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Securities code: 4362

June 2, 2022

To our shareholders:

Hiroshi Yano
Representative Director, President
NIPPON FINE CHEMICAL CO., LTD.
4-9, Bingomachi 2-chome, Chuo-ku, Osaka

Notice of the 154th Annual General Meeting of Shareholders

We are pleased to announce that the 154th Annual General Meeting of Shareholders of NIPPON FINE CHEMICAL CO., LTD. (the “Company”) will be held as set forth below.

Regarding this meeting, the Company earnestly asks shareholders to exercise voting rights beforehand as much as possible to avoid the infection risk of the novel coronavirus (COVID-19) among shareholders.

Please refer to the following Reference Documents for the General Meeting of Shareholders and send the enclosed voting form or exercise voting rights on the internet, etc., by no later than Wednesday, June 22, 2022, at 5:40 p.m. (JST) in accordance with the following guidance.

- 1. Date and Time:** Thursday, June 23, 2022, at 10:00 a.m. (JST)
- 2. Venue:** Nihon Mengyo Club (Cotton Industry House) New Building 7th Floor
5-8, Bingomachi 2-chome, Chuo-ku, Osaka

3. Purposes:

Matters to be reported:

1. The Business Report, the Consolidated Financial Statements and the Audit Results Report of the Financial Auditor and the Audit & Supervisory Board on the Consolidated Financial Statements for the 154th fiscal year (from April 1, 2021 to March 31, 2022)
2. Report on the Non-Consolidated Financial Statements for the 154th fiscal year (from April 1, 2021 to March 31, 2022)

Matters to be resolved:

< Company Proposals >

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Amendment to the Articles of Incorporation
- Proposal No. 3:** Election of Six Directors
- Proposal No. 4:** Revision of Amount of Remuneration for Directors and Introduction of Restricted Share-Based Remuneration Plan in Accordance With Revisions to the Officer Remuneration Plan
- Proposal No. 5:** Revision of Amount of Remuneration for Audit & Supervisory Board Members

< Shareholder Proposals >

- Proposal No. 6:** Approval of Amount of Remuneration for Restricted Share-Based Remuneration Plan
- Proposal No. 7:** Purchase of Treasury Shares

- When attending this meeting in person, please submit the enclosed voting form at the reception.
- Of the documents to be provided with this notice, “Notes to the Consolidated Financial Statements” and “Notes to the Non-Consolidated Financial Statements” are posted on the Company’s website (<https://www.nipponseika.co.jp/>) (Japanese only) in accordance with the provisions of laws and regulations as well as Article 15 of the Company’s Articles of Incorporation and are not described on the documents attached to this notice. The Consolidated Financial Statements and the Non-Consolidated Financial Statements described in the documents attached to this notice are part of the documents audited by the Audit & Supervisory Board Members and the Financial Auditor to prepare the Audit Report.
- If any event requiring amendment made to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements as well as Non-Consolidated Financial Statements occurs until the day before the meeting, the notification will be provided in writing via postal mail or on the Company’s website (<https://www.nipponseika.co.jp/>) (Japanese only).
- The Company has decided not to provide gifts for shareholders attending the meeting. Your understanding will be highly appreciated.

Reference Documents for the General Meeting of Shareholders

Proposals and References

< Company Proposals (Proposals No. 1 through 5) >

Proposal No. 1: Appropriation of Surplus

Returning profits to shareholders is one of the Company's important priorities. In this regard, the Company seeks to increase the consolidated basic earnings per share. The Company targets a basic policy to achieve a benchmark DOE (dividend on equity) of 3.0%, and aim to improve and stabilize the level of dividends to pay dividends of surplus.

Based on the dividend policy, the year-end dividend shall be paid in cash and the dividend of ¥29 per share (aggregate amount of ¥684,849,703) shall be paid to shareholders at the end of the fiscal year under review. Accordingly, including the interim dividend of ¥25 per share, the annual dividends per share will be ¥54.

The effective date (starting date of payments) of the year-end dividend will be Friday, June 24, 2022.

Proposal No. 2: Amendment to the Articles of Incorporation

1. Reasons for the Amendment

- (1) Since the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make the following changes in accordance with the introduction of the system for providing informational materials for the general meeting of shareholders in electronic format.
 - (i) As the Company will be required to establish provisions in the Articles of Incorporation stating that it will take measures to provide information constituting the content of the reference documents for the general meeting of shareholders, etc., in electronic format, the Company proposes to newly establish Article 16 (Measures, etc. for Providing Information in Electronic Format), Paragraph 1 as stated under Proposed Changes.
 - (ii) The Company proposes to newly establish Article 16 (Measures, etc. for Providing Information in Electronic Format), Paragraph 2 as stated under Proposed Changes to enable it to limit the scope of items to be provided in paper-based documents that will be delivered to shareholders who request the delivery of paper-based documents to the scope set forth in the Ministry of Justice Order, from among information constituting the content of the reference documents for the general meeting of shareholders, etc., for which the Company will take measures for providing in electronic format.
 - (iii) Since the provisions of Article 15 of the current Articles of Incorporation (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) will no longer be required when the system for providing informational materials for the general meeting of shareholders in electronic format is introduced, they will be deleted.
 - (iv) Supplementary provisions will be established in relation to the effectiveness of the aforementioned provisions to be newly established and deleted. Furthermore, these supplementary provisions will be deleted after a certain date has elapsed.
- (2) The Company has introduced a Corporate Officer system in order to separate functions related to management decision-making and supervision from those related to the execution of business operations. Now, however, in order to ensure the number of Directors is appropriate based on future growth, the Company proposes to change the number from not more than 11, as stipulated in Article 18 (Number of Directors) of the current Articles of Incorporation, to not more than 9, as stated in Article 19 (Number of Directors) under Proposed Changes.
- (3) In accordance with the discontinuation of the Advisor system in line with the Company's corporate governance system, the Company proposes to change Article 20 (Representative Directors and Directors with Special Titles) of the current Articles of Incorporation, which contains a provision for Advisors, to Article 21 (Representative Directors and Directors with Special Titles) as stated under Proposed Changes.
- (4) To enable the flexible operation of the Board of Directors, the Company proposes to change Article 23 (Convener and Chairmanship of Meeting of the Board of Directors) of the current Articles of Incorporation to Article 24 (Convener and Chairmanship of Meeting of the Board of Directors) as stated under Proposed Changes.
- (5) In order to enable the Company to attract useful and diverse human resources as Directors and Audit & Supervisory Board Members, and create an environment that enables these persons to sufficiently fulfill the roles expected of them, the Company proposes to change Article 27 (Exemption of Directors From Liability), Paragraph 2 of the current Articles of Incorporation to Article 28 (Exemption of Directors From Liability), Paragraph 2 as stated under Proposed Changes, and change Article 35 (Exemption of Audit & Supervisory Board Members From Liability), Paragraph 2 of the current Articles of Incorporation to Article 36 (Exemption of Audit & Supervisory Board Members From Liability), Paragraph 2 as stated under Proposed Changes, which will enable the Company to enter into liability limitation contracts with Directors who are not Executive Directors, etc., and Audit & Supervisory Board Members who are not Outside Audit & Supervisory Board Members. Furthermore, the Company has obtained the consent of each Audit & Supervisory Board Member

in relation to the changes to Article 28 (Exemption of Directors From Liability), Paragraph 2 as stated under Proposed Changes.

