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. In order to further clarify this policy, Company makes it a basic policy to pay dividends linked to consolidated performance results for each year. With consideration for stable and continuing profit returns and for the level of internal profit retention, Company has established a mid-range target of 40% of consolidated net income as the dividend payout ratio. However, this figure will be adjusted as necessary if any special variable factors occur.

In addition, Profits retained by Company will be allocated to capital investment, research and development, and other needs for growth fields, in order to raise the value of Company.

Based on this policy, Company proposes to appropriate 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: 17.50 yen per common share

(regular dividend of 12.50 yen per share, and a commemorative dividend of 5 yen per share as token of gratitude to shareholders in celebration of Company's 100th anniversary)

Total amount: 3,073,917,193 yen

(3) The day on which such distribution of dividend of surplus takes effect

June 29, 2016

As Company has paid interim cash dividend of 12.50 yen per common share for second quarter, total amount of dividend for this fiscal year will result in 30 yen per share.

2. Matters related to other appropriation of surplus:

(1) Surplus account to be increased and its amount

General reserve	4,000,000,000 yen

(2) Surplus account to be decreased and its amount

Retained earnings brought forward	4,000,000,000 yen

Proposal No. 2 Election of Ten (10) 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 ten(10) Directors, who consist of six(6) candidates for re-election and four(4) candidates for new election, including two(2) outside Directors, in order to enhance the corporate governance of Company.

(The list of candidates for Directors)

Candidate number	Name	Current Position and Responsibilities in Company	Attributes Information for Company (New Election), (Outside), (Independent)
1	Masanobu Suzuki	President Representative Director	
2	Ryouichi Araki	Executive Vice President Representative Director	
3	Toshio Kawafuji	Managing Director Member of board of Directors	
4	Masayuki Shimoyama	Managing Director Member of board of Directors	
5	Yukio Tachibana	Managing Director Member of board of Directors	
6	Yoshihiro Nambu	Managing Director Member of board of Directors	
7	Takao Onuki	Managing Director	(New)
8	Atsuhiro Wakumoto	Director	(New)
9	Yoh Ota	Outside Audit & Supervisory Board Member	(New) (Outside) (Independent)
10	Yasuyuki Fujishima		(New) (Outside) (Independent)

(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	Masanobu Suzuki (July 7, 1950)	April 1979 December 2004 December 2005 August 2008 June 2009 August 2010 June 2014 June 2015	Joined Company Manager of Chemical Research Dept.and Manager of Nano Technology Preparation Development Dept., Research and Development Division, Pharmaceuticals Group General Manager of Pharmaceuticals Research Laboratories, Research & Development Group Director General Manager of Takasaki Plant and Manager of Takasaki Administration Center, Takasaki Plant Member of the board of Directors (current) Managing Director Head of Pharmaceuticals Group Senior Managing Director Representative Director (current) President (current)	16,000
2	Ryouichi Araki (March 26, 1951)	April 1974 August 2004 August 2006 August 2009 August 2010 August 2011 June 2014 June 2015	Joined Company Manager of Accounting Dept., Finance & Accounting Division, Administration Group Director General Manager of Finance & Accounting Division, Administration Group General Manager of Finance & Accounting Division and General Manager of Information Systems Division, Administration Group Member of the board of Directors (current) Managing Director Head of Financial Group and General Manager of Finance & Accounting Division, Financial Group Head of Financial Group Representative Director (current) Senior Managing Director Head of Strategic Corporate Planning Group and Head of Agrochemicals Division (current) Executive Vice President (current)	21,000
3	Toshio Kawafuji (August 30, 1952)	April 1976 June 2007 June 2009 August 2009 August 2012 June 2013	Joined Company Manager of Omiya Pharmaceuticals Branch, East Japan Branch General Manager of Specialty Chemicals & International Division Director Member of the board of Directors (current) Managing Director (current) Head of Safety Systems Group (current) Chairman, Kayaku Safety Systems (Huzhou) Co., Ltd. (current)	25,005

(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
4	Masayuki Shimoyama (August 30, 1954)	April 1977 August 2006 August 2008 August 2010 August 2011 June 2014	Joined Company Manager of Financial Affairs Dept., Finance & Accounting Division, Administration Group General Manager of Color Chemicals Division, Functional Chemicals Group Director General Manager of Finance & Accounting Division, Financial Group Member of the board of Directors (current) Managing Director (current) Head of Financial Group and General Manager of Finance & Accounting Division, Financial Group (current)	11,000
5	Yukio Tachibana (June 22, 1955)	October 2007 August 2008 August 2011 June 2014	Joined Company General Manager of Catalysts Division, Functional Chemicals Group Director Member of the board of Directors (current) Managing Director (current) Head of Functional Chemicals Group (current)	11,000
6	Yoshihiro Nambu (November 30, 1956)	June 2010 August 2010 June 2011 June 2015	Joined Company Director Deputy Director of Pharmaceuticals Group Deputy Director of Pharmaceuticals Group and Head of Pharmaceuticals Development Division, Pharmaceuticals Group Member of the board of Directors (current) Managing Director (current) Head of Pharmaceuticals Group (current)	9,000

