

## TRANSLATION

### Reference Materials for the General Meeting of Shareholders

#### Proposals and References

##### Proposal No. 1: Appropriation of Surplus

It is proposed that surplus be appropriated as follows:

It is the Company's basic policy to decide on the distribution of dividends in consideration of earnings performance of the relevant business term and the need to retain earnings for future business development.

Concerning the term-end dividends for this term, the Company, after taking into account the business results of the term as well as the need to improve future competitiveness and financial strength, proposes a term-end dividend as described below.

##### 1. Matters related to term-end dividends

###### (1) Type of dividend assets

Cash

###### (2) Matters related to the appropriation of dividend assets and total amount thereof:

3.00 yen per common share of the Company      Total amount: 4,489,886,244 yen

###### (3) Effective date for appropriation of surplus:

March 31, 2011

##### 2. Matters related to the appropriation of other surplus:

None

##### Proposal No. 2: Election of Nine Directors

The term of office of all the eight Directors is to expire at the close of this ordinary general meeting of shareholders. The Company proposes election of nine Directors, including one Outside Director, as the company intends to increase the number of directors by one to strengthen the functions of the Board of Directors. The list of candidates is as follows:

Candidate No.	Name (Date of Birth)	Personal History, Positions at the Company, and Important Concurrent Posts	Number of Shares of the Company Held
1.	Kyohei Takahashi (July 17, 1944)	April 1968      Joined the Company October 1995      General Manager, Planning Department, Japan Polyolefins Co., Ltd. June 1996      President, Montell-JPO Co., Ltd. June 1999      Executive Vice President, Montell SDK Sunrise Ltd. January 2001      Executive Vice President, SunAllomer Ltd. March 2002      Managing Director; Executive Officer, Petrochemicals Sector, of the Company March 2004      Senior Managing Director January 2005      President January 2007      President and Chief Executive Officer (CEO) January 2011      Chairman of the Board (up to the present)	226,500 shares

2.	Hideo Ichikawa (March 18, 1952)	<p>April 1975 June 1999</p> <p>January 2001</p> <p>May 2003</p> <p>January 2006</p> <p>March 2008</p> <p>September 2008</p> <p>January 2010</p> <p>January 2011</p>	<p>Joined the Company General Manager, Business Support Department, Montell SDK Sunrise Ltd.</p> <p>General Manager, Business Support Department, SunAllomer Ltd.</p> <p>General Manager, Corporate Strategy Department, of the Company</p> <p>Corporate Officer; General Manager, Corporate Strategy Office</p> <p>Director; Corporate Officer; General Manager, Corporate Strategy Office</p> <p>Director; Corporate Officer; Executive Officer, HD Sector</p> <p>Director; Managing Corporate Officer; Executive Officer, HD Sector</p> <p>President and Chief Executive Officer (CEO) (up to the present)</p>	52,000 shares
3.	Kenji Tsukamoto (July 1, 1948)	<p>April 1972 May 2000</p> <p>March 2001</p> <p>March 2002</p> <p>March 2003</p> <p>March 2005</p> <p>January 2006</p> <p>January 2008</p> <p>March 2008</p> <p>January 2010</p> <p>January 2011</p>	<p>Joined Showa Aluminum Corp. General Manager, Technology Planning Department, Technology Headquarters, Showa Aluminum Corp.</p> <p>Councillor; General Manager, Aluminum Production Technology Department, Production Technology Headquarters, of the Company</p> <p>Councillor; General Manager, Aluminum Technology Center, Aluminum Sector</p> <p>Corporate Officer; General Manager, Extrusion Division, Aluminum Sector</p> <p>Corporate Officer; Deputy Executive Officer, Aluminum Sector</p> <p>Corporate Officer; General Manager, Corporate Technical Office, Technology Headquarters</p> <p>Corporate Officer; Executive Officer, Technology Headquarters</p> <p>Director; Corporate Officer; Executive Officer, Technology Headquarters</p> <p>Director; Managing Corporate Officer; Executive Officer, Research &amp; Development Headquarters</p> <p>Director; Managing Corporate Officer; Executive Officer, Research &amp; Development Headquarters, in charge of Advanced Battery Materials Department; Chief Technology Officer (CTO) (up to the present)</p>	48,000 shares

Candidate No.	Name (Date of Birth)	Personal History, Positions at the Company, and Important Concurrent Posts	Number of Shares of the Company Held
4.	*Yasumichi Murata (January 31, 1949)	<p>April 1971      Joined the Company</p> <p>February 1994    General Manager, General Affairs Department, Kawasaki Works</p> <p>March 1999      General Manager, Oita Office</p> <p>March 2003      General Manager, General Affairs Group and Secretariat, Corporate Relations Center</p> <p>January 2006     Corporate Officer; General Manager, General Affairs Office</p> <p>January 2010     Managing Corporate Officer; General Manager, General Affairs Office</p> <p>January 2011     Managing Corporate Officer, in charge of Human Resources, General Affairs, Legal, CSR, and Purchasing offices; Chief Risk Management Officer (CRO) (up to the present)</p>	62,000 shares
5.	*Akira Koinuma (August 20, 1951)	<p>April 1975      Joined the Company</p> <p>June 1999        General Manager, Production Technology Department, Oita Plant, Japan Polyolefins Co., Ltd.</p> <p>October 2001     General Manager, Oita Plant, Japan Polyolefins Co., Ltd.</p> <p>August 2003     General Manager, Production Group, Oita Plant, of the Company</p> <p>July 2005        General Manager, Production Technology Department, Technology Headquarters</p> <p>January 2006     General Manager, Production Technology Office and Production Technology Center, Technology Headquarters</p> <p>January 2008     Corporate Officer; Deputy Executive Officer, Technology Headquarters</p> <p>January 2010     Corporate Officer; Executive Officer, Production Technology Headquarters (up to the present)</p>	101,000 shares
6.	*Yoshikazu Sakai (October 27, 1951)	<p>April 1975      Joined the Company</p> <p>January 2006     General Manager, Finance Office</p> <p>January 2008     Corporate Officer; General Manager, Finance Office</p> <p>January 2011     Corporate Officer, in charge of Internal Audit, IR &amp; PR, Accounting, Finance, and Information Systems offices; Chief Financial Officer (CFO) (up to the present)</p>	48,000 shares
7.	*Shunji Fukuda (December 12, 1953)	<p>April 1976      Joined the Company</p> <p>July 1996        General Manager, Marketing Department, Developmental Marketing Headquarters, Montell-JPO Co., Ltd.</p> <p>June 1999        Marketing Manager and General Manager, Catalloy Development Department, Advanced Materials Division, Montell SDK Sunrise Ltd.</p> <p>January 2001     General Manager, Marketing Department II, Polypropylene Division, SunAllomer Ltd.</p>	53,000 shares

Candidate No.	Name (Date of Birth)	Personal History, Positions at the Company, and Important Concurrent Posts	Number of Shares of the Company Held
		<p>June 2003 General Manager, Planning and Administration Department, SunAllomer Ltd.</p> <p>March 2004 Executive Vice President, SunAllomer Ltd.</p> <p>January 2006 General Manager, Electronics Marketing Division, Electronics Sector, of the Company</p> <p>January 2008 Corporate Officer; General Manager, Electronics Marketing Division, Electronics Sector</p> <p>September 2008 Corporate Officer; Executive Officer, Electronics Sector</p> <p>January 2011 Corporate Officer, in charge of Corporate Strategy and China offices (up to the present)</p> <p>Important Concurrent Posts: Chairman, Showa Denko (Shanghai) Co., Ltd.</p>	
8.	*Hirokazu Iwasaki (December 26, 1951)	<p>April 1975 Joined the Company</p> <p>January 2006 General Manager, Intellectual Property Office, Technology Headquarters</p> <p>January 2008 Corporate Fellow; General Manager, Intellectual Property Office, Technology Headquarters</p> <p>January 2009 Corporate Officer; General Manager, Intellectual Property Office, Technology Headquarters</p> <p>January 2010 Corporate Officer; General Manager, Chemicals Division, Chemicals Sector</p> <p>January 2011 Corporate Officer; Executive Officer, Chemicals Sector (up to the present)</p> <p>Important Concurrent Posts: President, Union Helium Co., Ltd. President, Showa Denko Air Products Co., Ltd. President, Showa Denko Air Water Co., Ltd. Chairman, Taiwan Showa Chemicals Manufacturing Co., Ltd. Chairman, Zhejiang Quzhou Juhua Showa Electronic Chemical Materials Co., Ltd. Chairman, Shanghai Showa Electronic Chemical Materials Co., Ltd. Chairman, F2 Chemicals Limited</p>	70,000 shares
9.	Tomofumi Akiyama (August 13, 1935)	<p>April 1959 Joined Fukoku Mutual Life Insurance Company</p> <p>May 1982 General Manager, Finance Department, Fukoku Mutual Life Insurance Company</p> <p>July 1984 Director, Fukoku Mutual Life Insurance Company</p> <p>March 1989 Managing Director, Fukoku Mutual Life Insurance Company</p> <p>July 1998 President, Fukoku Mutual Life Insurance Company</p> <p>March 2008 Director, of the Company (incumbent)</p> <p>July 2010 Chairman, Fukoku Mutual Life Insurance Company (up to the present)</p> <p>Important Concurrent Posts: Chairman, Fukoku Mutual Life Insurance Company</p>	0 shares

