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Securities Code: 5988

June 9, 2017

To Our Shareholders:

51 Iwai-cho, Hodogaya-ku,  
Yokohama-shi, Kanagawa

**Piolax, Inc.**

Yukihiko Shimazu, President

## **Notice of the 101st Annual Meeting of Shareholders**

The Company would hereby like to request shareholders to attend the Company's 101st Annual Meeting of Shareholders as described below.

**If you are unable to attend the meeting on the date, you may also exercise your voting rights in writing. We kindly request you to read the following Reference Document for the Annual Meeting of Shareholders, indicate "for" or "against" on each agenda item on the voting form enclosed herewith, and return it no later than the end of business at 5:30 p.m., June 27, 2017 (Tuesday).**

Sincerely yours,

- 1. Date:** 10:00 a.m., June 28 (Wednesday), 2017
- 2. Venue:** 4F Hall, Yokohama Technical Center, Piolax, Inc.  
179 Kariba-cho, Hodogaya-ku, Yokohama-shi, Kanagawa
- 3. Purposes:**
  - Items to be reported:**
    1. The Business Report, the Consolidated Financial Statements and the Results of Consolidated Financial Statement Audits by the Accounting Auditor and the Audit and Supervisory Committee for the 101st business period (April 1, 2016 to March 31, 2017)
    2. The Non-Consolidated Financial Statements for the 101st business period (April 1, 2016 to March 31, 2017)
  - Items to be resolved:**
    - Agenda No. 1:** Appropriation of Retained Earnings
    - Agenda No. 2:** Election of Four (4) Directors (excluding Directors who are Audit and Supervisory Committee Members)
    - Agenda No. 3:** Decision on Amount and Specifics of Stock-based Compensation for Directors

- When you attend the meeting, we kindly request that you submit the enclosed voting form to the receptionist at the venue. Please also bring this notice to the meeting with you to help us preserve resources.
- Of the matters to be included in this notice, the following matters are not listed in this notice, but are put on the Company's website (<http://www.piolax.co.jp/en/>) in accordance with laws and regulations and the provisions of Article 19 of the Company's Articles of Incorporation.
  - Notes to the Consolidated Financial Statements
  - Notes to the Non-Consolidated Financial Statements
- The Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Audit and Supervisory Committee and Accounting Auditors in the preparation of the Auditor's Report and the Accounting Auditor's Report respectively include the matters stated in the document attached to this notice. They also include matters to be reported in the Notes to the Consolidated Financial Statements and Notes to the Non-Consolidated Financial Statements.
- If there are any revisions to the Reference Document for the Annual Meeting of Shareholders, the Business Report, and/or the Non-Consolidated and the Consolidated Financial Statements, such revisions will be listed on the Company's website. (URL: <http://www.piolax.co.jp/en/>)

# Reference Document for the Annual Meeting of Shareholders

## Meeting Agenda and Referential Matters

### Agenda No. 1: Appropriation of Retained Earnings

The Company's fundamental policy on the appropriation of profits is to execute balanced management on steady returns of earnings to shareholders and adequate internal reserves to strengthen the business foundations. Based on this policy, the Company proposes the year-end dividends and the appropriation of other retained earnings for the fiscal year under review as follows.

#### 1. Year-end Dividend

- (1) Type in which dividends are paid

Cash payment

- (2) Allocation of dividends and total amount of dividends

The Company would like to disburse 60.00 yen per common share of the Company.

In this case, the total amount of dividends shall be 740,478,360 yen.

As a result, the dividends on an annual basis will be 100.00 yen per share including the interim dividends of 40.00 yen per share.

- (3) Effective date on which dividends are disbursed from retained earnings

June 29, 2017

#### 2. Appropriation of Other Retained Earnings

- (1) Increased retained earning item and its amount

General reserve 3,800,000,000 yen

- (2) Reduced retained earning item and its amount

Retained earnings brought forward 3,800,000,000 yen

**Agenda No. 2: Election of Four (4) Directors (excluding Directors who are Audit and Supervisory Committee Members)**

The term of office of all four (4) Directors (excluding Directors who are Audit and Supervisory Committee Members; hereinafter the same applies in this agenda) will expire upon conclusion of this Annual Meeting of Shareholders.

Accordingly, the Company hereby proposes the election of four (4) Directors.

The Audit and Supervisory Committee confirmed that, after reviewing this agenda, it found no areas in need of attention.

