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Securities code: 5310  
March 12, 2019

To Our Shareholders,

Naotaka Kondo,  
Representative Director,  
Chairman & President, CEO  
**Toyo Tanso Co., Ltd.**  
5-7-12 Takeshima, Nishiyodogawa-ku, Osaka

## Notice of the 77th Ordinary General Shareholders Meeting

You are cordially invited to attend the 77th Ordinary General Shareholders Meeting of Toyo Tanso Co., Ltd. (the “Company”) to be held as described below.

If you are unable to attend the meeting, you may exercise your voting rights either in writing (Voting Card) or electronically or magnetically (e.g., via the Internet). Please read the attached Reference Documents for the General Shareholders Meeting and exercise your voting rights by 5:30 p.m. on Wednesday, March 27, 2019 (JST).

### Details

- 1. Date and time:** Thursday, March 28, 2019, at 10:00 a.m.  
**2. Venue:** ABC Room, Kitahama Forum (3rd floor, Osaka Securities Exchange Building),  
1-8-16 Kitahama, Chuo-ku, Osaka

**3. Purpose of the meeting**

**Matters to be reported:**

1. Report on the Business Report, the Consolidated Financial Statements and audit reports by the Accounting Auditor and the Audit & Supervisory Board for the Consolidated Financial Statements for the 77th term (from January 1, 2018 to December 31, 2018)
2. Report on the Non-consolidated Financial Statements for the 77th term (from January 1, 2018 to December 31, 2018)

**Matters to be resolved:**

- Proposal 1:** Appropriation of surplus  
**Proposal 2:** Election of eight (8) Directors  
**Proposal 3:** Election of one (1) Auditor  
**Proposal 4:** Election of one (1) substitute Auditor  
**Proposal 5:** Revision of remuneration amount for Directors and Auditors

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- \* If you attend the meeting in person, please present the enclosed Voting Card at the reception desk upon your arrival at the meeting.  
\* If any corrections in the Business Report, Consolidated Financial Statements, Non-consolidated Financial Statements or Reference Documents for the General Shareholders Meeting are determined to be necessary, such corrections will be posted on the Company’s website (<http://www.toyotanso.co.jp>).

# Reference Documents for the General Shareholders Meeting

## Proposals and References

### Proposal 1: Appropriation of surplus

We hereby propose the year-end dividends below.

The Company's basic policy is to make strategic investments in order to strengthen competitiveness and enhance corporate value over the long term, and to distribute profits to shareholders in a continuous and stable fashion with due comprehensive consideration of business results for each fiscal year and funding needs, etc., for the future expansion of business operations and reinforcement of the operating foundations. The Company intends to use internal reserves for capital expenditures for production-related facilities, development of new products and investment in research and development.

Based on the above policy and financial results for the current term, the Company plans to pay a year-end dividend of ¥50 per share for the current term, which is ¥20 higher than for the previous term.

<Year-end dividend>

(1) Type of dividend property

Cash

(2) Allotment of dividend property to shareholders and total amount thereof

¥50 per share of common stock of the Company

Total amount: ¥1,048,640,950

(3) Effective date of dividends of surplus

March 29, 2019

**Proposal 2: Election of eight (8) Directors**

The terms of office of all of the seven (7) Directors will expire at the conclusion of this meeting. To further enhance the functions of management supervision, we propose the election of eight (8) Directors, increasing the number of Directors by one (1). Of the eight (8) candidates, three (3) are candidates for Outside Directors.

The candidates for Directors are as follows:

Candidate No.	Name	Position and responsibilities in the Company	Status of attendance at Board of Directors meetings
1	[Reelection] Naotaka Kondo	Representative Director, Chairman & President, Chief Executive Officer (CEO)	100% (15/15)
2	[New candidate] Shunsaku Hiraga	Executive Officer, Director of Division, Production Division	-% (-/-)
3	[Reelection] Hiroki Tsutsumi	Director, Executive Officer Director of Division, General Administration Division and Global Quality & Procurement Division	100% (20/20)
4	[New candidate] Tatsuro Hamada	Executive Officer, Director of Division, Corporate Planning Division	-% (-/-)
5	[Reelection] Zhan GuoBin	Director, Executive Officer, In charge of Global Sales Division	100% (20/20)
6	[Reelection] [Outside] [Independent] Shogo Yamada	Director	100% (20/20)
7	[Reelection] [Outside] [Independent] Mune Iwamoto	Director	100% (20/20)
8	[Reelection] [Outside] [Independent] Yasuo Yamagata	Director	100% (20/20)

Note: Naotaka Kondo's status of attendance includes his attendance to Board of Directors meetings held during the 77th term (from January 1, 2018 to December 31, 2018) since his appointment as Director on March 29, 2018.