- Notes: 1. None of the candidates for the Directors has any special interest in the Company.
2. Names with asterisks represent candidates to be newly elected.
  3. Mr. Tomofumi Akiyama is a candidate for Outside Director.
  4. Reasons for proposing Mr. Akiyama as a candidate for Outside Director:  
We have received from him valuable advice on the management of the Company based on his insight and his experience in managing a life insurance company for many years. We therefore believe he is qualified as an Outside Director.
  5. Mr. Akiyama served as President of Fukoku Mutual Life Insurance Company, which received a business improvement order under Article 132, paragraph 1 of the Insurance Business Law from the Financial Services Agency on July 3, 2008 with respect to the company's failure to pay certain insurance claims and benefits during the term of his office as President. After the occurrence of such incidents, he has worked to prevent recurrence of such incidents by improving and enhancing management control, internal audit and insurance payment systems, and made efforts to regain trust of the customers and stakeholders.
  6. Mr. Akiyama will have served as Outside Director of the Company for three (3) years at the close of this ordinary general meeting of shareholders.
  7. Pursuant to the provisions of Articles of Incorporation, in case Mr. Akiyama is reelected, the Company plans to extend the existing agreement with him limiting his liability for damages within a defined range. The amount of limited liability under the agreement shall be the minimum level stipulated by laws and regulations.

**Proposal No. 3: Election of One Auditor**

The term of office of Standing Statutory Auditor Kunio Kashiwada is to expire at the close of this ordinary general meeting of shareholders. The Company therefore proposes election of one Auditor to fill the vacancy.

As to this proposal, approval from the Board of Auditors has been obtained.

The candidate for Auditor is as listed below:

Name (Date of Birth)	Personal History, and Important Concurrent Posts	Number of Shares of the Company Held
Ichiro Nomura (August 6, 1948)	July 1971 Joined the Company	123,000 shares
	March 2001 Councillor; General Manager, Planning Department, Aluminum Materials Sector	
	March 2003 Councillor; General Manager, Planning Department, Aluminum Sector	
	March 2004 Corporate Officer; General Manager, Planning Department, Aluminum Sector	
	January 2005 Corporate Officer	
	March 2005 Director	
	January 2007 Director; Corporate Officer	
	January 2008 Director; Managing Corporate Officer	
	January 2010 Director; Senior Managing Corporate Officer	
	August 2010 Director; Senior Managing Corporate Officer, in charge of Internal Audit, IR & PR, Accounting, Finance, and Information Systems offices; Chief Financial Officer (CFO)	
January 2011 Director, Assistant to President (up to the present)		

Notes: 1. The candidate for the Auditor has no special interest in the Company.

2. Mr. Nomura is a candidate to be newly elected.

**Proposal No. 4: Renewal of a Reaction Policy on Large-scale Purchases of the Company's Stock Certificates (Takeover Defense)**

At the 99<sup>th</sup> ordinary general meeting of shareholders held on March 28, 2008, the Company obtained the shareholders' approval of its "Reaction Policy on Large-scale Purchases of the Company's Stock Certificates (Takeover Defense)" (hereinafter referred to as "the Current Reaction Policy"). As the term of the Current Reaction Policy is due to expire at the close of this ordinary general meeting of shareholders, the Company has reviewed this matter taking into account the changes in the situation. For the purpose of continuing to secure and enhance the Company's corporate value and the common interests of its shareholders, the Company proposes, in accordance with the provisions of Article 18, of Articles of Incorporation, to renew the Current Reaction Policy with partial revision (the revised version for renewal hereinafter referred to as the "Reaction Policy").

**Article 1 Purpose of Introducing the Reaction Policy****1. Basic policy regarding the conduct of the person controlling the Company's financial and business policies decisions**

The Company believes that its shareholders should be determined through the free movement of its shares in the market. Although proposals regarding the large-scale purchases of the Company's shares are made by specific persons, the decision whether to sell the Company's shares in response to such a proposal shall eventually be made based on the opinion of the shareholders which is reached after being given the

sufficient information necessary for making an appropriate decision and sufficient time for consideration.

However, the purposes of some large-scale purchases do not contribute to the target company's corporate value and the common interests of shareholders, such as those that a) obviously damage the corporate value and common interests of shareholders, b) are likely to give the shareholders no choice but to sell shares, c) do not provide sufficient time nor information for the target company's board of directors or shareholders to examine the conditions of the purchase or for the target company's board of directors to make an alternative proposal, d) demand that the target company or related parties purchase the shares at a high price.

The Company believes that, ideally, its shareholders should make the decision as to whether the large-scale purchases proposed by a specific person secure and enhance the Company's corporate value and the common interests of shareholders, by obtaining necessary and sufficient information from both the purchaser and the Company's Board of Directors. The Company believes that any persons who conduct an inappropriate large-scale purchase which is likely to damage the Company's corporate value and the common interests of its shareholders, such as those that fall under the abovementioned examples or acts similar to them, are not appropriate persons to control the Company's financial and business policy decisions.

## **2. Measures being taken to realize the basic policy**

### **(1) The Company group's philosophy of management and the source of the Company group's corporate values**

The Company group aims to realize a "corporation contributing to society" which contributes to creation of a society where affluence and sustainability are harmonized, under the group's philosophy of management to "provide products and services that are useful and safe and meet its customers' expectations, thereby enhancing its corporate value, giving satisfaction to the shareholders, and contributing to the sound growth of international society as a responsible corporate citizen".

As a pioneer in Japan's chemical industry, the Company group has been developing business with key technologies such as organic/inorganic-chemical and aluminum-fabricating since the early 1930s, when it became the first company in Japan to begin commercial production of aluminum, and of ammonium sulfate using domestically developed technologies. Technologies which have been created through deepening and integrating these different basic technologies and which are not seen in other companies, and employees that are full of pioneering spirit and pursuing originality are the source of the corporate value of the Company group. The Company group has enhanced its corporate value through development and provision of unique and competitive technologies and products, and receives high evaluation in the market as a "unique chemical company with individualized products." Also, through provision of products and services and measures towards environment and community activities, etc., the Company group has built favorable relationships based on trust with all stakeholders, including its shareholders and customers, and strives for the sustainment and the development thereof. The Company group considers that these are valuable assets which can not be lost in the course of realization of a "corporation contributing to society".

The Company group shall advance its position as the "unique chemical company with individualized products" established by such sources of corporate value in order to respond to the needs of this generation, and through the completion of the new consolidated medium-term business plan called "PEGASUS" which started in 2011 and the pursuit of CSR management, strive for the sustained enhancement of corporate value and the common interests of the shareholders.

(2) New consolidated medium-term business plan “PEGASUS”

The Company group started a new five (5) years consolidated medium-term business plan called “PEGASUS” from January 2011. Upon drastic changes in the business environment from the second half of the year 2008, the Company group extended the three (3) year consolidated medium-term business plan called “Project Passion” which started in 2006 for two (2) years up to 2010 as a plan called “Passion Extension,” and has conducted structural reform of the business and enhancement of profitability in basic business areas, development and acceleration of growth business areas and new growth business areas, and the enhancement of financial structure. Under “PEGASUS,” the Company group aims to establish its leading positions in relevant global market segments by further strengthening its status as the “unique chemical company with individualized products” and global development of strong and diversified business areas.

(i) Concept

As the standards of living improve in emerging countries due to rapid economic development, measures to control the increase in the burden on the earth’s environment are being sought throughout the world. In order to respond to such market needs on a global scale, two business domains, “Energy/Environment” and “Electronics,” have been established, and the Company group will, on the basis of its inherent and competitive technologies, provide to customers, components, materials and solutions that lead the advanced and innovative technology areas, and will contribute toward creating a society where affluence and sustainability are harmonized.

(ii) Basic strategy

In the target business portfolio, each business shall be classified into three segments, “Base (Growth),” “Base (Stable),” and “Growth and New growth,” and growth strategy shall be performed to allocate the business resources intensively on globally competitive business areas.

Main business areas: Among the business areas to be classified as “Base (Growth),” HD and graphite electrodes are to be positioned as “main business areas,” and business resource allocation shall be concentrated in these two business areas, and the areas are to be expanded aggressively.

Growth businesses and New growth business areas: The Company group will accelerate the commercialization and expansion of the business areas of high-purity gases for semiconductor processing, lithium ion battery materials, SiC epitaxial wafers for power devices, heat-resistant transparent films, organic electro-luminescence for lighting, and various new functional materials. Also, the Company group will establish new business models in the HB-LED business area.

