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Securities Code: 7740

March 7, 2018

To Shareholders

Shiro Ajisaka  
President & CEO  
Tamron Co., Ltd.  
1385 Hasunuma, Minuma-ku, Saitama,  
Saitama Prefecture, Japan

## NOTICE OF CONVOCATION OF THE 71ST ORDINARY GENERAL MEETING OF SHAREHOLDERS

Tamron Co., Ltd. (the “Company”) hereby notifies you that the 71st Ordinary General Meeting of Shareholders of the Company (the “Meeting”) will be held as follows. Your attendance is respectfully requested.

If you do not expect to attend the Meeting, you may exercise your voting rights in writing or by the Internet, etc. After reviewing the following Reference Documents for General Meeting of Shareholders, please exercise your voting rights according to the instructions described below by no later than 5:20 p.m. on Tuesday, March 27, 2018 (Japan time).

1. **Date and Time** 10 a.m. on Wednesday, March 28, 2018 (reception starts at 9 a.m.)
2. **Place** 5th floor, Annex to the Head Office of Tamron Co., Ltd.  
1385 Hasunuma, Minuma-ku, Saitama, Saitama Prefecture, Japan  
(Please refer to the guide map provided at the end of this Notice of Convocation for directions.)
3. **Agenda Reports**
  1. Business Report for the 71st term (from January 1, 2017 to December 31, 2017), consolidated financial statements for the 71st term, and results of audit on the consolidated financial statements by Independent Auditors and the Audit & Supervisory Board
  2. Report on non-consolidated financial statements for the 71st term (from January 1, 2017 to December 31, 2017)

#### **Resolutions**

**Proposal 1:** Appropriation of surplus

**Proposal 2:** Election of twelve (12) directors

**Proposal 3:** Amount and conditions of performance-linked stock compensation for directors and revision to amount of pecuniary compensation

#### **4. Guide to Exercising Voting Rights**

- (1) If you exercise your voting rights by mail

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and return it so that it is received by 5:20 p.m. on Tuesday, March 27, 2018.

- (2) If you exercise your voting rights by Internet, etc.

If you exercise your voting rights on the Internet or by any other similar means, please read “Guidance Notes on the Exercise of Voting Rights via the Internet, etc.” on page 3 and exercise your voting rights by 5:20 p.m. on Tuesday, March 27, 2018.

End

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If you are attending the Meeting, the Company asks that you kindly submit the enclosed Voting Rights Exercise Form to the reception desk at the venue on the day of the General Meeting of Shareholders.

Notes to consolidated financial statements and notes to non-consolidated financial statements are published on the official website of the Company (<http://www.tamron.co.jp>, Japanese only) in accordance with the provisions of the

relevant law and the Article 15 of its Articles of Incorporation. They are not stated in this Notice of Convocation. Hence, the consolidated financial statements and non-consolidated financial statements audited by members of the Audit & Supervisory Committee and Independent Auditors include the financial statements provided with this Convocation Notice and notes to the financial statements published on the Company's official website. If and when the Company makes any correction to the Business Report, consolidated financial statements, non-consolidated financial statements and the Reference Documents for the General Meeting of Shareholders provided with this Notice of Convocation the Company will announce the correction on its official website (<http://www.tamron.co.jp>, Japanese only).

## **Guidance Notes on the Exercise of Voting Rights via the Internet, etc.**

If you exercise your voting rights on the Internet or by any other similar means, you must acknowledge the following conditions.

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

You can exercise your voting rights on the Internet only by using the website for the exercise of voting rights indicated below as designated by the Company.

Address of website for exercise of voting rights: <https://www.web54.net>

### **2. Treatment of exercise of voting rights**

- (1) If you exercise your voting rights on the Internet, use the code for the exercise of voting rights and the password indicated on the enclosed form for the exercise of voting rights and enter your vote for or against the proposals according to the instructions on the screen.
- (2) The deadline for the exercise of voting rights is 5:20 p.m. on Tuesday, March 27, 2018.
- (3) If you exercise your voting rights both in writing and online, only the voting rights you exercise online will be counted. If you exercise your voting rights more than once online, only the voting rights you exercise last will be counted.
- (4) The shareholders are required to bear the fees and charges for providers and telecommunications carriers (such as connection fees) upon using the website for the exercise of voting rights.