No.	Name (Date of birth)	Career summary, position and responsibilities in the Company and important concurrent positions	Number of the Company's shares held
1	<p data-bbox="256 633 414 689">Naotaka Kondo (May 5, 1957)</p> <p data-bbox="280 719 391 745">Reelection</p> 	<p data-bbox="464 353 890 380">Apr. 1980 Joined MITSUI &amp; CO., LTD.</p> <p data-bbox="464 383 804 409">Dec. 1985 Joined the Company</p> <p data-bbox="464 412 687 439">Mar. 1994 Director</p> <p data-bbox="464 441 879 468">Nov. 2000 Managing Executive Officer</p> <p data-bbox="464 470 687 497">Aug. 2001 Director</p> <p data-bbox="464 499 791 526">Mar. 2002 Managing Director</p> <p data-bbox="464 528 858 555">Jul. 2003 Senior Managing Director</p> <p data-bbox="464 557 951 584">Sep. 2003 Senior Managing Executive Officer</p> <p data-bbox="464 586 1123 613">Jan. 2007 Representative Director, NT Corporation (incumbent)</p> <p data-bbox="464 616 975 719">Aug. 2007 Representative Director, the Company Senior Vice President Executive Vice President Assistant to President</p> <p data-bbox="464 721 954 748">Mar. 2008 Director of Division, Sales Division</p> <p data-bbox="464 750 799 808">Aug. 2009 President Executive President</p> <p data-bbox="464 810 751 837">Jun. 2012 Senior Advisor</p> <p data-bbox="464 840 879 866">Jan. 2013 Director, Shizen Energy Inc.</p> <p data-bbox="464 869 863 896">May 2013 Retired from the Company</p> <p data-bbox="464 898 1238 956">Nov. 2013 Representative Director, Chief Executive Officer, Via Mechanics, Ltd.</p> <p data-bbox="464 958 906 985">Dec. 2014 Chairman, Via Mechanics, Ltd.</p> <p data-bbox="464 987 1102 1014">Mar. 2015 Board Director, Japan Investment Adviser Co., Ltd.</p> <p data-bbox="464 1016 999 1043">May 2017 Auditor, Shizen Energy Inc. (incumbent)</p> <p data-bbox="464 1046 967 1072">Mar. 2018 Chairman, the Company (incumbent)</p> <p data-bbox="464 1075 1031 1146">Apr. 2018 Representative Director (incumbent) Executive Chairman (incumbent) Chief Executive Officer (CEO) (incumbent)</p> <p data-bbox="464 1149 922 1207">May 2018 President (incumbent) Executive President (incumbent)</p> <p data-bbox="464 1209 863 1317">&lt;Important concurrent positions&gt; President, Toyo Tanso Taiwan Co., Ltd. Representative Director, NT Corporation Auditor, Shizen Energy Inc.</p>	1,214,957
<p data-bbox="217 1328 564 1355">Reasons for nomination as Director</p> <p data-bbox="217 1357 1433 1574">In the past, Naotaka Kondo served for eleven years as a Director of the Company and for five years as Representative Director. During this time, he strove to reinforce the operating foundations and improve business results, which included promoting the development of business overseas. Since retiring from the office of Director of the Company, he has made use of this wealth of experience and knowledge while being involved in corporate management, which included being a Director at other companies. Since being appointed to the office of Representative Director of the Company in 2018, exercising strong leadership, he has driven initiatives to reinforce corporate governance and to implement the Company's growth strategy. Considering the above, the Company has nominated him as a candidate for Director because he is expected to appropriately execute duties as a Director of the Company and contribute to the increase of corporate value.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities in the Company and important concurrent positions	Number of the Company's shares held
2	<p>Shunsaku Hiraga (Sep. 24, 1946)</p> <p>New candidate</p> 	<p>Jul. 1971 Joined Mitsubishi Kasei Corporation (current Mitsubishi Chemical Corporation)</p> <p>Sep. 2003 Joined the Company Managing Executive Officer</p> <p>Jan. 2004 Director of Division, Production Division</p> <p>Aug. 2004 Director</p> <p>Aug. 2005 General Manager, Machining Department</p> <p>Jan. 2006 General Manager, Production Department</p> <p>Apr. 2007 General Manager, Mechanical Carbon Development &amp; Production Department</p> <p>Jun. 2007 General Manager, Planning Department</p> <p>Dec. 2007 General Manager, Planning Division</p> <p>Aug. 2009 Retired from the Company</p> <p>Oct. 2011 Established CARBON ONE Co., Ltd. Representative Director</p> <p>Apr. 2013 Established Carbon Material International Corporation Executive Director (incumbent)</p> <p>Jul. 2018 Joined the Company Executive Officer (incumbent) Business Unit Management Officer</p> <p>Aug. 2018 Director of Division, Production Division (incumbent) &lt;Important concurrent position&gt; Executive Director, Carbon Material International Corporation</p>	925
<p>Reasons for nomination as Director</p> <p>Shunsaku Hiraga has led the Production Division for five years in the past as a Director of the Company, contributing to the creation of a platform for production capabilities. Furthermore, since retiring from the office of Director of the Company, he has been engaged in a consulting business related to carbon products and has profound knowledge and experience with the carbon product manufacturing business. After being appointed as Executive Officer of the Company in 2018, he has contributed to improving production technology and business development initiatives. Considering the above, the Company has nominated him as a candidate for Director because he is expected to appropriately execute duties as a Director of the Company and contribute to the increase of corporate value.</p>			
3	<p>Hiroki Tsutsumi (Aug. 8, 1962)</p> <p>Reelection</p> 	<p>Apr. 1985 Joined Shinano Kenshi Co., Ltd.</p> <p>Mar. 2002 General Manager of Personnel Development, Business Promotion Division, Shinano Kenshi Co., Ltd.</p> <p>Nov. 2005 Director, Shinano Kenshi Staff Service Co., Ltd.</p> <p>Sep. 2010 Director and President, Shinano Kenshi (Hong Kong) Co., Ltd. Deputy Director General, Global Business Promotion Division, Shinano Kenshi Co., Ltd.</p> <p>Mar. 2013 Deputy Director General, Global Procurement Division, Shinano Kenshi Co., Ltd.</p> <p>Sep. 2015 Executive Officer, Shinano Kenshi Co., Ltd.</p> <p>Mar. 2016 Joined the Company Director (incumbent) Executive Officer (incumbent) Director of Division, General Administration Division (incumbent), General Manager, Personnel Department, In charge of Associated Companies</p> <p>Apr. 2017 In charge of Quality Assurance Department</p> <p>Apr. 2018 Director of Division, Global Quality &amp; Procurement Division (incumbent)</p>	4,956
<p>Reasons for nomination as Director</p> <p>Hiroki Tsutsumi has a wealth of knowledge and experience in management reform, personnel, procurement, and global business management, and since being appointed as Director of the Company, he has led General Administration Division and Global Quality &amp; Procurement Division, contributing to initiatives to improve management capabilities. Considering the above, the Company has nominated him as a candidate for Director because he is expected to appropriately execute duties as a Director of the Company and contribute to the increase of corporate value.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities in the Company and important concurrent positions	Number of the Company's shares held