Overseas strategy: Aggressively promote the expansion of operations in growing markets, centering on Asia, and in addition to the main businesses, overseas development will also be accelerated in terms of rare earths magnet alloys, high-purity aluminum foils for capacitors, and aluminum cylinders for LBPs, etc.

Utilization of M&A and partnerships: the Company group will aim for the speeding up of commercialization by proactively developing M&A and partnerships necessary for the pursuit of business strategy and research and development, in addition to utilizing the current business resources.

Under “PEGASUS,” the Company group’s operational profit target for the year 2013 will be 80 billion yen and the target for free cash flow will be 40 billion yen.



(3) Pursuit of CSR management

The Company considers that it is essential to fulfill its social responsibilities and earn the full confidence of society as the Company strives to continuously enhance its corporate value. Thus, the Company is working hard to strengthen corporate governance, step up Responsible Care activities, and deepen its relationship with society.

(i) Strengthening corporate governance

With the auditor system, the company aims to enhance the fairness and transparency in management, and with the corporate officer system, to ensure the effectiveness and promptness of decision-making and business execution. Further, with the appointment of outside directors, supervision of the management is to be strengthened.

By removing corporate officers, whose main duties include execution of business executions, from concurrently holding positions of directors as is permissible, supervision of the management will be further strengthened.

Strengthening compliance and risk management and information disclosure shall be further developed.

(ii) Step up Responsible Care activities, and deepen the Company group's relationship with society

The Company is performing its Responsible Care activities, working to continuously improve the environmental, health and safety performance of chemicals over their entire life cycles, namely, the development, production, distribution, use, final consumption, and disposal and pursuing provision of trusted products and services.

The Company is making its utmost efforts to ensure safety and quality, protect the environment, and maintain dialogue with local communities in order to earn the full trust of its stakeholders, including shareholders, customers, suppliers, employees and local residents.

Through these activities, the Company group conducts business in a fair and faithful manner in full consideration of environmental, social and economic aspects of operations, thereby contributing to the creation of a society in which affluence and sustainability are harmonized.

### **3. Purpose and outline of the Reaction Policy**

(1) Purpose of the Reaction Policy

The Reaction Policy is based on the basic policy described in paragraph 1 above and has a purpose of securing and enhancing the Company's corporate value and the common interests of its shareholders.

That is to say, the Company's Board of Directors has determined that it is necessary to continue to have certain rules to prevent purchases which do not contribute to enhancing the Company's corporate value and which are contrary to the common interests of its shareholders when large-scale purchases of the Company's Share Certificates are made. These rules include a) obtaining the necessary information for the shareholders to make an appropriate decision regarding whether to accept such purchase offer, b) securing the information or time necessary for the Company's Board of Directors to propose an alternative proposal, c) prohibiting purchases which due to their nature, will be a threat to the Company's corporate value.

Therefore, the Company decided to modify a portion of the contents of the Current Reaction Policy approved at the Company's 99th shareholders' meeting held on March 28, 2008, and to renew it as the Reaction Policy.

Currently, the Company has not received a specific proposal from any third party for any Large-scale Purchases with regard to its Share Certificates.

The Company's 10 largest shareholders as of December 31, 2010 are shown in the "Situation of Top 10 Shareholders" (Schedule 1).

(2) Outline of the Reaction Policy

(a) Establishment of the Independent Committee

With regard to the Reaction Policy, in order to avoid an arbitrary determination by the Company's Board of Directors when deciding whether to conduct an allotment of share options without contribution or other measures authorized by the Company's Board of Directors under law or the articles of incorporation, and to ensure the objectivity and reasonableness of such determination, the Company establishes the Independent Committee as the Company's standing committee, which is an organization independent from the Company's Board of Directors. The Company establishes such committee according to the Independent Committee Rules determined by the Company's Board of Directors. The Independent Committee shall consist of three (3) or more people chosen from the Company's outside directors, the outside auditors, and attorneys-at-law, certified public accountants, tax accountants, persons of learning and experience, experts in investment banking business or the Company's business, and well-learned persons from outside the Company such as managers. (For a career summary of the candidates for the members of the Independent Committee upon the Renewal of the Reaction Policy, please refer to Schedule 2.)

(b) Outline of Procedures

The substance of the Reaction Policy includes the following:

- i) the persons who attempt to conduct the Large-scale Purchases which are subject to the Reaction Policy (including persons who the Company's Board of Directors, subject to the Independent Committee's advice, reasonably determine to fall within the scope of persons attempting to conduct Large-scale Purchases, hereinafter referred to as an "Applicable Purchaser") shall comply with the procedures set forth in the Reaction Policy, such as providing the Company with information on the relevant Large-scale Purchases in advance;
- ii) the Independent Committee shall, based on the information provided by the Applicable Purchaser, or based on the existence or the scope of the information provided by the Applicable Purchaser, advise on the triggering, or non-triggering, etc. of countermeasures;
- iii) in cases such as where the Company's Board of Directors determines, after giving utmost respect to the Independent Committee's advice, that the Large-scale Purchases are Purchases that are likely to obviously damage the Company's corporate value and the common interests of its shareholders, the Board of Directors shall resolve to trigger certain countermeasures;
- iv) the Company's Board of Directors may seek shareholders' approval at the meeting to confirm the intentions of the shareholders (the "Shareholders' Intention Confirmation Meeting") on the triggering or non-triggering of countermeasures in certain cases; and
- v) the Applicable Purchaser may not initiate Large-scale Purchases unless a resolution that countermeasures are not to be triggered is made by the Company's Board of Directors.

(c) Outline of Countermeasures

When the Board of Directors resolves to trigger countermeasures (after giving its utmost respect to the Independent Committee's advice), and if the Shareholders' Intention Confirmation Meeting is held, pursuant to the resolution of the said Shareholders' Intention Confirmation Meeting, the Board of Directors shall, according to such resolution, allot share options (for the substance of the share options, please refer to Article 2, paragraph 3 below) to all the Company's shareholders as of a certain date using the allotment of share options without contribution method (Companies Act, Article 277 et. seq.) or shall take other measures that the Board of Directors are authorized to take by laws and regulations or under the Company's articles of incorporation.

**Article 2 Substance of the Reaction Policy**

**1. Procedures of the Reaction Policy**

(1) Large-scale Purchases

The "Large-scale Purchases," which are subject to the Reaction Policy, refer to the actions set forth below. However, those which obtain the Company's prior consent from a resolution of the Board of Directors shall be excluded.

- (a) With regard to the Share Certificates<sup>1</sup> issued by the Company, purchases and other similar actions ("Purchases") where the Share Certificates Holding Rate<sup>2</sup> held by holders<sup>3</sup> will be 20% or more (including cases the Company's Board of Directors recognize as falling within the scope of Purchases) after such Purchases.
- (b) With regard to the Share Certificates<sup>4</sup> issued by the Company, a Tender Offer<sup>5</sup> of the Company's Share Certificates, where the Share Certificates Holding Rate<sup>6</sup> held by a tender offeror will be 20% or more after such Tender Offer.

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<sup>1</sup> Meaning "Share Certificates, etc." as provided for in Article 27-23, paragraph 1 of the Financial Instruments and Exchange Act, hereinafter the same unless otherwise provided.

<sup>2</sup> Meaning the "Share Certificates, etc. Holding Rate" provided for in Article 27-23, paragraph 4 of the Financial Instruments and Exchange Act.

<sup>3</sup> Including persons included as holders under Article 27-23, paragraph 3 of the Financial Instruments and Exchange Act.

<sup>4</sup> Meaning the "Share Certificates, etc." as provided for in Article 27-2, paragraph 1 of the Financial Instruments and Exchange Act, hereinafter the same in this item (b).

<sup>5</sup> Meaning the "Tender Offer" provided for in Article 27-2, paragraph 6 of the Financial Instruments and Exchange Act

<sup>6</sup> Meaning "Share Certificates, etc. Holding Rate" provided for in Article 27-2, paragraph 8 of the Financial Instruments and Exchange Act, however, it shall mean the total holding ratio of the Share Certificates, etc. of Persons in Special Relationship (as provided for in Article 27-2, paragraph 7 of the Financial Instruments and Exchange Act, and include persons the Company's Board of Directors recognize as falling within the scope of the Persons in Special Relationship) to the Tender Offeror (as defined under Article 27-3, paragraph 2 of the Financial Instruments and Exchange Act).

- (2) Requirement that the Applicable Purchaser submits a Statement of Intention and provides the Necessary Information

The Company's Board of Directors will require the Applicable Purchaser to submit, prior to initiation or commencement of the Large-scale Purchases, a form (the "Statement of Intention") designated by the Company which provides:

- a) a summary (including the specific name, address, governing law for establishment, name of the representative, domestic contact information) of the Applicable Purchaser and its group (including joint holders, persons who have a special relationship with the Applicable Purchaser, and in the case of a fund, its partners and other members);
- b) the purpose, method, and substance of the Large-scale Purchases (including, for example, the price/type of the consideration for the Purchases, the timing of the Purchases, the mechanism for the transactions related thereto, the legality of the method of the Purchases, and the likelihood of realization of the Purchases); and
- c) a representation and warranties statement regarding compliance with the procedures stipulated in the Reaction Policy upon initiation or commencement of the Large-scale Purchases, an indemnification statement regarding breaches of the compliance obligations with respect to the abovementioned procedures, and other pledges.

