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Securities identification code: 6376

March 8, 2019

To our shareholders:

Toshihiko Kai
President & Representative Director
NIKKISO CO., LTD.
4-20-3 Ebisu, Shibuya-ku, Tokyo

NOTICE OF THE 78TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 78th Ordinary General Meeting of Shareholders of NIKKISO CO., LTD. (the “Company”), which will be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights by postal mail or via the Internet (see Page 3). Please indicate your approval or disapproval of the proposals on the enclosed voting form after reviewing the attached Reference Documents for the General Meeting of Shareholders, and return it by postal mail or via the Internet to reach us no later than 5:30 p.m., Wednesday, March 27, 2019 (Japan Standard Time).

Meeting Details

- 1. Date and time:** Thursday, March 28, 2019, at 10:00 a.m. (Japan Standard Time)
(The reception desk will open from 9:00 a.m.)
- 2. Venue:** Nikkiso Higashimurayama Plant, R&D Center
Multi-Purpose Bldg. 7F, Conference Room
2-16-2 Noguchi-cho, Higashimurayama-shi, Tokyo
- 3. Purposes:**
Items to be reported:
 1. Business Report and Consolidated Financial Statements for the 78th Term (from January 1, 2018 to December 31, 2018), as well as the results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
 2. Non-Consolidated Financial Statements for the 78th Term (from January 1, 2018 to December 31, 2018)**Items to be resolved:**
 - Proposal 1:** Reduction of Capital Reserves
 - Proposal 2:** Election of eight (8) Directors
 - Proposal 3:** Election of two (2) Audit & Supervisory Board Members

4. Other decisions concerning convocation of this General Meeting of Shareholders

(1) Voting by postal mail	Please follow the “Instructions on How to Exercise Voting Rights” (Page 3), indicate your approval or disapproval of each proposal on the enclosed voting form, and return it by mail to reach us by the below deadline. Wednesday, March 27, 2019, at 5:30 p.m. (Japan Standard Time)
(2) Voting via the Internet	Please follow the “When exercising your voting rights via the Internet” (Page 4, Japanese only), and exercise your voting rights by the below deadline from the voting website designated by the Company (https://www.web54.net). Wednesday, March 27, 2019, at 5:30 p.m. (Japan Standard Time)
(3) Voting by multiple methods such as by postal mail and via the Internet	If you have exercised your voting rights through multiple methods such as by postal mail and via the Internet, etc., the vote that has reached the Company last shall be deemed effective. However, if voting rights are exercised by postal mail and via the Internet on the same date, the exercise of voting rights via the Internet shall be deemed effective.
(4) Voting multiple times via the Internet	If you exercise your voting rights multiple times via the Internet, the last exercise shall be deemed effective.

- If you will attend the meeting, please submit the enclosed voting form at the reception desk of the General Meeting of Shareholders.
- Of the documents to be submitted upon this notification, the following matters are posted on the Company’s website (<https://www.nikkiso.co.jp>) pursuant to laws and regulations as well as Article 19 of the Company’s Articles of Incorporation, and thus these documents are not included in the attached documents.
 - 1) System to Ensure Business Appropriateness in the Business Report (Basic Policy on Internal Control)
 - 2) Notes to the Consolidated Financial Statements
 - 3) Notes to the Non-Consolidated Financial StatementsThese items are included in the Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements audited when the Audit & Supervisory Board Members prepare the Audit Report. In addition, items 2) and 3) in the above are included in the Consolidated Financial Statements and Non-Consolidated Financial Statements audited when the Accounting Auditor prepares the Accounting Audit Report.
- In the event of circumstances requiring amendments to the Business Report, Consolidated Financial Statements, Non-Consolidated Financial Statements, and Reference Documents for the General Meeting of Shareholders, the matters that have been amended will be posted on the Company’s website (<https://www.nikkiso.co.jp>).

Instructions on How to Exercise Voting Rights

Voting rights can be exercised with the following three (3) methods.

When attending the General Meeting of Shareholders

Please submit the enclosed voting form at the reception desk of the General Meeting of Shareholders. (You are not required to sign and affix a seal on this form.)

Date and time: Thursday, March 28, 2019, at 10:00 a.m. (Japan Standard Time)
(The reception desk will open from 9:00 a.m.)

Venue: Nikkiso Higashimurayama Plant, R&D Center
Multi-Purpose Bldg. 7F, Conference Room

When exercising your voting rights by postal mail

Please indicate your approval or disapproval of the proposals on the enclosed voting form, and then return the form to us by postal mail without affixing a stamp.

