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. 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. 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

Total amount 3,030,347,303 yen

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

June 29, 2017

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 6,500,000,000 yen

(2) Surplus account to be decreased and its amount

Retained earnings brought forward 6,500,000,000 yen

Proposal No. 2 Election of Nine (9) Directors

The term of office of all ten (10) 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 eight (8) candidates including two (2) outside Directors 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), (Outside), (Independent)
1	Masanobu Suzuki	President Representative Director	
2	Toshio Kawafuji	Senior Managing Director Member of board of Directors	
3	Masayuki Shimoyama	Managing Director Member of board of Directors	
4	Yukio Tachibana	Managing Director Member of board of Directors	
5	Yoshihiro Nambu	Managing Director Member of board of Directors	
6	Atsuhiro Wakumoto	Managing Director Member of board of Directors	
7	Yoh Ota	Outside Director Member of board of Directors	(Outside) (Independent)
8	Yasuyuki Fujishima	Outside Director Member of board of Directors	(Outside) (Independent)
9	Tomoo Shibuya	Director	(New)

(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)

<table>
<tr><th>Candidate number</th><th>Name
(Date of birth)</th><th colspan="2">Brief biographical outlines, position and responsibility in Company, and significant concurrent positions</th><th>Number of shares of Company owned by Candidate</th></tr>
<tr><td rowspan="2">1</td><td>Masanobu Suzuki
(July 7, 1950)</td><td>April 1979
December 2004

December 2005

August 2008
June 2009

August 2010

June 2014
June 2015</td><td>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)</td><td>19,000</td></tr>
<tr><td colspan="4">[Reason for selection as a candidate for Director]
Mr. Masanobu Suzuki had supervised pharmaceuticals business and research and development activities of Company for many years. He currently has been serving as a President and Representative Director. Company continuously selected him as a candidate for Director since he has extensive experience and advanced knowledge of the overall business of Company.</td></tr>
<tr><td rowspan="2">2</td><td>Toshio Kawafuji
(August 30, 1952)</td><td>April 1976
June 2007

June 2009

August 2009
August 2012

June 2013

June 2016</td><td>Joined Company
Manager of Omiya Pharmaceuticals Branch, East Japan Branch
General Manager of Specialty Chemicals & International Division, Pharmaceuticals Group
Director
Member of the board of Directors (current)
Managing Director
Head of Safety Systems Group (current)
Chairman, Kayaku Safety Systems (Huzhou) Co., Ltd. (current)
Senior Managing Director of Company (current)</td><td>28,005</td></tr>
<tr><td colspan="4">[Reason for selection as a candidate for Director]
Mr. Toshio Kawafuji was engaged in marketing of pharmaceuticals 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.</td></tr>
</table>

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	Masayuki Shimoyama (August 30, 1954)	April 1977 August 2006 August 2008 August 2010 August 2011 June 2014 June 2016	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 Head of Administration Group and Financial Group (current)	13,000
	[Reason for selection as a candidate for Director] Mr. Masayuki Shimoyama has been mainly in charge of Financial Group for many years 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 and advanced knowledge of the overall business of Company.			
4	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)	16,000
	[Reason for selection as a candidate for Director] Mr. Yukio Tachibana has been in charge of Functional Chemicals 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.			
5	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)	12,000
	[Reason for selection as a candidate for Director] Mr. Yoshihiro Nambu has been in charge of Pharmaceuticals 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 in medical institutions 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	Atsuhiro Wakumoto (March 15, 1957)	April 1979	Joined Company	16,000
		August 2000	Manager of Marketing Dept., Inflators Division, Fine Chemicals Group	
		September 2003	Global Business Development and Manager of Marketing Dept., Inflators Division, Fine Chemicals Group	
		August 2007	Manager of Global Marketing Dept., Global Business Division and Manager of Marketing Dept., Japan Business Division, Safety Systems Group	
		August 2008	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	
		August 2009	General Manager of Global Business Division and Manager of Marketing Dept., Global Business Division, Safety Systems Group	
		August 2010	General Manager of Marketing Division and Manager of Global Marketing Dept., Marketing Division, Safety Systems Group	
		August 2012	Director General Manager of Marketing Division, Safety Systems Group (current)	
		June 2016	Member of the board of Directors (current) Managing Director (current)	
	[Reason for selection as a candidate for Director] Mr. Atsuhiro Wakumoto has been engaged in safety systems business for many years. He currently has been in charge of Marketing Division 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.			

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	Yoh Ota (October 3, 1967)	April 1993	Registered lawyer Joined Nishimura Tokiwa Law office	0
		February 2001	Registered lawyer in New York State, USA	
		April 2001	Appointed Civil Affairs Bureau, the Ministry of Justice (charge of the Commercial Law, the office of counselor)	
		January 2003	Partner of Nishimura Tokiwa Law office	
		August 2004	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)	
	[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.			
8	Yasuyuki Fujishima (March 25, 1947)	July 1969	Joined Ministry of International Trade and Industry (presently Ministry of Economy, Trade and Industry).	1,000
		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. (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)	
		June 2016	Member of the board of Directors, Company (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 one (1) year 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
9	Tomoo Shibuya (December 15, 1957)	April 1980	Joined Company	11,000
		September 2005	General Manager of Public Relations & Investor Relations Division, Strategic Corporate Planning Group	
		February 2006	General Manager of Corporate Planning Division, Strategic Corporate Planning Group	
		August 2007	Vice President of LifeSparc Inc.	
		June 2010	General Manager of Corporate Planning Division, Strategic Corporate Planning Group, Company (current)	
		June 2012	Member of Board of Directors, Polatechno Co., Ltd. (current)	
		June 2013	Director, Company (current)	
	[Reason for selection as a candidate for Director] Mr. Tomoo Shibuya has been in charge of Corporate Planning Division 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.			

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

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

Mr. Hidemi Fukuno, Audit & Supervisory Board Member, will resign at 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 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
Itsuro Shimohigashi (March 27, 1956)	April 1979 August 2004 June 2005 March 2007 March 2008 December 2010 August 2012 June 2014 October 2015	Joined Company Manager of Administration Dept., Planning & Coordination Office, Functional Chemicals Group Manager of Business Development Dept., Planning & Coordination Office, Functional Chemicals Group Manager of Planning Dept., Planning & Coordination Office, Functional Chemicals Group Vice President of MicroChem Corp. Manager of Administration Dept., Functional Materials Division, Functional Chemicals Group, Company General Manager of Specialty Chemicals & International Division, Pharmaceuticals Group Director (current) General Manager of Specialty Chemicals, International & IVD Division, Pharmaceuticals Group (current)	9,000
	[Reason for selection as a candidate for Audit & Supervisory Board Member] Mr. Itsuro Shimohigashi has extensive experience in Functional Chemicals Group and Specialty Chemicals, International & IVD Division for many years and has been serving as a Director. Company selected him as a candidate for Audit & Supervisory Board Member since he has extensive experience of global business and advanced knowledge of the overall business of Company.		

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

2. If Mr. Itsuro Shimohigashi 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.

- End -