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(Securities Code 6381)
June 5, 2017

To Shareholders with Voting Rights:

Takahiro Tsubota
President, Representative Director
Chief Executive Officer
ANEST IWATA Corporation
3176, Shinyoshida-cho, Kohoku-ku,
Yokohama-shi, Kanagawa, Japan

**NOTICE OF
THE 71ST ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

You are cordially invited to attend the 71st Annual General Meeting of Shareholders of ANEST IWATA Corporation (the “Company”). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing. Please review the Reference Documents for the General Meeting of Shareholders (described hereinafter), indicate your vote for or against the proposal on the enclosed Voting Rights Exercise Form, and return it so that it is received by 5:30 p.m. Japan time on Thursday, June 22, 2017.

- 1. Date and Time:** Friday, June 23, 2017 at 10:00 a.m. Japan time
- 2. Place:** “Saphir” 4F, Shin Yokohama GRACE HOTEL, located at 3-6-15, Shinyokohama, Kohoku-ku, Yokohama-shi, Kanagawa, Japan
- 3. Meeting Agenda:**
 - Matters to be reported:**
 1. The Business Report, Consolidated Financial Statements for the Company’s 71st Fiscal Year (April 1, 2016 - March 31, 2017) and results of audits by the Accounting Auditor and the Audit & Supervisory Committee of the Consolidated Financial Statements
 2. Non-Consolidated Financial Statements for the Company’s 71st Fiscal Year (April 1, 2016 - March 31, 2017)

Proposals to be resolved:

- Proposal No. 1:** Distribution of Surplus
- Proposal No. 2:** Election of Five Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)
- Proposal No. 3:** Renewal of the Policy against Large-Scale Purchases of the Company’s Shares (Takeover Defense Measures)

4. Matters Concerning the Meeting

- (1) Treatment of Voting Rights Exercise Forms Without Indication of Approval or Disapproval of Proposals

If there is no indication of your vote for or against any proposals, we will deem that you have voted for the proposal by the Company and against the proposal by shareholder.

- (2) Exercise of Voting Rights by Proxy (Qualifications of Proxy and the number)

If you wish to exercise your voting rights by a proxy, you may designate a shareholder of the Company who entitled to voting rights of the Company. Please note that a document evidencing authority of the proxy (letter of attorney and Voting Rights Exercise Form) must be submitted.

- (3) Advance Notification of Diverse Exercise of Voting Rights

With regard to notice prescribed in Article 313, Paragraph 2 of the Companies Act (notice relating to diverse exercise of voting rights), please submit a document in writing of the intention to diversely exercise voting rights and the reasons thereof no later than three (3) days prior to the Annual General Meeting of Shareholders.

- (4) Disclosure of the Appendices of the Notice of the Annual General Meeting of Shareholders on the Internet

The following items are posted on the Company's website (<http://www.anest-iwata.co.jp/>). Pursuant to laws and regulations as well as Article 17 of the Articles of Incorporation of the Company, thus, are not included in the Reference Materials for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements. The Business Report audited by the Audit & Supervisory Committee and the Consolidated Financial Statements and the Non-Consolidated Financial Statements audited by the Audit & Supervisory Committee and Accounting Auditor include the following items which are posted on the Company's website, in addition to the items written in the Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements in this notice.

- 1) A portion of the contents related to "Item 2 (5) Basic policy on the control of the Company" in the Business Report.
- 2) Notes to the Consolidated Financial Statements
- 3) Notes to the Non-Consolidated Financial Statements

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- ◎ When attending the meeting, please submit the enclosed Voting Rights Exercise Form to the receptionist.
 - ◎ If changes were made to the Reference Document for the Annual General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements, they will be posted on the Company's website (<http://www.anest-iwata.co.jp/>).

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal No. 1: Distribution of Surplus

Matters concerning the year-end dividend

As the Company defines the efforts to provide stable profit return to its shareholders as its important mission, its basic policy is to work on strengthening earnings power and pay a stable dividend.

(1) Type of dividend property

Cash

(2) Matters concerning allotment of dividends to shareholders and the total amount

11 yen per common share for a total of 459,128,428 yen

The annual dividend will be a total of 20 yen per share including the interim dividend of 9 yen per share.

(3) Effective date of distribution of surplus

June 26, 2017

Proposal No. 2: Election of Five Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)

The terms of office of all five Directors (excluding Directors who are Audit & Supervisory Committee Members; the same shall apply hereinafter in this Proposal) will expire at the conclusion of this Annual General Meeting of Shareholders. Accordingly, the election of five Directors is proposed.

Furthermore, this proposal has been determined following the deliberations of the Nominating Committee, which is chaired by an Outside Director who is an Audit & Supervisory Committee Member, and has also been considered by the Audit & Supervisory Committee. The Committee did not identify any particular issues relating to this proposal.

The candidates for Directors are as follows.

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
1	Takahiro Tsubota (May 15, 1957) [Reappointment]	<p>April 1981 Joined the Company April 2000 General Manager, Coating System Division June 2001 Director April 2003 General Manager, Coating Equipment Division General Manager, Coating System Division April 2004 General Manager, Coating Equipment & System Division April 2008 President and Representative Director Chairman of ANEST IWATA MOTHERSON Pvt. Ltd. (current position) Chairman of ANEST IWATA MOTHERSON COATING EQUIPMENT Pvt. Ltd. (current position) Representative Director of ANEST IWATA Korea Corp. (current position) November 2009 President of ANEST IWATA FEELER Corporation April 2014 President, Representative Director Chief Executive Officer of the Company (current position)</p> <p>[Significant concurrent positions] Chairman of ANEST IWATA MOTHERSON Pvt. Ltd. Chairman of ANEST IWATA MOTHERSON COATING EQUIPMENT Pvt. Ltd. Representative Director of ANEST IWATA Korea Corp.</p> <p>[Reason for nomination as candidate for Director] As President, Representative Director and Chief Executive Officer, Mr. Takahiro Tsubota has led the Company's global strategy and endeavored to expand its businesses, in addition to providing a vision for becoming a 100-year-old company on the occasion of the Company's 90th anniversary, and demonstrating strong leadership in order to achieve sustainable enhancement of its corporate value. We believe that he is an appropriate person to act as a driver for the realization of the medium- to long-term vision of the Company, and thus propose his continued appointment as Director.</p>	63,181 shares
2	Hiroshi Koga (February 13, 1958) [Reappointment]	<p>September 2004 Joined the Company April 2005 General Manager, Subsidiaries & Affiliates Management Office April 2009 Corporate Officer April 2011 General Manager, Accounting Division June 2011 Director (current position) April 2016 Executive Vice President Chief Financial & Administrative Officer (current position)</p> <p>[Reason for nomination as candidate for Director] Mr. Hiroshi Koga has engaged in accounting in the manufacturing industry for many years, and utilizes that knowledge and experience as he endeavors to proactively promote business strategy in order to expand the Group's businesses. We believe that he is an appropriate person to realize the sustainable enhancement of corporate value, and thus propose his continued appointment as Director.</p>	23,909 shares

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
3	Shinya Tsukamoto (January 22, 1966) [Reappointment]	<p>April 1990 Joined the Company</p> <p>April 2010 Corporate Officer General Manager, Air Compressor Division</p> <p>April 2011 President of ANEST IWATA INDUSTRIAL MACHINERY (JIAXING) COMPANY LIMITED</p> <p>June 2013 Director (current position)</p> <p>November 2013 President of ANEST IWATA Shanghai Trading Corporation (current position)</p> <p>April 2014 Chief Operating Officer, Air Compressor Division</p> <p>September 2015 President of ANEST IWATA FEELER Corporation (current position)</p> <p>April 2016 Executive Vice President Chief Operating Officer, Air Energy Division (current position)</p> <p>[Significant concurrent positions] President of ANEST IWATA Shanghai Trading Corporation President of ANEST IWATA FEELER Corporation</p>	16,615 shares
		<p>[Reason for nomination as candidate for Director] Mr. Shinya Tsukamoto has utilized his experience in sales and business development to accelerate the global development of the Air Energy Business, and endeavors to strengthen the production and sales structure and develop the next generation of businesses. We believe that he is an appropriate person to realize the sustainable enhancement of corporate value, and thus propose his continued appointment as Director.</p>	
4	Masato Suzuki (February 11, 1965) [Reappointment]	<p>April 1987 Joined the Company</p> <p>April 2011 Corporate Officer General Manager, Coating Equipment Division</p> <p>July 2011 President of ANEST IWATA (DONGGUAN) Corporation (current position)</p> <p>August 2011 President of ANEST IWATA (SHANGHAI) Corporation (current position)</p> <p>April 2014 Chief Operating Officer, Coating Equipment Division</p> <p>June 2015 Director (current position)</p> <p>April 2016 Executive Vice President Chief Operating Officer, Coating Division (current position)</p> <p>July 2016 Chairman of ANEST IWATA STRATEGIC CENTER s.r.l. (current position)</p> <p>March 2017 Chairman of the Board of ANEST IWATA INDUSTRIAL MACHINERY (JIAXING) COMPANY LIMITED (current position)</p> <p>[Significant concurrent positions] President of ANEST IWATA (DONGGUAN) Corporation President of ANEST IWATA (SHANGHAI) Corporation Chairman of ANEST IWATA STRATEGIC CENTER s.r.l. Chairman of the Board of ANEST IWATA INDUSTRIAL MACHINERY (JIAXING) COMPANY LIMITED</p>	16,100 shares
		<p>[Reason for nomination as candidate for Director] Mr. Masato Suzuki has utilized his experience in the development of coating equipment and systems, the core business of the Company, to engage in rebuilding and restructuring the Company's businesses and strengthening its core businesses, in order to promote the further global development of the Company's coating business. He also works to supervise management from a business perspective. We believe that he is an appropriate person to realize the sustainable enhancement of corporate value, and thus propose his continued appointment as Director.</p>	

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
5	Kozo Yoneda (June 18, 1948) [Reappointment] [Outside]	<p>March 1972 Joined the Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation)</p> <p>April 2001 Executive Officer General Manager, Corporate Banking Dept. II of Sumitomo Mitsui Banking Corporation</p> <p>June 2002 Chairman and CEO of Japan Equity Capital Co., Ltd.</p> <p>April 2003 Senior Advisor of Daiwa Securities SMBC Principal Investments Co. Ltd.</p> <p>June 2005 President of Hirata Corporation</p> <p>April 2012 President and Representative Director of Kinrei Corporation (currently KR FOOD SERVICE CORPORATION)</p> <p>June 2015 Outside Director of the Company (current position)</p> <p>June 2015 Independent Director of Takagi Co., Ltd. (current position)</p> <p>December 2015 Managing Partner of Three Fields LLC. (current position)</p> <p>November 2016 Outside Director of FORLIFE Co., Ltd. (current position)</p> <p>[Significant concurrent positions] Independent Director of Takagi Co., Ltd. Managing Partner of Three Fields LLC. Outside Director of FORLIFE Co., Ltd.</p> <p>[Reason for nomination as candidate for Outside Director] Mr. Kozo Yoneda has participated in corporate management at many companies over many years, and has abundant experience as a manager and a high level of insight. As an Outside Director, he has actively made statements to enhance the transparency and fairness of the management of the Company in the Board of Directors, the Advisory Committee, etc., and has also appropriately supervised its management. In order for Mr. Kozo Yoneda to engage in the supervision of management to realize the sustainable enhancement of corporate value of the Company, we propose his continued appointment as Director.</p> <p>[The term of office as Outside Director] His term of office as Outside Director of the Company will be two years as of the conclusion of this Annual General Meeting of Shareholders.</p>	466 shares

- (Notes) 1. Of the candidates for Director, those with special interests with the Company are as follows.
- Mr. Takahiro Tsubota concurrently serves as Chairman of ANEST IWATA MOTHERSON Pvt. Ltd., Chairman of ANEST IWATA MOTHERSON COATING EQUIPMENT Pvt. Ltd., and Representative Director of ANEST IWATA Korea Corp. These three companies have business relationships with the Company, including product sales and procurement.
- Mr. Shinya Tsukamoto concurrently serves as President of ANEST IWATA Shanghai Trading Corporation and President of ANEST IWATA FEELER Corporation. These two companies have business relationships with the Company, including product sales and procurement.
- Mr. Masato Suzuki concurrently serves as President of ANEST IWATA (DONGGUAN) Corporation, President of ANEST IWATA (SHANGHAI) Corporation, Chairman of ANEST IWATA STRATEGIC CENTER s.r.l, and Chairman of the Board of ANEST IWATA INDUSTRIAL MACHINERY (JIAXING) COMPANY LIMITED. These four companies have business relationships with the Company, including product sales and procurement.
- No material conflict of interest exists between the Company and other candidates for Directors.
2. Mr. Kozo Yoneda is a candidate for Outside Director. In addition, the Company has designated Mr. Kozo Yoneda as an Independent Officer provided for by the Tokyo Stock Exchange and has registered him at the Exchange.
3. In accordance with the provisions of the Articles of Incorporation, the Company has entered into an agreement with Mr. Kozo Yoneda to limit his liability for damages, as stipulated in Article 423, Paragraph 1 of the Companies Act. The limit of liability for damages under the agreement is the amount set forth by laws and regulations. The Company will continue said agreement with Mr. Kozo Yoneda if he is elected.
4. The number of shares of the Company held by candidates for Director shows the effective number of shares held as of March 31, 2017, including shares held in the officers' shareholding association of the Company.

(Reference)

The Company has set forth election criteria and election procedures for Directors, in addition to assessment criteria relating to the independence of Outside Directors as follows.