- (6) Article 38 (Purchase of Treasury Shares) of the current Articles of Incorporation will be moved to Article 8 (Purchase of Treasury Shares) as stated under Proposed Changes, and the numbering of articles will be adjusted accordingly.
- (7) Other changes will be made to terminology, numbering, etc.

2. Details of the Amendment

The details of the amendment are as follows.

(Underlined portions represent changes)

Current Articles of Incorporation	Proposed Changes
<p>(Purpose) Article 2. The purpose of the Company shall be to engage in the following business activities:</p> <ol style="list-style-type: none"> (1) Manufacture, sale and wholesale of refined camphor, remanufactured camphor, camphor oil, pharmaceuticals, chemical products, industrial chemicals and fragrances (2) Manufacture, sale and wholesale of resins, essential oils, paints, oil and fat products and food-related products (3) Manufacture, sale and wholesale of quasi-drugs (4) Manufacture, sale and wholesale of cosmetics (5) Manufacture, sale and wholesale of chemical fertilizers and agricultural chemicals (6) Import and export of products related to those listed previously (7) Camphor tree and other afforestation (8) Utilization, management, sale and rental of real estate (9) Holding and utilization of securities (10) Business and investment related to and incidental to those listed previously <p>(Organs) Article 4. The Company shall have, in addition to the general meeting of shareholders and Directors, the following organs:</p> <ol style="list-style-type: none"> (1) Board of Directors (2) Audit & Supervisory Board Members (3) Audit & Supervisory Board (4) Financial Auditor <p style="text-align: center;">[Moved from current Article 38]</p> <p>(Rights Regarding Shares Less Than One Unit) Article <u>8</u>. A shareholder of the Company may not exercise any rights other than the rights listed below with regard to shares less than one unit held by the shareholder:</p> <ol style="list-style-type: none"> (1) Rights set forth in items of Article 189, paragraph (2) of the Companies Act; 	<p>(Purpose) Article 2. (Change in Japanese only; English unchanged)</p> <p>(Organs) Article 4. (Change in Japanese only; English unchanged)</p> <p>(Purchase of Treasury Shares) Article <u>8</u>. By resolution of the Board of Directors, treasury shares may be purchased through market transactions, etc.</p> <p>(Rights Regarding Shares Less Than One Unit) Article <u>9</u>. (Change in Japanese only; English unchanged)</p>

Current Articles of Incorporation	Proposed Changes
<p>(2) Right to make a demand pursuant to the provisions of Article 166, paragraph (1) of the Companies Act;</p> <p>(3) Right to receive an allotment of offered shares and offered share acquisition rights in proportion to the number of shares held by the shareholder; and</p> <p>(4) Right to make a demand as provided for in the following Article.</p> <p>(Additional Purchase of Shares Less Than One Unit) Article 9. A shareholder of the Company who holds shares less than one unit may, as provided for in the Share Handling Regulations, request the Company to sell to the shareholder a number of shares which will, when combined with the number of shares already held by the shareholder, constitute one share unit.</p> <p>(Share Handling Regulations) Article 10. Handling of the Company’s shares and the fees therefor, and procedures for shareholders to exercise voting rights shall be governed by the Share Handling Regulations established by the Board of Directors, in addition to applicable laws and regulations and these Articles of Incorporation.</p> <p>(Shareholder Register Administrator) Article 11. (i) The Company shall have a shareholder register administrator. (ii) The shareholder register administrator and the place of business thereof shall be designated by resolution of the Board of Directors and public notice thereof shall be given. (iii) The preparation and keeping of the shareholder register and the share acquisition right register of the Company and other administrations relating thereto shall be outsourced to the shareholder register administrator, and shall not be handled by the Company itself.</p> <p>Article 12. and Article 13. (omitted)</p> <p>(Convener and Chairmanship of General Meeting of Shareholders) Article 14. (i) The Director and President shall convene general meetings of shareholders and chair the meetings. (ii) In cases where the Director and President is prevented from so acting, another Director who is designated in accordance with an order of priority determined in advance by the Board of Directors shall convene a general meeting of shareholders and chair the meeting.</p> <p><u>(Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.)</u> Article 15. <u>When the Company convenes a general meeting of shareholders, if it discloses information that is to be stated or presented in the reference documents for the general meeting of shareholders, business report, financial statements and consolidated financial statements through the internet in accordance with the provisions prescribed by the Ministry of Justice Order, it may be deemed that the Company has provided the information to shareholders.</u></p>	<p>(Additional Purchase of Shares Less Than One Unit) Article 10. A shareholder of the Company who holds shares less than one unit may, as provided for in the “Share Handling Regulations,” request the Company to sell to the shareholder a number of shares which will, when combined with the number of shares already held by the shareholder, constitute one share unit.</p> <p>(Share Handling Regulations) Article 11. Handling of the Company’s shares and the fees therefor, and procedures for shareholders to exercise voting rights shall be governed by the “Share Handling Regulations” established by the Board of Directors, in addition to applicable laws and regulations and these Articles of Incorporation.</p> <p>(Shareholder Register Administrator) Article 12. 1. The Company shall have a shareholder register administrator. 2. The shareholder register administrator and the place of business thereof shall be designated by resolution of the Board of Directors and public notice thereof shall be given. 3. The preparation and keeping of the shareholder register and the share acquisition right register of the Company and other administrations relating thereto shall be outsourced to the shareholder register administrator, and shall not be handled by the Company itself.</p> <p>Article 13. and Article 14. (unchanged)</p> <p>(Convener and Chairmanship of General Meeting of Shareholders) Article 15. 1. The Director and President shall convene general meetings of shareholders and chair the meetings. 2. In cases where the Director and President is prevented from so acting, another Director who is designated in accordance with an order of priority determined in advance by the Board of Directors shall convene a general meeting of shareholders and chair the meeting.</p> <p>[Deleted]</p>

