

March 6, 2014

TO OUR SHAREHOLDERS:

SHOWA DENKO K.K.

(Securities Code: 4004)

13-9, Shiba Daimon 1-Chome, Minato-ku,
Tokyo, Japan

Hideo Ichikawa

President and Chief Executive Officer

Notice of Convocation of the 105th Ordinary General Meeting of Shareholders

The 105th Ordinary General Meeting of Shareholders of Showa Denko K.K. will be held as described below and you are cordially invited to attend the Meeting.

If you do not expect to attend the Meeting, please exercise your voting rights in writing or by electronic means (including the use of the Internet) after reviewing the following Reference Materials for the General Meeting of Shareholders.

1. **Date and Hour** Thursday, March 27, 2014 at 10:00 a.m.
2. **Place** Tokyo International Forum (Hall B7)
5-1, Marunouchi 3-Chome, Chiyoda-ku, Tokyo, Japan

3. Matters constituting the Purpose of the Meeting:

- Matters to be Reported:** (1) Reports on the Business Report and the Consolidated Financial Statements for the 105th Business Term (January 1, 2013 to December 31, 2013), and reports on the Auditing Results from Accounting Auditors and the Board of Auditors.
(2) Reports on the Non-consolidated Financial Statements for the 105th Business Term (January 1, 2013 to December 31, 2013).

Matters to be Resolved upon:

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Election of Nine Directors
- Proposal No. 3:** Election of One Auditor
- Proposal No. 4:** Renewal of a Reaction Policy on Large-scale Purchases of the Company's Stock Certificates (Takeover Defense)

4. Other Matters that have been decided by the Board of Directors before Convocation:

Repeated voting:

- 1) If the voting rights are exercised both in writing and via the Internet, the voting via the Internet will be regarded as effective.
- 2) If the voting rights are exercised repeatedly using one and the same method, either via the Internet or in writing, the last voting will be regarded as effective.

5. Methods for exercising voting rights for shareholders who do not expect to attend the Meeting:

- 1) Exercise of voting rights in writing (by mail)

Please indicate your consent or dissent to the proposals on the enclosed Card for Exercise of Voting Rights, and

return it by mail to reach us no later than Wednesday, March 26, 2014.

2) Exercise of voting rights via the Internet, etc.

Please log on to the designated website for exercise of voting rights at <http://www.it-soukai.com/>. Enter your code number and password as provided on the enclosed Card for Exercise of Voting Rights and, by following the instructions on the computer screen, enter your consent or dissent and send it to reach us no later than 5:45 p.m. on Wednesday, March 26, 2014. For your information, we are also a member to the electronic voting rights exercise platform for institutional investors operated by ICJ, Inc.

- ◇ Upon attending the Meeting, please present the enclosed Card for Exercise of Voting Rights to the receptionist.
- ◇ When the need arises to amend Reference Materials for the General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements or Consolidated Financial Statements, such amendments will be announced on the Company's website at <http://www.sdk.co.jp/>.

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: 4,489,719,594 yen

(3) Effective date for appropriation of surplus:

March 28, 2014

2. Matters related to the appropriation of other surplus:

None

Proposal No. 2: Election of Nine Directors

The term of office of all the nine Directors is to expire at the close of this ordinary general meeting of shareholders. The Company proposes election of nine Directors, including two Outside 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) Important Concurrent Post: Chairman, Japan Chemical Industry Association	298,500 shares