The candidates for Directors are as follows.

Candi date No.	Name (Date of birth)	Brief profile, position and responsibility at the Company (Significant concurrent positions)	Number of the Company's shares owned
1	Kazuhiko Kato (April 12, 1940)	October 1966    Joined Piolax, Inc. November 1968    Director General Manager, Materials Department, Piolax, Inc. June 1977        Managing Director, Piolax, Inc. June 1984        President, Piolax, Inc. April 2010        Chairman, Piolax, Inc. (incumbent)	335,000
	Reason for the election: As President and Representative Director of the Company during the period from June 1984 to March 2010, Mr. Kazuhiko Kato led the Company toward growth and has made contributions as a keystone for the formation of the corporate culture of the Company. After assuming the position of Chairman and Representative Director of the Company in April 2010, Mr. Kato served as Chairman and Director of the Company's subsidiary specializing in the manufacture of medical devices from January 2011 to June 2016 and has provided the Group with a broad range of directions needed to implement business strategies. The Company believes that Mr. Kato would continue to make use of his abundant experience, considerable insight and extensive networks gained over the years for contributing to decision-making at the Board of Directors and bringing benefits for business development on a global scale and improvement in corporate value. Accordingly, the Company proposes that he be a candidate for Director.		

Candi date No.	Name (Date of birth)	Brief profile, position and responsibility at the Company (Significant concurrent positions)	Number of the Company's shares owned
2	Yukihiko Shimazu (September 10, 1957)	<p>March 1981      Joined Piolax, Inc.</p> <p>July 1999        General Manager, Overseas Sales Department, Piolax, Inc.</p> <p>August 2001    President, Piolax Corporation</p> <p>June 2005        Director, Piolax, Inc.</p> <p>June 2006        Director General Manager, Overseas Sales Department, Piolax, Inc.</p> <p>April 2010      President, Piolax, Inc. (incumbent) (Responsibility) Supervision of Sales Department (Significant concurrent positions) CEO, Wuhan Piolax Co., Ltd. CEO, Dongguan Piolax Co., Ltd.</p>	15,700
<p>Reason for the election:</p> <p>Mr. Yukihiko Shimazu served as President and Representative Director of the Company from April 2010 up to the present and has led domestic and overseas the Company group companies under the slogan, "ONE PIOLAX," toward growth. He had undertaken the role of President of the U.S. subsidiary of the Company from August 2001 to May 2006, and currently has the concurrent position of CEO (Chairman) of two Chinese subsidiaries of the Company, thus having made contributions to transforming the Company as a global entity.</p> <p>The Company believes that Mr. Shimazu would continue to make use of his abundant experience, considerable insight and extensive networks gained over the years for contributing to decision-making of the Board of Directors, and bringing benefits for business development on a global scale as well as improvement in corporate value of the Company. Accordingly, the Company proposes that he be a candidate for Director.</p>			

Candi date No.	Name (Date of birth)	Brief profile, position and responsibility at the Company (Significant concurrent positions)	Number of the Company's shares owned
3	Michio Nagamine (March 15, 1957)	<p>April 1979      Joined Japan Development Bank (current Development Bank of Japan Inc.)</p> <p>June 2003      General Manager, Information Resources Department, Development Bank of Japan Inc.</p> <p>June 2007      Advisor, Piolax, Inc.</p> <p>July 2007      Advisor General Manager, ERP Promotion Department, Piolax, Inc.</p> <p>April 2008      Advisor General Manager, Purchasing Department, Piolax, Inc.</p> <p>June 2008      Director General Manager, Purchasing Department, Piolax, Inc.</p> <p>June 2012      Director General Manager, HR Office, Piolax, Inc.</p> <p>April 2013      Managing Director General Manager, HR Office, Piolax, Inc.</p> <p>April 2015      Managing Director, Piolax, Inc. (incumbent)</p> <p>(Responsibility) Supervision of Planning and Administration Department, Purchasing Department, Information Technology Department, and affiliated companies</p>	-
<p>Reason for the election:</p> <p>Mr. Michio Nagamine has served as Managing Director of the Company since April 2013 up to the present, and contributed to the growth of the Company by undertaking roles as General Manager responsible for Planning and Administration, Purchasing, and Information Technology Departments, as well as operations of the affiliates of the Company. He has gained considerable knowledge and insight in IT and finance fields through managerial jobs including the management of Development Bank of Japan Inc. prior to joining the Company in June 2007.</p> <p>The Company believes that Mr. Nagamine would continue to make use of his abundant experience, sufficient insight and extensive networks gained over the years for contributing to decision-making of the Board of Directors, and bringing benefits for business development on a global scale as well as improvement in corporate value of the Company. Accordingly, the Company proposes that he be a candidate for Director.</p>			

