

## Reference Documents for General Meeting of Shareholders

### Proposals and references

#### Proposal No. 1 Distribution of Surplus

Company has long concentrated on returning profits to all our shareholders. Company aims a consolidated dividend payout ratio of approximately 40% as our mid-term goal, taking the level of retained earnings and stable and continuous redistribution of profits into consideration. Retained earnings are to be allocated for capital investment and R&D investment in growth businesses to enhance the value of Company.

Based on this policy, Company proposes the distribution of surplus for this fiscal year as follows.

#### 1. Matters related to the year - end dividend

##### ( 1 ) The kind of Dividend Property

Cash

##### ( 2 ) The matters regarding the assignment of Dividend Property to shareholders and the total amount

Dividends	15 yen per common share
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Total amount	2,561,982,525 yen
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##### ( 3 ) Effect date of distribution of surplus ;

June 28, 2021

As Company has paid interim dividend of 15 yen per common share for second quarter, total amount of dividend for this fiscal year will result in 30 yen per common share.

**Proposal No. 2 Election of Nine (9) Directors**

The terms of office of all ten (10) Directors will expire at the close of this Ordinary General Meeting of Shareholders. Accordingly, we hereby propose to elect nine (9) Directors, who consist of eight (8) candidates for re-election and one (1) candidate for new election.

(The list of candidates for Directors)

Candidate number	Name	Current Position and Responsibilities in Company	Attributes Information for Company (New Election) (Independent) (Outside)	Attendance at Board of Directors meeting during the fiscal year
1	Atsuhiko Wakumoto	President Representative Director		14 of 14 meetings (100%)
2	Tomoo Shibuya	Managing Director Member of board of Directors		14 of 14 meetings (100%)
3	Hiroshi Mikami	Managing Director Member of board of Directors		14 of 14 meetings (100%)
4	Yoshitsugu Ishida	Managing Director Member of board of Directors		14 of 14 meetings (100%)
5	Kazuto Koizumi	Managing Director Member of board of Directors		14 of 14 meetings (100%)
6	Yo Ota	Outside Director Member of board of Directors	(Independent) (Outside)	12 of 14 meetings (85%)
7	Yasuyuki Fujishima	Outside Director Member of board of Directors	(Independent) (Outside)	14 of 14 meetings (100%)
8	Seiichi Fusamura	Outside Director Member of board of Directors	(Independent) (Outside)	11 of 11 meetings (100%)
9	Masatomi Akezuma	Director	(New Election)	—

(Notice) The records of attendance of Mr. Seiichi Fusamura is based on only the Board of Directors meetings held after he assumed his office of Director on June 25, 2020.

**(Independence Standards and Qualification for Outside Officers)**

Company has set for the following independence standards of outside officers (Outside Directors and Outside Audit & Supervisory Board Members). The outside officer concerned is judged to be independent of Company if he or she does not constitute any of the following :(Company has revised the independence standards on March 31, 2020)

- (1) A supplier who sees Company and important subsidiaries of Company (hereafter, “Company Group”) as a main customer, or a person who is an executive director, executive officer, or other employee of the parent company or main subsidiaries of that supplier (hereafter “Executive”);
- (2) A main customer of Company or an Executive at that customer;

- (3) An Executive at a main financial institution from which Company borrows or the parent or a subsidiary of that financial institution;
- (4) An attorney, certified public accountant (CPA), licensed tax accountant or other consultant who has received funds or other assets exceeding a certain amount, other than officer remuneration, from Company Group (the person affiliated with the group when the entity receiving the assets is a corporation, association, or other group);
- (5) A person who has received donations or aid exceeding 10 million yen a year from Company (an Executive of the group when the entity receiving the donation or aid is a corporation, association, or other group);
- (6) A main shareholder of Company Group or an Executive of that shareholder;
- (7) A company that has accepted directors from Company Group or an Executive of the parent company or a subsidiary of that company;
- (8) A person who constituted (1) through (7), above, in the past five years;
- (9) The spouse or close relatives within the second degrees when the person who falls under (1) to (8) above is in an important position; or
- (10) The spouse or close relatives within the second degrees when the person is a director, executive officer, or manager of Company or a subsidiary of Company.