Current Articles of Incorporation	Proposed Changes
<p data-bbox="376 203 571 230">[Newly established]</p> <p data-bbox="153 651 480 678">(Method for Making Resolutions)</p> <p data-bbox="153 689 256 716">Article 16.</p> <p data-bbox="153 728 783 857">(i) Unless otherwise provided for by laws and regulations or these Articles of Incorporation, resolutions of a general meeting of shareholders shall be made by a majority of the votes of the shareholders who are present at the meeting and entitled to exercise their votes at such meetings.</p> <p data-bbox="153 869 783 1032">(ii) Resolutions prescribed in Article 309, paragraph (2) of the Companies Act shall be made by at least two-thirds of the votes of the shareholders present at the meeting where the shareholders holding at least one-third of the voting rights of the shareholders entitled to exercise their votes at such meetings are present.</p> <p data-bbox="153 1077 296 1104">(Proxy Voting)</p> <p data-bbox="153 1115 256 1142">Article 17.</p> <p data-bbox="153 1153 783 1227">(i) Shareholders may exercise voting rights by having one other shareholder of the Company with voting rights act as a proxy on his/her behalf.</p> <p data-bbox="153 1238 783 1312">(ii) A shareholder or a proxy must submit to the Company a document evidencing the proxy's authority to represent at each general meeting of shareholders.</p> <p data-bbox="245 1357 703 1384">Chapter 4 Directors and Board of Directors</p> <p data-bbox="153 1429 368 1456">(Number of Directors)</p> <p data-bbox="153 1467 256 1494">Article 18.</p> <p data-bbox="153 1505 667 1532">The Company shall have not more than 11 Directors.</p> <p data-bbox="153 1576 464 1603">(Method of Selecting Directors)</p> <p data-bbox="153 1615 256 1641">Article 19.</p> <p data-bbox="153 1653 783 1691">(i) Directors shall be elected at a general meeting of shareholders.</p> <p data-bbox="153 1702 783 1843">(ii) Resolutions on the election of a Director shall be made by a majority of the votes of the shareholders present at the meeting where the shareholders holding at least one-third of the voting rights of the shareholders entitled to exercise their votes at such meeting are present.</p> <p data-bbox="153 1854 783 1906">(iii) Resolutions for the election of Directors shall not be conducted by cumulative voting.</p> <p data-bbox="153 1951 735 1977">(Representative Directors and Directors With Special Titles)</p> <p data-bbox="153 1989 256 2016">Article 20.</p> <p data-bbox="153 2027 783 2065">(i) The Board of Directors shall appoint representative Director(s) by its resolution.</p>	<p data-bbox="807 203 1430 230"><u>(Measures, etc. for Providing Information in Electronic Format)</u></p> <p data-bbox="807 241 911 268">Article 16.</p> <p data-bbox="807 280 1430 409">1. <u>When the Company convenes a general meeting of shareholders, it shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.</u></p> <p data-bbox="807 421 1430 611">2. <u>Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u></p> <p data-bbox="807 656 1134 683">(Method for Making Resolutions)</p> <p data-bbox="807 694 911 721">Article 17.</p> <p data-bbox="807 732 1430 862">1. Unless otherwise provided for by laws and regulations or these Articles of Incorporation, resolutions of a general meeting of shareholders shall be made by a majority of the votes of the shareholders who are present at the meeting and entitled to exercise their votes at such meetings.</p> <p data-bbox="807 873 1430 1037">2. Resolutions prescribed in Article 309, paragraph (2) of the Companies Act shall be made by at least two-thirds of the votes of the shareholders present at the meeting where the shareholders holding at least one-third of the voting rights of the shareholders entitled to exercise their votes at such meetings are present.</p> <p data-bbox="807 1081 951 1108">(Proxy Voting)</p> <p data-bbox="807 1120 911 1146">Article 18.</p> <p data-bbox="807 1158 1430 1232">1. Shareholders may exercise voting rights by having one other shareholder of the Company with voting rights act as a proxy on his/her behalf.</p> <p data-bbox="807 1243 1430 1317">2. A shareholder or a proxy must submit to the Company a document evidencing the proxy's authority to represent at each general meeting of shareholders.</p> <p data-bbox="884 1361 1342 1388">Chapter 4 Directors and Board of Directors</p> <p data-bbox="807 1433 1023 1460">(Number of Directors)</p> <p data-bbox="807 1471 911 1498">Article 19.</p> <p data-bbox="807 1509 1310 1536">The Company shall have not more than 9 Directors.</p> <p data-bbox="807 1581 1118 1608">(Method of Selecting Directors)</p> <p data-bbox="807 1619 911 1646">Article 20.</p> <p data-bbox="807 1657 1430 1695">1. Directors shall be elected at a general meeting of shareholders.</p> <p data-bbox="807 1706 1430 1848">2. Resolutions on the election of a Director shall be made by a majority of the votes of the shareholders present at the meeting where the shareholders holding at least one-third of the voting rights of the shareholders entitled to exercise their votes at such meeting are present.</p> <p data-bbox="807 1859 1430 1910">3. Resolutions for the election of Directors shall not be conducted by cumulative voting.</p> <p data-bbox="807 1955 1390 1982">(Representative Directors and Directors With Special Titles)</p> <p data-bbox="807 1993 911 2020">Article 21.</p> <p data-bbox="807 2031 1430 2069">1. The Board of Directors shall appoint representative Director(s) by its resolution.</p>

Current Articles of Incorporation	Proposed Changes
<p>(ii) The Board of Directors may appoint, by its resolution, one Director and Chairman, one Director and President, one or a small number of Senior Executive Directors, and one or a small number of Executive Directors. <u>In addition, one or a small number of Advisors may also be appointed by resolution of the Board of Directors.</u></p> <p>Article <u>21</u>. and Article <u>22</u>. (omitted)</p> <p>(Convener and Chairmanship of Meeting of the Board of Directors)</p> <p>Article <u>23</u>.</p> <p>(i) Unless otherwise provided for by laws and regulations, the Director and President shall convene meetings of the Board of Directors <u>and chair the meetings.</u></p> <p>(ii) In cases where <u>the Director and President</u> is prevented from so acting, another Director who is designated in accordance with an order of priority determined in advance by the Board of Directors shall <u>convene a meeting of the Board of Directors and</u> chair the meeting.</p> <p>(Notice of Meeting of the Board of Directors)</p> <p>Article <u>24</u>.</p> <p>(i) A notice of convocation of the Board of Directors meeting will be dispatched to each Director and each Audit & Supervisory Board Member at least three days before the date of the meeting. However, in case of emergency, this can be further shortened.</p> <p>(ii) With the consent of all Directors and Audit & Supervisory Board Members, a meeting of the Board of Directors may be held without following the convening procedures.</p> <p>(Regulations of the Board of Directors)</p> <p>Article <u>25</u>.</p> <p>Items concerning the Board of Directors shall be governed by the Regulations of the Board of Directors established by the Board of Directors, in addition to applicable laws and regulations and these Articles of Incorporation.</p> <p>Article <u>26</u>. (omitted)</p> <p>(Exemption of Directors From Liability)</p> <p>Article <u>27</u>.</p> <p>(i) Pursuant to the provisions of Article 426, paragraph (1) of the Companies Act, the Company may, by resolution of the Board of Directors, exempt a Director (including a person who was formerly a Director) from his/her liability for damages arising from neglecting his/her duties to the extent permitted by laws and regulations.</p> <p>(ii) Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company may conclude a contract with <u>an Outside</u> Director that limits liability for damages arising from neglecting his/her duties to the extent permitted by laws and regulations.</p>	<p><u>2.</u> The Board of Directors may appoint, by its resolution, one Director and Chairman, one Director and President, one or a small number of Senior Executive Directors, and one or a small number of Executive Directors.</p> <p>Article <u>22</u>. and Article <u>23</u>. (unchanged)</p> <p>(Convener and Chairmanship of Meeting of the Board of Directors)</p> <p>Article <u>24</u>.</p> <p><u>1.</u> Unless otherwise provided for by laws and regulations, the Director and President shall convene meetings of the Board of Directors. <u>In cases where the Director and President is prevented from so acting, another Director who is designated in accordance with an order of priority determined in advance by the Board of Directors shall convene a meeting of the Board of Directors.</u></p> <p><u>2.</u> <u>A Director appointed in advance by the Board of Directors shall act as the chairman of the Board of Directors meeting.</u> However, in cases where the appointed Director is prevented from so acting, another Director who is designated in accordance with an order of priority determined in advance by the Board of Directors shall chair the meeting.</p> <p>(Notice of Meeting of the Board of Directors)</p> <p>Article <u>25</u>.</p> <p><u>1.</u> A notice of convocation of the Board of Directors meeting will be dispatched to each Director and each Audit & Supervisory Board Member at least three days before the date of the meeting. However, in case of emergency, this can be further shortened.</p> <p><u>2.</u> With the consent of all Directors and Audit & Supervisory Board Members, a meeting of the Board of Directors may be held without following the convening procedures.</p> <p>(Regulations of the Board of Directors)</p> <p>Article <u>26</u>.</p> <p>Items concerning the Board of Directors shall be governed by the “Regulations of the Board of Directors” established by the Board of Directors, in addition to applicable laws and regulations and these Articles of Incorporation.</p> <p>Article <u>27</u>. (unchanged)</p> <p>(Exemption of Directors From Liability)</p> <p>Article <u>28</u>.</p> <p><u>1.</u> Pursuant to the provisions of Article 426, paragraph (1) of the Companies Act, the Company may, by resolution of the Board of Directors, exempt a Director (including a person who was formerly a Director) from his/her liability for damages arising from neglecting his/her duties to the extent permitted by laws and regulations.</p> <p><u>2.</u> Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company may conclude a contract with <u>a Director (except for an Executive Director, etc.)</u> that limits liability for damages arising from neglecting his/her duties to the extent permitted by laws and regulations.</p>

