

Disclaimer: This is the translation of the original notice of convocation in Japanese. In case of any discrepancy between the translation and the original Japanese, the Japanese version shall prevail.

Securities code: 9742

June 3, 2019

To Shareholders:

Etsuroh Mori
President and Representative Director
INES Corporation
26, Sanbancho
Chiyoda-ku, Tokyo, Japan

Notice of Convocation of the 57th Ordinary General Meeting of Shareholders

I would like to thank all of you for your continued support of our company.

You are hereby invited to the 57th Ordinary General Meeting of Shareholders of INES Corporation (the Company), which will be held as stated below.

If you are unable to attend the meeting in person, you can exercise your voting rights via the Internet or by mail in writing. Please review the "Ordinary General Meeting of Shareholders Reference Documents" provided and exercise your voting rights promptly.

Particulars

- 1. Date and Time:** 10:00 a.m. on June 25 (Tuesday), 2019
- 2. Place:** Head office of INES Corporation
26, Sanbancho, Chiyoda-ku, Tokyo, Japan
- 3. Agenda:**

Matters to be Reported:

- Item 1:** Report on the Business Report, Consolidated Financial Statements and the Audit Results on the Consolidated Financial Statements by the Accounting Auditors and the Board of Corporate Auditors for the 57th fiscal year (from April 1, 2018 to March 31, 2019)
- Item 2:** Report on the Non-Consolidated Financial Statements for the 57th fiscal year (from April 1, 2018 to March 31, 2019)

Matters to be Resolved:

- Item 1:** Appropriation of Retained Earnings
- Item 2:** Election of Six (6) Corporate Directors
- Item 3:** Election of One (1) Corporate Auditor
- Item 4:** Election of One (1) Substitute Corporate Auditor
- Item 5:** Determination of Compensation for Granting Restricted Stock to Directors

4. Methods of Exercising Voting Rights

Please exercise your voting rights by either of the following methods.

Exercising Voting Rights by Attending the Meeting in Person

Date of General Meeting of Shareholders: 10:00 a.m. on June 25 (Tuesday), 2019

(Start accepting: 9:15 a.m.)

Please submit the enclosed Voting Rights Exercise Form at the meeting reception desk.

In accordance with Article 20 of the Company's Articles of Incorporation, in the case of attendance by proxy, the proxy is limited to one (1) shareholder of the Company who has voting rights. In this case, the proxy must submit, in addition to the Voting Rights Exercise Form, a mandate form or other documents to prove power of attorney.

Please note that if attending in person, you do not need to follow the procedures for exercising your voting rights via the Internet or by mail in writing described below.

Exercising Voting Rights via the Internet

Deadline for Exercising Voting Rights: 5:20 p.m. on June 24 (Monday), 2019

Please visit the website for exercising voting rights from your Internet environment (PC, smartphone, or cellular phone) and cast your vote according to the instructions displayed on the screen by using the "login ID" and "temporary password" entered in the enclosed Voting Rights Exercise Form.

Website for exercising voting rights: <https://evote.tr.mufg.jp/>

- * Handling is suspended from 2:00 a.m. to 5:00 a.m. every day.
- * Inquiries regarding the exercise of voting rights via the Internet:
Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency
Division (Help Desk)
TEL: 0120-173-027 (toll free) Hours: 9:00 a.m. ~ 9:00 p.m.

Exercising Voting Rights by Mail in Writing

Deadline for Exercising Voting Rights: Mail arriving by 5:20 p.m. on June 24 (Monday), 2019

Please indicate your approval or disapproval of each item on the agenda in the enclosed Voting Rights Exercise Form and return it by mail.

Any Voting Rights Exercise Form on which approval or disapproval of each item on the agenda has not been indicated shall be treated as an approval of the Company's proposals.

5. Matters concerning Exercising Voting Rights

(1) Handling of Voting Rights Exercised in Duplicate

[1] If you have exercised your voting rights both via the Internet and by mail in writing, only the contents of the vote made via the Internet shall be deemed valid.

[2] If you exercise your voting rights multiple times via the Internet, the last time that you exercise your voting rights shall be deemed valid.

(2) Method of Notification in the Event of the Inconsistent Exercise of Voting Rights

In the event that shareholders exercise voting rights inconsistently, the parties must inform the Company in writing at least three (3) days prior to the convening of the General Meeting of Shareholders of the cause or reasons for the inconsistency.

6. Disclosure via the Internet

(1) In accordance with the provisions of certain laws and regulations as well as Article 17 of the Company's Articles of Incorporation, the following items are posted on the Company's website and are therefore not included in the documents accompanying this Notice of Convocation.

[Business Report]

Structure and status of implementation relating to the proper conduct of operations

[Consolidated Financial Statements]

Notes to the Consolidated Financial Statements

[Financial Statements]

Notes to Non-Consolidated Financial Statements

(2) In the event that the Ordinary General Meeting of Shareholders Reference Documents, Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements need to be revised, the amendments will be publicized by posting on the Company's website.

The Company's Website: <https://www.ines.co.jp/>

Ordinary General Meeting of Shareholders Reference Documents

Item 1: Appropriation of Retained Earnings

Positioning profit returns to shareholders as one of the most important policies of management, INES Corporation deems continuously implementing stable dividends as its basic policy and pays dividends after having comprehensively considered various factors, including its performance and the business environment.

In light of the above basic policy, the Company would like to further enhance profit returns to shareholders in relation to dividends at the end of the current fiscal year and proposes as follows.