1. Election Criteria and Election Procedures for Directors

When electing internal Directors, they must be persons with the necessary specialist knowledge and management skills for business execution, and be able to make judgments based on objective thinking and from a broad perspective without bias toward favored areas and certain departments, and a comprehensive evaluation shall also be made of such factors as the person's self-awareness, personal qualities, sense of ethics, proactive approach to identifying issues, and problem solving ability as a leader in the Company, in accordance with the Company's management philosophy, the "ANEST IWATA Corporate Philosophy."

When electing Outside Directors, the balance of knowledge, experience, and ability of the Board of Directors as a whole, and the appropriate perspective of stakeholders in relation to the business activities of the Company shall be considered, as a comprehensive assessment is made that takes into account the diversity, etc. of the person's specialist areas and origins, etc., in addition to his or her independence from the Company.

Proposals for the election of Directors submitted to the General Meeting of Shareholders shall be made by resolution of the Board of Directors, following the deliberations of the Nominating Committee, the Chairperson of which shall be an Independent Outside Director (in the case of the election of Directors who are Audit & Supervisory Committee Members, the Audit & Supervisory Committee shall recommend candidates).

2. Independence Criteria for Outside Directors

(1) Independent Directors must not be a person falling under any of the following items:

- a) A person who is or was a business executor (an executive director or an employee) of the Company or any of its subsidiaries;
- b) A party whose major business partner is the Company or its subsidiaries (a party who has carried out transactions with the Company for an amount of 2% or more of the annual consolidated total net sales for the latest fiscal year or the latest three fiscal years of that party), or a person who is or was a business executor thereof;
- c) A major business partner of the Company or its subsidiaries (a party who has carried out transactions with the Company for an amount of 2% or more of the annual consolidated total net sales for the latest fiscal year of the Company or as an average of the past three (3) fiscal years), or a person who is or was a business executor thereof;
- d) A consultant or specialist in accounting or law who has received a large amount of money or other assets (an amount of money or other property exceeding an average of 10 million yen per year for the latest fiscal year or over the last three fiscal years, or an amount of 2% or more of the annual consolidated total net sales), excluding remuneration for officers, from an employee of the Company or any of its subsidiaries (in the case of a corporation or other group, a person who belongs or has belonged to the group);
- e) A major shareholder of the Company (a shareholder whose ratio of voting rights is 10% or more) (in the case of a corporation, a person who is or was a business executor of the corporation);
- f) A person who is a close relative (a relative within the second degree of kinship or a relative living together) of the persons listed in any of the a) through e) above;
- g) A person from a company, its parent company or subsidiary where there is a Director who is also an employee of the Company or any of its subsidiaries.
- h) A person whose total term of office as Independent Director exceeds eight (8) years.

The past tense used in items a) through d) refers to the past as defined in the independence criteria of the exchange.

(2) Independent Directors shall not be persons for who pose a risk of a conflict of interests, even for reasons other than those prescribed in paragraph 1 above.

(3) Even if a person falls under the categories in paragraph 1 or 2 above, if he or she is considered suitable as an Independent Director of the Company in view of his or her character, insight, and other factors, he or she may become an Independent Director, subject to the Company providing an explanation to external parties concerning the reasons he or she is considered suitable as an Independent Director.

Proposal No. 3: Renewal of the Policy against Large-Scale Purchases of the Company's Shares (Takeover Defense Measures)

Based on the resolution of the Board of Directors on May 9, 2016 and approval at the 70th Annual General Meeting of Shareholders on June 28, 2016, the Company renewed its policy against purchases of the Company's shares for the purpose of making the ratio of voting rights held by a specific shareholder group 20% or more, or acts of purchasing the Company's shares, etc. which subsequently make the ratio of voting rights held by a specific shareholder group 20% or more (in either case, except for purchases which have been approved by the Board of Directors of the Company in advance; hereinafter the policy referred to as the "Policy"). The effective period of the Policy shall end at the conclusion of the Annual General Meeting of Shareholders to be held on June 23, 2017 (hereinafter "this Annual General Meeting of Shareholders"). Accordingly, in Proposal No. 3, the Company requests to approve the continuation of the Policy from the conclusion of this Annual General Meeting of Shareholders until the conclusion of the next Annual General Meeting of Shareholders.

Furthermore, the Board of Directors of the Company has brought the continuation of the Policy as Proposal No. 3 at this Annual General Meeting of Shareholders, and thus the continuation of the Policy is subject to the approval of shareholders. In the event that the approval of shareholders regarding the continuation of the Policy is not granted at this Annual General Meeting of Shareholders, the Policy shall be cancelled at that time.

There are no changes to the basic content of the Policy upon this continuation.

The content of the Policy is described in "The Policy against Large-Scale Purchases of the Company's Shares (Takeover Defense Measures)."

The Audit & Supervisory Committee has given its approval to this continuation, under the condition that the specific operation of the Plan is properly executed.

As of the date of this notice, the Company has not received any approach or proposal, etc. regarding a large-scale purchase of the Company's shares.

The Policy against Large-Scale Purchases of the Company's Shares (Takeover Defense Measures)

Effective May 15, 2007

Revised May 11, 2017

1. Measures for the Protection and Enhancement of the Company's Corporate Value and Common Interests of its Shareholders

Since its founding in 1926, the Company has always "taken the customer's standpoint and delivered products and services with trustworthiness and sincerity," under our corporate motto of "Trustworthy & Sincere (*Makotono Kokoro*)". The Company has striven for quality improvement and technological innovation, and, with the support of our customers, has grown into a company that aims to be the leading global specialist manufacturer of coating equipment, coating systems, air compressors, and vacuum equipment. This is all thanks to the support of our shareholders.

To become a 100-year company, the Group has set forth the below Group Management Vision as its medium- to long-term management strategy: i) become a development-oriented company full of vigor and novelty that is capable of providing high-performance, high-quality products and services in a sincere manner from the customer's point of view; ii) shift from enhancement-based product development focused on cost cutting and internal core technologies to become a flexible company that collaborates with many different businesses based on an accurate understanding of market needs; and iii) aim to become a "True World-Class Company" where all employees of the Group work as one in order to maximize customer satisfaction and constantly create innovative technologies and products for achieving the world's No. 1 position. In addition to the quality improvement and technological innovation with the aim of realization of our corporate motto, we also believe that expanding the scale of business and contributing to society will enhance the Company's corporate value over the long-term, and contribute to the protection and enhancement of the common interests of its shareholders.

2. Objectives of the Policy and Basic Approach

The Board of Directors of the Company recognizes as a listed company that the Company's shares are freely traded, and that even so-called "hostile takeovers" conducted without the consent of the Board of Directors of the Company should not be denied unconditionally if such actions benefit the corporate value and common interests of shareholders. We believe that the acceptance or denial of a large-scale purchase proposed by a specific party should ultimately be decided by shareholders who hold the Company's shares.

However, among large-scale purchases of shares, there are many that violate the protection and enhancement of the corporate value of the target company and the common interests of its shareholders. Examples of such large-scale purchase of shares include those whose purpose of the purchase deemed significantly detrimental to the corporate value of the target company and the common interests of its shareholders, those that force shareholders to sell their shares in effect, those that do not provide sufficient time or information for the board of directors or the shareholders of the target company to deliberate their purpose of the purchase or for the board of directors to prepare an alternate proposal, those that require the target company to negotiate with the purchaser in order for the target company to attain more favorable terms than the conditions presented by the purchaser. Therefore, the Board of Directors of the Company introduced rules regarding large-scale purchases (hereinafter referred to as the “Large-Scale Purchase Rules”) in order to protect the corporate value of the Company and the common interests of its shareholders, and provides its shareholders time to make an appropriate judgment regarding whether to accept the purchase.

At present the Company is not aware of any specific large-scale purchase of the Company’s shares.

3. Large-Scale Purchase Rules

Large-Scale Purchase Rules defines that a large scale purchase of the Company’s shares are implemented only when i) the purchaser provides the Board of Directors of the Company necessary and adequate information in advance and then ii) a sufficient time is provided for the Board of Directors to examine and evaluate the large-scale purchase according to the information provided by the purchaser, or if a General Meeting is held, a sufficient time is provided for its shareholders to determine whether to implement a countermeasure against the purchase.

The overview of the Large-Scale Purchase Rules is described below.

(1) The large-scale purchase that falls under this rule

The Policy is applied when a purchase of the Company’s shares or a similar action falls under the following 1) and 2) (except actions approved by the Board of Directors of the Company) (hereinafter referred to as the “Action of Large-Scale Purchase”). Persons attempting to conduct a large-scale purchase (hereinafter referred to as the “Large-Scale Purchaser”) must follow the procedures set forth in the Policy in advance.

- 1) As for the shares, etc. issued by the Company (Note 1), purchases where the holder’s (Note 2) ownership ratio of shares, etc. (Note 3), will be 20% or more.
- 2) As for the shares, etc. issued by the Company (Note 4), tender offers (Note 5) where the total ownership ratio of shares, etc. (Note 6), relating to the tender offer and that of any specially related parties (Note 7) will be 20% or more.

Note 1: Refers to shares certificates, etc., provided for in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act.

Note 2: Refers to a holder provided for in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act, including parties deemed to be holders pursuant to Article 27-23, Paragraph 3 of the Act, and the same shall apply hereinafter.

Note 3: Refers to the ownership ratio of share certificates, etc., provided for in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act, and the same shall apply hereinafter.

Note 4: Refers to share certificates, etc., provided for in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act, and the same shall apply hereinafter in 2).

Note 5: As provided for in Article 27-2, Paragraph 6 of the Financial Instruments and Exchange Act, and the same shall apply hereinafter.

Note 6: Refers to the ownership ratio of share certificates, etc., held provided for in Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Act, and the same shall apply hereinafter.

Note 7: Refers to specially related parties provided for in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act. However, with regard to persons specified in Item (i) of the same, this excludes persons set forth in Article 3, Paragraph 2 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc., by Person Other than Issuer, and the same shall apply hereinafter.

(2) Provision of Information of the Large-Scale Purchase

The Large-Scale Purchaser who intends to conduct the Action of Large-Scale Purchase should submit ahead of the Action of Large-Scale Purchase to the Board of Directors a statement of intent stating pledging compliance with the Large-Scale Purchase Rules. Such statement of intent should clearly include the name of the Large-Scale Purchaser, the address, jurisdiction over incorporation, the names of

representatives, contact details in Japan, and an outline of the proposed Action of Large-Scale Purchase. The Large-Scale Purchaser should submit necessary and adequate information (hereinafter referred to as the “Necessary Information”) in order for our shareholders to make judgments and for the Board of Directors to form an opinion. Within 10 working days of receipt of the statement of intent, the Board of Directors will provide the Large-Scale Purchaser with a list of Necessary Information to be submitted at first by the Large-Scale Purchaser. The Board of Directors shall request the submission of additional information from the Large-Scale Purchaser until the Necessary Information is complete when the Board of Directors judged after careful examination that the initially provided information is not sufficient. The specific content to be included in the Necessary Information will differ depending on the characteristics of the Large-Scale Purchaser and the details of the Action of Large-Scale Purchase but in general the content includes followings.

- 1) Summary of the Large-Scale Purchaser and the group (including joint holders, specially related parties, and (in the case of funds) partners and other constituent members) (including information related to the Large-Scale Purchaser’s business, capital structure, experience in business that are similar to the Company’s and our group’s operations, etc.)
- 2) Objectives and details of the Action of Large-Scale Purchase (including the amount and type of consideration for the purchase, etc., timing of the purchase, etc., structure of related transactions, legality of the method of purchase, etc., and feasibility of the purchase, etc., and related transactions)
- 3) Basis for calculating the amount of consideration for acquisition of the Company’s shares and proof of the Company’s share acquisition funds (including the specific names of providers of funds (including de facto providers), method of raising funds, and details of related transactions)
- 4) Candidates for management (including information related to experience in businesses of the same type as those of the Company and our group, etc.), management policies, management philosophy, business plans, financial plans, capital policies, dividend policies, asset utilization policies, etc., expected after participating in the management of the Company and our group
- 5) Whether any changes will be made to the relationship between our stakeholders such as business partners, customers or employees, etc., and the Company and our group after completion of the Action of Large-Scale Purchase and the details thereof
- 6) Other information the Board of Directors or the Independent Committee (please refer to 4. “Establishment of an Independent Committee” below, Appendix 2 “Overview of the Independent Committee,” and (Note 8)) deems reasonably necessary for evaluating the validity and legality, etc., of the Action of Large-Scale Purchase.

Note 8: As a third-party body independent from the Board of Directors, the Independent Committee shall engage in supervision to ensure the Policy is not used for Directors’ own interests, and shall work to prevent purchases that violate the protection and enhancement of corporate value and the common interests of its shareholders. In order to make fair and reasonable judgment, the Independent Committee comprises four (4) or more members appointed from Outside Directors, attorneys-at-law, certified public accountants, academic experts, persons who are well-versed in investment banking, corporate managers with proven track records or other similar persons, who are independent from the management team that engages in the business execution of the Company, and do not have any special interests with the Company or the Board of Directors. Furthermore, the names and career summary of Independent Committee Members as of the continuation of the Policy are as described in Appendix 3 “Names, Career Summary and Positions of Independent Committee Members” below.

From the perspective of the prompt implementation of the Large-Scale Purchase Rules, the Board of Directors may set a deadline for the submission of information by the Large-Scale Purchaser. However, this deadline may be extended if there is a request for extension from the Large-Scale Purchaser based on reasonable cause.

Furthermore, if it is recognized that the fact a proposal for the Action of Large-Scale Purchase and the Necessary Information are submitted to the Board of Directors is necessary for shareholders’ judgment, the Board of Directors shall disclose this information in full or in part at a time judged appropriate.

