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(Security Code 4082)
June 3, 2019

To Shareholders with Voting Rights:

Tsuyoshi Inoue
President
Daiichi Kigenso Kagaku Kogyo Co., Ltd.
4-4-9, Kitahama, Chuo-ku, Osaka

**NOTICE OF
THE 63RD 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 63rd Annual General Meeting of Shareholders of Daiichi Kigenso Kagaku Kogyo Co., Ltd. (the “Company”). The meeting will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing by submitting the Voting Rights Exercise Form. If exercising your voting rights in writing, please review the attached Reference Documents for the General Meeting of Shareholders, indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and return it so that it is received by 5:30 p.m. on Monday, June 24, 2019, Japan time.

1. Date and Time: Tuesday, June 25, 2019 at 10:00 a.m. Japan time (reception starts at 9:30 a.m.)

2. Place: 1-20 Oyodo-Naka 1-Chome, Kita-ku, Osaka
The Westin Osaka (banquet room Karin on the 4th floor)

* Given the significant increase in shareholders, the Company has changed the venue since the previous Annual General Meeting of Shareholders. Please be advised to refer to the “Access to the Venue of General Meeting of Shareholders” attached at the end of this document and make sure not to go to a wrong place.

3. Meeting Agenda:

- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company’s 63rd Fiscal Year (April 1, 2018 - March 31, 2019) 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 63rd Fiscal Year (April 1, 2018 - March 31, 2019)

Proposals to be resolved:

- Proposal 1:** Appropriation of Surplus
Proposal 2: Election of Five Directors
Proposal 3: Election of Three Audit & Supervisory Board Members
Proposal 4: Determination of Compensation for Granting of Restricted Stock to Directors (Excluding Outside Directors)

Courtesy gifts to attending shareholders are abolished. We ask for your kind understanding.

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- © Should the Reference Documents for the General Meeting of Shareholders, the Business Report, Consolidated Financial Statements, or Non-consolidated Financial Statements require revisions, the revised versions will be posted on the Company's website (<https://www.dkkk.co.jp/>).
- © The Company, pursuant to the provisions of applicable laws and regulations and Article 15 of the Articles of Incorporation of the Company, has posted the following documents that should be provided in conjunction with this notice on the website of the Company (<https://www.dkkk.co.jp/>). Accordingly, they are not included in the documents attached to this notice:
- (1) Consolidated Statements of Changes in Net Assets and Notes to Consolidated Financial Statements in the Consolidated Financial Statements.
 - (2) Non-consolidated Statements of Changes in Net Assets and Notes to Non-consolidated Financial Statements in the Non-consolidated Financial Statements.
- The documents listed in (1) and (2) above are part of the Consolidated Financial Statements and Non-consolidated Financial Statements that were audited by Audit & Supervisory Board Member and the Accounting Auditor to prepare the respective audit reports.

Guide to Exercising Voting Rights

Exercising voting rights by attending the Meeting in person

Please submit the enclosed Voting Rights Exercise Form at the reception desk.

(Reception will be opened at 9:30 a.m.)

Please also bring this notice with you on the day.

Exercising voting rights in writing

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form, and send the Form back so that it will be received **no later than 5:30p.m. on Monday, June 24, 2019.**

* Please be advised that persons other than shareholders (e.g., a proxy who is not a shareholder, non-shareholder accompanying a shareholder) are not allowed to attend the General Meeting of Shareholders.



Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal 1: Appropriation of Surplus

The Company regards the return of profit to shareholders as one of the most important management policies and has made it a basic principle to pay stable and continuous dividends to shareholders. At the same time, the Company intends to reinforce its financial foundation for future business development.

Furthermore, by considering the Company's dividend scale and the financial performance for the fiscal year, the year-end dividends and other appropriation of surplus for the 63rd fiscal year are proposed as follows.

1. Matters concerning the year-end dividends

The Company proposes to pay a year-end dividend of 9 yen per share

(1) Type of dividend assets

Cash

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

9 yen per share of the Company's common stock

Total amount: 217,904,337 yen

As an interim dividend of 10 yen per share (including a commemorative dividend for being designated to the First Section of the Tokyo Stock Exchange of 1 yen) was paid, the annual dividend for the 63rd fiscal year is 19 yen per share.

