

March 5, 2008

TO OUR SHAREHOLDERS:

SHOWA DENKO K.K.

(Securities Code: 4004)

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

Kyohei Takahashi

President and Chief Executive Officer

Notice of Convocation of the 99th Ordinary General Meeting of Shareholders

The 99th 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.

[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 Thursday, March 27, 2008.

[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> or <https://daiko.mizuho-tb.co.jp>. 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 Thursday, March 27, 2008. For your information, we are also a member to the electronic voting rights exercise platform for institutional investors operated by ICJ, Inc.

1. **Date and Hour** Friday, March 28, 2008 at 10:00 a.m.
2. **Place** Shiba Park Hotel Annex
5-10, Shiba Koen 1-Chome, Minato-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 99th Business Term (January 1, 2007 to December 31, 2007), and reports on the Auditing Results of Accounting Auditor and the Board of Auditors.
(2) Reports on the Non-consolidated Financial Statements for the 99th Business Term (January 1, 2007 to December 31, 2007).

Matters to be Resolved upon:

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Partial Amendment of the Articles of Incorporation (1)
- Proposal No. 3:** Partial Amendment of the Articles of Incorporation (2)
- Proposal No. 4:** Election of Twelve Directors
- Proposal No. 5:** Election of Three Auditors
- Proposal No. 6:** Election of Accounting Auditor
- Proposal No. 7:** Introduction of a Reaction Policy on Large-scale Purchases of the Company's Stock Certificates, etc. (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.

- ✧ 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 that term-end dividend be increased ¥ 1 per share over the previous period, to ¥ 5 per share.

1. Matters related to year-end dividends

(1) Type of dividend assets

Cash

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

5.00 yen per common share of the Company Total amount: 6,238,881,630 yen

(3) Date of effectuation of dividends:

March 31, 2008

2. Matters related to the appropriation of other surplus:

(1) Item of surplus that increases and amount thereof:

Special reserves 15,000,000,000 yen

(2) Item of surplus that decreases and amount thereof:

Retained earnings carried forward 15,000,000,000 yen

Proposal No. 2: Partial Amendment of the Articles of Incorporation (1)

1. Reasons for the Amendment:

For the purpose of clarifying that matters concerning method of exercising shareholders' rights are determined by the rules for handling shares, the necessary amendment is proposed.

2. Substance of Amendment

The Company proposes to amend the Articles of Incorporation as follows:

(Translation into English from the Japanese original)

(The amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendments
Chapter 2 Shares	Chapter 2 Shares
(Rules for Handling Shares) Article 12 Procedures pertaining to shares and the fees for handling them shall be subject to the rules for handling shares established by the board of directors, in addition to relevant laws and regulations and the present articles of incorporation.	(Rules for Handling Shares) Article 12 Procedures pertaining to shares and the fees for handling them, <u>as well as the method of exercising shareholders' rights</u> shall be subject to the rules for handling shares established by the board of directors, in addition to relevant laws and regulations and the present articles of incorporation.

Proposal No. 3: Partial Amendment of the Articles of Incorporation (2)

1. Reasons for the Amendment:

The Company adopted a resolution at its Board of Director’s meeting held on February 7, 2008, to introduce a concrete reaction policy (the “Reaction Policy”) with respect to Large-scale Purchases of Stock Certificates, etc. issued by the Company, for the purpose of securing and enhancing its corporate value and the common interests of its shareholders. To ensure that the introduction of the Reaction Policy reflects the shareholders’ opinions, we propose to establish a new provision which stipulates that the Company’s Shareholders’ Meeting may decide to introduce, amend, or abolish the Reaction Policy by its resolution.

We also propose to establish a new provision pertaining to the allotment of share options without contribution, etc. pursuant to the Reaction Policy, to specify the contents of share options that the Board of Directors can decide.

For details concerning the Reaction Policy, please refer to Proposal No. 7 “Introduction of a Reaction Policy on Large-scale Purchases of the Company’s Stock Certificates, etc. (Takeover Defense).”

2. Substance of Amendment

The Company proposes to amend the Articles of Incorporation as follows:
(Translation into English from the Japanese original)

(Amendments proposed are underlined.)

Existing Articles of Incorporation	Proposed Amendments
<p>Chapter 3 General Meeting of Shareholders (New)</p>	<p>Chapter 3 General Meeting of Shareholders <u>(Reaction Policy on Large-Scale Purchases)</u> <u>Article 19</u> 1) <u>The Company may, by resolution of its Board of Directors, decide to introduce, amend or abolish a reaction policy (the “Reaction Policy”) with respect to large-scale purchases of its stock, for the purpose of securing and enhancing its corporate value and the common interests of its shareholders.</u> 2) <u>In addition to deciding the matters otherwise stipulated by law or these articles of incorporation, the Company’s Shareholders’ meeting may, by its resolution, approve the Reaction Policy determined by the Board of Directors of the Company, and amend or abolish the Reaction Policy introduced previously. The resolutions for such approval, amendment or abolishment shall be made subject to Article 17, paragraph 1 hereof.</u> 3) <u>The Board of Directors may, pursuant to the Reaction Policy stipulated in the preceding paragraph, carry out an allotment of share options without contribution or allotment to shareholders, subject to the following matters and other conditions which the Board of Directors deems appropriate:</u> <u>1. Conditions for exercising share options which preclude the exercise of rights by any parties stipulated in the Reaction Policy (the “Purchasers”);</u></p>

Existing Articles of Incorporation	Proposed Amendments
<p>Article <u>19</u> to Article <u>42</u> (Text omitted)</p>	<p><u>2. Provisions regarding acquisition which stipulate that the Company may, in acquiring a part of the relevant share options, only acquire the share options held by the holders of the share options excluding the Purchasers; and</u></p> <p><u>3. Provisions regarding acquisition which stipulate that the Company may acquire the relevant share options at different considerations, depending on whether the holder thereof falls within the description of a Purchaser.</u></p> <p>Article <u>20</u> to Article <u>43</u> (Same as Present Text)</p>

Proposal No. 4: Election of Twelve Directors

The term of office of all the eleven Directors is to expire at the close of this ordinary general meeting of shareholders. The Company therefore proposes election of twelve Directors including one Outside Director based on the following list of candidates.

