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(Securities Code 4471)
June 1, 2018

To Our Shareholders:

Takao Ando
President, Representative Director
SANYO CHEMICAL
INDUSTRIES, LTD.
11-1, Ikkyo Nomoto-cho, Higashiyama-ku,
Kyoto, Japan

**CONVOCAION NOTICE OF
THE 94TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 94th Ordinary General Meeting of Shareholders of SANYO CHEMICAL INDUSTRIES, LTD. (the “Company”). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you may exercise your voting rights in writing by submitting the Voting Rights Exercise Form. After reviewing the attached Reference Documents for the General Meeting of Shareholders, please indicate your vote for or against the proposal on the enclosed Voting Rights Exercise Form and return it so that it is received by 5:30 p.m. on Thursday, June 21, 2018, Japan time.

- 1. Date and Time:** Friday, June 22, 2018 at 10:00 a.m.
- 2. Place:** Kokin Jr. Ballroom on the fifth floor of HOTEL GRANVIA KYOTO
Kyoto Station Bldg., 901 Higashi Shiokoji-cho,
Shiokoji-sagaru, Karasuma-dori, Shimogyo-ku, Kyoto
- 3. Meeting Agenda:**
 - Matters to be reported:**
 1. The Business Report, Consolidated and Non-consolidated Financial Statements for the Company’s 94th Fiscal Year (April 1, 2017 - March 31, 2018)
 2. Results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements for the Company’s 94th Fiscal Year (April 1, 2017 - March 31, 2018)
 - Proposals to be resolved:**
 - Proposal 1:** Election of 10 Directors
 - Proposal 2:** Provision of Final Payment of Retirement Benefits to Directors and Audit & Supervisory Board Members upon the Abolition of the Retirement Benefits System
 - Proposal 3:** Amount and Content of Stock-based Remuneration, etc., for Directors

Proposal 1: Election of 10 Directors

The terms of office of all 9 Directors, namely Messrs. Kan Ueno, Takao Ando, Hideya Narutaki, Kohei Maeda, Akinori Higuchi, Atsushi Ota, Hiroyuki Shimominami, Masaya Yamamoto, and Shigenobu Aikyo, will expire at the conclusion of this year's Ordinary General Meeting of Shareholders. Accordingly, in order to strengthen the Company's corporate governance, we propose the election of 10 Directors, including 3 Outside Directors, an increase of 1 Outside Director.

The candidates are as follows:

No.	Name			Current position and responsibilities, etc. at the Company
1	Kan Ueno	Reelection	Outside Director Independent Director	Director, Chairman of the Board Meeting
2	Takao Ando	Reelection		President, Representative Director
3	Akinori Higuchi	Reelection		Director, Managing Executive Officer, in charge of Sales & Marketing II, General Manager of Lubricating Oil Additives Division, and General Manager of Petroleum, Construction & Environment Division
4	Hideya Narutaki	Reelection		Director, Managing Executive Officer, in charge of Sales & Marketing I, General Manager of Biotechnology & Medical Division, and Head of Tokyo Branch Office
5	Kohei Maeda	Reelection		Director, Managing Executive Officer, in charge of Research & Development, General Manager of Research & Application No.1 Division, General Manager of Research Administration Division, and Head of Head Office Research Laboratory
6	Atsushi Ota	Reelection		Director, Executive Officer, and in charge of Production President, Representative Director of San Chemical Co., Ltd.
7	Hiroyuki Shimominami	Reelection		Director, Executive Officer President, Representative Director of SDP Global Co., Ltd.
8	Masaya Yamamoto	Reelection		Director, Executive Officer, in charge of Corporate Ethics and General Affairs, and General Manager of Administrative Affairs Division
9	Shigenobu Aikyo	Reelection	Outside Director Independent Director	Director
10	Aya Shirai	New Candidate	Outside Director Independent Director	