(3) Effective date of dividends of surplus

June 26, 2019

2. Matters concerning other appropriation of surplus

(1) Surplus item to be decreased and the amount thereof

Retained earnings brought forward: 2,000,000,000 yen

(2) Surplus item to be increased and the amount thereof

General reserve: 2,000,000,000 yen

Proposal 2: Election of Five Directors

The terms of office of Directors Tsuyoshi Inoue, Isao Okazaki, Hiroshi Kokubu, Masayuki Itahashi and Akira Okumura will expire at the conclusion of this year's Annual General Meeting of Shareholders. Accordingly, the election of five Directors is proposed.

The candidates are as follows:

No.		Name	Current positions, responsibilities and significant concurrent positions
1	Reappointment	Tsuyoshi Inoue	President
2	Reappointment	Isao Okazaki	Director, Member of the Board; General Manager, Production & Engineering Unit Director, Shandong Guangyin DKK New Materials Co., Ltd. Director, Shandong Guangyin DKK Environment Technology Co., Ltd. Director, Vietnam Rare Elements Chemical Joint Stock Company
3	Reappointment	Hiroshi Kokubu	Director, Member of the Board; General Manager, Operational Unit Vice President, Shandong Guangyin DKK New Materials Co., Ltd. Vice President, Shandong Guangyin DKK Environment Technology Co., Ltd. President, DKK (Shanghai) Materials Trading Co., Ltd. Director, DKK Thai Materials Trading Co., Ltd. Director, I.D.U. Co., Ltd.
4	Reappointment	Masayuki Itahashi	Director, Member of the Board; General Manager, Corporate Planning Division Director, Vietnam Rare Elements Chemical Joint Stock Company
5	Reappointment Outside Independent	Akira Okumura	Outside Director, Member of the Board Independent Officer

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
1	<p>Tsuyoshi Inoue (May 27, 1960)</p> <p>Term of office as Director: 12 years (at close of this meeting) Attendance at Board of Directors meetings: 16/16 (100%)</p>	<p>Apr. 1986</p> <p>Sep. 2000</p> <p>Mar. 2005</p> <p>June 2007</p> <p>June 2008</p> <p>Mar. 2010</p> <p>June 2010</p>	<p>Joined Sumitomo Electric Industries, Ltd.</p> <p>Joined the Company</p> <p>General Manager, Equipment Division</p> <p>Director, Member of the Board; General Manager, Equipment Division</p> <p>Director, Member of the Board; General Manager, Corporate Planning Office</p> <p>Executive Vice President, Member of the Board</p> <p>President (to present)</p>	<p>765,800</p>
<p>[Reason for nomination as candidate for Director]</p> <p>Tsuyoshi Inoue has been involved in the management of the Group as President of the Company since June 2010. Although the financial performance of the Group temporarily slowed down significantly in the difficult operating environment such as the so-called rare earth crisis during this period, he has played a central role in promoting management structure reform and the improvement of the revenue base, etc. As a result, in the fiscal year ended March 31, 2017, the Company posted record-high consolidated net sales, operating profit, ordinary profit and profit attributable to owners of parent, and on June 11, 2018, the Tokyo Stock Exchange (TSE) approved the listing of the Company's shares to be changed from the Second Section to the First Section of TSE. Meanwhile, he has also developed the Group's medium-term business plan "DK-ONE Project" and is working to strengthen the Group's business and promoting its growth strategy from a global perspective. We nominate Tsuyoshi Inoue as a Director, Member of the Board of the Company for re-election because we expect that he can realize the management philosophy of the Company and contribute to the sustained enhancement of corporate value of the Company and the Group by drawing on his extensive experience and track record.</p>				