Candidate No.	Name (Date of Birth)	Personal History, Positions at the Company, and Representation of Other Organizations	Number of Shares of the Company Held
1.	Mitsuo Ohashi (January 18, 1936)	<p>March 1959 Joined The Mitsui Bank Limited December 1961 Joined the Company March 1989 Director; General Manager, Corporate Planning Department March 1993 Managing Director March 1995 Senior Managing Director March 1997 President January 2005 Director and Chairman of the Board (up to the present) Representation of Other Organizations: Chairman, Association for the Progress of New Chemistry</p>	207,000 shares
2.	Kyohei Takahashi (July 17, 1944)	<p>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 and Representative Director, Montell SDK Sunrise Ltd. January 2001 Executive Vice President and Representative Director, 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 (up to the present)</p>	141,000 shares

Candidate No.	Name (Date of Birth)	Personal History, Positions at the Company, and Representation of Other Organizations	Number of Shares of the Company Held
3.	Tatsuo Sato (August 10, 1946)	<p>April 1969 Joined the Company</p> <p>October 1995 General Manager, Petrochemicals Administration and Planning Department</p> <p>March 1999 General Manager, Corporate Planning Department</p> <p>June 1999 Councillor; General Manager, Corporate Planning Department</p> <p>March 2000 Councillor; General Manager, Corporate Strategy Department</p> <p>March 2001 Director; General Manager, Corporate Strategy Department</p> <p>March 2002 Managing Director; General Manager, Corporate Strategy Department.</p> <p>May 2003 Managing Director</p> <p>March 2004 Senior Managing Director; Executive Officer, Aluminum Sector</p> <p>January 2007 Director; Senior Managing Corporate Officer; Executive Officer, Aluminum Sector (up to the present)</p>	89,000 shares
4.	Norikuni Imoto (August 20, 1945)	<p>April 1968 Joined the Company</p> <p>March 1997 General Manager, General Affairs Department</p> <p>June 1997 Councillor; General Manager, General Affairs Department</p> <p>March 2000 Director; Executive Officer, Corporate Relations Center</p> <p>March 2004 Managing Director; Executive Officer, Corporate Relations Center</p> <p>January 2006 Managing Director</p> <p>January 2007 Director; Senior Managing Corporate Officer; Chief Risk Management Officer (CRO), in charge of Audit, General Affairs, Legal, CSR, and Purchasing offices (up to the present)</p>	60,000 shares
5.	Tetsuo Tamada (November 15, 1945)	<p>April 1969 Joined Showa Aluminum Corp.</p> <p>June 2000 General Manager, Corporate Planning Department, Showa Aluminum Corp.</p> <p>March 2001 Councillor; General Manager, Planning Department, Inorganic Materials Sector, of the Company</p> <p>March 2002 Corporate Officer; General Manager, Planning Department, Inorganic Materials Sector</p> <p>January 2003 Corporate Officer; General Manager, Carbons & Metallic Materials Division, Inorganic Materials Sector</p> <p>March 2004 Director; Executive Officer, Inorganic Materials Sector</p> <p>January 2006 Managing Director; Executive Officer, Inorganics Sector</p> <p>January 2007 Director; Managing Corporate Officer; Executive Officer, Inorganics Sector (up to the present)</p> <p>Representation of Other Organizations: Chairman, Showa Denko Carbon, Inc. President, MEFS Co., Ltd.</p>	42,000 shares

Candidate No.	Name (Date of Birth)	Personal History, Positions at the Company, and Representation of Other Organizations	Number of Shares of the Company Held
6.	Ichiro Nomura (August 6, 1948)	<p>July 1971 Joined the Company</p> <p>March 2001 Councillor; General Manager, Planning Department, Aluminum Materials Sector</p> <p>March 2003 Councillor; General Manager, Planning Department, Aluminum Sector</p> <p>March 2004 Corporate Officer; General Manager, Planning Department, Aluminum Sector</p> <p>January 2005 Corporate Officer</p> <p>March 2005 Director</p> <p>January 2007 Director; Corporate Officer; Chief Financial Officer (CFO)</p> <p>January 2008 Director; Managing Corporate Officer; CFO; in charge of Corporate Strategy, IR &PR, Accounting, Finance, and Information Systems offices (up to the present)</p>	53,000 shares
7.	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 (up to the present)</p>	70,000 shares

Candidate No.	Name (Date of Birth)	Personal History, Positions at the Company, and Representation of Other Organizations	Number of Shares of the Company Held
8.	Toshio Ohi (September 24, 1946)	<p>June 1970 Joined the Company</p> <p>April 1998 General Manager, Manufacturing Department, Kawasaki Plant</p> <p>June 1999 Councillor; General Manager, Manufacturing Department, Kawasaki Plant</p> <p>March 2000 Councillor; General Manager, Kawasaki Plant, Gases & Chemicals Division, Chemicals Sector</p> <p>July 2002 Councillor; General Manager, Production Technology Department, Technology Headquarters</p> <p>March 2003 Corporate Officer; General Manager, Production Technology Department, Technology Headquarters</p> <p>March 2004 Corporate Officer; Deputy Executive Officer, Technology Headquarters</p> <p>January 2006 Corporate Officer; General Manager, Chemicals Production Center, Chemicals Sector</p> <p>January 2007 Corporate Officer; Executive Officer, Chemicals Sector</p> <p>March 2007 Director; Corporate Officer, Executive Officer, Chemicals Sector (up to the present)</p> <p>Representation of Other Organizations: Chairman, Taiwan Showa Chemicals Manufacturing Co., Ltd. President, Union Helium Co., Ltd.</p>	22,000 shares
9.	Takashi Miyazaki (October 28, 1950)	<p>April 1974 Joined the Company</p> <p>March 2001 General Manager, Olefins Division, Petrochemicals Sector</p> <p>March 2004 Corporate Officer; General Manager, Olefins and Organic Chemicals divisions, Petrochemicals Sector</p> <p>January 2007 Corporate Officer; Executive Officer, Petrochemicals Sector</p> <p>March 2007 Director; Corporate Officer, Executive Officer, Petrochemical Sector (up to the present)</p> <p>Representation of Other Organizations: President, Japan Ethyl Acetate Co., Ltd. President, SDK Sunrise Investment Co., Ltd. President, Japan Polyolefins Co., Ltd.</p>	29,000 shares

