltd. (to the present)</p> <p>June 2014 Outside Director, AEON Financial Service Co., Ltd.</p> <p>June 2015 Outside Director of the Company (to the present)</p> <p>Mar. 2016 Outside Audit & Supervisory Board Member, Kirin Holdings Company, Limited (to the present)</p> <p>June 2016 Director (External), SATO HOLDINGS CORPORATION (to the present)</p> <p>(Significant positions concurrently held) Professor, Faculty of Urban Liberal Arts, Tokyo Metropolitan University and Professor, Graduate School of Social Sciences, Tokyo Metropolitan University Outside Director, Hitachi Chemical Co., Ltd. Outside Audit & Supervisory Board Member, Kirin Holdings Company, Limited Audit & Supervisory Board Member (External), SATO HOLDINGS CORPORATION</p>	0
<p>Reason for election of the candidate for Outside Director Ms. Chieko Matsuda utilizes the abundant professional knowledge of business administration, accounting and finance and the broad knowledge she has garnered over many years as a university professor and business manager in the management of the Company and contributes to strengthen the supervisory and checking function over the management. For these reasons, we judge that she is suitable for achieving sustainable growth and improvement of corporate value of the Company and request that Ms. Chieko Matsuda continue to serve as a Director.</p>			

- Notes:
1. No conflict of interest exists between the Company and the above candidates for Director.
 2. Mr. Minoru Matsumoto and Ms. Chieko Matsuda are candidates for Outside Director.
 3. Mr. Minoru Matsumoto and Ms. Chieko Matsuda will have served as Outside Director for two (2) years at the conclusion of this General Meeting of Shareholders.
 4. Liability Limitation Agreement
The Company has concluded an agreement with Mr. Minoru Matsumoto and Ms. Chieko Matsuda to limit their liability stipulated in Article 423, Paragraph 1 of the Companies Act, in accordance with Article 427, Paragraph 1 of the Act and the provisions of the Company's Articles of Incorporation. The Company is scheduled to continue the agreement with them upon the approval of their election. The amount of damages under the said agreement will be limited within an amount prescribed by laws and regulations.
 5. The Company has designated Mr. Minoru Matsumoto and Ms. Chieko Matsuda as independent officer who will not have any conflicts of interest with the general shareholders as stipulated by provisions of the Tokyo Stock Exchange. If their election is approved, the Company will continue to designate them both as independent officers.
 6. The Company's Criteria for Determining Independence

The Company determines the independence of Independent Outside Directors/Outside Corporate Auditors based on both the requirements of the Companies Act and the criteria of the Tokyo Stock Exchange. Additionally, the Company emphasizes high-level expertise and rich experience enabling constructive advice for the improvement of corporate value as qualities of Outside Directors/Outside Corporate Auditors.

Proposal 3: Election of two (2) Corporate Auditors

The term of office of Corporate Auditor Tsutomu Inokuma will expire and Corporate Auditor Osamu Nakamoto will retire at the conclusion of this Ordinary General Meeting of Shareholders. We therefore propose that two (2) Corporate Auditors be elected.

The Board of Corporate Auditors has previously given its approval for this proposition.

The candidates for Corporate Auditors are as follows:

No.	Name (Date of birth)	Career summary, position and significant positions concurrently held	Number of Company's shares held
1	 Tsutomu Inokuma (March 12, 1956) [Reelection]	Apr. 1979 Joined The Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.) Apr. 2005 Joined the Company July 2006 Manager, Management Administration Department, Administration Division of the Company Oct. 2011 Manager, General Affairs Department, Administration Division of the Company Apr. 2013 Manager, Finance and Accounting Department, Administration Division of the Company June 2016 Standing Statutory Auditor of the Company (to the present)	900
Reason for election of the candidate for Corporate Auditor We have judged that the application of Mr. Tsutomu Inokuma's expert knowledge of finance and accounting cultivated at financial institutions and our Accounting Department will strengthen our auditing system, so we request that he continue to serve as a Corporate Auditor.			
2	 Yasuhiro Goto (September 18, 1958) [New election] [Outside] [Independent]	Apr. 1984 Joined Nikkei Inc. Sept. 1988 Assigned to Bahrain Bureau, Nikkei Inc. Jan. 1990 Assigned to London (Europe Headquarter), Nikkei Inc. Sept. 1992 Industrial Department, Tokyo Head Office, Nikkei Inc. Sept. 1997 Assigned to Beijing (Chinese Headquarter), Nikkei Inc. Sept. 2000 Senior Staff Writer, Industrial Department, Tokyo Head Office, Nikkei Inc. Mar. 2002 Editorial Writer and newscaster on Nikkei CNBC, Nikkei Inc. Mar. 2008 Head of Editorial Office in Asia, Nikkei Inc. Apr. 2010 Senior Staff Writer, Nikkei Inc. Mar. 2016 Resigned from Nikkei Inc. Apr. 2016 Professor, Faculty of Urban Innovation, Asia University (to the present) (Significant positions concurrently held) Professor, Faculty of Urban Innovation, Asia University	500
Reason for election of the candidate for Corporate Auditor Mr. Yasuhiro Goto has profound knowledge of Asian economics and industrial theory as a former editorial writer and senior staff writer at Nikkei Inc. and as a current university professor. We have determined that the application of his expert knowledge he has garnered throughout his many years of experiences will strengthen our oversight system, so we request that he is elected as a Corporate Auditor. For these reasons, we judge that he will perform his duties as an Outside Corporate Auditor appropriately and contribute to improving the quality of the auditing function, so we request that he be elected as an Outside Corporate Auditor.			

- Notes:
1. No conflict of interest exists between the Company and the above candidates for Corporate Auditor.
 2. Mr. Yasuhiro Goto is a candidate for Outside Corporate Auditor.
 3. The Company has concluded an agreement with Mr. Tsutomu Inokuma to limit his liability stipulated in Article 423, Paragraph 1 of the Companies Act, in accordance with Article 427, Paragraph 1 of the Act and the provisions

of the Company's Articles of Incorporation. The Company is scheduled to continue the agreement with him upon the approval of his reelection. Furthermore, upon the approval of the election of Mr. Yasuhiro Goto, the Company is scheduled to conclude a similar agreement with him. The amount of damages under the said agreement will be limited within an amount prescribed by laws and regulations.

4. Mr. Yasuhiro Goto satisfies the requirements for being independent as stipulated by provisions of Tokyo Stock Exchange, and the Company is scheduled to register him as an independent officer if his election is approved.

5. The Company's Criteria for Determining Independence

The Company determines the independence of Independent Outside Directors/Outside Corporate Auditors based on both the requirements of the Companies Act and the criteria of the Tokyo Stock Exchange. Additionally, the Company emphasizes high-level expertise and rich experience enabling constructive advice for the improvement of corporate value as qualities of Outside Directors/Outside Corporate Auditors.

Proposal No.4: Introduction of Performance-Based New Stock Compensation Plan for Directors and Executive Officers

1. Reason for the Proposal

This proposal is to obtain approval for introduction of the Board Benefit Trust (BBT: hereinafter referred to as “the Plan”), which is a new performance-based stock compensation plan for the Company's directors and executive officers (hereinafter referred to as the “Directors, etc.”), excluding outside directors.

This proposal is intended to establish a compensation plan that further promotes the sharing of values between the Directors, etc. and shareholders and further contributes to the enhancement of corporate value in the medium to long term. In light of this intention, we consider that the content of this proposal is appropriate.

This proposal seeks approval for the amount of remuneration, etc., since we intend to grant new stock compensation to the Directors, etc. separately from the amount of remuneration for the Company's directors (within 300 million yen per year: excluding the portion of employee salary) as approved at the 72nd general shareholders' meeting on June 22, 2006. We would like to ask you to leave the details of the Plan entirely up to the Board of Directors within the framework of Section 2 below.

The number of directors eligible for the Plan will be five, if this Proposal 2 is approved entirely without amendment. The number of executive officers eligible for this Plan will be nine.

2. Amount of Compensation under the Plan and Reference Information

(1) Outline of the Plan

The trust established under the Plan (hereinafter referred to as the “Trust”) acquires the Company's shares with the funds contributed by the Company. The Trust provides the Directors, etc., with the Company's shares and the money equivalent to the market price of the Company's shares (hereinafter referred to as the “Company's shares, etc.”) in accordance with the Company's regulations on directors stock compensation.

As a general rule, the Company's shares, etc., are provided to the Directors, etc., upon retirement.