### **3. Treatment of the password and the code for the exercise of voting rights**

- (1) The password is important information for confirming that the person casting a vote is the shareholder who has the voting rights. The password must be carefully handled in the same way as the stamp for the seal and personal identification number.
- (2) If you fail to enter the correct password a certain number of times, you will not be able to use this password. If you need to request the reissue of the password, please follow the procedures according to the instructions on the screen.
- (3) The code for the exercise of voting rights that is stated on the form for the exercise of voting rights is effective only for this general meeting of shareholders.

### **4. Contact information for inquiries about the method of operation of personal computers, etc.**

- (1) For questions about how to operate personal computers and other devices in the exercise of voting rights on the website described above, please contact the following entity.

Sumitomo Mitsui Trust Bank, Limited, telephone number exclusively for custody service web support:

[Phone] 0120 (652) 031 (Toll-free in Japan only)

(Available 9:00 a.m. - 9:00 p.m.)

- (2) For any other inquiries, please contact the following entity.

- (i) Shareholders with an account with a securities company

Shareholders with an account with a securities company are required to contact your securities company.

- (ii) Shareholders without an account with a securities company (shareholders with a special account)

Securities Business Center of Sumitomo Mitsui Trust Bank, Limited

[Phone] 0120 (782) 031 (Toll-free in Japan only)

(Available 9:00 a.m. - 5.00 p.m. except for Saturdays, Sundays and holidays)

### **5. Use of the platform for the electronic exercise of voting rights (for institutional investors)**

Institutional investors may exercise the voting rights for this general meeting of shareholders electronically via the platform for the electronic exercise of voting rights operated by ICJ, Inc.

## Reference Documents for the General Meeting of Shareholders

### Proposal 1: Appropriation of Surplus

The basic policy of the Company is to continue the stable distribution of profits to shareholders with an emphasis on continual dividends with a dividend payout ratio of around 35% according to the operating results, while considering the necessity of strengthening the management structure and research and development and capital investment for the launch of a new business from a long-term perspective, among other necessities.

The Company intends to pay a year-end dividend for the current period, which consists of the ordinary dividend of 25 yen per share.

As the Company paid an interim dividend of 25 yen per share in September 2017, the annual dividend will be 50 yen per share, with a dividend payout ratio of 45.7%.

- (1) Type of dividend  
Cash
- (2) Matters concerning allocation of dividend and its total amount  
25.00 yen per one common share of the Company  
Total amount of dividend 648,017,800 yen
- (3) Effective date of the dividend from surplus  
March 29, 2018

**Proposal 2: Election of twelve (12) directors**

The terms of office of all of the fifteen (15) directors will expire at the end of this Meeting.

Accordingly, it is hereby proposed to appoint twelve (12) directors including two (2) outside directors; a decrease of three (3) directors.

The candidates for the directors are as follows:

No.	Name (Date of birth)	Brief career history, position and responsibility at Tamron Co., Ltd. (State of concurrent holding of important positions)	Number of the Company's shares held
1	Shiro Ajisaka (July 17, 1954)	April 1978    Joined Tamron Co., Ltd. April 1990    President, TAMRON Europe GmbH. January 2005    Executive Officer, General Manager, Overseas Sales & Marketing Unit, Tamron Co., Ltd. January 2008    Senior Executive Officer, General Manager, Overseas Imaging Products Business Unit, Tamron Co., Ltd. March 2010    Director, Tamron Co., Ltd. March 2013    Managing Director, Tamron Co., Ltd. March 2014    Senior Managing Director, Tamron Co., Ltd. March 2015    Corporate Vice President, Tamron Co., Ltd. March 2016    President & CEO, Tamron Co., Ltd. (current post)	11,500 shares
		<p>[Reason for nomination as director] Mr. Shiro Ajisaka has properly supervised decisions on important business issues and directors' execution of duties as chairman of the board of directors by making good use of the experience and knowledge he has accumulated throughout his career and showing leadership in the center of the management team since 2016 when he took office as President &amp; CEO of Tamron Co., Ltd. Mr. Shiro Ajisaka is nominated as a director again because he is considered to be pivotal for achieving a continual increase of corporate value in the future.</p>	
2	Shogo Sakuraba (April 1, 1958)	April 1981    Joined Tamron Co., Ltd. January 2005    Executive Officer, General Manager, Optical Design & Engineering R & D Unit, Tamron Co., Ltd. January 2008    Senior Executive Officer, General Manager, Optical Design & Engineering R & D Unit, Tamron Co., Ltd. March 2014    Director, Tamron Co., Ltd. March 2016    Corporate Vice President, Tamron Co., Ltd. (current post)	4,800 shares
		<p>[Reason for nomination as director] Mr. Shogo Sakuraba has been responsible for the management of the Company in charge of the Optical Design &amp; Engineering R&amp;D Unit, the Integrated Core Technology R&amp;D Unit and the Opto-Science R&amp;D Center by making good use of the experience and knowledge he has accumulated throughout his career since 2014 when he took office as a director of Tamron Co., Ltd. In addition, Mr. Sakuraba has properly supervised decisions on important business execution and directors' execution of duties as a member of the board of directors. Mr. Shogo Sakuraba is nominated as a director again because he is considered to be pivotal for achieving a continual increase of corporate value in the future.</p>	

No.	Name (Date of birth)	Brief career history, position and responsibility at Tamron Co., Ltd. (State of concurrent holding of important positions)	Number of the Company's shares held	
3	Masayuki Abo (September 11, 1954)	March 1971 August 1999 January 2005 January 2007 January 2008 January 2011 March 2014 March 2016	Joined Tamron Co., Ltd. Managing Director, TAMRON OPTICAL (FOSHAN) CO., LTD. Executive Officer, Assistant General Manager, Production Management & Administration Unit, Tamron Co., Ltd. Executive Officer, General Manager, Industrial Optics Business Unit, Tamron Co., Ltd. Senior Executive Officer, General Manager, Industrial Optics Business Unit, Tamron Co., Ltd. Senior Executive Officer, General Manager, Process Technology & Engineering Unit, Tamron Co., Ltd. Director, Tamron Co., Ltd. Senior Managing Director, Tamron Co., Ltd. (current post)	8,200 shares
		<p>[Reason for nomination as director]</p> <p>Mr. Masayuki Abo has been responsible for the management of the Company and the overseas manufacturing subsidiaries in charge of the Production Management &amp; Administration Unit and the Core Technology &amp; Engineering R&amp;D Unit by making good use of the experience and knowledge he has accumulated throughout his career since 2014 when he took office as a director of Tamron Co., Ltd. In addition, Mr. Abo has properly supervised decisions on important business execution and directors' execution of duties as a member of the board of directors. Mr. Masayuki Abo is nominated as a director again because he is considered to be pivotal for achieving a continual increase of corporate value in the future.</p>		
4	Hiroshi Kawanabe (April 29, 1953)	March 2000 January 2007 April 2010 March 2014 March 2015	Joined Tamron Co., Ltd. Manager, General Affairs Dept., Tamron Co., Ltd. Executive Officer, General Manager, Human Resources & General Affairs Management Unit, Tamron Co., Ltd. Senior Executive Officer, General Manager, Human Resources & General Affairs Management Unit, Tamron Co., Ltd. Director, Tamron Co., Ltd. Managing Director, Tamron Co., Ltd. (current post)	6,000 shares
		<p>[Reason for nomination as director]</p> <p>Mr. Hiroshi Kawanabe has been responsible for the management of the Company and compliance in charge of the Human Resources &amp; General Affairs Management Unit and the Mold &amp; Tooling Technology Center by making good use of the experience and knowledge he has accumulated throughout his career since 2014 when he took office as a director of Tamron Co., Ltd. In addition, Mr. Kawanabe has properly supervised decisions on important business execution and directors' execution of duties as a member of the board of directors. Mr. Hiroshi Kawanabe is nominated as a director again because he is considered to be pivotal for achieving a continual increase of corporate value in the future.</p>		