Candidate No.	Name (Date of Birth)	Personal History, Positions at the Company, and Representation of Other Organizations	Number of Shares of the Company Held
10.	* Kenji Tsukamoto (July 1, 1948)	<p>May 1972 Joined Showa Aluminum Corp.</p> <p>May 2000 General Manager, Technology Planning Department, Technology Headquarters, Showa Aluminum Corp.</p> <p>March 2001 Councillor; General Manager, Aluminum Production Technology Department, Production Technology Headquarters, of the Company</p> <p>March 2002 Councillor; General Manager, Aluminum Technology Center, Aluminum Sector</p> <p>March 2003 Corporate Officer; General Manager, Extrusion Division, Aluminum Sector</p> <p>March 2005 Corporate Officer; Deputy Executive Officer, Aluminum Sector</p> <p>January 2006 Corporate Officer; General Manager, Corporate Technical Office, Technology Headquarters</p> <p>January 2008 Corporate Officer; Chief Technology Officer (CTO); Executive Officer, Technology Headquarters (up to the present)</p>	19,000 shares
11.	* 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>January 2008 Corporate Officer; General Manager, Corporate Strategy Office; in charge of Human Resources Office (up to the present)</p>	18,000 shares
12.	* 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 (up to the present)</p> <p>Representation of Other Organizations: President, 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. The names with asterisks denote candidates for new appointment as Directors.

3. Mr. Tomofumi Akiyama is a candidate for Outside Director.

4. Reasons for proposing Mr. Akiyama as a candidate for Outside Director:

We anticipate receiving valuable advice on the management of the company based on his experience and insight from being engaged in the management of a life insurance company for many years and believe he is qualified as an Outside Director.

5. Pursuant to the provisions of Articles of Incorporation, in case Mr. Akiyama is elected, the Company plans

to enter into an 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. 5: Election of Three Auditors

The term of office of Auditors Hiroshi Ito, Takashi Kobayashi and Shogo Itoda is to expire at the close of this ordinary general meeting of shareholders. The Company therefore proposes election of three Auditors.

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

The candidates for Auditor are as listed below:

Candidate No.	Name (Date of Birth)	Personal History, Positions at the Company, and Representation of Other Organizations	Number of Shares of the Company Held
1.	Hiroshi Ito (October 25, 1943)	<p>April 1967 Joined the Company</p> <p>March 1993 General Manager, Accounting Department</p> <p>March 1996 Councillor; General Manager, Accounting Department</p> <p>March 1999 Director; General Manager, Finance Department</p> <p>March 2000 Director; General Manager, Accounting Group, Business Support Center</p> <p>March 2001 Corporate Officer; General Manager, Accounting Group, Business Support Center</p> <p>March 2003 Director; Executive Officer, Business Support Center</p> <p>March 2004 Managing Director; Executive Officer, Business Support Center</p> <p>January 2006 Director, Assistant to President</p> <p>March 2006 Standing Auditor</p> <p>January 2007 Standing Statutory Auditor (up to the present)</p>	59,000 shares
2.	Shogo Itoda (January 9, 1937)	<p>April 1961 Joined Secretariat Office, Japan Fair Trade Commission (JFTC)</p> <p>July 1980 Director, International Corporate Affairs Division, Industrial Policy Bureau, Ministry of International Trade and Industry</p> <p>July 1987 Deputy Secretary General, Secretariat Office, JFTC</p> <p>April 1990 Director General, Economic Affairs, Secretariat Office, JFTC</p> <p>July 1992 Director General, Investigation, Secretariat Office, JFTC</p> <p>July 1993 Secretary, Secretariat Office, JFTC</p> <p>July 1996 Secretary General, Secretariat Office, JFTC</p> <p>July 1997 Commissioner, JFTC</p> <p>June 2002 Resigned from the office of Commissioner, JFTC</p> <p>September 2002 Assumed the position of Professor, Faculty of Contemporary Law, Tokyo Keizai University</p> <p>March 2004 Outside Auditor, of the Company</p> <p>March 2007 Resigned from the position of Professor, Faculty of Contemporary Law, Tokyo Keizai University (up to the present)</p>	11,000 shares

Candidate No.	Name (Date of Birth)	Personal History, Positions at the Company, and Representation of Other Organizations	Number of Shares of the Company Held
3.	* Hiroyuki Tezuka (May 8, 1961)	<p>April 1986 Admitted to the Bar (Daiichi Tokyo Bar Association) Joined Nishimura & Sanada Law Office (now Nishimura & Asahi)</p> <p>September 1992 Joined Cleary, Gottlieb, Steen & Hamilton (New York)</p> <p>January 1993 Admitted to the Bar, State of New York</p> <p>June 1993 Returned to Nishimura & Sanada Law Office (now Nishimura & Asahi) as Partner (up to the present)</p>	0 shares

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

2. The name with asterisk denotes candidate for new appointment as Auditor.

3. Mr. Shogo Itoda and Mr. Hiroyuki Tezuka are candidates for Outside Auditors.

4. Reasons for proposing Mr. Itoda and Mr. Tezuka as candidates for Outside Auditors:

(1) Shogo Itoda

Mr. Itoda will have been in office for 4 years at the close of this ordinary general meeting of shareholders. Based on his long experience at Japan Fair Trade Commission and deep legal knowledge, he has been appropriately performing his duty as Outside Auditor, particularly from the perspective of compliance. We therefore believe that he is well qualified for the position of Outside Auditor and we are expecting him to provide a similarly high level of auditing activity in future too.

(2) Hiroyuki Tezuka

We believe Mr. Tezuka is well qualified for the position of Outside Auditor and we expect that his long international experience as attorney at law and his valuable insight into corporate legal issues will benefit us very much.

5. The Company has entered into an agreement with Mr. Itoda pursuant to the provisions of Articles of Incorporation, limiting his liability for damages within a defined range. The amount of limited liability under the agreement is the minimum level stipulated by laws and regulations. In case Mr. Itoda is elected, the Company plans to continue the agreement.