Fiscal year-end dividend matters

(1) Type of dividend

Cash dividends

(2) Financial assets to be distributed as dividends and total dividend amount

¥15.00 per share of common stock

¥356,487,600 total dividend payment

(3) Effective date of appropriation of retained earnings as cash dividends

June 26, 2019

For the fiscal year, since we paid an interim dividend of ¥10.00 per share on December 5, 2018, the total annual dividend for the period under review amounted to ¥25.00 per share, increased by ¥5.00 compared with the previous period.

Item 2: Election of Six (6) Corporate Directors

The term of office of all six (6) Corporate Directors will expire at the end of this Ordinary General Meeting of Shareholders. Accordingly, we propose that six (6) Corporate Directors be elected.

The candidates for director positions are as follows:

Nominee Number	Name	Position and Duty	
1	Etsuroh Mori	President and Representative Director	Reappointment
2	Susumu Tsukahara	Concurrent Director, Managing Executive Officer, General Manager, Financial & Accounting Division, and General Manager, Corporate Planning Division	Reappointment
3	Koichi Yoshimura	Director, Managing Executive Officer and General Manager, Public Service Systems Solutions Division	Reappointment
4	Etsuo Isobe	Executive Officer and General Manager, Financial IT Solutions Division	New appointee
5	Kyota Omori	Outside Director	Reappointment Outside Director Independent Officer
6	Tadahiko Fukuhara	Outside Director	Reappointment Outside Director Independent Officer

<p>Nominee Number 1</p> <p style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointment</p> <p>Etsuroh Mori (November 24, 1952)</p> <p>Company Shares Owned 30,800</p> <p>Term of Office as Director (As of the end of this General Meeting) 5 years</p> <p>His Attendance Status at Board of Corporate Directors 12 times/12 times (100%)</p>	<p>Brief Personal History, Position and Duty in the Company</p> <p>Apr. 1975 Joined Hitachi, Ltd.</p> <p>Apr. 2006 General Manager, Project Management Division, Hitachi Software Engineering Co., Ltd. (now Hitachi Solutions, Ltd.)</p> <p>Apr. 2007 Corporate Officer, Hitachi Software Engineering Co., Ltd.</p> <p>Apr. 2011 Managing Executive Officer, Hitachi Software Engineering Co., Ltd.</p> <p>Apr. 2012 President, Hitachi East Japan Solutions, Ltd. (now Hitachi Solutions East Japan, Ltd.)</p> <p>Apr. 2014 Vice President, the Company</p> <p>Jun. 2014 President and Representative Director, the Company (Current position)</p> <p>Jan. 2017 President and Representative Director, INES Research Institute, Inc. (Current position)</p> <p>Important Concurrent Roles</p> <p>President and Representative Director, INES Research Institute, Inc.</p> <p>Reason for Nominating Mr. Mori as a Director</p> <p>Candidate Mr. Mori has engaged in corporate management over the years and also taken initiative in the management and business of the Company and its Group as the Company's president and representative director since 2014 while performing stable management and achieving satisfactory results. As it can be expected that he will be able to bring about improvements in business performance and corporate value for future management by playing a leading role in the execution of the 2021 Mid-term Business Plan based on his wealth of experience and perspectives, the Company is requesting he be reappointed as a director.</p>
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<p>Nominee Number 2</p> <p style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointment</p> <p>Susumu Tsukahara (April 8, 1961)</p> <p>Company Shares Owned 11,000</p> <p>Term of Office as Director (As of the end of this General Meeting) 4 years</p> <p>His Attendance Status at Board of Corporate Directors 12 times/12 times (100%)</p>	<p>Brief Personal History, Position and Duty in the Company</p> <p>Apr. 1985 Joined The Mitsubishi Bank, Ltd. (current MUFG Bank, Ltd.)</p> <p>Jun. 2005 Assistant Head of General Planning Office, The Mitsubishi Bank, Ltd.</p> <p>May 2008 Manager, Financial Accounting Office, Corporate Planning Division, The Mitsubishi Bank, Ltd.</p> <p>Apr. 2013 Concurrent Manager, Financial Accounting Office, Corporate Planning Division and Manager, IFRS Preparation Office, Planning Department, The Mitsubishi Bank, Ltd.</p> <p>Nov. 2014 Executive Officer and General Manager, Financial & Accounting Division, the Company</p> <p>Jun. 2015 Director, Managing Executive Officer and General Manager, Financial & Accounting Division, the Company</p> <p>Apr. 2019 Concurrent Director, Managing Executive Officer, General Manager, Financial & Accounting Division, and General Manager, Corporate Planning Division, the Company (Current position)</p> <p>Apr. 2019 Representative Director and President of INES Integrated Service, Inc. (Current position)</p> <p>Important Concurrent Roles: Representative Director and President of INES Integrated Service, Inc.</p> <p>Reason for Nominating Mr. Tsukahara as a Director</p> <p>Candidate Mr. Tsukahara has engaged in finance-related business and corporate management over the years and also contributed to the management of the Company and its Group as the Company's managing executive officer and director since 2015 while working on the establishment of a sustainable and stable earnings structure with a focus on financial and capitalization strategies. As it can be expected that he will be able to bring about improvements in business performance and corporate value for future management by promoting the implementation of the 2021 Mid-term Business Plan based on his wealth of experience and perspectives, the Company is requesting he be reappointed as a director.</p>
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<p>Nominee Number 3</p> <p style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointment</p> <p>Koichi Yoshimura (October 25, 1965)</p> <p>Company Shares Owned 7,200</p> <p>Term of Office as Director (As of the end of this General Meeting) 5 years</p> <p>His Attendance Status at Board of Corporate Directors 12 times/12 times (100%)</p>	<p>Brief Personal History, Position and Duty in the Company</p> <p>Apr. 1988 Joined the Company</p> <p>Aug. 2010 General Manager, Life Insurance Institution Systems Division, Finance Systems Group, the Company</p> <p>Apr. 2013 Executive Officer and Group Executive, Finance Systems Group, the Company</p> <p>Jun. 2014 Director and Executive Officer, General Manager, Financial Systems Group, the Company</p> <p>Apr. 2016 Director, Executive Officer and General Manager, IT Solutions Division, the Company</p> <p>Apr. 2018 Director, Executive Officer and General Manager, Public Service Systems Solutions Division, the Company</p> <p>Apr. 2019 Director, Managing Executive Officer and General Manager, Public Service Systems Solutions Division, the Company (Current position)</p> <p>Important Concurrent Roles: N/A</p> <p>Reason for Nominating Mr. Yoshimura as a Director</p> <p>Having been responsible for the Company's general industry, financial and public businesses, Candidate Mr. Yoshimura has become familiar with the Company's business as a whole and since 2018, made significant contributions to the expansion and promotion of business mainly in the field of the public service industry. As it can be expected that he will be able to bring about improvements in business performance and corporate value for future management of the Company and its Group by promoting the implementation of the 2021 Mid-term Business Plan based on his wealth of business experience and perspectives, the Company is requesting he be reappointed as a director.</p>
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Nominee Number 4