4	<p>Tatsuro Hamada (Oct. 30, 1957)</p> <p>New candidate</p> 	<p>Apr. 1983 Joined Bridgestone Corporation</p> <p>Feb. 1995 Lead Advisor, Akron Central Research Center, BRIDGESTONE/FIRESTONE, INC. (current BRIDGESTONE AMERICAS, INC.)</p> <p>Apr. 2004 General Manager, Tire Materials Development Department, Tire Materials Development Division, Bridgestone Corporation</p> <p>Jul. 2007 Director, Tire Materials Development Division</p> <p>Jul. 2009 Director, Internal Manufacturing Management Division</p> <p>Jul. 2010 Vice President and Officer, In charge of Internal Manufacturing Management</p> <p>May 2011 In charge of Tire Research and Material Development</p> <p>Jan. 2015 Assistant to Chief Technology Officer</p> <p>Jan. 2017 In charge of Central Research</p> <p>Sep. 2017 Joined the Company Executive Officer (incumbent) In charge of Technical Development Division</p> <p>Apr. 2018 General Manager, Materials Development Department, Technical Development Division</p> <p>Sep. 2018 Director of Division, Global R&amp;D Division</p> <p>Feb. 2019 Director of Division, Corporate Planning Division (incumbent)</p>	109
Reasons for nomination as Director			
<p>Tatsuro Hamada was involved for many years in the development division of a First Section-listed company and has experience as both an executive officer and the head of a management division. Since joining the Company, he has contributed to reforms of technical development and business development as an Executive Officer. Considering the above, the Company has nominated him as a candidate for Director because he is expected to appropriately execute duties as a Director of the Company and contribute to the increase of corporate value.</p>			
5	<p>Zhan GuoBin (Jul. 20, 1962)</p> <p>Reelection</p> 	<p>Jul. 1987 Lecturer, Shaanxi Normal University</p> <p>Jul. 1992 Joined China Electronics Import and Export Shaanxi CO., LTD.</p> <p>Mar. 1996 Joined the Company</p> <p>Jul. 1997 Vice President, SHANGHAI TOYO TANSO CO., LTD.</p> <p>Apr. 2003 Director and President, SHANGHAI TOYO TANSO CO., LTD.</p> <p>Sep. 2003 Director and President, SHANGHAI TOYO TANSO INDUSTRIAL CO., LTD.</p> <p>Aug. 2008 Executive Officer, the Company (incumbent)</p> <p>Aug. 2012 Director (incumbent)</p> <p>Sep. 2014 Chairman and President, TOYO TANSO (ZHEJIANG) CO., LTD. (incumbent)</p> <p>May 2015 Chairman and President, SHANGHAI TOYO TANSO CO., LTD. (incumbent) Chairman and President, SHANGHAI TOYO TANSO INDUSTRIAL CO., LTD. (incumbent)</p> <p>Jun. 2015 Chairman and President, JIAXIANG TOYO TANSO CO., LTD.</p> <p>Mar. 2016 In charge of Heat-Technology Material Division, In charge of Asia, the Company</p> <p>Mar. 2017 In charge of Global Sales Division (incumbent)</p> <p>&lt;Important concurrent positions&gt; Chairman and President, SHANGHAI TOYO TANSO CO., LTD. Chairman and President, SHANGHAI TOYO TANSO INDUSTRIAL CO., LTD. Chairman and President, TOYO TANSO (ZHEJIANG) CO., LTD.</p>	4,922
Reasons for nomination as Director			
<p>Zhan GuoBin has a wealth of management experience and profound knowledge of and experience with the Company's business, acquired while serving as a representative of subsidiaries in China, an important business region for the Company. As a Director in charge of Global Sales Division, he has led the sales division and contributed to initiatives to promote business structure reforms and to improve business results. Considering the above, the Company has nominated him as a candidate for Director because he is expected to appropriately execute duties as a Director of the Company and contribute to the increase of corporate value.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities in the Company and important concurrent positions	Number of the Company's shares held
6	Shogo Yamada (Jan. 25, 1966)  Reelection Outside Independent  	Apr. 1988 Joined Matsushita Electric Industrial Co., Ltd. (current Panasonic Corporation) Sep. 1992 Joined Aoyama Audit Corporation Apr. 1996 Registered as certified public accountant Aug. 2005 Registered as certified public tax accountant Sep. 2005 Representative Partner, Zeirishi-Hojin PricewaterhouseCoopers (current PwC Tax Japan) Jul. 2013 Established Shogo Yamada Certified Tax Accountant Office (to the present) Mar. 2014 Auditor, the Company Mar. 2015 Director (incumbent) Jun. 2015 Director, CONTEC Co., Ltd. (incumbent) <i>&lt;Important concurrent positions&gt;</i> Director, Shogo Yamada Certified Tax Accountant Office Outside Director, CONTEC Co., Ltd.	894
Reasons for nomination as Outside Director Although Shogo Yamada does not have experience being involved in corporate management other than being an outside officer, he is expected to appropriately fulfill the role of overseeing the execution of business and contribute to strengthening the Company's corporate governance because he has knowledge of and experience in finance and accounting cultivated over many years as a certified public accountant and a certified public tax accountant, and experience as an Outside Director at the Company and other companies. Accordingly, the Company has nominated him as a candidate for Outside Director. His term of office as an Outside Director will be four years at the conclusion of this meeting. Shogo Yamada is concurrently engaged as Director of Shogo Yamada Certified Tax Accountant Office and serving as an Outside Director at CONTEC Co., Ltd. There is no particular information that must be reported concerning the relationships between the Company and the aforementioned companies.			
7	Mune Iwamoto (Jan. 3, 1949)  Reelection Outside Independent  	Apr. 1976 Joined Mitsui Toatsu Chemicals, Inc. (current Mitsui Chemicals, Inc.) Jun. 1995 General Manager, Polymers Division, Osaka R&D Center, Mitsui Toatsu Chemicals, Inc. Oct. 1997 Assistant to General Manager, Polymeric Planning & Coordination Division, Mitsui Chemicals, Inc. Jul. 1999 Director, General Manager, ABS Marketing & Sales Division, NIPPON A&L INC. Jun. 2001 General Manager, Specialty Resins Division, Functional Materials Business Group, Mitsui Chemicals, Inc. Jun. 2003 Senior Director, Mitsui Chemicals, Inc. Vice President, Japan Polystyrene, Inc. Jun. 2004 President & CEO, Japan Polystyrene, Inc. Apr. 2010 Councillor, Production & Technology Center, Mitsui Chemicals, Inc. Jun. 2014 Director, Takiron Co., Ltd. (current C.I. TAKIRON Corporation) Mar. 2016 Director, the Company (incumbent) <i>&lt;Important concurrent position&gt;</i> Outside Director, C.I. TAKIRON Corporation	4,489
Reasons for nomination as Outside Director Mune Iwamoto is expected to offer useful advice for the development of the Company's business, because he has experience serving in research roles and on the management at major chemicals manufacturers, a wealth of knowledge concerning international activities, including the management and rebuilding of overseas subsidiaries, and experience as an Outside Director at the Company and other companies, and because he is expected to appropriately fulfill the role of overseeing the execution of business and contribute to the discussion and review of overall management strategy. Accordingly, the Company has nominated him as a candidate for Outside Director. His term of office as an Outside Director will be three years at the conclusion of this meeting. Mune Iwamoto is concurrently serving as an Outside Director at C.I. TAKIRON Corporation. There is no particular information that must be reported concerning the relationship between the Company and the aforementioned company.			