(Notes)

- 1. “Important subsidiaries of Company” in (1) refer to subsidiaries that comprise 20% or more of any one of Company’s (non-consolidated) sales, total assets, income, or borrowings in the most recent fiscal year.  
 “A supplier who sees Company Group as a main customer” in (1) refers to a “supplier who received payment of 2% or more of that entity’s annual consolidated sales for the most recent fiscal year from Company Group.”
- 2. “A main customer of Company” in (2) refers to “a customer who paid Company 2% or more of Company’s annual consolidated sales for the most recent fiscal year.”
- 3. “Main financial institution” in (3) refers to “an entity that lends an amount equaling 2% or more of Company’s consolidated assets for the most recent fiscal year to Company.
- 4. “A certain amount” in (4) refers to whichever is higher “10 million yen a year” or “2% of the annual sales of an attorney and or the corporation, association or other organization to which the attorneys belong.
- 5. “Main shareholder” in (6) refers to a shareholder who holds 10% or more of the voting rights (including both direct and indirect ownership).
- 6. “A person in an important position” in (9) refers to employees who are directors (excluding outside directors), executive officers, persons responsible for operational execution, or upper level management of department manager or above, as well as attorneys affiliated with the law firm who have a position of partner and employee or higher; CPAs affiliated with the accounting firm who have a position of partner and employee or higher; trustees, directors, auditors, or other officers affiliated with a foundation, incorporated organization, educational

corporation or other corporation; and other persons reasonably and objectively judged to be of similar importance.

The candidates for Director are as follows.

**(Re-election)**

Candidate number	Name (Date of birth)	Brief biographical outlines, position and responsibility in Company, and significant concurrent positions		Number of shares of Company owned by Candidate
1  <u>Re-election</u>	Atsuhiro Wakumoto (March 15, 1957)	<p>April 1979 August 2008</p> <p>August 2009</p> <p>August 2010</p> <p>August 2012</p> <p>June 2016</p> <p>June 2018</p> <p>June 2019</p>	<p>Joined Company</p> <p>General Manager of Global Business Division and Manager of Marketing Dept., Global Business Division and Manager of Marketing Dept., Japan Business Division, Safety Systems Group</p> <p>General Manager of Global Business Division and Manager of Marketing Dept., Global Business Division, Safety Systems Group</p> <p>General Manager of Marketing Division and Manager of Global Marketing Dept., Marketing Division, Safety Systems Group</p> <p>Director</p> <p>General Manager of Marketing Division, Safety Systems Group (current)</p> <p>Member of the board of Directors</p> <p>Managing Director</p> <p>Head of Safety Systems Group</p> <p>President (current)</p> <p>Representative Director (current)</p>	29,000
	<p>[Reason for selection as a candidate for Director]</p> <p>Mr. Atsuhiro Wakumoto has been engaged in safety systems business for many years. He currently has been serving as a President and Representative Directors. Company continuously selected him as a candidate for Director since he has extensive experience of global business and advanced knowledge of the overall business of Company.</p>			

Candidate number	Name (Date of birth)	Brief biographical outlines, position and responsibility in Company, and significant concurrent positions		Number of shares of Company owned by Candidate
2  <div>Re-election</div>	Tomoo Shibuya (December 15, 1957)	April 1980 September 2005	Joined Company General Manager of Public Relations & Investor Relations Division, Strategic Corporate Planning Group	17,600
		February 2006 August 2007 June 2010 June 2012 June 2013 June 2017	General Manager of Corporate Planning Division, Strategic Corporate Planning Group Vice President of LifeSparc Inc. General Manager of Corporate Planning Division, Strategic Corporate Planning Group Member of Board of Directors, Polatechno Co., Ltd. Director, Company Member of the board of Directors (current) Managing Director (current) Head of Strategic Corporate Planning Group, Head of Research & Development Group and Head of Agrochemicals Division	
		June 2018 June 2019	Head of Financial Group and General Manager of Finance & Accounting Division, Financial Group Head of Financial Group Head of Financial Group (current)	
[Reason for selection as a candidate for Director] Mr. Tomoo Shibuya has been engaged in Strategic Corporate Planning Group and Financial Group for many years and currently serving as a Member of the Board of Directors and Managing Director. Company continuously selected him as a candidate for Director since he has been engaged in management of foreign subsidiary and has advanced knowledge of the group business of Company.				
3  <div>Re-election</div>	Hiroshi Mikami (March 8, 1959)	April 1981 January 2004 September 2006	Joined Company General Manager of Management Dept., Asa Plant General Manager of Management Dept., Himeji Plant	15,100
		August 2010 July 2011 August 2012 June 2015 June 2017 June 2018	Deputy Plant General Manager & General Manager of Management Dept., Himeji Plant Manager, Personnel & Payroll Dept., Human Resources Management Division, Administration Group General Manager of Human Resources Management Division & Manager, Personnel & Payroll Dept., Human Resources Management Division, Administration Group Director, Company General Manager of Human Resources Management Division, Administration Group Member of the board of Directors (current) Managing Director (current) Head of Administration Group and General Manager of Human Resources Management Division, Administration Group	
		June 2020	Head of Administration Group(current)	