(2) Beneficiaries of the Plan

The beneficiaries of the Plan are the Company's directors (excluding outside directors and auditors) and executive officers (who have been selected by the Remuneration Advisory Committee).

(3) Period of the Trust

The period of the Trust is from August 2017 (planned) through the termination of the Trust.

The date of termination of the Trust shall not be specified. The Trust is deemed to continue as long as the Plan is not terminated. The Plan shall be terminated when the Company is delisted or when the regulation of stock compensation is abolished.)

(4) Trust Amount (Amount of Compensation)

On condition that this proposal is approved, the Company contributes the fund as specified below to the Trust as a source of acquiring the Company's shares by the Trust for granting the Company's shares, etc. to the Directors, etc., by introducing the Plan for the three business years starting from the business year ending March 31, 2018 through the business year ending March 31, 2020 (hereinafter referred to as “the Initial Applicable Period”) and every three business years after the Initial Applicable Period (hereinafter referred to as the “Applicable Period” for each) and each Applicable Period thereafter.

First of all, the Company contributes the fund in an amount not exceeding 220 million yen (including 175 million yen for directors) as a fund necessary for the Initial Applicable Period when the Trust is set up (scheduled to be August 2017).

After the Initial Applicable Period, we will basically contribute the additional fund to the Trust in an amount not exceeding 220 million yen (including 175 million yen for directors) for each Applicable Period until when the Plan is terminated. In the case of additional contribution, however, if there remain the Company's shares (i.e., those corresponding to the points granted to the Directors, etc. for each Applicable Period up to the latest Period, except those not yet provided to the Directors, etc.) and/or cash (collectively, referred to as the "remaining shares, etc.") in the Trust assets, the sum of the remaining shares, etc. (at the market value as of the end of the last Applicable Period for the Company's shares) and the cash additionally contributed shall not exceed 220 million yen (including 175 million yen for directors). In addition, during an Applicable Period including the Initial Applicable Period, the Company may contribute the fund to the Trust at multiple times unless the cumulative amount of contributions made during the relevant Applicable Period reaches any of the upper limits defined above. Any decision made by the Company on additional contribution will be disclosed in a timely and appropriate manner.

(5) Method of Share Acquisition and Number of Shares

The Trust acquires the Company's shares using the funds described in (4) above either through the stock market or by subscribing for the Company's treasury stock.

In the Initial Applicable Period, a maximum of 111 thousand shares shall be acquired without delay after establishment of the Trust.

Details of the acquisition of the Company's shares by the Trust shall be disclosed in a timely and appropriate manner.

(6) Method of Calculating the Number of the Company's shares, etc. to be Granted to the Directors, etc.

The Directors, etc., are granted each business year base points in accordance with their job contents and responsibilities. The base points granted each business year shall be multiplied by a factor (1.0 or smaller) according to the achievement of the mid-term management plan.

The upper limit of granting points to the Directors, etc., based on the Plan is 37,000 points in total for one fiscal year (including 29,000 points for directors). In granting the Company's shares, etc., the points granted to the Directors, etc., are converted to the Company's common stock as prescribed in (7) below, with one point being converted to one share of common stock. (However, in case of stock split, allotment of stock without contribution, consolidation of stocks, etc., the upper limit of points, points granted, or conversion rate shall be adjusted reasonably after resolved in the general shareholders' meeting.)

The points for of the Directors, etc. that serve as the base in granting the Company's shares, etc. as stated in (7) below shall basically be the points granted to the Directors, etc. up to the time of their retirement (hereinafter, the points thus calculated are referred to as the "final points").

(7) the Company's shares, etc., Compensation

When the Directors, etc., retire and satisfy the beneficiary requirements stipulated in the regulations on directors stock compensation, they are in principle granted the shares from the Trust after retirement according to the final points described in (6) above when they complete the prescribed procedures for beneficiary confirmation. However, if the Directors, etc., satisfy the requirements prescribed in the regulations on directors stock compensation, with regard to a certain proportion of points, cash equivalent to the market price of the Company's shares are granted in lieu of granting the Company's shares. In such a case, the Trust may sell the Company's shares to grant the cash.

(8) Execution of Voting Rights

The voting rights of shares in the account of the Trust shall be subject to the instructions of the Trust administrator and shall not be executed uniformly. With this rule, the Company intends to ensure the neutrality of business management in execution of voting rights to the Company's shares in the Trust account.