Candidate No.	Name (Date of birth)	Brief profile, position and responsibility at the Company (Significant concurrent positions)	Number of the Company's shares owned
4	Seiichi Sato (May 31, 1955)	<p>March 1978      Joined Piolax, Inc.</p> <p>October 2002    President, Piolax OC Systems Co., Ltd.</p> <p>April 2004      Executive Officer, Piolax, Inc. President, Piolax OC Systems Co., Ltd.</p> <p>June 2011      Managing Executive Officer Director General Manager, Design Department, Piolax, Inc.</p> <p>June 2014      Managing Director General Manager, Design Department, Piolax, Inc. (incumbent)</p> <p>(Responsibility) Supervision of Design Department, Production and Logistics Department, and Quality Assurance Department</p>	8,500
<p>Reason for the election:</p> <p>Mr. Seiichi Sato has served as Managing Director of the Company since June 2014 up to the present, and contributed to the growth of the Company by undertaking roles as General Manager responsible for Design, Production and Logistics, and Quality Assurance Departments. He also gained managerial experience through the role as President of the Company's subsidiary from October 2002 to September 2005 and accumulated knowledge and insight in the fields of finance as well as design and production.</p> <p>The Company believes that Mr. Sato would continue to make use of his abundant experience, sufficient insight and extensive networks gained over the years for contributing to decision-making of the Board of Directors, and bringing benefits for business development on a global scale as well as improvement in corporate value of the Company. Accordingly, the Company proposes that he be a candidate for Director.</p>			

- Notes: 1. There are no special conflicts of interests between the candidates and the Company.  
2. The number of the Company's shares held by each candidate is current as of March 31, 2017.

### **Agenda No. 3: Decision on Amount and Specifics of Stock-based Compensation for Directors**

#### 1. Reason for proposal and rationale for the compensation

Remuneration of Directors (excluding Directors who are External Directors or Audit and Supervisory Committee Members; hereinafter the same applies in this agenda) consists of a basic remuneration and a bonus. Under this agenda, the Company propose to implement a new stock compensation plan for Directors (hereinafter the “Plan”). The Company also asks you to leave the specifics of the Plan to the discretion of the Board of Directors within the scope described in 2 below.

Designed to clearly link the Company’s stock value with Directors’ remuneration, the Plan will allow Directors to not only receive the benefits of a stock price increase but also share the risks associated with a fall in the stock price. By allowing Directors to share the benefits and risks of stock price fluctuations on an equal footing with shareholders, the Plan aims to motivate them in enhancing the Company’s performance and corporate value over the medium to long run. Once the Plan is implemented, remuneration of Directors will consist of the basic remuneration, bonus, and stock compensation. The Company believes that the implementation of the Plan is reasonable.

Specifically, the Company requests your approval to go beyond the remuneration limit set for Directors (up to 250 million yen per year) that was approved at the 100th Annual Meeting of Shareholders held on June 28, 2016 in providing new stock compensation to Directors who will in office during seven (7) years from the fiscal year ending March 31, 2018 until the fiscal year ending March 31, 2024 (hereinafter the “Plan Period”).

Once “Agenda No. 2: Election of Four (4) Directors (excluding Directors who are Audit and Supervisory Committee Members)” is approved as drafted, the number of Directors who are eligible for the Plan will be 4 (four) upon conclusion of this Annual Meeting of Shareholders.

The Audit and Supervisory Committee confirmed that, after reviewing this agenda, it found no areas in need of attention.

#### 2. Amount and specifics of remuneration to be paid under the Plan

##### (1) Overview of the Plan

The Plan is a stock compensation plan under which a trust created using the money contributed by the Company (hereinafter the “Trust”) will acquire the Company’s shares. These shares will be granted to eligible Directors through the Trust in a quantity equivalent to the number of points the Company will have awarded them. As a general rule, such shares will be granted to Directors upon their retirement. Please see “For Your Reference” below for more information about the Plan.