New appointee

Etsuo Isobe

(January 7, 1957)

Company Shares Owned

300

Brief Personal History, Position and Duty in the Company

- Apr. 1981 Joined Mitsubishi Research Institute, Inc.
- Oct. 1991 Manager, Information Policy Office, Mitsubishi Research Institute, Inc.
- Oct. 1996 General Manager, Systems Policy Department, Mitsubishi Research Institute, Inc.
- Oct. 1998 General Manager, Information and Communications Policy Department, Mitsubishi Research Institute, Inc.
- Oct. 2001 General Manager, Research Center for E-Government, Mitsubishi Research Institute, Inc.
- Oct. 2005 General Manager, Public Service Systems Solutions Division, Mitsubishi Research Institute, Inc.
- Oct. 2006 General Manager, Solutions Business Division, Mitsubishi Research Institute, Inc.
- Dec. 2006 Executive Officer, Mitsubishi Research Institute, Inc.
- Feb. 2008 Executive Officer and General Manager, Solutions Department, Mitsubishi Research Institute, Inc.
- Oct. 2008 Managing Executive Officer and General Manager of Solutions Department, Mitsubishi Research Institute, Inc.
- Dec. 2014 Representative Director and Senior Managing Director, Mitsubishi Research Institute DCS Co., Ltd.
- Oct. 2018 Executive Officer and General Manager, Technology Division, the Company
- Apr. 2019 Executive Officer and General Manager, Financial IT Solutions Division, the Company (Current position)

Important Concurrent Roles:

N/A

Reason for Nominating Mr. Isobe as a Director

Candidate Mr. Isobe has been engaged in the execution of business and corporate management of think tanks and consulting companies over the years. As it can be expected that he will be able to bring about improvements in business performance and corporate value for the management of the Company and its Group by promoting the implementation of the 2021 Mid-term Business Plan based on his wealth of experience and perspectives acquired over the course of his career, the Company is requesting he be newly appointed as a director.