Then, the Company's Board of Directors will require the Applicable Purchaser to submit a document which describes the information necessary for the examination of the substance of the Large-scale Purchases ("Necessary Information"). The substance of the Necessary Information varies according to the summary of the Applicable Purchaser and its group, and the purpose, the method, and substance of the Large-scale Purchases, disclosed by the Applicable Purchaser, and therefore the Company's Board of Directors shall make a list of the Necessary Information and present it to the Applicable Purchaser within 10 Business Days<sup>7</sup> after submission of the Statement of Intention by the Applicable Purchaser.

The substance of the Necessary Information shall generally be comprised of the items set forth below.

- (a) Details regarding the Applicable Purchaser and its group (including joint holders, persons in a special relationship with the Applicable Purchaser, and in the case of a fund, partners and other members) such as the specific name, address, governing law for establishment, name of its representative, domestic contact information, substance of the business (including information regarding experience in business of the same kind as that conducted by the Company, business performance), background, history, governance system, the state of measures relating to corporate social responsibility (CSR), capital composition, financial structure;
- (b) Purpose, method, and substance of the Large-scale Purchases (including details such as the price/type of the consideration for acquisition of the Company's Share Certificates by the Large-scale Purchases, and the timing of the Large-scale Purchases, the mechanism for the transactions related thereto, the legality of the method of the Large-scale Purchases, and the likelihood of the realization of the Large-scale Purchases);
- (c) Basis for the calculation of the consideration for the acquisition of the Company's Share Certificates by the Large-scale Purchases (including, for example, the facts/presumptions which form the basis of the calculation, calculation method, numerical information used for calculation, and the substance of the synergy effect predicted to arise due to the series of transactions related to the Large-scale

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<sup>7</sup> "Business Day" shall mean a day which is not a day listed in any item of Article 1, paragraph 1 of the Act on Holidays of Administrative Organs (*Gyosei-kikan no kyujitsu ni kansuru horitsu*).

Purchases and the basis for the calculation thereof, and in cases where the consideration for the Large-scale Purchases is not cash, information regarding the value of the consideration);

- (d) Backing for the fund to acquire the Company's Share Certificates by the Large-scale Purchases (including, for example, the specific name, financing method, and substance of any related transactions of the contributor (including a substantial contributor) to the fund for the Large-scale Purchases);
- (e) Management policy, business plan, financial plan, capital policy, dividend policy, asset utilization plan, etc. (including whether there are any plans for an additional acquisition or disposal, and whether there are any plans for delisting the Company's Share Certificates, sales/disposal of the Company's business/assets, etc., merger, demerger, or share exchange/share transfer which the Company is party to, and reorganization or liquidation) of the Company and the Company group after the Large-scale Purchases;
- (f) Policies on the treatment of employees, customers, creditors, clients, and other interested parties of the Company after the Large-scale Purchases;
- (g) In cases where a conflict of interest will exist with the Company's other shareholders after the Large-scale Purchases, specific measures for avoiding such conflict;
- (h) In cases where, subject to laws and regulations (including foreign laws and regulations) with respect to conducting the Large-scale Purchases, the Applicable Purchaser is required to obtain from any administrative agencies or other public organs any permission, authorization, or approval, or similar permission, the relevant procedures and laws and regulations which are the basis thereof (including a Japanese translation of the relevant provisions of any foreign laws and regulations); and
- (i) Other information determined as reasonably necessary by the Company's Board of Directors or the Independent Committee.

In cases where the Company's Board of Directors receives the information mentioned above from the Applicable Purchaser, it will promptly provide such information to the Independent Committee.

In cases where, as the result of the research, the information provided by the Applicable Purchaser is recognized as insufficient to constitute the Necessary Information, the Independent Committee will additionally require the Applicable Purchaser to provide information in writing through the Company's Board of Directors and specify a reasonable period (up to sixty (60) days) within which this must be done. In such case, the Applicable Purchaser shall additionally submit the required Necessary Information in writing within such period.

The Statement of Intent and the Necessary Information submitted by the Applicable Purchaser shall be disclosed to the Company's shareholders to the extent considered necessary and appropriate for shareholders to make their decision, at a time considered necessary and appropriate.

- (3) Independent Committee's request for the Company's Board of Directors to provide information

In cases where the Statement of Intent and the Necessary Information are submitted by the Applicable Purchaser, the Independent Committee may require the Company's Board of Directors to provide an opinion on the substance of the planned Large-scale Purchases and the materials on which the opinion is based, an alternative proposal, and other information which is considered necessary by the Independent Committee,

within a period considered reasonably necessary by the Independent Committee to prepare/provide such information. (In principle, the maximum length of such period shall be 60 days from the day the Company's Board of Directors received the written proposal (the "Takeover Proposal") regarding the Large-scale Purchases, the substance of which is determined by the Independent Committee as constituting the Necessary Information.

(4) Examination/evaluation, etc. by the Independent Committee

In cases where the Company's Board of Directors has received the Statement of Intent and the Takeover Proposal, irrespective of the Independent Committee's requirement to provide the information mentioned above in (3), it shall promptly put such Takeover Proposal to the Independent Committee for discussion. Then, at a time which the Company's Board of Directors considers appropriate, the Company's Board of Directors will disclose to its shareholders the fact that such information has been put forward for discussion, together with the outline of the Takeover Proposal, the commencement date and planned termination date of the Evaluation Period hereafter provided, and other matters which the Company's Board of Directors considers appropriate.

The Independent Committee will examine such Takeover Proposal and decide, with a view to advising the Company's Board of Directors, whether to trigger countermeasures (for the specific substance of the countermeasures, please refer to paragraph 3 below) for the Large-scale Purchases within, in principle, 60 days (if a purchase of the Company's Share Certificates is conducted by a public tender offer and its consideration is limited to cash in Yen) or 90 days (for Large-scale Purchases other than those mentioned above) from the date when the Company's Board of Directors received the Takeover Proposal. (However, such period may be extended up to thirty (30) days by the Independent Committee's resolution if the Independent Committee considers it reasonably necessary. In such case, the Company's Board of Directors will promptly notify its shareholders of the reason for such extension and the period thereof.) (The period shall hereinafter be referred to as an "Evaluation Period.") In order to ensure that the Independent Committee's decision was made to contribute to the Company's corporate value and the common interests of its shareholders, the Independent Committee may, if it determines it necessary, at the Company's expense, ask for advice from any independent third parties (including financial advisors, certified public accountants, attorneys-at-law, consultants, or other experts).

In addition, the Company's Board of Directors shall, from the viewpoint of securing and enhancing its corporate value and the common interests of its shareholders, examine and evaluate the Takeover Proposal, and if it considers it necessary to improve the substance of the Large-scale Purchases, discuss/negotiate, etc. with the Applicable Purchaser. The Independent Committee shall conduct the examination mentioned above, taking into consideration the progress and result of such discussion/negotiation, etc.

The Independent Committee may directly or indirectly discuss and negotiate, etc. with the Applicable Purchaser, if the Independent Committee determines it necessary from the viewpoint of securing and enhancing the Company's corporate value and the common interests of the Company's shareholders.

(5) Advice by the Independent Committee

The Independent Committee will decide whether to trigger the countermeasures (for the specific substance of the countermeasures, please refer to paragraph 3 below) according to the criteria set forth below, and advise the Company's Board of Directors. The Applicable Purchaser may not initiate the Large-scale Purchases unless the Company's Board of Directors resolves, following the Independent Committee's advice, or a resolution of the Shareholders' Intention Confirmation Meeting, that the countermeasures are not to be triggered.

(a) When the Independent Committee advises to trigger countermeasures

As the result of examination of the Takeover Proposal, if the Takeover Proposal falls within the requirements for triggering Countermeasures stipulated in paragraph 2 (1) and (2) below, the Independent Committee will advise the Company's Board of Directors to trigger countermeasures irrespective of the commencement or expiration of the Evaluation Period. The Independent Committee may make reservations in the advice to confirm the intentions of the shareholders in connection with the triggering of countermeasures, in advance.

(b) When the Independent Committee advises not to trigger countermeasures

As the result of examination of the Takeover Proposal, if it is decided that the Large-scale Purchases do not fall within any of the requirements for triggering Countermeasures stipulated in paragraph 2 (1) and (2) below, the Independent Committee will advise the Company's Board of Directors not to trigger countermeasures, irrespective of the expiration of the Evaluation Period.

