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Securities code: 4078

June 4, 2018

To our shareholders:

Masaaki Yabe
President
Sakai Chemical Industry Co., Ltd.
5-2, Ebisujima-cho, Sakai-ku, Sakai-shi, Osaka

NOTICE OF THE 123RD ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 123rd Ordinary General Meeting of Shareholders of Sakai Chemical Industry Co., Ltd. (the “Company”), which will be held as described below.

If you are unable to attend the Meeting, you may exercise your voting rights in writing or via the Internet. Please review the Reference Documents for the General Meeting of Shareholders and after referring to the “Information about Exercise of Voting Rights” (Japanese only), return the voting form by postal mail or fill out the online voting form to reach us no later than 5:40 p.m., Tuesday, June 26, 2018 (Japan Standard Time).

1. Date and Time: Wednesday, June 27, 2018 at 10:00 a.m. (Japan Standard Time)

2. Venue: Auditorium on the 3rd floor of the Company’s head office
5-2, Ebisujima-cho, Sakai-ku, Sakai-shi, Osaka

3. Purposes:

Items to be reported:

1. Business Report and Consolidated Financial Statements for the 123rd Term (from April 1, 2017 to March 31, 2018), as well as the results of audit of the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditor
2. Non-Consolidated Financial Statements for the 123rd Term (from April 1, 2017 to March 31, 2018)

Items to be resolved:

- Proposal 1:** Election of Twelve (12) Directors
- Proposal 2:** Payment of Directors’ Bonuses
- Proposal 3:** Determination of Remuneration for the Allotment of Restricted Shares to Directors (Excluding Outside Directors)

If any modification is made to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements, or the Non-Consolidated Financial Statements, the Company will post such modification on the Company’s website.

The Company’s website: <http://www.sakai-chem.co.jp>

Reference Documents for the General Meeting of Shareholders

Proposals and Reference Information

Proposal 1: Election of Twelve (12) Directors

The terms of office of all twelve (12) Directors (including two (2) Outside Directors) in their present positions will expire upon the conclusion of this General Meeting. In that regard, the Company proposes the election of twelve (12) Directors (including two (2) Outside Directors).

The candidates for Directors are as follows:

No.		Name	Tenure	Current position and responsibilities in the Company
1	[Reappointment]	Masaaki Yabe	6 years	President Representative Director
2	[Reappointment]	Akira Yoshioka	4 years	Managing Director In charge of Research & Development, Intellectual Property, Quality Assurance & Environmental Management, Safety & Health
3	[Reappointment]	Yoshiyuki Yoshikawa	5 years	Managing Director In charge of Onahama Business Establishment, Advanced Materials, Otsurugi Business Establishment, Electronic Materials Operations
4	[Reappointment]	Megumu Sado	4 years	Director In charge of General Affairs, Human Resources, Logistics, Purchasing, Compliance, Risk Management
5	[Reappointment]	Atsuya Nakanishi	3 years	Director In charge of Management Strategy, Overseas Business, New Business Promotion, Accounting & Finance
6	[Reappointment]	Yasuhiro Okamoto	3 years	Director In charge of Production Technology, Sakai Business Establishment
7	[Reappointment]	Toshinori Yoshida	2 years	Director In charge of Plastic Additives Operations, Catalysts Operations, Sales Management
8	[Reappointment]	Masayuki Yagishita	2 years	Director In charge of Inorganic Chemicals Operations
9	[Reappointment]	Toshiaki Sano	2 years	Director In charge of Information Systems, Investor Relations, Internal Control with respect to Financial Reports
10	[Reappointment]	Akihiko Ide	8 years	Director
11	[Reappointment]	Kazumi Sasai	3 years	Outside Director Independent Officer
12	[Reappointment]	Yumi Sano	1 year	Outside Director Independent Officer