<p>Nominee Number 5</p> <p style="border: 1px solid black; padding: 2px;">Reappointment</p> <p style="border: 1px solid black; padding: 2px;">Outside Director</p> <p style="border: 1px solid black; padding: 2px;">Independent Officer</p> <p>Kyota Omori (March 14, 1948)</p> <p>Company Shares Owned 0</p> <p>Term of Office as Outside Director (As of the end of this General Meeting) 1 year</p> <p>His Attendance Status at Board of Corporate Directors 10 times/10 times (100%)</p>	<p>Brief Personal History, Position and Duty in the Company</p> <p>Apr. 1972 Joined The Mitsubishi Bank, Ltd. (current MUFG Bank, Ltd.)</p> <p>May 2003 Managing Director, The Bank of Tokyo-Mitsubishi, Ltd. (current MUFG Bank, Ltd.)</p> <p>May 2004 Managing Director and Americas General Manager (in New York), The Bank of Tokyo-Mitsubishi, Ltd.</p> <p>Oct. 2007 Executive Operating Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (current MUFG Bank, Ltd.)</p> <p>Jun. 2008 Vice President and Director, Mitsubishi UFJ Financial Group, Inc.</p> <p>Dec. 2010 President and Representative Director, Mitsubishi Research Institute, Inc.</p> <p>Jul. 2011 Chairman and Director, Mitsubishi Research Institute DCS Co., Ltd.</p> <p>Jun. 2015 Outside Director, NCS&A Co., Ltd. (Current position)</p> <p>Dec. 2016 Chairman and Representative Director, Mitsubishi Research Institute, Inc.</p> <p>Dec. 2017 Chairman and Director, Mitsubishi Research Institute, Inc. (Current position)</p> <p>Dec. 2017 Director, Mitsubishi Research Institute DCS Co., Ltd.</p> <p>Jun. 2018 Outside Director, the Company (Current position)</p> <p>Important Concurrent Roles</p> <p>Chairman and Director, Mitsubishi Research Institute, Inc. Outside Director, NCS&A Co., Ltd.</p> <p>Reason for Nominating Mr. Omori as an Outside Director</p> <p>Candidate Mr. Omori has engaged in corporate management in the banking and IT service industries over the years. In the Company, he has exercised appropriate oversight of the management of the Company and its Group as an outside director since 2018 based on his wealth of experience and perspectives as a professional of management acquired over the course of his career. Judging that he will continue to make a contribution to the management of the Company and its Group, the Company is requesting he be reappointed as an outside director.</p> <p>Matters Relating to Independence</p> <p>The trade volume between Mitsubishi Research Institute, Inc. for which he serves as a director and the Company in fiscal year 2018 accounted for less than 0.2% of the Company's consolidated sales in terms of sales amount and less than 0.1% of the Company's consolidated cost of sales in terms of amount of purchase. The trade volume between Mitsubishi Research Institute DCS Co., Ltd. for which he served as a director until December 2018 and the Company in fiscal year 2018 accounted for less than 0.1% of the Company's consolidated sales in terms of sales amount and less than 0.2% of the Company's consolidated cost of sales in terms of amount of purchase. Therefore, the Company is certain that his independence is fully ensured.</p>
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<p>Nominee Number 6</p> <p style="border: 1px solid black; padding: 2px;">Reappointment</p> <p style="border: 1px solid black; padding: 2px;">Outside Director</p> <p style="border: 1px solid black; padding: 2px;">Independent Officer</p> <p>Tadahiko Fukuhara (February 22, 1954)</p> <p>Company Shares Owned 0</p> <p>Term of Office as Outside Director (As of the end of this General Meeting) 1 year</p> <p>His Attendance Status at Board of Corporate Directors 8 times/10 times (80%)</p>	<p>Brief Personal History, Position and Duty in the Company</p> <p>Apr. 1995 Professor, Faculty of Law, Chuo University</p> <p>Apr. 2004 Professor, Chuo Law School (Current position) Registered as a lawyer (a member of the Tokyo Bar Association) (Current)</p> <p>Nov. 2007 Dean, Legal Affairs Research Course (Law School), Chuo Law School</p> <p>Jul. 2009 Trustee, The Investment Trusts Association, Japan (Current position)</p> <p>Aug. 2010 Chairman and Trustee, Payment Service Association (current Japan Payment Service Association) (Current position)</p> <p>Nov. 2011 President, Principal and Trustee, Chuo University</p> <p>Jun. 2017 Outside Director, The Kyoei Fire and Marine Insurance Co., Ltd. (Current position)</p> <p>May 2018 President (Current position) and Principal (Current position), Chuo University</p> <p>Jun. 2018 Outside Director, the Company (Current position)</p> <p>Important Concurrent Roles</p> <p>President, Chuo University Professor, Chuo Law School Chairman and Trustee, Japan Payment Service Association Outside Director, The Kyoei Fire and Marine Insurance Co., Ltd.</p> <p>Reason for Nominating Mr. Fukuhara as an Outside Director</p> <p>Although Candidate Mr. Fukuhara has no experience of being directly involved in company management in the past, he has a specialized knowledge of laws and regulations as a whole and as a professor of law as well as a wealth of experience in the management of universities, etc., as a president of university. In the Company, he has exercised appropriate oversight of the management of the Company and its Group as an outside director since 2018 based on his professional knowledge and perspectives acquired over the course of his career. Judging that he will continue to make a contribution to the management of the Company and its Group, the Company is requesting he be reappointed as an outside director.</p> <p>Matters Relating to Independence</p> <p>There are no business and donation relationships between each company for which he concurrently serves and the Company. Therefore, the Company is certain that his independence is fully ensured.</p>
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Notes:

- None of the above appointees have special vested interests in the Company.
- Both Mr. Kyota Omori and Mr. Tadahiko Fukuhara, candidates for directors are candidates for outside directors. The Company designated the two persons as independent officers based on the provisions of the Tokyo Stock Exchange and notified the Tokyo Stock Exchange accordingly. If their appointment as outside directors is approved, we will continue to treat them as independent officers.
- Both Mr. Kyota Omori and Mr. Tadahiko Fukuhara, candidates for directors, and the Company have entered into an agreement limiting the liability for damages provided for in Article 423 (1) of the Companies Act. The total maximum liability under such an agreement is the minimum amount required by laws and regulations. If their appointment as outside directors is approved, we will continue the agreement.

Item 3: Election of One (1) Corporate Auditor

Out of the three (3) Corporate Auditors, the term of office of Aiichiro Uchikomi will expire at the end of this Ordinary General Meeting of Shareholders. Accordingly, we propose that one (1) corporate auditor be elected.

Approval for this proposal has been obtained in advance from the Board of Corporate Auditors.