Deadline for exercising your voting rights: Must be received by 5:30 p.m. on Wednesday, March 27, 2019 (Japan Standard Time)

When exercising your voting rights via the Internet

Follow the instructions given under “When exercising your voting rights via the Internet” on the next page (Japanese only). If you are unsure about exercising your voting rights via the Internet, please contact Stock Transfer Agency Web Support, Sumitomo Mitsui Trust Bank, Limited, listed on the next page.

Deadline for exercising your voting rights: Must be exercised by 5:30 p.m. on Wednesday, March 27, 2019 (Japan Standard Time)

Reference Documents for the General Meeting of Shareholders

Proposals and Reference Information

Proposal 1: Reduction of Capital Reserves

To secure adoptability and flexibility in future capital policies, the Company proposes to reduce capital reserves in accordance with Article 448, paragraph 1 of the Companies Act.

The reduction in the amount of capital reserves proposed under this Proposal 1 will be transferred within the account title of “Net Assets” section in the balance sheet of the Company, and therefore will not change the Company’s net assets. Therefore, the proposed reduction will not affect the number of shares held by each shareholder.

1. Reduction of Capital Reserves

Capital reserves shall be reduced from 10,700,690,213 yen to 174,234,798 yen, with the reduced amount of 10,526,455,415 yen, all of which is transferred to other capital surplus.

2. Effective Date of Reduction of Capital Reserves

May 8, 2019

(Reference)

	Current (As of December 31, 2018)	Proposed amendment (As of May 8, 2019)	Increase/decrease
Capital reserves	10,700 million yen	174 million yen	(10,526) million yen
Other capital surplus	3 million yen	10,529 million yen	+10,526 million yen

Proposal 2: Election of eight (8) Directors

The term of office of all of the current eight (8) Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Therefore, the Company proposes that eight (8) Directors be elected.

The Directors of the Company have fiduciary duties and accountabilities for the shareholders, and they also have a responsibility to sustainably grow the Company's Group ("the Group") and maximize the medium- and long-term corporate value through the implementation of efficient and effective corporate governance.

The candidates for Director are shown below. These candidates are nominated in accordance with the Company's Policies and Procedure for Nominating Candidates for Director and Audit & Supervisory Board Member (Page 19).

No.	Name	Position and responsibilities in the Company	Significant concurrent positions outside the Company	
1	Toshihiko Kai	President & Representative Director		[Reelection]
2	Hiroshi Nakamura	Director, Executive Vice President		[Reelection]
3	Hisakazu Nakahigashi	Director, Executive Officer, General Manager of Research & Engineering Institute		[Reelection]
4	Yoshihiko Kinoshita	Director, Executive Officer, General Manager of Medical Business Unit, and General Manager of Medical Division		[Reelection]
5	Shoichi Nagato	Executive Officer, General Manager of Aerospace Business Unit, and General Manager of Aerospace Division		[New election]
6	Masaru Yamamura	Executive Officer, General Manager of Industrial Business Unit, and General Manager of Industrial Division		[New election]
7	Eisuke Nagatomo	Outside Director	President & CEO, EN Associates Co., Ltd. Outside Director, Miroku Jyoho Service Co., Ltd. Outside Audit & Supervisory Board Member, Nidec Corporation Public Interest Director, Japan Financial Services Association	[Reelection] [Independent] [Outside]
8	Haruko Hirose (Name in family register: Haruko Makinouchi)	Outside Director	President, Japan Morocco Association Outside Director, S&B Foods Inc.	[Reelection] [Independent] [Outside]

No.	Name (Date of birth)	Career summary, position and areas of responsibility (significant concurrent positions outside the Company)	Number of the Company's shares owned
1	Toshihiko Kai (August 19, 1946) [Reelection]	<p>February 1996 General Manager of Dai-Ichi Kangyo Bank Nederland N.V.</p> <p>March 2000 Joined the Company</p> <p>April 2001 Executive Officer of the Company</p> <p>April 2002 President, Medical Equipment Unit (currently Medical Division) of the Company</p> <p>June 2003 Director of the Company (present position)</p> <p>December 2004 President & Representative Director of the Company (present position)</p> <p>[Position and areas of responsibility at the Company] President & Representative Director</p> <p>[Significant concurrent positions outside the Company] -</p>	58,146
<p>[Reasons for selection as a candidate for Director] Over the past three years (2016 to 2018), he has led the Group vigorously toward the realization of the Nikkiso 2020 five-year medium-term business plan (ranging from fiscal year ended December 31, 2016 to fiscal year ending December 31, 2020). He has also decisively worked on growth investment and strengthening the business and organization foundation in its primary business fields, and this term (2018) has seen the results of this work reflected partially in business performance. In the upcoming term (2019), he will aim to achieve concrete results greater than or equal to those of the current term while taking the next step toward what comes after this business plan. His powerful leadership and experienced management capability have enabled him to realize the sustainable growth of the Group and to improve the medium- and long-term corporate value. As such, it has been determined that he is suitable as a Director of the Company and named as a candidate to continue as a Director.</p>			

