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To Our Shareholders:

Stock Code: 6741

June 1, 2017

Nippon Signal Co., Ltd.

5-1, Marunouchi, 1-Chome,

Chiyoda-ku, Tokyo

President & CEO

Hidehiko Tsukamoto

**Notice of Convocation of the Ordinary General Meeting of
Shareholders for the 134th Business Term**

Notice is hereby given that the Ordinary General Meeting of Shareholders for the 134th Business Term of Nippon Signal Co., Ltd. (hereinafter referred to as 'Company') will be held as described below.

Your attendance at the meeting is cordially requested.

1. Date and Time: Friday, June 23, 2017 at 10:00 a.m. (Japan time)
(Reception will start at 9:00 a.m.)

2. Venue: Hall of Otemachi Sankei Plaza 4th Floor, Tokyo Sankei Building
7-2, Otemachi 1-chome, Chiyoda-ku, Tokyo

3. Agenda for the Meeting:

[Matters for Reporting]

- 1 - Reports on the contents of the Business Report and Consolidated Financial Statements for the 134th Business Term (from April 1, 2016 to March 31, 2017), and reports on the Auditing Results of Accounting Auditor and Audit & Supervisory Board regarding the Consolidated Financial Statements.
- 2 - Reports on the content of the Financial Statements for the 134th Business Term (from April 1, 2016 to March 31, 2017).

[Matters for Resolution]

- 1 - Appropriation of Surplus
- 2 - Partial Amendment to the Articles of Incorporation
- 3 - Election of one Alternate Audit & Supervisory Board Member
- 4 - Revision to Amount of Remuneration for Directors

Upon attending the Meeting, please present the enclosed Voting Form to the receptionist of the Meeting.

Guide to the Exercise of Voting Rights

If you attend the Meeting

Please present the Voting Form to the receptionist of the Meeting.

Date and time: Friday, June 23, 2017 at 10:00 a.m. (Japan time)
(Reception will start at 9:00 a.m.)

If you are unable to attend the Meeting

Voting by postal mail:

Please indicate your approval or disapproval concerning the proposals shown on the Voting Form and send it back to us.

Deadline for exercising voting rights:

Voting Form must be received by 5:05 p.m. on Thursday, June 22, 2017 (Japan time)

Internet

Please input your approval or disapproval concerning each proposal via the voting website designated by the Company (<http://www.it-soukai.com>).

Deadline for exercising voting rights:

No later than 5:05 p.m. on Thursday, June 22, 2017 (Japan time)

- When you exercise the voting rights through a proxy, such proxy must be only one shareholder who is entitled to attend the general meeting of shareholders. In this case, please submit a written power of attorney and the enclosed Cards for Exercise of Voting Rights to the receptionist of the Meeting.
- Any changes in the matters described in Reference Documents for General Meeting of Shareholders, Business Report, Consolidated Financial Statements and Financial Statements will be posted on our website (<http://www.signal.co.jp/ir/>).
- In accordance with the provisions of laws and regulations and Article 17 of the Articles of Incorporation, the following items are posted on our website (<http://www.signal.co.jp/ir/library/meeting.html>) and thus they are not included in this Notice of Convocation.
 - “(4) Basic Policy on Parties Who Control Decisions on the Company’s Financial and Business Policies” in the Business Report.
 - “Consolidated Statements of Changes in Net Assets” and “Note to Consolidated Financial Statements” in Consolidated Financial Statements
 - “Statements of Changes in Net Assets” and “Notes to Financial Statements” in Financial StatementsConsolidated Financial Statements and Financial Statements audited by Audit & Supervisory Board Members and the Accounting Auditor consist of the documents included in this Notice of Convocation, and the “Consolidated Statements of Changes in Net Assets,” “Notes to Consolidated Financial Statements,” “Statements of Changes in Net Assets” and “Notes to Financial Statements” posted on our website.

No.1 - Appropriation of Surplus

The Nippon Signal Group's basic policy regarding earnings distribution is to seek to establish a stable earnings structure and management foundation, and strengthen its financial condition from a long-term perspective. In addition, the Company aims to sustain research and development, manufacturing infrastructure, and human resources development, and provide investors with stable dividends and returns commensurate with performance. We have set a target payout ratio of around 30% on a consolidated basis.

