

Securities Code 2461  
March 10, 2017

To  
Our Shareholders

1-1-8 Shibuya, Shibuya-ku, Tokyo  
F@N Communications, Inc.  
President Yasuyoshi Yanagisawa

## Invitation to Attend the 18th Annual General Meeting of Shareholders

Thank you for your continued support and for the confidence you have placed in us. We are pleased to invite you to attend the 18th Annual General Meeting of Shareholders, which has been schedule as follows.

**Please note that shareholders who are unable to attend the Annual General Meeting may exercise their voting rights by correspondence. Please read the after-mentioned information materials for the Annual General Meeting and indicate on the enclosed shareholder voting form your vote for or against the agenda items. Please return the shareholder voting form in time to arrive no later than Monday, March 27, 2017, at 6:30 pm (JST).**

### Details

- 1. Date and time** Tuesday, March 28, 2017, at 10:00 am (The reception desk opens at 9:30 am)
- 2. Place** 4-4-25 Shibuya, Shibuya-ku, Tokyo  
IVY HALL Aogakukaikan, Basement 2F, "Safran"  
(Please refer to the venue access map at the end of this notice.)  
\*Please note that the venue has changed from last year.

### 3. Agenda

- Matters for reporting:**
1. Business report, consolidated financial statements, and audit reports of the accounting auditor and the board of corporate auditors concerning the consolidated financial statements for the 18th business year (from January 1, 2016 to December 31, 2016)
  2. Non-consolidated financial statements for the 18th business year (from January 1, 2016 to December 31, 2016)

#### **Matters for resolution:**

- Proposal No. 1:** Appropriation of retained earnings
- Proposal No. 2:** Election of one substitute corporate auditor
- Proposal No. 3:** Issuance of stock warrants as stock options for the directors, operating officers, and employees of the Company

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Attending shareholders are requested to present the enclosed shareholder voting form on the day of the Meeting at the reception desk of the venue.

Any amendment to the supplementary materials for the General Meeting of Shareholders, the business report, non-consolidated financial statements, and consolidated financial statements will be posted on the corporate website (<https://www.fancs.com/en>) of the Company.

## **Information Materials for the General Meeting of Shareholders**

### **Proposal No. 1: Appropriation of retained earnings**

The following appropriation of retained earnings is proposed.

Matters concerning the year-end dividend

With regard to the year-end dividend for the 18th business year, the following appropriation of retained earnings is proposed, with consideration given to the business results of the subject business year, future business development, etc.

(1) Type of dividend funds

Cash

(2) Matters concerning the allocation of dividend funds and total amount

It is proposed to pay a dividend of 18 yen per share of common stock of the Company.

The total dividend amount under this proposal is 1,381,262,976 yen.

(3) Date proposed for the dividend of retained earnings to take effect

March 29, 2017

**Proposal No. 2: Election of one substitute corporate auditor**

It is proposed to elect one substitute corporate auditor in preparation for the case that the number of substitute auditors falls short of statutory requirements.

This proposal has received the approval of the board of corporate auditors.

For the election as substitute corporate auditor the following candidate is proposed.

Name (Date of birth)	Career summary, position held at the Company (Significant concurrent positions held)	Number of shares of the Company held
Kenji Yamada (born May 3, 1958)	April 1982    Joined AIU Insurance Company April 1994    Established Funtech LLC June 1998    KENKO Mayonnaise Co., Ltd. External Corporate Auditor December 2001 Funtech Co., Ltd. Representative Director (current position) [Significant concurrent positions held] Representative Director, Funtech Co., Ltd.	None

Notes 1. Funtech Co., Ltd., where the candidate serves in the position as representative director, is an insurance agency engaged in the part of business of the solicitation and administration for the property and casualty insurance agreements insured by the Company.

2. In the subject fiscal year, the Company has paid to Funtech Co., Ltd. a total amount of 8,394,640 yen, which is comprised entirely of insurance premiums. Funtech Co., Ltd. accounts for less than 0.03% of the consolidated sales revenues of the Company group.

3. Mr. Kenji Yamada is a candidate for the position as substitute external corporate auditor.

4. Mr. Kenji Yamada is thoroughly experienced in business management and risk management. It is proposed to appoint Mr. Kenji Yamada as substitute external corporate auditor in order to strengthen the audit framework of the Company through the application of his knowledge and experience.

5. In case Mr. Kenji Yamada is inaugurated as external corporate auditor, it is planned to conclude an agreement between Mr. Kenji Yamada and the Company based on the stipulations of Article 427 (1) of the Companies Act to limit the indemnity liability under Article 423 (1) of the Companies Act. The limit amount under the indemnity liability based on the subject agreement will be the statutorily stipulated minimum liability limit amount. However, the said limitation of liability will be available only if in the execution of the task giving rise to the subject liability he has no willful misconduct and gross negligence.