However, after giving such advice, it is not precluded from later giving advice, including to trigger countermeasures, if the circumstances that formed the basis of the decision have changed or the Independent Committee recognizes that such circumstances were not true and as a result, the Independent Committee decides that it falls within any of the requirements for triggering Countermeasures stipulated in paragraph 2 (1) and (2) below.

(c) Advice on suspension, etc. of triggering countermeasures

If, after giving advice to trigger countermeasures, the Applicable Purchaser withdrew the Large-scale Purchases, or the Large-scale Purchases were not conducted, or the circumstances, etc. on which such decision was based have changed or the Independent Committee recognizes that such circumstances were not true and has decided that they do not fall within any of the requirements for triggering Countermeasures stipulated in paragraph 2 (1) and (2) below, the Independent Committee shall again advise the Company's Board of Directors to suspend (or otherwise) triggering the countermeasures.

(6) Disclosure of the Independent Committee's advice

In cases where the Company's Board of Directors has been given advice by the Independent Committee, the Company's Board of Directors will disclose to shareholders at a time when the Company's Board of Directors or the Independent Committee considers appropriate, the substance of the advice and an outline of the reason for such decision, and any other matters which the Company's Board of Directors or the Independent Committee decides are appropriate to disclose.

(7) Resolution of the Board of Directors

The Company's Board of Directors shall respect the Independent Committee's advice to the utmost, and promptly resolve whether to take countermeasures finally or whether to suspend (or otherwise) the countermeasures. However, in the case where the Shareholders' Intention Confirmation Meeting is held pursuant to (8) below, the Company's Board of Directors shall follow the resolution of the Shareholders' Intention Confirmation Meeting. In cases where the abovementioned resolution is made, the Company's Board of Directors will promptly disclose information regarding the resolution and other matters.

However, the Company's Board of Directors may not suspend (or otherwise) the countermeasures after its

resolution to trigger such countermeasures after five (5) Business Days prior to the countermeasures trigger date (if the allotment of the share options without contribution was taken as a countermeasure, the record date of the allotment of the share options).

(8) Holding of the Shareholders' Intention Confirmation Meeting

With regard to the advice on triggering countermeasures, in cases where the Independent Committee has made reservations to confirm the intentions of the shareholders in advance, with regard to the triggering of countermeasures pursuant to (5) (a) above, and the Company's Board of Directors determines it appropriate to confirm the intentions of the shareholders in light of the duty of a prudent custodian, after consideration of the time required for holding a shareholders' meeting, etc., the Company's Board of Directors may hold the Shareholders' Intention Confirmation Meeting as soon as practically possible, and confirm the intentions of the shareholders regarding the triggering of countermeasures.

**2. Requirements for Triggering Countermeasures**

(1) When the Reaction Policy is not complied with

If the Applicable Purchaser did not provide the Necessary Information, or the provided Necessary Information (including that provided in accordance with the additional demand by the Independent Committee) was reasonably determined to be insufficient by the Independent Committee, or the Applicable Purchaser breached the procedures stipulated in the Reaction Policy, in principle, according to the resolution of the Company's Board of Directors set forth in Article 2, paragraph 1, (7) above, an allotment of the Share Options without contribution (defined in paragraph 3 below) or other measures which the Company's Board of Directors is authorized to carry out under laws and regulations or the Company's articles of incorporation (the "Countermeasures") will be effected.

(2) When the procedures stipulated in the Reaction Policy are complied with

If the procedures stipulated in the Reaction Policy are complied with, in principle, the Countermeasures shall not be triggered. If however, the procedures stipulated in the Reaction Policy are complied with, but the substance of the Applicable Purchaser's Purchase Proposal falls within any of the following categories, Countermeasures will be taken according to the resolution of the Company's Board of Directors set forth in Article 2, paragraph 1, (7) above, if it is considered appropriate to take such measures.

(a) When it is determined by the Company's Board of Directors that the Purchases listed below are likely to obviously damage the Company's corporate value and the common interests of its shareholders because:

(i) The Large-scale Purchases of the Company's Share Certificates are not proposed with a true intention to take part in the corporate management and are intended only to raise the stock price and make the Company's affiliated persons purchase the Share Certificates at a high price (a so-called greenmailing)

(ii) The Large-scale Purchases of the Company's Share Certificates are proposed with the intention to manage the Company in accordance with a so-called 'scorched earth policy,' such as by temporarily controlling the corporate management and making the Company transfer its intellectual property rights, know-how, confidential information, and main customers and clients to the Applicable Purchaser or its group companies, etc.



- (iii) The Large-scale Purchases of the Company's Share Certificates are determined to have been proposed pursuant to a plan to convert the Company's assets into security for liabilities or a repayment source for the Applicable Purchaser or its group companies, etc. upon gaining control of the corporate management
  - (iv) The Large-scale Purchases of the Company's Share Certificates are determined to have been proposed with the purpose of temporarily controlling the corporate management and making the Company dispose of its assets, such as by selling its high-priced assets, etc. such as real properties and securities that do not currently relate to its business, and use the profit from such disposal to pay a temporarily high-dividend or sell the Share Certificates at a high price on the chance that the stock price skyrockets due to a temporarily high dividend.
- (b) When it is determined that the method of the Purchases of the Company's Share Certificates proposed by the Applicable Purchaser is likely to substantially compel the Company's shareholders to sell the Company's Share Certificates such as by using a coercive two-step-purchase (meaning not inviting the Purchase of all the Share Certificates at the first stage of the Purchases and then setting unfavorable conditions for the purchase at the second stage or keeping such conditions unclear, and conducting the Purchases of the Share Certificates by way of Tender Offer, etc.).
  - (c) When the conditions for the Purchase Proposal (including the price/type of consideration for the Purchases, time of the Purchases, mechanism for relating transactions, legality of the method of the Purchases, likelihood of realization of the Purchases, management policy, business plan, financial plan, capital policy, dividend policy, asset utilization plan for the Company and the Company's group, policies on treatment of employees, customers, creditors, clients, and other interested parties of the Company, specific measures to avoid conflicts of interest with the Company's other shareholders after the Large-scale Purchases) are reasonably determined, in light of the principle values of the Company, to be insufficient or inappropriate.
  - (d) When it is reasonably determined that there is a significant threat that the tangible/intangible management resources or the interests of employees, customers, creditors, clients or the Company's other interested parties associated with the Company and the Company's group would be damaged, and, the Company's corporate value or the common interests of its shareholders would be damaged.

### **3. Substance of the Countermeasures (Allotment of Share Options without Contribution, etc.)**

The Company's Board of Directors may, in cases where it is given advice by the Independent Committee regarding triggering of the Countermeasures, upon giving its utmost respect to such advice, and where the Shareholders' Intention Confirmation Meeting has been held and the triggering of the Countermeasures has been approved at such Shareholders' Intention Confirmation Meeting, follow such resolution, and pursuant to a resolution of the Company's Board of Directors, carry out an allotment of share options without contribution and other measures which the Board of Directors are authorized to carry out by laws and regulations or by the Company's articles of incorporation.

In cases where an allotment of share options without contribution is conducted as a specific countermeasure, the outline of such share options is set forth in Schedule 3. (The share options the substance of which is set forth in Schedule 3 are hereinafter referred to as the "Share Options".)

#### **4. Term of Validity of the Reaction Policy**

The term of the validity of the Reaction Policy shall commence from the time of the conclusion of the ordinary shareholders' meeting for the business year ending in December 2010 to the time of the conclusion of the ordinary shareholders' meeting for the business year ending in December 2013. However, the term of the validity of the Reaction Policy will be extended only if there exists, at the time of the conclusion of the ordinary shareholders' meeting, a person who is determined by the Board of Directors as making a Purchase Proposal or a person planning to acquire the control stock (Share Certificates in a quantity that results in the Share Certificates Holding Rate held by that purchaser to be 20% or more after such acquisition) of the Company.

#### **5. Abolition and Amendment of the Reaction Policy**

If after introducing the Reaction Policy and even before the expiration of the term of its validity, the shareholders' meeting of the Company approves the proposal to abolish the Reaction Policy, or the Company's Board of Directors resolves to abolish the Reaction Policy, the Reaction Policy shall be abolished at that point in time. Therefore, the Reaction Policy may be abolished in accordance with the Company's shareholders' opinion.

The Company's Board of Directors may, even during the term of the validity of the Reaction Policy, amend/modify the Reaction Policy, but only to the extent that the Reaction Policy is not substantially amended, by obtaining the approval of the Independent Committee. If such amendment/modification is made, the information thereof will be promptly disclosed.

#### **Article 3 Reasonableness of the Reaction Policy**

The Company has duly considered the points set forth below upon designing the Reaction Policy, and believes that it is consistent with the basic policy set forth in Article 1, paragraph 1 above and does not damage the common interests of shareholders, and that its purpose is not to maintain the status of the Company's officers.

##### **(1) Conformity with the guidelines on takeover defense**

The Reaction Policy fully conforms with the three principles set forth in "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" issued on May 27, 2005 by the Ministry of Economy, Trade and Industry and the Ministry of Justice. The contents of the Reaction Policy were made in consideration of the "Takeover Defense Measures in Light of Recent Environment Changes" announced by the Corporate Value Study Group on June 30, 2008.