(3) The Board of Directors’ Evaluation Period

The Board of Directors believes that a period of 60 days (if purchasing all of the Company’s shares through a tender offer in exchange for cash (yen) only) or 90 days (if some other Action of Large-Scale Purchase) should be granted as a period during which the Board of Directors conduct evaluations, investigations, negotiations, form opinions as the Board of Directors, and formulate alternative plans as the

Board of Directors (hereinafter referred to as the “Board of Directors’ Evaluation Period”), reckoned from the completion of the provision of Necessary Information by the Large-Scale Purchaser to the Board of Directors, in accordance to the level of difficulty of evaluating the Action of Large-Scale Purchase, etc., During the Board of Directors’ Evaluation Period, the Board of Directors shall adequately evaluate and investigate Necessary Information provided while also consulting the Independent Committee and receiving advice from outside experts, etc., as necessary, and shall respect the recommendations of the Independent Committee to the maximum extent and carefully compile and disclose their opinion as the Board of Directors. Furthermore, as necessary, the Board of Directors may negotiate improvement of conditions related to the Action of Large-Scale Purchase with the Large-Scale Purchaser and present alternative proposals to our shareholders as the Board of Directors. Furthermore, if submission of the Necessary Information is completed, the Board of Directors of the Company shall promptly disclose that fact together with the date the Board of Directors’ Evaluation Period will end.

4. Establishment of the Independent Committee

Under the Policy, in order to ensure objectivity, fairness and rationality in examining and evaluating matters such as the range of information that the Large-Scale Purchaser should provide to the Board of Directors, whether or not the Large-Scale Purchaser has complied with the Large-Scale Purchase Rules, whether or not the Action of Large-Scale Purchase violates the protection and enhancement of corporate value and common interests of shareholders, and whether or not to take countermeasures, the Company established an Independent Committee as an organization independent from the Board of Directors. The Board of Directors must consult with this Independent Committee, and the Independent Committee shall issue a recommendation regarding matters about which it has been consulted. In order to increase the rationality and objectivity of its judgments, the Independent Committee may obtain, at the Company’s expense, the advice of third parties independent from the management team of the Company, as necessary (including financial advisers, attorneys-at-law, certified public accountants, consultants and other experts). In addition, the Independent Committee shall request that the Directors of the Company, Directors who are Audit & Supervisory Committee Members, employees, etc. attend the meetings of Independent Committee and provide explanations concerning necessary information, while also deliberating and resolving matters on which it has been consulted by the Board of Directors, and providing a recommendation to the Board of Directors based on the content of those resolutions. These recommendations shall be publicly disclosed.

The Board of Directors shall respect the recommendation of the Independent Committee to the maximum extent, and promptly make a resolution regarding whether to invoke countermeasures.

When making a decision, the Board of Directors shall respect the recommendation of the Independent Committee to the maximum extent possible, and must also follow this procedure of receiving a recommendation from the Independent Committee, and therefore the Company positions this as a method that will function to ensure the objectivity, fairness, and rationality of the judgment of the Board of Directors.

The Company plans to appoint a total of four (4) persons as members of the Independent Committee, Messrs. Kozo Yoneda, Kyosuke Oshima, Masashige Takayama, and Toshifumi Mori. The overview of the rules of the Independent Committee is provided in Appendix 2 “Overview of the Independent Committee Regulations,” and the career summary and positions of each member are given in Appendix 3 “Names, Career Summary and Positions of Independent Committee Members.”

5. The Policy If Action of Large-Scale Purchase Take Place

(1) In the Event the Large-Scale Purchaser Does Not Comply with Large-Scale Purchase Rules

In the event the Large-Scale Purchaser does not comply with Large-Scale Purchase Rules, regardless of its purchase method, the Board of Directors may oppose such Action of Large-Scale Purchase by taking countermeasures approved by the Companies Act of Japan and other laws such as the issuing of stock acquisition rights, with the aim of protection and enhancement of the Company’s corporate value and common interests of its shareholders. The Board of Directors shall determine whether the Large-Scale Purchaser has complied with the Large-Scale Purchase Rules, and whether or not to invoke countermeasures, while receiving advice from outside experts, etc. and respecting the recommendations of the Independent Committee as much as possible.

(2) If the Large-Scale Purchaser Has Complied with Large-Scale Purchase Rules

Countermeasures shall not be taken with regards to such Action of Large-Scale Purchase if the Large-Scale Purchaser has complied with Large-scale Purchasing Rules, and even if the Board of Directors is opposed to the Action of Large-Scale Purchase, it shall only persuade shareholders by expressing its opposing opinion regarding the purchase proposal and presenting an alternate proposal. Whether to accept

the Large-Scale Purchaser's purchase proposal should be decided by our shareholders after considering opinions and alternative proposals, etc., regarding the purchase proposal by the Purchaser and purchase proposals made by the Company.

However, even if the Large-Scale Purchase Rules have been complied with, if evaluations by the Board of Directors conclude that such Action of Large-Scale Purchase significantly damage the Company's corporate value and common interests of shareholders, for example, the Action of Large-Scale Purchase falls under any of the categories 1 to 8 below, and as a result it will damage the Company in a way that will be difficult to recover from, the Board of Directors may as an exception, and within a necessary and appropriate range, take countermeasures in order to protect and enhance corporate value and common interests of shareholders after receiving advice from outside experts, etc. and given maximum respect to the recommendations of the Independent Committee. It will also receive approval at a General Meeting of Shareholders as necessary.

- 1) A purchase of the Company's shares whose objective is deemed to increase the share price and force parties related to the Company to purchase those shares at a high price, despite not truly having any intention to participate in the management of the Company (cases judged to be so-called green-mailing)
- 2) When purchasing the Company's shares for the purpose of temporarily controlling the management of the Company to engage in so-called scorched-earth management, such as forcing the transfer to the Large-Scale Purchaser or its group companies, etc., of intellectual property necessary for the management of the Company's businesses, expertise, confidential corporate information, or main trading partners and customers, etc.
- 3) When deemed purchasing the Company's shares for the purpose of diverting the Company's assets as security or funds for repayment of the buyer's or their group companies' debts after controlling the management of the Company
- 4) When purchasing shares for the purpose of temporarily controlling the management of the Company to sell or otherwise dispose of high value assets such as real estate, securities, etc., without taking into account of the businesses of the Company for the foreseeable future, and using the profits from such disposal to pay a temporarily high dividend, or for the purpose of using the opportunity of the rapid rise in share value resulting from the temporarily high dividend to sell the Company's shares at a high price
- 5) When deemed to be conducting a purchase that may effectively force our shareholders to dispose of the Company's shares such as coercive two-stage acquisition (a purchase method for the Company's shares presented by the Large-Scale Purchaser that sets less favorable purchasing conditions during the second stage than the initial purchase, or in which share purchasing is conducted as a tender offer, etc., without clarifying purchasing conditions of the second stage)
- 6) Cases when it is judged that as a result of the Large-Scale Purchaser acquiring control, the interests of stakeholders such as employees, customers, or business partners, etc., will be harmed, and as a result the Company's corporate value and common interests of its shareholders will be significantly harmed
- 7) Cases when it is judged that the purchase terms for the Company's shares presented by the Large-Scale Purchaser are highly insufficient or inappropriate in view of the corporate value of the Company (including the amount and type of consideration, the timing of the purchase, etc., the legality of the purchase method, and policies with regard to the treatment of stakeholders such as employees, customers, or business partners, etc., of the Company after the purchase, etc.)
- 8) Cases when it is judged with reasonable basis that the Large-Scale Purchaser is unsuitable as a controlling shareholder of the Company, from the perspective of public order and good morals.

(3) Resolution of the Board of Directors and Holding of the General Meeting of Shareholders

When judging the appropriateness of activating countermeasures as described in items (1) and (2) above, the Board of Directors shall make a resolution regarding whether to invoke countermeasures, etc., as an organization under the Companies Act, while respecting the recommendation of the Independent Committee to the maximum extent, and after sufficiently considering the necessity and appropriateness, etc., of countermeasures.

Regarding the specific method to implement, the Board of Directors shall choose the method that is judged the most appropriate at that time. As an example of a specific countermeasure, an overview of a case when the Board of Directors conducts a gratis allotment of stock acquisition rights is given in Appendix 1, but in the event that a gratis allotment of stock acquisition rights is actually conducted, an exercise period or other exercise conditions may be determined in view of its effect as a countermeasure, such as exercise condition of stock acquisition rights where the shareholder does not belong to a specific

shareholder group with a ratio of voting rights above a certain level.

In addition, if the Independent Committee makes a recommendation regarding the activation of countermeasures and requests a holding of a General Meeting of Shareholders regarding a resolution for the invocation, the Board of Directors may establish a period of up to 60 days for shareholders to sufficiently consider whether to approve the invocation of countermeasures under the Policy (hereinafter, the “Shareholder Consideration Period”), and may hold a General Meeting of Shareholders during this Shareholder Consideration Period.

If the Board of Directors resolves to hold a General Meeting of Shareholders and determine a record date, the Board of Directors’ Evaluation Period shall end on that day, and the procedure shall immediately move to the Shareholder Consideration Period.

When holding such a General Meeting of Shareholders, the Board of Directors shall disclose shareholders the Necessary Information provided by the Large-Scale Purchaser, the opinion of the Board of Directors regarding the Necessary Information, alternative proposal by the Board of Directors, and documents describing any other matters judged appropriate by the Board of Directors, together with the Notice of the General Meeting of Shareholders, and shall make timely, appropriate disclosure thereof.

If a resolution is made at a General Meeting of Shareholders regarding whether to invoke countermeasures, the Board of Directors shall comply with that resolution. If the General Meeting of Shareholders resolves to reject the activation of countermeasures, the Board of Directors shall not invoke countermeasures.

In addition, the Shareholder Consideration Period shall end at the conclusion of the General Meeting of Shareholders, and the Company shall make timely, appropriate disclosure of the results of the General Meeting of Shareholders after the resolution.

(4) Waiting Period for Action of Large-Scale Purchase

If there is no Shareholder Consideration Period, the period from when the letter of intent described in the above 3. (2) “Provision of Information of the Large-Scale Purchase” is submitted to the Board of Directors until the end of the Board of Directors’ Evaluation Period, shall be the Waiting Period for Action of Large-Scale Purchase, or if there is a Shareholder Consideration Period, this shall be the combined period until the end of the Board of Directors’ Evaluation Period and the Shareholder Consideration Period. The Action of Large-Scale Purchase may not be conducted during the Waiting Period for Action of Large-Scale Purchase.

Therefore, the Action of Large-Scale Purchase may only be commenced after the end of the Waiting Period for Action of Large-Scale Purchase.

6. Impact on Shareholders and Investors, etc.

(1) Impact, etc. of Large-Scale Purchase Rules on Shareholders and Investors

Large-Scale Purchase Rules aim to provide our shareholders information necessary for them to make judgments on whether to accept Action of Large-Scale Purchase and the opinion of the Board of Directors currently responsible for managing the Company, and to secure opportunities for our shareholders to be informed of alternative proposals. We believe that as a result, our shareholders will be able to make appropriate judgments regarding whether to accept Action of Large-Scale Purchase based on sufficient information, which will lead to protection and enhancement of the Company’s corporate value and common interests of shareholders. Consequently, the establishment of Large-Scale Purchase Rules is a prerequisite for our shareholders and investors to make appropriate investment decisions, and is thought to contribute to the interests of our shareholders and investors.

As stated in 5. “The Policy If Action of Large-Scale Purchase Take Place” above, our policy against Action of Large-Scale Purchase differ dependent on whether the Large-Scale Purchaser has complied with Large-Scale Purchase Rules, and we ask for our shareholders and investors to pay careful attention to the movements of Large-Scale Purchasers.

(2) Impact, etc. of Invocation of Countermeasures on Shareholders and Investors

The Board of Directors may take countermeasures with the aim of protecting corporate value and common interests of shareholders, but if the Board of Directors has decided to take specific countermeasures, appropriate disclosure should take place in a timely manner in accordance with stock exchange regulations and other laws and regulations. Given the structure of such countermeasures, the Company does not expect situations to arise in which its shareholders suffer from any losses economically or in terms of their legal rights (the shareholders exclude Large-Scale Purchaser who has violated Large-Scale Purchase Rules and Large-Scale Purchaser who conducts Action of Large-Scale Purchase

deemed significantly damaging the Company's corporate value and common interests of shareholders).

Of the conceivable countermeasures, if stock acquisition rights are issued, it may be necessary to pay a certain amount within a specific period to exercise the stock acquisition rights. Furthermore, if the Board of Directors decides to acquire the stock acquisition rights, if stock acquisition rights are exercised, shareholders may be asked to make a monetary payment within a specific period to acquire the rights. If the Board of Directors of the Company decides to acquire the stock acquisition rights, the Company will provide new shares to its shareholders as consideration for the stock acquisition rights without monetary payment. Specific details of such procedures shall be announced separately pursuant to laws and regulations when an exercise of stock acquisition rights is decided. However, shareholders whose registration or recording in the shareholder register is incomplete (so-called entry of name change) must complete their registration or recording in the shareholder register by the record date of the stock acquisition rights separately determined and announced by the Board of Directors, in order to acquire the stock acquisition rights (entry of name change procedures is not necessary for shares deposited with the Japan Securities Depository Center).