**Proposal No. 3:** Issuance of stock warrants as stock options for the directors, operating officers, and employees of the Company

It is proposed based on the stipulations of Articles 236, 238, and 239 of the Companies Act, to issue in accordance with the summary stated below, stock warrants for no consideration as stock options for the directors, operating officers, and employees of the Company, with the determination of matters concerning the subscription to the said stock warrants to be committed to the discretion of the board of directors.

Additionally, based on the stipulations of Article 361 of the Companies Act, the proposal No.3 is proposed to issue stock warrants within an annual range of 90,000 thousand yen as stock options as stated above as remuneration, etc., for directors of the Company.

### Details

#### 1. Proposal outline

(1) Reasons for the necessity to offer stock warrants at preferential conditions

It is proposed to issue stock warrants for no consideration as stock options for directors, operating officers, or employees of the Company in order to heighten motivation and morale with respect to enhancing the business results of the Company.

(2) The issuance of stock warrants as remuneration, etc., for directors of the Company

Issuance within an annual range of 300,000 thousand yen (excluding employee allowances for employees serving as directors) was approved at the 16th Annual General Meeting of Shareholders held on March 26, 2015. In addition to the said remunerations, it is proposed to issue stock warrants as stock options within an annual range of 90,000 thousand yen.

The amount of stock warrants proposed for issuance for directors of the Company corresponds to the fair value per stock warrant calculated on the allotment date of the stock warrants (to be calculated using the Black-Scholes model) multiplied by the total number of stock warrants issued for the directors of the Company incumbent on the allotment date.

Notably, eligible under this proposal will be seven directors.

## 2. Outline of the stock warrants

### (1) Persons eligible to be allotted stock warrants

Directors, operating officers, and employees of the Company

### (2) Share types and number of shares underlying the stock warrants

Shares of common stock of the Company up to a maximum limit of 100,000 shares. Out of this number, stock warrants for allotment to directors shall be limited to a maximum of 100,000 stock warrants.

Notably, in case of a split or reverse split of the shares of the Company, the number of shares under the stock warrants shall be adjusted according to the following formula. However, such adjustment shall be made only with respect to the number of shares underlying unexercised stock warrants at that time. Fractions of one share resulting from the adjustment will be truncated.

Number of shares after adjustment

= Number of shares before adjustment x Split ratio/Reverse-split ratio

Moreover, in case of a corporate merger of the Company with a different entity, or in case of a corporate split-off of the Company, or in case the Company is made a fully-owned subsidiary of a different entity through a share exchange or share transfer, respectively assuming succession to the stock warrants after such an event, adjustments to the number of shares will be made as found necessary.

### (3) The total number of stock warrants

Limited to 1,000 stock warrants. Out of this number, stock warrants for allotment to directors shall be limited to a maximum of 1,000 stock warrants.

(The number of shares underlying one stock warrant shall be 100 shares.

However, in case of an adjustment pursuant to item (2), the same adjustment shall apply.)

### (4) Amount payable for stock warrants

The stock warrants shall be issued for no consideration.

### (5) Exercise price of the stock warrants

The amount payable per one stock warrant at exercise shall correspond to the amount to be determined as set out below that is payable per share of stock underlying the stock warrants ("Exercise Price"), multiplied by the number shares of stock underlying one stock warrant as determined in item (3).

The Exercise Price shall be the average of the closing prices of shares of common stocks of the Company observed in trading on a financial instruments exchange on each day (excluding days on which no trading contracts are concluded) of the month prior to the month that contains the date of issuance of the stock warrants, multiplied by 1.05 (fractions of a yen shall be rounded up to one yen).

However, if the said amount is lower than the closing price on the issuance date of the stock warrants (if no closing price is posted on the subject date, the closing price on the nearest previous date), the closing price on the issuance date of the stock warrant shall be the Exercise Price.

Notably, in case of a split or reverse split of the shares of stock of the Company on or after the issuance date, the Exercise Price will be adjusted according to the following formula. Fractions of one yen resulting from the adjustment will be rounded up to one yen.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Split ratio/Reverse-split ratio}}$$

Furthermore, if the Company issues new shares of stock or disposes of treasury stock (excluding disposal due to exercise of stock warrants) at a price below market price, the exercise price will be adjusted according to the following formula. Fractions of one yen resulting from the adjustment will be rounded up to one yen.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{\text{Number of shares outstanding} + \frac{\text{Number of shares newly issued} \times \text{Subscription price payable per share}}{\text{Price per share before issuance of new shares}}}{\text{Number of shares outstanding} + \text{Number of shares newly issued}}$$

For the purposes of the above formula, "Number of shares outstanding" shall mean the number of shares of treasury stock of the Company issued less the number of shares of common stock of the Company held as common stock by the Company. If the Company disposes of treasury stock, "Number of shares newly issued" shall be read down to "Number of disposed treasury stock."

