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(Stock Exchange Code 4987)  
June 8, 2017

**To Shareholders with Voting Rights:**

Keishiro Teraoka  
President and Representative Director  
Teraoka Seisakusho Co., Ltd.  
Head Office: 1-4-22 Hiromachi,  
Shinagawa-ward, Tokyo

**NOTICE OF CONVOCATION  
OF THE 107TH 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 107th Annual General Meeting of Shareholders of Teraoka Seisakusho Co., Ltd. (the "Company"). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you may exercise your voting rights in writing. In this case, please review the attached Reference Documents for the General Meeting of Shareholders, indicate your vote for or against each proposal on the enclosed Voting Rights Exercise Form and return it so that it is received by 5:20 p.m. on Thursday, June 22, 2017, Japan time.

- 1. Date and Time:** Friday, June 23, 2017 at 10:00 a.m. Japan time (reception starts at 9:00 a.m.)
- 2. Venue:** The GOTENYAMA Ballroom, North, B1F  
Tokyo Marriott Hotel  
4-7-36 Kitashinagawa, Shinagawa-ward, Tokyo
- 3. Meeting Agenda:**
  - Matters to be reported:**
    1. The Business Report, Consolidated Financial Statements for the Company's 107th Fiscal Year (April 1, 2016 - March 31, 2017) and results of audits by the Accounting Auditor and the Board of Auditors of the Consolidated Financial Statements
    2. Non-consolidated Financial Statements for the Company's 107th Fiscal Year (April 1, 2016 - March 31, 2017)
  - Proposals to be resolved:**
    - Proposal 1:** Distribution of Earned Surplus
    - Proposal 2:** Election of One (1) Auditor
    - Proposal 3:** Election of One (1) Substitute Auditor

#### **4. Matters to be Determined Upon Convocation:**

##### Exercise of Voting Rights by Proxy

Proxies to whom the exercise of voting rights may be delegated are limited to one other shareholder who holds voting rights, in accordance with the Articles of Incorporation of the Company. If attending the meeting by proxy, please submit a written proof of the authority of representation (power of attorney, etc.) together with the Voting Rights Exercise Forms of the shareholder and proxy at the reception desk.

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- ◎ When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk. Additionally, please bring this Notice with you for use as meeting material.
  - ◎ As congestion is expected just before the start of the meeting, we advise you to arrive early.
  - ◎ Should the Reference Documents for the General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements, or Consolidated Financial Statements require revisions, the revised versions will be posted on the Company's website (<http://www.teraokatape.co.jp/>).

# Reference Documents for the General Meeting of Shareholders

## Proposals and References

### Proposal 1: Distribution of Earned Surplus

The Company considers the return of profits to shareholders as one of the most important management issues, and positions the continuation of stable dividends as a basic policy of returning profits. The Company's basic approach to the return of profits to shareholders is to make a decision after comprehensively taking into consideration various factors that affect the dividend level, including business performance for the fiscal year under review, financial position, cash flows, and the dividend payout ratio, in addition to future business strategy, business development policies, forecasts, and other factors, while also securing the funds for investment.

In accordance with this basic policy, the Company plans to pay a term-end dividend for the 107th fiscal year as follows.

#### Items Related to Term-end Dividend

- (1) Items related to the allocation of dividend property to shareholders and its total amount  
6 yen per share of common stock                      Total of 151,999,632 yen
- (2) Effective date of distribution of earned surplus:  
June 26, 2017

**Proposal 2:** Election of One (1) Auditor

Auditor Kazunori Shimamoto will resign at the conclusion of this Annual General Meeting of Shareholders. Accordingly, the election of One (1) Auditor is proposed.

The election of Mr. Harushige Sakai is proposed as a substitute for Mr. Kazunori Shimamoto.

Regarding the policies and procedures for the determination of Auditor candidates, their selection and appointment are conducted by a resolution of the Board of Directors taking into comprehensive consideration the following factors: the candidate has a deep understanding of the Company's corporate philosophy and management principles; is capable of appropriately supervising the execution of duties by Directors; is capable of preventing violations of laws and regulations and the Articles of Incorporation in advance; and is capable of conducting audits from a neutral and objective standpoint to contribute to securing management soundness.

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

The candidate for Auditor is as follows:

| Name<br>(Date of birth)  | Past experience, positions<br>and significant concurrent positions  | Number of<br>shares of the<br>Company held |
|--|---|--|
| [Newly elected]<br>[Outside]<br>[Independent]<br><br>Harushige Sakai<br>(June 7, 1957)   | April 1980<br>April 2000<br>October 2005<br>April 2008<br>June 2009<br>June 2011<br>April 2015<br>Joined KANADEN CORPORATION<br>General Manager, Imaging Information System Division,<br>Electronics Division I<br>Deputy General Manager, Electronics Division; General<br>Manager, Planning Division; General Manager, Imaging<br>Information System Division<br>Deputy General Manager, Management Strategy Office; General<br>Manager, Management Strategy Division<br>Operating Officer; General Manager, Management Strategy<br>Office; General Manager, Management Strategy Division<br>Operating Officer; General Manager, System Integration<br>Division<br>Operating Officer; General Manager, Internal Auditing Division<br>(to present) | -  |
| [Reason for nomination as candidate for Outside Auditor]<br>Mr. Harushige Sakai is involved in the audit operations at KANADEN CORPORATION, and as the Company has judged that he can supervise Directors' execution of duties from an objective and fair perspective, and have thus nominated him as a candidate for Outside Auditor. |   |  |

(Notes)

1. There are no special interests between the candidate and the Company.
2. Mr. Harushige Sakai is a candidate for Outside Auditor.
3. If Mr. Harushige Sakai is appointed Auditor, the Company intends to register him as an independent auditor with Tokyo Stock Exchange, Inc.

**Proposal 3:** Election of One (1) Substitute Auditor

In order 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 for Substitute Auditor is as follows:

| Name<br>(Date of birth)               | Past experience, positions<br>and significant concurrent positions   | Number of<br>shares of the<br>Company held |
|---------------------------------------|--|--|
| Yoshiyuki Umiyama<br>(April 11, 1963) | April 1987      Joined KANADEN CORPORATION<br>April 2007      General Manager, Finance Division, Accounting and Finance<br>Office<br>June 2016      Operating Officer; General Manager, Accounting and Finance<br>Office<br>(to present) | -  |

[Reason for nomination as candidate for Substitute Outside Auditor]

Mr. Yoshiyuki Umiyama has cultivated operational experience relating to accounting and finance while at KANADEN CORPORATION, and we believe that if appointed as Outside Auditor, he will be able to utilize his abundant experience and wide-ranging insight in the auditing operations of the Company and supervise Directors' execution of duties from an objective and fair perspective, and have thus renominated him as a candidate for Outside Auditor.

(Notes)

1. There are no special interests between the candidate and the Company.
2. Mr. Yoshiyuki Umiyama is a candidate for Substitute Outside Auditor.
3. If Mr. Yoshiyuki Umiyama is appointed Auditor, the Company intends to register him as an independent auditor with Tokyo Stock Exchange, Inc.