No.	Name (Date of birth)	Career summary, position and areas of responsibility (significant concurrent positions outside the Company)	Number of the Company's shares owned
2	<p style="text-align: center;">Hiroshi Nakamura (January 10, 1953) [Reelection]</p>	<p>January 2006 Executive Officer, General Manager of Nihonbashi Branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)</p> <p>March 2007 Joined the Company</p> <p>October 2009 Director of the Company Managing Director, Nikkiso Europe GmbH (a Company's consolidated subsidiary in Germany)</p> <p>April 2013 Director, Senior Executive Officer, in charge of Information Systems and Quality Control, and General Manager of Precision Equipment Business Division of the Company</p> <p>November 2013 Director, Senior Executive Officer, in charge of Administration (Export Control, Internal Control, Internal Audit, Compliance, and Information Systems), and General Manager of Corporate Planning Department of the Company</p> <p>June 2015 Audit & Supervisory Board Member of the Company</p> <p>March 2017 Director, Executive Vice President (present position), in charge of Administration and Corporate Planning (Compliance, Export Control, Internal Audit, Internal Control, Information Systems, and Public Relations/Investor Relations) and UV-LED Business of the Company</p> <p>[Position and areas of responsibility at the Company] Director, Executive Vice President</p> <p>[Significant concurrent positions outside the Company] -</p>	50,618
<p>[Reasons for selection as a candidate for Director] So as to grow the Group sustainably and to improve the medium- and long-term corporate value, he has vigorously worked on items such as reforming the corporate system to adapt to a changing management environment, strengthening and reorganizing the Corporate Business Unit functions that support management, supporting the promotion of business and strengthening the personnel management of the Group. He possesses a wealth of experience and knowledge of building a Group governance system at overseas sites and M&A and other similar strategic investments as well as in general corporate-related management such as financial affairs and personnel management. As such, it has been determined that he is suitable as a Director of the Company, and as a candidate to continue as a Director.</p>			

No.	Name (Date of birth)	Career summary, position and areas of responsibility (significant concurrent positions outside the Company)	Number of the Company's shares owned
3	Hisakazu Nakahigashi (January 11, 1955) [Reelection]	<p>April 1978 Joined the Company</p> <p>April 2011 General Manager of Manufacturing Department, Kanazawa Plant, Medical Division of the Company</p> <p>October 2011 Technical Senior Manager, Medical Shizuoka Factory, Shizuoka Plant (currently Research & Engineering Institute) of the Company</p> <p>April 2014 General Manager, Medical Products Factory, Kanazawa Plant of the Company</p> <p>April 2015 Executive Officer (present position), General Manager of Kanazawa Plant, and General Manager of Medical Products Factory of the Company</p> <p>March 2017 Director (present position), in charge of Production, and General Manager of Kanazawa Plant of the Company</p> <p>January 2018 In charge of Production and Engineering, General Manager of Research & Engineering Institute, and General Manager of Biomedical Engineering Center of the Company</p> <p>January 2019 General Manager of Research & Engineering Institute of the Company (present position)</p> <p>[Position and areas of responsibility at the Company] Director, Executive Officer, and General Manager of Research & Engineering Institute</p> <p>[Significant concurrent positions outside the Company] —</p>	31,585
<p>[Reasons for selection as a candidate for Director] He has worked on and obtained results in strengthening the foundations of the Group's technology and development. Of special note, he vigorously worked on the medium- and long-term training of the researchers, developers and engineers who support "technology expert Nikkiso," which is one of the priorities of the Group. He possesses a wealth of experience and knowledge in the process of research, development, technology, procurement, production and quality control and has the ability to work toward resolving the important management challenges of the Group. As such, it has been determined that he is suitable as a Director of the Company, and as a candidate to continue as a Director.</p>			