Candidate No.	Name (Date of Birth)	Personal History, Positions at the Company, and Important Concurrent Posts	Number of Shares of the Company Held
2.	Hideo Ichikawa (March 18, 1952)	<p>April 1975 Joined the Company</p> <p>June 1999 General Manager, Business Support Department, Montell SDK Sunrise Ltd.</p> <p>January 2001 General Manager, Business Support Department, SunAllomer Ltd.</p> <p>May 2003 General Manager, Corporate Strategy Department, of the Company</p> <p>January 2006 Corporate Officer; General Manager, Corporate Strategy Office</p> <p>March 2008 Director; Corporate Officer; General Manager, Corporate Strategy Office</p> <p>September 2008 Director; Corporate Officer; Executive Officer, HD Sector</p> <p>January 2010 Director; Managing Corporate Officer; Executive Officer, HD Sector</p> <p>January 2011 President and Chief Executive Officer (CEO) (up to the present)</p>	247,000 shares
3.	*Shinji Sakai (September 18, 1947)	<p>July 1971 Joined the Company</p> <p>March 2000 General Manager, Planning Department, Electronics Sector</p> <p>March 2002 Councillor; General Manager, Planning Department, Electronics Sector</p> <p>March 2004 Corporate Officer; General Manager, Planning Department, Electronics Sector</p> <p>January 2005 Corporate Officer; Deputy Executive Officer, Electronics Sector</p> <p>March 2005 Director; Deputy Executive Officer, Electronics Sector</p> <p>January 2007 Director; Corporate Officer; Executive Officer, Electronics Sector</p> <p>January 2008 Director; Managing Corporate Officer; Executive Officer, Electronics Sector</p> <p>September 2008 Director; Managing Corporate Officer</p> <p>January 2010 Director; Senior Managing Corporate Officer; in charge of Corporate Strategy and China offices</p> <p>January 2011 Director</p> <p>January 2011 Special Advisor, Shoko Co., Ltd.</p> <p>March 2011 President, Shoko Co., Ltd. (incumbent; scheduled to resign on March 27, 2014) (up to the present)</p>	93,000 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.	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</p> <p>March 2011 Director; Corporate Officer; Executive Officer, Production Technology Headquarters</p> <p>January 2012 Director; Managing Corporate Officer; Executive Officer, Production Technology Headquarters</p> <p>January 2013 Director; Managing Corporate Officer, in charge of Production Technology, Energy & Electricity, SPS Innovation, and CSR departments; Chief Technology Officer (CTO) (up to the present)</p>	203,000 shares
5.	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> <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</p> <p>March 2011 Director; Corporate Officer</p> <p>January 2013 Director; Corporate Officer, in charge of Industrial Gases and Basic Chemicals divisions, and Corporate Strategy Department (up to the present)</p> <p>Important Concurrent Posts: Chairman, Showa Denko (Shanghai) Co., Ltd. President, Union Helium Co., Ltd.</p>	114,000 shares

Candidate No.	Name (Date of Birth)	Personal History, Positions at the Company, and Important Concurrent Posts	Number of Shares of the Company Held
6.	Masaru Amano (August 29, 1952)	<p>April 1976 Joined the Company</p> <p>January 2005 General Manager, Human Resources Group, Business Support Center</p> <p>January 2006 General Manager, Human Resources Office</p> <p>January 2009 Corporate Officer; General Manager, Human Resources Office</p> <p>January 2011 Corporate Officer; General Manager, General Affairs Office</p> <p>January 2013 Corporate Officer</p> <p>March 2013 Director; Corporate Officer, in charge of Internal Audit, Legal & Intellectual Property, General Affairs & Human Resources, and Purchasing & SCM departments; Chief Risk Management Officer (CRO) (up to the present)</p>	56,000 shares
7	*Saburo Muto (January 15, 1954)	<p>April 1976 Joined the Company</p> <p>March 2004 General Manager, Accounting Group, Business Support Center</p> <p>January 2006 General Manager, Accounting Office</p> <p>January 2010 Corporate Fellow; General Manager, Accounting Office</p> <p>January 2011 Corporate Officer; General Manager, Accounting Office</p> <p>January 2013 Corporate Officer; General Manager, Finance & Accounting Department</p> <p>January 2014 Corporate Officer; General Manager, Finance & Accounting Department; in charge of Information Systems Department, Chief Financial Officer (CFO) (up to the present)</p>	43,000
8.	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 (incumbent) (up to the present)</p> <p>Important Concurrent Post: Chairman, Fukoku Mutual Life Insurance Company</p>	0 shares