6. Pursuant to the provisions of Articles of Incorporation, in case Mr. Tezuka is elected, the Company plans to enter into an 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 6: Election of Accounting Auditor

The Company has currently engaged the Fuji Accounting Office as our Accounting Auditor. However, we propose to select KPMG AZSA & Co. additionally as our Accounting Auditor in order to further strengthen our accounting audit structure. By taking this measure, the Company will have a joint auditing system involving both the Fuji Accounting Office and KPMG AZSA & Co.

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

The candidate for Accounting Auditor is as listed below:

Name	KPMG AZSA & Co.	
Principal Office	AZSA Center Building, 1-2, Tsukudo-cho, Shinjuku-ku, Tokyo	
History	July 1985	Asahi Auditing Firm and Shinwa Kansa Hojin were merged and assigned the name of Asahi Shinwa Auditing Firm.
	October 1993	Merged with Inoue Saito Eiwa Kansa Hojin and assigned the name of Asahi & Co.
	February 2003	The KPMG auditing group spun out of Ernst & Young ShinNihon and established AZSA & Co.
	January 2004	KPMG AZSA & Co. was formed through the merger of Asahi & Co. and AZSA & Co.
Outline (As of March 31, 2007)	Amount of Capital	¥ 3,760 million
	Composition of Employees	
	Certified Public Accountants	1,799 (including 258 Representative Partners and 236 Partners)
	Assistant Certified Public Accountants	745
	New CPA Exam Passers	921
	Other staff	1,054
	Total	4,519
Number of Clients	5,419 (KPMG AZSA performs auditing/certification for 4,027 of these companies and provides other business services to 1,392 of them)	

Proposal 7: Introduction of a Reaction Policy on Large-scale Purchases of the Company’s Stock Certificates, etc. (Takeover Defense)

On condition that Proposal 3, Partial Amendment of the Articles of Incorporation (2) is approved as proposed, and in accordance with the provisions of new Article 19 of the Company’s Articles of Incorporation, the Company proposes the introduction of a reaction policy on large-scale purchases of the Company’s stock certificates, etc. (Takeover Defense) as described hereinafter.

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 (“Basic policy regarding the conduct of the person controlling the relevant stock company” stipulated in the Ordinance for Enforcement of the Companies Act, Article 127)

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

The Company is taking measures as described below in an effort to secure and enhance its corporate value and the common interests of shareholders. We believe these measures will help us realize the Basic policy regarding the conduct of the person controlling the relevant stock company.

(i) The Company’s vision

The Company will 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.

(ii) Contribution to the sound growth of society

The Company aims to increase its corporate value through the provision of useful products and services, and earn the full trust and confidence of all stakeholders, including its shareholders and customers.

As a pioneer in Japan's chemical industry, the Company has been offering useful technologies and products 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.

The company has created a wide range of innovative products and technologies, through linking organic/inorganic-chemical and aluminum-fabricating technologies, which are valued highly by the market.

In order to continue creating such "individualized" technologies and products in large numbers, the Company needs to secure employees with expertise and pioneering spirit who will work to deepen the Company's core technologies. On the strength of employees' confidence in the Company, the Company is making utmost efforts to develop and maintain human resources to ensure the development of its core technologies.

(iii) CSR activities

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 and risk management, improve corporate ethics, step up Responsible Care activities, and deepen its relationship with society.

The Company is therefore taking measures to strengthen compliance and supervision of management, clarify management's responsibility, ensure effective and speedy decision-making and business execution, and improve information disclosure. At the same time, the Company is making utmost efforts to ensure safety and quality, protect the environment, and maintain dialogues with local communities in order to earn the full trust of its stakeholders, including the shareholders, customers, suppliers, employees and local residents.

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.

Through these activities, the Company conducts business in a fair and faithful manner in full consideration of environmental, social and economic aspects of operations, thereby contributing to sustainable growth of society.

(iv) Passion Project

The Company is carrying out the Passion Project, a consolidated business plan that runs from 2006 through 2008, creating "individualized" products and services through full utilization of accumulated technologies, know-how and human resources. Under the project, the Company aims to lay the groundwork for long-term sustainable growth as a unique chemical company with "individualized" products and technologies. Top priority is given to the development and expansion of growth businesses, continuous growth of profits, and improvement of financial strengths.

Under the Passion Project, the Company has classified its operations into the three categories of "growth drivers," "new growth drivers," and "base businesses." While strengthening base businesses as a stable

source of profits and cash flow, the Company is concentrating on growth businesses by way of the allocation of managerial resources to ensure the Company's growth is sustainable.

Specifically, the "growth drivers" now consist of the hard disk media and semiconductor-processing materials businesses. Meanwhile, the Company is developing "new growth drivers," including the ultrabright LED business, through intensive R&D work and energetic marketing activities. The base businesses, such as petrochemicals, inorganics, and aluminum, are supporting the expansion of growth businesses.

The Company will continue creating "individualized" products and technologies through the implementation of a series of medium-term consolidated business plans, thereby enhancing the Company's corporate value and the common interests of shareholders.

3. Purpose of Introducing the Reaction Policy

The Reaction Policy is to be introduced based on the Basic policy described in paragraph 1 above and for the 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 decided that it is necessary to have certain rules to prevent purchases which do not contribute to enhancing the Company's corporate value and are contrary to the common interests of its shareholders when large-scale purchases of the Company's Stock 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's Board of Directors introduced the Reaction Policy as one of the measures to prevent the Company's financial and business policy decisions being controlled by persons recognized as inappropriate in light of the basic policy described in paragraph 1 above. The resolutions on the articles of incorporation amendment proposal and the Reaction Policy proposal at the Ordinary Shareholders' Meeting do not limit the exercise of the powers which the Board of Directors or the Shareholders' Meeting have according to law, such as countermeasures against purchases which are extremely damaging to the Company's corporate value.