No.	Name (Date of birth)	Career summary, position and areas of responsibility (significant concurrent positions outside the Company)	Number of the Company's shares owned
4	Yoshihiko Kinoshita (September 13, 1966) [Reelection]	<p>April 1989 Joined the Company</p> <p>April 2009 General Manager of Market Development Department, Medical Division of the Company</p> <p>October 2011 Deputy General Manager, Medical Division of the Company</p> <p>January 2016 General Manager of Medical Division of the Company (present position)</p> <p>October 2016 Director, Vice Chairman, Weigao Nikkiso (Weihai) Dialysis Equipment Co., Ltd. (the Company's equity method affiliated company in China) (present position)</p> <p>January 2017 Executive Officer of the Company (present position)</p> <p>March 2017 Director (present position) and in charge of Medical Business Unit of the Company</p> <p>October 2017 CEO, Managing Director, Nikkiso Europe GmbH (the Company's consolidated subsidiary in Germany)</p> <p>January 2019 General Manager of Medical Business Unit of the Company (present position)</p> <p>[Position and areas of responsibility at the Company] Director, Executive Officer, General Manager of Medical Business Unit, and General Manager of Medical Division</p> <p>[Significant concurrent positions outside the Company] -</p>	16,065
<p>[Reasons for selection as a candidate for Director] He has worked actively on and obtained concrete results in solidifying the Japanese dialysis business, building new business fields and implementing various policies toward expanding international markets. He possesses experience and knowledge that enables him to act flexibly and boldly in order to bring about continuous growth in the Medical Business. As such, it has been determined that he is suitable as a Director of the Company, and as a candidate to continue as a Director.</p>			

No.	Name (Date of birth)	Career summary, position and areas of responsibility (significant concurrent positions outside the Company)	Number of the Company's shares owned
5	Shoichi Nagato (August 9, 1956) [New election]	October 1987 Joined the Company April 2006 General Manager of the Planning and Sales Department, Composite Materials Unit (currently Aerospace Division) of the Company April 2009 Executive Officer (present position), General Manager of Aerospace Division of the Company March 2016 President & Representative Director, Nikkiso Giken Co., Ltd. (the Company's consolidated subsidiary) October 2016 General Manager of Precision Equipment Business Division of the Company December 2017 General Manager of Aerospace Division of the Company (present position) January 2019 General Manager of Aerospace Business Unit of the Company (present position) Chairman, Nikkiso Vietnam, Inc. (the Company's consolidated subsidiary in Vietnam) (present position) [Position and areas of responsibility at the Company] Executive Officer, General Manager of Aerospace Business Unit, and General Manager of Aerospace Division [Significant concurrent positions outside the Company] -	10,506
<p>[Reasons for selection as a candidate for Director]</p> <p>He has been engaged in the Aerospace Business of the Company for many years. He contributed to an expansion of the Company's global share and sales of parts for retrofiring devices, one of major products of the Company, and an increase in the number of the components for aircraft wings handled by the Company. Furthermore, he has vigorously worked on and obtained results in areas such as expanding and maintaining production sites both inside and outside of Japan and improving customer trust in the quality and safety of our products. He has the experience and knowledge that are required for continued improvement of the Company's corporate value as an aircraft part manufacturer in the civilian aircraft market, where demands are expected to expand continuously. As such, it has been determined that he is suitable as a Director of the Company, and as a new candidate to be a Director.</p>			

No.	Name (Date of birth)	Career summary, position and areas of responsibility (significant concurrent positions outside the Company)	Number of the Company's shares owned
6	Masaru Yamamura (May 27, 1965) [New election]	November 1990 Joined the Company October 2009 General Manager of Business Promotion Department, Medical Division of the Company July 2012 General Manager of Osaka Branch of the Company April 2017 General Manager of Industrial Division of the Company (present position) January 2018 Executive Officer of the Company (present position) January 2019 General Manager of Industrial Business Unit of the Company (present position) [Position and areas of responsibility at the Company] Executive Officer, General Manager of Industrial Business Unit, and General Manager of Industrial Division [Significant concurrent positions outside the Company] –	10,878
<p>[Reasons for selection as a candidate for Director]</p> <p>He had been engaged in the Medical Business of the Company for many years. After he assumed the position as General Manager of Osaka Branch of the Company, he exercised leadership sufficiently and achieved magnificent results in improved sales capabilities of Industrial Division, where a strict management environment had continued. In the previous term (2017), taking the opportunity of acquisition of all shares in an American corporate group called Cryogenic Industries (hereinafter “CI Group”) that performs operations such as LNG-related business, the Industrial Business of the Company embraced new growth through the strengthening of business in the LNG field and fully entering business for manufacturing devices for industrial gas fields including hydrogen. He has experience and skills that enable him to respond speedily and decisively so as to realize even greater synergistic effect as a corporate group, by strengthening collaboration, promoting mutual use of business facilities and consolidating sales promotion systems with the consolidated subsidiaries; LEWA GmbH (Germany) which mainly sells its products to the upstream markets consisting of such as oil and gas exploration companies, and CI Group which sells its products to the downstream markets consisting of such as companies in LNG-related businesses. As such, it has been determined that he is suitable as a Director of the Company, and as a new candidate to be a Director.</p>			