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
1	Kan Ueno (August 27, 1947)	April 1970	Joined Nippon Petrochemicals Co., Ltd.	1,700
		April 2001	General Manager of General Affairs and Human Resources Department	
	[Reelection]	June 2002	Executive Officer, General Manager of General Affairs and Human Resources Department	
	[Outside Director]	June 2004	Managing Director and Executive Officer	
	[Independent Director]	June 2005	Director, Senior Vice President, and Executive Director of the Supply Division of Nippon Oil Corporation	
	Term of office as Director (at the conclusion of this year's Ordinary General Meeting of Shareholders):	April 2006	Director, Senior Vice President, and Executive Director of the Chemicals Division	
	7 years	June 2008	Director, Senior Vice President, and Executive Director of the Chemicals Division of Nippon Oil Corporation Senior Vice President of SAN-PETROCHEMICALS CO., LTD. Outside Audit & Supervisory Board Member of the Company	
Attendance at Board Meetings during fiscal 2017:	July 2010	President, Representative Director of JX Nippon Information Technology Co., Ltd.		
15/15 (100%)	June 2011	Outside Director of the Company		
	June 2014	Outside Director, Chairman of the Board Meeting (to present)		
[Reason for nomination as candidate for Outside Director] The Company has greatly benefitted from Mr. Kan Ueno's concise words of advice regarding management from an independent position, coming from his years of business and managerial experience in the chemical industry. Furthermore, he has shown fairness in leading the Board of Directors in his duties as Chairman of the Board Meeting of the Company. We believe that, with the above experience and knowledge, he is suited for the role in carrying out supervisory functions and providing advice to the Company's management, and thereby propose his re-election as an Outside Director. Furthermore, he was an executive (Director, Senior Vice President) of Nippon Oil Corporation (currently JXTG Holdings, Inc., which held 4.8% of the voting rights of the Company as of March 31, 2018) until June 2010. Although there are sales transactions such as the procurement of raw materials between the Company and JXTG Nippon Oil & Energy Corporation, which operates under JXTG Holdings, Inc. umbrella, the ratio of the amount of sales to said company as a component of the Company's net sales and the ratio of procurement by the Company as a component of said company's net sales are respectively less than 1%, and we thus believe that there are no issues with respect to independence.				
2	Takao Ando (March 7, 1953)	April 1977	Joined the Company	10,600
		June 1998	Director, Deputy General Manager of Research & Development Division	
	[Reelection]	April 2001	Director, General Manager of Research & Development Division	
	Term of office as Director (at the conclusion of this year's Ordinary General Meeting of Shareholders):	June 2003	Executive Officer, General Manager of Research & Development Division	
		June 2004	Executive Officer, General Manager of International Project Promotion Division	
		June 2007	Executive Officer of the Company President, Representative Director of SAN NOPCO LIMITED	
	13 years	June 2008	Managing Executive Officer of the Company President, Representative Director of SAN NOPCO LIMITED	
Attendance at Board Meetings during fiscal 2017:	June 2010	Director, Senior Managing Executive Officer, and in charge of Sales & Marketing I of the Company		
15/15 (100%)	June 2011	President, Representative Director (to present)		
[Reason for nomination as candidate for Director] Mr. Takao Ando has served as President, Representative Director since 2011 and appropriately carried out his duties in supervising and executing the management operations of the Company. We believe that, with his wealth of experience and knowledge in overall management including research, sales and overseas business, he is suited for the role of ensuring the sustainable improvement of corporate value, and thereby propose his re-election as a Director.				

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
3	Akinori Higuchi (November 7, 1959) [Reelection]	April 1984	Joined the Company	600
	Term of office as Director (at the conclusion of this year's Ordinary General Meeting of Shareholders):	October 1984	Transferred to SAN NOPCO LIMITED	
		October 2005	General Manager of Pulp & Paper Chemicals Marketing and Sales Department	
		June 2012	President, Representative Director, and General Manager of Sales & Marketing Division	
		June 2014	Executive Officer of the Company	
		June 2015	President, Representative Director of SAN NOPCO LIMITED Managing Executive Officer, General Manager of Petroleum & Environment Division of the Company	
2 years	June 2016	Director, Managing Executive Officer, in charge of Sales & Marketing II, General Manager of Lubricating Oil Additives Division, and General Manager of Petroleum & Environment Division		
Attendance at Board Meetings during fiscal 2017:	April 2018	Director, Managing Executive Officer, in charge of Sales & Marketing II, General Manager of Lubricating Oil Additives Division, and General Manager of Petroleum, Construction & Environment Division (to present)		
15/15 (100%)	[Reason for nomination as candidate for Director] Mr. Akinori Higuchi has been involved in supervising and executing the management operations of the Company as an officer in charge of Sales & Marketing Division and is making efforts in the Lubricating Oil Additives Division, which is promoting global business expansion. He also has experience serving as Chief Executive Officer of one of the Company's consolidated subsidiaries. We believe that, with the above experience and knowledge, he is suited for the role of ensuring the sustainable improvement of corporate value, and thereby propose his re-election as a Director.			
4	Hideya Narutaki (September 22, 1958) [Reelection]	April 1984	Joined the Company	1,800
	Term of office as Director (at the conclusion of this year's Ordinary General Meeting of Shareholders):	November 2002	General Manager, Toiletry Department of Nihashi Division	
		October 2008	Deputy General Manager of Yasui Division	
		February 2009	General Manager of Narutaki Division	
		June 2010	Executive Officer, General Manager of Toiletry, Detergent & Textile Division	
		January 2012	Executive Officer, in charge of Sales & Marketing I, and General Manager of Toiletry, Detergent & Textile Division	
6 years	June 2012	Director, Executive Officer, in charge of Sales & Marketing I, and General Manager of Toiletry, Detergent & Textile Division		
Attendance at Board Meetings during fiscal 2017:	June 2015	Director, Managing Executive Officer, in charge of Sales & Marketing I, and General Manager of Toiletry, Detergent & Textile Division		
	April 2017	Director, Managing Executive Officer, in charge of Sales & Marketing I, General Manager of Biotechnology & Medical Division, and Head of Tokyo Branch Office (to present)		
15/15 (100%)	[Reason for nomination as candidate for Director] For many years, Mr. Hideya Narutaki has been involved in management as an officer responsible for the Sales & Marketing Division, and is currently involved in supervising and executing the management operations of the Company as an officer in charge of Sales & Marketing. Additionally, he is also responsible for the Biotechnology & Medical Division, which is an area that is expected to bring new business growth. Since he is familiar with the Company's wide range of products, we believe that, with the above experience and knowledge, he is suited for the role of ensuring the sustainable improvement of corporate value, and thereby propose his re-election as a Director.			

