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(Stock Exchange Code 4987)
June 6, 2019

To Shareholders with Voting Rights:

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

**NOTICE OF CONVOCATION
OF THE 109TH 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 109th 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, and indicate your vote for or against each proposal on the enclosed Voting Rights Exercise Form and return it so that it shall be received by 5:20 p.m. on Thursday, June 20, 2019, Japan time.

1. Date and Time: Friday, June 21, 2019 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 109th Fiscal Year (April 1, 2018 - March 31, 2019) 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 109th Fiscal Year (April 1, 2018 - March 31, 2019)

Proposals to be resolved:

- Proposal 1:** Distribution of Surplus
Proposal 2: Partial Amendment to Articles of Incorporation
Proposal 3: Election of 1 Director
Proposal 4: Election of 3 Auditors
Proposal 5: Election of 1 Substitute Auditor
Proposal 6: Revision of Maximum Amount of Remuneration for Directors

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 (<https://www.teraokatape.co.jp/>).

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal 1: Distribution of 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 109th 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
5 yen per share of common stock Total of 126,663,930yen
- (2) Effective date of distribution of surplus:
June 24, 2019

Proposal 2: Partial Amendment to Articles of Incorporation

1. Reasons for Proposal

- (1) Introduction of system for disclosure via the Internet (online disclosure) (creation of Article 13 of the proposed amendments)
In view of the increasing use of the Internet, this amendment shall enable the Company to disclose some matters stated in the Reference Documents for the General Meeting of Shareholders and other materials via the Internet, in accordance with the provisions of Orders of the Ministry of Justice, in order to reduce costs for printing expenses, mailing expenses, etc.
- (2) Increase to the maximum number of Directors (amendment to Article 18 of the current Articles of Incorporation)
The maximum number of Directors shall be changed from 8 to 10, in order to create a management system to respond flexibly and promptly to the increasingly diversified management environment in Japan and overseas, and create a structure for securing independent External Directors to strengthen management supervisory functions.
- (3) Liability limitation agreements with officers (creation of Articles 25 and 34 of the proposed amendments)
In order to secure appropriate personnel to serve as Non-executive Directors and Auditors, and enable them to sufficiently fulfill the roles expected of them, new provisions shall be created to the effect that the Company may enter into an agreement with Non-executive Directors and Auditors to limit their liability in advance, pursuant to provisions related to liability limitation agreements in Article 427, paragraph 1 of the Companies Act. Furthermore, the consent of each Auditor has been obtained in regard to the creation of new provisions related to liability limitation agreements with Non-executive Directors. When the Company concludes a liability limitation agreement with the officers, it intends to promptly disclose that fact via the Tokyo Stock Exchange. In addition, when selecting officers with whom to enter into a liability limitation agreement, the Company shall mainly select External Directors and Part-time Auditors, taking into consideration the asymmetry of information.
- (4) Other
The numbering of articles shall be moved down in line with the new creation of the above provisions.

2. Details of Amendments

The details of the amendment are as follows.

(Note) Only the articles requiring amendments are shown.

(Amended sections are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p>(Newly established)</p> <p><u>Article 13 – Article 17</u> (Omitted)</p> <p><u>Article 18 (Creation of the Board of Directors, the number of Directors, and election of Directors)</u> The Company shall have Directors and a Board of Directors. 2. The number of Directors of the Company shall be not more than <u>eight (8)</u>. Directors shall be elected by a resolution of a General Meeting of Shareholders. 3. The election of Directors shall be made by a majority of the votes of the attending shareholders who hold one third or more of the voting rights of shareholders entitled to exercise voting rights. 4. The election of Directors shall not be by cumulative voting.</p> <p><u>Article 19 – Article 23</u> (Omitted)</p> <p>(Newly established)</p> <p><u>Article 24 – Article 31</u> (Omitted)</p> <p>(Newly established)</p> <p><u>Article 32 – Article 40</u> (Omitted)</p>	<p><u>Article 13 (Disclosure via the Internet of the Reference Documents for the General Meeting of Shareholders, etc. and the Deemed Provision of Information)</u> <u>The Company shall be deemed to have provided the shareholders with the necessary information with respect to the matters to be stated or indicated in the reference documents for the general meeting of shareholders, the business reports, the financial statements and the consolidated financial statements, by disclosing such information via the Internet in accordance with the Ordinance of the Ministry of Justice.</u></p> <p><u>Article 14 – Article 18</u> (Unchanged)</p> <p><u>Article 19 (Creation of the Board of Directors, the number of Directors, and election of Directors)</u> The Company shall have Directors and a Board of Directors. 2. The number of Directors of the Company shall be not more than <u>ten (10)</u>. Directors shall be elected by a resolution of a General Meeting of Shareholders. 3. The election of Directors shall be made by a majority of the votes of the attending shareholders who hold one third or more of the voting rights of shareholders entitled to exercise voting rights. 4. The election of Directors shall not be by cumulative voting.</p> <p><u>Article 20 – Article 24</u> (Unchanged)</p> <p><u>Article 25 (Limitation of Liabilities of Directors)</u> <u>Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into agreements with Directors (excluding Executive Directors) to limit their liability to compensate for damages suffered due to their negligence in the execution of duties. However, the maximum amount of the compensation for damage under such agreement shall be the amount stipulated by laws or regulations.</u></p> <p><u>Article 26 – Article 33</u> (Unchanged)</p> <p><u>Article 34 (Limitation of Liabilities of Auditors)</u> <u>Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into agreements with Auditors to limit their liability to compensate for damages suffered due to their negligence in the execution of duties. However, the maximum amount of the compensation for damage under such agreement shall be the amount stipulated by laws or regulations.</u></p> <p><u>Article 35 – Article 43</u> (Unchanged)</p>