Under this policy, we would like to increase this term's year-end dividend by 1 yen from the previous fiscal year, taking it to 16 yen per share, considering the Company's performance and payout ratio in a comprehensive manner based on the policy to provide investors with stable dividends.

Based on this policy, the Company proposes the following.

Matters concerning year-end dividend

1. Type of dividend: Cash

2. Matters concerning allocation of dividend and the total amount:

16.00 yen per one common share of the Company

Total amount of dividend 1,060,991,248 yen

Full-year dividend 23.00 yen per share

*As we have already paid an interim dividend of 7.00 yen per share on December 1, 2016, the full-year dividend will be 23.00 yen per share.

3. Effective date of the dividend from surplus: June 26, 2017

Trends in full-year dividend and consolidated payout ratio

No.2 - Partial Amendment to the Articles of Incorporation

1. Reasons for Amendment

(1) Change of the Term of Office of Directors

The Company proposes that the term of office of Directors prescribed in Article 21 (Term of Office of Directors) of the Company's Articles of Incorporation be shortened from two years to one year, together with deletion of Paragraph 2 of Article 21 concerning the adjustment of the term of office in association with the change, in order to build a management structure capable of responding flexibly to changes in the business environment, as well as to increase opportunities to gain confidence from our shareholders and clarify the managerial responsibility of Directors. In addition, to clarify the term of office of the current Directors, the Company proposes that a supplementary provision be added.

(2) Change of the Decision-making Organization with respect to Appropriation of Surplus etc.

In order to ensure flexible capital and dividend policies, the Company proposes that Article 37 be newly established in the Company's Articles of Incorporation, pursuant to Article 459, Paragraph 1 of the Companies Act. This change will enable the Company to determine the dividend from surplus and other related matters by resolution of the Board of Directors. In association with this change, the Company proposes that Article 7 (Acquisition of Own Shares) and Article 39 (Interim Dividends), with which some contents of Article 37 overlap, be deleted, and certain Articles be renumbered due to insertion of a new Article.

2. Substance of Amendment

Current Articles of Incorporation	(amended sections underlined) Proposed Amendment
<p><u>(Acquisition of Own Shares)</u> <u>Article 7. The Company may, by resolution of the Board of Directors, acquire the Company's own shares through market trading etc. pursuant to Article 165, Paragraph 2 of the Companies Act.</u></p>	<p>(Deleted)</p>
<p>Article <u>8</u>. - <u>20</u>. (Omitted)</p>	<p>Article <u>7</u>. - <u>19</u>. (Unchanged)</p>
<p>(Term of Office of Directors) Article <u>21</u>. The term of office of a Director shall expire upon conclusion of the ordinary general meeting of shareholders held with respect to the last business year ending within <u>two</u> years from his/her election to office. <u>2 The term of office of a Director who is elected as a substitute or to increase the number of Directors shall expire upon expiry of the term of office of the other current Directors.</u></p>	<p>(Term of Office of Directors) Article <u>20</u>. The term of office of a Director shall expire upon conclusion of the Ordinary General Meeting of Shareholders held with respect to the last business year ending within <u>one</u> year from his/her election to office. (Deleted)</p>
<p>Article <u>22</u>. - <u>37</u>. (Omitted)</p>	<p>Article <u>21</u>. - <u>36</u>. (Unchanged)</p>