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
5	Kohei Maeda (November 3, 1960)	April 1985	Joined the Company	3,100
	[Reelection]	April 1999	General Manager of New Technologies & Business Development Office	
	Term of office as Director (at the conclusion of this year's Ordinary General Meeting of Shareholders):	June 2005	General Manager of Research & Development Division and General Manager of Research Administration Division	
		June 2010	Executive Officer, General Manager of Research & Application Division, and General Manager of Research Administration Division	
		October 2012	Executive Officer, General Manager of Research & Application Division, and Head of Head Office Research Laboratory	
	4 years	June 2014	Director, Executive Officer, General Manager of Research & Application Division, and Head of Head Office Research Laboratory	
Attendance at Board Meetings during fiscal 2017:	June 2015	Director, Managing Executive Officer, in charge of Research & Development, General Manager of Research & Application Division, and Head of Head Office Research Laboratory		
15/15 (100%)	October 2016	Director, Managing Executive Officer, in charge of Research & Development, General Manager of Research & Application No.1 Division, General Manager of Research Administration Division, and Head of Head Office Research Laboratory (to present)		
[Reason for nomination as candidate for Director] For many years, Mr. Kohei Maeda has been involved in management as an officer responsible for Research & Development, and is currently involved in supervising and executing the management operations of the Company as an officer in charge of Research & Development. We believe that, with the above experience and knowledge, he is suited for the role of ensuring the sustainable improvement of corporate value, and thereby propose his re-election as a Director.				
6	Atsushi Ota (February 2, 1958)	April 1982	Joined the Company	2,100
	[Reelection]	April 2001	General Manager of Production Technology Department	
	Term of office as Director (at the conclusion of this year's Ordinary General Meeting of Shareholders):	April 2004	Head of Nagoya Factory and Kinuura Satellite Factory	
		July 2007	Deputy General Manager of Production Division, Head of Nagoya Factory and Kinuura Satellite Factory	
		June 2012	Executive Officer, General Manager of Personnel Division	
2 years	June 2016	Director, Executive Officer, in charge of Production		
Attendance at Board Meetings during fiscal 2017:	June 2017	Director, Executive Officer, in charge of Production of the Company		
15/15 (100%)		President, Representative Director of San Chemical Co., Ltd. (to present)		
[Reason for nomination as candidate for Director] For many years, Mr. Atsushi Ota has been involved in management as an officer responsible for Factories, and is currently involved in executing the management operations of the Company as an officer in charge of Production. He also has experience as an officer in charge of Personnel. We believe that, with the above experience and knowledge, he is suited for the role of ensuring the sustainable improvement of corporate value, and thereby propose his re-election as a Director.				

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
7	Hiroyuki Shimominami (January 22, 1960) [Reelection]	April 1983 October 2005 April 2009 June 2013	Joined Tomen Corporation General Manager of Industrial Materials Department President of Toyota Tsusho (H.K.) Co., Ltd. Executive Officer of the Company Director of San-Dia Polymers, Ltd.	900
	Term of office as Director (at the conclusion of this year's Ordinary General Meeting of Shareholders):	April 2014 June 2016	Executive Officer of the Company President, Representative Director of SDP Global Co., Ltd. Director, Executive Officer of the Company President, Representative Director of SDP Global Co., Ltd. (to present)	
	2 years			
	Attendance at Board Meetings during fiscal 2017:			
	15/15 (100%)			
[Reason for nomination as candidate for Director] Mr. Hiroyuki Shimominami is Chief Executive Officer of one of the Company's consolidated subsidiaries in charge of production and sales of superabsorbent polymers, one of the main business of the Company. In addition, he holds managerial and marketing-related experience in the chemicals fields at a trading company. We believe that, with the above experience and knowledge, he is suited for the role of ensuring the sustainable improvement of corporate value, and thereby propose his re-election as a Director.				
8	Masaya Yamamoto (July 7, 1958) [Reelection]	April 1982 October 2006 June 2009 August 2013 June 2014 June 2016	Joined Toray Industries, Inc. General Manager on Special Assignment of Internal Control Department Member of the Board of P.T. Toray Industries Indonesia General Manager on Special Assignment of Finance & Controller's Division (Finance Chief of the Indonesia Districts) of Toray Industries, Inc. Deputy General Manager of Sales & Marketing Administration Division of the Company Executive Officer, General Manager of Administrative Affairs Division Director, Executive Officer, in charge of Corporate Ethics and General Affairs, and General Manager of Administrative Affairs Division (to present)	400
	Term of office as Director (at the conclusion of this year's Ordinary General Meeting of Shareholders):			
	2 years			
	Attendance at Board Meetings during fiscal 2017:			
	15/15 (100%)			
[Reason for nomination as candidate for Director] Mr. Masaya Yamamoto has been involved in executing the management operations of the Company as an officer in charge of General Affairs. In addition, he engaged in activities related to finance and accounting divisions, internal control and overseas businesses at Toray Industries, Inc. We believe that, with the above experience and knowledge, he is suited for the role of ensuring the sustainable improvement of corporate value, and thereby propose his re-election as a Director.				