Candidate number	Name (Date of birth)	Brief biographical outlines, position and responsibility in Company, and significant concurrent positions		Number of shares of Company owned by Candidate
	<div>[Reason for selection as a candidate for Director]</div> <div>Mr. Hiroshi Mikami has been in charge of Management Department at some plants and Human Resources Management Division for many years and currently serving as a Member of the Board of Directors and Managing Director. Company continuously selected him as a candidate for Director since he has extensive experience of group business and advanced knowledge of the overall business of Company.</div>			
4	Yoshitsugu Ishida (September 8, 1958)	April 1981 August 2004  August 2007 August 2010 June 2016 April 2018  June 2019	Joined Company General Manager of Administration Dept., Safety System Division General Manager of Planning & Coordination Dept, Safety System Division General Manager of Planning & Coordination Dept, Safety System Group Director, Company General Manager of Strategic Planning Division, Safety System Group Member of the board of Directors (current) Managing Director (current) Head of Safety Systems Group (current)	32,855
Re-election	<div>[Reason for selection as a candidate for Director]</div> <div>Mr. Yoshitsugu Ishida has been in charge of Strategic Planning Division, Safety System business for many years and currently serving as a Member of the Board of Directors and Managing Director. Company continuously selected him as a candidate for Director since he has extensive experience of global business and advanced knowledge of the overall business of Company.</div>			
5	Kazuto Koizumi (January 18, 1960)	April 1982 June 2004  December 2005  June 2011 August 2012 June 2015  June 2017 June 2019	Joined Company General Manager of Technical & Information Dept., International Division, Pharmaceuticals Group General Manager of Manufacture Dept., Takasaki Plant Deputy Plant General Manager, Takasaki Plant Plant General Manager, Takasaki Plant General Manager of Quality & Pharmacovigilance Division, Pharmaceuticals Group Director, Company Member of the board of Directors (current) Managing Director (current) Head of Pharmaceuticals Group (current)	11,500
Re-election	<div>[Reason for selection as a candidate for Director]</div> <div>Mr. Kazuto Koizumi has been in charge of Pharmaceuticals Group and Plant management for many years and currently serving as a Member of the Board of Directors and Managing Director. Company continuously selected him as a candidate for Director since he has extensive experience and advanced knowledge of the overall business of Company.</div>			