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
2	<p data-bbox="199 654 402 712">Isao Okazaki (October 13, 1965)</p> <p data-bbox="199 743 402 824">Term of office as Director: 8 years (at close of this meeting)</p> <p data-bbox="199 833 402 913">Attendance at Board of Directors meetings: 16/16 (100%)</p>	<p data-bbox="434 273 1248 1146"> Apr. 1984 Joined the Company June 2005 Plant Manager (NewTechs), Production Division June 2008 General Manager, Equipment Division Mar. 2010 General Manager, Production Division Mar. 2011 General Manager, Production Division; Plant Manager (Osaka) June 2011 Director, Member of the Board; General Manager, Production Division; Factory Manager, Main Factory Apr. 2012 Director, Member of the Board; General Manager, Production Division and Responsible for Procurement Division June 2012 Director, Member of the Board; General Manager, Production Division; General Manager, Procurement Division Apr. 2013 Director, Member of the Board; General Manager, Production Division and Responsible for Procurement Division June 2013 Director, Member of the Board; General Manager, Production Division Apr. 2016 Director, Member of the Board; General Manager, Production Division; General Manager, Manufacturing Technology Division Apr. 2017 Director, Member of the Board; Responsible for Production Division and Manufacturing Technology Division Apr. 2019 Director, Member of the Board; General Manager, Production & Engineering Unit (to present) </p> <p data-bbox="418 1178 1177 1294"> [Significant concurrent positions] • Director, Shandong Guangyin DKK New Materials Co., Ltd. • Director, Shandong Guangyin DKK Environment Technology Co., Ltd. • Director, Vietnam Rare Elements Chemical Joint Stock Company </p>	40,700
<p data-bbox="199 1335 705 1361">[Reason for nomination as candidate for Director]</p> <p data-bbox="199 1370 1455 1608">Isao Okazaki has many years of experience in the areas of manufacturing technology, procurement, and factory management at the Company and has played a significant role especially in strengthening the production system of the Company through, among others, process and manufacturing technology innovation and productivity improvement. He has been working to improve the production system in Japan as well as to create and strengthen the production systems at overseas locations as a Director, Member of the Board of the Company since June 2011. We nominate Isao Okazaki as a Director, Member of the Board of the Company for re-election because we expect that he can realize the management philosophy of the Company and contribute to the sustained enhancement of corporate value of the Company and the Group by drawing on his extensive experience and track record.</p>			

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held
3	<p>Hiroshi Kokubu (February 26, 1972)</p> <p>Term of office as Director: 6 years (at close of this meeting)</p> <p>Attendance at Board of Directors meetings: 16/16 (100%)</p>	<p>Apr. 1995 Joined the Sanwa Bank, Ltd. (currently the MUFG Bank, Ltd.)</p> <p>Oct. 2004 Joined the Company</p> <p>June 2009 Branch Manager (Tokyo sales Office), Sales and Marketing Division</p> <p>Mar. 2011 General Manager, Procurement Division</p> <p>June 2013 Director, Member of the Board; General Manager, Materials Division</p> <p>Apr. 2016 Director, Member of the Board; General Manager, Sales and Marketing Division and Responsible for Procurement Division</p> <p>Apr. 2019 Director, Member of the Board; General Manager, Operational Unit (to present)</p> <p>[Significant concurrent positions]</p> <ul style="list-style-type: none"> • Vice President, Shandong Guangyin DKK New Materials Co., Ltd. • Vice President, Shandong Guangyin DKK Environment Technology Co., Ltd. • President, DKK (Shanghai) Materials Trading Co., Ltd. • Director, DKK Thai Materials Trading Co., Ltd. • Director, I.D.U. Co., Ltd. 	73,900
<p>[Reason for nomination as candidate for Director]</p> <p>Hiroshi Kokubu has been involved in the sales and procurement functions at the Company and has played a significant role in the sales expansion of the products of the Company and the stable procurement of raw materials at low prices, etc. He has been making efforts to ensure stable procurement of principal raw materials from overseas suppliers and to realize global business expansion as a Director, Member of the Board since June 2013. We nominate Hiroshi Kokubu as a Director, Member of the Board of the Company for re-election because we expect that he can realize the management philosophy of the Company and contribute to the sustained enhancement of corporate value of the Company and the Group by drawing on his extensive experience and track record.</p>			

