

Reference Documents for Shareholders Meeting

Proposals and references

Proposal No. 1 Appropriation of Surplus

Company has long concentrated on returning profits to all our shareholders. Company maintains a payout ratio of 40% of profit attributable to owners of parent as our mid-term goal, taking the level of retained earnings and stable and continuous remission 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 to appropriate surplus for this fiscal year as follows.

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
Total amount	2,597,261,040 yen
 - (3) The day on which such distribution of dividend of surplus takes effect ;
June 26, 2019
- As Company has paid interim cash dividend of 15 yen per common share for second quarter, total amount of dividend for this fiscal year will result in 30 yen per share.

Proposal No. 2 Election of Nine (9) Directors

The term of office of all nine(9) Directors of Company shall continue until the conclusion of this Annual Shareholders Meeting, and therefore Company proposes to elect nine(9) Directors, who consist of seven(7) candidates including two(2) outside Directors for re-election, and two(2) candidates 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	Yukio Tachibana	Senior Managing Director Representative Director		14 of 14 meetings (100%)
2	Atsuhiko Wakumoto	Managing Director Member of board of Directors		14 of 14 meetings (100%)
3	Tomoo Shibuya	Managing Director Member of board of Directors		14 of 14 meetings (100%)
4	Masaru Oizumi	Managing Director Member of board of Directors		11 of 11 meetings (100%)
5	Hiroshi Mikami	Managing Director Member of board of Directors		11 of 11 meetings (100%)
6	Yoh 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	Yoshitsugu Ishida	Director	(New)	—
9	Kazuto Koizumi	Director	(New)	—

(Notice) The records of attendance of Mr. Masaru Oizumi and Hiroshi Mikami are based on only the Board of Directors meetings held after they assumed their office of Director on June 27, 2018.

(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:

- (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 a certain amount 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 two degrees of relationship of that person when the person who constitutes (1) through (8), above, is a person in an important position; or
- (10) The spouse or close relatives within two degrees of relationship of the person 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) and (5) refers to "10 million yen a year."
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; CPAs affiliated with the accounting firm; 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>	Yukio Tachibana (June 22, 1955)	October 2007 August 2008 August 2011 June 2014 June 2018	Joined Company General Manager of Catalysts Division, Functional Chemicals Group Director Member of the board of Directors (current) Managing Director Head of Functional Chemicals Group (current) Representative Director (current) Senior Managing Director (current)	20,400
	<p>[Reason for selection as a candidate for Director]</p> <p>Mr. Yukio Tachibana has been in charge of Functional Chemicals Group and serving as a Member of the Board of Directors, Representative Director, and Senior 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.</p>			
2 <u>Re-election</u>	Atsuhiko Wakumoto (March 15, 1957)	April 1979 August 2008 August 2009 August 2010 August 2012 June 2016 June 2018	Joined Company 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 General Manager of Global Business Division and Manager of Marketing Dept., Global Business Division, Safety Systems Group General Manager of Marketing Division and Manager of Global Marketing Dept., Marketing Division, Safety Systems Group Director General Manager of Marketing Division, Safety Systems Group Member of the board of Directors (current) Managing Director (current) Head of Safety Systems Group (current)	22,200
	<p>[Reason for selection as a candidate for Director]</p> <p>Mr. Atsuhiko Wakumoto has been engaged in safety systems business for many years. He currently has been in charge of Safety Systems Group and 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.</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
3 <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	13,800
		February 2006 September 2007 June 2010 June 2012 June 2013 June 2017 June 2018	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, Company Member of Board of Directors, Polatechno Co., Ltd. (current) 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 Head of Financial Group and General Manager of Finance & Accounting Division, Financial Group (current)	
<div>[Reason for selection as a candidate for Director]</div> <div>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 extensive experience of global business and advanced knowledge of the overall business of Company.</div>				
4 <div>Re-election</div>	Masaru Oizumi (October 28, 1957)	April 1980 October 2002	Joined Company Director & General Manager, Kayaku Chemical (Wuxi) Co., Ltd	11,000
		March 2007 August 2008 April 2013 June 2014 July 2015 June 2018	General Manager of Marketing Dept., Functional Materials Division, Functional Chemicals Group General Manager of Electronic Materials Division, Functional Chemicals Group General Manager of Digital Printing Materials Division, Functional Chemicals Group Director, Company General Manager of Color Materials Division, Functional Chemicals Group 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 (current)	
<div>[Reason for selection as a candidate for Director]</div> <div>Mr. Masaru Oizumi has been engaged in Functional Chemicals business for many years and currently serving of Strategic Corporate Planning Group and Research & Development Group 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>				