The candidate for the position of outside auditor is as follows:

<p style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointment</p>	<p>Brief Personal History</p> <p>Apr. 1976 Joined The Mitsubishi Bank, Ltd. (current MUFG Bank, Ltd.)</p> <p>Apr. 2002 Manager, IT Business Division, The Mitsubishi Bank, Ltd.</p> <p>Feb. 2006 Managing Executive Officer, Ricoh Leasing Company, Ltd.</p> <p>Jun. 2006 Director, Managing Executive Officer, Ricoh Leasing Company, Ltd.</p> <p>Apr. 2014 Director Vice-President Executive Officer, Ricoh Leasing Company, Ltd.</p> <p>Jun. 2014 Director, Aurora Servicing Company</p> <p>Jun. 2015 Full-time Corporate Auditor, the Company (Current position)</p> <p>Jul. 2016 Outside Director, Casa Inc. (Current position)</p> <p>Important Concurrent Roles</p> <p>Outside Director, Casa Inc.</p> <p>Reason for Nominating Mr. Uchikomi as an Outside Auditor</p> <p>Candidate Mr. Uchikomi has broad knowledge about finance and accounting acquired at financial institutions and a wealth of experience and perspectives acquired over the course of his career as a corporate manager. In the Company, he has exercised appropriate oversight of the duties of directors as an outside auditor since 2015. Judging that he will continue to appropriately execute his duties as an outside auditor, the Company is requesting he be reappointed as an outside auditor.</p> <p>Matters Relating to Independence</p> <p>There is no business relationship between Aurora Servicing Company to which he belonged and Casa Inc. for which he concurrently serves, and the Company. Therefore, the Company is certain that his independence is fully ensured.</p>
<p style="border: 1px solid black; padding: 2px; display: inline-block;">Outside Auditor</p>	
<p style="border: 1px solid black; padding: 2px; display: inline-block;">Independent Officer</p>	
<p>Aiichiro Uchikomi (April 14, 1952)</p> <p>Company Shares Owned 10,000</p> <p>Term of Office as Outside Auditor (As of the end of this General Meeting) 4 years</p> <p>His Attendance Status at Board of Corporate Directors 12 times/12 times (100%)</p> <p>His Attendance Status at Board of Corporate Auditors 12 times/12times (100%)</p>	

Notes:

1. Mr. Aiichiro Uchikomi, the candidate for the position of corporate auditor, has no special vested interests in the Company.
2. The Company designated the person as an independent officer based on the provisions of the Tokyo Stock Exchange and notified the Tokyo Stock Exchange accordingly. If his appointment as an outside auditor is approved, we will continue to treat him as an independent officer.
3. He and the Company have entered into an agreement limiting the liability for damages provided for in Article 423 (1) of the Companies Act. The total maximum liability under such an agreement is the minimum amount required by laws and regulations. If his appointment as an outside auditor is approved, we will continue the agreement.

Item 4: Election of One (1) Substitute Corporate Auditor

To ensure that the number of corporate auditors does not fall below the number stipulated in laws and regulations, we propose the election of one (1) substitute corporate auditor.

Approval for this proposal has been obtained in advance from the Board of Corporate Auditors.

The candidate for the position of substitute outside auditor is as follows:

<div style="border: 1px solid black; padding: 2px; margin-bottom: 10px; width: fit-content;">Substitute Outside Auditor</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 10px; width: fit-content;">Independent Officer</div> <p>Ryo Haga (February 9, 1966)</p> <p>Company Shares Owned 0</p>	<p>Brief Personal History</p> <p>Aug. 1996 Assistant Professor of Faculty of Economics, at Yamaguchi University</p> <p>Apr. 2003 Professor of Faculty of Law, Okayama University</p> <p>Apr. 2004 Professor of School of Law, Okayama University</p> <p>Apr. 2007 Professor at Graduate School of Humanities and Social Sciences, Okayama University</p> <p>Apr. 2010 Professor at Graduate School of International Social Sciences, Yokohama National University (Current position)</p> <p>Jun. 2010 Registered as an attorney (Joined Daichi Tokyo Bar Association) (Current)</p> <p>Apr. 2015 Director, Law School, Graduate School of International Social Sciences, Yokohama National University (Current position)</p> <p>Important Concurrent Roles</p> <p>Professor, Graduate School of International Social Sciences, Yokohama National University</p> <p>Dean, Law School, Graduate School of International Social Sciences, Yokohama National University</p> <p>Reason for Nominating Mr. Haga as a Substitute Outside Auditor</p> <p>Although Candidate Mr. Haga has not been directly involved in company management, he is well-versed in the Financial Instruments and Exchange Act and Companies Act as a qualified attorney and a graduate school professor. With this in mind, the Company is certain that he can be relied upon to reflect his knowledge and expertise acquired over the course of his career in the audit system of the Company.</p> <p>Matters Relating to Independence</p> <p>There is no business relationship between each organization for which the candidate concurrently serves and the Company. Therefore, the Company is certain that his independence is fully ensured.</p>
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Notes:

1. Mr. Ryo Haga, the candidate for the position of substitute corporate auditor, has no special vested interests with the Company.
2. He satisfies the requirements as an independent officer provided for in the provisions of the Tokyo Stock Exchange. If he is appointed as an outside auditor, we will notify the said stock exchange of his position as an independent officer.
3. If he is appointed as a corporate auditor, he and the Company are to enter into an agreement limiting the liability for damages provided for in Article 423 (1) of the Companies Act. The total maximum liability under such an agreement shall be the minimum amount required by laws and regulations.

Item 5: Determination of Compensation for Granting Restricted Stock to Directors

It was resolved at the 47th Ordinary General Meeting of Shareholders that convened on June 24, 2009, that the aggregate amount of remuneration to be paid to Directors of the Company shall be no more than ¥300 million per year. The Company hereby proposes payment of remuneration for granting the restricted stocks to Directors of the Company for the purpose of providing incentives to Eligible Directors to continuously improve the Company's corporate value, as well as to promote further shared value between Directors and shareholders.