No.	Name (Date of birth)	Brief career history, position and responsibility at Tamron Co., Ltd. (State of concurrent holding of important positions)	Number of the Company's shares held
5	Koji Masunari (November 26, 1955)	April 1978	Joined Tamron Co., Ltd.
		January 2012	General Manager, Industrial Optics Business Unit, Tamron Co., Ltd.
		April 2012	Executive Officer, General Manager, Industrial Optics Business Unit, Tamron Co., Ltd.
		April 2014	Senior Executive Officer, General Manager, Industrial Optics Business Unit, Tamron Co., Ltd.
		March 2015	Director, Tamron Co., Ltd.
		March 2016	Managing Director, Tamron Co., Ltd. (current post)
	<p>[Reason for nomination as director]</p> <p>Mr. Koji Masunari has been responsible for the management of the Company in charge of the Imaging Products Business Unit by making good use of the experience and knowledge he has accumulated throughout his career since 2015 when he took office as a director of Tamron Co., Ltd.</p> <p>In addition, Mr. Masunari has properly supervised decisions on important business execution and directors' execution of duties as a member of the board of directors. Mr. Koji Masunari is nominated as a director again because he is considered to be pivotal for achieving a continual increase of corporate value in the future.</p>		
6	Yasuki Kitazume (June 25, 1957)	November 2003	Joined Tamron Co., Ltd.
		January 2005	General Manager, Accounting & Financial Management Unit, Tamron Co., Ltd.
		January 2007	Executive Officer, General Manager, Accounting & Financial Management Unit, Tamron Co., Ltd.
		April 2010	Senior Executive Officer, General Manager, Accounting & Financial Management Unit, Tamron Co., Ltd.
		March 2016	Director, Tamron Co., Ltd. (current post)
	<p>[Reason for nomination as director]</p> <p>Mr. Yasuki Kitazume has been responsible for the management of the Company and internal control in charge of the Accounting &amp; Financial Management Unit by making good use of the experience and knowledge he has accumulated throughout his career since 2016 when he took office as a director of Tamron Co., Ltd.</p> <p>In addition, Mr. Kitazume has properly supervised decisions on important business execution and directors' execution of duties as a member of the board of directors. Mr. Yasuki Kitazume is nominated as a director again because he is considered to be pivotal for achieving a continual increase of corporate value in the future.</p>		