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

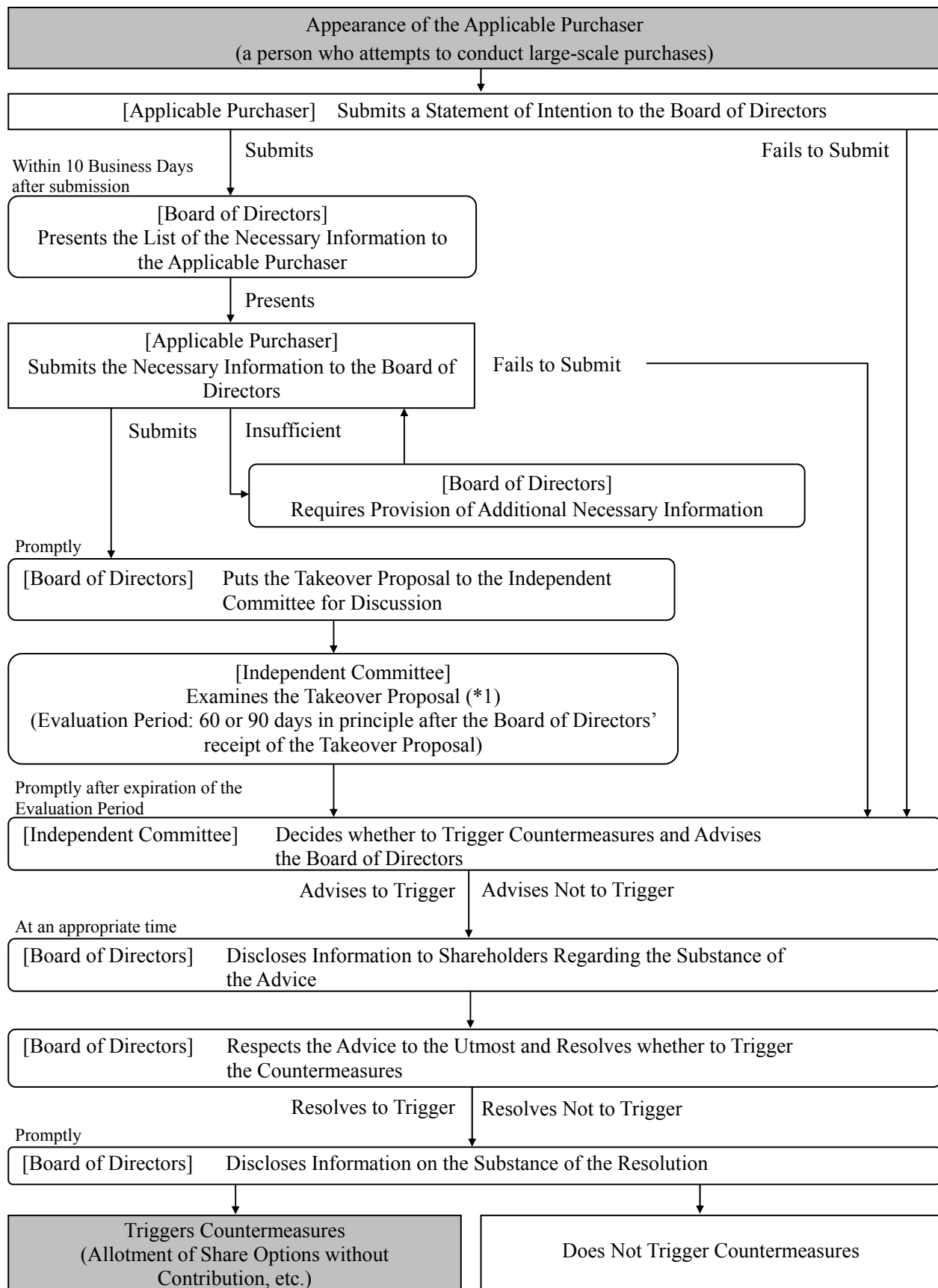
The Company's major shareholders as of December 31, 2007 are shown in the "Major Shareholders Situation" (Schedule 1).

4. Outline of the Reaction Policy

The details of the Reaction Policy are set forth in Article 2. The general flow of the procedure is outlined in the flow chart on the next page.

Procedure Flow

From “Appearance of the Applicable Purchaser” to “Triggering Countermeasures”



*1 The Independent Committee may request the Board of Directors provide certain information within 60 days after the Board of Directors' receipt of the Takeover Proposal.

This flow chart provides an outline of the Reaction Policy. There is a possibility that the powers which the Board of Directors or the Shareholders' Meeting have by law could be also exercised as countermeasures against purchases which are extremely damaging to the Company's corporate value.

(i) 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 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 Board of Directors. The Company establishes such committee according to the Independent Committee Rules determined by the Board of Directors. The Independent Committee shall consist of three (3) or more people chosen from the Company's Outside Directors, the Outside Company 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 original candidates for the members of the Independent Committee upon the introduction of the Reaction Policy, please refer to Schedule 2.)

(ii) Outline of Procedures

The substance of the Reaction Policy includes the following:

- a) 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 fall within the scope of persons attempting to conduct a 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;
- b) the Independent Committee shall, based on the information provided, advise on the triggering, etc. of countermeasures;
- c) if any information is not provided by the Applicable Purchaser, or the Board of Directors determines that the information provided by the Applicable Purchaser is insufficient, the Independent Committee shall advise the Board of Directors regarding the triggering, etc. of countermeasures taking into consideration such circumstances;
- d) the Board of Directors, which is advised by the Independent Committee as described in b) or c) above, shall examine whether to trigger countermeasures giving its utmost respect to such advice;
- e) the Applicable Purchaser may not initiate the Large-scale Purchases unless the resolution that countermeasures are not to be triggered is made by the Board of Directors; and
- f) in cases such as where the Board of Directors determine, as a result of d) above, 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.

(iii) Outline of Countermeasures

When the Board of Directors resolves to trigger countermeasures (after giving its utmost respect to the Independent Committee's advice) it shall, according to such resolution, allot share options (for the substance of the share options, please refer to Article 2, paragraph 3) to all the Company's shareholders as of a certain date using the allotment of share options without contribution method (Companies Law, Article 277 et. seq.) or shall take other measures that the Board of Directors are authorized to take by law or under the articles of incorporation.

(iv) Procedures to Introduce the Reaction Policy

In order to ensure that the introduction of the Reaction Policy reflects the Company's shareholders' opinions, the approval of the shareholders for the matters set forth below shall be required at the Ordinary Shareholders' Meeting.