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions		Number of shares of the Company held
	<p data-bbox="197 309 405 367">Masayuki Itahashi (December 22, 1966)</p> <p data-bbox="197 389 405 470">Term of office as Director: 2 years (at close of this meeting)</p> <p data-bbox="197 470 405 501">Attendance at Board of Directors meetings: 16/16 (100%)</p>	<p data-bbox="430 268 549 300">Apr. 1993</p> <p data-bbox="430 300 549 331">Apr. 2013</p> <p data-bbox="430 331 549 362">June 2017</p> <p data-bbox="430 389 549 421">Apr. 2019</p>	<p data-bbox="635 268 868 300">Joined the Company</p> <p data-bbox="635 300 1043 331">General Manager, Planning Division</p> <p data-bbox="635 331 1267 389">Director, Member of the Board; General Manager, Planning Division and Responsible for Finance Division</p> <p data-bbox="635 389 1203 448">Director, Member of the Board; General Manager, Corporate Planning Division (to present)</p> <p data-bbox="424 515 762 546">[Significant concurrent positions]</p> <ul data-bbox="424 546 1114 577" style="list-style-type: none"> • Director, Vietnam Rare Elements Chemical Joint Stock Company 	<p data-bbox="1369 407 1433 439">9,700</p>
4	<p data-bbox="197 609 708 640">[Reason for nomination as candidate for Director]</p> <p data-bbox="197 640 1458 882">Masayuki Itahashi has been involved in the materials and business planning functions at the Company and has played a significant role in the stable procurement of raw materials from overseas suppliers as well as research and studies on overseas manufacturing bases. As the General Manager of the Planning Division, he has endeavored to formulate and promote the Group's medium-term business plan "DK-ONE Project." Since assuming the office of Director of the Company in 2017, he has also been working on maintaining and expanding the Company's business foundations such as launching overseas businesses. We nominate Masayuki Itahashi as a Director, Member of the Board of the Company for re-election because we expect that he can realize the management philosophy of the Company and contribute to the sustained enhancement of corporate value of the Company and the Group by drawing on his extensive experience and track record.</p>			

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held
	Akira Okumura (October 26, 1948) Term of office as Director: 4 years (at close of this meeting) Attendance at Board of Directors meetings: 16/16 (100%)	Apr. 1973 Joined BASF Dyes & Chemicals Co., Ltd. (currently BASF Japan Ltd.) Jan. 1998 Managing Director Jul. 1999 President, BASF INOAC Polyurethanes Ltd. Jan. 2011 President, N.E. CHEMCAT CORPORATION Jul. 2012 Advisor, INOAC CORPORATION June 2015 Outside Director, Member of the Board (to present)	3,600
5	<p>[Reason for nomination as candidate for Outside Director]</p> <p>Akira Okumura worked for (current) BASF Japan Ltd.—the Japanese subsidiary of general chemicals company BASF SE, which is headquartered in Germany—for many years including serving as a Director. Subsequently, he served as a President of N.E. CHEMCAT CORPORATION. This means that his knowledge and career experience cover various fields not only in practical business but also in management. Since assuming the office of Outside Director, Member of the Board of the Company in 2015, he has been actively providing opinions and suggestions at Board of Directors meetings on the management of the Group in general such as group business operations and investment projects, drawing on his extensive experience and broad insight accumulated over many years. We nominate Akira Okumura as an Outside Director, Member of the Board of the Company for re-election because we expect him to continue giving accurate guidance and advice on the management of the Company and the Group and supervising the management from an independent, objective standpoint.</p>		

(Notes)

1. No conflict of interest exists between the Company and any of the above Director candidates.
2. The number of shares of the Company held does not include the number of shares held through the Officers Stock Ownership Plan.
3. Akira Okumura is a candidate for Outside Director. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company entered into an agreement with him to limit his liability for damages prescribed in Article 423, Paragraph 1 of the same Act. The amount of his total maximum liability for damages under the said agreement is the higher of 5,000,000 yen or the minimum liability amount prescribed in Article 425, Paragraph 1 of the same Act. The Company plans to continue the said agreement with him if he is reelected as proposed. The Company has designated him as an independent officer of the Company pursuant to the rules of the Tokyo Stock Exchange with appropriate filings of the designation with the Exchange.

[Reference] List of Members of Board of Directors after Election (Plan)

	Name	Positions and responsibilities at the Company
Reappointment	Tsuyoshi Inoue	President
	Kimio Ouchi	Managing Director, Member of the Board; Responsible for R&D Unit Representative Director, I.D.U. Co., Ltd. Representative Director, DKK Logistics Corporation
	Tadashi Terada	Director, Member of the Board; General Manager, Administration Unit
Reappointment	Isao Okazaki	Director, Member of the Board; General Manager, Production & Engineering Unit Director, Shandong Guangyin DKK New Materials Co., Ltd. Director, Shandong Guangyin DKK Environment Technology Co., Ltd. Director, Vietnam Rare Elements Chemical Joint Stock Company
Reappointment	Hiroshi Kokubu	Director, Member of the Board; General Manager, Operational Unit Vice President, Shandong Guangyin DKK New Materials Co., Ltd. Vice President, Shandong Guangyin DKK Environment Technology Co., Ltd. President, DKK (Shanghai) Materials Trading Co., Ltd. Director, DKK Thai Materials Trading Co., Ltd. Director, I.D.U. Co., Ltd.
Reappointment	Masayuki Itahashi	Director, Member of the Board; General Manager, Corporate Planning Division Director, Vietnam Rare Elements Chemical Joint Stock Company
	Tetsuo Horiuchi	Outside Director, Member of the Board Independent Officer
Reappointment Outside Independent	Akira Okumura	Outside Director, Member of the Board Independent Officer

