

Note: This document has been translated from a part of the Japanese original for reference purposes 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.

(Stock Exchange Code 6617)
June 7, 2017

To Shareholders with Voting Rights:

Hiroaki Takatsu
President and Representative Director
TAKAOKA TOKO CO., LTD.
5-6-36, Toyosu, Koto-ku, Tokyo, Japan

NOTICE OF CONVOCATION OF THE 5TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

We would like to express our appreciation for your continued support and patronage.

You are cordially invited to attend the 5th Annual General Meeting of Shareholders of TAKAOKA TOKO CO., LTD. (the “Company”). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, please kindly review the attached Reference Documents for the General Meeting of Shareholders and return the enclosed Voting Rights Exercise Form, indicating approval or disapproval for each proposal so that it shall be received no later than 5:00 p.m. on Friday, June 23, 2017, Japan time.

- 1. Date and Time:** Monday, June 26, 2017 at 10:00 a.m. Japan time
- 2. Place:** Conference room, 2nd floor, GAKUSHIKAIKAN,
3-28 Kandanishiki-cho, Chiyoda-ku, Tokyo, Japan
- 3. Meeting Agenda:**
Matters to be reported: The Business Report, Consolidated Financial Statements and Non-consolidated Financial Statements for the Company’s 5th Fiscal Year (April 1, 2016 - March 31, 2017), and report on results of audits by the Accounting Auditor and the Board of Auditors of the Consolidated Financial Statements

Proposals to be resolved:

- | | |
|--------------------|--|
| Proposal 1: | Distribution of Surplus |
| Proposal 2: | Election of 10 Directors |
| Proposal 3: | Election of 1 Auditor |
| Proposal 4: | Election of 1 Substitute Auditor |
| Proposal 5: | Introduction of a Performance-linked Stock Compensation Plan for Directors |
| Proposal 6: | Revision of the Amount of Compensation Payable to Directors |

(Request)

When attending the meeting, please hand in the enclosed Voting Rights Exercise Form at the reception desk.

(Notes)

- ◎ From among the documents to be provided with this Notice, the following are posted on the Company's website (<http://www.ttkk.co.jp/>) in accordance with laws and regulations as well as the provisions of Article 16 of the Company's Articles of Incorporation, and therefore are not provided herein. Please note that the Consolidated Financial Statements and Non-Consolidated Financial Statements provided with this Notice are part of the Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Accounting Auditor and Auditors during the preparation of their respective Audit Reports.
 - (1) Consolidated Statements of Changes in Net Assets of the Consolidated Financial Statements
 - (2) Notes to the Consolidated Financial Statements of the Consolidated Financial Statements
 - (3) Non-consolidated Statements of Changes in Net Assets of the Non-consolidated Consolidated Financial Statements
 - (4) Notes to the Non-consolidated Financial Statements of the Non-consolidated Consolidated Financial Statements
- ◎ Any revisions will be promptly disclosed on the Company's website at <http://www.ttkk.co.jp/>.

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal 1: Distribution of Surplus

The Company believes that the payment of a stable dividend is a basic prerequisite for meeting shareholder expectations. Therefore, we make it a policy to make continuous dividend payments, while endeavoring to secure a stable management base such as reinforced financial conditions.

With respect to the dividend for the current fiscal year, in consideration of the business results, business environment, and other factors, the Company proposes the following:

1. Type of dividend property
Cash
2. Allocation of dividend property to shareholders and the total amount thereof
25 yen per share for common stock
Total amount of dividend: 405,495,075 yen
3. Effective date of distribution of surplus
June 27, 2017

(Notes) 1. In accordance with Article 453 of the Companies Act, the total dividend amount is calculated by deducting 56,502 treasury shares from the total number of issued shares.

2. The total annual dividend will be 50 yen per share, inclusive of the interim dividend of 25 yen per share. The total dividend amount will be 811,008,075 yen, inclusive of the total interim dividend amount of 405,513,000 yen.

Proposal 2: Election of 10 Directors

The terms of office of all Directors (10 persons) will expire at the conclusion of this year's Annual General Meeting of Shareholders. Accordingly, the election of 10 Directors is proposed.