- (a) Subject to the proviso clause in Article 278, paragraph 3 of the Companies Law, the articles of incorporation amendment proposal, as set forth in Schedule 3 below, that provides for the addition of a provision that stipulates that the Company's Shareholders' Meeting may by its resolution decide to introduce, amend, or abolish reaction policies regarding large-scale purchases of the Company's shares will be put to the Ordinary Shareholders' Meeting for discussion.
- (b) Provided that the articles of incorporation amendment proposal mentioned in (a) above is approved and resolved in accordance with the original proposal, subject to the provisions of Article 17 of the amended articles of incorporation, a proposal to approve the introduction of the Reaction Policy by an ordinary resolution at the Ordinary Shareholders' Meeting is planned.

Article 2 Substance of the Reaction Policy

1. Procedures of the Reaction Policy

(i) 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 Stock Certificates¹ issued by the Company, purchases and other similar actions ("Purchases") where the total ownership ratio of Stock Certificates² held by holders³ and by their joint holders⁴ 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 Stock Certificates⁵ issued by the Company, public tender offers⁶ of the

¹ Meaning "Stock Certificates" as provided for in the Financial Instruments and Exchange Law, Article 27-23, paragraph 1, hereinafter the same unless otherwise provided.

² Meaning the "ownership ratio of Stock Certificates" provided for in the Financial Instruments and Exchange Law, Article 27-23, paragraph 4.

³ Including persons included as holders subject to the Financial Instruments and Exchange Law, Article 27-23, paragraph 3.

⁴ Meaning a "joint holder" as provided for in the Financial Instruments and Exchange Law, Article 27-23, paragraph 5 including persons deemed to be joint holders subject to paragraph 6 of the same Article, and persons which the Company's Board of Directors recognize as falling within the scope of joint holders.

⁵ Meaning the "Stock Certificates" as provided for in the Financial Instruments and Exchange Law, Article 27-2, paragraph 1, hereinafter the same in this item (b).

⁶ Meaning the "public tender offer" provided for in the Financial Instruments and Exchange Law, Article 27-2, paragraph 6.

Company's Stock Certificates, where the ownership ratio of the Stock Certificates⁷ held by public tender offeror will be 20% or more after such public tender offer.

- (ii) 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, a 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 Days⁸ 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 who have 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;

⁷ Meaning "the ownership ratio of the Stock Certificates" provided for in the Financial Instruments and Exchange Law, Article 27-2, paragraph 8, however, it shall mean the total the ownership ratio of the Stock Certificates including those owned by persons who have a special relationship (as provided for in the Financial Instruments and Exchange Law, Article 27-2, paragraph 7, and includes persons the Company's Board of Directors recognize as falling within the scope of the persons who have a special relationship) to the public tender offeror (as defined under the Financial Instruments and Exchange Law, Article 27-3, paragraph 2).

⁸ "Business Day" shall mean a day which is not the day listed in the Act on Holidays of Administrative Organs (*Gyosei-kikan no kyujitsu ni kansuru horitsu*), Article 1, paragraph 1, each item.

- (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 Stock 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 Stock 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 Stock Certificates by the Large-scale Purchases (including for example, the specific name, financing method, and substance of any related transaction 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 Stock 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 law (including foreign law) 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 law which are the basis thereof (including a Japanese translation of the relevant provisions of any foreign law); and
- (i) Other information determined as reasonably necessary by the Board of Directors or 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 Company's Board of Directors will additionally require the Applicable Purchaser to provide information in writing and specify a reasonable period within which this must be done. In such case, the Applicable Purchaser shall additionally submit the required Necessary Information in writing within such period.

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.

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.

(iii) 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 Company's Board of Directors or the Independent Committee as constituting the Necessary Information.

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

In cases where the Company's Board of Directors received the Statement of Intent and the Takeover Proposal, irrespective of the Independent Committee's requirement to provide the information mentioned above in (iii), 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 Stock 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 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 "Evaluation Period.") In order to ensure 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.

(v) Advice by the Independent Committee

Promptly after the expiration of the Evaluation Period (if extended by the Independent Committee's resolution, such extended period shall be included), 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, that the countermeasures are not to be triggered.

(a) When the Independent Committee advises to trigger countermeasures

As the result of examination on the Takeover Proposal, if the Takeover Proposal falls within the requirements for triggering Countermeasures stipulated in items (i) and (ii) of paragraph 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.

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

As the result of examination on 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 items (i) and (ii) of paragraph 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 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 items (i) and (ii) of paragraph 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 changed or the Independent Committee recognizes that such circumstances were not true and decided that they do not fall within any of the requirements for triggering Countermeasures stipulated in items (i) and (ii) of paragraph 2 below, the Independent Committee shall again advise the Company's Board of Directors to suspend (or otherwise) triggering the countermeasures.

(vi) Disclosure of the Independent Committee's advice

In cases where the Company's Board of Directors was given advice by the Independent Committee, the Company's Board of Directors will disclose to shareholders at a time when the 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 Board of Directors or the Independent Committee decides are appropriate to disclose.

(vii) 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. 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 more later than 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).

2. Requirements for Triggering Countermeasures

(i) When the Reaction Policy is not complied with

If the Applicable Purchaser did not provide the Necessary Information, or the provided Necessary Information (including those provided in accordance with the additional require by the Company's Board of Directors) was reasonably determined to be insufficient by the Company's Board of Directors, 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, item (vii) above, an allotment of the Share Options without contribution (defined in paragraph 3 below) or other measures which the Board of Directors is authorized to carry out under law or the Company's articles of incorporation (the "Countermeasures") will be effected.

(ii) When the procedures stipulated in the Reaction Policy is 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, item (vii) 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:

- 1) The Large-scale Purchases of the Company's Stock 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 Stock Certificates at a high price (a so-called greenmail)
- 2) The Large-scale Purchases of the Company's Stock Certificates are proposed with the intention to manage the Company in accordance with the 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.

- 3) The Large-scale Purchases of the Company's Stock 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
 - 4) The Large-scale Purchases of the Company's Stock 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 Stock 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 Stock Certificates proposed by the Applicable Purchaser is likely to substantially compel the Company's shareholders to sell the Company's Stock Certificates such as by using a coercive two-step-purchase (meaning not inviting the Purchase of all the Stock Certificates at the first stage of the Purchases and then setting bad conditions for the purchase at the second stage or keeping such conditions unclear, and conducting the Purchases of the Stock Certificates by way of a public tender offer).
 - (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 in the medium to long term, 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 trigger of the Countermeasures, upon giving its utmost respect to such advice, 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 law 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 4. (The share options the substance of which is set forth in Schedule 4 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 2007 to the time of the conclusion of the ordinary shareholders' meeting for the business year ending in December 2010. 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 (Stock Certificates in a quantity that results in the ownership ratio of Stock Certificates held by that purchaser will be 20% or more after such acquire) 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 Ordinary 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.