Proposal 3: Election of Three Audit & Supervisory Board Members

The terms of office of all three Audit & Supervisory Board Members will expire at the conclusion of this year's Annual General Meeting of Shareholders. Accordingly, the election of three Audit & Supervisory Board Members is proposed.

This Proposal has obtained the Audit & Supervisory Board's consent.

The candidates are as follows:

No.		Name	Significant concurrent positions
1	New appointment Outside Independent	Hiroshi Kawaguchi	Standing Auditor, SHINOBU FOODS PRODUCTS CO., LTD.
2	Reappointment Outside Independent	Nobuhiro Nishii	Representative Director, KJS Company LTD. Representative Director, TCS Ltd. Outside Auditor, First Stage Co., Ltd.
3	Reappointment Outside Independent	Yoshinori Tsuda	Representative Director and Partner, ASUKA Consulting INC. Representative, Yoshinori Tsuda CPA Office Outside Director (Audit and Supervisory Committee Member), YAMAZEN CORPORATION

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
1	Hiroshi Kawaguchi (December 17, 1955) Term of office as Audit & Supervisory Board Member: - years (at close of this meeting) Attendance at Board of Directors meetings: - / - (- %)	Jan. 1979 May 1995 Dec. 2000 June 2002 June 2005 June 2011	Joined Watabe Ishoten K.K. (currently Watabe Wedding Corporation) General Manager, Accounting Department, Administration Division, Watabe Wedding Corporation General Manager, Financial Department, Administration Division, Watabe Wedding Corporation Full-time Corporate Auditor, Watabe Wedding Corporation Director & Director of Executive Office, Watabe Wedding Corporation Standing Auditor, SHINOBU FOODS PRODUCTS CO., LTD. (to present)	0
<p>[Reason for nomination as candidate for Audit & Supervisory Board Member]</p> <p>Hiroshi Kawaguchi has a wealth of knowledge of not only financial affairs and accounting but also corporate management in general, having had many years of experience in financial and administration divisions at a company and having served as director and auditor. We nominate Hiroshi Kawaguchi as an Audit & Supervisory Board Member for election because we expect that, after the resolution on his election, he can conduct operational audits including auditing the execution of duties by Directors as well as accounting audits, etc. at the Company by making the most of his extensive knowledge and experience, broad personal connections and deep insight, and thereby appropriately fulfill the duties of Audit & Supervisory Board Member of the Company.</p>				

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
2	<p data-bbox="188 353 418 421">Nobuhiro Nishii (November 16, 1956)</p> <p data-bbox="188 448 418 582">Term of office as Audit & Supervisory Board Member: 16 years (at close of this meeting)</p> <p data-bbox="188 586 418 676">Attendance at Board of Directors meetings: 16/16 (100%)</p>	<p data-bbox="427 268 550 302">Apr. 1979</p> <p data-bbox="427 331 550 365">Jul. 1998</p> <p data-bbox="427 369 550 403">Jul. 2002</p> <p data-bbox="427 407 550 441">Nov. 2003</p> <p data-bbox="427 468 550 501">Feb. 2016</p> <p data-bbox="427 506 550 539">Dec. 2017</p> <p data-bbox="427 566 550 600">June 2018</p> <p data-bbox="427 627 758 660">[Significant concurrent positions]</p> <ul data-bbox="427 665 917 750" style="list-style-type: none"> • Representative Director, KJS Company LTD. • Representative Director, TCS Ltd. • Outside Auditor, First Stage Co., Ltd. 	13,800
<p data-bbox="194 795 1077 828">[Reason for nomination as candidate for Outside Audit & Supervisory Board Member]</p> <p data-bbox="194 833 1444 1064">Nobuhiro Nishii has a wealth of knowledge of not only financial affairs, accounting, general affairs and legal affairs but also corporate management in general, having had many years of experience at a financial institution and having served as the head of general affairs department, director and the head of accounting department at listed companies. Furthermore, since assuming the office of Audit & Supervisory Board Member of the Company in 2003, he has given advice to the Company from the standpoint of an Outside Audit & Supervisory Board Member on general operations. We nominate Nobuhiro Nishii as an Outside Audit & Supervisory Board Member for re-election because we expect that he can conduct operational and accounting audits as an Outside Audit & Supervisory Board Member of the Company by making the most of his extensive knowledge and experience, broad personal connections and deep insight.</p>			