Current Articles of Incorporation	Proposed Changes
<p data-bbox="177 203 767 259">Chapter 5 Audit & Supervisory Board Members and Audit & Supervisory Board</p> <p data-bbox="153 300 352 327">Article <u>28</u>. (omitted)</p> <p data-bbox="153 367 735 427">(Method of Selecting Audit & Supervisory Board Members) Article <u>29</u>.</p> <p data-bbox="153 439 751 495"><u>(i)</u> Audit & Supervisory Board Members shall be elected at a general meeting of shareholders.</p> <p data-bbox="153 506 783 663"><u>(ii)</u> Resolutions on the election of an Audit & Supervisory Board Member shall be made by a majority of the votes of the shareholders present at the meeting where the shareholders holding at least one-third of the voting rights of the shareholders entitled to exercise their votes at such meetings are present.</p> <p data-bbox="153 707 671 734">(Audit & Supervisory Board Member Term of Office) Article <u>30</u>.</p> <p data-bbox="153 775 783 909"><u>(i)</u> The term of office of an Audit & Supervisory Board Member shall expire at the conclusion of the annual general meeting of shareholders for the last business year out of the business years terminating within four years after the election of the Audit & Supervisory Board Member.</p> <p data-bbox="153 920 783 1088"><u>(ii)</u> The term of office of an Audit & Supervisory Board Member who is elected as the substitute for an Audit & Supervisory Board Member who retired from office before the expiration of the term of office shall continue until the time the term of office of the Audit & Supervisory Board Member who retired from office is to expire.</p> <p data-bbox="153 1133 504 1160">Article <u>31</u>. and Article <u>32</u>. (omitted)</p> <p data-bbox="153 1200 679 1227">(Notice of Meeting of the Audit & Supervisory Board) Article <u>33</u>.</p> <p data-bbox="153 1267 775 1402"><u>(i)</u> A notice of convocation of the Audit & Supervisory Board meeting will be dispatched to each Audit & Supervisory Board Member at least three days before the date of the meeting. However, in case of emergency, this can be further shortened.</p> <p data-bbox="153 1413 783 1491"><u>(ii)</u> With the consent of all Audit & Supervisory Board Members, a meeting of the Audit & Supervisory Board may be held without following the convening procedures.</p> <p data-bbox="153 1536 616 1563">(Regulations of the Audit & Supervisory Board) Article <u>34</u>.</p> <p data-bbox="153 1603 767 1738">Items concerning the Audit & Supervisory Board shall be governed by the Regulations of the Audit & Supervisory Board established by the Audit & Supervisory Board, in addition to applicable laws and regulations and these Articles of Incorporation.</p> <p data-bbox="153 1783 719 1839">(Exemption of Audit & Supervisory Board Members From Liability) Article <u>35</u>.</p> <p data-bbox="153 1883 783 2074"><u>(i)</u> Pursuant to the provisions of Article 426, paragraph (1) of the Companies Act, the Company may, by resolution of the Board of Directors, exempt an Audit & Supervisory Board Member (including a person who was formerly an Audit & Supervisory Board Member) from his/her liability for damages arising from neglecting his/her duties to the extent permitted by laws and regulations.</p>	<p data-bbox="823 203 1414 259">Chapter 5 Audit & Supervisory Board Members and Audit & Supervisory Board</p> <p data-bbox="807 300 1038 327">Article <u>29</u>. (unchanged)</p> <p data-bbox="807 367 1390 427">(Method of Selecting Audit & Supervisory Board Members) Article <u>30</u>.</p> <p data-bbox="807 439 1414 495"><u>1.</u> Audit & Supervisory Board Members shall be elected at a general meeting of shareholders.</p> <p data-bbox="807 506 1422 663"><u>2.</u> Resolutions on the election of an Audit & Supervisory Board Member shall be made by a majority of the votes of the shareholders present at the meeting where the shareholders holding at least one-third of the voting rights of the shareholders entitled to exercise their votes at such meetings are present.</p> <p data-bbox="807 707 1326 734">(Audit & Supervisory Board Member Term of Office) Article <u>31</u>.</p> <p data-bbox="807 775 1430 909"><u>1.</u> The term of office of an Audit & Supervisory Board Member shall expire at the conclusion of the annual general meeting of shareholders for the last business year out of the business years terminating within four years after the election of the Audit & Supervisory Board Member.</p> <p data-bbox="807 920 1422 1088"><u>2.</u> The term of office of an Audit & Supervisory Board Member who is elected as the substitute for an Audit & Supervisory Board Member who retired from office before the expiration of the term of office shall continue until the time the term of office of the Audit & Supervisory Board Member who retired from office is to expire.</p> <p data-bbox="807 1133 1190 1160">Article <u>32</u>. and Article <u>33</u>. (unchanged)</p> <p data-bbox="807 1200 1334 1227">(Notice of Meeting of the Audit & Supervisory Board) Article <u>34</u>.</p> <p data-bbox="807 1267 1430 1402"><u>1.</u> A notice of convocation of the Audit & Supervisory Board meeting will be dispatched to each Audit & Supervisory Board Member at least three days before the date of the meeting. However, in case of emergency, this can be further shortened.</p> <p data-bbox="807 1413 1430 1491"><u>2.</u> With the consent of all Audit & Supervisory Board Members, a meeting of the Audit & Supervisory Board may be held without following the convening procedures.</p> <p data-bbox="807 1536 1270 1563">(Regulations of the Audit & Supervisory Board) Article <u>35</u>.</p> <p data-bbox="807 1603 1430 1738">Items concerning the Audit & Supervisory Board shall be governed by the “Regulations of the Audit & Supervisory Board” established by the Audit & Supervisory Board, in addition to applicable laws and regulations and these Articles of Incorporation.</p> <p data-bbox="807 1783 1374 1839">(Exemption of Audit & Supervisory Board Members From Liability) Article <u>36</u>.</p> <p data-bbox="807 1883 1430 2074"><u>1.</u> Pursuant to the provisions of Article 426, paragraph (1) of the Companies Act, the Company may, by resolution of the Board of Directors, exempt an Audit & Supervisory Board Member (including a person who was formerly an Audit & Supervisory Board Member) from his/her liability for damages arising from neglecting his/her duties to the extent permitted by laws and regulations.</p>