Candidate number	Name (Date of birth)	Brief biographical outlines, position and responsibility in Company, and significant concurrent positions		Number of shares of Company owned by Candidate
6  <div>Re-election Independent Outside</div>	Yo Ota (October 3, 1967)	April 1993	Registered lawyer	0
		February 2001 April 2001	Joined Nishimura Tokiwa Law office Registered lawyer in New York State, USA Appointed Civil Affairs Bureau, the Ministry of Justice (charge of the Commercial Law, the office of counselor)	
		January 2003 August 2004	Partner of Nishimura Tokiwa Law office Outside Audit & Supervisory Board Member of Company	
		June 2005	Outside Director of Denki Kogyo Co., Ltd. (current)	
		July 2007	Partner of Nishimura & Asahi Law office (current)	
		April 2013	Professor, Graduate Schools for Law and Politics, The University of Tokyo	
		June 2016	Member of the board of Directors, Company (current)	
		June 2017	Outside Audit & Supervisory Board Member of Ricoh Co., Ltd. (current)	
		June 2019	Outside Audit & Supervisory Board Member of Z Financial Corporation (current)	
[Reason for selection as a candidate for Outside Director and overview of expected role] Mr. Yo Ota has extensive experience and advanced knowledge as a lawyer. He served as Outside Audit & Supervisory Board Member of Company, and he is well acquainted with Company. Company continuously selected him as a candidate for Outside Director for strengthening supervisory functions of the Board of Directors. Company expects him to perform the role to strengthen corporate governance of Company with his thorough knowledge of corporate legal affairs including corporate governance.				
7  <div>Re-election Independent Outside</div>	Yasuyuki Fujishima (March 25, 1947)	July 1969	Joined Ministry of International Trade and Industry (presently Ministry of Economy, Trade and Industry).	3,000
		July 1997	Economic Planning Agency Representative to the Economic Planning Agency Bank of Japan Policy Board	
		July 1998	Japan Ambassador Extraordinary and Plenipotentiary to Panama, Ministry of Foreign Affairs	
		June 2002	Managing Executive Officer, Nissho Iwai Corp. (presently Sojitz Corp.)	
		November 2002	Outside Director, Wacom Co., Ltd.	
		April 2003	Senior Managing Executive Officer, Member of Board of Directors, Nissho Iwai Corp.	
		October 2005	Representative Director and Senior Managing Executive Officer, Sojitz Corp.	
		April 2008	Executive Vice President, Sojitz Corp.	
		August 2010	Representative Director, President, Mutual Service Aid Guarantee Corporation	
		June 2016	Member of the board of Directors, Company (current)	
		August 2017	Representative Director, President, Ceremonial Occasions Research Institute, Inc.	
		November 2018	Chairperson of Human Resources Development & Employment Organization (current)	
[Reason for selection as a candidate for Outside Director and overview of expected role] Company continuously selected Mr. Yasuyuki Fujishima as a candidate for Outside Director to make recommendation about overall business of Company since he has extensive experience and knowledge as a management executive of general trading company. Company expects him to perform the role of supervising management from an objective standpoint based on his management experience at other companies.				

Candidate number	Name (Date of birth)	Brief biographical outlines, position and responsibility in Company, and significant concurrent positions		Number of shares of Company owned by Candidate
8 <div>Re-election</div> <div>Independent</div> <div>Outside</div>	Seiichi Fusamura (March 18, 1947)	July 1971	Assistant Judge of Kyoto District Court	0
		June 1998	Director-General of Judicial System and Research Dept., Minister's Secretariat, Ministry of Justice	
		December 2001	Director-General of the Civil Affairs Bureau, Ministry of Justice	
		October 2006	President of the Saitama District Court	
		December 2009	President of the Sendai High Court	
		January 2011	President of the Nagoya High Court	
		March 2012	Retired from High Court	
		April 2012	Public member of Tokyo Metropolitan Government Labor Relations Commission(Deputy Chairperson)	
		June 2012	Outside Audit & Supervisory Board Member of Nippon Paper Industries Co., Ltd. Registered Lawyer	
		January 2013	Chairperson of Public Security Examination Commission	
		August 2013	Chairperson of Tokyo Metropolitan Government Labor Relations Commission	
		June 2016	Outside Audit & Supervisory Board Member of The Bank of Yokohama, Ltd.	
		June 2020	Outside Audit & Supervisory Board Member of Concordia Financial Group, Ltd. Member of the board of Directors, Company (current)	
[Reason for selection and as a candidate for Outside Director and overview of expected role] Company continuously selected .Mr. Seiichi Fusamura as a candidate for Outside Director to make recommendation about overall business of Company since he has extensive experience and knowledge as a legal expert at the judicial branch although he has not been involved in the management of company. Company expects him to perform the role of supervising management from an independent and objective standpoint of Member of the board of Directors.				