The candidates are as follows:

(Japanese syllabary order)

| No. | Name | | Current positions and responsibilities in the Company | |
|-----|-------------------|-------------------|---|--|
| 1 | (Reappointment) | Kazuto Endo | | Director and Managing Executive Officer In charge of Corporate Planning Department |
| 2 | (Reappointment) | Shiro Odagiri | | Director and Managing Executive Officer In charge of Technology Development Division, Quality & Production Management Division and Information & Network Department |
| 3 | (New appointment) | Yoshinori Kaneko | Outside Director | - |
| 4 | (Reappointment) | Harunobu Kameyama | Outside Director Independent Director | Director |
| 5 | (Reappointment) | Futoshi Kuriyama | | Director and Managing Executive Officer General Manager of Electric Equipment Business Division |
| 6 | (Reappointment) | Hiroaki Takatsu | | President and Representative Director |
| 7 | (Reappointment) | Yoshiyuki Dofutsu | | Director and Managing Executive Officer General Manager of Power Equipment & System Business Division |
| 8 | (Reappointment) | Naoshi Nishikawa | | Director and Managing Executive Officer In charge of Corporate Affairs Department, Internal Audit Department, International Department and Purchasing Management Division |
| 9 | (Reappointment) | Takenori Fujii | | Director and Managing Executive Officer In charge of Employee Relations & Human Resources Department and Finance & Accounting Department |
| 10 | (Reappointment) | Yasuhiro Mishima | Outside Director Independent Director | Director |

| No. | Name (Date of birth) | Career summary, positions, responsibilities and significant concurrent position(s) | Number of shares of the Company held | |
|--|---|--|--|-------|
| 1 | Kazuto Endo (July 18, 1964) <Reappointment> | April 2009 | Business Development Department, Head Office, Tokyo Electric Power Company, Incorporated; Seconded to ReBITA Inc. Representative Director and President of ReBITA Inc. | 100 |
| | | December 2011 | Corporate Management Department, Head Office, Tokyo Electric Power Company, Incorporated (currently Tokyo Electric Power Company Holdings, Incorporated) | |
| | | June 2013 | Deputy General Manager of Corporate Management Department, Head Office; Corporate Management Department (in charge of environment), Tokyo Electric Power Company, Incorporated | |
| | | July 2015 | Corporate Management Office, Corporate Management & Planning Unit (in charge of corporate management), Tokyo Electric Power Company, Incorporated | |
| | | June 2016 | Business Planning Office, TEPCO Power Grid, Incorporated; Seconded to the Company (to present) Director and Managing Executive Officer of the Company (to present) | |
| | | [Responsibilities in the Company] In charge of Corporate Planning Department | | |
| [Reason for nomination as candidate for Director] Mr. Kazuto Endo has been acquainted with the power industry for many years and has extensive experience and broad knowledge gained through his service such as those of the Representative Director and President of ReBITA Inc. He also has a personality appropriate for performing duties for the management of the Company. In view of the superb management skills he has cultivated through his experience, we propose his re-election as a Director. | | | | |
| 2 | Shiro Odagiri (October 1, 1956) <Reappointment> | June 2010 | Corporate Officer; General Manager of Kanagawa Branch, Tokyo Electric Power Company, Incorporated | 2,600 |
| | | June 2013 | Managing Director; General Manager of Sales Division, TAKAOKA ELECTRIC MFG CO., LTD. | |
| | | April 2014 | Managing Executive Officer of the Company | |
| | | June 2014 | Director and Managing Executive Officer of the Company (to present) | |
| | | [Responsibilities in the Company] In charge of Technology Development Division, Quality & Production Management Division and Information & Network Department | | |
| [Reason for nomination as candidate for Director] Mr. Shiro Odagiri has extensive experience and broad knowledge gained over many years through his acquaintance with the power industry. He also has a personality appropriate for performing duties for the management of the Company. In view of the superb management skills he has cultivated through his experience, we propose his re-election as a Director. | | | | |

| No. | Name (Date of birth) | Career summary, positions, responsibilities and significant concurrent position(s) | Number of shares of the Company held |
|-----|--|--|--|
| 3 | Yoshinori Kaneko (May 17, 1963) <New appointment> <Outside Director> | October 2011 July 2013 July 2015 April 2016 June 2016 [Significant concurrent position(s)] Director and Vice President in charge of management reform of TEPCO Power Grid, Incorporated | - |
| | | [Reason for nomination as candidate for Director] Mr. Yoshinori Kaneko currently serves as Director and Vice President of TEPCO Power Grid, Incorporated. We believe that he will make use of his extensive experience and broad knowledge as a corporate manager to ensure the effectiveness of the corporate governance of the Company. We therefore propose his election as a Director. | |
| 4 | Harunobu Kameyama (May 15, 1959) <Reappointment> <Outside Director> <Independent Director> | April 1992 April 1997 June 2005 June 2007 April 2010 October 2012 June 2013 October 2013 [Significant concurrent position(s)] Attorney-at-law at Kameyama General Law Office Outside Director of Komori Corporation Outside Corporate Auditor of SOMAR Corporation | 600 |
| | | [Reason for nomination as candidate for Director] We believe that Mr. Harunobu Kameyama will make use of his extensive experience and broad knowledge in legal affairs as an attorney-at-law to ensure the effectiveness of the corporate governance of the Company, and therefore propose his re-election as a Director. His term of office as Outside Director will be 4 years and 9 months at the conclusion of this General Meeting of Shareholders. | |