Current Articles of Incorporation	Proposed Changes
<p><u>(ii)</u> Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company may conclude a contract with an <u>Outside</u> Audit & Supervisory Board Member that limits liability for damages arising from neglecting his/her duties to the extent permitted by laws and regulations.</p>	<p><u>2.</u> Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company may conclude a contract with an Audit & Supervisory Board Member that limits liability for damages arising from neglecting his/her duties to the extent permitted by laws and regulations.</p>
<p>Article <u>36.</u> (omitted)</p>	<p>Article <u>37.</u> (unchanged)</p>
<p>(Dividends of Surplus)</p>	<p>(Dividends of Surplus)</p>
<p>Article <u>37.</u></p>	<p>Article <u>38.</u></p>
<p><u>(i)</u> By resolution of the General Meeting of Shareholders, year-end dividend may be paid to shareholders or registered share pledgees recorded in the shareholder list on the last day of each business year.</p>	<p><u>1.</u> By resolution of the General Meeting of Shareholders, year-end dividend may be paid to shareholders or registered share pledgees recorded in the shareholder list on the last day of each business year.</p>
<p><u>(ii)</u> In addition to the preceding paragraph, by resolution of the Board of Directors, an interim dividend may be paid to the shareholders or registered share pledgees recorded in the shareholder list on September 30 every year.</p>	<p><u>2.</u> In addition to the preceding paragraph, by resolution of the Board of Directors, an interim dividend may be paid to the shareholders or registered share pledgees recorded in the shareholder list on September 30 every year.</p>
<p>(Purchase of Treasury Shares)</p>	<p>[Moved to Article 8 in the Proposed Changes]</p>
<p>Article <u>38.</u></p>	
<p>By resolution of the Board of Directors, treasury shares may be purchased through market transactions, etc.</p>	
<p>(Prescription for Payment of Dividends)</p>	<p>(Prescription for Payment of Dividends)</p>
<p>Article 39.</p>	<p>Article 39.</p>
<p><u>(i)</u> In cases where the dividend property is monetary and the dividends have not been received after the lapse of three full years from the date of commencement of payment thereof, the Company shall be exempt from the obligation to pay such dividends. No interest is paid on accrued dividends.</p>	<p><u>1.</u> In cases where the dividend property is monetary and the dividends have not been received after the lapse of three full years from the date of commencement of payment thereof, the Company shall be exempt from the obligation to pay such dividends.</p>
	<p><u>2.</u> No interest is paid on accrued dividends.</p>
<p>[Newly established]</p>	<p><u>Supplementary Provisions</u></p>
	<p><u>(Transitional Measures for Providing Informational Materials for the General Meeting of Shareholders in Electronic Format)</u></p>
	<p><u>Article 1.</u></p>
	<p><u>1. The deletion of Article 15 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) in the pre-amended Articles of Incorporation and the establishment of Article 16 (Measures, etc. for Providing Information in Electronic Format) in the amended Articles of Incorporation shall take effect on September 1, 2022.</u></p>
	<p><u>2. Notwithstanding the provision(s) of the preceding paragraph, Article 15 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) in the pre-amended Articles of Incorporation shall remain effective regarding any general meeting of shareholders held on a date within six months after September 1, 2022.</u></p>
	<p><u>3. These Supplementary Provisions shall be deleted on the date when six months have elapsed after September 1, 2022 or three months have elapsed from the date of the general meeting of shareholders in the preceding paragraph, whichever is later.</u></p>

Proposal No. 3: Election of Six Directors

The term of office of all six Directors will expire at the conclusion of this meeting. Therefore, the Company proposes the election of six Directors (including two Outside Directors).

The candidates for Director are as follows.

The Nomination and Remuneration Committee where Independent Outside Directors hold a majority has discussed the nomination of candidates for Director in order to capitalize on the knowledge and advice of Independent Outside Directors as well as to ensure the fairness, transparency and objectiveness of the procedures.

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
1	Hiroshi Yano (June 29, 1964)	Apr. 1989 Joined the Company Sept. 2006 General Manager of Planning Office June 2010 Corporate Officer Apr. 2011 General Manager of Corporate Planning Office June 2015 Director Senior General Manager of Fine Chemicals Department Apr. 2017 General Manager of Lipid Division June 2020 Representative Director, President (current position) Oct. 2021 Senior General Manager of Lipid Division	32,190 shares
(Reasons for election) Mr. Hiroshi Yano has worked on strengthening the Company's governance structure through leading and supervising the Company's overall management as Representative Director, President since 2020 after assuming the position of Corporate Officer in 2010. He also has experience serving as Director, Corporate Officer. The Company has judged that it can hope that he will be able to contribute to enhancing the Company's sustained corporate value based on these abundant experience and in-depth insight about the overall businesses and therefore nominated him as a candidate for Director for another term.			
2	Susumu Yano (April 19, 1955)	Apr. 1978 Joined the Company Apr. 2000 General Manager of Pharmaceutical Manufacturing Department Nov. 2002 General Manager of Pharmaceutical Plant June 2003 Corporate Officer Deputy Senior General Manager of Manufacturing & Technology Division and General Manager of Takasago Plant June 2004 Director Senior General Manager of Manufacturing & Technology Division June 2006 Representative Director, President June 2020 Representative Director, Chairman (current position) [Significant concurrent positions outside the Company] Outside Director of NICHIRIN CO., LTD.	75,147 shares
(Reasons for election) Mr. Susumu Yano has contributed to enhancing the corporate value of the Company group (the "Group") as Representative Director, President since 2006 after assuming the position of Corporate Officer in 2003. He also has experience serving as Director, Corporate Officer. He has worked on strengthening the Group's governance structure through leading and supervising the Group's overall management as Representative Director, Chairman since 2020. The Company has judged that it can hope that he will be able to contribute to enhancing the Company's sustained corporate value based on these abundant experience and in-depth insight about the overall businesses from a broader perspective in the future and therefore nominated him as a candidate for Director for another term.			

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned	
3	Masanobu Kawabayashi (September 5, 1955)	Apr. 1974 Mar. 2005 June 2008 Oct. 2008 June 2010 June 2015 June 2017	Joined the Company General Manager of Takasago Plant Corporate Officer Senior General Manager of Manufacturing & Technology Division Director (current position) Director, Executive Corporate Officer (current position) Group Company Production Management (current position)	28,984 shares
		<p>(Reasons for election)</p> <p>Mr. Masanobu Kawabayashi has reflected knowledge and experience gained so far for the Company's overall management as Director as well as supervised the manufacturing technology area after assuming Corporate Officer in 2008, serving as Director, Corporate Officer in 2010, and then assuming the position of Director, Executive Corporate Officer in 2015. The Company has judged that it can hope that he will be able to contribute to enhancing the Company's sustained corporate value based on these abundant experience and in-depth insight about the overall businesses and therefore nominated him as a candidate for Director for another term.</p>		
4	Yukihiro Ohashi (July 26, 1960)	Sept. 2000 Sept. 2005 June 2006 June 2008 Apr. 2009 Apr. 2011 June 2011 May 2013 June 2021	Joined the Company General Manager of Cosmetic Ingredients Research Laboratory Office General Manager of Cosmetic Ingredients Research Laboratory Department (current position) Corporate Officer Deputy Senior General Manager of Research Laboratory Division Senior General Manager of Cosmetic Ingredients Division (current position) Director (current position) General Manager of Research Laboratory (current position) Director, Senior Corporate Officer (current position)	62,917 shares
		<p>(Reasons for election)</p> <p>Mr. Yukihiro Ohashi has reflected knowledge and experience gained so far for the Company's overall management as Director as well as supervised the cosmetic ingredients area after assuming Corporate Officer in 2008, serving as Director, Corporate Officer in 2011, and then assuming the position of Director, Senior Corporate Officer in 2021. The Company has judged that it can hope that he will be able to contribute to enhancing the Company's sustained corporate value based on these abundant experience and in-depth insight about the overall businesses and therefore nominated him as a candidate for Director for another term.</p>		
5	Chihiro Murase (June 17, 1945) [Outside]	Mar. 1968 June 1992 June 2000 Apr. 2002 June 2002 June 2008 June 2009	Joined Daito Chemix Corporation Director Managing Director Representative Director and President Representative Director and President & Chief Executive Officer Director of the Company (current position) Retired from Representative Director and President & Chief Executive Officer of Daito Chemix Corporation	0 shares
		<p>(Reasons for election and outline of expected role)</p> <p>Mr. Chihiro Murase has abundant knowledge and experience about corporate management. The Company has considered it as his expected role to present a long-term vision and give proper opinions from a perspective different from the Company's previous idea regarding the Company's management as well as to seek to reinforce the supervisory function of the Board of Directors with high independence and therefore nominated him as a candidate for Outside Director for another term.</p>		