No.	Name (Date of birth)	Brief career history, position and responsibility at Tamron Co., Ltd. (State of concurrent holding of important positions)	Number of the Company's shares held
7	Hiroshi Otsuka (November 11, 1959)	<p>June 2006    Joined Tamron Co., Ltd.</p> <p>July 2007    General Manager, IP Management Board, Tamron Co., Ltd.</p> <p>January 2010    General Manager, Technology Development Strategic Planning Board, General Manager, Legal &amp; IP Management Board, Tamron Co., Ltd.</p> <p>April 2010    Executive Officer, General Manager, Technology Development Strategic Planning Board, General Manager, Legal &amp; IP Management Board, Tamron Co., Ltd.</p> <p>January 2015    Executive Officer, General Manager, Corporate Business Planning &amp; Administration Board, Tamron Co., Ltd.</p> <p>April 2015    Senior Executive Officer, General Manager, Corporate Business Planning &amp; Administration Board, Tamron Co., Ltd.</p> <p>March 2016    Director, Tamron Co., Ltd. (current post)</p>	5,700 shares
<p>[Reason for nomination as director]</p> <p>Mr. Hiroshi Otsuka has been responsible for the management of the Company and IR in charge of the New Business Development Group, Corporate Business Planning &amp; Administration Board and Legal &amp; IP Management Board by making good use of the experience and knowledge he has accumulated throughout his career since 2016 when he took office as a director of Tamron Co., Ltd.</p> <p>In addition, Mr. Otsuka has properly supervised decisions on important business execution and directors' execution of duties as a member of the board of directors. Mr. Hiroshi Otsuka is nominated as a director again because he is considered to be pivotal for achieving a continual increase of corporate value in the future.</p>			
8	Shenghai Zhang (January 7, 1960)	<p>January 1997    Joined Tamron Co., Ltd.</p> <p>January 2006    Managing Director, TAMRON OPTICAL (FOSHAN) CO., LTD.</p> <p>April 2010    Executive Officer, Tamron Co., Ltd., Managing Director, TAMRON OPTICAL (FOSHAN) CO., LTD.</p> <p>April 2014    Senior Executive Officer, Tamron Co., Ltd., Managing Director, TAMRON OPTICAL (FOSHAN) CO., LTD.</p> <p>March 2016    Director, Tamron Co., Ltd. (current post)</p>	4,000 shares
<p>[Reason for nomination as director]</p> <p>Mr. Shenghai Zhang has been responsible for the management of the Company and overseas production by making good use of the experience and knowledge he has accumulated throughout his career since 2016 when he took office as a director of Tamron Co., Ltd.</p> <p>In addition, Mr. Zhang has properly supervised decisions on important business execution and directors' execution of duties as a member of the board of directors. Mr. Shenghai Zhang is nominated as a director again because he is considered to be pivotal for achieving a continual increase of corporate value in the future.</p>			



No.	Name (Date of birth)	Brief career history, position and responsibility at Tamron Co., Ltd. (State of concurrent holding of important positions)	Number of the Company's shares held
	Makoto Otani (January 17, 1962)	April 1984    Joined Tamron Co., Ltd. April 2010    General Manager, OEM Component Business Unit, Tamron Co., Ltd. April 2012    Executive Officer, General Manager, OEM Component Business Unit, Tamron Co., Ltd. March 2015    Executive Officer, General Manager, Industrial Optics Business Unit, Tamron Co., Ltd. April 2016    Senior Executive Officer, General Manager Industrial Optics Business Unit, Tamron Co., Ltd. (current post)	200 shares
* 9	[Reason for nomination as director] Mr. Makoto Otani contributed to the development of the business while serving as the General Manager of Business Unit after taking charge of controlling production engineering for compact digital camera lenses and interchangeable lenses for single lens reflex cameras in the OEM field. From 2015, Mr. Otani also contributed to the development of the business of the Industrial Optics Business Unit dealing in lenses for CCTV cameras as the General Manager. He has comprehensive knowledge of a wide range of the Company's business operations. Meanwhile, Mr. Otani properly executed the business as Executive Officer from 2012. Mr. Makoto Otani is nominated as a director because he is considered to be pivotal for achieving a continual increase of corporate value in the future, given his abilities to properly supervise decisions on important business execution and directors' execution of duties as a member of the board of directors as well as to properly execute the business.		
	Tomohide Okayasu (January 30, 1975)	December 2000    Joined Tamron Co., Ltd. April 2011        General Manager, Product Development Management & Administration Unit, Tamron Co., Ltd. April 2012        Executive Officer, General Manager, Product Development Management & Administration Unit, Tamron Co., Ltd. January 2014     Executive Officer, General Manager, Imaging Products Business Unit, Tamron Co., Ltd. April 2016        Senior Executive Officer, Tamron Co., Ltd. April 2017        Senior Executive Officer, Tamron Co., Ltd. Vice Chairman, TAMRON USA, INC. (current post)	100 shares
* 10	[Reason for nomination as director] Mr. Tomohide Okayasu contributed to the reduction of costs and the period of the procurement of parts and components on a company-wide basis as General Manager, Product Development Management & Administration Unit with the experience of OEM sales of compact digital cameras and single lens reflex cameras. Mr. Okayasu engaged in the business of the Imaging Products Business Unit dealing in interchangeable lenses of the Company's own brands as General Manager from 2014. In 2017, Mr. Okayasu served as Vice Chairman of TAMRON USA, INC., the Company's sales subsidiary. He has global perspectives and management experience. Meanwhile, Mr. Okayasu properly executed the business as Executive Officer from 2012. Mr. Tomohide Okayasu is nominated as a director because he is considered to be pivotal for achieving a continual increase of corporate value in the future, given his abilities to properly supervise decisions on important business execution and directors' execution of duties as a member of the board of directors as well as to properly execute the business		