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

(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
7	Takao Onuki (November 12, 1953)	April 1978 June 2004 December 2005 August 2009 August 2012 June 2014	Joined Company Manager of Drug Development Dept., Research and Development Division, Pharmaceuticals Group Manager of Development Planning Coordination, Pharmaceuticals Development Division, Pharmaceuticals Group General Manager of Pharmaceuticals Technical Operations Division, Pharmaceuticals Group Director Managing Director (current) Head of Technical Operations Group (current)	11,000
8	Atsuhiro Wakumoto (March 15, 1957)	April 1979 August 2000 September 2003 August 2007 August 2008 August 2009 August 2010 August 2012	Joined Company Manager of Marketing Dept., Inflators Division, Fine Chemicals Group Global Business Development and Manager of Marketing Dept., Inflators Division, Fine Chemicals Group Manager of Global 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 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 (current) General Manager of Marketing Division, Safety Systems Group (current)	13,000
9	Yoh Ota (October 3, 1967)	April 1993 February 2001 April 2001 January 2003 August 2004 June 2005 July 2007 April 2013	Registered lawyer 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) Partner of Nishimura Tokiwa Law office Outside Audit & Supervisory Board Member of Company (current) Outside Audit & Supervisory Board Member of Culture Convinience Club Co., Ltd. Outside Director of Denki Kogyo Co., Ltd. (current) Partner of Nishimura Asahi Law office (current) Professor, Graduate Schools for Law and Politics, The University of Tokyo	0

(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
10	Yasuyuki Fujishima (March 25, 1947)	July 1969	Joined Ministry of International Trade and Industry (presently Ministry of Economy, Trade and Industry).	0
		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. (current)	
		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 (current)	

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

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, and Company has designated them as Independent Officers stipulated by Securities Listing Regulations of Tokyo Stock Exchange.

3. Mr. Yoh Ota will have served as Outside Audit & Supervisory Board Member of Company for twelve(12) years until the conclusion of this Annual Shareholders Meeting.

4. If Messrs. Yoh Ota and Yasuyuki Fujishima are elected, they will, under Article 427, paragraph (1) of the Companies Act, will enter 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.

(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.

Proposal No. 3 Election of Two (2) Members of Audit & Supervisory Board

The term of office of Messrs. Shoichi Saitoh and Yoh Ota, Audit & Supervisory Board Member, shall continue until the conclusion of this Annual Shareholders Meeting and therefore Company proposes to elect two(2) Members of Audit & Supervisory Board for new election.

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

The candidates for Audit & Supervisory Board Members are as follows.

(New Candidate)

Candidate number	Name (Date of birth)	Brief biographical outlines, position in Company, and significant concurrent positions		Number of shares of Company owned by Candidate
1	Katsuji Higashi (November 27, 1952)	July 1981 July 2000 July 2001 August 2009 August 2014 September 2014	Registered certified public accountant Joined Ohta Tetsuzo Auditing Company Office Representative Partner of Ohta Showa Century Auditing Company Representative Partner of Shinnihon Auditing Company (The name changed, presently Ernst & Young ShinNihon LLC.) Board of Councilors, Ernst & Young ShinNihon LLC Retired Ernst & Young ShinNihon LLC. Established Accounting Firm (current)	0
2	Yasuhiro Osaki (September 14, 1954)	April 1985 April 1992 June 2010	Assistant Professor, School of Law, Waseda University Professor, School of Law, Waseda University Outside Director, NBC Meshtec Inc.	0

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

2. Messrs. Katsuji Higashi and Yasuhiro Osaki and are candidates for Outside Members of Audit & Supervisory Board as prescribed in Article 2, paragraph (3), item (viii) of the Ordinance for Enforcement of the Companies Act, and Company has designated Mr. Yasuhiro Osaki as Independent Officers stipulated by Securities Listing Regulations of Tokyo Stock Exchange.

3. If Messrs. Katsuji Higashi and Yasuhiro Osaki are elected, they will, under Article 427, paragraph (1) of the Companies Act, 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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