Candidate No.	Name (Date of Birth)	Personal History, Positions at the Company, and Important Concurrent Posts	Number of Shares of the Company Held
9.	Akiyoshi Morita (August 23, 1941)	<p>April 1967 Joined Toyota Motor Co., Ltd. (currently Toyota Motor Corporation)</p> <p>September 1994 Director, Toyota Motor Corporation</p> <p>June 1998 Managing Director, Toyota Motor Corporation</p> <p>June 1999 Senior Managing Director, Toyota Motor Corporation</p> <p>June 2000 Executive Vice President, Aichi Steel Corporation</p> <p>June 2004 President, Aichi Steel Corporation</p> <p>June 2008 Chairman, Aichi Steel Corporation</p> <p>June 2011 Advisor, Aichi Steel Corporation (incumbent)</p> <p>March 2012 Director, of the Company (incumbent) (up to the present)</p>	50,000 shares

Notes: 1. None of the candidates for the Directors has any special interest in the Company.

2. Mr. Shinji Sakai and Mr. Saburo Muto are candidates to be newly elected.

3. Mr. Tomofumi Akiyama and Mr. Akiyoshi Morita are candidates for Outside Directors. Reasons for proposing the two as candidates for Outside Directors are as follows:

1) For Mr. Akiyama

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 well qualified for the position as Outside Director.

2) For Mr. Morita

We have received from him valuable advice on the management of the Company based on his insight and his experience in managing a car manufacturing company and a special steel manufacturing company for many years. We therefore believe he is well qualified for the position as Outside Director.

4. Mr. Akiyama will have served as Outside Director of the Company for six (6) years at the close of this ordinary general meeting of shareholders.

5. Mr. Morita will have served as Outside Director of the Company for two (2) years at the close of this ordinary general meeting of shareholders.

6. Pursuant to the provisions of Articles of Incorporation, in case Mr. Akiyama and Mr. Morita are reelected, the Company plans to extend the existing agreements with them limiting their 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.

7. Pursuant to relevant rules of the Tokyo Stock Exchange, Inc. (TSE), the Company has notified the TSE that Mr. Akiyama and Mr. Morita have been appointed the Company's independent directors who will not have conflicting interests with general shareholders.

Proposal No. 3: Election of One Auditor

The term of office of Auditor Yukio Obara is to expire at the close of this ordinary general meeting of shareholders. The Company proposes election of one auditor.

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
Yukio Obara (February 8, 1947)	July 1969	Joined The Fuji Bank, Limited	0 shares
	June 1996	Director & General Manager, London Branch	
	May 1997	Director & General Manager, Head Office	
		Corporate Banking Division II	
	May 1999	Managing Director; Head of Asset	
		Management Group	
	April 2002	Deputy President, Mizuho Holdings, Inc.	
	January 2003	Deputy President, Mizuho Financial Group,	
		Inc.	
March 2003	Deputy President, Mizuho Bank, Ltd.		
June 2004	Corporate Auditor, Mizuho Financial Group,		
	Inc.		
June 2005	President & CEO, Mizuho Information &		
	Research Institute, Inc.		
March 2010	Chairman of the Board, Shoei Co., Ltd.		
March 2010	Auditor, of the company (incumbent)		
	(up to the present)		

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

2. Mr. Obara is a candidate for Outside Auditor. Reasons for proposing Mr. Obara as a candidate for Outside Auditor are as follows:

We have received from him valuable advice on how to ensure the propriety of the Company's business execution, based on his insight and his experience in managing financial institutions for many years and in managing a consultant firm.

3. Mr. Obara will have served as Outside Auditor of the Company for four (4) years at the close of this ordinary general meeting of shareholders.

4. Mr. Obara concurrently serves as Outside Director of NSK Ltd. In July 2011, prior to Mr. Obara's appointment as Outside Director, NSK was subjected to an on-the-spot inspection by the Fair Trade Commission (FTC) on suspicion of a breach of the Antimonopoly Act concerning the company's transactions in bearing products. In February 2013, NSK was sentenced to a fine at the Tokyo District Court. In March 2013, NSK received FTC's cease and desist order and order for payment of surcharge. In January 2014, Amatsuji Steel Ball Mfg. Co., Ltd., a subsidiary of NSK, was subjected to FTC's on-the-spot inspection concerning the company's transactions in steel balls for bearing products. Furthermore, NSK's overseas subsidiaries are subjected to inspections by competition authorities in North America, Europe and other areas. In September 2013, NSK accepted a plea bargain with the U.S. Department of Justice concerning payment of a fine. In January 2014, NSK was sentenced to a fine at a court in Canada on the ground of a breach of the Canadian competition law. After assuming the position of Outside Director of NSK in June 2012, Mr. Obara worked to investigate the facts, asked for continuous monitoring at the board of directors, and urged the company to take appropriate steps to prevent recurrence of such incidents. He also gave advice about measures to strengthen compliance and called for caution. Thus, he is making efforts to regain public trust in the NSK Group.

