Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Stock Exchange Code: 3001
March 8, 2017

To Shareholders with Voting Rights:

Kimiya Sano
President and CEO
Katakura Industries Co., Ltd.
6-4 Akashi-cho, Chuo-ku, Tokyo

NOTICE OF
THE 108TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

You are cordially invited to attend the 108th Annual General Meeting of Shareholders of Katakura Industries Co., Ltd. (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 or via the Internet. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:20 p.m. on Wednesday, March 29, 2017, Japan time.

[If exercising voting rights in writing]

Please indicate your vote for or against each proposal on the enclosed Voting Rights Exercise Form and return it so that it is received by the deadline mentioned above.

[If exercising voting rights via the Internet]

Please access the website for exercising voting rights (http://www.it-soukai.com/) designated by the Company, enter the "voting rights exercise code" and "password" printed on the enclosed Voting Rights Exercise Form, and input your vote for or against each proposal by following the on-screen instructions by the deadline mentioned above.

1. **Date and Time:** Thursday, March 30, 2017 at 10:00 a.m. Japan time

2. **Place:** JIJI PRESS HALL (2nd floor of Jiji Press Building) located at 5-15-8, Ginza, Chuo-ku, Tokyo

3. **Meeting Agenda:**

Matters to be reported:

1. The Business Report and Consolidated Financial Statements for the Company's 108th Fiscal Year (January 1, 2016 - December 31, 2016), and results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
2. Non-consolidated Financial Statements for the Company's 108th Fiscal Year (January 1, 2016 - December 31, 2016)

Proposals to be resolved:

Proposals by the Company (Proposals 1 and 2)

Proposal 1: Appropriation of surplus

Proposal 2: Election of Nine (9) Directors

Proposals by Shareholders (Proposals 3 to 5)

Proposal 3: Partial Amendments to the Articles of Incorporation (1)

Proposal 4: Partial Amendments to the Articles of Incorporation (2)

Proposal 5: Partial Amendments to the Articles of Incorporation (3)

◎ When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.

◎ Please refer to the English translation of the Reference Documents for the General Meeting of Shareholders which will be posted on the Company's website.

◎ Pursuant to relevant laws, regulations and the Company's Articles of Incorporation, "Notes to the Consolidated Financial Statements" and "Notes to the Non-consolidated Financial Statements," which pertain to the Consolidated Financial Statements and Non-consolidated Financial Statements in the attached documents, respectively, are provided to shareholders through the Company's website (http://www.katakura.co.jp/), and are not included in the attached documents.
In the preparation of audit reports, the Consolidated Financial Statements and Non-consolidated Financial Statements audited by the Audit & Supervisory Board Members and the Accounting Auditor include "Notes to the Consolidated Financial Statements" and "Notes to the Non-consolidated Financial Statements" posted on the Company's website as mentioned above, in addition to information listed in the attached documents.

◎ Should the Reference Documents for the General Meeting of Shareholders and the Business Report, as well as the Non-consolidated Financial Statements and the Consolidated Financial Statements require any revision, the revised version will be posted on the Company's website mentioned above.

Reference Documents for the General Meeting of Shareholders

Proposals by the Company (Proposals 1 and 2)

Proposal 1: Appropriation of surplus

With regard to the appropriation of surplus, the following are proposed.

1. Regarding the Year-end Dividend

With regard to the year-end dividend for the 108th fiscal year, we propose the following in view of this year's business results, future business development and other aspects, with a principle of maintaining stable dividend payments to shareholders.

(1) Type of property to be distributed as dividend:
Cash

(2) Matters regarding the assignment of dividend property and total amount thereof:
10 yen per share of the Company's common stock.
Total amount of the dividend will be 351,521,760 yen.

(3) Date on which payment of surplus takes effect:
March 31, 2017

2. Regarding the Appropriation of Other Surplus

In order to strengthen the management foundation in preparation for active business development in the future, with regard to internal reserves, the following is proposed.