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
9	Shigenobu Aikyo (October 1, 1949)	April 1972	Joined the Sumitomo Bank, Limited	400
		June 1999	Executive Officer, General Manager of Human Resources Department	
	[Reelection]	April 2001	Executive Officer, General Manager of Planning Department of Sumitomo Mitsui Banking Corporation	
	[Outside Director]	April 2006	Senior Managing Director, Head of Investment Banking Unit of Sumitomo Mitsui Banking Corporation	
	[Independent Director]		Senior Managing Director (Executive Officer), Head of Investment Banking Planning Department of Sumitomo Mitsui Financial Group, Inc.	
	Term of office as Director (at the conclusion of this year's Ordinary General Meeting of Shareholders):	April 2007	Director and Deputy President, Head of Middle Market Banking Unit of Sumitomo Mitsui Banking Corporation	
		April 2010	Chairman of the Board and Representative Director of Nikko Cordial Securities Inc.	
	2 years	April 2011	Chairman of the Board and Representative Director of SMBC Nikko Securities Inc.	
April 2015		Advisor		
Attendance at Board Meetings during fiscal 2017:	June 2015	Outside Director of HASHIMOTO SOGYO CO., Ltd. (currently HASHIMOTO SOGYO HOLDINGS CO., Ltd.) (to present)		
	March 2016	Outside Director of MODEC, INC. (to present)		
15/15 (100%)	June 2016	Outside Director of the Company (to present) Outside Director of DAIHEN Corporation (to present) Outside Director of NICHICON CORPORATION (to present) Outside Director of SCSK Corporation (to present)		
<p>[Reason for nomination as candidate for Outside Director]</p> <p>The Company has greatly benefitted from Mr. Shigenobu Aikyo's concise words of advice regarding management from an independent position, coming from his years of managerial experience in financial institutions. We believe that, with the above experience and knowledge, he is suited for the role in carrying out supervisory functions and providing advice to the Company's management, and thereby propose his re-election as an Outside Director.</p> <p>Furthermore, he was an executive (Chairman of the Board and Representative Director) of SMBC Nikko Securities Inc. until March 2015, but there are no transaction relationships between the Company and said bank. Although he was an executive (Director and Deputy President) of Sumitomo Mitsui Banking Corporation, a main lender for the Company, until March 2010, as it has been over eight years since his retirement, we believe that there are no issues with respect to independence. Additionally, although there are sales transactions between the Company and NICHICON CORPORATION, where he holds a concurrent position, the ratio of the amount of sales to said company as a component of the Company's net sales and the ratio of procurement by the Company as a component of said company's net sales are respectively less than 1%, and we thus believe that there are no issues with respect to independence. There are no transaction relationships between the Company and any of the other companies at which he holds concurrent positions.</p>				

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
10	Aya Shirai (May 23, 1960) [New Candidate] [Outside Director] [Independent Director]	April 1979 June 1993 December 2002 June 2011 June 2015	Joined ALL NIPPON AIRWAYS CO., LTD. Member of Amagasaki City Council Mayor of Amagasaki City Outside Director of GUNZE LIMITED (to present) Outside Director of PEGASUS SEWING MACHINE MFG. CO., LTD. (to present) Outside Director of Sumitomo Precision Products CO.,LTD. (to present)	0
	Term of office as Director (at the conclusion of this year's Ordinary General Meeting of Shareholders):			
	-			
<p>[Reason for nomination as candidate for Outside Director] Ms. Aya Shirai has a wealth of experience and knowledge from her many years of involvement in municipal administration. Although she has not been directly involved in corporate management other than through experience as an Outside Director, we believe, with the above experience and knowledge, she is suited for the role in carrying out supervisory functions and providing advice to the Company's management, and thereby propose her new election as an Outside Director. Furthermore, although there are sales transactions between the Company and GUNZE LIMITED, where she holds a concurrent position, the ratio of the amount of sales to said company as a component of the Company's net sales and the ratio of procurement by the Company as a component of said company's net sales are respectively less than 1%, and we thus believe that there are no issues with respect to independence. There are no transaction relationships between the Company and any of the other companies at which she holds concurrent positions.</p>				