However, even after the Independent Committee has recommended the invocation of countermeasures to the Board of Directors, if the Large-Scale Purchaser withdraws the purchase after the recommendation, and if fluctuations arise in the actual facts that formed the basis of the recommendations, and if such purchase by the Large-Scale Purchaser is judged not to fall under 1) or 8) in "(2) If the Large-Scale Purchaser Has Complied with Large-Scale Purchase Rules" in "5. The Policy If Action of Large-Scale Purchase Take Place" above, the Independent Committee may recommend the cancellation of the invocation of countermeasures to the Board of Directors, or to withdraw the previous recommendation.

If the Board of Directors cancels the issuance of stock acquisition rights or acquires the stock acquisition rights without consideration, the share value per share is not diluted and shareholders or investors who purchased or sold shares on the assumption that the value of shares would be diluted on or after the ex-rights date of the gratis allotment of stock acquisition rights may suffer contingent damages due to the fluctuation in share price.

7. Effective Period, etc. of the Large-Scale Purchase Rules

The effective period of the Policy shall be until the conclusion of the Annual General Meeting of Shareholders to be held in June 2018. The Policy shall be brought as a proposal at this Annual General Meeting of Shareholders, and if it is approved by shareholders, it shall be brought as a proposal at the Annual General Meeting of Shareholders of the Company to be held every year in June, from next year onward, and thus the intention of shareholders will be confirmed. However, if the approval of shareholders is not obtained regarding the continuation of the Policy at this Annual General Meeting of Shareholders, then the Policy shall be abolished at that point.

Even during the effective period of the Policy, if a resolution is made to cancel the Policy by the Board of Directors, then the Policy shall be abolished at that point. Furthermore, from the perspective of the protection and enhancement of corporate value and common interests of shareholders, the Company intends to review the Policy as needed based on trends in judicial judgments, the responses of public bodies, and developments and amendments to related laws and regulations, including the Companies Act and the Financial Instruments and Exchange Act, etc. The Board of Directors may amend the Policy regardless if prior to expiration of the effective period, while respecting the recommendations of the Independent Committee to the maximum extent.

The status of major shareholders as of March 31, 2017 is as shown in "2. Overview of the Company, (1) Status of Shares in the [Appendix] Business Report" in this Notice

8. Rationality of the Policy

As shown below, the Policy is highly rational.

1) The Policy fully satisfies the requirements of the guidelines regarding Anti-Takeover Measures

The Policy fully satisfies the three basic principles (principle of protection and enhancement of corporate value and common interests of shareholders, principle of prior disclosure and shareholders' intentions, principle of necessity and suitability) provided in the "Guidelines Regarding Takeover Defense Measures for the Purposes of the Protection and Enhancement of Corporate Value and Common Interests of Shareholders" released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

Additionally, it is based on the content of "The Proper Role of Takeover Defense Measures in Light of Recent Changes in Various Environments" published on June 30, 2008 by the Corporate Value Study Group established within the Ministry of Economy, Trade and Industry.

- 2) The Policy is introduced with the purpose of protecting and enhancing the Company's corporate value and common interests of shareholders

The Policy provides the necessary information, time, or opportunities, etc. to be informed of alternative proposals by the Board of Directors in cases of Large-Scale Purchases in order for our shareholders to make judgments on whether to accept such Action of Large-Scale Purchase. The Policy is implemented with the purpose of protecting and enhancing the Company's corporate value and common interests of shareholders.

- 3) The Policy depends on the rational will of shareholders

The Board of Directors has decided to implement the Policy, but as described in 7. "Effective Period, etc. of the Large-Scale Purchase Rules" above, the Policy shall be brought as a proposal at this Annual General Meeting of Shareholders in order to confirm the intention of shareholders regarding the Policy, and in the event that the consent of shareholders is not obtained, the Policy shall be abolished at that time. As a result, the existence and content of the Policy shall depend on the rational decision of the Company's shareholders. In addition, the intention of shareholders regarding the Policy shall be reflected at the Annual General Meeting of Shareholders of the Company to be held every year.

- 4) Importance of the decision of a party with a high level of independence

Upon the implementation of the Policy, in order to eliminate arbitrary decisions by the Board of Directors when invoking countermeasures, etc., an Independent Committee was established as an advisory body to provide realistic evaluations from an objective perspective for the shareholders of the Company. The Independent Committee consists of more than three members, and in order to make fair, neutral judgments, comprises Outside Directors of the Company and external experts (attorneys-at-law, certified public accountants, academic experts, persons who are well-versed in investment banking, corporate managers with proven track records, or other similar persons), who are independent from the management team that engages in the business execution of the Company, and do not have any special interests with the Company or the management team of the Company.

- 5) Establishes rational and objective activation conditions

As stated in 5. "The Policy If Action of Large-Scale Purchase Take Place" above, the Policy has been set out so that it cannot be invoked unless predetermined rational and objective conditions for activation are fulfilled. It is therefore considered that a system for ensuring the prevention of any arbitrary activation by the Board of Directors has been ensured.

- 6) The Policy is not a dead-hand anti-takeover measure

As stated in 7. "Effective Period, etc. of the Large-Scale Purchase Rules" above, the Policy stipulates that it can be discontinued by the Board of Directors comprising Directors elected at a General Meeting of Shareholders of the Company. Therefore it is possible that the Policy be discontinued by a Board of Directors comprising of Directors nominated by a Large-Scale Purchaser at a General Meeting of Shareholders. Thus, the Policy is not a dead-hand anti-takeover measure (a takeover defense measure that cannot be prevented even by the replacement of a majority of the members of the Board of Directors).

1. Shareholders entitled to be granted stock acquisition rights and conditions for issuing options
Stock acquisition rights shall be allocated without requiring further payment at a ratio of acquisition right per common stock owned in the Company (excluding the Company's common stock held by the Company) to shareholders recorded in the final shareholder registry on the record date prescribed by the Board of Directors.
 2. Class and number of shares subject to stock acquisition rights
The class of shares subject to stock acquisition rights shall be the Company's common stock, and the total number of shares subject to stock acquisition rights shall be limited to the total number of authorized shares on the record date prescribed by the Board of Directors less the total number of issued shares of the Company's common stock (excluding the Company's common stock held by the Company). The number of shares subject to one stock acquisition right shall be the number prescribed separately by the Board of Directors; provided, however, that necessary adjustments shall be made if the Company splits shares or consolidates shares.
 3. Total number of stock acquisition rights issued
The total number of stock acquisition rights issued shall be prescribed separately by the Board of Directors. The Board of Directors may allocate stock acquisition rights more than once.
 4. Amount of property to be invested (amount to be paid) when exercising each stock acquisition right
The amount of property to be invested (the amount to be paid) when exercising each stock acquisition right shall be one yen or more and such amount shall be prescribed by the Board of Directors, and the maximum amount shall be half of the market price of the Company's shares.
 5. Restrictions on the transfer of stock acquisition rights
Approval from the Board of Directors is required for the acquisition of stock acquisition rights by transfer of stock acquisition rights.
 6. Requirements for exercising stock acquisition rights
(1) Specified Large Volume Holder (Note 9), (2) Joint Holder of the Specified Large Volume Holder, (3) Specified Large-Scale Purchaser (Note 10), (4) Persons in Special Relationship with the Specified Large-Scale Purchaser, or (5) any person who was assigned or inherited stock acquisition rights from any person falling under (1) through (4) above without obtaining approval of the Board of Directors, or (6) Affiliated Person (Note 11) of any person falling under (1) through (5) (hereinafter the person falling under any of the above generally shall be referred to as "Non-Qualified Persons") may not exercise stock acquisition rights. The details of the requirements for exercising stock acquisition rights shall be separately determined by the resolution concerning the gratis allotment of stock acquisition rights.
 7. Exercise period, etc. of stock acquisition rights
Effective date of the allotment of stock acquisition rights, exercise period, terms of acquisition and other requirements shall be set out separately by the Board of Directors. The Company may establish terms of acquisition which stipulate that the Company may acquire stock acquisition rights held by the persons other than those who are not allowed, due to the requirements for exercising stock acquisition rights stated in above 6., to exercise stock acquisition rights, and issue certain number of shares of common stock of the Company for one stock acquisition right, as determined separately by the Board of Directors.
- Note 9 Refers to a person who is a holder of share certificates, etc. issued by the Company and the ratio of share certificates, etc. held is 20% or more, or a person considered to be a Specified Large Volume Holder by the Board of Directors. However, a person that the Board of Directors recognizes as a person whose acquisition or holding of share certificates, etc. of the Company is not contrary to the Company's corporate value or the common interests of shareholders, and other given persons that the Board of Directors separately determined by the resolution concerning the gratis allotment of stock acquisition rights, are not included.
- Note 10 Refers to a person who makes a public announcement of purchase, etc. (as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act; the same shall apply hereinafter in this note), of share certificates, etc. issued by the Company (as defined in Article

27-2, Paragraph 1 of the Financial Instruments and Exchange Act; the same shall apply hereinafter in this note) through a tender offer and whose ratio of share certificates, etc. held, in respect to such share certificates, etc. owned by such person after such purchase, etc. (including a similar holding rate as prescribed in Article 7, Paragraph 1 of the Order for Enforcement of the Financial Instruments and Exchange Act), is 20% or more when combined with the ratio of share certificates, etc. held by the Persons in Special Relationship, or a person considered to be a Specified Large-Scale Purchaser by the Board of Directors. However, a person that the Board of Directors recognizes as a person whose acquisition or holding of share certificates, etc. of the Company is not contrary to the Company's corporate value or the common interests of shareholders, and other given persons that the Board of Directors separately determined in the resolution relating to the gratis allotment of stock acquisition rights, are not included.

Note 11 "Affiliated Person" of a given person shall mean a person who controls, is controlled by or is under the common control of such given person (including a person deemed by the Board of Directors to fall under these), or a person deemed by the Board of Directors to act in concert with such given person. "Control" means to "control the decisions of the financial and business policies" (as defined in Article 3, Paragraph 3 of the Ordinance for Enforcement of the Companies Act) of other corporations or entities.

1. Establishment of an Independent Committee

In order to ensure the objectivity, rationality, and fairness of the judgments of the Board of Directors regarding the Action of Large-Scale Purchase, the Company shall establish an Independent Committee.

2. Composition and Appointment of the Independent Committee

(1) Membership of the Independent Committee (hereinafter referred to as the “Independent Committee Members”) shall consist of at least 3 persons.

(2) Independent Committee Members shall be independent of the management team executing the business of the Company and shall be selected by the Board of Directors from among: Outside Directors, attorneys-at-law, certified public accountants, academic experts, persons who are well-versed in investment banking, corporate managers with proven track records, or other similar persons. The Board of Directors shall appoint the Independent Committee Members by the majority vote of Directors in attendance. When appointing Independent Committee Members, their expertise regarding corporate management, insight regarding corporate value, practical experience, and other factors shall be comprehensively considered in view of their roles as Independent Committee Members.

3. The Term of Independent Committee Members

The term of office of Independent Committee Members shall be, in principle, from the day the Board of Directors appoints that person an Independent Committee Member and approves his or her taking office as an Independent Committee Member, until the conclusion of the first Annual General Meeting of Shareholders held after his or her taking office; reappointment is permitted.

4. Dismissal of Independent Committee Members

If any of the following events occurs, the Board of Directors may dismiss Independent Committee Members by two thirds or more of the votes of Directors in attendance.

(1) The Independent Committee Member cannot execute his or her duties owing to severe physical or mental disability, or other reasons.

(2) Cases when it is recognized that the Independent Committee Member has a relationship with a person who is in Large-Scale Purchaser’s group or who will be in Large-Scale Purchaser’s group, and cannot provide a recommendation from an objective and neutral position.

(3) Cases when the Independent Committee Member has violated laws or regulations, etc.

(4) Cases when the Independent Committee Member no longer meets the criteria described above in item 2. (2).

5. Duty of Care

Independent Committee Members shall faithfully perform their duties, with the due care of a prudent manager.

6. Convening of the Independent Committee

In accordance with these regulations, the Independent Committee shall be convened as necessary.

7. Convocation of Meetings of the Independent Committee

Meetings of the Independent Committee shall be convened by the Representative Director of the Company or each Independent Committee Member.

8. Authority of the Independent Committee

(1) The Independent Committee shall deliberate and make decisions regarding the matters set forth below about which it is consulted by the Board of Directors, and make recommendations of its conclusions to the Board of Directors, together with the reasons thereof. The Board of Directors must respect the recommendation of the Independent Committee to the maximum extent possible.

1) Whether or not the Large-Scale Purchaser has complied with the Large-Scale Purchase Rules.

2) Whether or not the information submitted by Large-Scale Purchaser to the Board of Directors is sufficient for the Board to form opinions.

3) Whether or not the Action of Large-Scale Purchase violates the protection and enhancement of corporate value of the Company and common interests of its shareholders.

- 4) Whether or not to implement countermeasures.
 - 5) Whether or not the countermeasures to be implemented by the Board of Directors are an appropriate method.
 - 6) Any other matters related to the above.
- (2) The Independent Committee may, at the Company's expense, seek specialist advice from independent third parties (including financial advisers, attorneys-at-law, certified public accountants, consultants and other experts) as necessary for its consideration and deliberations.
 - (3) The Independent Committee may request the submission of necessary materials related to the Company for its consideration and deliberations from Directors, employees, or Directors who are Audit & Supervisory Committee Members of the Company.

9. Recommendations of the Independent Committee

The contents of recommendations shall be made in principle with the attendance of all members of the Independent Committee and the approval of a majority of the attendance.