No.	Name (Date of birth)	Career summary, position and areas of responsibility (significant concurrent positions outside the Company)	Number of the Company's shares owned
7	Eisuke Nagatomo (July 7, 1948) [Reelection] [Independent] [Outside]	<p>April 1971 Joined Tokyo Stock Exchange</p> <p>December 2005 Senior Executive Officer, Tokyo Stock Exchange, Inc. (Chief Self-Regulatory Officer)</p> <p>October 2007 President & CEO, EN Associates Co., Ltd. (present position)</p> <p>April 2008 Visiting Professor, Graduate School of Commerce, Waseda University (present position)</p> <p>June 2010 Outside Director, Miroku Jyoho Service Co., Ltd. (present position)</p> <p>June 2012 Outside Audit & Supervisory Board Member of the Company</p> <p>June 2016 Outside Audit & Supervisory Board Member, Nidec Corporation (present position)</p> <p>March 2018 Outside Director of the Company (present position)</p> <p>June 2018 Public Interest Director, Japan Financial Services Association (present position)</p> <p>[Position and areas of responsibility at the Company] Outside Director</p> <p>[Significant concurrent positions outside the Company] President & CEO, EN Associates Co., Ltd. Outside Director, Miroku Jyoho Service Co., Ltd. Outside Audit & Supervisory Board Member, Nidec Corporation Public Interest Director, Japan Financial Services Association</p>	7,192
<p>[Reasons for selection as a candidate for Outside Director] He has held successive positions in important offices such as Senior Executive Officer and Chief Self-Regulatory Officer, Tokyo Stock Exchange, Inc., a position on the Business Accounting Council of the Financial Services Agency of Japan and Director of the Financial Accounting Standards Foundation. In addition to his considerable expertise related to financial affairs and accounting, he has also acquired thorough knowledge concerning corporate governance, group governance and risk management and has a wealth of international experience. In this term (2018), he has actively provided suggestions to and performed similar services for the Board of Directors and the management team from a wide range of viewpoints such as group governance at overseas sites, risk management, group capital usage, return on investment, return of profit to shareholders, IR activities, remuneration for directors and executive officers, personnel development and labor issues to fulfill his duties as an Outside Director for management. As such, we nominate him as a candidate to continue as an Outside Director in order to have him continue to put his wide-ranging experience and opinions to work as an Outside Director of the Company.</p>			

No.	Name (Date of birth)	Career summary, position and areas of responsibility (significant concurrent positions outside the Company)	Number of the Company's shares owned
8	Haruko Hirose (Name in family register: Haruko Makinouchi) (September 23, 1945) [Reelection] [Independent] [Outside]	<p>December 1968 Appointed to the National Personnel Authority of Japan</p> <p>January 1992 Director, Bureau of Human Resources Management of Headquarters, United Nations Educational, Scientific and Cultural Organization (UNESCO)</p> <p>September 2002 Deputy to the Director General and Managing Director of Programme Coordination and Field Operations Division, United Nations Industrial Development Organization (UNIDO)</p> <p>November 2006 Japanese Ambassador Extraordinary and Plenipotentiary to Kingdom of Morocco</p> <p>March 2010 Retirement from Ministry of Foreign Affairs of Japan</p> <p>April 2013 Specially Appointed Professor, Academy for Global Leadership, Tokyo Institute of Technology (present position)</p> <p>May 2014 President, Japan Morocco Association (present position)</p> <p>June 2016 Outside Director, S&B Foods Inc. (present position)</p> <p>April 2017 Director, Ochanomizu University (present position)</p> <p>March 2018 Outside Director of the Company (present position)</p> <p>[Position and areas of responsibility at the Company] Outside Director</p> <p>[Significant concurrent positions outside the Company] President, Japan Morocco Association Outside Director, S&B Foods Inc.</p>	709
<p>[Reasons for selection as a candidate for Outside Director] She has provided meritorious service in areas such as personnel, financial affairs and industrial development for the United Nations. Furthermore, she has also endeavored in activities for developing personnel who are active on the world stage. In this term (2018), she has provided diverse suggestions to and performed similar services for the Board of Directors and the management team from viewpoints such as group capital management, credit management, risk management at overseas sites, development of internationally active personnel and engineers, corporate value improvement and expansion into new businesses to fulfill her duties as an Outside Director for management. We expect that she will provide beneficial suggestions regarding items such as ensuring the effectiveness of the functions of the Company's Board of Directors and constructing a Group environment in which we can place diverse employees in the right places including promoting further active participation by women. As such, we nominate her as a candidate to continue as an Outside Director in order to have her continue to put her wide-ranging experience and opinions to work as an Outside Director of the Company. Although she has not been directly involved in corporate management in the past, it has been determined that she is suitable as an Outside Director of the Company for the reasons outlined above.</p>			