| No. | Name (Date of birth) | Career summary, positions, responsibilities and significant concurrent position(s) | | Number of shares of the Company held |
|---|--|---|---|--|
| 5 | Futoshi Kuriyama (September 15, 1954) <Reappointment> | April 1977 | Joined TAKAOKA ELECTRIC MFG. CO., LTD. | 1,700 |
| | | June 2010 | Executive Officer; Deputy General Manager of Oyama Factory, TAKAOKA ELECTRIC MFG. CO., LTD. | |
| | | July 2011 | Executive Officer; Deputy General Manager of Oyama Factory; General Manager of Purchasing Renovation Promotion Office, TAKAOKA ELECTRIC MFG. CO., LTD. | |
| | | June 2012 | Director and Executive Officer; Deputy General Manager of Oyama Factory; General Manager of Purchasing Renovation Promotion Office, TAKAOKA ELECTRIC MFG. CO., LTD. | |
| | | July 2012 | Director and Executive Officer; General Manager of Production Division, TAKAOKA ELECTRIC MFG. CO., LTD. | |
| | | June 2013 | Director of the Company | |
| | | April 2014 | Director and Managing Executive Officer; General Manager of Power Equipment & System Business Division of the Company | |
| | | June 2015 | Director and Managing Executive Officer; General Manager of Electric Equipment Business Division of the Company (to present) | |
| [Reason for nomination as candidate for Director] Mr. Futoshi Kuriyama has acquired extensive experience and broad knowledge through his acquaintance with the electric equipment business, etc. for many years. He also has a personality appropriate for performing duties for the management of the Company. In view of the superb management skills he has cultivated through his experience as a General Manager of the Electric Equipment Business Division, etc., we propose his re-election as a Director. | | | | |
| 6 | Hiroaki Takatsu (October 2, 1952) <Reappointment> | June 2009 | Corporate Officer; Deputy General Manager of R&D Division, Tokyo Electric Power Company, Incorporated | 10,385 |
| | | June 2010 | Managing Director; General Manager of R&D Division, Tokyo Electric Power Company, Incorporated | |
| | | June 2011 | Managing Director; General Manager of Customer Division, Tokyo Electric Power Company, Incorporated | |
| | | June 2012 | Director of Toko Electric Corporation Chairman of Toshiba Toko Meter Systems Co., Ltd. (to present) | |
| | | October 2012 | President of Toko Electric Corporation President and Representative Director of the Company (to present) | |
| [Significant concurrent position(s)] Chairman of Toshiba Toko Meter Systems Co., Ltd. | | | | |
| [Reason for nomination as candidate for Director] Mr. Hiroaki Takatsu has served as President and Representative Director responsible for managing and administering the Board of Directors with a focus on its activation. We believe that he is qualified to promote the “Medium-term Management Plan 2017” with his strong leadership based on his extensive experience and achievements as a corporate manager. We therefore propose his re-election as a Director. | | | | |

| No. | Name (Date of birth) | Career summary, positions, responsibilities and significant concurrent position(s) | | Number of shares of the Company held |
|---|---|--|---|--|
| 7 | Yoshiyuki Dofutsu (June 19, 1954) <Reappointment> | April 1978 | Joined Toko Electric Corporation | 6,605 |
| | | May 2008 | Senior General Manager; Deputy General Manager of Saitama Office; General Manager of Purchasing Department, Toko Electric Corporation | |
| | | June 2011 | Director; General Manager of Electric Equipment Business Division, Toko Electric Corporation | |
| | | March 2012 | Managing Director of Toko Electric (Suzhou) Co., Ltd. (to present) | |
| | | October 2012 | Director of the Company | |
| | | April 2014 | Director and Managing Executive Officer; General Manager of Electric Equipment Business Division of the Company | |
| | | June 2015 | Director and Managing Executive Officer; General Manager of Power Equipment & System Business Division of the Company (to present) | |
| | | [Significant concurrent position(s)] Managing Director of Toko Electric (Suzhou) Co., Ltd. | | |
| [Reason for nomination as candidate for Director] Mr. Yoshiyuki Dofutsu has extensive experience and broad knowledge gained over many years through his acquaintance with the electric equipment business, etc. He also has a personality appropriate for performing duties for the management of the Company. In view of the superb management skills he has cultivated through his experience as General Manager of the Power Equipment & System Business Division and Managing Director of an overseas group company, we propose his re-election as a Director. | | | | |
| 8 | Naoshi Nishikawa (April 27, 1956) <Reappointment> | April 1979 | Joined TAKAOKA ELECTRIC MFG. CO., LTD. | 9,100 |
| | | June 2010 | Managing Director; General Manager of Oyama Factory, TAKAOKA ELECTRIC MFG. CO., LTD. | |
| | | June 2012 | Managing Director (Representative Director); General Manager of Oyama Factory, TAKAOKA ELECTRIC MFG. CO., LTD. | |
| | | July 2012 | Managing Director (Representative Director); General Manager of Sales Division, TAKAOKA ELECTRIC MFG. CO., LTD. | |
| | | October 2012 | Director of the Company | |
| | | June 2013 | Representative Director and President of Takaoka Engineering Co., Ltd. | |
| | | June 2015 | Director and Managing Executive Officer of the Company (to present) | |
| | | [Responsibilities in the Company] In charge of Corporate Affairs Department, Internal Audit Department, International Department and Purchasing Management Division | | |
| [Reason for nomination as candidate for Director] Mr. Naoshi Nishikawa has extensive experience and broad knowledge gained over many years through his acquaintance with all business areas, including the electric equipment business. He also has a personality appropriate for performing duties for the management of the Company. In view of the superb management skills he has cultivated through his experience, we propose his re-election as a Director. | | | | |