Names, Career Summary and Positions of Independent Committee Members**[Appendix 3]**

Kozo Yoneda		Born in June 1948
March	1972	Joined the Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation)
April	2001	Executive Officer General Manager, Corporate Banking Dept. II of Sumitomo Mitsui Banking Corporation
June	2002	Chairman and CEO of Japan Equity Capital Co., Ltd.
April	2003	Senior Advisor of Daiwa Securities SMBC Principal Investments Co. Ltd.
June	2005	President of Hirata Corporation
April	2012	President and Representative Director of Kinrei Corporation (currently KR FOOD SERVICE CORPORATION)
June	2015	Outside Director of the Company (current position) Independent Director of Takagi Co., Ltd. (current position)
December	2015	Managing Partner of Three Fields LLC. (current position)
November	2016	Outside Director of FORLIFE Co., Ltd. (current position)
Kyosuke Oshima		Born in January 1954
August	1982	Joined SUNX Limited (currently Panasonic Industrial Devices SUNX Co., Ltd.)
June	2000	Director of SUNX Limited
June	2007	Managing Director of SUNX Limited
June	2011	Full-time Audit & Supervisory Board Member of SUNX Limited
June	2015	Outside Director of the Company
June	2016	Outside Director (Audit & Supervisory Committee Member) (current position)
Masashige Takayama		Born in September 1961
September	1987	Joined Eiwa Audit Corporation (currently KPMG AZSA LLC)
February	1990	Joined Kyowa Audit Corporation
August	1990	Registered as a certified public accountant
January	2007	Senior Partner of Kyowa Audit Corporation (current position) Senior Partner of Kyowa Tax Corporation (current position)
June	2012	Audit & Supervisory Board Member of the Company
February	2013	Representative Director of OPI-JAPAN K.K. (current position)
August	2013	Consultant of Public Interest Commission, Cabinet Office, Government of Japan (current position)
April	2015	Visiting Professor of Graduate School of Business Design, Rikkyo University (current position) Auditor of National Museum of Nature and Science (current position)
June	2016	Outside Director (Audit & Supervisory Committee Member) of the Company (current position)

Toshifumi Mori		Born in January 1946
April	1968	Joined Mitsubishi Corporation
June	1980	Earned MBA degree from Stanford University in the U.S.
August	1993	Vice President of Mitsubishi Corporation (Europe, Africa, and Middle East)
December	1995	Vice President and Group COO of Mitsubishi International Corporation
June	2000	Joined Mitsubishi Paper Mills Limited
		President & CEO of Mitsubishi Hitec Paper Bielefeld GmbH
		President & CEO of Mitsubishi Hitec Paper Flensburg GmbH
		President & CEO of Mitsubishi Paper GmbH
		President & CEO of Mitsubishi Paper Holding (Europe) GmbH
June	2004	Senior Executive Officer of Mitsubishi Paper Mills Limited
August	2007	Representative and Managing Partner of Heidrick & Struggles (Japan)
June	2011	Advisor of Will-B International Inc.
April	2012	Advisor of COACH A Co., Ltd. (current position)
June	2012	Audit & Supervisory Board Member of the Company
June	2016	Outside Director (Audit & Supervisory Committee Member) (current position)

Four (4) Independent Committee Members listed above satisfies the requirements of Outside Directors prescribed in the Companies Act and the independency required by the Tokyo Stock Exchange. The Company has filed with the Exchange a notification to establish that they are Independent Officers.

(Appendix)

Business Report

(April 1, 2016 - March 31, 2017)

1. Overview of the Company Group

(1) Business Progress and Results

(i) Business Overview

During the consolidated fiscal year ended March 31, 2017, the global economy was generally on a recovery trend as the U.S. and European economies remained firm, the Japanese economy stayed on a moderate recovery path, and the slowdown in the Chinese economy has bottomed out though there had been concerns about uncertainties surrounding the Brexit and the U.S. presidential election.

In these circumstances, in its 90th anniversary year, the Group has started activities under the new medium-term management plan, aiming to become a “True World-Class Company.” In particular, while aiming to develop new products and achieve efficiency improvement in production facilities, the Group started to implement the restructuring of group management functions which has been built in many countries throughout the world. In the air compressor field, we achieved favorable results in the core component business centered on oil-free scroll compressors, and system proposals focusing on units to be incorporated in railway vehicles and hybrid/electric buses and air compressors targeting the medical market. In particular, the oil-free scroll compressor F Series received the 37th Commissioner Award for Excellent Energy Saving Equipment from the Agency for Natural Resources and Energy for its high compression efficiency and ease of maintenance. In the vacuum equipment field, the Group has steadily pushed ahead with the expansion of the distribution network into general industrial areas using the sales distribution network of ANEST IWATA COMPRESSOR Corporation. In the coating equipment field, the Group launched 90th anniversary models targeting automotive refinishing markets in Japan and overseas and promoted the activities to increase its brand recognition worldwide through the participation in exhibitions in various countries. The Group has steadily gained business from the increasing demand for the new installation and upgrading of environmental equipment driven by changes in laws in Japan. In the field of liquid application equipment, which is part of the coating equipment product line-up, the Group has achieved steady growth in the sales of spray guns and its accessory specialized in spraying a wide variety of liquids such as bonding agent for automotive interior and the manufacturing of woodwork, highly viscous caulking agent, sealant, and mold-releasing oil for bakery and confectionery machinery. In the coating system field, the Group has continued and expanded proposals for coating tests at the laboratory rooms of the Company in order to realize energy and resource conservation by coating system and productivity improvement mainly in the coating process of automobile parts. As part of efforts to strengthen its group management functions, the Group carried out the integration of production and sales functions in the European headquarters for the coating equipment business and the consolidation of the production facilities of small- to medium-size air compressors in China. In addition, as part of efforts to strengthen its business, the Group completed, among others, the acquisition of the air compressor business from a local company in Australia and the acquisition of a German airbrush manufacturer with a view to expanding the airbrush business.

As a result, our business performance for the fiscal year under review was hit by the effect of changes in exchange rates, with net sales of 29,548 million yen (up 0.1% year on year), operating income of 3,733 million yen (down 1.7% year on year), ordinary income of 4,139 million yen (up 0.0% year on year), and profit attributable to owners of parent of 3,400 million yen (up 31.1% year on year). Profit attributable to owners of parent includes a gain on step acquisitions of 450 million yen arising from the reclassification of two equity method affiliates as consolidated subsidiaries and an extraordinary gain of 406 million yen arising from the receipt of the Fukushima business investment subsidy for revitalization of industries.

Results of operations by segment were as follows:

Japan

In Japan, we recorded decreases in revenue and income with external sales of 17,689 million yen (down 3.1% year on year) and segment income of 3,914 million yen (down 2.2% year on year).

Europe

In Europe, we recorded increases in revenue and income with external sales of 3,208 million yen (up 2.8% year on year) and segment income at 321 million yen (up 34.7% year on year).

Asia

In Asia, revenue increased while income decreased with external sales of 5,084 million yen (up 0.4% year on year) and segment income of 352 million yen (down 8.5% year on year).

Other

In other regions, we reported increases in revenue and income with external sales of 3,565 million yen (up 15.8% year on year) and segment income of 256 million yen (up 17.1% year on year).

<Net sales by region>

Region	Japan	Europe	Asia	Other	Total
Net sales (million yen)	16,213	4,254	5,437	3,642	29,548
Composition rate (%)	54.9	14.4	18.4	12.3	100.0

(Note) The table above shows breakdown of net sales by region. For example, net sales from Japan to external customers in Europe are included in the figure shown in the Europe column.

<Net sales by product category> (In thousands of yen unless otherwise stated)

Product Category	Previous fiscal year		Current fiscal year		Year on year Increase/decrease	
	April 1, 2015 - March 31, 2016		April 1, 2016 - March 31, 2017			
	Net sales	Composition rate (%)	Net sales	Composition rate (%)	Amount of increase/decrease	Increase/decrease rate (%)
Air Compressors	13,778,611	46.7	14,336,586	48.5	557,974	4.0
Vacuum Equipment	1,819,180	6.2	1,754,152	6.0	(65,027)	(3.6)
Coating Equipment	11,671,789	39.5	11,323,764	38.3	(348,025)	(3.0)
Coating Systems	2,255,250	7.6	2,134,023	7.2	(121,226)	(5.4)
Total	29,524,831	100.0	29,548,526	100.0	23,694	0.1

(ii) Capital Investments

Total capital investments during the fiscal year under review amounted to 1,473 million yen. They were primarily invested for assets in Japan, including machine tools and equipment repairs at the Fukushima Factory and machine tools at the Akita Factory. The main non-current asset item removed or lost during the fiscal year under review was power equipment at the Fukushima Factory (46 million yen).

(iii) Financing

To secure funds in a stable and flexible manner, the Company and some of its consolidated subsidiaries have concluded an overdraft facility agreement and a loan commitment agreement with our banks. The balance of unexecuted loans at the end of the fiscal year under review on these agreements is as follows:

Maximum limit of overdraft and loan commitment agreement amount	7,806 million yen
• Balance of executed loans	—
• Balance of unexecuted loans	7,806 million yen

(iv) Issues to be Addressed

The world economy is expected to remain strong despite the existence of uncertainties such as geopolitical risks as the U.S. economy continues to be firm, while Europe and Japan are also on a moderate recovery path. In such a business environment, the Group will engage in business activities based on the following policies:

- Embedding the “ANEST IWATA Corporate Philosophy”

We have newly documented a set of corporate motto, management philosophy, and other spirits that supports the foundation of the management of the Group as the “ANEST IWATA Corporate Philosophy.” All officers and employees will aim to achieve the goal of a “100-year company” by inheriting the tradition that has been cherished over generations since the founding of the Company in 1926.

- Securing and fostering human resources

We will seek human resources to support the Group throughout the world and strive to secure and

develop those who can think and act on business matters from a flexible perspective. The Group will also work on the internationalization of corporate culture and the optimization of human resource allocation through the bilateral exchange of human resources with overseas locations, while giving respect to the capability and the aptitude of each employee.

- Guidelines for each business division

In the air compressors/vacuum equipment business, which is a comprehensive air energy business that enables the efficient and stable supply of “energies essential to the society” related to pneumatic, expansion and vacuum, we will promote creation and accumulation of knowhow, the fostering of human resources, and the development of necessary services and products relating to the efficient management of energies, aiming for transformation into the “total management business covering pneumatic, expansion, and vacuum energies.”

In the coating equipment/coating systems business, the Group will aim to become a leading coating manufacturer in the global market with optimal coating film-making technologies that will meet the needs of customers worldwide. The Group will offer not only hardware, such as coating equipment, but also software, such as coating and spraying methods and technologies, while further pursuing “high efficiency, work environment improvement, and global environmental preservation.”

- Corporate governance structure

The Company transitioned from a Company with Audit & Supervisory Board to a Company with Audit & Supervisory Committee pursuant to the resolution passed at the 70th Annual General Meeting of Shareholders held on June 28, 2016 for the purpose of securing proper supervisory and audit functions through the exercise of voting rights at the meetings of the Board of Directors. Amid this transition, the Company established the Nominating Committee and the Compensation Committee, both of which consist of Representative Director and all Outside Directors and are chaired by an Outside Director, as advisory bodies to the Board of Directors to check any arbitrary decisions by the Representative Director or the Board of Directors and strengthen the governance function. The Company also established the Internal Control Committee and the CSR Committee to supplement the functions of the Board of Directors. The Company will continue to make further efforts to strengthen governance, while striving to improve the effectiveness of the Board of Directors.

(2) Financial position and results of operations

(In millions of yen unless otherwise stated)

Item	The 68th fiscal year ended March 31, 2014	The 69th fiscal year ended March 31, 2015	The 70th fiscal year ended March 31, 2016	The 71st fiscal year ended March 31, 2017
Net sales	25,457	27,428	29,524	29,548
Ordinary income	3,579	3,716	4,138	4,139
Profit attributable to owners of parent	2,181	2,214	2,593	3,400
Net income per share (yen)	51.78	52.79	62.14	81.48
Total assets	30,856	33,766	34,678	38,895
Net assets	21,783	24,689	25,518	28,605

(Notes)

1. As certain changes in accounting policies have been applied retrospectively, figures for the 69th fiscal year shown above are those after the retrospective application.
2. Net income per share was calculated based on the average number of shares in issue (after deducting treasury shares) in each fiscal year.
 - The 68th fiscal year: Both revenue and income increased as net sales increased due to the recovery in exports and the increase in capital investments.
 - The 69th fiscal year: Both revenue and income increased as net sales increased due to the recovery in exports, capital investments, and employment backed by yen depreciation.
 - The 70th fiscal year: We recorded increases in both revenue and income, and the results were record high due to the recovery of exports and demand in Japan.
 - The 71st fiscal year: The results for the fiscal year under review were as reported in “(1) Business Progress and Results.”

(3) Parent Company and Material Subsidiaries

- (i) Relationship with the parent company Not applicable.
(ii) Material subsidiaries

Company name	Capital	The Company's percentage of equity participation	Principal business
ANEST IWATA COMPRESSOR Corporation*	10 million yen	100.0%	Sale and repair of air compressors and vacuum equipment
ANEST IWATA COATING SOLUTIONS Corporation*	10 million yen	100.0%	Sale and repair of coating equipment and manufacture, sale, and repair of coating systems
ANEST IWATA (SHANGHAI) Corporation	USD 200 thousand	100.0%	Sale of coating equipment and coating systems
ANEST IWATA STRATEGIC CENTER s.r.l.	EUR 956 thousand	86.8%	Manufacture and sale of coating equipment and coating systems
ANEST IWATA MOTHERSON Pvt. Ltd.*	INR 435 million	51.0%	Manufacture and sale of air compressors and vacuum equipment
ANEST IWATA FEELER Corporation*	USD 7,500 thousand	65.0% (including indirect holding of 30.0%)	Manufacture and sale of air compressors

(Notes)

- The Company has 37 consolidated subsidiaries listed in “(5) Principal Business Offices and Factories.”
- The companies marked with (*) are specified subsidiaries.
- None of our subsidiaries falls under the category of wholly-owned specified subsidiary.