(i) Conformity with the guidelines on takeover defense

The Reaction Policy fully conforms with the three principles set forth in "Guidelines on Takeover Defense to Secure or Enhance Corporate Value/Common Interests of Shareholders" issued on May 27, 2005 by the Ministry of Economy, Trade and Industry and the Ministry of Justice.

(ii) Reflecting shareholders' opinion (Resolution for introduction and sunset provision)

The Reaction Policy comes into effect upon the approval of the Company's shareholders at the Ordinary Shareholders' Meeting as described in Article 1, paragraph 3 "Purpose of Introducing the Reaction Policy" above and Article 1, paragraph 4, item (iv) "Procedures to Introduce the Reaction Policy" above. Its term of validity is three (3) years ending at the time of the conclusion of the ordinary shareholders' meeting for the business year ending December 2010 as described in Article 2, paragraph 4 "Term of Validity of the Reaction Policy" above. 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. In addition, as described in Article 2, paragraph 5 “Abolition and Amendment of the Reaction Policy” above, 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, and therefore the opinion of the shareholders will be reflected to the utmost.

(iii) The takeover defense is not a ‘dead hand’ nor 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 selected at the Company’s shareholders’ meeting. Therefore, any person attempting to purchase the Company’s Stock Certificates on a large-scale may select the directors they designate at the Company’s shareholders’ meeting and through the Board of Directors comprised of such Directors abolish the Reaction Policy.

Accordingly, the Reaction Policy is not a so-called ‘dead hand’ type takeover defense (a takeover defense which cannot prevent triggering countermeasures despite changing 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).

(iv) Respect decisions made by highly independent persons

Upon introducing the Reaction Policy, as described in Article 1, paragraph 4, item (i), in order to avoid an arbitrary determination by the Company’s Board of Directors’ and to ensure that the Reaction Policy is for the shareholders, duly conducted for the purpose of contributing to maintaining/enhancing the Company’s corporate value or the common interests of its shareholders, the Independent Committee is to be established (which is comprised of the Company’s Outside Directors who are independent from the management of the business of the Company, the Outside Company 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 area, and well-learned persons outside the Company such as managers, etc.) and its objective decision shall be respected to the utmost when making a decision on triggering the Countermeasures set forth in the Reaction Policy.

The Independent Committee may, at the Company’s expense, ask any independent third parties for advice (including financial advisors, certified public accountants, attorneys-at-law, consultants, or other experts) for the purpose of ensuring an objective and fair decision. 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.

(v) Setting objective requirements

The Reaction Policy is designed to prevent triggering the Countermeasures unless reasonable objective

requirements are satisfied, as described in Article 2, paragraph 2 “Requirements for Triggering Countermeasures” above and Article 2, paragraph 3 “Substance of the Countermeasures (Allotment of Share Options without Contribution, etc.)” above. Therefore a mechanism is in place to prohibit the Company’s Board of Directors arbitrarily triggering the Countermeasures.

(vi) Obtaining opinions from third-party-experts

The Reaction Policy provides, as described in Article 2, paragraph 1, item (iv) “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

(i) Influence on shareholders and investors upon introduction of the Reaction Policy

At the time of the introduction 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.

(ii) 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 (iii), (c) 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 (iii), (c) 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 sold or did otherwise with the Company’s shares presuming the value per Company share would be diluted, are likely to suffer corresponding loss due to the fluctuation of the share price.

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

contribution

(a) Procedure for entering a name change

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 entered or registered in the latest shareholder registry (including the substantial shareholder registry) on the Allotment Date according to the number of shares held by them, shareholders are required to promptly follow a procedure for entering a name change on the register (but owners of stock certificates deposited at the Japan Securities Depository Center, Inc. need not follow the procedures for entering a name change).

(b) Procedure for allotment of the Share Options

The shareholders entered or registered in the latest shareholder registry (including the substantial shareholder registry) on the Allotment Date will inevitably be the holders of the Share Options on the effective date of the allotment of the Share Options without contribution, and therefore the application procedures need not be followed.

(c) Procedure for the exercise of the Share Options

The Company will in principle, send the shareholders entered or registered in the latest shareholder registry (including the substantial shareholder registry) on the Allotment Date, the Share Options exercise request form (in a form designated by the Company and include: 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 4, 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.

(d) 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 the Company's ordinary shares, 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 state for example that they do not fall within definition of the persons set forth in Schedule 4, 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.

Major Shareholders Situation
(as of December 31, 2007)

Shareholders	Number of Shares Held	Investment Ratio
	(thousand shares)	(%)
Japan Trustee Services Bank, Ltd. (trust account)	81,782	6.59
The Master Trust Bank of Japan, Ltd. (trust account)	65,729	5.29
Fukoku Mutual Life Insurance Company	54,800	4.41
The Dai-Ichi Mutual Life Insurance Company	45,000	3.62
Sompo Japan Insurance Inc.	41,566	3.35
Nippon Life Insurance Company	35,299	2.84
Mizuho Corporate Bank, Ltd.	30,173	2.43
Meiji Yasuda Life Insurance Company	27,838	2.24
Showa Denko Employee Holding Association	15,418	1.24
Taiyo Life Insurance Company	15,000	1.21

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

Hideshi Iwai

July 1969	<u>The Fuji Bank, Ltd.</u>
July 1990	Counselor, Securities Planning Dept. (Fuji International Finance, London)
February 1993	General Manager, Capital Markets
May 1995	Manager, Kabutocho Branch
May 1997	General Manager, Securities
June 1997	Director/General Manager, Securities
April 1998	Director/General Manager, Financial Product Planning General Manager, Asset Management
June 1999	<u>Fuji Securities Inc.</u>