No.	Name (Date of birth)	Brief career history, position and responsibility at Tamron Co., Ltd. (State of concurrent holding of important positions)	Number of the Company's shares held
* 11	Yuichi Sato (January 2, 1950)	<p>April 1978    Joined Tokyo Shibaura Electric Co., Ltd. (now Toshiba Corporation)</p> <p>January 1980    Assistant, School of Engineering, Tokyo Institute of Technology</p> <p>April 1983    Assistant Professor, Faculty of Engineering, Saitama University</p> <p>April 1994    Professor, Faculty of Engineering, Saitama University</p> <p>April 2010    Dean, Faculty of Engineering, Saitama University</p> <p>April 2013    Dean, Graduate School of Science and Engineering, Saitama University</p> <p>April 2014    Executive Director, Vice President, Saitama University National University Corporation (current post)</p>	- shares
<p>[Reasons for nomination as outside director]</p> <p>Mr. Yuichi Sato is nominated as an outside director because he is expected to make good use of the experience and expertise he has accumulated through his career as a university professor, executive director and vice president of Saitama University National University Corporation (current post) for the management of the Company.</p> <p>In particular, Mr. Sato is expected to provide advice on technologies in relation to technological innovation that is essential for the Company's sustainable growth and contribute to collaboration between industry and academia, specifically universities and colleges, among other projects and initiatives.</p> <p>We judge and expect that Mr. Sato should be able to properly perform the duties of outside director for the reasons described above, although he has never engaged in management other than the administration of the national university corporation.</p>			
* 12	Harumi Katagiri (December 29, 1968)	<p>November 1993    Joined Asahi &amp; Co. (now KPMG AZSA LLC)</p> <p>April 1998    Registered as a certified public accountant in Japan</p> <p>March 2000    Joined Century Audit Corporation (now Ernst &amp; Young ShinNihon LLC)</p> <p>July 2009    Member of Ernst &amp; Young ShinNihon LLC</p> <p>July 2017    Opened the Harumi Katagiri certified public accountants' office (current post)</p>	- shares
<p>[Reasons for nomination as outside director]</p> <p>Ms. Harumi Katagiri is nominated as an outside director because she is expected to make good use of the expertise and knowledge she has accumulated through her career as a certified public accountant for the management of the Company. Ms. Katagiri, as the Company's first female director, is expected to contribute to diversity management, such as the active roles of female employees that the Company will increase further, from the perspective of women as well as experts.</p> <p>We judge and expect that Ms. Katagiri should be able to properly perform the duties of outside director for the reasons described above, although she has never engaged in corporate management other than the administration of the certified public accountants' office.</p>			

(Notes)

1. The \* mark shows the candidates for directors to be newly appointed.
2. None of the candidates for directors have any special interest in the Company.
3. The responsibilities of the incumbent directors are as set forth in the document provided (page 13).
4. Mr. Yuichi Sato and Ms. Harumi Katagiri are candidates for outside directors.
5. Upon the approval of the appointment of Mr. Yuichi Sato and Ms. Harumi Katagiri as outside directors, the Company will execute an agreement for the limitation of liability as set forth in Paragraph 1, Article 423 of the Companies Act with Mr. Sato and Ms. Katagiri respectively according to the provisions of Paragraph 1, Article 427 of the Companies Act. In addition, the amount of the limitation of liability under the said agreement shall be the amount of the minimum liability as set forth in Paragraph 1, Article 425 of the Companies Act.
6. As Mr. Yuichi Sato and Ms. Harumi Katagiri meet the requirements for independent directors under the Company's standards for the judgment of independence and the rules of Tokyo Stock Exchange, Inc., upon the approval of the appointment of Mr. Sato and Ms. Katagiri as outside directors, they will be appointed as independent directors.