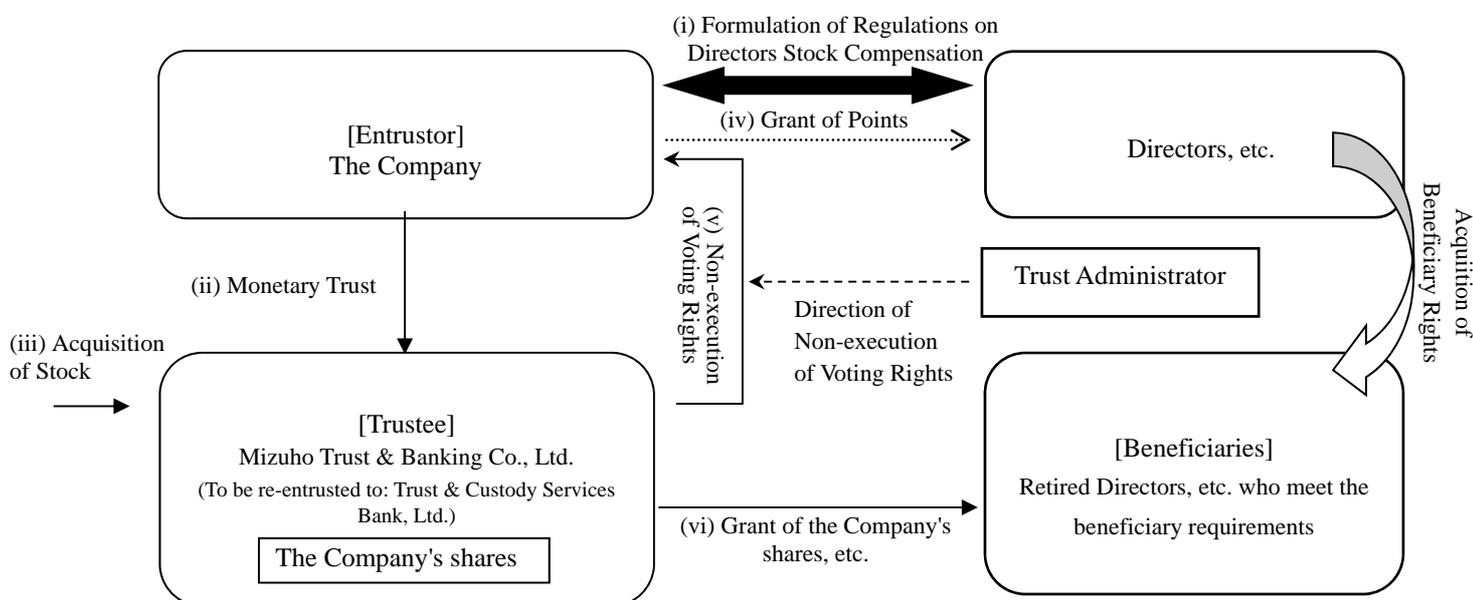
(9) Dividends

The Trust receives dividends of the Company's shares in its account and uses them for acquisition of the Company's shares, payment of trust fees to the Trustee(s) pertaining to the Trust, etc. In case of termination of the Trust, the dividends, etc. remaining in the Trust shall be distributed to the Directors, etc. then in office in proportion to their points in accordance with the regulations on directors stock compensation.

(10) Termination of the Trust

The Trust shall be terminated when the Company's stock is delisted, the regulation of directors stock compensation is abolished, or for other reasons. The Company's shares in the assets of the Trust remaining upon termination are wholly transferred to the Company without compensation, and finally retired by a resolution of the Board of Directors. The cash remaining in the assets of the Trust upon termination are transferred to the Company, excluding the portion to be granted to the Directors, etc. under (9) above.

<For Your Reference: Plan Flow>



- (i) The Company formulates the regulations on directors stock compensation within the scope of approval of this proposal.
- (ii) The Company entrusts cash within the scope of approval of this proposal.
- (iii) The cash entrusted under (ii) is used by the Trust for acquisition of the Company's shares through the stock market or by way subscribing for treasury shares.
- (iv) The Company grants the points to the Directors, etc. based on the regulations on directors stock compensation.
- (v) The Trust follows the instructions of the independent trust administrator and will not execute the voting rights of the shares in its account.
- (vi) The Trust grants the Company's shares to the retired directors, etc. who meet the beneficiary requirements prescribed in the regulations on directors stock compensation (hereinafter referred to as the "beneficiaries") according to the points granted to them. However, if the Directors, etc., satisfy the requirements prescribed in the regulations on directors stock compensation, they shall be granted the cash equivalent to the market price of the Company's shares with regard to a certain proportion of their points.