**(New Candidate)**

Candidate number	Name (Date of birth)	Brief biographical outlines, position and responsibility in Company, and significant concurrent positions		Number of shares of Company owned by Candidate
9	Masatomi Akezuma (March 17, 1961)	April 1986 August 2004  April 2005  March 2007 September 2010 June 2014 June 2017 January 2020  April 2020	Joined Company General Manager of Technical Dept., Functional Materials Division, Functional Chemicals Group General Manager of Marketing Dept., Functional Materials Division, Functional Chemicals Group General Manager of Technical Dept., Functional Chemicals Group Director & General Manager, Kayaku Chemical (Wuxi) Co., Ltd General Manager of Functional Materials Division, Functional Chemicals Group Director, Company (current) President, Polatechno Co., Ltd. General manager of R&D Division, Polatechno Co., Ltd. General Manager of Polatechno Dept., Functional Chemicals Group (current)	12,100
New election	<p>[Reason for selection as a candidate for Director]</p> <p>Mr. Masatomi Akezuma has been engaged in Functional Chemicals business for many years and involved in the management of overseas and domestic subsidiaries as a Director. Company newly selected him as a candidate for Director since he has extensive experience of global business and advanced knowledge of the overall business of Company.</p>			

Note:1. There are no special interests between Company and all the Director candidates.

2. Messrs. Yo Ota, Yasuyuki Fujishima and Seich Fusamura are candidates for Outside Director as prescribed in Article 2, paragraph (3), item (vii) of the Ordinance for Enforcement of the Companies Act. Company has registered Messrs. Yo Ota, Yasuyuki Fujishima and Seichi Fusamura as Independent Officers stipulated by Securities Listing Regulations of Tokyo Stock Exchange.

3. The number of years since Messrs. Yo Ota and Yasuyuki Fujishima became Outside Directors of Company is five (5) years at the conclusion of this general meeting. The number of years since Mr. Seichi Fusamura became Outside Directors of Company is (1) one years at the conclusion of this general meeting.

4. Mr. Yo Ota didn't recognized the fact that Denki Kogyo Co., Ltd. where he is involved as an outside director, has improperly accounting for the postponement of the announcement of financial results for the fiscal year ending March 2019 due to the replacement of costs at multiple bases of the company although he routinely made recommendations from the perspective of legal compliance and alerted .After the fact was revealed, he took necessary measures as an outside director and fulfilled his responsibilities to recommend to prevent recurrence.

5. Messrs. Yo Ota, Yasuyuki Fujishima and Seichi Fusamura have entered into a contract with Company to limit the liability for damages as prescribed in Article 423, paragraph (1) of Companies Act, and such amount of limitation of liability based on such contract shall be amount prescribed in Companies Act and if they are re-elected, Company will continue the contract as before.

(Summary of Contracts for Limitation of Liability)

If such Outside Director, is without knowledge and is not grossly negligent in performing his/her duty, the liability of such Outside Director shall be limited to the amount as prescribed in Article 425, paragraph (1) of Companies Act.

6. Company has entered into a directors and officers liability insurance agreement prescribed in Article 430-3, Paragraph (1) of Companies Act with the insurance company, and that agreement is designed to cover damages that may be incurred by the insured as a result of assuming responsibility for the execution of their duties or receiving claims related to the pursuit of such responsibility. Candidates will be included as insured under the insurance agreement. The insurance agreement was renewed in February 2021 with the

same contents as before, and Company plans to renew with the same contents at the next renewal after one year has passed.

### **Proposal No. 3 Election of one (1) Member of Audit & Supervisory Board**

The terms of office of Mr. Itsuro Shimohigashi, Audit & Supervisory Board Member, will expire at the close of this Ordinary General Meeting of Shareholders. Accordingly, we hereby propose to elect one (1) Member of Audit & Supervisory Board for new election.

Company has already obtained the consent of Audit & Supervisory Board with respect to this proposal.

The candidate for Audit & Supervisory Board Members is as follows.