| No. | Name (Date of birth) | Career summary, positions, responsibilities and significant concurrent position(s) | | Number of shares of the Company held |
|--|---|---|---|--|
| 9 | <p>Takenori Fujii (September 17, 1956)</p> <p><Reappointment></p> | <p>April 1979 June 2010</p> <p>June 2011</p> <p>June 2012</p> <p>October 2012 June 2016</p> <p>[Responsibilities in the Company] In charge of Employee Relations & Human Resources Department and Finance & Accounting Department</p> | <p>Joined TAKAOKA ELECTRIC MFG. CO., LTD. Managing Director; General Manager of Technology Development Division, TAKAOKA ELECTRIC MFG. CO., LTD. Managing Director (Representative Director); General Manager of Technology Development Division, TAKAOKA ELECTRIC MFG. CO., LTD. Standing Statutory Auditor of TAKAOKA ELECTRIC MFG. CO., LTD. Standing Statutory Auditor of the Company Director and Managing Executive Officer of the Company (to present)</p> | 5,800 |
| <p>[Reason for nomination as candidate for Director] Mr. Takenori Fujii has extensive experience and broad knowledge gained over many years through his acquaintance with all business areas, including technology development. He also has a personality appropriate for performing duties for the management of the Company. In view of the superb management skills he has cultivated through his experience, we propose his re-election as a Director.</p> | | | | |
| 10 | <p>Yasuhiro Mishima (October 11, 1950)</p> <p><Reappointment> <Outside Director> <Independent Director></p> | <p>January 1999 January 2002 May 2009 June 2009 June 2016</p> | <p>General Manager of Molding Department, Tsutsumi Plant, Toyota Motor Corporation Senior Vice-President of Toyota Motor Thailand Co., Ltd. Standing Advisor of Futaba Industrial Co. Ltd. Representative Director and President of Futaba Industrial Co. Ltd. Advisor of Futaba Industrial Co. Ltd. (to present) Director of the Company (to present)</p> | 100 |
| <p>[Reason for nomination as candidate for Director] We believe that Mr. Yasuhiro Mishima will make use of his extensive experience and broad knowledge gained through his career as a corporate manager, including his years of service as Representative Director and President of Futaba Industrial Co., Ltd., to ensure the effectiveness of the corporate governance of the Company. We therefore propose his re-election as a Director. His term of office as an Outside Director of the Company will be 1 year at the conclusion of this General Meeting of Shareholders.</p> | | | | |

(Notes)

1. Mr. Yoshinori Kaneko, a candidate for Outside Director, has served as Director and Vice President (scheduled to assume the office of Representative Director and President in June 2017) of TEPCO Power Grid, Incorporated, a specified associated service provider for the Company with which the Company has a business relationship in the sales of power equipment and equipment, etc. since April 2016. He has also served as a non-executive Director of Toshiba Toko Meter Systems Co., Ltd., which is a subsidiary of the Company, since June 2016 (scheduled to retire from the position in June 2017).
2. Mr. Hiroaki Takatsu, a candidate for Director, concurrently serves as Chairman of Toshiba Toko Meter Systems Co., Ltd., a company with which the Company has a business relationship in equipment sales, etc.
3. Mr. Yoshiyuki Dofutsu, a candidate for Director, concurrently serves as Managing Director of Toko Electric (Suzhou) Co., Ltd., a company with which the Company has a business relationship in purchasing materials, equipment sales and the like.
4. No special interests exist between the Company and the candidates for Directors other than 1 through 3 of these Notes.
5. The Company has reported to Tokyo Stock Exchange Mr. Harunobu Kameyama and Mr. Yasuhiro Mishima as independent officers unlikely to have conflicts of interest with the general shareholders in accordance with its regulations.
6. Liability limitation agreements with Directors
In accordance with Article 427, Paragraph 1 of the Companies Act, the Company stipulates in its Articles of Incorporation that the Company may conclude liability limitation agreements with its Directors (excluding

Executive Directors and the like) and that the maximum amount of liability shall be the amount stipulated by laws and regulations.