##### (2) Maximum amount of money to be contributed by the Company

The duration of the Trust will initially be seven (7) years. During this period, the Company will contribute up to 560 million yen to the Trust. The money will be used to acquire the necessary number of the Company’s shares to be granted to those Directors who meet certain beneficiary eligibility requirements, under the Plan, as remuneration for those who are in office during the Plan Period. The Trust will use the money deposited by the Company as the source of funds to acquire the Company’s shares either through the stock market (including off-floor trading) or via disposal of its treasury shares.



Note: The actual amount of money to be deposited in trust by the Company will be the sum of the above-mentioned funds used to acquire shares and for the estimated amount of necessary expenses, including a trust fee and a trust administrator fee.

Upon expiration of the trust period, the Company's Board of Directors may resolve to retain the Plan by extending the said period. In such a case, the Company will contribute up to 80 million yen annually to the Trust during the extended period as funds for acquiring additional shares of the Company to be granted to Directors under the Plan. At the same time, in response to the continuation of the Plan and the extension of the trust period, the Company will extend the duration of the Plan Period and continue awarding points as described in (3)(i) below, as well as granting the Company's shares as described in (4) below during the extended trust period.

However, even in the case where the Company does not continue to award the points, if there is any Director who has been awarded points but has not yet retired upon expiration of the trust period, the Company may extend the period of the Trust until he/she retires and has been granted the Company's shares in full.

(3) Method of calculating the number of shares to be granted to Directors and the upper limit

(i) Method of awarding points to Directors and maximum number of points to be awarded

Pursuant to the stock grant rules stipulated by the Board of Directors, the Company will award points to Directors at the end of each May during the trust period. The number of points to be awarded will be calculated according to the position held by each Director in the fiscal year ending immediately before the said date.

The total number of points the Company will award to Directors in each fiscal year will not exceed 60,000.

(ii) Granting of the Company's shares according to the number of points awarded

In accordance with the procedures described in (4) below, eligible Directors will be granted the Company's shares in the quantity corresponding to the number of points awarded to them pursuant to (i) above.

The number of the Company's shares to be granted to each Director will be the number of points awarded to him/her multiplied by 1.0 (provided, however, that in the event of a share split, reverse share split, or any other cause for which it would be considered reasonable to adjust the number of the Company's shares to be granted, the said number of shares will be adjusted to the extent reasonable depending on the split or reverse split ratio, etc.).

(4) Granting of the Company's shares to Directors

After following the prescribed procedures to confirm his/her eligibility as a beneficiary upon his/her retirement, each eligible Director will be granted the Company's shares by the Trust as described in (3) above. An eligible Director may receive a certain percentage of these shares in money in lieu of shares after they are sold and converted into cash by the Trust.

An eligible Director may also receive money instead of shares if the Company's shares held in the Trust have been sold through a takeover bid, or in other circumstances where the Company's shares held in the Trust have been converted into cash.

(For Your Reference)

(Excerpt from "Notice Concerning the Introduction of a New Stock Compensation Plan for Directors of the Company," dated May 11, 2017)

Notice Concerning the Introduction of a New Stock Compensation Plan  
for Directors of the Company

PIOLAX, Inc. resolved at the Board of Directors' meeting held today to introduce a new stock compensation plan (hereinafter the "Plan") for its Directors (excluding Directors who are External Directors or Audit and Supervisory Committee Members; hereinafter the same applies) using a trust. Accordingly, the Company will propose the introduction of the Plan at the 101st Annual Meeting of Shareholders to be held on June 28, 2017 (hereinafter the "Annual Meeting of Shareholders"). Details are as noted below.