(1) Item and amount of surplus to be reduced:
Retained earnings brought forward 1,000,000,000 yen

(2) Item and amount of surplus to be increased:
General reserve 1,000,000,000 yen

Proposal 2: Election of Nine (9) Directors

The terms of office of all eight (8) Directors will expire at the conclusion of this year's Annual General Meeting of Shareholders. To strengthen the management structure, the number of Directors will be increased by one (1), hence the election of nine (9) Directors are proposed.

The candidates for Director are as follows:

No.	Name (Date of birth)	Past experience, positions and responsibilities at the Company (Significant concurrent positions)		Number of shares of the Company held
1	[Reappointment] Akio Takeuchi (February 28, 1949)	April 1971 June 1999 April 2002 June 2003 March 2005 March 2009 March 2015	Joined The Fuji Bank, Limited Director and General Manager of Singapore Branch of The Fuji Bank, Limited Managing Executive Officer and Asia Regional Supervising Officer of Mizuho Corporate Bank Audit & Supervisory Board Member of Mizuho Financial Group, Inc. Senior Managing Director of the Company President and CEO of the Company Chairman of the Company (to present)	13,700
	Reasons for nomination as a candidate for Director: Mr. Akio Takeuchi demonstrated his remarkable managerial skills as he promoted management reforms, such as the strengthening of the Group's operational structure, as the President and CEO from March 2009 to March 2015. He will take up the position of Chairman from March 2015, where he will not engage in the execution of business operations, but will instead be the chairperson of Board of Directors meetings and make efforts to strengthen the Board of Directors' supervising function. As such, he is deemed suitable for a position where he can contribute to improving the Company's corporate value, and therefore has been re-nominated as a candidate for Director.			
2	[Reappointment] Kimiya Sano (March 8, 1955)	April 1977 January 2008 January 2010 March 2010 February 2011 March 2013 March 2015	Joined the Company General Manager of General Affairs Department of the Company General Manager of Retail Business Department of the Company Executive Officer and General Manager of Retail Business Department of the Company Executive Officer and General Manager of Accounting Department of the Company Managing Director of the Company President and CEO of the Company (to present) In charge of Personnel Affairs Department	13,100
	Reasons for nomination as a candidate for Director: Since March 2015, Mr. Kimiya Sano has directed the Group's management as President and CEO, endeavoring to expand earnings and strengthen the Group's operational structure. With his wealth of experience and insight as a manager, he formulated the new medium-term management plan "Katakura 2021," and the Company expects him to display his strong leadership in the process of working towards these goals. As such, he is deemed suitable for a position where he can contribute to improving the Company's corporate value, and therefore has been re-nominated as a candidate for Director.			

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Past experience, positions and responsibilities at the Company
(Significant concurrent positions)</th><th>Number of shares of the Company held</th></tr>
<tr><td rowspan="2">3</td><td>[Reappointment]
Atsushi Tanaka
(September 26, 1953)</td><td>April 1976
April 2002

February 2004

September 2007
March 2009

March 2011
March 2015</td><td>Joined The Fuji Bank, Limited
General Manager of Nihonbashi-Chuo Branch of Mizuho Bank, Ltd.
General Manager of General Affairs Department of the Company
General Manager of Planning Department of the Company
Executive Officer and General Manager of Planning Department of the Company
Managing Director of the Company
Senior Managing Director of the Company (to present)
In charge of Textiles Business Division, Pharmaceuticals Business Division, Planning Department and Accounting Department</td><td>8,000</td></tr>
<tr><td colspan="4">Reasons for nomination as a candidate for Director:
Since assuming the position of Director in March 2011, Mr. Atsushi Tanaka has been in charge of the Planning Department, Accounting Department, Textiles Business Division, Pharmaceuticals Business Division, and Biological Science Research Center. Accordingly, he has fulfilled his responsibilities as a Director and contributed to the Group’s development. Because his wealth of work experience and insight can be put to good use in management, he is deemed suitable for a position where he can contribute to improving the Company’s corporate value, and therefore has been re-nominated as a candidate for Director.</td></tr>
<tr><td rowspan="2">4</td><td>[Reappointment]
Yoshio Furuta
(May 24, 1957)</td><td>April 1980
May 2010