"Restricted Stock with Working Condition" which has the condition regarding continuous working and the "Restricted Stock with Performance Condition" which has the condition regarding the business performance are provided as the restricted stocks.

The Restricted Stock with Working Condition will promote further shared value between Directors and shareholders until Directors' retirement. The Restricted Stock with Performance Condition makes commitment to the business performance of the Directors strong and Directors will obtain incentive to improve the Company's corporate value over medium to long term.

The total compensation amounts to be paid to Directors of the Company (excluding Outside Directors, the "Eligible Directors") based on this proposal for granting each of the Restricted Stocks with Working Condition and the Restricted Stocks with Performance Condition shall be, respectively, no more than ¥45 million per year within the range of the aforementioned aggregate amount of remuneration for Directors as the reasonable amounts in light of aforementioned objectives. Details of timing of granting and allocations to each Eligible Director shall be decided by the Board of Directors.

The Company currently has six (6) Directors (including two (2) Outside Directors), and if Item 2 is approved, the Company will still have six (6) Directors (including two (2) Outside Directors) or equivalently four (4) Eligible Directors.

All monetary compensation claims paid to Eligible Directors by the Company based on this proposal shall be delivered as property contributed in-kind, and Eligible Directors shall receive common stock of the Company that is issued or disposed of. Total number of common stock of the Company to be issued or disposed of for each of the Restricted Stocks with Working Condition and the Restricted Stocks with Performance Condition shall not exceed, respectively, 60,000 stocks per year (Nevertheless, if on or after the date of approval and adoption of this proposal, the Company's common stocks are subject to a stock split (including allotment of the Company's common stocks without contribution) or a consolidation of stocks, or there are other circumstances requiring the adjustment of the total number of the Company's common stocks to be issued or disposed as restricted stocks, the Company will adjust such total number of stocks to a reasonable extent.). The amounts to be paid per one stock of the Company to be issued or disposed of will be decided by the Board of Directors, based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day preceding the date of the resolution of the Board of Directors (if the Company's stocks are not traded on said date, the closing price of the most recent trading day preceding said date) to the extent that it will not be excessively advantageous for the Eligible Directors. When the Company issues or disposes of common stock, the Company and Eligible Directors shall conclude a restricted stock allocation agreement (hereinafter, such a restricted stock allocation agreement regarding the Restricted Stock with Working Condition is referred to as the "Allocation Agreement I", and one regarding the Restricted Stock with Performance Condition is referred to as the "Allocation Agreement II") which includes mostly the following items.

Description of the Allocation Agreement I

- (1) The Eligible Directors may not transfer, create security interest on, or otherwise dispose of the Company's common stocks allotted under the Allocation Agreement I (the "Allotted Stocks I") during the period from the date when the Allotted Stocks I are granted to the date when the

- Eligible Directors resign or retire from the post of Director of the Company or other post specified by the Board of Directors (the "Transfer Restriction Period I") (the "Transfer Restriction").
- (2) In the event an Eligible Director resigns or retires from all his/her postposition as set out (1) above before expiration of the period determined by the Board of Directors (the "Service Period"), the Company will acquire the Allotted Stocks I without any compensation as a matter of course, unless there is a reason deemed legitimate by the Board of Directors.
 - (3) Notwithstanding the provision of (1) above, on the condition that the Eligible Directors continued to serve as the post set out in the provision of (1) above during the Service Period, the Company will cancel the Transfer Restriction of all Allotted Stocks I at the time of the expiration of the Transfer Restriction Period I. Nevertheless, in the event an Eligible Director resigns or retires from all his/her post set out in the provision of (1) based on any of the reasons deemed legitimate by the Board of Directors set out in (2) above before the expiration of the Transfer Restriction Period I, the Company shall rationally adjust, as needed, the number of the Allotted Stocks I for which the Transfer Restriction will be canceled.
 - (4) The Company will acquire the Allotted Stocks I, for which the Transfer Restriction has not been canceled based on the provision of (3) above at the time of the expiration of the Transfer Restriction Period I, as a matter of course, without any compensation.
 - (5) Notwithstanding the provision of (1) above, in the event a merger agreement in which the Company will become the absorbed company, a stock exchange agreement or a stock transfer plan in which the Company will become the wholly-owned subsidiary, or any other matter related to organizational restructuring, etc. is approved in the General Meeting of Shareholders (or if approval in the General Meeting of Shareholders is not required in relation to such organizational restructuring, then the Board of Directors' meeting) during the Transfer Restriction Period I, the Company will cancel the Transfer Restriction based on the resolution of the Board of Directors prior to the effective date of such organizational restructuring, etc. for the Allotted Stocks I in number rationally determined in light of the period from the commencement date of the Service Period to the date that such organizational restructuring, etc. is approved. In such case, the Company will acquire the Allotted Stocks I, for which the Transfer Restriction has not been cancelled even at the time immediately after the Transfer Restriction has been cancelled, as a matter of course, without any compensation.
 - (6) The manner of declaration of intent and notice under the Allocation Agreement I, and the manner of the amendment of the Allocation Agreement I or other matters determined by the Board of Directors shall constitute a part of the Allocation Agreement I.