(Notes)

1. Mr. Atsushi Ota concurrently serves as President, Representative Director of San Chemical Co., Ltd., which has a transactional relationship with the Company in product supply. Mr. Hiroyuki Shimominami concurrently serves as President, Representative Director of SDP Global Co., Ltd., which has a transactional relationship with the Company in product supply. Otherwise, there are no special interests between each candidate for Director and the Company.
2. Messrs. Kan Ueno and Shigenobu Aikyo and Ms. Aya Shirai are candidates for Outside Director.
3. The Company has entered into a limited liability agreement with each of Messrs. Kan Ueno and Shigenobu Aikyo, wherein the limit of their liability for damages under Article 423, Paragraph 1 of the Companies Act is the minimum liability amount as stipulated under Article 425, Paragraph 1 of the Companies Act, provided that they carried out their duties in good faith and without gross negligence. The Company will continue the agreement if the re-election of each of them is approved. Additionally, if the election of Ms. Aya Shirai is approved, the Company plans to conclude an identical agreement with her.
4. The Company has designated Messrs. Kan Ueno and Shigenobu Aikyo as Independent Directors as stipulated by the Tokyo Stock Exchange. Additionally, if the re-election of both candidates and the election of Ms. Aya Shirai are approved, the Company plans to designate these three persons as Independent Directors.
5. Mr. Shigenobu Aikyo is scheduled to retire as Outside Director of SCSK Corporation at its General Meeting of Shareholders scheduled to be held in June 2018.

<Reference> Standards for Independence of Outside Directors and Outside Audit & Supervisory Board Members (hereinafter “Outside Officers”)

When selecting independent officers, the Company shall adopt the “Standards for Determining the Independence of Outside Officers,” as determined below.

“Standards for Determining the Independence of Outside Officers”

An outside officer shall be deemed independent if he or she does not fall under any of the following items.

1. A party whose major business partner is the Sanyo Chemical Group (*1, also hereinafter “the Group”) (*2) or an executive thereof (*3).
2. A major business partner of the Group (*4) or an executive thereof.
3. A major lender of the Group (*5) or an executive thereof.
4. A major shareholder of the Company or an executive thereof.
5. A person who belongs to an accounting firm serving as the Group’s accounting auditor.
6. A legal professional, accountant, or consultant, etc. who receives money or profit from other property benefits of a large amount (*6) from the Group, in a form other than compensation for officers.
7. A person or an executive, such as a director, of an organization such as a legal entity or a partnership, etc. who receives donations or subsidies of a large amount from the Group.
8. An executive director, executive officer (*shikkoyaku*), executive officer (*shikkoyakuin*) or an employee, such as a manager, of a company in which an executive director or a full-time audit & supervisory board member of the Group concurrently serves as an outside director or an outside audit & supervisory board member of the said company.
9. A person who fell under any of items 1 through 8 above within the past three years.
10. A spouse or a relative within the second degree of kinship of a person who falls under any of items 1 through 8 but is a person of importance (*7).

*1: “The Sanyo Chemical Group” pertains to the entire network consisting of the Company, its subsidiaries and affiliates.

*2: “A party whose major business partner is the Group” refers to a party who received payments from the Company in an amount that is equivalent to 2% or more of the said party’s consolidated net sales for the most recent fiscal year.

*3: “An executive” refers to a director (excluding outside directors), an executive officer (*shikkoyaku*), executive officer (*shikkoyakuin*), executive director or any other person or employee equivalent thereto of an organization such as a legal entity.

*4: “A major business partner of the Group” refers to a party from whom the Company received payments in an amount that is equivalent to 2% or more of the Company’s consolidated net sales for the most recent fiscal year.

*5: “A major lender of the Group” refers to a party that provides financing to the Company in an amount that is equivalent to 2% or more of the Company’s consolidated total assets for the most recent fiscal year.

*6: “A large amount” for an individual is equivalent to an average amount over the past three years equivalent to ¥10 million or more; for an organization such as a legal entity or a partnership, an average amount over the past three years exceeding 2% of the consolidated net sales or total revenues.

*7: “A person of importance” refers to a director (excluding outside directors), an audit & supervisory board member (excluding outside audit & supervisory board members), an executive officer or an employee who holds a managerial position above the general manager level.

Proposal 2: Provision of Final Payment of Retirement Benefits to Directors and Audit & Supervisory Board Members upon the Abolition of the Retirement Benefits System

As part of a review of its executive remuneration system, it was resolved at the meeting of the Board of Directors held on May 18, 2018 to abolish the Retirement Benefits System for Directors and Audit & Supervisory Board Members as of July 31, 2018.