March 2013

March 2014

March 2015</td><td>Joined the Company
General Manager of Mechatronics Business Department of the Company
Executive Officer and General Manager of Mechatronics Business Department of the Company
Managing Executive Officer and General Manager of Mechatronics Business Department of the Company
Managing Director of the Company (to present)
In charge of Machinery Business Department, Biological Science Research Center and New Business Development Department</td><td>1,700</td></tr>
<tr><td colspan="4">Reasons for nomination as a candidate for Director:
Since assuming the position of Director in March 2015, Mr. Yoshio Furuta has been in charge of the Machinery Business Department, Biological Science Research Center and New Business Development Department. Accordingly, he has fulfilled his responsibilities as a Director and contributed to the Group’s development. Because his wealth of work experience and insight can be put to good use in management, he is deemed suitable for a position where he can contribute to improving the Company’s corporate value, and therefore has been re-nominated as a candidate for Director.</td></tr>
<tr><td rowspan="2">5</td><td>[Reappointment]
Junichi Honma
(July 18, 1952)</td><td>April 1975
March 1999
April 2005
March 2007

October 2010

March 2015</td><td>Joined PARCO CO.,LTD
Store Manager of Hiroshima Store of PARCO CO.,LTD
Head Supervisor of Saitama-Shintoshin Mall of the Company
Executive Officer, Head Supervisor of Saitama-Shintoshin Mall and Deputy General Manager of Shintoshin Business Department of the Company
Executive Officer and General Manager of Commercial Facilities Department of the Company
Managing Director of the Company (to present)
In charge of Real Estate Division (Appointed as General Manager of Commercial Facilities Department), Retail Business Department and General Affairs Department</td><td>4,800</td></tr>
<tr><td colspan="4">Reasons for nomination as a candidate for Director:
Since assuming the position of Director in March 2015, Mr. Junichi Honma has been in charge of the Real Estate Division, Retail Business Department and General Affairs Department. Accordingly, he has fulfilled his responsibilities as a Director and contributed to the Group’s development. Because his wealth of work experience and insight can be put to good use in management, he is deemed suitable for a position where he can contribute to improving the Company’s corporate value, and therefore has been re-nominated as a candidate for Director.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Past experience, positions and responsibilities at the Company
(Significant concurrent positions)</th><th>Number of shares of the Company held</th></tr>
<tr><td rowspan="2">6</td><td>[New candidate]
Masaaki Fujimoto
(August 11, 1956)</td><td>April 1979
September 2002

August 2003

January 2011

March 2013</td><td>Joined the Company
Acting Manager of Caron Underclothing Department of the Clothing Business Department of the Company
Manager of Osaka Sales Office of the Clothing Business Department of the Company
Seconded to Ogran Japan Co., Ltd. (as President and CEO) (to present)
Executive Officer of the Company (to present)</td><td>4,400</td></tr>
<tr><td colspan="4">Reasons for nomination as a candidate for Director:
As an Executive Officer of the Company, Mr. Masaaki Fujimoto serves as the President and CEO of the subsidiary Ogran Japan Co., Ltd., and has engaged in initiatives to expand the business and improve profitability. Because his wealth of work experience and insight can be put to good use in management, he is deemed suitable for a position where he can contribute to improving the Company’s corporate value, and therefore has been re-nominated as a candidate for Director.</td></tr>
<tr><td rowspan="2">7</td><td>[Reappointment]
Yasuyuki Katakura
(October 21, 1934)</td><td>March 1966
March 1987
March 1989
March 1993
May 2000
(Significant concurrent position)
President and CEO of Katakura Kousan Co., Ltd.</td><td>Joined the Company
Head of President’s Office of the Company
Director and Head of President’s Office of the Company
Director of the Company (to present)
President and CEO of Katakura Kousan Co., Ltd. (to present)</td><td>56,400</td></tr>
<tr><td colspan="4">Reasons for nomination as a candidate for Director:
As a Non-Executive Director, Mr. Yasuyuki Katakura has contributed to the continual improvement of the Company’s management structure for many years. In addition, he also actively participates in the enhancement of corporate governance. With his wealth of experience and insight, he is deemed suitable for a position where he can contribute to improving the Company’s corporate value, and therefore has been re-nominated as a candidate for Director.</td></tr>
<tr><td rowspan="2">8</td><td>[Reappointment]
[Outside Officer]
[Independent Officer]
Tadashige Maeyama
(September 28, 1946)</td><td>April 1969
June 2001
June 2009