(REFERENCE)

Financial Highlights
(Year ended March 31)

		March 2013	March 2014	March 2015	March 2016	March 2017
1. Consolidated financial highlights						
Net sales	(Millions of yen)	143,542	167,640	189,124	190,928	160,896
Ordinary income	(Millions of yen)	5,316	6,327	10,398	10,847	3,017
Net income attributable to owners of the parent	(Millions of yen)	3,333	2,321	4,858	6,833	1,088
Comprehensive income	(Millions of yen)	8,056	6,989	11,178	3,603	43
Net assets	(Millions of yen)	42,624	48,604	64,944	67,017	63,901
Total assets	(Millions of yen)	94,480	98,030	104,843	98,735	102,409
Net assets per share	(Yen)	1,722.91	1,944.73	2,279.32	2,350.26	2,316.09
Net income per share	(Yen)	142.91	99.50	206.18	255.44	41.16
Diluted net income per share	(Yen)	137.20	86.83	-	-	-
Equity ratio	(%)	42.5	46.3	58.2	63.7	58.2
Return on equity	(%)	9.1	5.4	9.1	11.0	1.8
Cash flows from operating activities	(Millions of yen)	1,577	9,469	15,499	24,057	4,372
Cash flows from investing activities	(Millions of yen)	(11,947)	(4,249)	(4,417)	(3,946)	(11,089)
Cash flows from financing activities	(Millions of yen)	9,257	(5,388)	(11,513)	(6,676)	1,690
Cash and cash equivalents, end of year	(Millions of yen)	5,359	5,836	5,924	17,858	12,037
2. Standalone financial highlights						
Net sales	(Millions of yen)	111,419	121,761	134,350	139,060	117,059
Ordinary income	(Millions of yen)	917	1,256	4,101	2,942	654
Net income	(Millions of yen)	1,135	823	2,504	3,096	933
Common stock	(Millions of yen)	3,770	3,770	6,770	6,770	6,770
Total number of shares outstanding	(Thousands of shares)	23,506	23,506	26,931	26,931	26,931
Net assets	(Millions of yen)	23,801	24,010	32,269	33,700	31,401
Total assets	(Millions of yen)	58,034	54,764	57,807	56,151	61,054
Net assets per share	(Yen)	1,020.24	1,029.23	1,206.17	1,259.64	1,220.44
Annual dividends per share [Interim dividends per share]	(Yen)	25.00 [10.00]	40.00 [20.00]	40.00 [12.00]	50.00 [25.00]	40.00 [15.00]
Net income per share	(Yen)	48.65	35.32	106.29	115.73	35.31
Equity ratio	(%)	41.0	43.8	55.8	60.0	51.4
Return on equity	(%)	4.9	3.4	8.9	9.4	2.9
Payout ratio	(%)	51.4	113.3	37.6	43.2	113.28

- Notes:
1. The financial highlights are not presented in the original Notice of the Ordinary General Meeting of Shareholders in Japanese.
 2. Moreover, some of the figures in this document have been prepared based on financial statements, which are not included in the original Notice of the Ordinary General Meeting of Shareholders in Japanese.

3. Figures have been prepared in accordance with the accounting principles generally accepted in Japan, which are different in certain respects from application and disclosure requirements of the International Financial Reporting Standards.

Consolidated Balance Sheet
(as of March 31, 2017)

(Millions of yen)