No.	Name (Date of birth)	Career summary, position and responsibilities in the Company and important concurrent positions	Number of the Company's shares held
8	Yasuo Yamagata (Jun. 27, 1971)  Reelection Outside Independent  	Apr. 2000 Registered as lawyer Joined Kansai Law & Patent Office  Mar. 2003 Auditor, MonotaRO Co., Ltd. Apr. 2005 Staff lawyer, Kansai Law & Patent Office (incumbent) Sep. 2005 Director, MonotaRO Co., Ltd. (incumbent) Sep. 2006 Director, Osaka City Dome Co., Ltd. (incumbent) Mar. 2016 Director, the Company (incumbent) <i>&lt;Important concurrent positions&gt;</i> Staff lawyer, Kansai Law & Patent Office Outside Director, MonotaRO Co., Ltd. Outside Director, Osaka City Dome Co., Ltd.	0
<p>Reasons for nomination as Outside Director</p> <p>Although Yasuo Yamagata does not have experience being involved in corporate management other than being an outside officer, he is expected to appropriately fulfill the role of overseeing the execution of business and contribute to strengthening the Company's corporate governance because he has knowledge of and experience with corporate law cultivated over many years as a lawyer in the area of corporate law, and experience as an Outside Director at the Company and other companies. Accordingly, the Company has nominated him as a candidate for Outside Director. His term of office as an Outside Director will be three years at the conclusion of this meeting.</p> <p>Yasuo Yamagata is concurrently working as a staff lawyer at Kansai Law &amp; Patent Office, serving as an Outside Director at MonotaRO Co., Ltd., and serving as an Outside Director at Osaka City Dome Co., Ltd. There is no particular information that must be reported concerning the relationships between the Company and the aforementioned companies.</p>			