##### **(2) Reflecting shareholders' opinion (sunset provision)**

The Reaction Policy shall be renewed subject to the approval of the Company's shareholders at the Ordinary Shareholders' Meeting. The Company's Board of Directors shall confirm the intentions of the shareholders at the Shareholders' Intention Confirmation Meeting on the triggering or non-triggering of the countermeasures in certain cases. Further, the term of validity of the Reaction Policy is three (3) years, ending at the time of the conclusion of the ordinary shareholders' meeting for the business year ending December 2013, and even before the expiry of the term of the validity of the Reaction Policy, it is possible

to abolish the Reaction Policy by a resolution of the Company's shareholders' meeting. Moreover, the Company's articles of incorporation stipulate that the term of office of the directors of the Company is one (1) year, and therefore, even during the term of the validity of the Reaction Policy, the opinions of the shareholders can be demonstrated through the election of the directors of the Company, and therefore the opinion of the shareholders will be reflected to the maximum extent.

(3) The takeover defense is not a 'dead hand' or a 'slow hand' type defense

As described in Article 2, paragraph 5 "Abolition and Amendment of the Reaction Policy" above, the Reaction Policy may be at any time abolished by a resolution of approval of the Company's shareholders' meeting or a resolution of the Company's Board of Directors, which is comprised of the directors elected at the Company's shareholders' meeting. Therefore, any person attempting to purchase the Company's Share Certificates on a large-scale may elect the directors they designate at the Company's shareholders' meeting and abolish the Reaction Policy through the Board of Directors comprised of such appointed directors.

Accordingly, the Reaction Policy is not a so-called 'dead hand' type takeover defense (a takeover defense which cannot prevent the triggering of countermeasures despite change of a majority of the members of the board of directors).

The Company's articles of incorporation stipulate that the term of office for the directors of the Company is one (1) year, and the Company does not adopt a staggered term system. Thus the Reaction Policy is not a 'slow hand' type takeover defense (a takeover defense which takes a long time to prevent triggering because a complete change of directors cannot be made at one time).

(4) Respect decisions made by highly independent persons

Upon renewing the Reaction Policy, as described in Article 1, paragraph 3, (2), in order to avoid an arbitrary determination by the Company's Board of Directors and to ensure that the Reaction Policy is duly implemented, an Independent Committee which is independent of the management engaged in the Company's business executions is established. In the case of a Large-scale Purchase of the shares of the Company, the Independent Committee shall determine whether such Large-scale Purchase would significantly damage the Company's corporate value or the common interests of the shareholders, and the Company's Board of Directors shall respect the objective decision of the Independent Committee to the utmost when making a decision on triggering the Countermeasures set forth in the Reaction Policy.

As mentioned above, the Independent Committee shall strictly supervise the Company's Board of Directors to ensure that it does not trigger the Countermeasures arbitrarily, and shall disclose an outline of its decision to the Company's shareholders, at an appropriate time and in an appropriate way. Thus a mechanism is in place, which allows for the transparent operation of the Reaction Policy, in order to contribute to the Company's corporate value and the common interests of its shareholders.

(5) Setting objective requirements

The Reaction Policy is designed to prevent the triggering of the Countermeasures unless reasonable objective requirements are satisfied, as described in Article 2, paragraph 2 "Requirements for Triggering Countermeasures" above. Therefore a mechanism is in place to prohibit the Company's Board of Directors from arbitrarily triggering the Countermeasures.

(6) Obtaining opinions from third-party-experts

The Reaction Policy provides, as described in Article 2, paragraph 1, (4) “Examination/evaluation, etc. by the Independent Committee” above, that if an Applicable Purchaser appears, the Independent Committee may, if it determines necessary, at the Company’s expense, ask for advice from any independent third parties (including financial advisors, certified public accountants, attorneys-at-law, consultants, or other experts). This mechanism ensures the fairness/objectiveness of the Independent Committee’s decision.

**Article 4 Influence on Shareholders and Investors**

(1) Influence on shareholders and investors upon renewal of the Reaction Policy

At the time of the renewal of the Reaction Policy, no allotment of Share Options without contribution will be conducted, and therefore no specific influence will be exerted directly on the rights or economic interests of shareholders and investors.

(2) Influence on shareholders and investors upon allotment of the Share Options without contribution

In cases where the Company’s Board of Directors give their utmost respect to the advice given by the Independent Committee and carry out an allotment of the Share Options without contribution, the Share Options shall be allotted without contribution to the shareholders as of the Allotment Date determined by the Company’s Board of Directors by the Allotment of the Share Options without Contribution Resolution, at the ratio of one (1) Share Option per Company share they hold. If any of the shareholders does not follow the exercise procedures set forth in (3), (b) below within the designated period for exercising their rights, the Company’s shares held by such shareholders will be diluted due to the exercise of the Share Options by other shareholders. However, if the Company chooses the procedure of acquiring the Share Options in exchange for Company shares, the shareholders will, without following the procedures set forth in (3), (b) below, receive the Company’s shares as consideration for the acquisition of the Share Options by the Company, and therefore such dilution will not occur.

The Company will disclose information to the shareholders at an appropriate time and in an appropriate way during the procedures set forth in the Reaction Policy. However, if the Allotment of the Share Options without Contribution Resolution is made, in cases such as where the Applicable Purchaser withdraws the proposal for the Large-scale Purchases even if the allotment of the Share Options without contribution is carried out, it is likely that the Company will acquire the Share Options without contribution without any consideration by the day immediately preceding the commencement date of the period for exercising the Share Option. In such case, dilution of the value of the Company shares will not occur, and therefore investors who conducted sale, etc. of the Company’s shares presuming the value per Company share would be diluted, are likely to suffer a corresponding loss due to the fluctuation of the share price.

(3) Procedures required for shareholders and investors upon the allotment of the Share Options without contribution

(a) Procedure for allotment of Share Options

If the Allotment of the Share Options without Contribution Resolution is made at the Company’s Board of Directors, the Company shall make public notice regarding the Allotment Date specifying the shareholders who are authorized to receive an allotment of the Share Options. As the Share Options will be allotted without contribution to the shareholders registered in the latest shareholder

registry on the Allotment Date, such shareholders will inevitably be the holders of the Share Options on the effective date of the allotment of the Share Options without contribution without following the application procedures.

(b) Procedure for the exercise of the Share Options

The Company will in principle, send the shareholders registered in the latest shareholder registry on the Allotment Date, the Share Options exercise request form (in a form designated by the Company and including: a) essential items such as the substance and numbers of the Share Options to be exercised and the exercise date for the Share Options; and b) a representation and warranties statement regarding satisfaction of the conditions for exercising the Share Options, such as the shareholders' stating that they do not fall within the description of persons set forth in Schedule 3, II, (3) (Conditions for exercising the Share Options), (a), 1) through 6), an indemnification statement, and other pledges), and other documents necessary to exercise the Share Options. After the allotment of the Share Options without contribution, in principle, one (1) ordinary share of the Company per Share Option (or the number of shares otherwise determined by the Allotment of the Share Options without Contribution Resolution) will be issued when the shareholders submit the necessary documents within the exercise period and make payment to the place where payments are handled of an amount which is one (1) yen or more per share to be issued and determined by the Company's Board of Directors through the Allotment of the Share Options without Contribution Resolution.

(c) Procedure for acquisition of the Share Options by the Company

If the Company's Board of Directors decides to acquire the Share Options, the Company will notify the holders holding the Share Options, or make a public notice thereof instead, and then on the date determined by the Company's Board of Directors, acquire the Share Options.

If the Company follows the procedure of distributing the Company's ordinary shares to the shareholders in exchange for acquisition of the Share Options, the shareholders holding the Share Options which are the subject thereof will receive, in principle, one (1) ordinary share of the Company per one (1) Share Option, without paying the monies equivalent to their exercise value, as consideration for acquisition of the Share Options by the Company. Such shareholders may be required to separately submit documents in the form designated by the Company, including a representation and warranties statement regarding the satisfaction of conditions for exercising the Share Options, that states, for example, that they do not fall within the definition of the persons set forth in Schedule 3, II, (3), (a), 1) through 6), an indemnification statement, and other pledges.

In addition to the abovementioned, the details regarding the methods of allotment, entry of a name change on the register, exercise of Share Options, acquisition by the Company, etc. will be determined by the Allotment of the Share Options without Contribution Resolution by the Company's Board of Directors, and announced publicly or notified to the shareholders. Please confirm such details.

End.