1. Purpose of the Plan

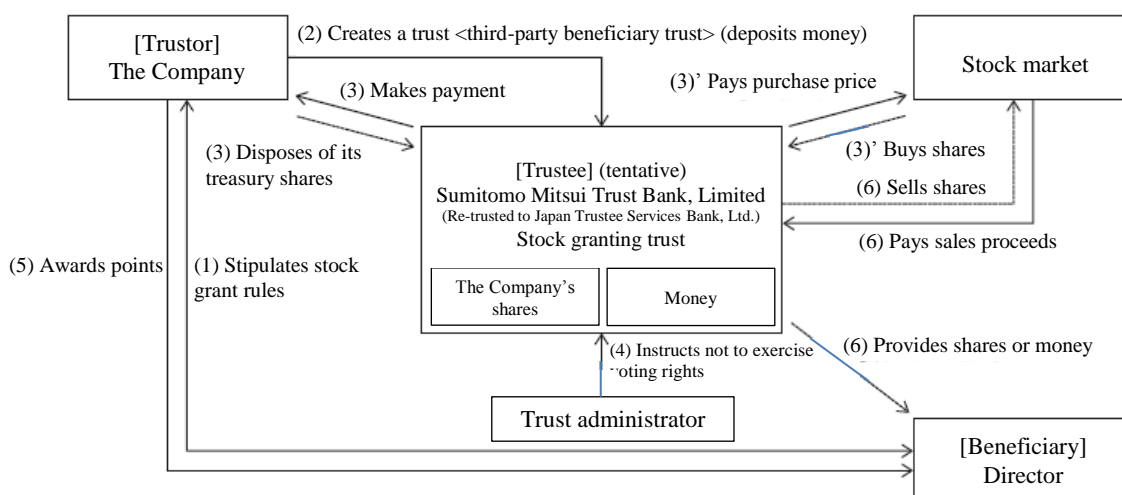
Designed to clearly link the Company's stock value with Directors' remuneration, the Plan will allow Directors to not only receive the benefits of a stock price increase but also share the risks associated with a fall in the stock price. By allowing Directors to share the benefits and risks of stock price fluctuations on an equal footing with shareholders, the Plan aims to motivate them in enhancing the Company's performance and corporate value over the medium to long run.

2. Overview of the Plan

(1) Overview of the Plan

The Plan is a stock compensation plan under which a trust created using the money contributed by the Company (hereinafter the "Trust") will acquire the Company's shares. These shares will be granted to eligible Directors through the Trust in a quantity equivalent to the number of points the Company will have awarded them. As a general rule, such shares will be granted to Directors upon their retirement.

<Framework of the Plan>



- (1) The Company will stipulate stock grant rules applicable to Directors.
- (2) The Company will create a stock granting trust (third-party beneficiary trust) of which Directors will be beneficiaries (hereinafter the “Trust”). In doing so, the Company will leave money with a trustee in an amount equivalent to the sum of funds needed to acquire shares (up to an amount approved at the Annual Meeting of Shareholders).
- (3) The trustee will acquire all of the Company’s shares that are expected to be granted to Directors (either by way of a disposal of treasury shares or through the stock market, including off-floor trading).
- (4) The Company will appoint a trust administrator (a party independent of the Company and its Directors), who will be responsible for protecting the interests of the beneficiaries subject to the stock grant rules and supervising the trustee over the duration of the trust period. Voting rights associated with the Company’s shares held in the Trust may not be exercised during the duration of the trust period.
- (5) The Company will award points to Directors in accordance with the stock grant rules.
- (6) As beneficiaries of the Trust, the Directors who meet the requirements specified in the stock grant rules and the agreement concerning the Trust will receive the Company’s shares from the trustee in the quantity equivalent to the cumulative number of points they have earned. In certain circumstances, as specified in the stock grant rules and the trust agreement, the Company will sell a portion of the shares to be granted to Directors in the stock market and provide them with cash instead. The Sumitomo Mitsui Trust Bank, Limited, who will serve as the trustee under the Plan, will entrust (re-trust) the management of trust assets to Japan Trustee Services Bank, Ltd.

(2) Creation of a trust

On the condition that the proposed introduction of the Plan be approved at the Annual Meeting of Shareholders, the Company will create the Trust by contributing the funds necessary for the Trust to acquire, in advance for a certain specific period of time, such number of the Company's shares as is reasonably expected to be required for granting in accordance with (7) below. As noted in (5) below, the Trust will acquire the Company's shares by using the funds contributed by the Company.

The Sumitomo Mitsui Trust Bank, Limited, who will serve as the trustee under the Plan, will entrust (re-trust) the management of trust assets to Japan Trustee Services Bank, Ltd.

(3) Trust period

The trust period will be approximately seven (7) years from August 2017 (planned) to August 2024 (planned). The trust period may be extended as noted in (4) below.

(4) The maximum amount of money to be contributed to the Trust as funds for acquiring shares

The duration of the Trust will initially be seven (7) years. During this period the Company will contribute up to 560 million yen to the Trust. The money will be used to acquire the necessary number of the Company's shares to be granted to those Directors who meet certain beneficiary eligibility requirements, under the Plan, as remuneration for those who are in office during the Plan Period. The Trust will use the money deposited by the Company as the source of funds to acquire the Company's shares either through the stock market (including off-floor trading) or via disposal of its treasury shares.