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
6	Susumu Ota (October 13, 1952) [Outside]	Apr. 1975 Joined Toray Industries, Inc. June 2006 Director of Toray Industries (Malaysia) Sdn. Bhd, and President of Penfibre Sdn. Bhd June 2013 CEO & COO of Kansai TEK Co., Ltd. Jan. 2015 CEO & COO of Toray Engineering Co., Ltd. June 2019 Advisor June 2021 Director of the Company (current position) [Significant concurrent positions outside the Company] Outside Audit & Supervisory Board Member of YMC CO., LTD.	0 shares
(Reasons for election and outline of expected role) Mr. Susumu Ota has abundant knowledge and experience about corporate management. The Company has considered it as his expected role to present a long-term vision and give proper opinions from a perspective different from the Company's previous idea regarding the Company's management as well as to seek to reinforce the supervisory function of the Board of Directors with high independence and therefore nominated him as a candidate for Outside Director for another term.			

- (Notes)
1. There is no special interest between any of the candidates and the Company.
 2. Candidates Mr. Chihiro Murase and Mr. Susumu Ota are candidates for Outside Director.
 3. The Company has submitted notification to the Tokyo Stock Exchange that candidates Mr. Chihiro Murase and Mr. Susumu Ota have been designated as independent officers as provided for by the aforementioned exchange. If these candidates are reelected, they will continue to be independent officers.
 4. At the conclusion of this meeting, candidate Mr. Chihiro Murase's tenure as Outside Director of the Company will have been 14 years, and candidate Mr. Susumu Ota's tenure as Outside Director of the Company will have been one year.
 5. Limited liability agreements with Outside Directors

The Company specifies that the liability of Outside Directors can be exempted within the range provided for by the Companies Act so that they can properly perform their expected duties as well as stipulates in its current Articles of Incorporation that the Company can enter into agreements with Outside Directors to limit their liability for damages for the Company caused by negligence of their duties within a certain range to make it more smoothly to bring in competent human resources suitable for Outside Directors. The Company has entered into a limited liability agreement with candidates for Outside Director Mr. Chihiro Murase and Mr. Susumu Ota. If these candidates' reelections are approved, the Company plans to continue the said limited liability agreement with them.

The outline of this agreement is as follows:

- (i) This agreement limits liabilities provided for by Article 423, paragraph (1) of the Companies Act to the total of the amounts stipulated in each item of Article 425, paragraph (1) of the aforementioned Act.
 - (ii) The aforementioned limitation of liability shall apply only when an Outside Director performs duties that have caused the liability in good faith and without gross negligence.
6. The Company has entered into a directors and officers liability insurance (D&O insurance) policy with an insurance company as stipulated in Article 430-3, paragraph (1) of the Companies Act. Under the said insurance policy, legal compensation for damages and damages for litigation expenses to be shouldered by the insured shall be supplemented.

The insured on the said insurance policy shall be Directors and Audit & Supervisory Board Members of the Company and its subsidiaries (excluding its overseas subsidiaries). If the election of each candidate for Director is approved under this proposal, each candidate to be reelected will continue to be the insured. The Company plans to renew the said insurance policy in November 2022.

(Reference)

Skill matrix of candidates for Director and Audit & Supervisory Board Members

	Name	Corporate management	ESG and sustainability	Manufacturing, technology and research	Sales and marketing	Finance and accounting	Internationality and diversity	Legal affairs and risk management
Candidates for Director	Hiroshi Yano	○	○		○	○	○	○
	Susumu Yano	○		○	○			○
	Masanobu Kawabayashi	○		○			○	
	Yukihiro Ohashi		○	○	○		○	
	Chihiro Murase	○	○	○	○		○	○
	Susumu Ota	○	○	○	○		○	○
Audit & Supervisory Board Members	Kiyoshi Horie			○	○		○	
	Masanori Mitsuki		○	○				
	Tetsuo Masuda		○					○
	Kazufumi Suzuki	○	○		○	○	○	○

Proposal No. 4: Revision of Amount of Remuneration for Directors and Introduction of Restricted Share-Based Remuneration Plan in Accordance With Revisions to the Officer Remuneration Plan

1. Reasons for the Proposal

The Company has held numerous discussions concerning the ideal remuneration system for enhancing corporate value over the medium- to long-term at meetings of the Nomination and Remuneration Committee, where Independent Outside Directors hold a majority.

As a result, the Company has decided to introduce a remuneration plan that aims to clarify the responsibility to achieve business results, while also providing an incentive to sustainably enhance the corporate value of the Company through the further sharing of value with shareholders.

At a meeting held on April 28, 2022, the Board of Directors passed a resolution concerning the revisions to the remuneration plan, after previously receiving a report from the Nomination and Remuneration Committee. In the proposal, in accordance with the revisions to the remuneration plans resolved at the aforementioned meeting of the Board of Directors, the Company requests shareholders' approval to increase the amount of remuneration for Directors from the existing "maximum of ¥180 million per year (including a maximum of ¥20 million for Outside Directors)" to a "maximum of ¥250 million per year" (revisions to amount of remuneration for Directors), and, separately to this amount of remuneration, to create a new amount of remuneration for the granting of restricted share-based remuneration (introduction of restricted share-based remuneration plan) to Directors of the Company, excluding Outside Directors (the "Target Directors").

The maximum amount of remuneration under the proposal, the total number of ordinary shares of the Company to be issued or disposed of, and other conditions of the granting of restricted shares to Target Directors based on the proposal have been determined after taking into consideration the aforementioned objective, the status of the Company's businesses, the Company's policy for determining the content of individual remuneration, etc. (furthermore, if the proposal is approved, the Company intends to change this policy to the content described under [Reference] below, to ensure that it is consistent with the approved content) and various other factors, and the Company thus believes that they are appropriate.

Furthermore, there are currently six Directors (including two Outside Directors), but there will be no change in the number of Directors even if Proposal No. 3 "Election of Six Directors" is approved as originally proposed.

2. Details of the Proposal

(1) Revisions to the Amount of Remuneration for Directors

At the 140th Annual General Meeting of Shareholders held on June 24, 2008, the amount of remuneration for Directors of the Company was approved as a maximum of ¥180 million per year (including a maximum of ¥20 million for Outside Directors).