No.	Name (Date of birth)	Career summary, position, responsibilities and significant concurrent positions outside the Company		Number of the Company's shares owned
1	Masaaki Yabe (August 9, 1959) [Reappointment]	Apr. 1982	Joined the Company	12,800
		June 2012	Director	
<p>June 2014 President Representative Director (to present)</p> <p>Reasons for nomination: Masaaki Yabe is familiar with the sales section and other sections and has a wealth of experience and a proven record of accomplishment. He assumed the position of Director of the Company in June 2012, and he has been carrying out business affairs inside and outside the Company as President since June 2014. He has great skills and knowledge especially in the marketing and management areas and has been in charge of the overall group management in the Company exhibiting strong leadership and decisiveness. Therefore, the Company determined that he should continue to be a candidate for Director.</p>				
2	Akira Yoshioka (November 23, 1957) [Reappointment]	Apr. 1982	Joined Mitsubishi Metal Corporation (Currently, Mitsubishi Materials Corporation)	4,300
		Apr. 2014	Adviser of the Company	
<p>June 2014 Director; Manager, Business Promotion Division</p> <p>Oct. 2014 Director; General Manager, Research & Development Division</p> <p>June 2015 Managing Director; General Manager, Research & Development Division (to present) Currently in charge of Research & Development, Intellectual Property, Quality Assurance & Environmental Management, Safety & Health</p> <p>Reasons for nomination: Akira Yoshioka is involved in the decision making at the Board of Directors, properly supervises the duties of Directors and carries out business affairs for which he is responsible. In addition, he was involved mainly in the technology and research and development areas while he was working at a major material manufacturer, Mitsubishi Materials Corporation and gained a wealth of experience and has a proven record of accomplishments. After joining the Company, he has been taking the initiative in the product development with his extensive knowledge and skills. Therefore, the Company determined that he should continue to be a candidate for Director.</p>				
3	Yoshiyuki Yoshikawa (July 21, 1958) [Reappointment]	Apr. 1983	Joined the Company	4,900
		June 2008	General Manager, Semboku Works, Catalysts Operations Division	
<p>June 2012 President Representative Director of Kyodo Chemical Co., Ltd.</p> <p>June 2013 Director; Manager, Corporate Planning Department of the Company</p> <p>Oct. 2014 Director; General Manager, Onahama Business Establishment</p> <p>Jan. 2016 General Manager, Otsurugi Business Establishment (to present)</p> <p>June 2016 Managing Director; General Manager, Onahama Business Establishment (to present) Currently in charge of Onahama Business Establishment, Advanced Materials, Otsurugi Business Establishment, Electronic Materials Operations</p> <p>Reasons for nomination: Yoshiyuki Yoshikawa is involved in the decision making at the Board of Directors, properly supervises the duties of Directors and carries out business affairs for which he is responsible. In addition, he has a wealth of experience and a proven record of accomplishments in the technology development and production areas and has knowledge and skills with respect to the management strategies based on his experience of being President Representative Director of Kyodo Chemical Co., Ltd., which is a subsidiary of the Company. Therefore, the Company determined that he should continue to be a candidate for Director.</p>				

No.	Name (Date of birth)	Career summary, position, responsibilities and significant concurrent positions outside the Company	Number of the Company's shares owned
4	Megumu Sado (April 24, 1959) [Reappointment]	<p>Apr. 1983 Joined the Company</p> <p>June 2008 General Manager, Administration & Management Department, Onahama Business Establishment</p> <p>Sept. 2008 General Manager, Onahama Business Establishment and Administration & Management Department</p> <p>July 2009 General Manager, Onahama Business Establishment, Administration & Management Department and Facilities Administration Department</p> <p>Dec. 2009 General Manager, Onahama Business Establishment</p> <p>Sept. 2010 General Manager, Human Resources Department (to present)</p> <p>June 2014 Director (to present) Currently in charge of General Affairs, Human Resources, Logistics, Purchasing, Compliance, Risk Management</p>	4,700
<p>Reasons for nomination: Megumu Sado is involved in the decision making at the Board of Directors, properly supervises the duties of Directors and carries out business affairs for which he is responsible. In addition, he has a wealth of experience and a proven record of accomplishments in the general affairs and human resources areas, and has extensive knowledge and skills especially in the human resources area. Therefore, the Company determined that he should continue to be a candidate for Director.</p>			
5	Atsuya Nakanishi (February 24, 1959) [Reappointment]	<p>Apr. 1982 Joined The Sanwa Bank, Ltd. (Currently, MUFG Bank, Ltd.)</p> <p>Sept. 2011 Manager, Corporate Planning Department of the Company</p> <p>Jan. 2013 General Manager, Overseas Sales & Marketing Department, Plastic Additives Operations Division</p> <p>June 2013 General Manager, Head of Plastic Additives Operations Division</p> <p>June 2015 Director (to present)</p> <p>June 2016 General Manager, Corporate Strategy Division (to present)</p> <p>June 2017 General Manager, Sales Planning Department (to present)</p> <p>June 2017 General Manager, Accounting & Finance Department (to present) Currently in charge of Management Strategy, Overseas Business, New Business Promotion, Accounting & Finance</p>	3,800
<p>Reasons for nomination: Atsuya Nakanishi is involved in the decision making at the Board of Directors, properly supervises the duties of Directors and carries out business affairs for which he is responsible. In addition, he has a wealth of experience and a proven record of accomplishments with respect to finance, which he accumulated while he was working at a major bank, MUFG Bank, Ltd., as well as extensive knowledge and skills based on his experience in overseas business as General Manager, Head of Plastic Additives Operations Division. Therefore, the Company determined that he should continue to be a candidate for Director.</p>			