Current Articles of Incorporation	Proposed Amendment
<p data-bbox="475 197 555 230">(New)</p> <p data-bbox="240 698 786 770">(Record Date for Appropriation from Surplus)</p> <p data-bbox="240 777 786 884">Article 38. The record date for payment of year-end dividends shall be March 31 of each year.</p> <p data-bbox="475 891 555 925">(New)</p> <p data-bbox="475 1010 555 1043">(New)</p>	<p data-bbox="815 197 1361 266"><u>(Decision-making Organization with respect to Appropriation of Surplus etc.)</u></p> <p data-bbox="815 273 1361 651"><u>Article 37. Except as otherwise provided by laws and regulations, the matters specified in each item of Article 459, Paragraph 1 of the Companies Act, including appropriation of surplus, etc., shall be determined by resolution not of the General Meeting of Shareholders but of the Board of Directors of the Company.</u></p> <p data-bbox="815 698 1361 770">(Record Date for Appropriation from Surplus)</p> <p data-bbox="815 777 1361 884">Article 38. The record date for payment of year-end dividends shall be March 31 of each year.</p> <p data-bbox="927 891 1361 999"><u>2 The record date for payment of interim dividends shall be September 30 of each year.</u></p> <p data-bbox="927 1010 1361 1193"><u>3 In addition to the provisions of the above two paragraphs, the Company may distribute surplus by specifying any other record date.</u></p>

Current Articles of Incorporation	Proposed Amendment
<p data-bbox="228 208 799 246"><u>(Interim dividends)</u></p> <p data-bbox="228 246 799 436"><u>Article 39. The Company may pay an interim dividend from surplus on September 30 as the record date by resolution of the Board of Directors.</u></p> <p data-bbox="228 481 799 519">Article <u>40.</u> - <u>41.</u> (Omitted)</p> <p data-bbox="470 571 555 609">(New)</p>	<p data-bbox="799 208 1383 246">(Deleted)</p> <p data-bbox="799 481 1383 519">Article <u>39.</u> - <u>40.</u> (Unchanged)</p> <p data-bbox="799 571 1383 609"><u>SUPPLEMENTARY PROVISION</u></p> <p data-bbox="949 616 1383 1041"><u>Notwithstanding the provisions of Article 20 of the Articles of Incorporation, the term of office of Directors elected at the Ordinary General Meeting of Shareholders held on June 24, 2016 shall expire upon conclusion of the Ordinary General Meeting of Shareholders to be held in 2018.</u></p> <p data-bbox="949 1041 1383 1153"><u>This supplementary provision shall be deleted after the period has lapsed.</u></p>

No.3 - Election of one Alternate Audit & Supervisory Board Member

To ensure that the Company will not lack the number of Audit & Supervisory Board Members stipulated by law, the Company requests the election of one Alternate Audit & Supervisory Board Member.

The Company has obtained the consent of the Audit & Supervisory Board regarding this proposal.

The candidate for the Alternate Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Biography, status, and significant concurrent positions	Number of the Company's shares held
Outside Hiromichi Tatsuno (November 1, 1948) Age:68	April 1971 Joined The Industrial Bank of Japan, Limited September 1981 Director of Tokyo Tatsuno Corporation May 1984 Managing Director of Tokyo Tatsuno Corporation May 1986 President of Tokyo Tatsuno Corporation May 1996 President of Nippon Engineer Service Co., Ltd. April 2012 President of Tatsuno Corporation (to Present)	0
	[Reason for nomination as a candidate for Alternate Audit & Supervisory Board Member] Hiromichi Tatsuno is the President of one of the world's three major gasoline weighing machine manufacturers and possesses a wealth of experience, achievements and knowledge as a global manager. We expect that he will offer auditing and advice on the Company's management by making use of these capabilities. Therefore, we have nominated him as a candidate for Alternate Audit & Supervisory Board Member.	

1. Hiromichi Tatsuno has no special interest in the Company.
2. Hiromichi Tatsuno is an Alternate Outside Audit & Supervisory Board Member candidate.
3. If this proposal is approved as proposed and Hiromichi Tatsuno assumes the office of Outside Audit & Supervisory Board Member, the Company plans to enter into a limited liability agreement with him, which limits his liability for damages under Article 423, Paragraph 1 of the Companies Act. However, based on the agreement, the minimum liability amount will be the amount prescribed by laws and regulations.

(Reference) Criteria for the Independence of Outside Officers

The Company prescribes the following criteria for the independence of Outside Officers to objectively determine the independence of Outside Officers. If an Outside Officer falls under any of the following items, the Company determines that the Outside Officer is not sufficiently independent from the Company.