Accordingly, the Company proposes to make a final payment of retirement benefits within the scope of applicable amounts set in the standard stipulated by the Company for their terms of office up to July 31, 2018, to the 7 Directors (excluding Outside Directors), who shall be reappointed if Proposal 1 is approved, and the 2 Audit & Supervisory Board Members, who are currently in office. The timing of the payment shall be as of the retirement of each eligible person. The Company requests that decisions on specific amounts and methods of provision, for Directors be left to the discretion of the Board of Directors, and for Audit & Supervisory Board Members, be left to deliberation by Audit & Supervisory Board Members; likewise, for Mr. Akiyoshi Kodera, the decision on specific amounts and methods of provision for his term of office as Director to be left to the discretion of the Board of Directors, and for his term of office as Audit & Supervisory Board Member to be left to deliberation by Audit & Supervisory Board Members.

A career summary of the Directors and Audit & Supervisory Board Members to which the abolishment will apply is as follows:

Name	Career summary	
Takao Ando	June 2010	Director, Senior Managing Executive Officer
	June 2011	President, Representative Director (to present)
Hideya Narutaki	June 2012	Director, Executive Officer
	June 2015	Director, Managing Executive Officer (to present)
Kohei Maeda	June 2014	Director, Executive Officer
	June 2015	Director, Managing Executive Officer (to present)
Akinori Higuchi	June 2016	Director, Managing Executive Officer (to present)
Atsushi Ota	June 2016	Director, Executive Officer (to present)
Hiroyuki Shimominami	June 2016	Director, Executive Officer (to present)
Masaya Yamamoto	June 2016	Director, Executive Officer (to present)
Akiyoshi Kodera	June 2014	Director, Executive Officer
	June 2016	Audit & Supervisory Board Member (Full-time) (to present)
Toshio Ohshima	June 2016	Audit & Supervisory Board Member (Full-time) (to present)

Proposal 3: Amount and Content of Stock-based Remuneration, etc., for Directors

1. Reasons for the Proposal and reasons the remuneration system is appropriate

Remuneration for the Company's Directors is currently comprised of "basic compensation," "bonuses," and "retirement benefits," but this Proposal requests approval for a revision to the executive remuneration system in line with abolition of the Retirement Benefits System for Directors and Audit & Supervisory Board Members to introduce a new stock-based remuneration plan (hereinafter the "Plan") for its Directors (excluding Outside Directors, the same shall apply hereinafter). Additionally, the Company requests that details be entrusted to the Board of Directors within the framework in 2. below.

For the purpose of raising awareness of contribution to improving medium- and long-term business performance and enhancing corporate value by better clarifying the link between Director remuneration and its share value, the Plan intends to have Directors share the benefits and risks of share price fluctuations with shareholders, and the Company believes that the Plan is appropriate.

This Proposal requests approval for a new stock-based remuneration to be paid to those serving as Directors at the Company, separate from the maximum remuneration payable to Directors (450 million yen annually including bonuses, of which 50 million yen annually for Outside Directors) as approved at the 92nd Ordinary General Meeting of Shareholders held on June 17, 2016.

Furthermore, if Proposal 1: "Election of 10 Directors" is approved as originally proposed, the number of Directors subject to the Plan will be seven persons.

* If this Proposal is approved as originally proposed, the Company plans to introduce an identical stock-based remuneration plan for Executive Officers as well.

2. Amount and content of remuneration, etc., under the Plan

(1) Overview of the Plan

The Plan is a stock-based remuneration system, in which a trust created and funded with money by the Company (hereinafter the "Trust") shall acquire shares of the Company, and a number of such shares corresponding to the number of points granted to each Director by the Company shall be distributed to the Director through the Trust.

Furthermore, under the Plan, the Company's stock will be granted to those serving as Directors of the Company during the approximately three years to the day of the conclusion of the Ordinary General Meeting of Shareholders in June 2021 (hereinafter the "Plan Period").

Such shares shall be distributed to each Director at the time of retirement from office, in principle.

(1) Eligible Directors under the Plan	Directors (excluding Outside Directors)
(2) Initial trust period	Approximately three years
(3) Upper limit on the amount of money to be contributed by the Company as cash for acquiring shares of the Company that would need to be distributed to eligible Directors under the Plan during the initial trust period of the Trust in (2)	360 million yen in total
(4) Method of acquisition of the Company's stock	Method in which shares of the Company are acquired either through the disposal of treasury stock of the Company or through the stock market (including off-hour trading)
(5) Upper limit on the total number of points granted to Directors in (1)	27,000 points per fiscal year
(6) Point granting standard	Points granted according to position, etc.
(7) Number of shares granted to Directors in(1)	One share of the Company's stock granted per point
(8) Timing of granting the Company's stock to Directors in (1)	At the time of each Director's retirement from office, in principle

(2) Upper limit on the amount of money to be contributed by the Company

The initial trust period of the Trust will be approximately three years. During this trust period, the Company will contribute cash for acquiring shares of the Company that would need to be distributed to eligible Directors under the Plan. A maximum of 360 million yen in total will be contributed as remuneration for Directors serving during the Plan Period, and the Trust whose beneficiaries are Directors who satisfy certain criteria will be created. The Trust will use cash left in trust by the Company as the

source of funds and acquire shares of the Company either through the disposal of treasury stock of the Company or through the stock market (including off-hour trading).