The Company has concluded liability limitation agreements with Mr. Harunobu Kameyama and Mr. Yasuhiro Mishima, candidates for Outside Directors. If their re-election is approved as proposed, the Company will reenter into the same agreements with them. The Company will conclude such agreement with Mr. Yoshinori Kaneko, a candidate for Outside Director, if his election is approved as proposed.

Proposal 3: Election of 1 Auditor

Mr. Yuji Masuda, an Auditor, will retire by resignation at the conclusion of this year's Annual General Meeting of Shareholders. To fill the vacancy, the election of 1 Auditor is proposed.

Mr. Noriaki Taketani, a candidate for Auditor, shall be elected to fill the vacancy of Mr. Yuji Masuda, the retiring Auditor. Therefore, the term of Mr. Noriaki Taketani shall be until the expiry of the term of the retiring Auditor, Mr. Yuji Masuda, in accordance with the provisions of the Company's Articles of Incorporation.

The Board of Auditors has previously given its approval to this proposal.

The candidate is as follows:

| Name (Date of birth) | Career summary, positions and significant concurrent position(s) | | Number of shares of the Company held |
|--|---|---|--|
| <p>Noriaki Taketani (October 13, 1959) <New appointment> <Outside Auditor></p> | July 2011 | Corporate Management Department, Head Office, Tokyo Electric Power Company, Incorporated | - |
| | June 2013 | General Manager of Accounting Department, Head Office, Tokyo Electric Power Company, Incorporated Auditor of the Company Auditor of TAKAOKA ELECTRIC MFG. CO., LTD. Auditor of Toko Electric Corporation | |
| | June 2015 | Managing Executive Officer; in charge of corporate management, Tokyo Electric Power Company, Incorporated (currently Tokyo Electric Power Company Holdings, Incorporated) | |
| | April 2016 | Managing Executive Officer; General Manager of Accounting & Treasury Office, Corporate Management & Planning Unit, Tokyo Electric Power Company Holdings, Incorporated | |
| | June 2016 | Managing Executive Officer of Tokyo Electric Power Company Holdings, Incorporated (to present) | |
| | <p>[Significant concurrent position(s)] Managing Executive Officer of Tokyo Electric Power Company Holdings, Incorporated</p> | | |
| <p>[Reason for nomination as candidate for Auditor] Mr. Noriaki Taketani currently serves as Managing Executive Officer of Tokyo Electric Power Company Holdings, Incorporated and has experience and extensive knowledge gained through his career as a corporate manager. He has also acquired considerable knowledge about finance and accounting through the performance of duties as General Manager of Accounting Department of that company's head office. We believe that he will appropriately perform the duties of Outside Auditor, and therefore propose his election as an Outside Auditor.</p> | | | |

(Notes)

1. No special interests exist between the Company and Mr. Noriaki Taketani, a candidate for Outside Auditor.
2. Mr. Noriaki Taketani, a candidate for Outside Auditor, served as an Auditor of the Company in the past.
3. Liability limitation agreement with an Auditor:
In accordance with Article 427, Paragraph 1 of the Companies Act, the Company stipulates in its Articles of Incorporation that the Company may conclude liability limitation agreements with Auditors and that the maximum amount of liability shall be the amount provided by laws and regulations.
If Mr. Noriaki Taketani, a candidate for Outside Auditor, assumes the office of Auditor, the Company will conclude the same agreement with him.

Proposal 4: Election of 1 Substitute Auditor

To prepare for the contingency in which the number of Auditors falls below that required by laws and regulations, we propose the election of 1 Substitute Auditor.

The Board of Auditors has previously given its approval to this proposal.