An Outside Officer designated as an Independent Officer as stipulated under the Tokyo Stock Exchange, Inc. shall endeavor to maintain independence as prescribed in this Criteria until resignation. If the Outside Officer loses his/her independence, the Outside Officer shall notify the Company in advance (or as soon as possible after an event under unavoidable circumstances).

1. A person who is, or has been in the past 10 years, a business executor ^{(*)1} or Non-executive Director (if the person is an Outside Audit & Supervisory Board Member) at the Group (i.e. the Company or its subsidiaries).

2. Any person (party) who falls under any of the following items (1) to (8) in the past three years.

(1) A party for whom the Group is a major business partner ^{(*)2} or a business executor of such party

(2) A major business partner of the Group ^{(*)3} or a business executor of such partner

(3) A consultant, accounting professional, or legal professional who has received a significant amount of money ^{(*)4} or other property from the Group other than officer remunerations (if a party who receives such property is a corporation, association, or any other entity, a party who belongs to the relevant entity)

(4) A current major shareholder of the Group ^{(*)5} or a business executor of such shareholder

(5) A business executor of a corporation that is a current major shareholder of the Group ^{(*)5}

(6) A person who belongs to the appointed audit firm for the statutory audit of the Group

(7) A business executor of an entity whose Outside Officer is also a business executor of the Group

(8) A person, an officer or other business executor of a corporation, association, or any other entity who receives a large amount of donation or grant ^{(*)6} from the Group

3. If a person who falls under 1. and 2. above is a key person ^{(*)7}, close relatives (spouse, first or second degree relatives) of such person

4. A person who has assumed the office of Outside Officer for eight years or more in total

- (*1) A business executor refers to a person who executes the duties of a Director (excluding an Outside Director), Executive Officer, or employees, etc.
- (*2) A party for whom the Group is a major business partner refers a party who has business transactions with the Group, with total amount of sales in any of the fiscal year within the last three fiscal years exceeding 2% of the consolidated net sales of such business partner. Such business partner shall include its parent company and important subsidiaries if such business partner is a corporation.
- (*3) A major business partner of the Group refers to a party with whom the Group has business transactions, with total amount of sales in any of the fiscal year within the last three fiscal years exceeding 2% of the consolidated net sales of the Group, or a party who has made a loan to the Group in the amount at 2% or more of the consolidated net assets of the Company at the end of the most recent fiscal year.
- (*4) A significant amount of money refers to the yearly average money exceeding 10 million yen over the three most recent fiscal years.
- (*5) A major shareholder refers a shareholder who holds, directly or indirectly, 10% or more of the total voting rights. Such major shareholder shall include its parent company or important subsidiaries if such major shareholder is a corporation.
- (*6) A large amount of donation or grant refers to a yearly average amount exceeding 10 million yen over the three most recent fiscal years.
- (*7) A key person refers to a Director, Corporate Officer, Executive Officer, business executor who serves as a General Manager or in a higher rank, or business executor who has authority equivalent to that of a General Manager or higher position.

No.4 - Revision to Amount of Remuneration for Directors

It was approved at the 132nd Ordinary General Meeting of Shareholders, held on June 24, 2015, that the maximum amount of monthly remuneration for Directors shall be 30 million yen. This amount has remained unchanged to date.

Apart from the portion of the remuneration, the Company has granted bonuses to Directors through approval of the General Meeting of Shareholders. From this year onwards, the Company would like to change the monthly remuneration for Directors to performance-linked remuneration on an annual basis instead of paying bonuses. In this regard, the Company proposes that the maximum amount of the annual remuneration for Directors be 500 million yen or less (of which an amount of 36 million yen or less for Outside Directors).

Based on the maximum amount approved at the 132nd Ordinary General Meeting of Shareholders, this maximum amount of remuneration is calculated in consideration of the number of Directors prescribed in the Articles of Incorporation and past bonus payments. There are currently eight Directors (including two Outside Directors).

At present, the Company has decided not to introduce share-based remuneration that has been adopted more in recent years. Directors of the Company have continued a certain level of share-purchasing through the Officer Shareholding Association. In this regard, the Company believes that even now, the Directors are fulfilling their management responsibility with the shareholders' perspectives in mind.