Now, as part of revisions to the officer remuneration plan, the Company hereby requests shareholders' approval at this General Meeting of Shareholders to revise the amount of remuneration for Directors of the Company to a maximum of ¥250 million per year (provided, however, that this does not include the portion of salary and bonuses for duties as an employee paid to Directors whose role is partly that of an employee), as a plan that will grant further incentives in relation to business performance, taking into consideration various factors, such as an increase in the duties of Directors in line with changes in economic circumstances and the management environment.

(2) Introduction of Restricted Share-Based Remuneration Plan

(i) Objective of Introduction of the Plan, Etc.

The objective of the plan is to ensure that Target Directors further share value with shareholders, while also providing an incentive to enhance the corporate value of the Company over the medium- to long-term.

Under the plan, the Company will pay monetary claims for the granting of restricted shares as remuneration to Target Directors. Accordingly, the Company will make it a condition of the introduction of the plan that

the approval of shareholders is obtained at this General Meeting of Shareholders for the payment of these monetary claims.

Accordingly, the Company requests shareholders' approval for the establishment of a new amount of remuneration for restricted shares for Target Directors, separately to the amount of remuneration for Directors after the revisions for which the Company requests approval in the above "(1) Revisions to the Amount of Remuneration for Directors."

(ii) Overview of the Plan

The total amount of monetary claims to be paid to Target Directors based on the plan will be a maximum of ¥50 million per year (provided, however, that this does not include the portion of salary and bonuses for duties as an employee paid to Directors whose role is partly that of an employee), and the total number of ordinary shares to be newly issued or disposed of by the Company will be a maximum of 100,000 shares per year (provided, however, that in the event a share split (including a gratis allotment of the Company's ordinary shares) or consolidation of shares is conducted in relation to the ordinary shares of the Company with an effective date on or after the date of resolution at this General Meeting of Shareholders, the total number shall be reasonably adjusted as necessary in accordance with the split or consolidation ratio, etc., on or after the relevant effective date).

Target Directors shall pay all monetary claims paid by the Company based on the plan as property contributed in kind, and shall receive the issuance or disposal of ordinary shares of the Company. The amount to be paid for each share shall be determined by the Board of Directors, within a scope such that it is not an amount that is particularly advantageous for the Target Directors who will receive the ordinary shares, based on the closing price of the Company's ordinary shares on the Tokyo Stock Exchange on the business day preceding the date of each resolution of the Board of Directors (in the event that there are no transactions on the date, it shall be the closing price on the most recent day with transactions before that date). Furthermore, the specific timing and distribution of payment to each Target Director shall be determined by the Board of Directors, after consulting the Nomination and Remuneration Committee.

In addition, when issuing or disposing of ordinary shares of the Company under the plan (the "Shares") and when paying monetary remuneration claims as property contributed in kind, the Company will enter into a restricted share allotment agreement (the "Allotment Agreement") that includes the following content with the Target Directors. Furthermore, to ensure that the Shares cannot be transferred, have security interests created on them, or be otherwise disposed of during the transfer restriction period, the Company plans for them to be managed in a dedicated account that the Target Directors will open at Nomura Securities Co., Ltd., during the transfer restriction period.

[Overview of Content of the Allotment Agreement]

(i) Transfer Restriction Period

From the day a Target Director receives allotment in accordance with the Allotment Agreement until immediately after he/she resigns from a position as an officer or employee of the Company or a subsidiary of the Company that is determined in advance by the Board of Directors of the Company (the "transfer restriction period"), he/she may not transfer, create security interests on, or otherwise dispose of the ordinary shares (the "Allotted Shares") of the Company that he/she is allotted under the Allotment Agreement (the "transfer restrictions").

(ii) Treatment Upon Resignation

In the event that a Target Director resigns from a position as an officer or employee of the Company or a subsidiary of the Company that is determined in advance by the Board of Directors of the Company prior to the expiration of the period determined in advance by the Board of Directors of the Company (the "service provision period"), the Company shall automatically acquire the Allotted Shares without consideration,

except when the resignation is due to the expiration of his/her term of office, death, or other justifiable reason.

(iii) Removal of Transfer Restrictions

The Company shall remove transfer restrictions from all of the Allotted Shares when the transfer restriction period expires, subject to the condition that a Target Director serves continuously in a position as an officer or employee of the Company or a subsidiary of the Company that is determined in advance by the Board of Directors of the Company during the service provision period; provided, however, that the number of the Allotted Shares from which transfer restrictions are removed and the timing of the removal of transfer restrictions will be reasonably adjusted as necessary in the following cases: i) cases when the Target Director resigns from a position as an officer or employee of the Company or a subsidiary of the Company that is determined in advance by the Board of Directors of the Company prior to the expiration of the service provision period for justifiable reasons, and ii) cases when the Target Director resigns from a position determined in advance by the Board of Directors of the Company for reasons other than justifiable reasons prior to the expiration of the transfer restriction period, even if it is after the expiration of the service provision period. In addition, immediately after the removal of transfer restrictions in accordance with the above provisions, the Company will automatically acquire any of the Allotted Shares that still have not had transfer restrictions removed, without consideration.

(iv) Treatment in the Event of Organizational Restructuring, Etc.

The provisions of the above item (i) notwithstanding, in the event that, during the transfer restriction period, a merger agreement with the Company as the disappearing company, share exchange agreement or share transfer plan in which the Company will become a wholly owned subsidiary, or other organizational restructuring, etc., is approved at a General Meeting of Shareholders of the Company (provided, however, that this shall be a meeting of the Board of Directors of the Company in cases when the relevant organizational restructuring, etc., does not require approval at a General Meeting of Shareholders of the Company), the Company shall, by resolution of the Board of Directors of the Company, remove transfer restrictions from a number of the Allotted Shares that is reasonably determined based on the period from the start date of the transfer restriction period to the approval date of the organizational restructuring, etc., ahead of the effective date of the organizational restructuring, etc. In addition, immediately after the removal of transfer restrictions as set forth above, the Company will automatically acquire any of the Allotted Shares that have not had transfer restrictions removed, without consideration.

(v) Other Matters

Other matters related to the Allotment Agreement shall be determined by the Board of Directors of the Company.

[Reference]

1. Overview of Revisions to the Officer Remuneration Plan

(These shall be subject to the condition that Proposal No. 4 of Company Proposals is approved at this General Meeting of Shareholders.)

(1) Composition of Remuneration and the Composition Ratio Thereof

Remuneration for Directors (excluding Outside Directors) shall consist of basic remuneration, performance-linked bonuses and share-based remuneration.

If 100% is achieved for the assessment indicator, etc., the benchmark composition ratio of the remuneration shall be 55:35:10 for basic remuneration, performance-linked bonuses and share-based remuneration, respectively.

Furthermore, remuneration for Outside Directors shall consist only of basic remuneration.

(2) Performance-Linked Bonuses

In order to increase motivation to enhance business performance each fiscal year, performance-linked bonuses shall be cash remuneration that reflects the assessment indicator.

The assessment indicator shall be calculated based on an assessment of comprehensive contribution to the Company, including the level of achievement against targets and growth rate compared with results in the previous fiscal year for consolidated EBITDA and consolidated profit, results for DOE (dividend on equity), the performance of departments supervised, and the level of progress toward ESG targets.