Senior Managing Director

October 2000	<u>Mizuho Securities Co., Ltd.</u> Managing Director/Head of Business Process Management Group
December 2002	Advisor
March 2003	<u>Mizuho Holdings, Inc.</u> (now Mizuho Financial Strategy Co., Ltd.) Director
March 2006 to the present	<u>Showa Denko K.K.</u> Outside Company Auditor
March 2007	Resigned from the office of director of Mizuho Financial Strategy Co., Ltd.
December 2007 to the present	<u>MATSUBO Corporation</u> Outside Company Auditor
 <u>Hiroyuki Tezuka</u>	
April 1986	Admitted to the Bar (Dai-ichi Tokyo Bar Association) <u>Nishimura & Sanada Law Office</u> (now 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> (now Nishimura & Asahi) Partner
January 2006 to the present	<u>Inter-Pacific Bar Association</u> Committee Vice-Chairperson, Dispute Resolution and Arbitration
January 2007 to the present	<u>International Bar Association</u> Vice-Chair, Arbitration Committee
June 2007 to the present	<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	<u>Showa Denko K.K.</u> to be appointed as an Outside Company Auditor

Articles of Incorporation Amendment Proposal

The proposed amendments are as set forth below.

(Underlines denote amendments.)

Current Articles of Incorporation	Proposed Amendments
(omitted)	
(new)	<p data-bbox="818 678 1326 712"><u>Reaction Policy on Large-Scale Purchases</u></p> <p data-bbox="818 752 943 786"><u>Article 19</u></p> <p data-bbox="818 790 1461 1048">1 The Company may, by resolution of its Board of Directors, decide to introduce, amend or abolish a reaction policy (the “Reaction Policy”) with respect to large-scale purchases of its stock, for the purpose of securing and enhancing its corporate value and the common interests of its shareholders.</p> <p data-bbox="818 1095 1461 1469">2 In addition to deciding the matters otherwise stipulated by law or these articles of incorporation, the Company’s Shareholders’ meeting may, by its resolution, approve the Reaction Policy determined by the Board of Directors of the Company, and amend or abolish the Reaction Policy introduced previously. The resolutions for such approval, amendment or abolishment shall be made subject to Article 17, paragraph 1 hereof.</p> <p data-bbox="818 1516 1461 1774">3 The Board of Directors may, pursuant to the Reaction Policy stipulated in the preceding paragraph, carry out an allotment of share options without contribution or allotment to shareholders, subject to the following matters and other conditions which the Board of Directors deems appropriate:</p> <p data-bbox="855 1821 1461 1966">(1) Conditions for exercising share options which preclude the exercise of rights by any parties stipulated in the Reaction Policy (the “Purchasers”);</p>

Current Articles of Incorporation	Proposed Amendments
	<p>(2) Provisions regarding acquisition which stipulate that the Company may, in acquiring a part of the relevant share options, only acquire the share options held by the holders of the share options excluding the Purchasers; and</p> <p>(3) Provisions regarding acquisition which stipulate that the Company may acquire the relevant share options at different considerations, depending on whether the holder thereof falls within the description of a Purchaser.</p>
(omitted)	

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 entered or registered in the latest shareholder registry (including the substantial 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 have a special relationship with 3) above;
- 5) persons who have purchased or succeeded 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 the Financial Instruments and Exchange Law, Article 27-23, paragraph 3) of the Company's Stock Certificates and whose ownership ratio of Stock Certificates (meaning the "ownership ratio of Stock Certificates" provided for in the Financial Instruments and Exchange Law, Article 27-23, paragraph 4) with respect to such Stock 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 the Financial Instruments and Exchange Law, Article 27-23, paragraph 5 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 the purchase, etc. (meaning the "purchase, etc." as provided for in the Financial Instruments and Exchange Law, Article 27-2, paragraph 1) of the Company's Stock Certificates by a public tender offer, and whose ownership ratio of the Stock Certificates (meaning "the ownership ratio of the Stock Certificates" provided for in the Financial Instruments and Exchange Law, Article 27-2, paragraph 8, however, it shall mean the total with the ownership ratio of the Stock Certificates of the persons who have a special relationship (meaning "persons who have a special relationship" as provided for in the Financial Instruments and Exchange Law, Article 27-2, paragraph 7, including persons the Company's Board of Directors recognize as falling within the scope of "persons who have a special relationship") with the public tender offeror (meaning the "public tender offeror" provided for in the Financial Instruments and Exchange Law, Article 27-3, paragraph 2) of the Stock Certificates related to their ownership (as those equivalent, including cases provided for in the Enforcement Order for the Financial Instruments and Exchange Law, Article 7, paragraph 1)) after such purchase, etc. result in 20% or more (including persons the Company's Board of Directors recognize 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 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 the Ordinance for Enforcement of the Companies Law, Article 3, paragraph 3).
- (b) Without prejudice to (a) above, persons falling under any of the following items *a)* through *d)* shall not fall under specific massive holders nor specific massive purchasers:
- a)* the Company, a subsidiary (meaning "subsidiary" as provided for in the Ordinance for Terms, Forms, and Preparation Method of Financial Statements, etc., Article 8, paragraph 3) 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 1) above, and who fell outside the scope of the specific massive holders set forth in 1) above by disposing of (or otherwise) the Company's Stock Certificates owned by them within 10 days (however, the Company's Board of Directors may extend such period) after falling under the specific massive holders set forth in 1) above;
- c)* persons who the Company's Board of Directors recognize as falling within the scope of specific massive holders set forth in 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 Stock Certificates and as a result fall within the scope of specific massive holders); or
- d)* persons whose acquisition and holding of the Company's Stock 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 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 falls 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, any person located in such jurisdiction may not 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, on a date determined by the Company's Board of Directors, acquire all the Share Options (however, limited to 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 new Share Options or other property per Share Option determined by the Company's Board of Directors.

(c) The Company may, at any time on or before the date immediately proceeding 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.

(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 law these will be determined by the Allotment of the Share Options without Contribution Resolution.

(9) Modification according to amendment, etc. of the law

The legal provisions quoted in the provisions set forth above are subject to those effective as of February 7, 2008, 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 after such date, by the Company's Board of Directors, taking into consideration the intention of such legislation or amendment or abolishment of the laws, such terms or provisions shall be deemed to be replaced or modified properly to a reasonable extent.