(4) Principal Business

Business	Main products
Air Compressors	Compressors, nitrogen gas generator, air cleaning systems, medical equipment
Vacuum Equipment	Dry scroll vacuum pumps, vacuum equipment
Coating Equipment	Spray guns, fluid handling pumps, coating booths, fluid handling equipment
Coating Systems	Coating plant, coating robots, automatic coating equipment

(5) Principal Business Offices and Factories

Domestic locations

Head office	3176, Shinyoshida-cho, Kohoku-ku, Yokohama-shi Kanagawa
Factories	Akita Factory (Daisen-shi, Akita)
	Fukushima Factory (Yabuki-cho Nishishirakawa-gun, Fukushima)
Branches	Three branches (Ota-ku, Tokyo) (Nagoya-shi, Aichi) (Osaka-shi, Osaka)
Consolidated subsidiaries	ANEST IWATA COMPRESSOR Corporation (Yokohama-shi, Kanagawa)
	ANEST IWATA COATING SOLUTIONS Corporation (Yokohama-shi, Kanagawa)
	ANEST IWATA CAMPBELL K.K. (Yokohama-shi, Kanagawa)
	Air Engineering Corporation (Yokohama-shi, Kanagawa)
Equity method	ADVANCE RIKEN Inc. (Yawata-shi, Kyoto)

Overseas locations

Europe	Consolidated subsidiaries	(Sale) ANEST IWATA Deutschland GmbH (Germany)
		(Manufacture/sale) ANEST IWATA Babatz GmbH (Germany)
		(Manufacture/sale) HARDER & STEENBECK GmbH & Co. KG (Germany)
		(Manufacture/sale) ANEST IWATA STRATEGIC CENTER s.r.l. (Italy)
		(Manufacture/sale) ANEST IWATA AIR TECH s.r.l. (Italy)
		(Sale) ANEST IWATA France S.A. (France)
		(Sale) ANEST IWATA (U.K.) Ltd. (U.K.)
		(Sale) Anest Iwata Scandinavia AB. (Sweden)
		(Sale) ANEST IWATA Iberica S.L. (Spain)
	(Sale) ANEST IWATA Polska Sp. Z o.o. (Poland)	
Equity method	(Sale) ANEST IWATA Italia s.r.l. (Italy)	

Asia	Consolidated subsidiaries	(Sale) ANEST IWATA (SHANGHAI) Corporation (China)
		(Manufacture/sale) ANEST IWATA INDUSTRIAL MACHINERY (JIAXING) Co., Ltd. (China)
		(Manufacture/sale) ANEST IWATA (DONGGUAN) Corporation (China)
		(Sale) ANEST IWATA Shanghai Trading Corporation (China)
		(Manufacture/sale) SHANGHAI ANEST IWATA COATING MACHINERY CORPORATION (China)
		(Manufacture/sale) ANEST IWATA FEELER Corporation (China)
		(Manufacture/sale) ANEST IWATA Taiwan Corporation (Taiwan)
		(Manufacture/sale) ANEST IWATA MOTHERSON Pvt. Ltd. (India)
		(Manufacture/sale) ANEST IWATA MOTHERSON COATING EQUIPMENT Pvt. Ltd. (India)
		(Manufacture/sale) ANEST IWATA SOUTHEAST ASIA Co., Ltd. (Thailand)
		(Manufacture/sale) ANEST IWATA Korea Corp. (South Korea)
		(Sale) ANEST IWATA Vietnam Co., Ltd. (Vietnam)
		(Sale) PT.ANEST IWATA INDONESIA (Indonesia)
Other	Consolidated subsidiaries	(Sale) ANEST IWATA USA, Inc. (U.S.)
		(Sale) ANEST IWATA-Medea, Inc. (U.S.)
		(Manufacture/sale) ANEST IWATA AIR ENGINEERING, Inc. (U.S.)
		(Sale) ANEST IWATA DO BRASIL COMERCIAL LTDA. (Brazil)
		(Manufacture/sale) AIRZAP-ANEST IWATA INDUSTRIA E COMERCIO LTDA. (Brazil)
		(Sale) ANEST IWATA Australia Pty. Ltd. (Australia)
		(Sale) ANEST IWATA RUS LLC (Russia)
		(Sale) ANEST IWATA South Africa (Pty) Ltd. (South Africa)
		(Sale) ANEST IWATA MIDDLE EAST FZE (U. A. E.)
		(Manufacture/sale) ANEST IWATA Mexico, S. de R.L. de C. V(Mexico)
	Equity method	(Manufacture/sale) Powerex-Iwata Air Technology, Inc. (U.S.)

(Note) (Sale) (Sale/Manufacture), and Equity method in the above table mean sales company, sales and manufacturing company, equity method affiliates, respectively.

(6) Employees

Reportable segment	Japan	Europe	Asia	Other	Total
Number of employees	578	130	486	122	1,316
Year on year Increase/decrease	+25	+24	+83	+25	+157

(Notes)

1. The increase in Europe is attributable to the acquisition of a German company, which become a consolidated subsidiary as a result of the acquisition.
2. The increase in Asia is attributable to the reclassification of two equity method affiliates as subsidiaries.
3. The increase in Other is attributable to the acquisition of a business by an Australian consolidated subsidiary.

(7) Principal Lenders

There is no significant lender to be disclosed.

2. Status of the Company

(1) Status of Shares

(i) Total number of authorized shares	189,290,000 shares
(ii) Total number of shares issued	41,738,948 shares (excluding 6,557 treasury shares)
(iii) Number of shareholders	2,656
(iv) Major shareholders	

Shareholder name	Number of shares	Shareholding ratio
Japan Trustee Services Bank, Ltd. (Trust Account)	2,606,200	6.2%
The Dai-ichi Life Insurance Company, Limited	2,272,000	5.4%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,912,500	4.6%
ANEST IWATA Customer Shareholding Association	1,881,900	4.5%
ANEST IWATA Supplier Shareholding Association	1,827,500	4.4%
Meiji Yasuda Life Insurance Company	1,520,848	3.6%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,105,635	2.6%
Resona Bank, Limited.	1,034,349	2.5%
The Joyo Bank, Ltd.	960,000	2.3%
ANEST IWATA Employee Shareholding Association	899,000	2.2%

(Notes)

- Shareholding ratio is calculated after deducting treasury shares (6,557 shares).
- The Report of Possession of Large Volume (change report) made available for public inspection as of May 8, 2015 by the Mitsubishi UFJ Financial Group, Inc. (consisting of joint holders of the Bank of Tokyo-Mitsubishi UFJ, Ltd., Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., MU Investments Co., Ltd.) states that they hold 2,676,935 shares of the Company in total as of April 27, 2015. However, as the Company is unable to confirm the actual number of shares held by the company at the end of the fiscal year under review, it is not included in the list of major shareholders above.

(2) Company Officers

(i) Directors

Position	Name	Positions, responsibilities and significant concurrent positions
Representative Director	*Takahiro Tsubota	President, Representative Director, Chief Executive Officer Chairman, ANEST IWATA MOTHERSON Pvt. Ltd. Chairman, ANEST IWATA MOTHERSON COATING EQUIPMENT Pvt. Ltd. Representative Director, ANEST IWATA Korea Corp.
Director	*Hiroshi Koga	Executive Vice President Chief Financial & Administrative Officer
Director	*Shinya Tsukamoto	Executive Vice President Chief Operating Officer of Air Energy Business President, ANEST IWATA Shanghai Trading Corporation President, ANEST IWATA FEELER Corporation
Director	*Masato Suzuki	Executive Vice President Chief Operating Officer of Coating Business President, ANEST IWATA (DONGGUAN) Corporation President, ANEST IWATA (SHANGHAI) Corporation President, ANEST IWATA INDUSTRIAL MACHINERY (JIAXING) Co., Ltd. Chairman, ANEST IWATA STRATEGIC CENTER s.r.l.
Director	Kozo Yoneda	Managing Partner, Three Fields, LLC. Independent Director, Takagi, Co., Ltd. Outside Director, FORLIFE Co., Ltd.
Director (Full-time Audit & Supervisory Committee Member)	Hajime Iwata	

Director (Audit & Supervisory Committee Member)	Kyosuke Oshima	
Director (Audit & Supervisory Committee Member)	Masashige Takayama	Representative Partner, Kyowa Audit Corporation Representative Partner, Kyowa Tax Corporation Representative Director, OPI Japan K.K.
Director (Audit & Supervisory Committee Member)	Toshifumi Mori	

(Notes)

- Pursuant to the resolution passed at the 70th Annual General Meeting of Shareholders held on June 28, 2016, the Company transitioned to a Company with Audit & Supervisory Committee as of the same day.
- Directors Kozo Yoneda, Kyosuke Oshima, Masashige Takayama, and Toshifumi Mori are Outside Directors. These four Directors are Independent Directors who are designated as required by the Tokyo Stock Exchange. They have no conflict of interest with general shareholders.
- Mr. Hajime Iwata, Director who is an Audit & Supervisory Committee Member, is a full-time Audit & Supervisory Committee Member.
The Company has elected a full-time Audit & Supervisory Committee Member who is thoroughly familiar with the internal situation of the Company. The Company implements oversight and supervision of audits with the information collected through close communication with Representative Directors, officers responsible for operation execution, Accounting Auditor and the internal audit department, striving to enhance the effectiveness of oversight by the Audit & Supervisory Committee.
- Mr. Masashige Takayama, Director who is an Audit & Supervisory Committee Member, is a certified public accountant and a tax accountant; therefore has considerable knowledge of finance and accounting.
- At the 70th Annual General Meeting of Shareholders held on June 28, 2016, Messrs. Hajime Iwata, Kyosuke Oshima, Masashige Takayama, and Toshifumi Mori were newly elected and assumed office as Directors who are Audit & Supervisory Committee Members.
- Messrs. Kiyoshi Morimoto and Noriyuki Iida resigned as Directors and Mr. Tsutomu Koshigoe resigned as Audit & Supervisory Board Member upon expiration of their terms of offices at the conclusion of the 70th Annual General Meeting of Shareholders held on June 28, 2016.
- The Company has adopted an executive officer system. The Directors marketed with an asterisk (*) concurrently serve as executive officers. Executive officers of the Company as of April 1, 2017 are as follows:

Name	Position
Takahiro Tsubota	President, Representative Director, Chief Executive Officer
Hiroshi Koga	Chief Financial & Administrative Officer
Shinya Tsukamoto	Chief Operating Officer, Air Energy Business
Masato Suzuki	Chief Operating Officer, Coating Business
Kenichi Osawa	General Manager, Fluid Engineering Department Chief Executive Officer, ANEST IWATA (SHANGHAI) Corporation
Nobukazu Kamehara	Representative Director and President, ANEST IWATA COMPRESSOR Corporation
Kouichi Takano	General Manager, Corporate Planning Department
Katsumi Takeda	General Manager, Coating System Department
Takashi Hashimoto	General Manager, Quality Assurance Department
Shinichi Fukase	Factory Manager, Fukushima Factory
Eisuke Miyoshi	Representative Director and President, ANEST IWATA COATING SOLUTIONS Corporation
Marco G. Vicentini	In charge of European operations President, ANEST IWATA STRATEGIC CENTER s.r.l.
Gary Glass	In charge of North American operations President, ANEST IWATA-Medea, Inc.

(ii) Outline of the Agreement on Limitation of Liability

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company entered into an agreement with Outside Directors to limit their liabilities for damages arising from a failure to carry out their duties prescribed in Article 423, Paragraph 1 of the Companies Act.

Under the terms of this agreement, if the outside officer involved has been without knowledge and has not been grossly negligent in performing his or her duties, the officer would be held liable for

damages up to the minimum liability amount prescribed in Article 425, Paragraph 1 of the Companies Act.

(iii) Total Amount of Compensation of Directors and Audit & Supervisory Board Members
(In millions of yen unless otherwise stated)

Category	Number of recipients	Amount
Directors (excluding Audit & Supervisory Committee Members)	8	139
[Outside Directors]	[2]	[7]
Directors (Audit & Supervisory Committee Members)	4	36
[Outside Directors]	[3]	[17]
Audit & Supervisory Board Members	4	6
[Outside Audit & Supervisory Board Members]	[3]	[2]
Total	16	182
[Outside Officers]	[8]	[27]

(Notes)

- The amount of compensation of Directors and employees shown above does not include the amount equivalent to their salaries that they receive as an employee (4 persons, 25 million yen).
- The number of Directors and Audit & Supervisory Board Members above includes three Directors and four Audit & Supervisory Board Members who resigned from their offices at the conclusion of the 70th Annual General Meeting of Shareholders held on June 28, 2016.
- The upper limit of the amount of compensation for Directors (excluding those who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members are 200 million yen per year and 60 million yen per year, respectively, as per the resolution approved at the 70th Annual General Meeting of Shareholders held on June 28, 2016. The upper limit of the amount of compensation for Audit & Supervisory Board Members is 50 million yen as per the resolution approved at the 60th Annual General Meeting of Shareholders held on June 27, 2006.
- Besides the amount above, the amount of compensation paid or is scheduled to be paid during the current fiscal year is 42 million yen paid to two resigning Directors in connection with the abolition of the Directors' Retirement Benefit Plan pursuant to the resolution approved at the 59th Annual General Meeting of Shareholders held on June 28, 2005. The balance of compensation to be paid in connection with the abolition of the Directors' Retirement Benefit Plan outstanding as at the end of the current fiscal year is 9 million yen.