(3) Share-Based Remuneration

The Company will discontinue share price-linked bonuses and introduce share-based remuneration that uses restricted shares, in order to provide a new incentive to sustainably enhance corporate value and promote the further sharing of value with shareholders.

2. From the conclusion of this General Meeting of Shareholders, the Company plans to allot restricted shares that are similar to the above restricted shares to Corporate Officers who do not serve concurrently as Directors of the Company.

Proposal No. 5: Revision of Amount of Remuneration for Audit & Supervisory Board Members

The amount of remuneration for Audit & Supervisory Board Members of the Company has been approved as a maximum of ¥30 million per year, and remained unchanged to the present, by resolution at the 140th Annual General Meeting of Shareholders held on June 24, 2008. In accordance with the market restructuring, etc., that Tokyo Stock Exchange, Inc. conducted in April 2022, the Company proposes to revise the amount of remuneration for Audit & Supervisory Board Members to a maximum of ¥50 million per year, in order to secure useful and diverse human resources as the scope of the responsibilities and expected role of Audit & Supervisory Board Members increases. Furthermore, at present, there are four Audit & Supervisory Board Members (including two Outside Audit & Supervisory Board Members).

< Shareholder Proposals (Proposals No. 6 and 7) >

Each shareholder proposal is provided as written on the shareholder proposal form submitted by the shareholder who submitted the proposal.

Proposal No. 6: Approval of Amount of Remuneration for Restricted Share-Based Remuneration Plan

(1) Outline of the Proposal

The maximum amount of remuneration for Directors of the Company was approved as ¥180 million per year (including a maximum of ¥20 million for Outside Directors) at the 140th Annual General Meeting of Shareholders held on June 24, 2008. Now, in order to provide Directors of the Company (including Directors who are Outside Directors; hereinafter, the “Target Directors”) an incentive to sustainably enhance the corporate value of the Company and promote the further sharing of value between the Target Directors and shareholders, monetary remuneration claims shall be newly granted for granting restricted shares up to a maximum of ¥180 million per year or 85,000 shares to the Target Directors, separately to the aforementioned amount of remuneration. The transfer restriction period shall be three years from the time of granting. The specific timing of payment and allocation shall be determined by the Board of Directors, but it shall be designed to function as a performance-linked incentive plan, and the design shall also be such that, if business performance criteria are satisfied, restricted shares equivalent to three times cumulative fixed remuneration shall be granted in three years’ time.

(2) Reasons for the Proposal

The Company has not introduced a restricted share-based remuneration plan (the “Plan”), and it cannot be said that sufficient steps have been taken to share value between Directors and shareholders. Now, it is believed that the Company should introduce the Plan for Directors, and make the top 20 members of the Company’s management eligible for the Plan, including Audit & Supervisory Board Members and Corporate Officers, not just all Directors of the Company (including Outside Directors). In addition, it is proposed that restricted shares equivalent to three times cumulative fixed remuneration or salaries be granted to the target officers and employees under the Plan over the next three years. As described in “Board Members’ Remuneration to Promote Proactive Business Management,” which was published by the Ministry of Economy, Trade and Industry in April 2014 and has been continuously revised since, it is believed that the granting of appropriate and effective share-based remuneration to members of the management team would be desirable for promoting business management from the perspective of shareholders and providing an incentive for enhancing business performance over the medium- to long-term.

Opinion of the Board of Directors of the Company Regarding Proposal No. 6

(1) Opinion of the Board of Directors of the Company

The Board of Directors of the Company **opposes this shareholder proposal.**

(2) Reasons for Opposition

Regarding the revisions to the Company’s officer remuneration plan, after receiving a report from the Nomination and Remuneration Committee, where Independent Outside Directors hold a majority, the Board of Directors has resolved at its meeting held on April 28, 2022, to revise the remuneration plan, including the introduction of restricted share-based remuneration. The Company submits a proposal regarding these matters as Proposal No. 4 at this General Meeting of Shareholders. Accordingly, it is believed that the objective provided as the reason for the shareholder proposal, “promoting business management from the perspective of shareholders and providing an incentive for enhancing business performance over the medium- to long-term,” will be sufficiently achieved by the approval of the proposal that the Company submits (the “Company proposal”).

Furthermore, the specific details of the restricted share-based remuneration plan in the shareholder proposal and the restricted share-based remuneration plan in the Company proposal are different (for example, in the Company proposal, the maximum amount of monetary claims to be paid to Directors excluding Outside Directors of the Company will be ¥50 million and the maximum total number of ordinary shares to be newly issued or disposed of by the Company will be 100,000 shares per year), but after careful consideration based on the Company's actual circumstances, it is believed that the details of the restricted share-based remuneration in the Company proposal are appropriate.

In addition, the share-based remuneration plan in the shareholder proposal is designed such that an amount of restricted shares equivalent to three times fixed remuneration or salaries will be granted over a period of three years. However, under the remuneration plan that the Company plans to introduce, if the level of achievement of the assessment indicator, etc., is 100%, the benchmark ratio shall be "55:35:10 for basic remuneration, performance-linked bonuses, and share-based remuneration, respectively." This benchmark ratio is the result of careful consideration based on the actual circumstances of the Company, in order to achieve a good balance of short-term and medium- to long-term incentives, and as such, it is believed to be appropriate.

Proposal No. 7: Purchase of Treasury Shares

(1) Outline of the Proposal

Pursuant to the provisions of Article 156, paragraph (1) of the Companies Act, the Company shall purchase a total of up to 2,370,000 ordinary shares of the Company for a maximum total purchase amount of ¥4,977,000,000 in exchange for the delivery of cash, within one year from the conclusion of this Annual General Meeting of Shareholders.

(2) Reasons for the Proposal

In order to enhance shareholder returns and improve capital efficiency, it is believed that the Company should purchase approximately 10% of the total number of issued shares (excluding treasury shares) as treasury shares, and take measures to cancel them pursuant to the provisions of Article 178 of the Companies Act.

Opinion of the Board of Directors of the Company Regarding Proposal No. 7

(1) Opinion of the Board of Directors of the Company

The Board of Directors of the Company **opposes this shareholder proposal.**

(2) Reasons for Opposition

The Company recognizes that the purchase of treasury shares is effective for enhancing capital efficiency and shareholder returns, as well as the execution of flexible capital policies in response to changes in the management environment. Recently, pursuant to a resolution at a meeting of the Board of Directors held in February 2022, the Company acquired a total of 131,000 of its own shares for a total purchase amount of ¥270,908,000 on the Tokyo Stock Exchange off-auction own share repurchase trading system (ToSTNeT-3) on February 25, 2022. In addition, at its Board of Directors meeting held on April 28, 2022, the Company has resolved to change its basic policy regarding the distribution of profits, and in relation to shareholder returns, it has clarified its intention to steadily enhance and stabilize dividend levels by setting its policy of maintaining a benchmark DOE (dividend on equity) of 3.0%.

The Company believes that, taking into consideration the liquidity of the Company's shares, the purchase of ¥4,977 million of treasury shares in one year on the market is not realistic, and if a proposal like this is passed, there is not only a risk that the financial resources for growth investment would be harmed and the medium- to long-term growth and enhancement of corporate value of the Company would stall, there is also a risk that financial stability would be harmed, which could harm shareholders' interests as a result. Based on factors such as the actual business performance of the Company, the Company believes that the purchase of treasury shares should be performed with appropriate timing, while taking into consideration the status of trading in the Company's shares and the share price.