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
5 <u>Re-election</u>	Hiroshi Mikami (March 8, 1959)	April 1981	Joined Company	8,300
		January 2004	General Manager of Management Dept., Asa Plant	
		September 2006	General Manager of Management Dept., Himeji Plant	
		August 2010	Deputy Plant General Manager & General Manager of Management Dept., Himeji Plant	
		July 2011	Manager, Personnel & Payroll Dept., Human Resources Management Division, Administration Group	
		August 2012	General Manager of Human Resources Management Division & Manager, Personnel & Payroll Dept., Human Resources Management Division, Administration Group	
		June 2015	Director, Company	
		June 2017	General Manager of Human Resources Management Division, Administration Group	
		June 2018	Member of the board of Directors (current) Managing Director (current) Head of Administration Group and General Manager of Human Resources Management Division, Administration Group (current)	
[Reason for selection as a candidate for Director] Mr. Hiroshi Mikami has been engaged in the Management Department at some plants and Human Resources Management Division for many years and currently serving as a 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.				

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>	Yoh Ota (October 3, 1967)	April 1993	Registered lawyer Joined Nishimura Tokiwa Law office	0
		February 2001 April 2001	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 July 2007	Outside Director of Denki Kogyo Co., Ltd. (current) Partner of Nishimura Asahi Law office (current)	
		April 2013	Professor, Graduate Schools for Law and Politics, The University of Tokyo	
		June 2016 June 2017	Member of the board of Directors, Company (current) Outside Audit & Supervisory Board Member of Ricoh Co., Ltd. (current)	
	[Reason for selection as a candidate for Director] Mr. Yoh 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. The company considers his thorough knowledge of corporate legal affairs including corporate governance as necessary to strengthen corporate governance of Company.			
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 August 2017	Member of the board of Directors, Company (current) Representative Director, President, Ceremonial Occasions Research Institute, Inc.	
		November 2018	Board Chairman, Human Resources Development & Employment Organization (current)	
	[Reason for selection as a candidate for Director] Mr. Yasuyuki Fujishima has extensive experience and knowledge as a management executive of general trading company. Company expects him to make recommendation about overall business of Company. Therefore, Company continuously selected him as a candidate for Outside Director.			

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

2. Messrs. Yoh Ota and Yasuyuki Fujishima 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 them as Independent Officers stipulated by Securities Listing Regulations of Tokyo Stock Exchange.
3. Messrs. Yoh Ota and Yasuyuki Fujishima will have served as Outside Director of Company for three(3) years until the conclusion of this Annual Shareholders Meeting.
4. Messrs. Yoh Ota and Yasuyuki Fujishima 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.

(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
8 <div>New</div>	Yoshitsugu Ishida (September 8, 1958)	April 1981 August 2004	Joined Company General Manager of Administration Dept., Safety Systems Division	21,355
		August 2007 August 2010 June 2016 April 2018	General Manager of Planning & Coordination Dept, Safety Systems Group General Manager of Planning & Coordination Division, Safety Systems Group Director, Company (current) General Manager of Strategic Planning Division, Safety Systems Group (current)	
[Reason for selection as a candidate for Director] Mr. Yoshitsugu Ishida has been in charge of Strategic Planning Division, Safety Systems business for many years and currently serving as a Director. Company selected him as a candidate for Director since he has extensive experience of global business and advanced knowledge of the overall business of Company.				
9 <div>New</div>	Kazuto Koizumi (January 18, 1960)	April 1982 June 2004	Joined Company General Manager of Technical & Information Dept., International Division, Pharmaceuticals Group	6,700
		December 2005 June 2011 August 2012 June 2015 June 2017	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 (current) Director, Company (current)	
[Reason for selection as a candidate for Director] Mr. Kazuto Koizumi has been in charge of Pharmaceuticals Group and Plant Management for many years and currently serving as a Director. Company selected him as a candidate for Director since he has extensive experience and advanced knowledge of the overall business of Company.				

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

Proposal No. 3 Election of One (1) Member of Audit & Supervisory Board

The term of office of Mr. Takaaki Okuma, Audit & Supervisory Board Member, shall continue until the conclusion of this Annual Shareholders Meeting, and therefore Company proposes 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 Member 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
Akihiro Kojima (September 24, 1958)	April 1982	Joined Company	1,000
	December 2002	Manager of Tokyo second sales office, Tokyo Pharmaceuticals Office, East Japan Branch	
	September 2007	General Manager of Secretarial Division, Strategic Corporate Planning Group	
	June 2013	General Manager of Compliance Advancement Office, Pharmaceuticals Group	
	June 2017	General Manager of Internal Control Management Division	
	June 2018	General Manager of Internal Audit Division (current)	
New	[Special interests between Company and the above candidate]		
	None		
	[Reason for selection as a candidate for Audit & Supervisory Board Member] Mr. Akihiro Kojima has extensive experience of Pharmaceuticals Group and Audit section for many years. Company selected him as a candidate for Audit & Supervisory Board Member since he has extensive experience of special knowledge and advanced knowledge of the overall business of Company.		

Note : If Mr. Akihiro Kojima is elected, he will enter into a contract with Company 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 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.

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