5. Pursuant to the provisions of Articles of Incorporation, in case Mr. Obara is reelected, the Company plans to continue 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.

6. Pursuant to relevant rules of the Tokyo Stock Exchange, Inc. (TSE), the Company has notified the TSE that Mr. Obara has been appointed the Company's independent auditor who will not have conflicting interests with general shareholders.

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

At the 102nd ordinary general meeting of shareholders held on March 30, 2011, the Company obtained the shareholders' approval for renewal 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. 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 as described below, and asks for the shareholders' approval (after renewal, hereinafter referred to as the "Reaction Policy"). There is virtually no change from the Current 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 policy 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 value

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".

- (2) Medium-term consolidated business plan "PEGASUS"

Under its five (5) year medium-term consolidated business plan "PEGASUS" launched in January 2011, in which "Energy/Environment" and "Electronics" are defined as the two major business domains and the HD media and graphite electrode operations are positioned as the core businesses, the Company group aims to establish leading positions in various market segments by further strengthening its status as a "unique chemical company with individualized products" and building up strong and diversified businesses on a global scale.

In the 2011-2013 period, the Company group steadily implemented measures to strengthen businesses, making positive investments in the HD media and graphite electrode operations, increasing the competitive power in the Petrochemicals segment, and focusing on high-value-added areas in the Aluminum segment. At the same time, the Company group took measures to strengthen new businesses such as advanced battery materials and high-purity gases.

In the 2014-2015 period (Phase II), the Company group will put strong emphasis on globalization and the promotion of diversity as essential elements of its management policy. The Company group will also review its business portfolio, accelerate expansions in overseas markets centering on Asia, improve profitability of stable base businesses, drastically reduce costs through ordinary and strategic means, and strive to capture new business opportunities through M&A and alliance. By implementing these measures, the Company group will aim to improve the profitability of the core HD media and graphite electrode businesses; expand growth businesses such as those in aluminum cans, high-purity aluminum foil, high-purity gases, and functional chemicals; and recover

the profitability of base (stable) businesses such as those in petrochemicals, basic chemicals, industrial gases, rare earth magnetic alloys, and *Shotic*TM aluminum forged products. In R&D, the Company group will allocate managerial resources to carefully selected areas, aiming to expand the existing HD media and functional chemicals businesses, and strengthen new growth businesses such as those in silicon-carbide epitaxial wafers for power devices and fuel cells.

(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

a) To clearly separate management supervision functions from business execution functions, the Company has introduced a corporate officer system. The top management team, consisting of the President and corporate officers in charge of respective operations, is working to increase the speed of decision making and vitalize operations. The Board of Directors includes two outside directors to ensure its independence and strengthen management supervision functions.

b) 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

a) 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.

b) 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.

The Company group will respond to the needs of the times to continue to evolve as a "unique chemical company with individualized products," a status based on the source of the corporate value of the group. By carrying out "PEGASUS" and pursuing CSR management, the Company group will strive to continue enhancing the corporate value and, eventually, common interests of shareholders.

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 make the Renewal.

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 list of the Company's 10 largest shareholders as of December 31, 2013 is as follows:

Situation of Top 10 Shareholders
(as of December 31, 2013)

Shareholders	Number of Shares Held	Shareholding Ratio
	(thousand shares)	(%)
The Master Trust Bank of Japan, Ltd. (trust account)	84,285	5.63
Japan Trustee Services Bank, Ltd. (trust account)	56,329	3.76
Fukoku Mutual Life Insurance Company	55,168	3.69
Sompo Japan Insurance Inc.	36,868	2.46
The Dai-ichi Life Insurance Company, Limited	36,000	2.41
Japan Trustee Services Bank, Ltd. (trust account 9)	27,407	1.83
Meiji Yasuda Life Insurance Company	26,447	1.77
Showa Denko Employees' Shareholding Association	24,781	1.66
Nippon Life Insurance Company	23,298	1.56
Mizuho Bank, Ltd.	20,000	1.34

(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 1.)