No.	Name (Date of birth)	Career summary, position, responsibilities and significant concurrent positions outside the Company	Number of the Company's shares owned
6	Yasuhiro Okamoto (June 30, 1963) [Reappointment]	Apr. 1987 Joined the Company Dec. 2011 General Manager, Manufacturing Department, Inorganic Chemicals Operations Division Oct. 2014 General Manager, Production Department 2, Inorganic Chemicals Operations Division June 2015 Director; General Manager, Production Technology Division and Sakai Business Establishment (to present) Currently in charge of Production Technology, Sakai Business Establishment	4,100
	Reasons for nomination: Yasuhiro Okamoto is involved in the decision making at the Board of Directors, properly supervises the duties of Directors and carries out business affairs for which he is responsible. In addition, he has a wealth of experience and a proven record of accomplishments in the technology development and production areas as well as extensive knowledge and skills as General Manager, Production Technology Division and Sakai Business Establishment. Therefore, the Company determined that he should continue to be a candidate for Director.		
7	Toshinori Yoshida (June 4, 1959) [Reappointment]	Apr. 1982 Joined the Company Sept. 2007 General Manager, Sales & Marketing Department, Plastic Additives Operations Division Oct. 2010 General Manager, Sales & Marketing Department and Overseas Sales & Marketing Department, Plastic Additives Operations Division June 2011 President Representative Director of SC Organic Chemical Co., Ltd. June 2016 Director; General Manager, Sales Promotion Division of the Company Sept. 2016 Director; General Manager, Sales Management Department (to present) May 2018 General Manager, Head of Catalysts Operations Division (to present) Currently in charge of Plastic Additives Operations, Catalysts Operations, Sales Management	3,000
	Reasons for nomination: Toshinori Yoshida is involved in the decision making at the Board of Directors, properly supervises the duties of Directors and carries out business affairs for which he is responsible. He also has a wealth of experience and a proven record of accomplishments in the sales section and other sections. In addition, he has acquired knowledge and skills in the management strategies through his experience of serving as the President Representative Director of SC Organic Chemical Co., Ltd., which is a subsidiary of the Company. Therefore, the Company determined that he should continue to be a candidate for Director.		

No.	Name (Date of birth)	Career summary, position, responsibilities and significant concurrent positions outside the Company	Number of the Company's shares owned	
8	Masayuki Yagishita (November 14, 1963) [Reappointment]	Apr. 1986	Joined the Company	3,200
		Oct. 2011	General Manager, Sales & Marketing Department, Titanium Dioxide Operations Division	
Sept. 2013	General Manager, Head of Titanium Dioxide Operations Division and Sales & Marketing Department			
Oct. 2014	General Manager, Head of Inorganic Chemicals Operations Division and Sales & Marketing Department			
Sept. 2015	General Manager, Head of Inorganic Chemicals Operations Division			
Apr. 2016	General Manager, Head of Inorganic Chemicals Operations Division and Sales Planning Department, Sales Promotion Division			
June 2016	Director; General Manager, Sales Planning Department, Sales Promotion Division			
Sept. 2016	Director; General Manager, Sales Planning Department, Corporate Strategy Division			
June 2017	Director; General Manager, Head of Inorganic Chemicals Operations Division (to present) Currently in charge of Inorganic Chemicals Operations			
<p>Reasons for nomination: Masayuki Yagishita is involved in the decision making at the Board of Directors, properly supervises the duties of Directors and carries out business affairs for which he is responsible. He also has a wealth of experience and a proven record of accomplishments in the sales section and other sections as well as extensive knowledge and skills cultivated through his experience of serving as the General Manager, Head of Inorganic Chemicals Operations Division and Sales Planning Department, Sales Promotion Division. Therefore, the Company determined that he should continue to be a candidate for Director.</p>				
9	Toshiaki Sano (December 4, 1963) [Reappointment]	Apr. 1987	Joined the Company	2,700
		June 2011	General Manager, Accounting & Finance Department	
June 2016	Director (to present)			
June 2017	Deputy General Manager, Corporate Strategy Division (to present) Currently in charge of Information Systems, Investor Relations, Internal Control with respect to Financial Reports			
<p>Reasons for nomination: Toshiaki Sano is involved in the decision making at the Board of Directors, properly supervises the duties of Directors and carries out business affairs for which he is responsible. He also has a wealth of experience and a proven record of accomplishments gained over many years in the accounting and finance sections and supports the sound management of the group companies mainly from a financial perspective. He has extensive knowledge and skills. Therefore, the Company determined that he should continue to be a candidate for Director.</p>				