Assets		Liabilities	
Account item	Amount	Account item	Amount
Current assets	69,315	Current liabilities	29,390
Cash and deposits	10,258	Notes and accounts payable—trade	15,445
Notes and accounts receivable—trade	18,932	Electronically recorded obligations—operating	67
Electronically recorded monetary claims—operating	547	Short-term bank loans	3,905
Securities	2,172	Current portion of long-term debt	1,335
Finished goods	24,840	Accounts payable—other	4,420
Raw materials	7,632	Income taxes payable	850
Work in process	1,337	Accrued expenses	1,779
Supplies	209	Deferred tax liabilities	251
Short-term loans receivable	3	Reserve for bonuses	586
Accounts receivable—other	791	Other	748
Deferred tax assets	613	Long-term liabilities	9,116
Other	2,034	Long-term debt	8,135
Allowance for doubtful accounts	(59)	Deferred tax liabilities	362
Non-current assets	33,094	Liability for employees' retirement benefits	181
Property, plant and equipment	25,945	Liability for director's retirement benefits	48
Buildings and structures	9,944	Asset retirement obligations	235
Machinery and equipment	10,519	Other	153
Furniture and fixtures	3,067	Total liabilities	38,507
Land	1,074	Net assets	
Construction in progress	1,339	Shareholders' equity	58,972
Intangible assets	1,429	Common stock	6,770
Software	382	Capital surplus	9,372
Leasehold rights	933	Retained earnings	44,962
Other	113	Treasury stock	(2,133)
Investments and other assets	5,718	Accumulated other comprehensive income	620
Investment securities	2,606	Unrealized gain on available-for-sale securities	730
Long-term loans receivable	31	Foreign currency translation adjustment	337
Long-term prepaid expenses	1,845	Remeasurements of defined benefit plans	(447)
Asset for employees' retirement benefits	626	Non-controlling interests	4,309
Deferred tax assets	314	Total net assets	63,901
Other	303	Total liabilities and net assets	102,409
Allowance for doubtful accounts	(9)		
Total assets	102,409		

Note: Figures less than ¥1,000,000 are rounded down to the nearest ¥1,000,000.

Consolidated Statement of Income
(from April 1, 2016 to March 31, 2017)

(Millions of yen)

Account item	Amount	
Net sales		160,896
Cost of sales		143,527
Gross profit		17,369
Selling, general and administrative expenses		14,405
Operating income		2,963
Non-operating income:		
Interest income	106	
Dividend income	63	
Miscellaneous income	580	750
Non-operating expenses:		
Interest expenses	121	
Foreign currency exchange loss	211	
Miscellaneous loss	362	696
Ordinary income		3,017
Extraordinary income:		
Gain on sales of investment securities	665	
Government subsidy	70	736
Extraordinary losses:		
Loss on impairment of long-lived assets	111	
Special retirement expenses	243	354
Income before income taxes		3,399
Income taxes—current	1,795	
Income taxes—deferred	23	1,818
Net income		1,581
Net income attributable to non-controlling interests		492
Net income attributable to owners of the parent		1,088

Note: Figures less than ¥1,000,000 are rounded down to the nearest ¥1,000,000.

Consolidated Statement of Changes in Shareholders' Equity

(from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance, April 1, 2016	6,770	9,372	44,944	(133)	60,954
Changes during the fiscal year					
Cash dividends paid			(1,070)		(1,070)
Net income attributable to owners of the parent			1,088		1,088
Purchase of treasury stock				(2,000)	(2,000)
Net change in items other than shareholders' equity during the fiscal year					
Total changes during the fiscal year	—	—	18	(2,000)	(1,982)
Balance, March 31, 2017	6,770	9,372	44,962	(2,133)	58,972

(Millions of yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized gain on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance, April 1, 2016	891	1,479	(446)	1,924	4,138	67,017
Changes during the fiscal year						
Cash dividends paid						(1,070)
Net income attributable to owners of the parent						1,088
Purchase of treasury stock						(2,000)
Net change in items other than shareholders' equity during the fiscal year	(161)	(1,141)	(0)	(1,303)	170	(1,133)
Total changes during the fiscal year	(161)	(1,141)	(0)	(1,303)	170	(3,115)
Balance, March 31, 2017	730	337	(447)	620	4,309	63,901

Note: Figures less than ¥1,000,000 are rounded down to the nearest ¥1,000,000.