- Notes: 1. (1) Carbon Material International Corporation, where Shunsaku Hiraga concurrently works, operates a consulting business related to carbon production. However, because the company does not produce or sell carbon products, the Board of Directors deems that this position does not constitute a material competitive relationship.
- (2) There is no special interest between any other candidates and the Company.
2. Shogo Yamada, Mune Iwamoto and Yasuo Yamagata are candidates for Outside Directors.
3. Matters concerning the candidates for Outside Directors are as follows:
- (1) Liability limitation agreement with candidate for Outside Director
- The Company has concluded agreements with Shogo Yamada, Mune Iwamoto and Yasuo Yamagata for limitation of liability as provided for in Article 423, paragraph 1 of the Companies Act. The amount of liability for damages under such agreement is the higher of ¥5,000,000 or the minimum liability amount as provided for by the laws and regulations. In the event that they are reelected, the Company intends to continue the agreements that it has concluded with them.
- (2) Independence of candidates for Outside Directors
- The Company has notified Shogo Yamada, Mune Iwamoto and Yasuo Yamagata as independent officers as prescribed by the Tokyo Stock Exchange. If they are reelected, the Company plans to maintain their positions as independent officers.
- Until June 2013, Shogo Yamada was involved in the execution of business at PwC Tax Japan, with which the Company has concluded a consulting agreement. However, Shogo Yamada retired from the aforementioned tax accountancy firm in July 2013. Moreover, in the 77th fiscal year of the Company (from January 1, 2018 to December 31, 2018), the amount of transactions between the Company and the aforementioned tax accountancy firm was about ¥180,000,000, and the size of this amount is less than 1% of either the Company's net sales or the tax accountancy firm's operating revenue. Therefore, it is considered that there is no risk of conflict of interest between Shogo Yamada and general shareholders.