(Note) The actual amount of cash to be left in trust by the Company will be equal to the sum of the abovementioned funds for acquisition of the shares of the Company and associated necessary expenses including trust fee and fee for the Trust Administrator. Additionally, if the Plan is introduced for Executive Officers as stated above, funds for acquisition of the Company's shares as required for granting to Executive Officers will also be entrusted.

At the time of expiration of the trust period (if the trust period is extended and the Plan is continued via the procedures below, at the time of expiration of the extended trust period), the Company may, by resolution of the Board of Directors, continue the Plan by extending the trust period as required (including the case where the trust property of the Trust is transferred to a trust that has the same purpose as that of the Trust, which was created by the Company, effectively extending the Trust Agreement; the same shall apply hereinafter). In this instance, the Company will contribute additional cash of up to 120 million yen for each year of extended trust period as funds to be used to acquire additional shares of the Company that would need to be distributed to eligible Directors under the Plan. In that event, the Plan Period would be extended in response to the continuation of the Plan and the extension of the trust period; the granting of points as described in (3) below and distribution of the shares of the Company would continue during the extended trust period.

Additionally, even if the applicable period is not extended and the Plan is not continued as described above, if there are Directors who have received points but have not retired as of the expiration of the trust period, the trust period for the Trust may be extended up until said Directors retire and the allotment of the Company's stock is complete.

(3) Calculation method and upper limit for the Company's stock granted to Directors

1. Method of calculating points to be granted to each Director

Pursuant to the Stock Distribution Regulations established by the Company's Board of Directors, the Company will grant to each Director a number of points according to his/her position during the trust period on the date of point allotment prescribed by the Company.

The total number of points granted to Directors by the Company shall not exceed 27,000 points per fiscal year.

2. Allotment of the Company's stock corresponding to allotted points

Directors will receive distribution of shares of the Company according to the number of points granted as described in 1. above via the procedures outlined in 3. below.

Furthermore, one point shall equal one share of the Company's stock. However, if any share split, reverse share split or any other event for which it would be considered reasonable to adjust the number of shares occurs with respect to the shares of the Company, then the Company will make reasonable adjustments depending on the ratio of such share split or reverse share split.

3. Distribution of shares of the Company to each Director

Shares of the Company will be distributed from the Trust to each eligible Director after he/she performs the established beneficiary determination procedures at the time of his/her retirement as described in 2. above.

However, a certain specific portion of such shares will be sold and converted into cash within the Trust with the intent of the Company making tax withholdings for tax payment funds for income tax withholdings, and may be distributed in cash instead of the shares. If the shares of the Company left within the Trust are converted into cash such as when a tender offer is accepted and settled with respect to such shares, the Company may make a distribution in cash instead of the shares.