March 2011
June 2012

(Significant concurrent position)
Outside Director (Audit and Supervisory Committee Member) of APIC YAMADA CORPORATION</td><td>Joined THE HACHIJUNI BANK, LTD.
Managing Director of THE HACHIJUNI BANK, LTD.
President and Representative Director of Hachijuni Lease, Co. Ltd
Director of the Company (to present)
Outside Auditor of APIC YAMADA CORPORATION (currently Outside Director (Audit and Supervisory Committee Member)) (to present)</td><td>1,100</td></tr>
<tr><td colspan="4">Reasons for nomination as a candidate for Director:
Utilizing the wealth of experience and broad insight he has acquired as an executive at financial companies and operational companies, Mr. Tadashige Maeyama actively participates in the enhancement of the Company’s corporate governance. As such, he is deemed suitable for the position of an Outside Director who will supervise the execution of business operations, and therefore has been re-nominated as a candidate for Director. At the end of this General Meeting of Shareholders, he will have served as an Outside Director of the Company for 6 years.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th>Past experience, positions and responsibilities at the Company
(Significant concurrent positions)</th><th>Number of shares of the Company held</th></tr>
<tr><td rowspan="2">9</td><td>[New candidate]
[Outside Officer]
[Independent Officer]

Hideo Futashima
(May 29, 1956)</td><td>April 1980 Joined The Norinchukin Bank
February 2005 General Manager of Corporate Finance Department I of the Osaka Branch of The Norinchukin Bank
July 2008 General Manager of Corresponding Banking Department of The Norinchukin Bank
July 2010 Managing Director of SHIZUOKA SHIBUYA SEIKI CO., LTD. (currently SHIBUYA SEIKI CO., LTD.)
July 2016 Executive Adviser to Norinchukin Research Institute Co., Ltd. (to present)
(Significant concurrent positions)
Executive Adviser to Norinchukin Research Institute Co., Ltd.</td><td>0</td></tr>
<tr><td colspan="3">Reasons for nomination as a candidate for Director:
Mr. Hideo Futashima has a wealth of work experience at a financial institution, and has acquired broad insight as an executive at operational companies. As such, he is deemed suitable for the position of an Outside Director who will supervise the execution of business operations, and therefore has been newly nominated as a candidate for Director.</td></tr>
</table>

(Notes)

1. The candidate for Director, Mr. Yasuyuki Katakura, holds a concurrent position at Katakura Kousan Co., Ltd. as the President and CEO. The Company and Katakura Kousan Co., Ltd. have a transactional relationship in the leasing of buildings.
2. There are no special interests between each of the other candidates for Director and the Company.
3. The candidates for Director, Mr. Tadashige Maeyama and Mr. Hideo Futashima, are candidates for Outside Director.
4. Liability limitation agreements with the candidates for Director
   (1) The Company has stipulated in Article 27, Paragraph 2 of the current Articles of Incorporation that it may enter into an agreement with each Director (excluding Directors engaged in the execution of business operations) to limit his or her liability for damages to the Company to a certain extent.
   (2) Candidates for Director Mr. Akio Takeuchi and Mr. Yasuyuki Katakura are scheduled to assume the positions of Directors who are not engaged in the execution of business operations. Accordingly, if the two candidates are reelected, the Company intends to continue such agreement with each of them.
   (3) If the candidate for Outside Director Mr. Tadashige Maeyama is reelected, the Company intends to continue such agreement with him. If the candidate for Outside Director Mr. Hideo Futashima is elected, the Company intends to enter into the same liability limitation agreement with him.
   (4) The outline of the agreements is as follows.