Notes:

1. There is no special interest between each candidate and the Company.
2. Eisuke Nagatomo is a candidate to be our Outside Director.
 - (1) Tenure as Outside Director
He is currently one of the Company's Outside Directors, and he will have been in this position for one (1) year at the conclusion of this Ordinary General Meeting of Shareholders.
 - (2) Independent Officer

At the current time, the Company has registered him with the Tokyo Stock Exchange, Inc. as an Independent Officer. When he assumes the position of Outside Director, the Company plans to continue registering him as an Independent Officer.

(3) Limited liability agreement

The Company has currently executed with him, pursuant to the provisions of Articles of Incorporation for an Outside Director, a limited liability agreement that provides that the higher amount of either five (5) million yen or the minimum total liability specified by laws and regulations shall be the maximum amount of liability for damages. When he assumes the position of Outside Director, the Company plans to maintain the limited liability agreement.

3. Haruko Hirose is a candidate to be our Outside Director.

(1) Tenure as Outside Director

She is currently one of the Company's Outside Directors, and she will have been in this position for one (1) year at the conclusion of this Ordinary General Meeting of Shareholders.

(2) Independent Officer

At the current time, the Company has registered her with the Tokyo Stock Exchange, Inc. as an Independent Officer. When she assumes the position of Outside Director, the Company plans to continue registering her as an Independent Officer.

(3) Limited liability agreement

The Company has currently executed with her, pursuant to the provisions of Articles of Incorporation for an Outside Director, a limited liability agreement that provides that the higher amount of either five (5) million yen or the minimum total liability specified by laws and regulations shall be the maximum amount of liability for damages. When she assumes the position of Outside Director, the Company plans to maintain the limited liability agreement.

Proposal 3: Election of two (2) Audit & Supervisory Board Members

Since the terms of office of Audit & Supervisory Board Member Nobuhiko Ban and Outside Audit & Supervisory Board Member Mitsuaki Nakakubo will expire at the conclusion of this Ordinary General Meeting of Shareholders, the Company proposes that two (2) Audit & Supervisory Board Members be elected. The Audit & Supervisory Board has given its consent to this proposal. If this proposal is approved in its original form, the Audit & Supervisory Board will have four (4) Audit & Supervisory Board Members, including two (2) Outside Audit & Supervisory Board Members. The Audit & Supervisory Board Members and the Audit & Supervisory Board of the Company have fiduciary duties for the shareholders and have the main duty of, from a position independent of the Directors and the Board of Directors, effectively auditing the Directors and the Board of Directors to ensure that they fulfill their duties in a legal and appropriate manner. The candidates for Audit & Supervisory Board Member are shown below. These candidates are nominated in accordance with the Company's Policies and Procedure for Nominating Candidates for Director and Audit & Supervisory Board Member (Page 19).

No.	Name (Date of birth)	Career summary, position and areas of responsibility (significant concurrent positions outside the Company)	Number of the Company's shares owned
1	Toshiaki Mitsumi (January 8, 1956) [New election]	<p>September 2005 Assistant General Manager of Sales and Administrative Division at Head Office, Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)</p> <p>December 2007 Joined the Company</p> <p>April 2013 General Manager of Medical Administration Department, Medical Division of the Company</p> <p>January 2015 General Manager of Industrial Administration Department, Industrial Division of the Company</p> <p>April 2015 Auditor, Shanghai Nikkiso Non-Seal Pump Co., Ltd. (the Company's consolidated subsidiary in China)</p> <p>January 2016 General Manager of Sales Division of the Company</p> <p>April 2017 General Manager of Administration Department, Corporate Planning Division of the Company (present position)</p> <p>[Position at the Company] General Manager of Administration Department, Corporate Planning Division</p> <p>[Significant concurrent positions outside the Company] -</p>	2,144
<p>[Reasons for selection as a candidate for Audit & Supervisory Board Member] At the Company, he has been involved in work such as management and performance related to the Medical Business (one of our primary businesses), management of subsidiaries and adjustment of duties for the whole Company. He has considerable experience and knowledge related to financial affairs, accounting and managerial accounting; has thorough knowledge about the management of all of our businesses; and is familiar with the systems for the execution of business, the internal control and the internal audit of the Group. He possesses experience and knowledge that enable him to closely cooperate with Outside Officers, the Accounting Auditor and Internal Auditors and to appropriately audit the operations of the Directors and the Board of Directors. As such, it has been determined that he is suitable as an Audit & Supervisory Board Member of the Company, and as a new candidate for this position.</p>			