### **Proposal 3: Amount and conditions of performance-linked stock compensation for directors and revision to amount of pecuniary compensation**

1. Reasons for the proposal and reasons for the judgment of the appropriateness of the said compensation and revision to the amount of pecuniary compensation

Compensation for directors consists of the base pay and the bonus. With regard to the base pay, a certain monthly compensation for full-time directors should be compensation for the acquisition of treasury stock in order for it to have the nature of long-term performance-based compensation, and the compensation should be appropriated for treasury stock purchase through the directors' shareholding society.

The aim of this proposal is to request approval of the following: abolition of the compensation and bonus for the purpose of the acquisition of treasury stock upon a review of the compensation system for directors and the introduction of performance-linked cash compensation in accordance with the performance for a single fiscal year and the system for performance-linked stock compensation under which the shares of the Company will be additionally issued to directors of the Company (other than outside directors) according to position and performance, among other conditions (hereinafter referred to as the "System"). We also request approval of the authority of the board of directors to decide on the specifics of the System within the limit described in 2. below.

As a result, the compensation for directors will consist of the base pay, fixed compensation and short-term incentive compensation, which is performance-linked cash compensation in accordance with the performance for a single year, and medium- and long-term incentive compensation, which is performance-linked stock compensation via the System. The purpose of the System is to increase awareness of contributing to the improvement of medium- to long-term performance and the further increase of corporate value through the directors' sharing of the interests and risk arising from fluctuations in the stock price together with the shareholders, as well as more definite linkage between compensation for directors and the Company's stock value. We consider that the System is appropriate.

In addition, the aim of this proposal is to request approval of the following: change of the amount of compensation for directors from no more than 700 million yen for a year (excluding salary for employees), which was approved at the 64th Ordinary General Meeting of Shareholders held on March 30, 2011, to no more than 550 million yen for a year (including no more than 30 million yen for outside directors) upon the introduction of the System (such compensation shall be hereinafter referred to as the "Pecuniary Compensation") and the additional payment of the new performance-linked stock compensation to directors (other than outside directors) who are in office for three years from the day immediately following the day when this general meeting of shareholders is held to the day when the ordinary general meeting of shareholders held in March 2021 is concluded (hereinafter referred to as the "Payment Period"). The amount of compensation for directors will not include the salary for employees, as before. The compensation limit, including the Pecuniary Compensation and the stock compensation under the System, will be the same as the current compensation limit.

Upon the approval of Proposal 2, "Appointment of twelve (12) directors" as originally proposed, the Pecuniary Compensation will be paid to twelve (12) directors (including two (2) outside directors), and ten (10) directors will be eligible for the System (for information purposes, there are currently fifteen (15) directors (including two (2) outside directors)).

2. Amount and conditions of compensation under the System

(1) Overview of the structure of the System

The System is performance-linked stock compensation with the issue of the Company's shares to the respective directors (other than outside directors; the same shall apply hereinafter) through the trust that the Company establishes by contributing funds (hereinafter referred to as the "Trust"), which acquires the shares of the Company. The number of shares of the Company is equivalent to the points that the Company awards to the respective directors. The timing for the issue of the Company's shares to the directors is generally the time when the directors retire.