The candidate is as follows:

| Name (Date of birth) | Career summary, positions and significant concurrent position(s) | Number of shares of the Company held |
|--|---|--|
| Yoji Matsushita (July 6, 1958) <Outside Auditor> | June 2012 General Manager of Procurement Department, Head Office, Tokyo Electric Power Company, Incorporated June 2014 Fukushima Division, Head Office, Tokyo Electric Power Company, Incorporated July 2014 Planning & General Affairs Department, Fukushima Division, Head Office, Tokyo Electric Power Company, Incorporated June 2015 Audit Mission Director of Tokyo Electric Power Company, Incorporated April 2016 Corporate Auditor of TEPCO Power Grid, Incorporated (to present) [Significant concurrent position(s)] Corporate Auditor of TEPCO Power Grid, Incorporated | - |
| [Reason for nomination as candidate for Substitute Auditor] Mr. Yoji Matsushita currently serves as Corporate Auditor of TEPCO Power Grid, Incorporated and has sufficient knowledge for audit work. We believe that he will appropriately perform the duties of Outside Auditor, and therefore propose his election as a Substitute Auditor. | | |

(Notes)

1. Mr. Yoji Matsushita, a candidate for Substitute Outside Auditor, has served since April 2016 as a Corporate Auditor of TEPCO Power Grid, Incorporated, a Specified Corporation for the Company with which the Company has a business relationship in the sales of power facilities and equipment and the like.
2. Liability limitation agreement with a Substitute Auditor:
In accordance with Article 427, Paragraph 1 of the Companies Act, the Company stipulates in its Articles of Incorporation that the Company may conclude liability limitation agreements with Auditors and that the maximum amount of liability shall be the amount provided by laws and regulations.
If Mr. Yoji Matsushita, a candidate for Substitute Outside Auditor, assumes the office of Auditor, the Company will conclude the same agreement with him.

Proposal 5: Introduction of a Performance-linked Stock Compensation Plan for Directors

1. Reasons for the Proposal

The Company proposes the introduction of a new performance-linked stock compensation plan, the “Board Benefit Trust” (hereinafter referred to as the “Plan”) for Directors (excluding Outside Directors) of the Company, and hereby seeks shareholders’ approval. The “Plan” also applies to Executive Officers. Hereinafter, Directors and Executive Officers shall collectively be referred to as “Directors and the Like”.

The purpose of this proposal is to further clarify the linkage between the compensation for Directors and the Like, the Company’s performance results and stock value and to promote the awareness of Directors and the Like regarding their contributions to the enhancement of the medium- to long-term performance and corporate value by having Directors and the Like share with the shareholders not only the merits of rising stock prices but also the risks of declining stock prices. In light of the above purpose, the Company considers that the contents of this proposal are appropriate and reasonable.

This proposal is submitted for approval of the compensation amount for the purpose of providing new stock compensation to the Company’s Directors separately from the Directors’ compensation amount (264 million yen at maximum per year; provided, however, that the Company proposes at this General Meeting of Shareholders under Proposal 6: “Revision of the Amount of Compensation Payable to Directors” to the effect that the Directors’ compensation amount be decreased to 226 million yen at maximum per year subject to approval of this Proposal 5 as proposed) approved at the 1st Annual General Meeting of Shareholders held on June 27, 2013. Decisions on the details of the Plan shall be delegated to the Board of Directors within the framework described in the Paragraph 2 below.

If Proposal 2 is approved as proposed, the number of Directors covered by the Plan will be 7, after excluding 3 Outside Directors.

2. Amount of compensation and the like under the Plan and reference information

(1) Outline of the Plan

Under the Plan, money contributed by the Company is used as funds to acquire the Company’s shares through a trust (“Trust”), and the Company’s shares and money equivalent to the value of the Company’s shares converted at market value (“Company Shares and the Like”) are to be provided to Directors and the Like through the Trust in accordance with the stock benefit rules for Directors established by the Company. Directors and the Like shall, in principle, receive the Company Shares and the Like at the time of their respective retirements.

(2) Individuals covered by the Plan

Directors (excluding Outside Directors) and Executive Officers.

(3) Period of the Trust

From August 2017 (scheduled) to the termination of the Trust (with respect to the period of the Trust), the Trust shall continue for as long as the Plan continues, with no specific date of termination. The Plan shall terminate if the Company’s stock is delisted or the company rules on stock compensation for Directors are abolished or for other reasons.

(4) Maximum amount of trust (amount of compensation)

The Company shall introduce the Plan targeting a period of three fiscal years from the fiscal year ending March 2018 to the fiscal year ending March 2020 (“Initial Applicable Period”), and its subsequent three fiscal year periods (collectively “Applicable Period”). The Company contributes money for each Applicable Period to the Trust as funds to acquire the Company’s shares for the purpose of providing the Company Shares and the Like to Directors and the Like.

Upon establishing the Trust (scheduled for August 2017), the Company shall contribute to the Trust funds with an upper limit of 114 million yen for Directors (as a reference, the upper limit of funds will be 252 million yen, including funds for Executive Officers) as a necessary amount corresponding to the Initial Applicable Period. After the Initial Applicable Period has elapsed, the Company shall make an additional contribution of funds to the Trust with an upper limit of 114 million yen for Directors (as a reference, the upper limit of funds will be 252 million yen, including funds for Executive Officers) for each Applicable Period. With regard to the additional contribution; however, if there are residual shares of the Company (excluding the Company’s shares equivalent to the number of points granted to Directors and the Like and not yet provided to Directors and the Like) and money (“Residual Shares and the Like”) in the trust assets, the total amount of Residual Shares and the Like (in the case of the Company’s shares, the book value of the shares on the last day of the most recent Applicable Period) and money to be paid as additional contribution

shall be within the upper limit approved at this General Meeting of Shareholders. Any decisions by the Company about additional contributions shall be disclosed in a timely and proper manner.