Description of the Allocation Agreement II

- (1) The Eligible Directors may not transfer, create security interest on, or otherwise dispose the Company's common stocks allotted under the Allocation Agreement II (the "Allotted Stocks II") during the period which prescribed by the Board of Directors of the Company within (5) years (the "Transfer Restriction Period II").
- (2) In the event an Eligible Director resigns or retires from the post of Director of the Company or other post specified by the Board of Directors during the Transfer Restriction Period II, the Company will acquire the Allotted Stocks II without any compensation as a matter of course.
- (3) On the condition that the Eligible Directors achieve the performance indicators set in the Medium-Term Business Plan or other performance condition specified by the Board of Directors (the "Performance Condition") , as well as the condition that the Eligible Directors continue to serve as the post set out in the provision of (2) above during the Transfer Restricted Period II and, the Company will cancel the Transfer Restriction of all Allotted Stocks II at the time of the expiration of the Transfer Restriction Period II.
- (4) The Company will acquire the Allotted Stocks II, for which the Transfer Restriction has not been

canceled based on the provision of (3) above at the time of the expiration of the Transfer Restriction Period II, as a matter of course, without any compensation.

- (5) Notwithstanding the provision of (2) above, in the event an Eligible Director resigns or retires from all his/her postposition as set out in the provisions of (2) based on any of the reasons deemed legitimate by the Board of Directors after the definition of attainment of the Performance Condition, before the expiration of the Transfer Restriction Period II, the Company will cancel the Transfer Restriction of all Allotted Stocks II at the time of the resignation or retirement, based on the resolution of the Board of Directors.
- (6) Notwithstanding the provision of (1) above, in the event a merger agreement in which the Company will become the absorbed company, a stock exchange agreement or a stock transfer plan in which the Company will become the wholly-owned subsidiary, or any other matter related to organizational restructuring, etc. is approved in the General Meeting of Shareholders (or if approval in the General Meeting of Shareholders is not required in relation to such organizational restructuring, then the Board of Directors' meeting) during the Transfer Restriction Period II, the Company will acquire the Allotted Stocks II, for which the Transfer Restriction has not been cancelled, prior to the effective date of such organizational restructuring, etc. as a matter of course, without any compensation. However, in case that the Performance Condition defined to attain prior to the effective date of such organizational restructuring, etc., the Company will cancel the Transfer Restriction based on the resolution of the Board of Directors prior to the effective date of such organizational restructuring, etc. for all Allotted Stock II.
- (7) The manner of declaration of intent and notice under the Allocation Agreement II, and the manner of the amendment of the Allocation Agreement II or other matters determined by the Board of Directors shall constitute a part of the Allocation Agreement II.

Consolidated Balance Sheet
(As of March 31, 2019)

(¥ millions)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current Assets:	(20,839)	Current Liabilities:	(8,050)
Cash and deposits	9,940	Accounts payable	1,961
Notes and accounts receivable	9,326	Accrued expenses	899
Work in process	1,163	Income taxes payable	981
Raw materials and supplies	117	Accrued consumption taxes	389
Prepaid expenses	209	Advances received	124
Others	91	Provision for bonuses	1,119
Allowance for doubtful accounts	△ 9	Provision for directors' bonuses	48
		Provision for loss on order received	584
Non-current Assets:	(33,604)	Others	1,941
Tangible Non-current Assets:	(22,071)	Non-current Liabilities:	(9,854)
Buildings and structures	7,955	Provision for directors' retirement benefits	150
Tools, furniture and fixture	1,406	Net defined benefit liability	9,453
Land	12,709	Assets retirement obligations	162
Intangible Non-current Assets:	(3,673)	Others	88
Software	3,649	Total Liabilities	17,904
Others	23	NET ASSETS	
Investments and Other Assets:	(7,859)	Shareholders' Equity:	(37,311)
Investment securities	1,589	Capital stock	15,000
Long-term prepaid expenses	413	Capital surplus	14,582
Deferred tax assets	4,512	Retained earnings	7,895
Long-term deposits	300	Treasury shares	△ 166
Others	1,043	Accumulated Other Comprehensive Income:	(△ 773)
Allowance for doubtful accounts	△ 0	Valuation difference on available-for-sale securities	150
		Remeasurements of defined benefit plans	△ 923
		Total Net Assets	36,538
Total Assets	54,443	Total Liabilities and Net Assets	54,443

Consolidated Statement of Operations
(For the year from April 1, 2018 to March 31, 2019)

(¥ millions)

Item	Amount	
Revenue		38,143
Cost of Sales		30,562
Gross Profit		7,580
Selling, General and Administrative Expenses		5,410
Operating Income		2,169
Non-Operating Income:		150
Interest income	6	
Dividends income	9	
Real estate rent	64	
Dividend income on insurance	32	
Others	37	
Non-Operating Expenses:		87
Interest expenses	0	
Rent expenses on real estate	57	
Commission for purchase of treasury shares	23	
Others	5	
Ordinary Income		2,233
Extraordinary Income:		-
Extraordinary Losses:		36
Loss on retirement of non-current assets	4	
Impairment loss	17	
Loss on valuation of membership	15	
Income before Income Taxes		2,196
Income Taxes and Others		1,020
Adjustment of Corporate Taxes		△ 315
Net Income		1,492
Net Income attributable to Owners of Parent		1,492

Consolidated Statement of Changes in Shareholders' Equity

(For the year from April 1, 2018 to March 31, 2019)