   ・After the conclusion of the agreements, if the Directors neglect their duties and cause damages to the Company, they shall be liable for those damages up to the “minimum liability amount” stipulated in Article 425, Paragraph 1 of the Companies Act, on the condition that they act in good faith and without gross negligence in performing their duties.
5. The Company has designated Mr. Tadashige Maeyama as an independent officer as stipulated by the Tokyo Stock Exchange, and notified the said Exchange to that effect. If Mr. Tadashige Maeyama is reelected, the Company intends to continue designating him as an independent officer. In addition, Mr. Hideo Futashima fulfills the criteria for independent officers stipulated by the Tokyo Stock Exchange, and the Company intends to designate him as an independent officer and notify the said Exchange to that effect.

Proposals by Shareholders (Proposals 3 to 5)

Proposals 3 to 5 are proposals made by shareholders. The details and reasons for the proposals are specified in this document, based on the description in the shareholder proposals submitted by the proposing shareholders, without any changes in terms of content.

Proposal 3: Partial Amendments to the Articles of Incorporation (1)

Outline of Proposal:

Include the following article and provisions in the current Articles of Incorporation.

Article 7 Management with a Strong Awareness of ROE

(Management with a strong awareness of ROE)

Paragraph 41 The Board of Directors will set and announce in advance a specific numerical goal for the Return on Equity (ROE) of the Company every fiscal year, regardless of whether a medium-term management plan has been formulated. In addition, the Board of Directors will also set and announce in advance specific numerical goals for the Return on Equity (ROE) of each business segment every fiscal year.

2) The Board of Directors will calculate and announce the Return on Equity (ROE) results (both of the overall Company, and of each business segment) of the Company every fiscal year.

3) When a medium-term management plan is formulated and announced, each Director should recognize that the plan is a commitment to shareholders and should make utmost effort to achieve the goals set in the plan. When a medium-term management plan ends without the goals being met, the Board of Directors should thoroughly analyze the reasons behind such an outcome, explain them to the shareholders, and reflect the findings from the analysis in the next medium-term management plan.

Proposal 4: Partial Amendments to the Articles of Incorporation (2)

Outline of Proposal:

Include the following article and provisions in the current Articles of Incorporation (The paragraph number stated below is subject to the approval of Proposal 3. If Proposal 3 is rejected, the following paragraph will move up to Paragraph 41.).

Article 7 Management with a Strong Awareness of ROE

(Withdraw from businesses with a low ROE)

Paragraph 42 From FY2017 onwards, at the end of every fiscal year, if any business segment falls into either of the following categories, the Company will withdraw from that business promptly. Although the specific date of withdrawal will be decided by the Board of Directors based on the status of the business the Company is withdrawing from and other circumstances, as a general rule, the withdrawal should be completed by the end of the second quarter of the next fiscal year, or if deemed unfeasible, by the final day of the next fiscal year.

1. A business with a business segment ROE of less than 5% in the said fiscal year
2. A business with an average business segment ROE of less than 5% per year in the last five fiscal years including the said fiscal year

2) Regardless of the preceding item, in the case that a business segment falls into category 1. or 2. in the preceding item, if the Board of Directors deem it as a segment that is particularly necessary based on reasonable grounds or if a detailed business plan shows that the said business segment's ROE is expected to rise above 5% within two fiscal years, then the Company does not have to withdraw from the said business. If the Board of Directors makes such a decision, at the Annual General Meeting of Shareholders immediately following the decision, the Representative Director has to explain to shareholders the necessity of the said business, the business plan and expected ROE figures of the said business, and the reasonable grounds as basis for such decision, as well as obtain the approval of shareholders through an ordinary resolution at the General Meeting of Shareholders. Furthermore, all the above information has to be publicly disclosed.

Proposal 5: Partial Amendments to the Articles of Incorporation (3)

Outline of Proposal:

Include the following article and provisions in the current Articles of Incorporation (The paragraph number stated below is subject to the approval of Proposal 3 and/or Proposal 4. If the said proposals are rejected, the following paragraph will move up to Paragraph 41 or Paragraph 42.).