(4) Exercise of the voting rights

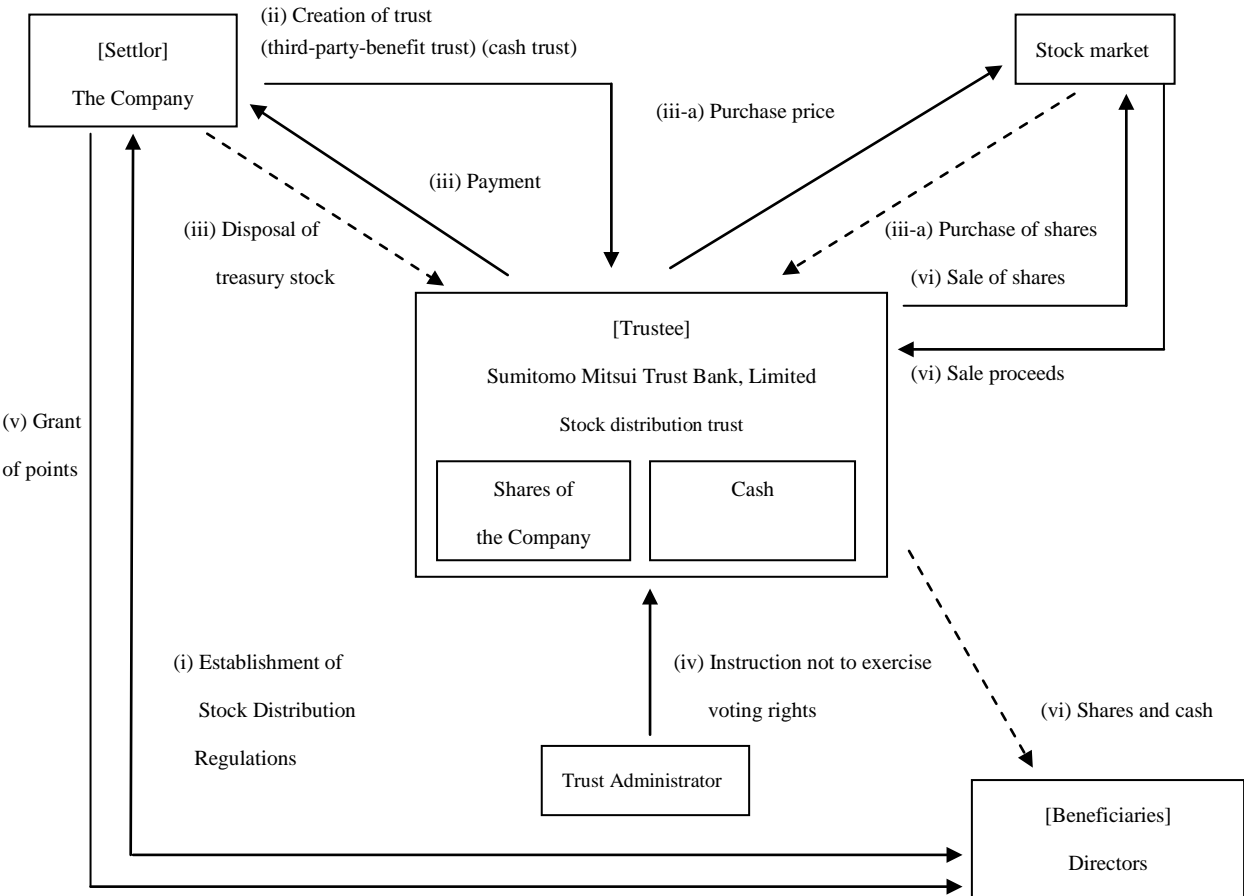
Pursuant to the instructions of the Trust Administrator who will be independent of the Company and its Directors and Audit & Supervisory Board Members, the voting rights associated with the shares kept within the Trust will not be exercised without exception, which will assure the neutrality of the Company's management in relation to exercise of the voting rights of such shares.

(5) Handling of dividends

Dividends on the shares of the Company kept within the Trust will be received by the Trust, and will be

applied towards payment for acquisition of the shares of the Company, trust fees for the Trustee associated with the Trust, etc.

(Reference) Structure of the Plan



- (i) The Company will establish Stock Distribution Regulations intended for its Directors.
- (ii) The Company will create a stock distribution trust (third-party-benefit trust) for Directors as beneficiaries (hereinafter the “Trust”). When doing so, the Company will leave such amount of cash as to be equivalent to that for funds to acquire shares (for stock acquisition funds to be used for granting to Directors, limited to an amount approved by a General Meeting of Shareholders) in trust with the Trustee.
- (iii) The Trustee will acquire, in one lump, a sufficient enough number of shares of the Company that are expected to be distributed in the future by disposing of treasury stock or by purchasing from the stock market (including off-hour trading).
- (iv) Throughout the trust period, the Company will appoint a Trust Administrator (to be limited to be a party independent of the Company and its Directors and Audit & Supervisory Board Members) who is responsible for protecting the interests of the beneficiaries who are covered by the Stock Distribution Regulations and supervising the Trustee. The Trust Administrator instructs Trustee not to exercise any voting rights associated with the shares of the Company kept within the Trust. Pursuant to these instructions, Trustee will not exercise voting rights throughout the trust period.
- (v) Pursuant to the Stock Distribution Regulations, the Company will grant points to the eligible Directors.
- (vi) The Directors fulfilling requirements prescribed in the Stock Distribution Regulations and the Trust Agreement will receive, as beneficiaries of the Trust, a distribution of shares of the Company corresponding to the allotted points from the Trustee. In certain specific cases set forth in advance in the Stock Distribution Regulations and the Trust Agreement, the Company may sell part of the distributable shares of the Company on the stock market and distribute cash.

* If this Proposal is approved as originally proposed, Executive Officers will also become beneficiaries of the Trust.

Of the residual property left within the Trust at the time of termination of the Trust, the Company plans to acquire all of the residual shares of the Company without charge and retire them by a resolution of the Board of Directors.

A certain portion of cash in residual property within the Trust at the time of Trust termination is scheduled to be donated to specified public-service promotion corporations having no interest in the Company or its Directors and Audit & Supervisory Board Members, pursuant to the provisions of Stock Distribution Regulations and the Trust Agreement determined in advance.

Sumitomo Mitsui Trust Bank, Limited, the Trustee for the Plan, will entrust administration of its trust property (re-trust) to Japan Trustee Services Bank, Ltd.