**Proposal 3: Election of one (1) Auditor**

Auditor Koichiro Tanaka will resign at the conclusion of this meeting. Accordingly, we propose the election of one (1) Auditor as his replacement. The term of office of the Auditor elected at this meeting shall be until the expiration of the original term of office of the retiring Auditor as provided for by the Articles of Incorporation of the Company.

Consent of the Audit & Supervisory Board has been obtained concerning this proposal.

The candidate for Auditor is as follows:

Name (Date of birth)	Career summary, position in the Company and important concurrent positions	Number of the Company's shares held
<p>Tadashi Edo (Sep. 16, 1944)</p> <p>New candidate Outside Independent</p> 	<p>Jul. 2002 General Manager, Second Investigation Department, Osaka Regional Taxation Bureau</p> <p>Jul. 2003 Retired as General Manager, Second Investigation Department, Osaka Regional Taxation Bureau</p> <p>Aug. 2003 Registered as certified public tax accountant Established Tadashi Edo Certified Tax Accountant Office (to the present)</p> <p>Aug. 2006 Auditor, the Company</p> <p>Mar. 2014 Retired from the Company Substitute Auditor, the Company</p> <p>Jun. 2015 Auditor, Doshisha Corporation &lt;Important concurrent positions&gt; Certified public tax accountant, Tadashi Edo Certified Tax Accountant Office Outside Auditor, Doshisha Corporation</p>	<p>0</p>
<p>Reasons for nomination as Outside Auditor</p> <p>Although Tadashi Edo does not have experience being involved in corporate management other than being an outside auditor, he has diverse knowledge and experience in finance and accounting as a certified public tax accountant. Moreover, it is considered that he will be able to execute duties as an Outside Auditor appropriately based on his experience of contributing to the Company as an Outside Auditor from August 2006 to March 2014. Accordingly, the Company has nominated him as a candidate for Outside Auditor.</p>		

- Notes:
1. There is no special interest between the candidate and the Company.
  2. Tadashi Edo is a candidate for Outside Auditor.
  3. Matters concerning the candidate for Outside Auditor are as follows:
    - (1) Liability limitation agreement with candidate for Outside Auditor  
If Tadashi Edo is elected as Auditor, pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, the Company intends to conclude an agreement with him to limit his liability for damages under Article 423, paragraph 1 of the Companies Act to the minimum liability amount provided for by Article 425, paragraph 1 of the same Act. The amount of liability for damages under such agreement is the higher of ¥5,000,000 or the minimum liability amount as provided for by the laws and regulations.
    - (2) Independence of candidate for Outside Auditor  
Tadashi Edo satisfies the requirements for an independent officer as prescribed by the Tokyo Stock Exchange. If he is elected, the Company intends to notify him as an independent officer.

**Proposal 4: Election of one (1) substitute Auditor**

In order to prepare for a case in which the number of Auditor falls short of the number stipulated by laws and regulations, we propose the election of one (1) substitute Auditor.

Consent of the Audit & Supervisory Board has been obtained concerning this proposal.

The candidate for substitute Auditor is as follows:

Name (Date of birth)	Career summary, position in the Company and important concurrent positions	Number of the Company's shares held
Shusuke Matsuo (Dec. 4, 1948)	Apr. 1971 Joined Marubeni-Iida Co., Ltd. (current Marubeni Corporation) Apr. 1996 Vice President, Marubeni Germany plc May 2001 Vice President, Marubeni Europe plc President, Marubeni Germany plc May 2003 Joined RIKEN TECHNOS CORPORATION Jun. 2004 Director, General Manager of Film Business Jul. 2009 Joined KUREHA CORPORATION Deputy General Manager of Advanced Materials Division Apr. 2010 Vice President, General Manager of Advanced Materials Division Apr. 2011 Senior Vice President Jun. 2012 Director Apr. 2013 General Manager of PGA Division Apr. 2014 Managing Director of Advanced Materials and PGA Businesses Jun. 2015 Special Advisor	100

**Reasons for nomination as substitute Outside Auditor**

In addition to his experience serving in a management position at a chemical manufacturer, Shusuke Matsuo also has experience in management positions at the overseas subsidiaries of a general trading company. Given his wealth of management-related experience and knowledge, he is expected to appropriately fulfill the role of auditing the execution of business, and the Company has nominated him as a candidate for substitute Outside Auditor.

- Notes:
1. There is no special interest between the candidate and the Company.
  2. Shusuke Matsuo is a candidate for substitute Outside Auditor.
  3. Matters concerning the candidate for substitute Outside Auditor are as follows:
    - (1) Liability limitation agreement with candidate for substitute Outside Auditor  
 If Shusuke Matsuo is elected as Auditor, pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, the Company intends to conclude an agreement with him to limit his liability for damages under Article 423, paragraph 1 of the Companies Act to the minimum liability amount provided for by Article 425, paragraph 1 of the same Act. The amount of liability for damages under such agreement is the higher of ¥5,000,000 or the minimum liability amount as provided for by the laws and regulations.
    - (2) Independence of candidate for substitute Outside Auditor  
 Shusuke Matsuo satisfies the requirements for an independent officer as prescribed by the Tokyo Stock Exchange. If he assumes office as Outside Auditor, the Company intends to notify him as an independent officer.  
 Furthermore, Shusuke Matsuo served at KUREHA CORPORATION, the group company of a client of the Company, but he retired from KUREHA CORPORATION in June 2017. Moreover, in the 77th fiscal year of the Company (from January 1, 2018 to December 31, 2018), the amount of transactions between the Company and the group company was about ¥90,000,000, and the size of this amount is less than 1% of the Company's, the Company's client's, or the group company's net sales. Therefore, it is considered that there is no risk of conflict of interest between Shusuke Matsuo and general shareholders.