Situation of Top 10 Shareholders  
(as of December 31, 2010)

Shareholders	Number of Shares Held	Shareholding Ratio
	(thousand shares)	(%)
The Master Trust Bank of Japan, Ltd. (trust account)	94,440	6.31
Japan Trustee Services Bank, Ltd. (trust account)	73,189	4.89
Fukoku Mutual Life Insurance Company	55,168	3.69
The Dai-Ichi Life Insurance Company, Limited	45,000	3.01
Sompo Japan Insurance Inc.	41,868	2.80
National Mutual Insurance Federation of Agricultural Cooperatives	38,420	2.57
Japan Trustee Services Bank, Ltd. (trust account 9)	29,377	1.96
Nippon Life Insurance Company	28,711	1.92
Meiji Yasuda Life Insurance Company	26,447	1.77
Showa Denko Employee Holding Association	20,580	1.38

Candidates for Members of the Independent Committee  
and their Career Summaries  
(in Japanese alphabetical order)

Shogo Itoda

April 1961	<u>Japan Fair Trade Commission (JFTC)</u> Secretariat Office
July 1980	<u>Ministry of International Trade and Industry</u> Director, International Corporate Affairs Division Industrial Policy Bureau
July 1987	<u>Secretariat Office, JFTC</u> Deputy Secretary General
April 1990	Director General, Economic Affairs
July 1992	Director General, Investigation
July 1993	Secretary
July 1996	Secretary General
July 1997	Commissioner
June 2002	Resigned from the office of Commissioner
September 2002	<u>Tokyo Keizai University</u> Professor, Faculty of Contemporary Law
June 2003 to the present	<u>RENGO Co., Ltd.</u> Outside Company Auditor
March 2004 to the present	<u>Showa Denko K.K.</u> Outside Company Auditor
March 2007	Resigned from the position of professor, Faculty of Contemporary Law, Tokyo Keizai University

Yukio Obara

July 1969	<u>The Fuji Bank, Ltd.</u>
June 1996	Director/Manager, London Branch
May 1997	Director/Manager, Head Office, Second Business Department
May 1999	Managing Director/Manager, Asset Management Group
April 2002	<u>Mizuho Holdings, Inc.</u> Director/Deputy President
January 2003	<u>Mizuho Financial Group, Inc.</u> Director/Deputy President
March 2003	<u>Mizuho Bank, Ltd.</u> Director/Deputy President

June 2004	<u>Mizuho Financial Group, Inc.</u> Full-time Auditor
June 2005	<u>Mizuho Information &amp; Research Institute, Inc.</u> Representative director, President
March 2010 to the present	<u>Shoei Co., Ltd.</u> Chairman of the Board
March 2010 to the present	<u>Showa Denko K.K.</u> Outside Company Auditor
<u>Hiroyuki Tezuka</u>	
April 1986	Admitted to the Bar (Dai-ichi Tokyo Bar Association) <u>Nishimura &amp; Sanada Law Office</u> (currently Nishimura & Asahi)
September 1992	<u>Cleary, Gottlieb, Steen &amp; Hamilton, New York</u>
January 1993	Admitted to the Bar, State of New York
June 1993 to the present	<u>Nishimura &amp; Sanada Law Office</u> (currently Nishimura & Asahi) Partner
January 2006	<u>Inter-Pacific Bar Association</u> Committee Vice-Chairperson, Dispute Resolution and Arbitration
January 2007	<u>International Bar Association</u> Vice-Chair, Arbitration Committee
June 2007	<u>Nissay Dowa General Insurance Co., Ltd.</u> Outside Company Auditor
September 2007 to the present	<u>Japan Association of Arbitrators</u> Director
Mach 2008 to the present	<u>Showa Denko K.K.</u> Outside Company Auditor
May 2009	Examiner (Commercial Code) for the 2009 bar examination (New bar examination)
December 2009	Examiner (Commercial Code) for the 2010 bar examination (Second stage, old bar examination)
April 2010 to the present	<u>MS&amp;AD Insurance Group Holdings, Inc.</u> Outside Company Auditor



## Outline of the Share Options

## I. Determination on items regarding the allotment of Share Options without contribution

## (1) Substance and number of Share Options

The Share Options, (the substance of which, as well as related issues, are set forth in II below) will be allotted in an amount equivalent to the latest total number of issued shares of the Company (however, the number of shares held by the Company at the time will be deducted) on a certain date (the “Allotment Date”) determined by the Company’s Board of Directors by the resolution regarding the allotment of Share Options without contribution (the “Allotment of the Share Options without Contribution Resolution”).

## (2) Shareholders to be allotted

The Share Options will be allotted without contribution to the shareholders (excluding the Company) who are registered in the latest shareholder registry on the Allotment Date in a ratio of one (1) Share Option per share of the Company held by such shareholders.

## (3) Effective date of the allotment of Share Options without contribution

It shall be separately determined by the Allotment of the Share Options without Contribution Resolution by the Company’s Board of Directors.

## II. Substance of the Share Options

## (1) Number of shares underlying the Share Options

The number of shares underlying the Share Options (the “Number of Underlying Shares”) shall be, in principle, one (1) ordinary share of the Company, but will be determined within the scope of the total number of issuable shares by the Allotment of the Share Options without Contribution Resolution. If the Company splits or consolidates the shares after the Allotment Date, the number of shares to be allotted shall be adjusted to the number which the Company’s Board of Directors determines appropriate.

## (2) Value of property contributed upon the exercise of the Share Options

The contribution made upon the exercise of the Share Options shall be money, and the value per share of the Company shall be one (1) yen or more and be the amount determined by the Company’s Board of Directors by the Allotment of the Share Options without Contribution Resolution.

## (3) Conditions for exercising the Share Options

## (a) The following persons may not exercise the Share Options:

- 1) specific massive holders;
- 2) joint holders of 1) above;
- 3) specific massive purchasers;
- 4) persons who are in a special relationship with 3) above;

- 5) persons who have purchased or succeeded to the Share Options from persons falling under 1) through 4) above without obtaining the Company's Board of Directors' approval; or
- 6) affiliated persons of persons falling under 1) through 5) above.

The terms used above are defined as follows:

- a) "specific massive holders" means holders (including persons included as holders subject to Article 27-23, paragraph 3 of the Financial Instruments and Exchange Act) of the Share Certificates issued by the Company and whose Share Certificates Holding Rate (meaning the "Share Certificates, etc. Holding Rate" provided for in Article 27-23, paragraph 4 of the Financial Instruments and Exchange Act) with respect to such Share Certificates is 20% or more (including persons who the Company's Board of Directors recognize as falling within the scope of such persons);
  - b) "joint holder" means the "joint holder" as provided for in Article 27-23, paragraph 5 of the Financial Instruments and Exchange Act, and includes persons deemed to be joint holders subject to paragraph 6 of the same Article (including persons who the Company's Board of Directors recognize as falling within the scope of such persons);
  - c) "specific massive purchasers" means persons who have issued a public notice stating that they would conduct a Purchase, etc. (meaning "Purchase, etc." as provided for in Article 27-2, paragraph 1 of the Financial Instruments and Exchange Act) of the Company's Share Certificates by way of a Tender Offer, and whose Share Certificates Holding Rate (meaning "Share Certificates, etc. Holding Rate" provided for in Article 27-2, paragraph 8 of the Financial Instruments and Exchange Act), however, it shall mean the total of the Share Certificates Holding Rate of the all persons in a special relationship (meaning "persons in a special relationship" as provided for in Article 27-2, paragraph 7 of the Financial Instruments and Exchange Act, including persons the Company's Board of Directors recognize as falling within the scope of "persons in a special relationship"; however, regarding the persons listed in item 1 of the same paragraph, the persons stipulated in Article 3, paragraph 2 of the Cabinet Office Ordinance on Disclosure of the Tender Offer for Share Certificates by Persons Other Than Issuer shall be excluded) with the Tender Offeror (meaning the "Tender Offeror" provided for in Article 27-3, paragraph 2 of the Financial Instruments and Exchange Act) of the Share Certificates related to their ownership (and those equivalent, including cases provided for in Article 7, paragraph 1 of the Ordinance on Enforcement of the Financial Instruments and Exchange Act)) after such Purchase, etc. results in 20% or more (including persons the Company's Board of Directors recognizes as falling within the scope of such persons); and
  - d) "affiliated persons" means persons, who with respect to a certain person, substantially control such person, persons controlled by such person, or persons recognized by the Company's Board of Directors as being under the same control as such person, or persons recognized by the Company's Board of Directors as acting in cooperation with such person. "Control" means "cases where they are controlling financial and business policy decisions" of other companies, etc. (meaning "cases where they are controlling financial and business policy decisions" provided for in Article 3, paragraph 3 of the Ordinance for Enforcement of the Companies Act).
- (b) Without prejudice to (a) above, persons falling under any of the following items a) through d) shall not fall under the category of specific massive holders nor specific massive purchasers:

- a) the Company, a subsidiary (meaning “subsidiary” as provided for in Article 8, paragraph 3 of the Regulation for Terminology, Forms and Preparation of Financial Statements, etc.) of the Company;
  - b) persons who the Company’s Board of Directors recognize as not having any intention of controlling the Company but fall under the specific massive holders set forth in (a) 1) above, and who fall outside the scope of the specific massive holders set forth in (a) 1) above by disposing of (or otherwise) the Company’s Share Certificates owned by them within 10 days (however, the Company’s Board of Directors may extend such period) after falling under the category of the specific massive holders set forth in (a) 1) above;
  - c) persons who the Company’s Board of Directors recognize as falling within the scope of the specific massive holders set forth in (a) 1) above without their intention, due to acquisition of treasury shares by the Company or other reasons (however, such persons shall be excluded in cases where the persons then intentionally newly acquire the Company’s Share Certificates and as a result fall within the scope of specific massive holders again); or
  - d) persons whose acquisition and holding of the Company’s Share Certificates is recognized by the Company’s Board of Directors as not conflicting with the Company’s corporate value or the common interests of its shareholders (with respect to the persons who the Company’s Board of Directors recognize as falling under any of the items (a) 1) through 6) above, to the extent where it can be recognized that there is no conflict with the Company’s corporate value or the common interests of its shareholders, the Company’s Board of Directors may set certain conditions in order to ensure that there is no conflict with the Company’s corporate value or the common interests of its shareholders and determine that such persons fall under this category).
- (c) According to the applicable foreign law, in cases where the holders of the Share Options (the “Holders of the Share Options”) located within the jurisdiction of such law exercise the Share Options, (i) fulfillment of certain procedures or (ii) satisfaction of certain conditions (including a prohibition on exercising the Share Options for a certain period, submission of certain documents, etc.), or (iii) both of such (collectively, the “Exercising Procedures/conditions under Governing Law”) are required (including cases where the Company is required to fulfill or satisfy the Exercising Procedures/conditions under Governing Law), the Holders of the Share Options located in such jurisdiction may exercise the Share Options provided that the Company’s Board of Directors recognize that the Exercising Procedures/conditions under Governing Law are all fulfilled or satisfied. Although in cases where the Holders of the Share Options located in such jurisdiction may exercise the Share Options if the Company fulfills or satisfies the Exercising Procedures/conditions under Governing Law, the Company shall not be obliged to fulfill nor satisfy such. In cases where it is prohibited by the law of such jurisdiction to cause the Holders of the Share Options located in such jurisdiction to exercise the Share Options, no person located in such jurisdiction may exercise the Share Options.
- (d) In cases where the Holders of the Share Options cannot exercise the Share Options according to the provision above, the Company shall not be liable for damages or any other liabilities against the Holders of the Share Options.

- (4) Stated capital and capital reserve that increase when issuing shares by exercising the Share Options

It shall be determined by the Company's Board of Directors by the allotment of the Share Options without Contribution Resolution.

- (5) Restriction on transfer of the Share Options

Approval of the Company's Board of Directors is required with respect to acquisition of the Share Options through transfer.

- (6) Provisions regarding acquisition of the Share Options

(a) The Company may, on a date determined by the Company's Board of Directors, acquire all the Share Options (however, excluding the Share Options held by persons who cannot exercise the Share Options according to the provision set forth in (3) above) and in exchange for such, distribute the Company's ordinary shares in the Number of Underlying Shares per Share Option.

(b) The Company may, at any time on or before the date immediately preceding the commencement date of the exercising period, if the Company's Board of Directors recognize that it is appropriate that the Company acquire the Share Options without contribution, acquire all the Share Options without contribution at a date determined by the Company's Board of Directors.

The details and other provisions regarding acquisition of the above shall be determined by the Company's Board of Directors at the Share Options without Contribution Resolution. However, in case of acquisition of the Share Options held by the Applicable Purchaser, the delivery of monies as consideration therefor shall not be conducted.

- (7) Non-issuance of share option certificates

Share option certificates for the Share Options shall not be issued.

- (8) Other issues

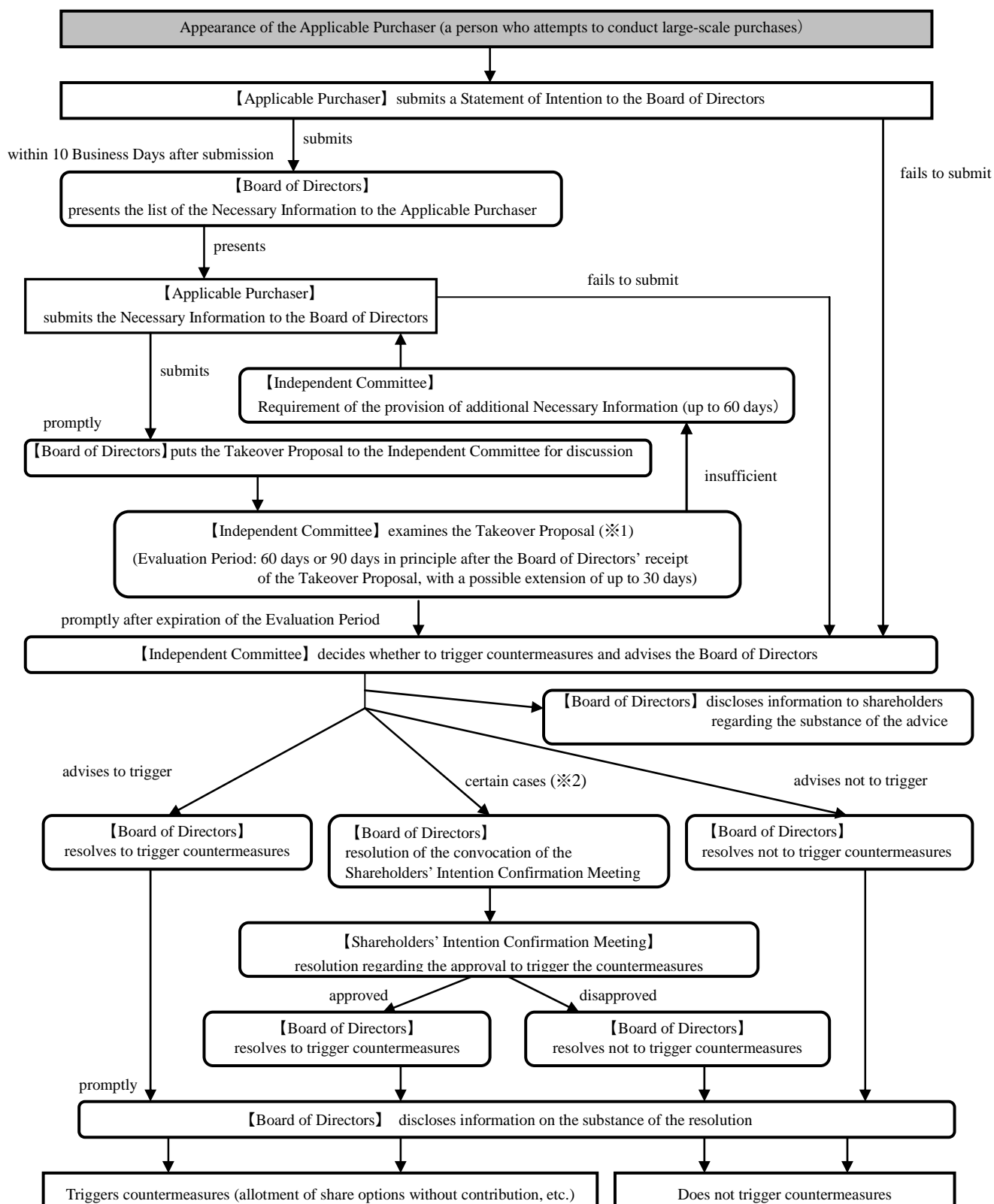
With respect to the share option exercising period and other issues regarding the issuance of the Share Options required by laws and regulations, these will be determined by the Allotment of the Share Options without Contribution Resolution.

- (9) Modification according to amendment, etc. of the laws and regulations

The legal provisions quoted in the provisions set forth above are subject to those effective as of February 9, 2011, and in cases where the provisions or the meaning of the terms, etc. set forth in the provisions above need to be modified due to legislation or amendment or abolishment of laws and regulations after such date, the Company's Board of Directors shall, after taking into consideration the intention of such legislation or amendment or abolishment of the laws and regulations, replace or amend such provisions or the meaning of the terms, etc. set forth in each provision above from time to time to a reasonable extent.

**Procedure Flow**  
**From “Appearance of the Applicable Purchaser” to “Triggering Countermeasures”**

Reference  
 Material



※1 The Independent Committee may in principle request that the Company’s Board of Directors provide certain information within 60 days after the Company’s Board of Directors’ receipt of the Takeover Proposal.

※2 In cases where (a) the Independent Committee made reservations regarding confirmation of shareholders’ intentions in connection with the triggering of countermeasures, and (b) after considering the time required to hold the shareholders’ meeting and other matters, the Company’s Board of Directors determines it appropriate to confirm the shareholders’ intentions with a due care of a prudent custodian.

This flow chart illustrates an outline of the Reaction Policy for easy explanation. Please see the text of the press release for the specific details of the Reaction Policy.