Proposal 3: Election of 1 Director

Director, Noriya Hashimoto will resign at the conclusion of this Annual General Meeting of Shareholders. Accordingly, the election of 1 Director as substitute is proposed.

Furthermore, this Director candidate will be elected as a substitute for Director, Noriya Hashimoto, and therefore his term of office shall be until the term of office of the incumbent Director should expire, in accordance with the provisions of the Articles of Incorporation of the Company.

Regarding the policies and procedures for the determination of Director candidates, their selection and appointment are conducted by a resolution of the Board of Directors taking into comprehensive consideration of the following factors: the candidate has a deep understanding of the Company's corporate philosophy and management principles; may be expected to contribute to the further development of the Company; has the ability to accurately grasp issues in the divisions under their control and cooperate with other officers and employees to resolve issues; and possesses the attitude and knowledge to comply thoroughly with laws, regulations and the corporate ethics.

The candidate for Director is as follows:

Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
[Newly elected] [External] Masaaki Wada (August 18, 1963)	April 1986 April 2019	Joined ITOCHU Corporation General Manager, Industrial Textile & Lifestyle Department (current position)	- shares
[Reason for nomination as a candidate for External Director] Mr. Masaaki Wada has abundant experience and achievements in sales fields in ITOCHU Corporation, and may be expected to actively provide comments and advices from the perspective of promoting management reform at meetings of the Board of Directors without being constrained by the Company's logic. In addition, the Company has judged that he is independent from the management team engaged in business execution, that there is no risk of conflicts of interest with general shareholders, and that he will contribute significantly to strengthening the corporate governance of the Company, and has thus nominated him as a candidate for External Director.			

(Notes)

1. There are no special interests between the candidate and the Company.
2. Mr. Masaaki Wada is a candidate for External Director.
3. Subject to the approval and passing of Proposal 2: Partial Amendment to Articles of Incorporation, if the election of Mr. Masaaki Wada as External Director is approved, the Company intends to enter into a liability limitation agreement with him to limit his liability to compensate for damages to the minimum amount of liability set forth by laws and regulations.
4. Mr. Masaaki Wada is an executive at ITOCHU Corporation which has important business relationship with the Company (major trading partner).

Proposal 4: Election of 3 Auditors

The terms of office of 3 Auditors, Yutaka Nomiyama, Jun Watanabe, and Masaki Miyake will expire at the conclusion of this Annual General Meeting of Shareholders. Accordingly, the election of 3 Auditors is proposed.

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 of 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 candidates for Auditor are as follows:

No.	Name (Date of birth)	Past experience, positions, and significant concurrent positions		Number of shares of the Company held
1	[Reelection] Yutaka Nomiyama (March 16, 1954)	April 1977	Joined The Daiwa Bank, Ltd. (currently Resona Bank, Limited)	8,751 Shares
		April 2004	Joined the Company	
		July 2005	General Manager, General Affairs Department	
		June 2007	Operating Officer; Deputy Executive General Manager, Administrative Division; General Manager, General Affairs and Personnel Department	
		June 2008	Director; Executive General Manager, Administrative Division; General Manager, General Affairs and Personnel Department	
		April 2010	Director; Executive General Manager, Administrative Division	
		June 2011	Auditor; External Audit & Supervisory Board Member, KANADEN CORPORATION (current position) (to present)	
		[Reason for nomination as a candidate for Auditor] Mr. Yutaka Nomiyama possesses a complete knowledge of business administration, as well as sufficient experience of supervising management based on his experience as Director, and therefore the Company has judged that he will be able to supervise Directors' execution of duties from an objective and fair perspective, and has thus nominated him as a candidate for Auditor.		
2	[Reelection] Jun Watanabe (December 7, 1954)	May 1978	Joined the Company	12,010 shares
		April 2004	General Manager, Tokyo Branch Office	
		June 2007	Operating Officer; Deputy Executive General Manager, Sales Division; General Manager, Tokyo Branch Office	
		June 2008	Director; Executive General Manager, Sales Division; General Manager, Overseas Sales Department	
		January 2014	Senior Operating Officer; Chairman and President, TERAOKA SEISAKUSHO (HONG KONG) CO., LTD.; Chairman and President, TERAOKA SEISAKUSHO (SHANGHAI) CO., LTD.; Chairman and President, TERAOKA SEISAKUSHO (SHENZHEN) CO., LTD.	
		June 2016	Auditor, the Company (to present)	
		[Reason for nomination as a candidate for Auditor] Mr. Jun Watanabe possesses a complete knowledge of overall international and domestic sales and sufficient experience of supervising management based on his experience as a Director, and therefore the Company has judged that he will be able to supervise Directors' execution of duties from an objective and fair perspective, and has thus nominated him as a candidate for Auditor.		