(i) Directors eligible for the System	Directors of the Company (other than outside directors)
(ii) Initial trust period	About 3 years
(iii) Upper limit of funds that the Company contributes as the funds to acquire the shares of the Company for the initial trust period described in (ii)	450 million yen in total
(iv) Method of acquisition of the shares of the Company	Through the exchange market (including off-floor trading) or by undertaking the disposal of treasury stock
(v) Upper limit of the total points awarded to the directors described in (i)	240,000 points for the trust period
(vi) Standards for awarding points	Awarding of points according to position and performance, among other conditions
(vii) Timing for the issue of the Company's shares to the directors described in (i)	When the directors retire, in principle

(2) Upper limit of funds contributed by the Company

The initial trust period of the Trust is about three (3) years from May 2018 (scheduled) to May 2021 (scheduled). The Company establishes the Trust by contributing the funds necessary for the acquisition of the Company's shares that are necessary for the issue thereof to the directors in office for the Payment Period under the System up to the total amount of 450 million yen as compensation for those directors during the said trust period with the directors who meet certain requirements as beneficiaries. The Trust will acquire the shares of the Company with the funds that the Company places in trust through the exchange market (including off-floor trading) or by undertaking the disposal of treasury stock.

Note: In addition to the abovementioned funds for acquiring the Company's stock, the money the Company actually holds in the Trust includes the expected necessary costs such as trust remuneration, administrator remuneration, etc.

Upon the expiration of the trust period (when the trust period is extended and the System continues according to the following procedure, upon the expiration of the trust period after extension), the trust period may be extended every three years by resolution of the board of directors of the Company at all such times (including where the trust period can be extended by transferring the trust assets of the Trust to a trust with the same purpose as the Trust established by the Company; hereinafter the same shall apply), and the System may continue.

When the trust period is extended, the Company shall additionally hold in trust money with an upper limit of 450 million yen every time the trust period is extended as additional funds for acquiring the Company's stock that needs to be delivered to the directors. In this case, the Payment Period shall be extended in accordance with the continuance of the System and the extension of the trust period. The points awarded in (3)(i) below and the issuance of the Company's stock in (3)(iii) below shall continue in the extended trust period.

In addition, if the awarding of points is not continued as described above, the trust period of the Trust may be extended until the completion of the issue of the shares of the Company to the directors awarded the points who do not retire upon the expiry of the trust period when the said directors retire.

(3) Method of calculation of number of shares of the Company to be issued to directors and upper limit thereof

(i) Method of awarding points to directors and upper limit thereof

The Company shall award points (\*) in accordance with position and performance to individual directors on a point-awarding day stipulated in the stock issuance provisions during the trust period based on the stock issuance provisions determined by the board of directors of the Company, provided that the upper limit of the total number of points awarded to directors is 240,000 points during the trust period.

\*: Points in accordance with performance are set based on the level of the achievement of the performance targets in each fiscal year and mid-term management plan during the applicable period.

(ii) Issue of shares of the Company according to number of points awarded

Directors shall be provided with the Company's stock based on the number of points awarded stated in (i) above according to the procedure described in (iii) below.

One point equals one share of the Company's stock. When an event that is considered to be reasonable for adjusting the number of the Company shares to be issued including stock split/reverse stock split occurs, a reasonable adjustment shall be made in accordance with the split ratio/reverse split ratio.

(iii) Issuing of shares of the Company to individual directors

The Trust will issue the shares of the Company to the respective directors as described in (ii) above when the respective directors follow the designated procedures for the identification of the beneficiary upon their retirement. However, in order for the Company to collect funds for the payment of taxes including withholding income tax, a certain ratio of the Company's stock shall be sold and converted into money within the Trust, and then the money shall be delivered instead of the Company's stock.

Moreover, when the Company's stock within the Trust is converted into money such as settlement by a tender offer, money may be delivered instead of the Company's stock.

(4) Exercise of voting rights

The voting rights of the Company's stock within the Trust shall not be exercised uniformly based on the instructions of a trust administrator who is independent from the Company and the Company directors. Regarding the exercise of voting rights of the Company's stock within the Trust, this method will allow the Company to ensure the neutrality of the management of the Company.

(5) Handling of dividends

Dividends related to the Company's stock within the Trust shall be received by the Trust, and they shall be appropriated for the acquisition price of the Company's stock or trust compensation for a beneficiary related to the Trust.

[Reference]

For a summary of the System, please refer to the Notice Regarding Introduction of Performance-Linked Stock Compensation System dated February 13, 2018.

End.