(¥ millions)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2018	15,000	20,348	6,937	△ 2,875	39,410
Changes during year					
Cash dividends from retained earnings			△ 534		△ 534
Net income attributable to owners of parent			1,492		1,492
Purchase of treasury shares				△ 6,002	△ 6,002
Disposal of treasury shares		76		2,869	2,945
Retirement of treasury shares		△ 5,841		5,841	-
Net changes of items other than shareholders' equity					
Total changes during year	-	△ 5,765	957	2,708	△ 2,098
Balance as of March 31, 2019	15,000	14,582	7,895	△ 166	37,311

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance as of April 1, 2018	199	△ 1,034	△ 835	38,574
Changes during year				
Cash dividends from retained earnings				△ 534
Net income attributable to owners of parent				1,492
Purchase of treasury shares				△ 6,002
Disposal of treasury shares				2,945
Retirement of treasury shares				-
Net changes of items other than shareholders' equity	△ 48	111	62	62
Total changes during year	△ 48	111	62	△ 2,036
Balance as of March 31, 2019	150	△ 923	△ 773	36,538

Non-Consolidated Balance Sheets

(As of March 31, 2019)

(¥ millions)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current Assets:	(17,305)	Current Liabilities:	(7,473)
Cash and deposits	6,772	Accounts payable	2,033
Accounts receivable	8,742	Accrued payable	73
Work in process	1,127	Accrued expenses	727
Raw materials and supplies	117	Income taxes payable	926
Prepaid expenses	175	Accrued consumption taxes	299
Others	379	Advances received	124
Allowance for doubtful accounts	△ 9	Deposits received	414
Non-current Assets:	(33,134)	Provision for bonuses	952
Tangible Non-current Assets:	(21,729)	Provision for directors' bonuses	27
Buildings	7,857	Provision for loss on order received	584
Structures	29	Others	1,310
Tools, furniture and fixture	1,132	Non-current Liabilities:	(7,730)
Land	12,709	Provision for retirement benefits	7,485
Intangible Non-current Assets:	(3,636)	Provision for directors' retirement benefits	67
Telephone rights	16	Assets retirement obligations	99
Software	3,616	Others	78
Others	4	Total Liabilities	15,204
Investments and Other Assets:	(7,768)	NET ASSETS	
Investments securities	1,069	Shareholders' Equity:	(35,081)
Shares in affiliates	1,288	Capital Stock:	(15,000)
Investments in capital of subsidiaries and affiliates	13	Capital Surplus:	(14,582)
Long-term prepaid expenses	354	Capital reserve	3,750
Deferred tax assets	3,759	Other capital surplus	10,832
Long-term deposits	300	Retained earnings:	(5,665)
Guarantee deposited	846	Other retained earnings	5,665
Long-term loans	8	Retained earnings carried forward	5,665
Utility membership	87	Treasury shares:	(△ 166)
Others	41	Valuation, Translation Adjustment and Others:	(153)
		Valuation difference on available-for-sale securities	153
Total Assets	50,439	Total Net Assets	35,235
		Total Liabilities and Net Assets	50,439

Non-Consolidated Statements of Operations
(For the year from April 1, 2018 to March 31, 2019)

(¥ millions)

Item	Amount	
Revenue		34,150
Cost of Sales		27,648
Gross Profit		6,502
Selling, General and Administrative Expenses		4,985
Operating Income		1,516
Non-Operating Income:		376
Interest income	235	
Real estate rent	69	
Dividend income on insurance	32	
Others	39	
Non-Operating Expenses:		89
Rent expenses on real estate	61	
Commission for purchase of treasury shares	23	
Others	4	
Ordinary Income		1,803
Extraordinary Income:		-
Extraordinary Losses:		25
Loss on retirement of non-current assets	3	
Impairment loss	6	
Loss on valuation of membership	15	
Income before Income Taxes		1,777
Income Taxes and Others		760
Adjustment of Corporate Taxes		△ 269
Net Income		1,285

Non-Consolidated Statements of Changes in Shareholders' Equity
(For the year from April 1, 2018 to March 31, 2019)

(¥ millions)

	Shareholders' equity					
	Capital stock	Capital surplus			Retained earnings	
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
				Retained earnings carried forward		
Balance as of April 1, 2018	15,000	3,750	16,598	20,348	4,914	4,914
Changes during year						
Cash dividends from retained earnings					Δ 534	Δ 534
Net income					1,285	1,285
Purchase of treasury shares						
Disposal of treasury shares			76	76		
Retirement of treasury shares			Δ 5,841	Δ 5,841		
Net changes of items other than shareholders' equity						
Total changes during year	-	-	Δ 5,765	Δ 5,765	751	751
Balance as of March 31, 2019	15,000	3,750	10,832	14,582	5,665	5,665

	Shareholders' equity		Valuation, translation adjustment and others		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation, translation, adjustment and others	
Balance as of April 1, 2018	Δ 2,875	37,386	204	204	37,591
Changes during year					
Cash dividends from retained earnings		Δ 534			Δ 534
Net income		1,285			1,285
Purchase of treasury shares	Δ 6,002	Δ 6,002			Δ 6,002
Disposal of treasury shares	2,869	2,945			2,945
Retirement of treasury shares	5,841	-			-
Net changes of items other than shareholders' equity			Δ 51	Δ 51	Δ 51
Total changes during year	2,708	Δ 2,304	Δ 51	Δ 51	Δ 2,355
Balance as of March 31, 2019	Δ 166	35,081	153	153	35,235