Article 7 Management with a Strong Awareness of ROE

(Restriction on entering businesses where high ROE is not expected)

Paragraph 43 The Company shall not enter a new business that is not expected to have a Return on Equity (ROE) of more than 5% within three fiscal years based on reasonable grounds. However, if the Board of Directors deem it as a business that is particularly necessary based on reasonable grounds and a detailed business plan shows that the said business segment's ROE is expected to rise above 5% within five fiscal years, the preceding sentence does not hold true. If the Board of Directors makes such a decision, at the Annual General Meeting of Shareholders immediately following the decision, the Representative Director has to explain to shareholders the necessity of the said business, the business plan and expected ROE figures of the said business, and the reasonable grounds as basis for such decision, as well as obtain the approval of shareholders through an ordinary resolution at the General Meeting of Shareholders. Furthermore, all the above information has to be publicly disclosed.

Reasons for the Proposal:

In December 2011, the Company formulated and announced the medium-term management plan "Katakura 2016." As the final fiscal year of the plan, FY2016 was going to be the year to sum up "Katakura 2016." However, based on the operating results (full-year) of FY2015 and operating results up until the third quarter of FY2016, the goals for net sales and operating income set in "Katakura 2016" are far from attainable, and shareholders are extremely disappointed by this deplorable situation. Even when the full-year results of FY2016 are announced, it is unlikely that the situation will be notably alleviated. In fact, the operating income forecast for 2016 is 67% lower than the figure forecast in "Katakura 2016," and on top of that, 38% lower than the operating income in 2011. This represents a severe breach of shareholders' trust by members of the Board of Directors of the Company.

The Corporate Governance Code, which came into effect in June 2015, states that engaging in constructive discussion with respect to specific business strategies and business plans is one major aspect of the Board of Directors' roles and responsibilities (Principle 4.1), and that when establishing and disclosing business strategies and business plans, companies should articulate their earnings plans and capital policy, and present targets for profitability and capital efficiency (Principle 5.2). Furthermore, in the final report of the Ministry of Economy, Trade and Industry's project "Competitiveness and Incentives for Sustainable Growth: Building Favorable Relationships between Companies and Investors" (also known as the Ito Review), it was stated that an ROE of 8% is the minimum standard level, and companies should aim for a level higher than that. Moreover, in the Corporate Governance Code, "recognizing that a mid-term business plan is a commitment to shareholders, the board and the senior management should do their best to achieve the plan. When the medium-term management plan ends without the goals being met . . . an appropriate explanation should be given to shareholders, and findings from the analysis should be reflected in a plan for the ensuing years" was stated as guidelines for action for the Board of Directors and senior management (Supplementary Principle 4.1.2).

The Corporate Governance Report that the Company submitted on July 11, 2016 stated that the Company will implement Principle 4.1, Supplementary Principle 4.1.2 and Principle 5.2. Oasis wishes to see members of the Board of Directors strictly following Principle 4.1 and Principle 5.2 of the Corporate Governance Code, as well as proper management that is carried out with a strong awareness of ROE (Return on Equity). Accordingly, we proposed the inclusion of Article 7 "Management with a Strong Awareness of ROE" in the Articles of Incorporation of the Company, and through provisions of the Articles of Incorporation, members of the Board of Directors will be obliged to decide on and announce in advance the specific numerical goal for ROE, as well as specific numerical goals for ROE of each major business segment every fiscal year (newly included Paragraph 41 Item 1). Also, despite formulating and announcing a medium-term management plan, members of the Board of Directors made no attempt to reach the goals set in the plan. Accordingly, to ensure that members of the Board of Directors strictly follow Supplementary Principle 4.1.2, we propose the inclusion of new provisions with the same content as the said principle (newly included Paragraph 41 Item 3).