(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 Substantive 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 Certificates¹ issued by the Company, purchases and other similar actions ("Purchases") where the Share Certificates Holding Rate² held by holders³ will be 20% or more (including cases the Company's Board of Directors recognizes as falling within the scope of Purchase) after such Purchases.
- (b) With regard to the Share Certificates⁴ issued by the Company, a Tender Offer⁵ of the Company's Share Certificates, where the Share Certificates Holding Rate⁶ held by a tender offeror will be 20% or more after such Tender Offer.

¹ 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.

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

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

⁴ 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).

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

⁶ 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 recognizes 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 of the Applicable Purchaser and its group;
- b) the purpose, method, and substance of the Large-scale 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 after submission of the Statement of Intention by the Applicable Purchaser. ("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.)

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 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 2. (The share options the

substance of which is set forth in Schedule 2 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 2013 to the time of the conclusion of the ordinary shareholders' meeting for the business year ending in December 2016. 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 2016, 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.

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 2, 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 2, 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.

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

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 & Research Institute, Inc.</u> Representative director, President
March 2010	<u>Shoei Co., Ltd.</u> Chairman of the Board
March 2010 to the present	<u>Showa Denko K.K.</u> Outside Auditor
June 2012 to the present	<u>NSK Ltd.</u> Outside Director

Kiyomi Saito

April 1973	<u>Nikkei Inc.</u>
September 1975	<u>Sony Corporation</u>
August 1984 January 1990	<u>Morgan Stanley investment bank</u> Executive Director
April 2000 to the present	<u>JBond Co., Ltd. (currently JBond Totan Securities Co., Ltd.)</u> President

April 2011 to the present	<u>The Totan Information Technology Co., Ltd.</u> President
March 2012 to the present	<u>Showa Denko K.K.</u> Outside Auditor
June 2012 to the present	<u>Toshiba Corporation</u> Outside Director
 <u>Hiroyuki Tezuka</u>	
April 1986	Admitted to the Bar (Dai-ichi Tokyo Bar Association) <u>Nishimura & Sanada Law Office</u> (currently Nishimura & Asahi)
September 1992	<u>Cleary, Gottlieb, Steen & Hamilton, New York</u>
January 1993	Admitted to the Bar, State of New York
June 1993 to the present	<u>Nishimura & 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
Mach 2008 to the present	<u>Showa Denko K.K.</u> Outside 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&AD Insurance Group Holdings, Inc.</u> Outside Auditor
April 2013 to the present	<u>The University of Tokyo Graduate Schools for Law and Politics</u> Visiting Professor
January 2014 to the present	<u>Japan Association of Arbitrators</u> Managing Director

*The Company has appointed the three persons above as its independent auditors pursuant to relevant rules of the Tokyo Stock Exchange, Inc. (TSE), and has notified the TSE about the appointment.

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 holders¹ of the Share Certificates issued by the Company and whose Share Certificates Holding Rate² with respect to such Share Certificates is 20% or more (including persons who the Company's Board of Directors recognizes as falling within the scope of such persons);

¹ Including persons included as holders subject to Article 27-23, paragraph 3 of the Financial Instruments and Exchange Act

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

- 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 recognizes 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.³ of the Company's Share Certificates by way of a Tender Offer, and whose Share Certificates Holding⁴ Rate⁵ 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

³ Meaning "Purchase, etc." as provided for in Article 27-2, paragraph 1 of the Financial Instruments and Exchange Act

⁴ Including equivalent cases provided for in Article 7, paragraph 1 of the Ordinance on Enforcement of the Financial Instruments and Exchange Act

⁵ 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 recognizes 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)

- 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.⁶
- ⁶ 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 recognizes 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