(iv) Policy for the Determination of Compensation for Directors

The compensation of Directors of the Company consists of annual performance-based compensation (Directors' bonuses), the amount of which is determined based on the amount of fixed monthly salary and the amount of consolidated ordinary income within the limit approved by the General Meeting of Shareholders.

The amount of compensation of Directors (excluding Audit & Supervisory Committee Members) is determined by the Board of Directors by resolution after deliberating on the evaluation results by the Compensation Committee, which is chaired by an Outside Director who is an Audit & Supervisory Committee Member, within the limit approved based on the resolution at the General Meeting of Shareholders.

The amount of compensation of Directors who are Audit & Supervisory Committee Members is determined based on mutual consultation among the members of the Audit & Supervisory Committee within the limit approved based on the resolution at the General Meeting of Shareholders.

(v) Matters concerning Outside Officers

(a) Relationship between the Company and the companies in which significant concurrent positions are held

- Director Kozo Yoneda holds significant concurrent positions with the following companies:
 - Managing Partner, Three Fields, LLC.
 - Independent Director, Takagi, Co., Ltd.
 - Outside Director, FORLIFE Co., Ltd.

There is no significant transaction or other relationship between the Company and these companies.

ii. Mr. Masashige Takayama, Director who is Audit & Supervisory Committee Member, holds significant concurrent positions with the following companies:

- Representative Partner, Kyowa Audit Corporation
- Representative Partner, Kyowa Tax Corporation
- Representative Director, OPI Japan K.K.

There is no significant transaction or other relationship between the Company and these companies.

iii. Mr. Kyosuke Oshima and Mr. Toshifumi Mori, Directors who are Audit & Supervisory Committee Members, hold no significant concurrent position with other companies.

(b) Main activities during the current fiscal year

Name	Attendance Meetings attended/ meetings held (Attendance ratio)	Main activities
Kozo Yoneda (Outside Director)	Board of Directors: 15/15 (100%)	He provided his opinions, recommendations, etc., appropriately based on his extensive knowledge and experience accumulated through the involvement in corporate management as a top management executive in several companies. He also served as a member of the Nominating Committee and the Compensation Committee.
Kyosuke Oshima (Outside Director) (Audit & Supervisory Committee Member)	Board of Directors: 15/15 (100%) Audit & Supervisory Committee: 10/10 (100%)	He provided his opinions, recommendations, etc., appropriately based on his extensive knowledge and experience accumulated through the involvement in corporate management in the manufacturing industry for many years. He also served as a member of the Nominating Committee, the Compensation Committee, the Internal Control Committee, and the CSR Committee.
Masashige Takayama (Outside Director) (Audit & Supervisory Committee Member)	Board of Directors: 15/15 (100%) Audit & Supervisory Committee: 10/10 (100%) Audit & Supervisory Board: 5/5 (100%)	He provided his opinions, recommendations, etc., actively based on his knowledge and extensive experience as an accounting and tax expert. He also served as a chairperson of the Nominating Committee and a member of the Compensation Committee.
Toshifumi Mori (Outside Director) (Audit & Supervisory Committee Member)	Board of Directors: 15/15 (100%) Audit & Supervisory Committee: 10/10 (100%) Audit & Supervisory Board: 5/5 (100%)	He provided his opinions, recommendations, etc., appropriately based on his knowledge of corporate management and extensive experience at various companies in Japan and overseas. He also served as a chairperson of the Compensation Committee and a member of the Nominating Committee.

(Notes)

1. The term “Outside Director” in the table above means the Outside Officer as defined in Article 2, Paragraph 3, Item (v) of the Ordinance for Enforcement of the Companies Act.
2. Pursuant to the resolution passed at the 70th Annual General Meeting of Shareholders held on June 28, 2016, the Company transitioned from a Company with Audit & Supervisory Board to a Company with Audit & Supervisory Committee as of the same day.
3. The number of the Board of Directors meetings by written resolutions was excluded.

(3) The Status of Accounting Auditor

- (i) Accounting Auditor's Name Seinan Audit Corporation
- (ii) Accounting Auditor's Compensation, etc. for the current fiscal year
 - a) Accounting Auditor's compensation, etc., for the current fiscal year 28,000 thousand yen
 - b) Total amount of money or other property benefits payable by the Company or its subsidiaries to Accounting Auditor 28,000 thousand yen

(Notes)

1. Audit & Supervisory Committee approved the amount of the Accounting Auditor's compensation, etc., based on the comprehensive evaluation of the appropriateness of the audit structure, audit scope, audit period, etc., stated in the accounting plan summary as well as the comparison with global standard audit level.
2. The audit agreement between the Company and Accounting Auditor does not distinguish the compensation for the audit pursuant to the Companies Act from for the one pursuant to Financial Instruments and Exchange Act, and also actual distinction is not possible; the amount of compensation, etc. for Accounting Auditor for the current fiscal year include the compensation for both audits.
3. The material subsidiaries of the Company that operate overseas are audited by audit corporations or certified public accountants other than the Accounting Auditor of the Company.

(iii) Policy Regarding Decisions to Remove or Not to Re-elect the Accounting Auditor

If the Audit & Supervisory Committee has determined that the Accounting Auditor falls under any of the items of Article 340, Paragraph (1) of the Companies Act, the Audit & Supervisory Committee shall dismiss the Accounting Auditor by unanimous consent of its members.

In addition, in cases where the Audit & Supervisory Committee deemed it necessary to dismiss or not to reappoint the Accounting Auditor because of, for example, his/her difficulty in executing duties, the Audit & Supervisory Committee shall pass a resolution on a proposal to be submitted to the General Meeting of Shareholders for the dismissal or non-reappointment of the Accounting Auditor, which proposal shall be submitted by the Board of Directors to the General Meeting of Shareholders.

(iv) Summary of the Agreement on Limitation of Liability

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has stipulated in its Articles of Incorporation that it may, by resolution of the Board of Directors, exempt its Accounting Auditor prescribed in Article 423, Paragraph 1 of the Companies Act (including a person who was formerly the Accounting Auditor) from its liability for damages to the extent permitted by laws and regulations and has concluded the following liability limitation agreement.

Unless damage is caused on purpose or due to gross negligence by the Accounting Auditor, the Accounting Auditor's liability for damages shall be limited to the amount calculated as 200% of the highest amount among the total amount of compensation and other property benefits received by the Accounting Auditor from the Company as consideration for the execution of duties calculated for each fiscal year.

(4) System to ensure proper business execution and its operation status

The Board of Directors of the Company has approved a resolution concerning the system to ensure proper business execution prescribed by the Companies Act and the Ordinance for Enforcement of the Companies Act. The outline of the system is provided below.

It should also be noted that the Company transitioned from a Company with Audit & Supervisory Board to a Company with Audit & Supervisory Committee on June 28, 2016 and the following description specifically refers to the operation status after the transition. However, the Audit & Supervisory Board had been operated similarly under a similar system also before the transition.

- (i) System to ensure that the Company's Directors and employees execute their duties in compliance with laws and regulations as well as the Articles of Incorporation, policies, internal regulations, etc. of the Company.
 - (a) Directors and employees are required by the rules of employment and the like to comply with laws and regulations, the Articles of Incorporation, internal rules, etc.
 - (b) The Company establishes and ensures compliance with the Action Guidelines and the Code of Conduct as the guidelines for all persons working within the ANEST IWATA Group to behave in a responsible manner.
 - (c) The Company establishes a system by setting a whistleblower hotline "ANEST IWATA Hotline" to

- reduce fraud risk and to detect and address acts that are legally questionable at an early stage. The Company has also established “Proposal Post” which is a contact point for consultation with the Representative Director.
- (d) The Company has a legal department that provides continuous compliance guidance such as training on legal affairs. The Company also has the internal audit department that confirms the effectiveness of such guidance.
- (ii) System to ensure that the execution of duties of the Company’s Directors is efficient
The Company has taken the following measures to ensure efficient business operations through the appropriate allocation of responsibilities among Directors and the proper supervisory functions:
- (a) The Company set up the Organization Regulations to clarify the organizational structure and the duties of each organizational unit and to prescribe the scope of authority of each organization unit.
- (b) The Company set up the Board of Directors Regulations which prescribe regular monthly Board of Directors meetings and extraordinary Board of Directors meetings that are convened as necessary.
- (c) A majority of Directors (five (5) out of nine (9) Directors) are non-executive Directors to strengthen the function of the Board of Directors to supervise the fairness of business execution.
- (iii) System for storage and management of information related to the execution of duties of the Company’s Directors
- (a) The Company set up Document Management Regulations and other internal rules as the guidelines for the storage and management of information (documents, minutes) pertaining to decisions made by the Board of Directors and at other important meetings and information pertaining to important approvals.
- (iv) Regulations or any other systems for the management of risk of loss
- (a) The Company set up the Risk and Crisis Management Regulations for the purpose of identifying and preventing risks as well as preserving the corporate value if risk is materialized. The operation status of these Regulations is reviewed periodically by the Internal Control Committee.
- (b) Based on the Risk and Crisis Management Regulations, etc., the Company established an integrated risk management structure by setting up Crisis Management Committee which is chaired by President, Representative Director, Chief Executive Officer.
- (c) The Regulations prescribes that once an emergency occurs, a meeting of the Crisis Management Committee shall be convened to make prompt and appropriate responses as well as to take measures to prevent any subsequent recurrence.
- (d) The Company strives to enhance customer satisfaction by establishing an independent quality assurance department so as to be able to properly address any defect in the products of the Group.
- (v) System to ensure proper business execution within the Group
- (a) The Company set up the Group Management Regulations as the guidelines for the management of group companies.
- (b) The Crisis Management Committee of the Company will respond to any emergency happening at group companies.
- (c) Divisions in charge of each product category of the Company are responsible for supervising and providing guidance and support.
- (d) Each group company periodically reports its financial conditions, deliberation results of its Board of Directors, etc. to its parent company. The internal audit department of the Company conducts audits of the each group company.
- (vi) Employees who assist the duties of the Audit & Supervisory Committee and the independence of them from Directors who are not Audit & Supervisory Committee Members
Regarding the employees who assist the Audit & Supervisory Committee, the Company prescribes as follows.
- (a) The Audit & Supervisory Committee has the authority to instruct the internal audit department on any necessary matters to have the department assist the duties of the Committee.
- (b) The internal audit department is prohibited from receiving any direction or order from Directors who are not Audit & Supervisory Committee Members with respect to the job duties instructed by the Audit & Supervisory Committee.
- (c) The personnel affairs of the internal audit department shall be conducted by Representative Director subject to the consent of the Audit & Supervisory Committee.
- (vii) System to enable Directors who are not Audit & Supervisory Committee Members and employees

to report any concerns to the Audit & Supervisory Committee, and other system to ensure that the duties of the Audit & Supervisory Committee are executed effectively

In order to ensure that the duties of the Audit & Supervisory Committee are executed effectively, the Company prescribes as follows.

- (a) The Audit & Supervisory Committee shall appoint a full-time Audit & Supervisory Committee Member who has a thorough knowledge of internal circumstances of the Company.
- (b) Directors who are not Audit & Supervisory Committee Members and employees shall report the execution status of their duties and, among others, the following matters to the Audit & Supervisory Committee:
Matters that are important to the management of the Company and its business operations as well as business executions status. Matters that have caused or may cause significant damage to the Company. Monthly financial results. The status of internal audit and internal audit results. Matters that may violate laws and regulations, the Articles of Incorporation, etc. Other matters that are important to the management of the Company.
- (c) Audit & Supervisory Committee Members shall have the authority to attend Board of Directors meetings as well as any other important meetings.
- (d) Audit & Supervisory Committee Members shall have periodic meetings with the Representative Director, the Accounting Auditor and the internal audit department for the exchange of opinions and information, and the Committee can require reports from them as necessary.
- (e) Audit & Supervisory Committee Members may independently conclude contracts with external experts to obtain advice on audit.
- (f) Any and all matters reported through the whistleblower program shall be notified to Audit & Supervisory Committee Members. The Company prohibits any disadvantageous treatment of a whistleblower who made a report through the whistleblower program or directly to an Audit & Supervisory Committee Member.
- (g) The costs required for the execution of duties of Audit & Supervisory Committee Members, including whether to allow temporary payment, shall be determined by the Audit & Supervisory Committee at its discretion.

(Outline of the operation status)

In line with the basic policy described above, the Group manages and operates the system to ensure proper business execution.

The Board of Directors of the Company has held its meetings once or more per month. Outside Directors have also attended them and made comments each time. The Board of Directors of each group company held its meetings at least twice a year. The Chief Operating Officer of Air Energy Business and the Chief Operating Officer of Coating Business who are in charge of the supervision of group companies attended these meetings as appropriate according to their scope of responsibility and reported the results of the deliberation at these meetings to the Board of Directors of the Company. The financial results of each group company have been reported to the Company on a monthly basis.

The Company has redefined its basic management policy, which is built around its corporate motto and management philosophy. The Company has also periodically revised its internal regulations to prevent them from becoming a mere formality. In addition, the Company launched a regulation reform project and started a full revamping of regulations. The internal audit department conducted internal audits based on the annual audit plan and found no indication of significant impropriety in business execution. We continuously disseminate our whistleblower program “ANEST IWATA Hotline” throughout the company and as a result, six reports were made through the program. These reports were appropriately handled including the protection of the whistleblowers. None of them linked to a significant impropriety of business execution. In addition, some requests for consultation were received through our proposal program “Proposal Post.”