No.	Name (Date of birth)	Past experience, positions, and significant concurrent positions	Number of shares of the Company held
3	[Reelection] [External] Masaki Miyake (September 29, 1960)	<p>April 1983 Joined The Toyo Trust and Banking Company, Limited (currently Mitsubishi UFJ Trust and Banking Corporation)</p> <p>December 1998 General Manager, Public Operations Office, Osaka Securities Agency Department</p> <p>April 2007 General Manager, Securities Agency Sales Department No. 4</p> <p>June 2010 Executive Officer; General Manager, Securities Agency Sales Department No. 4</p> <p>August 2010 Executive Officer; General Manager, Securities Agency Sales Department No. 2</p> <p>June 2014 Vice President and Director, MU Trust Sogo Kanri Co., Ltd. (current position)</p> <p>June 2015 Auditor, the Company (to present)</p>	- shares
<p>[Reason for nomination as a candidate for External Auditor]</p> <p>Mr. Masaki Miyake has cultivated operational experience related to management while at MU Trust Sogo Kanri Co., Ltd., and has wide-ranging experience and knowledge in the field of business administration, and therefore the Company has judged that he will be able to supervise Directors' execution of duties from an objective and fair perspective, and has thus nominated him as a candidate for External Auditor.</p>			

(Notes)

1. There are no special interests between each of the candidates and the Company.
2. The number of shares of the Company held by each candidate includes shares held in the shareholding association (rounded down to the nearest share).
3. Mr. Masaki Miyake is a candidate for External Auditor.
4. Subject to the approval and passing of Proposal 2: Partial Amendment to Articles of Incorporation, if the election of Mr. Masaki Miyake for External Auditor is approved, the Company intends to enter into a liability limitation agreement with him to limit his liability to compensate for damages to the minimum amount of liability set forth by laws and regulations.
5. Mr. Masaki Miyake retired from Mitsubishi UFJ Trust and Banking Corporation, which has important business relationship with the Company, in June 2014.
6. The term of office of Mr. Masaki Miyake as External Auditor of the Company shall be 4 years as of the conclusion of this Annual General Meeting of Shareholders.
7. As described in the Business Report, during the terms of office of Mr. Masaki Miyake as External Auditor, an inappropriate conduct related to some products of the Company was unveiled. Although he was unaware of the fact until it came to light, he had regularly made proposals from the viewpoint of legal compliance at the Board of Directors, the Board of Auditors, etc. After the fact was unveiled, he dictated a thorough investigation into the fact and the prevention of recurrence, and has been conducting his duties properly.

Proposal 5: Election of 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.

Furthermore, the effectiveness of the election in this proposal may be cancelled by resolution of the Board of Directors, with the consent of the Board of Auditors, provided it is prior to candidate's assumption of office.

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

The candidate for Substitute Auditor is as follows:

Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held
[Newly elected] [External] Masayuki Sugaya (March 7, 1969)	April 1991 April 2013 June 2016 April 2018 July 2018 Joined KANADEN CORPORATION General Manager, Corporate Planning Department, Corporate Strategy Office General Manager, Corporate Planning Department, Corporate Strategy Office; General Manager, Accounting Department, Accounting and Finance Office General Manager, Business Planning Department, Business Promotion Office General Manager, Accounting and Finance Department, Administration Management Office (to present)	- shares
[Reason for nomination as a candidate for Substitute External Auditor] Mr. Masayuki Sugaya is involved in the corporate planning at KANADEN CORPORATION, and we believe that if appointed as External 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 nominated him as a candidate for External Auditor.		

(Notes)

1. There are no special interests between the candidate and the Company.
2. Mr. Masayuki Sugaya is a candidate for Substitute External Auditor.
3. Subject to the approval and passing of Proposal 2: Partial Amendment to Articles of Incorporation, if the election of Mr. Masayuki Sugaya for Auditor is approved and he assumes his office, the Company intends to enter into a liability limitation agreement with him to limit his liability to compensate for damages to the minimum amount of liability set forth by laws and regulations.
4. If Mr. Masayuki Sugaya is appointed Auditor, the Company intends to register him as an independent auditor with Tokyo Stock Exchange, Inc.

Proposal 6: Revision of Maximum Amount of Remuneration for Directors

The maximum total amount of remuneration for Directors was approved at the 101st Annual General Meeting of Shareholders held on June 24, 2011 to be 172 million yen annually, and has not been changed to the present. Taking into consideration various factors such as the fact that the maximum number of Directors will be increased by 2, in order to further enhance the management system, we propose the approval of the revision of the maximum amount of remuneration for Directors to be "230 million yen annually (including 30 million yen annually for External Directors)."

The amount of remuneration for Directors shall not include a portion of salary for employees to be paid to Directors acting concurrently as employees, as in the past.

In addition, the current number of Directors is 8 (including 2 External Directors).

End