No.	Name (Date of birth)	Career summary, position and areas of responsibility (significant concurrent positions outside the Company)	Number of the Company's shares owned
2	Mitsuaki Nakakubo (November 24, 1966) [Reelection] [Independent] [Outside]	<p>April 1995 Registered as an attorney of Japan (affiliated with the Daini Tokyo Bar Association) (to present)</p> <p>April 2001 Partner, Asahi Law Offices (present position)</p> <p>June 2008 Substitute Audit & Supervisory Board Member of the Company</p> <p>October 2011 Auditor, Bicycle Parking Facilities Provision Foundation, a public interest incorporated foundation (present position)</p> <p>June 2015 Outside Audit & Supervisory Board Member of the Company (present position)</p> <p>June 2017 Outside Audit & Supervisory Board Member, Nippon Kodo Holdings Co., Ltd. (present position)</p> <p>[Position at the Company] Outside Audit & Supervisory Board Member [Significant concurrent positions outside the Company] Attorney (Partner, Asahi Law Offices) Outside Audit & Supervisory Board Member, Nippon Kodo Holdings Co., Ltd.</p>	3,629
<p>[Reasons for selection as a candidate for Outside Audit & Supervisory Board Member] As an attorney, he has mainly acted in areas such as disputes on officers' liability, copyright-related matters, consultation on Product Liability of automobiles, matters related to the Unfair Competition Prevention Act of Japan, and matters related to real estate. During his time spent as an Outside Audit & Supervisory Board Member, he has provided beneficial suggestions from a wide range of viewpoints such as labor issues, foreign legislation, the management of personal information, return on investment, expansion into new businesses, compliance and corporate governance. We expect that he will sufficiently fulfill his role in auditing the decision-making and the execution of duties of Directors from an objective and expert standpoint independent from the execution of the Company's operations while providing beneficial suggestions in order to promote the sustainable growth of the Group and improve the medium- and long-term corporate value. As such, we nominate him as a candidate to continue as an Outside Audit & Supervisory Board Member in order to have him continue to put his experience and opinions to work as an Outside Audit & Supervisory Board Member of the Company. Although he has not been directly involved in corporate management in the past, it has been determined that he is suitable as an Outside Audit & Supervisory Board Member of the Company for the reasons outlined above.</p>			

Notes:

1. There is no special interest between each candidate and the Company.
2. Limited liability agreement with Toshiaki Mitsumi
When he assumes the position of Audit & Supervisory Board Member, the Company plans to execute with him, pursuant to the provisions of Articles of Incorporation, a limited liability agreement that provides that the higher amount of either three (3) million yen or the minimum total liability specified by laws and regulations shall be the maximum amount of liability for damages.
3. Mitsuaki Nakakubo is a candidate to be our Outside Audit & Supervisory Board Member.
 - (1) Tenure as Outside Audit & Supervisory Board Member
He is currently one of the Company's Outside Audit & Supervisory Board Members, and he will have been in this position for three (3) years and nine (9) months at the conclusion of this Ordinary General Meeting of Shareholders.
 - (2) Independent Officer
At the current time, the Company has registered him with the Tokyo Stock Exchange, Inc. as an Independent Officer. When he assumes the position of Outside Audit & Supervisory Board Member, the Company plans to continue registering him as an Independent Officer.

(3) Limited liability agreement

The Company has currently executed with him, pursuant to the provisions of Articles of Incorporation for an Outside Audit & Supervisory Board Member, a limited liability agreement that provides that the higher amount of either three (3) million yen or the minimum total liability specified by laws and regulations shall be the maximum amount of liability for damages. When he assumes the position of Outside Audit & Supervisory Board Member, the Company plans to maintain the limited liability agreement.