No.	Name (Date of birth)	Career summary, position, responsibilities and significant concurrent positions outside the Company	Number of the Company's shares owned
10	Akihiko Ide (October 24, 1941) [Reappointment]	<p>Apr. 1965 Joined Mitsubishi Metal Mining Company Ltd. (Currently, Mitsubishi Materials Corporation)</p> <p>June 2004 President of Mitsubishi Materials Corporation</p> <p>June 2010 Chairman of Mitsubishi Materials Corporation</p> <p>June 2010 Director of the Company (to present)</p> <p>Apr. 2015 Director; Senior Adviser of Mitsubishi Materials Corporation</p> <p>June 2015 Senior Adviser of Mitsubishi Materials Corporation</p> <p>June 2015 Outside Director of Tokyo Gas Co., Ltd. (to present)</p> <p>June 2017 Honorary Adviser of Mitsubishi Materials Corporation (to present)</p>	0
<p>Reasons for nomination: Akihiko Ide has assumed the positions of President and Chairman of Mitsubishi Materials Corporation, which is a major material manufacturer, and participates in the management of the Company by utilizing his extensive insight and knowledge based on his wealth of experience and proven record of accomplishments. Therefore, the Company determined that he should continue to be a candidate for Director.</p> <p>Outline of terms and conditions of limited liability agreement: The Company has, in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, concluded with him an agreement to limit his liability for damages as set forth in Article 423, Paragraph 1 of the same Act. In this case, the maximum amount of liability for damages under the said agreement will be the minimum amount set forth in Article 425, Paragraph 1 of the Companies Act. If his reappointment is approved, the said agreement will continue to be in effect.</p>			

No.	Name (Date of birth)	Career summary, position, responsibilities and significant concurrent positions outside the Company	Number of the Company's shares owned
	Kazumi Sasai (January 11, 1960) [Reappointment] [Outside] [Independent]	Apr. 2001 Associate Professor, Graduate School of Osaka Prefecture University Apr. 2007 Associate Professor, Graduate School of Osaka Prefecture University Apr. 2008 Professor, Graduate School of Osaka Prefecture University (to present) June 2011 Auditor, Osaka Prefecture Veterinary Medical Association (to present) Apr. 2012 Director of Academic Affairs, School of Veterinary Science, Osaka Prefecture University Apr. 2015 Professor in residence, Graduate School of Osaka University (to present) June 2015 Director of the Company (to present) May 2017 Technical Advisor, Osaka District Court and Osaka High Court (to present)	800
11	<p>Matters related to his candidacy for Outside Director</p> <p>Reasons for nomination as candidate for Outside Director: Although Kazumi Sasai has never been engaged in managing a company except as an Outside Director of the Company, he proactively addresses his opinions in the Board of Directors by utilizing his wealth of experience and broad knowledge he gained at Graduate School of Osaka Prefecture University, Graduate School of Osaka University and other entities and properly fulfills his role to give accurate advice on and supervise the management of the Company from an independent viewpoint. Therefore, the Company determined that he should continue to be a candidate for Outside Director.</p> <p>Information on independent officer: The Company designated him as an independent officer specified by the Tokyo Stock Exchange and registered him with the stock exchange, based on the judgment that no issue regarding conflict of interests is unlikely to occur with the general shareholders in accordance with the standards for independence prescribed by the Tokyo Stock Exchange and Standards for Selecting Independent Outside Directors specified by the Company.</p> <p>If his reappointment is approved, the Company plans for his appointment as an independent officer to continue.</p> <p>Outline of terms and conditions of limited liability agreement: The Company has, in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, concluded with him an agreement to limit his liability for damages as set forth in Article 423, Paragraph 1 of the same Act. In this case, the maximum amount of liability for damages under the said agreement will be the minimum amount set forth in Article 425, Paragraph 1 of the Companies Act. If his reappointment is approved, the said agreement will continue to be in effect.</p>		