**Proposal 5: Revision of remuneration amount for Directors and Auditors**

The remuneration amount for the Company's Directors was approved at ¥25,000,000 or less per month at the 63rd Ordinary General Shareholders Meeting held on August 30, 2005, and the stock option remuneration limit was approved at ¥150,000,000 per year at the 67th Ordinary General Shareholders Meeting held on August 28, 2009. Furthermore, the payment of remuneration for granting restricted stocks of ¥90,000,000 or less per year was approved at the 75th Ordinary General Shareholders Meeting held on March 30, 2017. All these remuneration amounts continue up to the present. The remuneration amount for the Company's Auditors was approved at ¥3,000,000 or less per month at the 76th Ordinary General Shareholders Meeting held on March 29, 2018, and continues up to the present.

Recently, the Company conducted a review of its remuneration system for Directors, and with the goal of further strengthening the link between remuneration for Directors of the Company (excluding Outside Directors) and the medium- to long-term performance of the Company, and conditioned on approving and adopting this proposal, as listed in [Reference] below, we have decided to revise the remuneration system for Directors at the Board of Directors meeting held on February 27, 2019.

Therefore, assuming the remuneration system for Directors is revised, we would like to abolish the stock option remuneration limit (¥150,000,000 per year) and the restricted stock remuneration plan (annual remuneration limit of ¥90,000,000) and to revise the remuneration amount for Directors from ¥25,000,000 or less per month to ¥540,000,000 or less per year.

Furthermore, in line with the revision of the remuneration amount for Directors from a monthly amount to a yearly amount, we would also like to revise the remuneration amount for Auditors from ¥3,000,000 or less per month to ¥36,000,000 or less per year.

If Proposal 2 "Election of eight (8) Directors" is approved and adopted as proposed, the number of Directors will be eight (8) (including three (3) Outside Directors), and if Proposal 3 "Election of one (1) Auditor" is approved and adopted as proposed, the number of Auditors will be three (3) (including two (2) Outside Auditors).

[Reference]

1. Summary of the Company's new remuneration system for officers

(1) Basic policy on decision of remuneration

Remuneration for Directors is composed of monthly remuneration as basic remuneration, bonuses for officers as performance-linked remuneration, and medium- to long-term incentive remuneration, and each remuneration amount is decided within the maximum remuneration amount approved by resolution at a General Shareholders Meeting. Remuneration for the Representative Director is deliberated by the Nomination and Remuneration Committee, and remuneration for other individual Directors is deliberated by the Nomination and Remuneration Committee after business results, etc. are evaluated by the Representative Director based on certain standards. The individual remuneration amounts are then decided by the Board of Directors. Remuneration for Outside Directors includes only monthly remuneration as basic remuneration.

Remuneration for Auditors includes only basic remuneration, and the basic policy to decide the total amount of the remuneration levels is deliberated by the Nomination and Remuneration Committee and decided by the Board of Directors. The remuneration for the individual Auditors is decided through discussions among the Auditors.

(2) Remuneration amounts for officers

Directors

Type of remuneration	Current remuneration	Proposed revision
Basic remuneration	¥25,000,000 or less per month	¥540,000,000 or less per year
Bonus		
Stock options (SO)	¥150,000,000 or less per year	Abolition
Restricted stock remuneration (RS)	¥90,000,000 or less per year	Abolition
Total	¥540,000,000 or less per year	¥540,000,000 or less per year

Note: In calculating the total amount of current remuneration, ¥25,000,000 or less per month in basic remuneration and bonus has been annualized.