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
3	Yoshinori Tsuda (August 18, 1972) Term of office as Audit & Supervisory Board Member: 8 years (at close of this meeting) Attendance at Board of Directors meetings: 16/16 (100%)	<p>Apr. 1995 Joined Chuo Audit Corporation (Renamed to Misuzu Audit Corporation in September 2006)</p> <p>Apr. 1998 Registered as Certified Public Accountant</p> <p>Aug. 2007 Representative Director and Partner, ASUKA Consulting INC. (to present)</p> <p>Aug. 2007 Established Yoshinori Tsuda CPA Office (to present)</p> <p>June 2011 Audit & Supervisory Board Member, the Company (to present)</p> <p>June 2013 Outside Audit & Supervisory Board Member, YAMAZEN CORPORATION</p> <p>June 2016 Outside Director (Audit and Supervisory Committee Member), YAMAZEN CORPORATION (to present)</p> <p>[Significant concurrent positions]</p> <ul style="list-style-type: none"> • Representative Director and Partner, ASUKA Consulting INC. • Representative, Yoshinori Tsuda CPA Office • Outside Director (Audit and Supervisory Committee Member), YAMAZEN CORPORATION 	7,100
<p>[Reason for nomination as candidate for Outside Audit & Supervisory Board Member]</p> <p>Yoshinori Tsuda has advanced accounting, tax and financial knowledge and experience, having served as a Certified Public Accountant for many years. In addition, he is also in a management executive position at a company, playing an active role as a representative director of a consulting firm in the field of accounting. Since assuming the office of Outside Audit & Supervisory Board Member of the Company in 2011, he has performed operational and accounting audits by making the most of his extensive knowledge and experience, broad personal connections and deep insight especially in the field of accounting. We thus nominate Yoshinori Tsuda as an Outside Audit & Supervisory Board Member for re-election because we expect that he can appropriately fulfill the duties of Outside Audit & Supervisory Board Member of the Company.</p>			

(Notes)

1. No conflict of interest exists between the Company and any of the above Audit & Supervisory Board Member candidates.
2. The number of shares of the Company held does not include the number of shares held through the Officers Stock Ownership Plan.
3. Hiroshi Kawaguchi, Nobuhiro Nishii and Yoshinori Tsuda are candidates for Outside Audit & Supervisory Board Member.
4. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company entered into an agreement with Nobuhiro Nishii and Yoshinori Tsuda to limit their liability for damages prescribed in Article 423, Paragraph 1 of the same Act. The amount of their respective total maximum liability for damages under the said agreement is the higher of 5,000,000 yen or the minimum liability amount prescribed in Article 425, Paragraph 1 of the same Act. The Company plans to continue the said agreement with them if they are reelected as proposed. The Company also plans to enter into a liability limitation agreement consisting of the same provisions as above with Hiroshi Kawaguchi if his election is approved.
5. The Company has designated Nobuhiro Nishii and Yoshinori Tsuda as independent officers of the Company pursuant to the rules of the Tokyo Stock Exchange with appropriate filings of the designation with the Exchange. The Company also plans to designate Hiroshi Kawaguchi as an independent officer of the Company pursuant to the rules of the Exchange with appropriate filings of the designation with the Exchange after the approval of his election.

[Reference] List of Audit & Supervisory Committee Members after Election (Plan)

	Name	Positions at the Company
<div style="border: 1px solid black; padding: 2px; display: inline-block;">New appointment</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Outside</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Independent</div>	Hiroshi Kawaguchi	Full-time Audit & Supervisory Board Member Outside Audit & Supervisory Board Member Independent Officer
<div style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointment</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Outside</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Independent</div>	Nobuhiro Nishii	Outside Audit & Supervisory Board Member Independent Officer
<div style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointment</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Outside</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Independent</div>	Yoshinori Tsuda	Outside Audit & Supervisory Board Member Independent Officer

Proposal 4: Determination of Compensation for Granting of Restricted Stock to Directors (Excluding Outside Directors)

The amount of compensation for Directors of the Company was approved at the 47th Annual General Meeting of Shareholders held on May 14, 2003 to be no more than 500 million yen per year (excluding the employee portion of salaries of Directors concurrently serving as employees).