No.	Name (Date of birth)	Career summary, position, responsibilities and significant concurrent positions outside the Company	Number of the Company's shares owned
	Yumi Sano (August 20, 1961) [Reappointment] [Outside] [Independent]	<p>Apr. 1984 Joined Shikishima Boseki Kabushiki Kaisha (Currently, Shikibo Ltd)</p> <p>Apr. 1997 Joined Kansai Employers' Association (Currently, Kansai Economic Federation)</p> <p>Apr. 2004 General Manager, Membership Administration of Kansai Employers' Association (Currently, Kansai Economic Federation)</p> <p>Apr. 2013 Joined Japan Institute for Women's Empowerment & Diversity Management</p> <p>Apr. 2014 Head of Kansai Office, Japan Institute for Women's Empowerment & Diversity Management (to present)</p> <p>June 2017 Director of the Company (to present)</p>	100
12	<p>Matters related to her candidacy for Outside Director</p> <p>Reasons for nomination as candidate for Outside Director: Although Yumi Sano has never been directly engaged in managing a company, she has extensive expertise and experience related to finance, economy, industry and social working gained through her career and offers opinions concerning the overall group management based on her expertise and experience. She properly fulfills her role to give accurate advice on and supervise the management of the Company from an independent viewpoint. Therefore, the Company determined that she should continue to be a candidate for Outside Director.</p> <p>Information on independent officer: The Company designated her as an independent officer specified by the Tokyo Stock Exchange and registered her with the stock exchange, based on the judgment that no issue regarding conflict of interests is unlikely to occur with the general shareholders in accordance with the standards for independence prescribed by the Tokyo Stock Exchange and Standards for Selecting Independent Outside Directors specified by the Company.</p> <p>If her reappointment is approved, the Company plans for her appointment as an independent officer to continue.</p> <p>Outline of terms and conditions of limited liability agreement: The Company has, in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, concluded with her an agreement to limit her liability for damages as set forth in Article 423, Paragraph 1 of the same Act. In this case, the maximum amount of liability for damages under the said agreement will be the minimum amount set forth in Article 425, Paragraph 1 of the Companies Act. If her reappointment is approved, the said agreement will continue to be in effect.</p>		

- Notes:
1. There are no special interests between any of the above candidates and the Company.
 2. As a result of an investigation between November 2017 and February 2018, Mitsubishi Materials Corporation announced that its consolidated subsidiaries, Mitsubishi Cable Industries, Ltd., Mitsubishi Shindoh Co., Ltd., Mitsubishi Aluminum Co., Ltd., Tachibana Metal Mfg Co., Ltd., and Diamet Corporation delivered products that deviated from customer or internal specifications due to misconduct, including rewriting of the data. Akihiko Ide had been a Director of Mitsubishi Materials Corporation until June 2015. Although he was not aware of the fact during his term of office as Director of Mitsubishi Materials Corporation, he has continuously emphasized the importance of legal compliance in the Board of Directors and so forth of Mitsubishi Materials Corporation.
 3. Kazumi Sasai and Yumi Sano are candidates for Outside Director.
 4. Kazumi Sasai's term of office as Outside Director will be three (3) years at the conclusion of this General Meeting.
 5. Yumi Sano's term of office as Outside Director will be one (1) year at the conclusion of this General Meeting.

(Reference)

<Standards for Selecting Independent Outside Directors>

In principle, if an Outside Director of the Company does not correspond to any of the following persons, said Outside Director shall be deemed to be an independent person.