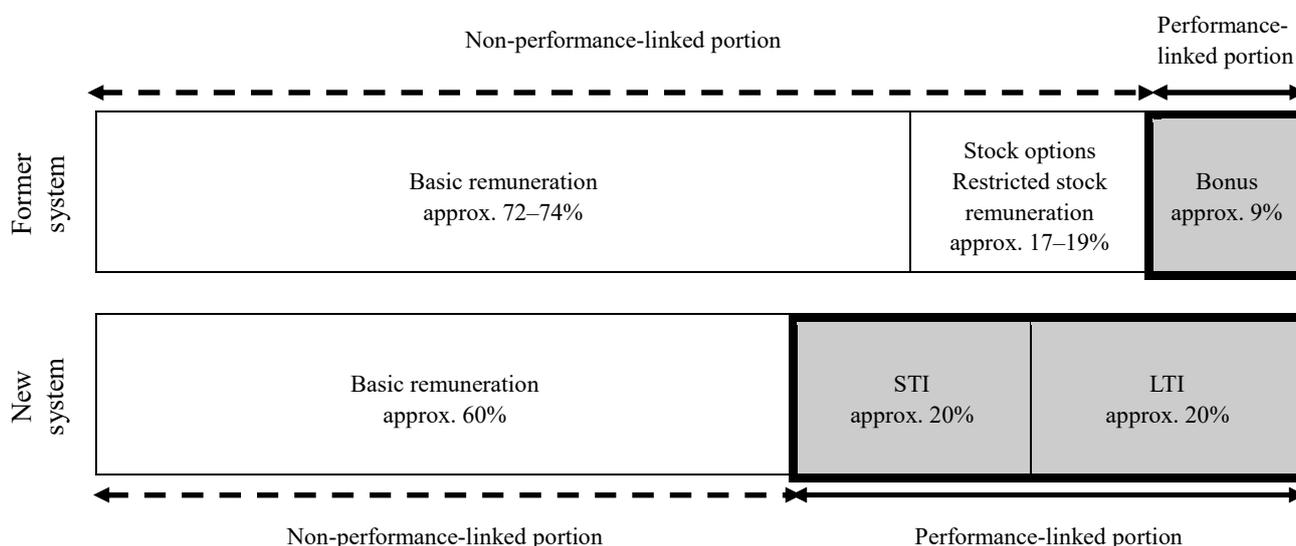
Auditors

Type of remuneration	Current remuneration	Proposed revision
Basic remuneration	¥3,000,000 or less per month	¥36,000,000 or less per year

(3) Remuneration composition ratio and remuneration level for Directors (excluding Outside Directors)

The ratio of fixed remuneration (non-performance-linked portion) is reduced, and the ratio of performance-linked remuneration is expanded. Furthermore, by measuring objective market research data on remuneration by an external expert organization and considering the nature of the Company's business and effectiveness of incentive remuneration, we set the proportions for 1) "basic remuneration," 2) "short-term incentive remuneration (STI) paid when performance targets are achieved," and 3) "medium- to long-term incentive remuneration (LTI) paid when performance targets are achieved" at approximately 60%, 20% and 20%, respectively, as our remuneration levels.

< Remuneration Composition Ratio Image >



Note: The above graphic is an image calculated based on assumption of certain corporate business results, etc., and the proportions will change in accordance with changes in those corporate business results or by other reasons.

(4) Incentive remuneration structure

As for short-term incentive remuneration (STI), if the amount paid where performance targets are achieved is set at 100, the monetary amount paid each fiscal year as STI varies between approximately 0 and 150 based on the level of achievement. The performance evaluation indicators are "ROE," aimed at sharing interests with the shareholders, "operating profit margin," a measure of profitability, and

“individual evaluations of officers,” and we will consider revising these indicators as necessary based on changes in the business environment and the roles of the individual officers.

As for medium- to long-term incentive remuneration (LTI), if the amount paid where performance targets are achieved is set at 100, the monetary amount paid the year after the final fiscal year of the medium-term business plan as LTI varies between approximately 0 and 150 based on the level of achievement. The performance evaluation period is between three to five fiscal years in the future, and the performance targets for the final fiscal year of the performance evaluation period are set in the first fiscal year of the performance evaluation period. The performance evaluation indicators are set as “the Company’s stock growth rate,” “net sales,” and “ROE,” performance indicators emphasized in the medium-term business plan, and we will consider changing these indicators as necessary based on reviews of the Group’s management policy.

(5) Decision-making process behind these revisions

The contents of these revisions were studied by the Nomination and Remuneration Committee (Committee Chair: Outside Director), an advisory body to the Board of Directors, a majority of whose members are Outside Directors, and decided by resolution of the Board of Directors based on the results of that deliberation.

2. Establishing guidelines for the ownership of company stock by officers

From the standpoints of boosting the desire and morale to increase corporate value over the long term and aligning the interests of the management team and shareholders, to have the management team and shareholders further share the benefits of increases in the company stock price and the risks of decreases in the company stock price, we have newly established guidelines for the Company’s Directors concerning the ownership of company stock, including provisions for the target stock ownership in accordance with the Directors’ individual positions. Based on these guidelines, Directors work to purchase fixed amount of company shares monthly through the Officers’ Shareholding Association and continuously hold the acquired shares through the duration of their terms of office.