Note: The actual amount of money to be deposited in trust by the Company will be the sum of the above-mentioned funds used to acquire shares and for the estimated amount of necessary expenses, including a trust fee and a trust administrator fee.

Upon expiration of the trust period, the Company's Board of Directors may resolve to retain the Plan by extending the said period. In such a case, the Company will contribute up to 80 million yen annually to the Trust during the extended period as funds for acquiring additional shares of the Company to be granted to Directors under the Plan. At the same time, in response to the continuation of the Plan and the extension of the trust period, the Company will extend the duration of the Plan Period, and continue awarding points as described in (6) below, as well as granting the Company's shares as described in (7) below during the extended trust period.

However, even in the case where the Company does not continue to award the points, if there is any Director who has been awarded points but has not yet retired upon expiration of the trust period, the Company may extend the period of the Trust until he/she retires and has been granted the Company's shares in full.

(5) Method the Trust will use to acquire the Company's shares

The Company plans to have the Trust initially acquire the Company's shares via a disposal of treasury shares held by the Company or on the stock market using up to the maximum amount of the funds for acquiring shares described in (4) above. The details of the acquisition method will be decided and made publicly available after the resolution has been made at the Annual Meeting of Shareholders.

When there is a likelihood that the number of the Company's shares in the Trust will be short of the number of shares corresponding to the number of points to be awarded to Directors during the trust period, due to an increase in the number of Directors or other reasons, the Company may deposit additional money into the Trust so it can acquire additional shares. The maximum amount of the additional money to be deposited in the Trust will be the amount to be approved at the Annual Meeting of Shareholders as stated in (4) above.

(6) Method of calculating points to be awarded to Directors

Pursuant to the stock grant rules stipulated by the Board of Directors, the Company will award points to Directors at the end of each May during the trust period. The number of points to be awarded will be calculated according to the criteria set forth in the stock grant rules.

The total number of points the Company will award to Directors in each fiscal year will not exceed 60,000.

(7) Granting of the Company's shares to Directors

The number of the Company's shares to be granted to each Director will be the number of points awarded to him/her multiplied by 1.0 (provided, however, that in the event of a share split, reverse share split, or any other cause for which it would be considered reasonable to adjust the number of the Company's shares to be granted, the said number of shares will be adjusted to the extent reasonable depending on the split or reverse split ratio, etc.).

Each eligible Director will be granted the Company's shares by the Trust after following the prescribed procedures to confirm his/her eligibility as a beneficiary upon his/her retirement. An eligible Director may receive a certain percentage of these shares in money in lieu of shares after they are sold and converted into cash by the Trust. An eligible Director may also receive money instead of shares if the Company's shares held in the Trust have been sold through a takeover bid, or in other circumstances where the Company's shares held in the Trust have been converted into cash.

(8) Exercise of voting rights

In accordance with the instructions of the trust administrator who will be independent of the Company and its Directors, the voting rights associated with the shares held in the Trust shall not be exercised without exception. This will assure the neutrality of the Company's management in relation to exercising voting rights associated with these shares.

(9) Handling of dividends

Dividends for the Company's shares held in the Trust will be received by the Trust and will be used to pay for the acquisition of the Company's shares, trustee fees, etc.

(10) Procedures to be followed upon termination of the Trust

Of the assets remaining in the Trust upon its termination, the Company plans to acquire all of the remaining shares at no charge and then, retire them by resolution of the Board of Directors. Of the assets remaining in the Trust upon its termination, the Company plans to donate a certain amount of remaining cash to special public-interest promotion corporations that have no conflict of interest with the Company's Directors in accordance with the provisions to be stipulated in the stock grant rules and the trust agreement.

(For Your Reference: Overview of the Trust)

- (i) Name: Stock Granting Trust for Directors
- (ii) Trustor: The Company
- (iii) Trustee: Sumitomo Mitsui Trust Bank, Limited  
(Re-trusted to Japan Trustee Services Bank, Ltd.)
- (iv) Beneficiaries: Directors who meet the eligibility requirements
- (v) Trust administrator: A third party who has no conflict of interest with the Company will be selected.
- (vi) Type of trust: Trust fund other than a monetary trust (third-party beneficiary trust)
- (vii) Date of trust agreement: August 2017 (planned)
- (viii) Date when funds will be put in trust: August 2017 (planned)
- (ix) Trust period: August 2017 (planned) to August 2024 (planned)