Furthermore, the ROE and Return on Invested Capital (ROIC) of the Company have fallen way below 1%, while its average cost of capital has risen above 6.5%. This indicates that the Company has not produced enough profit to cover its cost of capital, and is effectively damaging the value of the Company. Oasis views the significant slump in the operating results of the Company as a result of the Company's strong insistence on continuing unprofitable businesses. Therefore, Oasis proposes that the following two points—the Company will withdraw from low-ROE businesses, and refrain from entering businesses that are not expected to produce a high ROE—should be clearly specified in the Articles of Incorporation (newly included Paragraph 42 and Paragraph 43). Not establishing such a level of standard, at the very least, will lead to the significant damage of the Company's corporate value, due to the operation of businesses with low profitability and unprofitable businesses (it can be even said that the corporate value has already, in effect, degraded).

The Ito Review states that Japanese corporations should aim for a minimum ROE level of 8%. Oasis does not even require the Company to set such a high standard for itself, and only wishes for the Company to begin at a target of 5% ROE for the time being. Although this level is lower than the Company's cost of capital, it is still a notable first step towards improving the operating results. This proposal requires the Company to withdraw from businesses that are unable to even meet the goals of this low level, and is therefore a proposal that has given generous consideration to the current management team.

Views of the Board of Directors of the Company

The Board of Directors is against Proposals 3 to 5.

The Company recognizes that ROE is increasingly receiving greater attention as a performance indicator for management, and the Company's management team carries out management with various performance indicators, including ROE, in mind. However, the contents of shareholder-proposed Proposals 3 to 5 are incompatible with the nature of the Articles of Incorporation. In addition, they impose on the Company's management team excessive restrictions on management by ROE, and may instead prevent the improvement of the Company's corporate value. The reasons for this view are stated below.

1. Incompatibility with the nature of the Articles of Incorporation

The Articles of Incorporation of the Company was formulated based on the Company's basic policy, etc. and in accordance with laws and regulations. Therefore, defining provisions related to specific management indicators and individual management decisions is incompatible with its nature. Accordingly, we consider the content of shareholder-proposed Proposals 3 to 5 as incompatible with the nature of the Articles of Incorporation.

2. Excessive emphasis on ROE is inappropriate for the Company's management

Currently, in the management of the Company, the Company's management team positions ROE as a reference indicator of the results, but not as the only goal. The Company's management team has no intention of disregarding the importance of capital efficiency. However, based on its principle of dispersion and fusion, through building a stable business foundation while avoiding risks, the Company aims to realize the achievement of health, safety and comfort, and co-existence

with the environment. Therefore, excessive emphasis on increasing short-term capital efficiency may instead prevent the achievement of sustainable growth in the medium- to long-term. Accordingly, regarding the management of the Company at present, the Company's management team views the operating profit ratio as having more importance than ROE, and believes that by steadily working towards the goals for operating profit ratio, ROE will also improve as a result.

3. Regarding the new medium-term management plan

The Group was established in 1873 with the silk reeling business as its first business. Since then, using its strength of tangible and intangible assets built up over its long history of corporate management spanning 143 years, it has progressed in the expansion and diversification of its business. In the previous medium-term management plan "Katakura 2016" (2012-2016), "shift emphasis to growing businesses" and "create new businesses" were listed as the basic strategies of the overall Group, and initiatives were implemented based on them.

As a result, although the real estate business, centered on a large-scale development project on company-owned land, developed smoothly, partly due to the sluggish performance of the pharmaceuticals business and the textile business, operating results for FY2016 were significantly lower than targets set in the previous medium-term management plan.

As such, based on the analysis of the previous medium-term management plan, on February 14, 2017, the Company formulated and announced a new medium-term management plan "Katakura 2021" than spans across five years from FY2017 to FY2021.

In the final fiscal year of the plan, FY2021, the Company plans to achieve net sales of 56.6 billion yen (9.6 billion yen increase from actual results of FY2016), operating income of 5.2 billion yen (3.7 billion increase from FY2016), and an operating profit margin of 9.2% (increase of 6.0 points from FY2016).

For the reasons stated above, the Board of Directors of the Company is against Proposals 3 to 5.

The management team and all employees of the Company will work together as one to, in all sincerity and to the best of their abilities, work towards the achievement of the goals set in "Katakura 2021." We sincerely request the kind support and understanding of our shareholders in these endeavors.