1. A person who is currently or in the past ten (10) years has been an Executive Director or employee (hereinafter referred to as “Executive”) of the Company or one of its subsidiaries (hereinafter referred to as the “Group”)
2. A current major shareholder of the Company (meaning a shareholder directly or indirectly holding five percent (5%) or more of voting rights) or its Executive
3. A major partner company of the Company (meaning a partner company for which transactions with the Group in the latest fiscal year provided two percent (2%) or more of the consolidated net sales of the Group or such partner company), or its Executive
4. A financial institution or any other major creditor that the Group requires for its fundraising and that the Group relies on and is irreplaceable for the Group or its Executive
5. The Executive of a corporation or any other entity that has received a donation of ten million (10,000,000) yen or more in the past three (3) years from the Group on average
6. A consultant, accounting specialist, or legal specialist (including a person who belongs to a corporation or entity if such consultant or specialist is a corporation or entity) who has received money or any other asset of ten million (10,000,000) yen or more in the past three (3) years from the Group on average, in addition to the officers’ remuneration
7. A person holding an executive position of a company that has appointed Executive of the Group as its Director
8. A spouse or relative (up to second degree) of any of the persons described in 1 to 7 above

Proposal 2: Payment of Directors' Bonuses

We wish to pay Directors' bonuses of thirty nine million five hundred ten thousand (39,510,000) yen in total (including two million three hundred forty thousand (2,340,000) yen for two (2) Outside Directors) to the twelve (12) Directors (two (2) of which are Outside Directors) incumbent at the end of the fiscal year ended March 31, 2018, taking into account the business results and other factors in the fiscal year ended March 31, 2018.

With respect to the amount to be paid to each Director and the timing and method of payment thereof, we request that it be left to the discretion of the Board of Directors.

Proposal 3: Determination of Remuneration for the Allotment of Restricted Shares to Directors (Excluding Outside Directors)

At the 94th Ordinary General Meeting of Shareholders (Ordinary General Meeting of Shareholders: hereinafter referred to as the “OGM”) held on June 29, 1989, shareholders approved the amount of remuneration, etc. for Directors of the Company to be set at a total of twenty million (20,000,000) yen or less per month (excluding employee salaries of Directors who concurrently serve as employees).

The Company hereby proposes to allot the common shares of the Company subject to a certain restricted period and reasons for the Company’s acquisition of allotted shares by rights without contribution (hereinafter referred to as the “Restricted Shares”) to the Directors of the Company (excluding Outside Directors; hereinafter referred to as the “Eligible Directors”) as below, with the aim of encouraging the Eligible Directors to share the advantages and risks of stock price changes with the Company’s shareholders, and motivating the Eligible Directors to further contribute to increasing the stock price and improving the Company’s corporate value, as part of the revision to its remuneration plan for officers.

The remuneration to be newly paid to the Eligible Directors for the allotment of the Restricted Shares based on this proposal shall be monetary claims (hereinafter referred to as the “Monetary Remuneration Claims”), and the total amount shall be one hundred twenty million (120,000,000) yen or less per year, separately from the existing amount of remuneration for Directors described above, as deemed reasonable in comprehensive consideration of the aforementioned objectives and various factors such as the Eligible Directors’ level of contribution to the Company. The specific timing for providing thereof and the allocation to each Eligible Director shall be determined by the Board of Directors.

The allotment of the Restricted Shares shall be determined in comprehensive consideration of the aforementioned objectives and various factors such as the Eligible Directors’ level of contribution to the Company, and the Company believes that the content of the allotment is appropriate.

The number of Directors is currently twelve (12) (including two (2) Outside Directors), and if Proposal 1 is approved and adopted, the number of Directors eligible for remuneration payment will remain unchanged.

Restricted Share Remuneration Plan for Eligible Directors

1. Allotment and payment of Restricted Shares

The Company will provide the Monetary Remuneration Claims to the Eligible Directors within the aforementioned annual amount of remuneration for Restricted Shares in accordance with the resolution of the Board of Directors of the Company, and each Eligible Director shall pay all such Monetary Remuneration Claims in the form of property contributed in kind, and shall, in return, receive the allotment of Restricted Shares.

The amount to be paid in for the Restricted Shares shall be determined by the Board of Directors of the Company based on the closing price of the Company’s common shares on the Tokyo Stock Exchange on the business day immediately before each date of resolution by the Board of Directors (if there is no closing price on such date, the closing price on the closest preceding trading day), which will be within the extent that the amount will not be particularly advantageous to Eligible Directors who subscribe such Restricted Shares.

The aforementioned Monetary Remuneration Claims shall be granted on the condition that the Eligible Directors have agreed to the above payment of property contributed in kind, and have entered into an agreement on allotment of the Restricted Shares that contains the provisions set forth in 3. below.

2. Total number of Restricted Shares

The total number of Restricted Shares to be allotted to the Eligible Directors per fiscal year shall be one hundred thousand (100,000) shares or less.