(5) Method for acquiring the Company's shares and the number of shares to be acquired

The Trust shall acquire the Company's shares through stock markets or by purchasing treasury shares the Company has disposed of, using the funds as contributed in Item (4) above. For example, assuming an acquisition at the closing price of 1,672 yen on May 18, 2017, the number of shares to be acquired using the upper limit (114 million yen) of the funds to be contributed by the Company for the acquisition of shares for provision to Directors for the Initial Applicable Period will be 68,100 (as a reference, the number of shares will be 150,700, including shares for Executive Officers).

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

(6) Method for calculating the number of Company Shares and the Like to be provided to Directors and the Like

Directors and the Like shall be granted points every fiscal year, the number of which is to be determined in consideration of their respective positions, degrees of achievement and the like, based on the stock benefit rules for Directors. This method is determined in comprehensive consideration of the present payment level of Directors' compensation and the trend and prospects of the number of Directors and the Like and we consider it to be appropriate and reasonable.

The points granted to Directors and the Like shall be converted at the rate of one share of common stock of the Company for one point when Company Shares and the Like are provided to Directors and the Like as described in the Item (7) below. However, if a stock split, gratis allotment of shares or consolidation of shares is conducted with respect to the Company's shares after this proposal is approved, the conversion rate shall be reasonably adjusted according to the ratio and the like of such change.

The number of points of Directors and the Like, which is the base for provision of Company Shares and the Like in the Item (7) below, is the number of points granted to Directors and the Like until their respective retirements, in principle. Hereinafter, the number of points so calculated shall be referred to as the "Fixed Number of Points".

(7) Provision of the Company Shares and the Like

If Directors and the Like retire and meet the requirements for beneficiaries as prescribed in the stock benefit rules for Directors, those Directors and the Like shall, after their respective retirements, receive benefits from the Trust in the form of Company shares corresponding to the Fixed Number of Points determined according to the Item (6) above, in principle, by completing the prescribed procedures for the determination of beneficiaries. If, however, a Director and the Like meets the requirements under the stock benefit rules for Directors, the Director and the Like shall receive money equivalent to the Company's shares converted at market value in lieu of the stock benefit, up to a certain portion. The Trust may sell the Company's shares to provide such monetary benefit.

(8) Exercise of voting rights

The Trust shall, in accordance with the instruction from the trust administrator, uniformly refrain from exercising the voting rights for the Company's shares held in the trust account. By adopting this approach, the Trust aims to ensure its neutrality towards the management of the Company with respect to the exercise of the voting rights for the Company's shares held in the trust account.

(9) Treatment of dividends

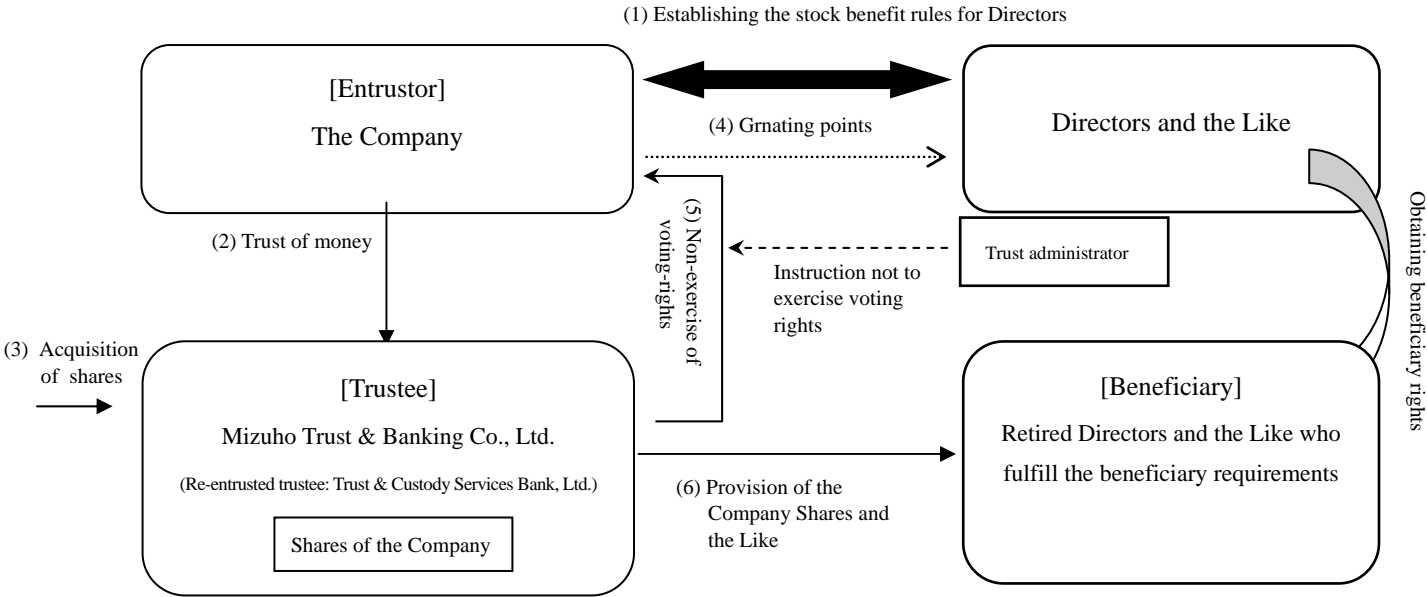
Dividends from the Company's shares held in the trust account shall be received by the Trust and shall be appropriated for the acquisition of the Company's shares and the payment of trust fees and the Like for the trustee of the Trust.