The Company, as part of the revision of its compensation plan for officers, proposes to newly pay compensation for granting restricted stock to Directors of the Company (excluding Outside Directors; hereinafter referred to as “Eligible Directors”) separately from the aforementioned compensation limit, for the purpose of incentivizing Eligible Directors to continuously improve the Company’s corporate value and further sharing values with its shareholders.

Compensation to be paid for the granting of restricted stock to Eligible Directors based on this Proposal shall be in the form of monetary claims (hereinafter referred to as “Monetary Compensation Claims”), the total amount of which shall be no more than 100 million yen per year, as the amount deemed reasonable in light of the aforementioned purpose. The specific timing of payment and allocation to each Eligible Director shall be determined at a meeting of the Board of Directors; provided, however, that no compensation for the granting of restricted stock shall be paid to Outside Directors. Of note, said amount of compensation shall not include the employee portion of salaries of Directors concurrently serving as employees.

The number of Directors is currently eight (including two Outside Directors); if Proposal 2 “Election of Five Directors” is approved as proposed, the number of Directors will be eight (including two Outside Directors).

Eligible Directors shall pay all of their Monetary Compensation Claims provided according to this Proposal in the form of in-kind contributions for the Company to issue or dispose of their shares of the Company’s common stock, based on resolution of the Board of Directors of the Company, and the total number of shares of common stock of the Company to be issued or disposed of thereby shall be no more than 100,000 shares per year (provided, however, that, if, on or after the day this Proposal is approved, the shares of the Company’s common stock become subject to a stock split (including gratis allotment of shares of common stock of the Company), a stock consolidation or any other event that necessitates the adjustment of the total number of shares of common stock of the Company to be issued or disposed of in the form of the restricted stock, such total number will be adjusted within reasonable bounds). The amount to be paid in per share will be determined by the Board of Directors within a range that is not particularly advantageous to Eligible Directors who accept shares of common stock of the Company, based on the closing price of shares of common stock of the Company at the Tokyo Stock Exchange on the business day prior to each Board of Directors’ resolution date (or, if no trading took place on such business day, the closing price on the last transaction date immediately before the said day). Upon the issuance or disposal of shares of common stock of the Company according to the above, the Company and Eligible Directors shall enter into a restricted stock allotment agreement consisting of the following provisions (hereinafter referred to as “Allotment Agreement”).

(1) Transfer Restriction Period

For a period of thirty years from the day of receiving the allotment in accordance with the Allotment Agreement (hereinafter referred to as “Transfer Restriction Period”), Eligible Directors shall not transfer, establish a security interest on, or otherwise dispose of (hereinafter referred to as “Transfer Restriction”) shares

of common stock of the Company allotted in accordance with the Allotment Agreement (hereinafter referred to as “Allotted Shares”).

(2) Treatment at the time of resignation

In the event of the resignation of an Eligible Director from both the position of Director and the position of Audit & Supervisory Board Member of the Company before the expiry of the Transfer Restriction Period, the Company will acquire the Allotted Shares pertaining to such resignation without consideration as a matter of course, except in the event of the expiration of his/her term of office or his/her death or when there are other justifiable reasons.

(3) Removal of Transfer Restriction

The Company will lift the Transfer Restriction at the time when the Transfer Restriction Period has expired for all Allotted Shares, on the condition that the Eligible Director has continuously held either of the positions prescribed in (2) above during the Transfer Restriction Period; provided, however, that in cases where the Eligible Director has stepped down from the positions prescribed in (2) above before the expiry of the Transfer Restriction Period due to the expiration of his/her term of office, his/her death or other justifiable reasons prescribed in (2) above, the number of Allotted Shares whose Transfer Restriction is to be lifted and the timing of lifting the Transfer Restriction shall be adjusted in a reasonable manner as necessary. The Company will acquire, without consideration as a matter of course, Allotted Shares whose Transfer Restriction has not been removed even at the time immediately after the lifting of Transfer Restriction in accordance with the provision above.