#### **(New Candidate)**

Name (Date of birth)	Brief biographical outlines, position in Company, and significant concurrent positions		Number of shares of Company owned by Candidate
<b>Megumi Machida</b> (March 26, 1961)  <div>New election</div>	April 1985	Joined Company	0
	June 2015	Manager of Clinical Development Management Dept., Pharmaceuticals Development Division, Pharmaceuticals Group	
	April 2018	Manager of Research & Development Management Dept., Pharmaceuticals Development Division, Pharmaceuticals Group (current)	
	June 2020	Manager of Regional Administration Division, Administration Group (current) Manager of Tokyo Research Administration Division, Administration Group (current)	
[Special interests between Company and the above candidate ]None [Reason for selection as a candidate for Audit & Supervisory Board Member] Ms. Megumi Machida has been engaged in development division of Pharmaceuticals business for many years. Company newly selected her as a candidate for Audit & Supervisory Board Member since she has extensive experience of research and development and management business and advanced knowledge of the overall business of Company.			

Note: 1. If Ms. Megumi Machida is elected, Company will enter into a contract with her to limit the liability for damages as prescribed in Article 423, paragraph (1) of Companies Act.

#### **(Summary of Contracts for Limitation of Liability)**

If such Member of Outside Audit & Supervisory Board, is without knowledge and is not grossly negligent in performing his/her duty, the liability of such Member of Audit & Supervisory Board shall be limited to the amount as prescribed in Article 425, paragraph (1) of Companies Act.

2. Company has entered into a directors and officers liability insurance agreement prescribed in Article 430-3, Paragraph (1) of Companies Act with the insurance company, and that agreement is designed to cover damages that may be incurred by the insured as a result of assuming responsibility for the execution of their duties or receiving claims related to the pursuit of such responsibility. Candidates will be included as insured under the insurance agreement. The insurance agreement was renewed in February 2021 with the same contents as before, and Company plans to renew with the same contents at the next renewal after one year has passed.

## **Proposal No. 4 Introduction of a Restricted Stock Compensation Plan to the Board of Directors**

Now, for realization of our corporate vision- “KAYAKU spirit”, we would like to create a compensation plan (hereinafter the “Plan”) as follows that the Company shall allocate our common stock of the Company (hereinafter the “Restricted Stock”) which has the rule of certain transfer restriction period and reasons for acquisition without compensation by the Company to Directors (excluding External Directors; hereinafter the “Directors Covered by the Plan”) , in order to create competitive compensation system in perspective of securing excellent human resources as well as to increase their incentive to align their interests with those of shareholders and to contribute sustainable enhancement of corporate value.

With regard to the amount of Director compensation, the limit amount of fixed compensation was approved at the 149th Annual General Meeting of Shareholders held on August 30, 2006 to be 360 million yen or less per year, and the limit amount of bonus was to be 200 million yen or less per year.

On this General Meeting of Shareholders, we would like shareholders to approve to create the plan newly as well as to establish total amount of a monetary claim to be paid as compensation about Restricted Stock to the Directors Covered by the Plan with a separate limit from the above mentioned Directors compensation limit shall be 100 million yen or less per year.

Currently there are ten (10) Directors (including three External Directors). If Proposal 2 is approved as proposed, there will be nine (9) Directors (including three External Directors).

### **1. Allocation and Payment of Restricted Stock**

The Company by the Plan shall pay the Directors Covered by the Plan a monetary claim within the scope of the amount per year on the above as compensation about Restricted Stock and the Directors Covered by the Plan shall make in-kind contribution of all the monetary compensation claim and shall, in return, receive the allocation of Restricted Stock. The amount of Restricted Stock to be paid shall be determined by the Board of Directors within the scope of an amount that is not particularly advantageous to Directors Covered by the Plan who will be granted Restricted Stock, based on the closing price of the common stock of the Company in the Tokyo Stock Exchange on the business day immediately prior to the date of each resolution of the Board of Directors about the issuance or disposal (in the case where the transaction has not been concluded on that day, the closing price on the most recent trading day preceding that day). The monetary compensation claims was paid to the Directors Covered by the Plan, on the condition that they agree the above investment in kind and make a contract for allocation of Restricted Stock (hereinafter the “Allocation Contract” ) including contents established at (3) below.