(10) Treatment upon termination of the Trust

The Trust shall terminate in certain circumstances, such as when the Company's shares are delisted or when the stock benefit rules for Directors are repealed. From among the residual assets in the Trust upon termination of the Trust, any shares of the Company remaining in the Trust shall be acquired by the Company without payment, and thereupon cancelled by a resolution of the Board of Directors.

Any dividends and the like remaining in the Trust upon termination of the Trust shall be distributed to Directors and the Like in office at that time in proportion to the number of points they respectively hold, in accordance with the provisions of the stock benefit rules for Directors. Any dividends still remaining in the

Trust after the distribution to Directors and the Like shall be provided to the Company.
 <Reference: Structure of the Plan>



- (1) The Company shall establish the stock benefit rules for Directors within the framework approved under this Proposal.
- (2) The Company shall entrust money within the scope approved under this Proposal.
- (3) The Trust shall acquire the Company’s shares through stock markets or by purchasing treasury share the Company has reissued, using the money as entrusted in Item (2) above
- (4) The Company shall grant points to Directors and the Like. based on the stock benefit rules for Directors.
- (5) The Trust shall, in accordance with the instruction from the trust administrator who is independent of the Company, refrain from exercising the voting rights for the Company’s shares held in the Trust’s account.
- (6) The Trust shall provide shares of the Company to retired Directors and the Like who fulfill the beneficiary requirements set forth in the stock benefit rules for Directors (“Beneficiary”) in proportion to the number of points each Beneficiary has been granted. If, however, a Director and the Like fulfills the requirements under the stock benefit rules for Directors, the Trust shall provide the Director and the Like with money equivalent to the market value of such shares, up to a certain portion of points.

Proposal 6: Revision of the Amount of Compensation Payable to Directors

The compensation payable to Directors is set at the amount of 264 million yen (including 20 million yen for Outside Directors) or less in total per year, as resolved at the 1st Annual General Meeting of Shareholders held on June 27, 2013, and has been unchanged to date. Considering that the stock compensation amount is to be separately approved in connection with the introduction of the performance-linked stock compensation plan, the Company proposes a downward revision of the amount of compensation payable to Directors to 226 million yen (including 20 million yen for Outside Directors) or less in total per year.

This proposal shall take effect subject to the approval of Proposal 5: "Introduction of a Performance-linked Stock Compensation Plan for Directors" at this General Meeting of Shareholders.

The number of Directors at present is 10 (including 3 Outside Directors). If Proposal 2: "Election of 10 Directors" is approved as proposed, the number of Directors will continue to be 10 (including 3 Outside Directors) as of the conclusion of this General Meeting of Shareholders.

Location of the venue for the 5th Annual General Meeting of Shareholders

Place

**Conference room, 2nd floor,
GAKUSHIKAIKAN**

3-28 Kandanishiki-cho, Chiyoda-ku, Tokyo, Japan
TEL: 03-3292-5936



Access to
the venue

1-minute walk from Jimbocho Station (Exit A9), Toei Mita line

3-minute walk from Jimbocho Station (Exit A7), Toei Shinjuku line/Tokyo Metro Hanzomon line

5-minute walk from Takebashi Station (Exit 3a), Tokyo Metro Tozai line

You are cordially invited to attend the reception party for our shareholders to be held after the close of the Annual General Meeting of Shareholders.

株式会社 東光高岳



The Company has adopted universal design font designed to increase readability and prevent misreading.