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

Notwithstanding the provision of (1) above, if a merger agreement under which the Company becomes the non-surviving company, a share exchange agreement or a share transfer plan under which the Company becomes a fully-owned subsidiary or any other matter relating to organizational restructuring, etc. is approved at the General Meeting of Shareholders of the Company (or the Board of Directors of the Company if such organizational restructuring, etc. does not require approval by the General Meeting of Shareholders of the Company) during the Transfer Restriction Period, the Company shall lift the Transfer Restriction before the day such organizational restructuring, etc. comes into effect with respect to the number of Allotted Shares reasonably determined in consideration of the period between the starting day of the Transfer Restriction Period and the day such organizational restructuring, etc. is approved, subject to the resolution of the Board of Directors of the Company. In the case prescribed above, the Company shall acquire, without consideration as a matter of course, Allotted Shares whose Transfer Restriction has not been removed even at the time immediately after said lifting of Transfer Restriction.

(5) Other matters

Other matters relating to the Allotment Agreement shall be prescribed by the Board of Directors of the Company.

(Reference) Criteria for Election of Outside Directors and Outside Audit & Supervisory Board Members: “Criteria for Independence of Outside Officers” 1. through 3.

1. The Board of Directors of the Company recognizes that its Outside Directors*¹ or Outside Audit & Supervisory Board Members*² pursuant to the provisions of the Companies Act and the Regulation for Enforcement of the Companies Act (hereinafter collectively referred to as “Outside Officers”) are independent in cases where Outside Officers do not fall under any of the following:

- (1) An executive*³ of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”);
- (2) A counterparty to whom the Group is a major business client*⁴ or an executive thereof;
- (3) A major business client of the Group*⁵ or an executive thereof;
- (4) A major shareholder (i.e., shareholder whose direct or indirect holding of voting rights accounts for 10% or more of the total number of voting rights) of the Company or an executive thereof;
- (5) An executive of an investee in which the Group is a large investor (i.e., investee whose voting rights held by the Company account for 10% or more of the total number of voting rights);
- (6) A director (limited to a person who executes operations) or other executive of an organization that receives a donation or grant exceeding a certain amount (i.e., 10 million yen per year on average over the past three years or 30% of the annual total expenses of such organization, whichever is higher) from the Group;
- (7) An executive of a financial institution or other major creditor that is indispensable for the Company in raising funds and depended upon by the Company to the extent that there is no substitute;
- (8) An attorney, certified public accountant, certified tax accountant or a consultant who has received monetary or other property benefits in the amount of 10 million yen or more per year on average over the past three years other than officer compensation from the Group;
- (9) A certified public accountant or an executive, partner or employee of an audit corporation serving as an accounting auditor or accounting advisor of the Company or its subsidiaries;
- (10) An executive at another company in which an executive of the Group is currently serving or has served in the past three years as outside officer;
- (11) A person who has fallen under (1) above in the past ten years;
- (12) A person who has fallen under (2) through (10) above in the past three years; or
- (13) A person who falls under (1) through (12) above who is a close relative, etc.*⁶ of an important executive.*⁷

2. Being an independent officer requires that the person essentially be free of risk of conflict of interest with ordinary shareholders of the Company as a whole at all times in circumstances other than the factors taken into consideration in (1) through (12) above.

3. Upon the election of an independent officer, the recommendation or consent of at least one independent Director or independent Audit & Supervisory Board Member must be obtained.

*1 “Outside Director” means “Outside Director” as defined in Article 2, item (xv) of the Companies Act.

*2 “Outside Audit & Supervisory Board Member” means “Outside Company Auditor” as defined in Article 2, item (xvi) of the Companies Act.

*3 “Executive” means “Executive” as defined in Article 2, paragraph (3), item (vi) of the Regulation for Enforcement of the Companies Act.

*4 “A counterparty to whom the Group is a major business client” means a party who received from the Group payments accounting for 2% or more of said party’s annual consolidated gross sales in the latest fiscal year.

*5 “A major business client of the Group” means a business client to whom the amount of sales of the Group to such business client in the latest fiscal year accounted for 2% or more of the Group’s consolidated net sales.

*6 “Close relative, etc.” means a relative within the second degree of kinship and an interested person who shares living expenses.

*7 “Important executive” means an executive director, person responsible for a division, or other people who execute important operations.