Standalone Balance Sheet

(as of March 31, 2017)

(Millions of yen)

Assets		Liabilities	
Account item	Amount	Account item	Amount
Current assets	41,368	Current liabilities	21,808
Cash and deposits	815	Account payable—trade	18,483
Notes receivable—trade	41	Short-term bank loans	427
Electronically recorded monetary claims—operating	421	Current portion of long-term debt	1,300
Account receivable—trade	12,606	Accounts payable—other	657
Finished goods	15,976	Income taxes payable	317
Raw materials and supplies	200	Accrued expenses	159
Prepaid expenses	44	Advance received	0
Short-term loans receivable	10,436	Deposits received	30
Accounts receivable—other	527	Reserve for bonuses	429
Deferred tax assets	263	Other	3
Other	35	Long-term liabilities	7,843
Allowance for doubtful accounts	(0)	Long-term debt	7,150
Non-current assets	19,685	Deferred tax liabilities	457
Property, plant and equipment	3,899	Asset retirement obligations	235
Buildings	3,005	Total liabilities	29,652
Structures	50	Net assets	
Machinery and equipment	374	Shareholders' equity	30,683
Vehicles and transportation equipment	3	Common stock	6,770
Furniture and fixture	174	Capital surplus	9,372
Land	277	Capital reserve	6,896
Construction in progress	13	Other capital surplus	2,476
Intangible assets	191	Retained earnings	16,674
Software	157	Legal reserve	373
Other	33	Other retained earnings	16,300
Investments and other assets	15,594	Reserve for special depreciation	29
Investment securities	2,172	General reserve	4,700
Stocks of subsidiaries and affiliates	12,349	Retained earnings brought forward	11,570
Prepaid pension cost	991	Treasury stock	(2,133)
Other	119	Valuation and translation adjustments	718
Allowance for doubtful accounts	(9)	Net unrealized gain on securities	718
Allowance for investment loss to subsidiaries and affiliates	(29)	Total net assets	31,401
Total assets	61,054	Total liabilities and net assets	61,054

Note: Figures less than ¥1,000,000 are rounded down to the nearest ¥1,000,000.

Standalone Statement of Income
(from April 1, 2016 to March 31, 2017)

(Millions of yen)

Account item	Amount	
Net sales		117,059
Cost of sales		111,520
Gross profit		5,539
Selling, general and administrative expenses		5,504
Operating income		34
Non-operating income:		
Interest and dividend income	1,273	
Miscellaneous income	25	1,299
Non-operating expenses:		
Interest expenses	40	
Foreign exchange loss	606	
Miscellaneous loss	32	679
Ordinary income		654
Extraordinary income:		
Gain on sales of investment securities	665	665
Extraordinary losses:		
Loss on impairment of long-lived assets	111	111
Income before income taxes		1,208
Income taxes—current	378	
Income taxes—deferred	(103)	274
Net income		933

Note: Figures less than ¥1,000,000 are rounded down to the nearest ¥1,000,000.

Standalone Statement of Changes in Shareholders' Equity

(from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
Balance, April 1, 2016	6,770	6,896	2,476	9,372
Changes during the fiscal year				
Reversal of reserve for special depreciation				
Cash dividends paid				
Net income				
Purchase of treasury stock				
Net change in items other than shareholders' equity during the fiscal year				
Net change in the year	—	—	—	—
Balance, March 31, 2017	6,770	6,896	2,476	9,372

(Millions of yen)

	Shareholders' equity						
	Retained earnings					Treasury stock	Total shareholders' equity
	Legal reserve	Other retained earnings			Total retained earnings		
		Reserve for special depreciation	General reserve	Retained earnings brought forward			
Balance, April 1, 2016	373	35	4,700	11,701	16,810	(133)	32,820
Changes during the fiscal year							
Reversal of reserve for special depreciation		(5)		5	—		—
Cash dividends paid				(1,070)	(1,070)		(1,070)
Net income				933	933		933
Purchase of treasury stock					—	(2,000)	(2,000)
Net change in items other than shareholders' equity during the fiscal year							
Net change in the year	—	(5)	—	(130)	(136)	(2,000)	(2,136)
Balance, March 31, 2017	373	29	4,700	11,570	16,674	(2,133)	30,683

Note: Figures less than ¥1,000,000 are rounded down to the nearest ¥1,000,000.

(Millions of yen)

	Valuation and translation adjustments		Total net assets
	Net unrealized gain on securities	Total valuation and translation adjustments	
Balance, April 1, 2016	880	880	33,700
Changes during the fiscal year			
Reversal of reserve for special depreciation			—
Cash dividends paid			(1,070)
Net income			933
Purchase of treasury stock			(2,000)
Net change in items other than shareholders' equity during the fiscal year	(161)	(161)	(161)
Net change in the year	(161)	(161)	(2,298)
Balance, March 31, 2017	718	718	31,401

Note: Figures less than ¥1,000,000 are rounded down to the nearest ¥1,000,000.