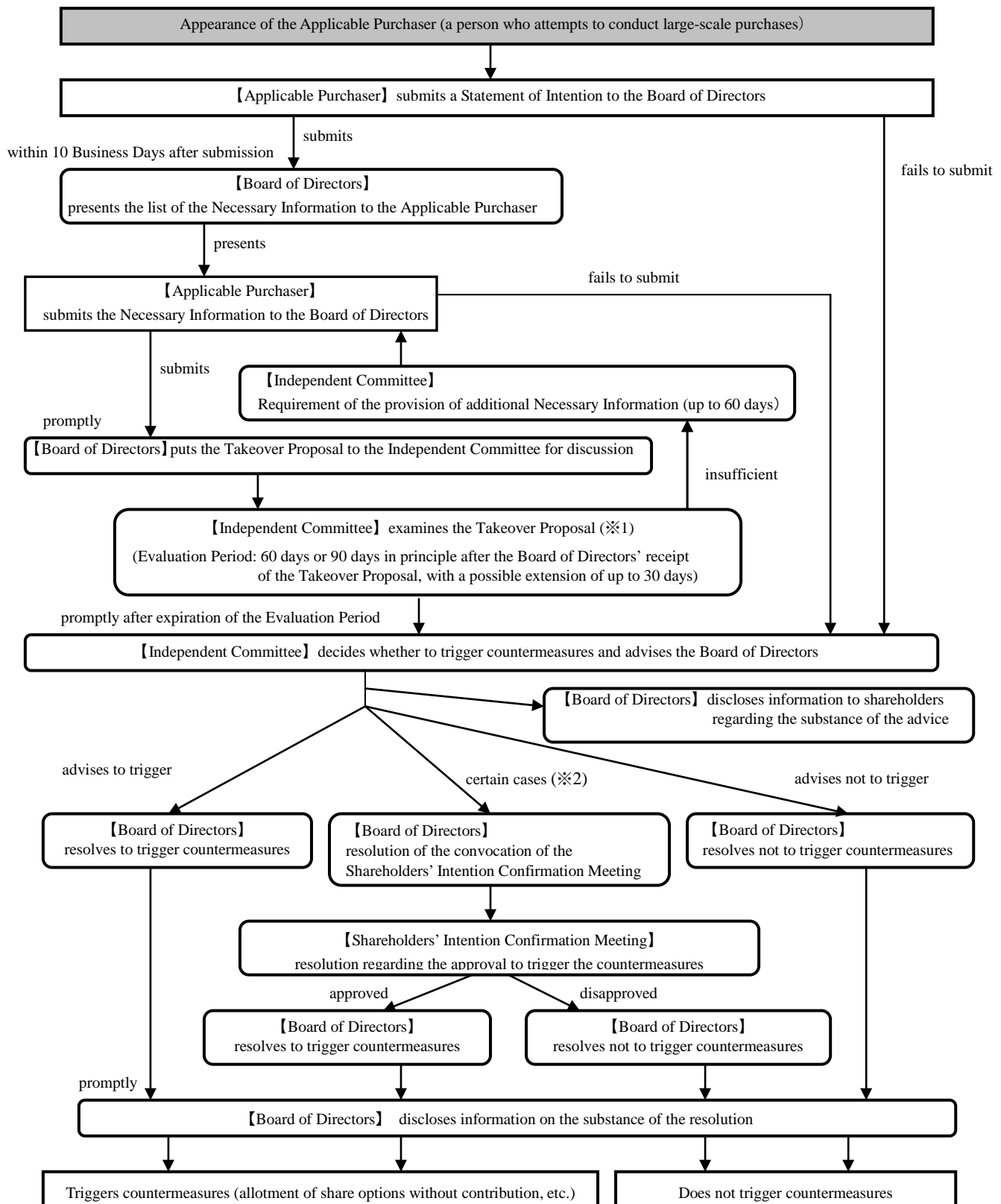
With respect to the share option exercising period and other issues regarding the issuance of the Share Options required by laws and regulations, these will be determined by the Allotment of the Share Options without Contribution Resolution.

(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 13, 2014, 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.