(Reference) Nikkiso Group Corporate Governance Basic Policy

1. Basic Approach concerning Corporate Governance

As a company with Board of Auditors, the Group believes that the important points to strive for regarding corporate governance are transparency and fairness in decision-making and the realization of our corporate philosophy through speedy and decisive decision-making. In line with the following basic approach, we will construct the ideal corporate governance that conforms to the development stage of the Group.

- (i) Respect the rights of our shareholders and ensure equality to them.
- (ii) Respect the profits of the stakeholders and cooperate appropriately with them.
- (iii) Disclose the information of the Group appropriately to ensure transparency.
- (iv) Endeavor to separate the supervision and execution of management.
Ensure effective supervision and auditing of management through cooperation among Independent Outside Officers, the Accounting Auditor and Internal Auditors. In addition, establish within the Group an environment in which the operations business unit can focus on the improvement of business profitability.
- (v) Have constructive conversations with shareholders with an investment policy that meets the medium- and long-term profits of shareholders.

2. System for the Execution of Business

<Executive Officers and Division System>

We will aim for a corporate structure that is capable of speedy and decisive decision-making through the employment of the Executive Officer system/Division system.

<Securing Diversity Within the Company>

We will strive to create an environment in which we can place diverse employees in the right places, starting with promoting active participation by women.

3. Corporate Governance System

<System for Supervising the Execution of Business>

In accordance with the Articles of Incorporation, the Board of Directors shall be made up of nine (9) or less Directors, two (2) or more of which are independent Outside Directors. Independent Outside Directors will serve the function of supervising management by comparing management strategies and business plans laws, regulations and the Articles of Incorporation; verifying and evaluating the management results of the Group and the operations of the management class as necessary and appropriately reflecting the opinions of the stakeholders to management.

The Board of Directors serves the following roles.

- Indicating major management directions such as management strategies
- Establishing corporate structures that support speedy and decisive management decisions
- Demonstrating supervisory functions for the whole of management in order to secure fairness and transparency in management

<Business Audit/Accounting Audit System>

Audit & Supervisory Board Members and the Audit & Supervisory Board perform business audits and accounting audits not only exercise the authority permitted by laws and regulations in an active and assertive manner, but also perform them in close cooperation with Outside Directors, the Accounting Auditor and Internal Auditors from the viewpoint of improving the sustainable growth and medium- and long-term corporate value of the Group.

<Internal Control System>

The Internal Control Committee, the Risk Management/Compliance Committee (which acts as the practical organization of the Internal Control Committee) and the Information System Committee act as the core promotional business unit for the internal control system and fulfill the central

roles of planning and executing policies aimed at constructing the internal control system of the Group.

4. Policies and Procedure for Nominating Candidates for Director and Audit & Supervisory Board Member

<Criteria for the Election of Directors>

For a Director, we designate a person who has knowledge, capability and leadership that will enable him or her to gain an overview of the management environment of our Group, promote important management issues speedily and decisively, and achieve results, and who can be committed to establish corporate governance that supports the realization of our corporate philosophy.

<Criteria for the Election of Audit & Supervisory Board Members>

For an Audit & Supervisory Board Member, we designate a person who can perform business audits and accounting audits as well as actively exercise his or her authority and give appropriate opinions at the Board of Directors. Furthermore, at least one (1) Audit & Supervisory Board Member shall possess appropriate expertise related to financial affairs and accounting.

<Criteria for the Election, Independence Judgment Criteria and Concurrent Post Restrictions of Outside Officers>

For an Outside Director, we designate a person who can sufficiently fulfill his or her role in supervising the decision-making and execution of duties of Directors from an objective and expert standpoint independent from the execution of the Company's operations while clearly providing advice based on his or her knowledge in order to promote the sustainable growth of the Group and improve the medium- and long-term corporate value.

For an Outside Audit & Supervisory Board Member, we designate a person who can sufficiently fulfill his or her role in auditing the decision-making and execution of duties of Directors from an objective and expert standpoint independent from the execution of the Company's operations while providing instructions and advice related to items such as management strategy risks on the basis of extensive expertise.

The independence of Outside Officers shall be judged strictly in accordance with the independence criteria of Tokyo Stock Exchange, Inc.

Independent Outside Officers shall not concurrently hold positions as Director or Audit & Supervisory Board Member at more than three (3) public companies other than the Company as a general rule.

<Procedure for Nominating Candidates for Director and Audit & Supervisory Board Member>

The Company shall explain the candidates to the Independent Outside Officers and receive their advice on the nominations in advance.