The Company transitioned from a Company with Audit & Supervisory Board to a Company with Audit & Supervisory Committee pursuant to the resolution passed at the Annual General Meeting of Shareholders held in June 2016. Until then, meetings of the Audit & Supervisory Board were held on a monthly basis and it is confirmed that Outside Audit & Supervisory Board Members made comments at each meeting. Each Audit & Supervisory Board Member attended and made comments at each meeting of the Board of Directors. It is confirmed that the status of audit was reported to Audit & Supervisory Board Members by the Accounting Auditor. The matters reported through the whistleblower program and the responses to them were all notified to Audit & Supervisory Board Members.

After the transition to a Company with Audit & Supervisory Committee, meetings of the Audit & Supervisory Committee were held on a monthly basis, and comments were made by Outside Directors at each meeting. The Company confirmed that the status of audit was reported to Audit & Supervisory

Committee Members by the Accounting Auditor on a quarterly basis and “three-way audit meetings” were held periodically for the exchange of information among Audit & Supervisory Committee Members, the Accounting Auditor and the internal audit department. The matters reported through the whistleblower program and the responses to them were all notified to Audit & Supervisory Committee Members. In response to the request of Audit & Supervisory Committee Members, three staff members at the internal audit department were appointed as employees who assist the duties of Audit & Supervisory Committee Members and their independence from Directors who are not Audit & Supervisory Committee Members and other employees was guaranteed except for specially assigned audit matters instructed by the Representative Director.

(5) Basic policy on the control of the Company

The outline of the basic policy

Since its founding in 1926, the Company has “taken the customer’s standpoint and delivered products and services with trustworthiness and sincerity,” under our corporate motto of “Trustworthy & Sincere (*Makoto no kokoro*).” Using accumulated experience and knowledge, the Company has striven for quality improvement and technological innovation, and, with the support of our customers, has grown into a company that aims to be a specialist manufacturer of coating equipment, air compressors and vacuum equipment.

The person who control decisions for finance and business operations of the Company shall use experience and knowledge that the Company has accumulated for a long period of time, and the person shall pursue quality improvement and technical innovation to achieve further expansion of business scale and contribution to society, which will lead to long-term enhancement of the Company’s corporate value as well as contribution to the protection and enhancement of the common interests of its shareholders.

The Company recognizes as a listed company that the Company’s shares are freely traded, and that even so-called “hostile takeovers” conducted without the consent of the Board of Directors of the Company should not be denied unconditionally if such action benefits the corporate value and common interests of shareholders. We believe that the acceptance or denial of a large-scale purchase proposed by a specific party should ultimately be decided by shareholders who hold the Company’s shares.

However, among large-scale purchases of shares, there are many that violate the protection and enhancement of the corporate value of the target company and the common interests of its shareholders. Examples of such large-scale purchase of shares include those whose purpose of the purchase deemed significantly detrimental to the corporate value of the target company and the common interests of its shareholders, those that force shareholders to sell their shares in effect, those that do not provide sufficient time or information for the board of directors or the shareholders of the target company to deliberate their purpose of the purchase or for the board of directors to prepare an alternate proposal, those that require the target company to negotiate with the purchaser in order for the target company to attain more favorable terms than the conditions presented by the purchaser. Therefore, with the resolution at the Board of Directors meeting held on May 15, 2007, the Company introduced rules regarding large-scale purchases in order to protect the corporate value of the Company and the common interests of its shareholders, and provides its shareholders time to make an appropriate judgment regarding whether to accept the purchase.

For the details of the introduced rules, please visit the website of the Company (<http://www.anest-iwata.co.jp/>). We propose the continuation of these rules with necessary changes in dates, job positions, etc., but without changing the basic structure. The details of the proposal are provided in Proposal No. 3 “Renewal of the Policy against Large-Scale Purchases of the Company’s Shares (Takeover Defense Measures)” in the “Reference Documents for the General Meeting of Shareholders” of this Notice.

(Amounts and numbers of shares in this Business Report are rounded down to the nearest unit, while ratios are rounded to the nearest unit.)

Consolidated Financial Statements

(April 1, 2016 – March 31, 2017)

Consolidated Balance Sheet

(As of March 31, 2017)

(In thousands of yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets	21,695,774	Current liabilities	7,220,149
Cash and deposits	8,100,275	Notes and accounts payable-trade	3,613,083
Notes and accounts receivable-trade	5,928,211	Short-term loans payable	135,439
Securities	100,000	Current portion of long-term loans payable	57,076
Merchandise and finished goods	3,539,425	Lease obligations	117,401
Work in process	565,978	Income taxes payable	777,695
Raw materials and supplies	1,426,875	Provision for bonuses	577,900
Deferred tax assets	615,783	Provision for directors' bonuses	77,490
Other	1,458,985	Provision for product warranties	227,590
Allowance for doubtful accounts	(39,761)	Other	1,636,472
Non-current assets	17,199,586	Non-current liabilities	3,069,727
Property, plant and equipment	9,094,883	Long-term loans payable	22,880
Buildings and structures	3,324,587	Lease obligations	520,385
Machinery, equipment and vehicles	2,370,537	Deferred tax liabilities	92,769
Land	2,294,180	Net defined benefit liability	2,359,918
Leased assets	559,547	Other	73,772
Construction in progress	242,170		
Other	303,860	Total liabilities	10,289,876
Intangible assets	1,814,534	(Net assets)	
Goodwill	812,395	Shareholders' equity	26,047,751
Software	546,144	Capital stock	3,354,353
Other	455,994	Capital surplus	1,324,472
Investments and other assets	6,290,167	Retained earnings	21,374,203
Investment securities	5,343,468	Treasury shares	(5,277)
Long-term loans receivable	28,317	Accumulated other comprehensive income	671,019
Deferred tax assets	283,687	Valuation difference on available-for-sale securities	707,129
Net defined benefit asset	408,167	Foreign currency translation adjustment	222,079
Long-term deposits	73,887	Remeasurements of defined benefit plans	(258,189)
Other	163,367	Non-controlling interests	1,886,713
Allowance for doubtful accounts	(10,728)		
Total assets	38,895,360	Total net assets	28,605,483
		Total liabilities and net assets	38,895,360

Consolidated Statement of Income

(April 1, 2016 - March 31, 2017)

(In thousands of yen)

Description	Amount	
Net sales		29,548,526
Cost of sales		16,557,815
Gross profit		12,990,711
Selling, general and administrative expenses		9,257,536
Operating income		3,733,175
Non-operating income		476,624
Interest income	47,701	
Dividend income	64,371	
Share of profit of entities accounted for using equity method	170,488	
Other	194,063	
Non-operating expenses		70,721
Interest expenses	11,682	
Foreign exchange losses	27,261	
Other	31,778	
Ordinary income		4,139,078
Extraordinary income		908,913
Gain on step acquisitions	450,328	
Gain on sales of non-current assets	2,286	
Gain on sales of investment securities	49,948	
Subsidy income	406,300	
Other	50	
Extraordinary losses		122,743
Impairment loss	106,746	
Loss on sales of non-current assets	1,645	
Loss on disposal of non-current assets	3,661	
Other	10,689	
Profit before income taxes		4,925,249
Income taxes-current	1,387,227	
Income taxes-deferred	30,386	1,417,613
Profit		3,507,635
Profit attributable to non-controlling interests		106,736
Profit attributable to owners of parent		3,400,898

Consolidated Statement of Changes in Equity

(April 1, 2016 - March 31, 2017)

(In thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,354,353	1,348,016	18,838,013	(5,159)	23,535,222
Cumulative effects of changes in accounting policies			11,811		11,811
Restated balance	3,354,353	1,348,016	18,849,824	(5,159)	23,547,034
Changes of items during period					
Dividends of surplus			(876,519)		(876,519)
Profit attributable to owners of parent			3,400,898		3,400,898
Purchase of treasury shares				(118)	(118)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(23,544)			(23,544)
Net changes of items other than shareholders' equity					
Total changes of items during period		(23,544)	2,524,379	(118)	2,500,717
Balance at end of current period	3,354,353	1,324,472	21,374,203	(5,277)	26,047,751

(In thousands of yen)

	Accumulated Other Comprehensive Income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	406,256	651,137	(226,852)	830,540	1,152,971	25,518,735
Cumulative effects of changes in accounting policies						11,811
Restated balance	406,256	651,137	(226,852)	830,540	1,152,971	25,530,546
Changes of items during period						
Dividends of surplus						(876,519)
Profit attributable to owners of parent						3,400,898
Purchase of treasury shares						(118)
Change in treasury shares of parent arising from transactions with non-controlling shareholders						(23,544)
Net changes of items other than shareholders' equity	300,872	(429,057)	(31,336)	(159,521)	733,741	574,219
Total changes of items during period	300,872	(429,057)	(31,336)	(159,521)	733,741	3,074,936
Balance at end of current period	707,129	222,079	(258,189)	671,019	1,886,713	28,605,483

Non-Consolidated Financial Statements

(April 1, 2016 – March 31, 2017)

Non-Consolidated Balance Sheet

(As of March 31, 2017)

(In thousands of yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets	11,193,193	Current liabilities	4,064,358
Cash and deposits	4,117,260	Accounts payable-trade	1,835,495
Accounts receivable-trade	3,215,912	Lease obligations	117,401
Securities	100,000	Accounts payable-other	726,576
Merchandise and finished goods	1,307,603	Income taxes payable	511,477
Work in process	482,013	Deposits received	24,737
Raw materials and supplies	736,264	Provision for bonuses	459,805
Deferred tax assets	304,729	Provision for directors' bonuses	77,490
Other	929,409	Provision for product warranties	225,759
Non-current assets	17,443,019	Other	85,615
Property, plant and equipment	6,177,931	Non-current liabilities	2,355,378
Buildings	2,098,045	Lease obligations	520,385
Structures	203,618	Provision for retirement benefits	1,816,403
Machinery and equipment	1,726,767	Other	18,588
Vehicles	682	Total liabilities	6,419,736
Tools, furniture and fixtures	109,778	(Net assets)	
Land	1,443,861	Shareholders' equity	21,509,347
Leased assets	559,547	Capital stock	3,354,353
Construction in progress	35,630	Capital surplus	1,380,380
Intangible assets	570,261	Legal capital surplus	1,380,380
Leasehold right	790	Retained earnings	16,779,891
Software	533,642	Legal retained earnings	838,588
Other	35,829	Other retained earnings	15,941,303
Investments and other assets	10,694,826	General reserve	9,700,000
Investment securities	3,983,201	Retained earnings brought forward	6,241,303
Shares of subsidiaries and associates	2,334,628	Treasury shares	(5,277)
Investments in capital	1,200	Valuation and translation adjustments	707,129
Investments in capital of subsidiaries and associates	1,707,708	Valuation difference on available-for-sale securities	707,129
Long-term loans receivable from subsidiaries and associates	2,185,817		
Long-term prepaid expenses	337		
Prepaid pension costs	359,440		
Deferred tax assets	157,041		
Other	116,176		
Allowance for doubtful accounts	(150,725)	Total net assets	22,216,476
Total assets	28,636,213	Total liabilities and net assets	28,636,213

Non-Consolidated Statement of Income

(April 1, 2016 - March 31, 2017)

(In thousands of yen)

Description	Amount	
Net sales		16,379,885
Cost of sales		10,521,635
Gross profit		5,858,249
Selling, general and administrative expenses		3,938,043
Operating income		1,920,205
Non-operating income		663,598
Interest income	32,605	
Dividend income	401,999	
Technical support fee	128,005	
Other	100,988	
Non-operating expenses		275,180
Interest expenses	5,667	
Foreign exchange losses	100,278	
Provision of allowance for doubtful accounts	130,440	
Other	38,794	
Ordinary income		2,308,623
Extraordinary income		517,682
Gain on sales of investment securities	49,948	
Gain on extinguishment of tie-in shares	61,433	
Subsidy income	406,300	
Extraordinary losses		284,002
Loss on disposal of non-current assets	3,145	
Loss on valuation of shares of subsidiaries and associates	270,167	
Other	10,689	
Profit before income taxes		2,542,303
Income taxes-current	725,967	
Income taxes-deferred	31,042	
Profit		1,785,292

Non-Consolidated Statement of Changes in Equity

(April 1, 2016 - March 31, 2017)

(In thousands of yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Total capital surplus		Other retained earnings		
					General reserve	Retained earnings brought forward	
Balance at beginning of current period	3,354,353	1,380,380	1,380,380	838,588	9,700,000	5,320,718	15,859,307
Cumulative effects of changes in accounting policies						11,811	11,811
Restated balance	3,354,353	1,380,380	1,380,380	838,588	9,700,000	5,332,529	15,871,118
Changes of items during period							
Dividends of surplus						(876,519)	(876,519)
Profit						1,785,292	1,785,292
Purchase of treasury shares							
Net changes of items other than shareholders' equity							
Total changes of items during period						908,773	908,773
Balance at end of current period	3,354,353	1,380,380	1,380,380	838,588	9,700,000	6,241,303	16,779,891

(In thousands of yen)

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(5,159)	20,588,881	406,256	406,256	20,995,137
Cumulative effects of changes in accounting policies		11,811			11,811
Restated balance	(5,159)	20,600,692	406,256	406,256	21,006,948
Changes of items during period					
Dividends of surplus		(876,519)			(876,519)
Profit		1,785,292			1,785,292
Purchase of treasury shares	(118)	(118)			(118)
Net changes of items other than shareholders' equity			300,872	300,872	300,872
Total changes of items during period	(118)	908,655	300,872	300,872	1,209,528
Balance at end of current period	(5,277)	21,509,347	707,129	707,129	22,216,476