### **2. The total number of Restricted Stock**

The maximum number of Restricted Stock of the Company to be granted as to the Directors Covered by the Plan shall be 100 thousand shares per fiscal year. In the case where the Company

conducts stock splits or reverse stock splits of its common stock on or after the date of solution of this proposal, or in the case where an adjustment of the total number of Restricted Stock granted according the case is required to be made, the total number of Restricted Stock shall be adjusted to within a reasonable extent.

### 3. Overviews of Allocation Contract

Allocation Contract concluded between the Company and the Directors by the Plan allocated Restricted Stock shall contain the following contents.

#### (1) Overviews of the Transfer Restrictions

The Directors Covered by the Plan allocated Restricted Stock shall not transfer, dispose of and pledge the common stock of the Company allocated under the Allocation Contract (hereinafter the “Allocated Stock”) until the date when they retire from their posts as Directors or Executive Officers after the date on which allocation is made (hereinafter the “Transfer Restriction Period”).

#### (2) Lift of the Transfer Restrictions

The Company shall lift the Transfer Restrictions for all of the Allocated Stock as of the time when the Transfer Restriction Period expires, on the condition that the Directors Covered by the Plan allocated Restricted Stock have been in the posts stipulated as Directors or Executive Officers continuously during the Transfer Restriction Period. However, in the case where Directors Covered by the Plan retire from their posts stipulated in above before the Transfer Restriction Period expires by reasons the Board of Directors of the Company shall justify, the number of the Allocated Stock for which the Transfer Restriction are lifted and the timing of the lifting of the Transfer Restrictions shall be reasonably adjusted as necessary.

#### (3) Acquisition without compensation Transfer Restrictions

In the case where the Directors Covered by the Plan allocated Restricted Stock retire from their posts as Directors, Executive Officers before the expiration of the Transfer Restriction Period, the Company shall duly acquire all or the part of Allocated Stock without compensation except in the case where the Board of Directors of the Company shall justify. Furthermore, the Company shall duly acquire without compensation the Allocated Stock for which the Transfer Restrictions have not been lifted according to the provision of reasons for Lift of the Transfer Restrictions in (2) above at expires of the time the Transfer Restriction Period in (1) above.

#### (4) Treatment in the event of organizational restructuring, etc.

In the case where matters regarding merger contracts under which the Company becomes the absorbed company, share exchange agreements or share transfer plans under which the Company becomes a wholly owned subsidiary of another company, or any other organizational restructuring, etc., are approved at the General Meeting of Shareholders of the Company (or at a meeting of the Board of Directors of the Company in the case where approval by the General Meeting of Shareholders of the Company is not required for the said organizational restructuring, etc.) during the Transfer Restriction Period, the Company shall lift, based on the resolution of the Board of Directors of the Company, the Transfer Restrictions before the effective date of the said organizational restructuring, etc., with regard to the Allocated Stock in the number reasonably

determined by taking into account the period from the commencement date of the Transfer Restriction Period to the approval date of the said organizational restructuring, etc. Furthermore, in the case provided for above, the Company shall duly acquire without compensation the Allocated Stock for which the Transfer Restrictions have not been lifted, at the time immediately after the lifting of Transfer Restrictions.

(5) Other matters

Other matters regarding the Allocation Contract shall be determined by the Board of Directors of the Company.

4. Reasons why grant of Restricted Stock is reasonable

As described above, the plan shall grant Restricted Stock to increase their incentive to align their interests with those of shareholders as well as to contribute to sustainable enhancement of corporate value for realization of our corporate vision- “KAYAKU spirit”. The amount of Restricted Stock to be paid shall be determined by the Board of Directors of the Company within the scope of an amount that is not particularly advantageous to the Directors Covered by the Plan. The number of Restricted Stock to be allocated shall be determined within the scope of the treasury stock the Company holds. Diluting ratio for the total number of issued shares is 0.056% (Over the next ten years, in the case where the maximum number of the plan will have been allocated, the diluting ratio for the total number of issued shall be 0.56%) . That’s why the Company judges that grant of Restricted Stock is reasonable.

(Reference)

If this Proposal is approved on this General Meeting of Shareholders, the Company plans to allocate to Executive Officers the Company Restricted Stock of the same plan.

- End -