Moreover, in case of a corporate merger of the Company with a different entity, or in case of a corporate split-off of the Company, or in case the Company is made a fully-owned subsidiary of a different entity through a share exchange or share transfer, respectively assuming succession to the stock warrants after such an event, adjustments to the number of shares will be made as found necessary.

(6) Exercise period of the stock warrants

The exercise period of the stock warrants shall continue for four years, beginning at the start of the month next after the day that marks the passage of three years after the allotment date of the stock warrants.

(7) Conditions for exercise of the stock warrants

- (i) Persons who have stock warrants allotted to them ("Stock Warrant Allottees") must at the time of the stock warrant exercise hold a position as director, corporate auditor, or employee of the Company or a subsidiary or affiliate of the Company. However, the above condition is not applicable when there is a legitimate reason in the judgment of the board of directors.
- (ii) Other conditions are prescribed in the "Stock Warrant Grant Agreement" to be concluded between the Company and the Stock Warrant Allottees based on the resolutions of this General Meeting of Shareholders and the Board of Directors.

(8) Reasons and conditions for acquisition of stock warrants

If a Stock Warrant Allottee is rendered unable to exercise stock warrants due to the loss of position as director, corporate auditor, or employee of the Company or a subsidiary or affiliate of the Company, the Company shall be able to recover free of charge the subject stock warrants from such Stock Warrant Allottee.

- (9) Matters concerning increases in capital and capital reserves in case of share issuance associated with the exercise of stock warrants
- (i) The increase in the amount of capital due to the issuance of shares associated with the exercise of stock warrants shall correspond to one-half of the capital, etc., increase limit amount calculated in accordance with Article 17, paragraph 1, of the Corporate Accounting Rules. Fractions of one yen resulting from the calculation shall be rounded up to one yen.
  - (ii) The increase in the amounts of capital or capital reserves in case of issuance of shares associated with the exercise of stock warrants shall correspond to the balance of the capital, etc., increase limit amount stated in item (i) above less the capital increase amount stated in item (i) above.
- (10) Restrictions on the acquisition of stock warrants by assignment  
Acquisition of stock warrants by assignment shall require the approval of the board of directors of the Company.
- (11) Truncation of fractional shares resulting from stock warrant issuance  
Fractions of a share associated with the number of shares deliverable to Stock Warrant Allottees shall be truncated.
- (12) Handling in case of reorganization  
If the Company undergoes any of corporate merger (limited to the case of elimination of the Company due to merger), absorption-type split-off or spin-off, new-incorporation type split-off or spin-off, or exchange or transfer of its shares (collectively, "Reorganization"), the Company shall be able with respect to Stock Warrant Allottees holding stock warrants remaining at the time of taking effect of the Reorganization ("Remaining Stock Warrants"), in accordance with the respective cases, to deliver stock warrants of the joint stock corporations listed in Article 236 (1)(viii)(a) through (e) of the Companies Act ("Reorganized Company") in accordance with the conditions stated below. In such a case, the Remaining Stock Warrants shall be cancelled and stock warrants of the Reorganized Company shall be newly issued. However, the foregoing provision shall be limited to the case that in the agreement on absorption-type merger, agreement on new-incorporation type merger, agreement on absorption type split off or spin-off, new-incorporation type split off or spin-off plan, agreement on exchange of shares, or share transfer plan, an indication has been stipulated to the effect that stock warrants of the Reorganized Company shall be delivered in accordance with the following conditions.
- (i) Number of stock warrants to be delivered of the Reorganized Company  
Numbers shall match the respective numbers of the Remaining Stock Warrants held by the Stock Warrant Allottees.
  - (ii) Share types of the Reorganized Company underlying the stock warrants  
Shares of common stock of the Reorganized Company.
  - (iii) Number of shares of the Reorganized Company underlying the stock warrants  
To be determined in accordance with item (2) above with consideration of the terms, etc., of Reorganization.

- (iv) Value of property to be contributed at exercise of stock warrants  
To be determined in accordance with item (5) above with consideration of the terms, etc., of Reorganization.
- (v) Exercise period of stock warrants  
The period from the later of the start date of the exercise period for Remaining Stock Warrants prescribed in item (6) above or the effective date of the Reorganization, to the last day of the exercise period for Remaining Stock Warrants prescribed in item (6) above.
- (vi) Matters concerning increases in capital and capital reserves in case of share issuance associated with the exercise of stock warrants  
To be determined in accordance with item (9) above.
- (vii) Restrictions on the acquisition of stock warrants by assignment  
Acquisition of stock warrants by assignment shall require the approval of the board of directors of the Company.
- (viii) Provisions concerning the acquisition of stock warrants  
To be determined in accordance with item (8) above.
- (ix) Other conditions concerning the exercise of stock warrants  
To be determined in accordance with item (7) above.
- (13) Other features of the stock warrants  
As to other features of the stock warrants, matters concerning subscription to the stock warrants are determined by the board of directors.

End of text.