However, if, on or after the day on which this proposal is approved and adopted, the Company performs a share split (including allotment of the Company’s common shares without contribution) or a reverse share split of its common shares, or any other reason arises necessitating an adjustment to the total number of Restricted Shares to be allotted similarly to these cases, the relevant total number of Restricted Shares shall be reasonably adjusted.

3. Provisions of the agreement on allotment of Restricted Shares

For the allotment of the Restricted Shares, an agreement on allotment of Restricted Shares (hereinafter referred to as the “Allotment Agreement”) shall be entered into between the Company and each Eligible Director in accordance with the resolution of the Board of Directors of the Company. Said Allotment Agreement shall contain the following provisions.

(1) Restriction period

The Eligible Director to whom the Restricted Shares have been allotted may not transfer, establish pledges, establish transfer security interest, make an inter vivos gift, make a bequeath, or otherwise dispose of the Restricted Shares to any third party for the period of twenty (20) years (hereinafter referred to as the “Restriction Period”).

(2) Treatment on retirement from the position

If an Eligible Director to whom the Restricted Shares have been allotted retires from the position of Director of the Company by the day before the date of the first OGM on or after the start date of the Restriction Period, the Company shall automatically acquire such Restricted Shares allotted to such Eligible Director (hereinafter referred to as the “Allotted Shares”) without contribution, unless the reason for his/her retirement from office is the expiration of the term of his/her office, death, or other reasons the Company’s Board of Directors deems justifiable.

(3) Lifting of transfer restrictions

The Company shall lift the transfer restrictions of all of the Allotted Shares upon expiration of the Restriction Period, on the condition that the Eligible Director to whom the Restricted Shares have been allotted has remained in the position of Director of the Company on and after the start date of the Restriction Period until the date of the first OGM.

However, if the Eligible Director retires from the position of Director of the Company before the expiration of the Restriction Period due to the expiration of the term of his/her office, death, or other reasons the Company’s Board of Directors deems justifiable, as set forth in (2) above, the Company shall rationally adjust the number of the Allotted Shares on which the transfer restrictions are to be lifted, and the timing of lifting as needed.

(4) Acquisition of Restricted Shares without contribution

The Company shall automatically acquire without contribution the Allotted Shares on which the transfer restrictions have not been lifted at the expiration of the Restriction Period in accordance with the provision in (3) above.

(5) Treatment during reorganization, etc.

If, during the Restriction Period, proposals relating to a merger agreement in which the Company is the disappearing company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or other reorganization, etc. are approved at the Company’s General Meeting of Shareholders (or at the Board of Directors in cases where approval at the Company’s General Meeting of Shareholders is not required in relation to the reorganization, etc.), the Company shall lift the transfer restrictions on the Allotted Shares in the number of shares that is reasonably determined in light of the period from the start date of the Restriction Period to the date of approval of the reorganization, prior to the effective date of the reorganization by resolution of the Board of Directors of the Company.

In this case, the Company shall automatically acquire without contribution the Allotted Shares on which the transfer restrictions have not been lifted as of the time immediately after the transfer restrictions were lifted in accordance with the provision above.

(6) Other matters determined by the Board of Directors

In addition to the above, the method for expressing intentions and giving notifications in the Allotment Agreement, the method for amending the Allotment Agreement, and other matters to be determined by the Board of Directors of the Company shall be laid out in the Allotment Agreement.

(Reference)

[Image of revisions to the remuneration plan for Eligible Directors]

<Current plan>	Basic remuneration	Bonuses	
<New plan>	Basic remuneration	Bonuses	Restricted Shares
	Fixed remuneration	Short-term incentive	Mid- to long-term incentive

- * Currently, the Company pays the basic remuneration to each Director within the remuneration limit of twenty million (20,000,000) yen per month as approved at the 94th OGM held on June 29, 1989. The Company further pays bonuses to each Director up to the total amount approved at the General Meeting of Shareholders each time payments are made.

The remuneration to be paid to Eligible Directors in addition to the basic remuneration under the revised remuneration plan for Eligible Directors (hereinafter referred to as the “New Plan”) shall include bonuses, which shall be considered short-term incentive, and Restricted Shares, which shall be considered mid- to long-term incentive.

This proposal is to request the approval on the payment of remuneration for the allotment of Restricted Shares to Eligible Directors as mid- to long-term incentive, and on establishing the total amount of remuneration under the New Plan, to be paid separately from the aforementioned maximum remuneration.