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Securities code: 4043
June 4, 2018

To Those Shareholders with Voting Rights

Hiroshi Yokota
Representative Director
Tokuyama Corporation
1-1 Mikage-cho, Shunan-shi, Yamaguchi

Notice of Convocation of the 154th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 154th Ordinary General Meeting of Shareholders of the Company.

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet. Please review the Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 6:00 p.m. on Thursday, June 21, 2018.

Exercise of Voting Rights in Writing (by Mail)

Please indicate your approval or disapproval of the proposals on the enclosed Voting Rights Exercise Form and return it so that it arrives by the voting deadline indicated above.

Exercise of Voting Rights via the Internet

Access the Company's designated voting rights exercise website (<https://evote.tr.mufg.jp/>), input the login ID and temporary password indicated on the enclosed Voting Rights Exercise Form, follow the instructions on the screen, and input your approval or disapproval of the proposals by the voting deadline indicated above.

1.Date and time: Friday, June 22, 2018, at 10:00 a.m. (Reception opens at 8:30 a.m.)
*** Please come early to the venue as the reception will be congested as it becomes close to the commencement of the meeting.**

2.Place: Tokuyama Corporation Culture Gymnasium
1-1-25, Eguchi, Shunan-shi, Yamaguchi

3.Meeting agenda

Matters to be reported:

- 1.Report on the Business Report, the Consolidated Financial Statements for the 154th Fiscal Term (from April 1, 2017 to March 31, 2018) and the Results of Audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee
- 2.Report on the Non-Consolidated Financial Statements for the 154th Fiscal Term (from April 1, 2017 to March 31, 2018)

Matters to be resolved:

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Election of Six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members)
- Proposal No. 3:** Amount and Content of Performance-based Stock Remuneration Program for Directors, etc.

Proposal No. 4: Approval of Policy Regarding Large-Scale Purchases of the Company's Shares, etc. (Anti-Takeover Measures)

4. Decision for convocation

Please refer to the information on the exercise of voting rights via the Internet.

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- * When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception.
 - * Documents attached to the "Notice of Convocation of the 154th Ordinary General Meeting of Shareholders" are included in the enclosed "Report on the 154th Fiscal Term: To Our Shareholders."
 - * Of the documents to be provided with this notice, the "Notes to the Consolidated Financial Statements" and the "Notes to the Non-Consolidated Financial Statements" are not provided in the appendix to the reported matters because they have been posted on the Company's website (<http://www.tokuyama.co.jp/>), pursuant to the provisions of applicable laws and regulations and Article 16 of the Articles of Incorporation.
The Audit and Supervisory Committee and the Accounting Auditor conducted audits on the Consolidated Financial Statements and Non-Consolidated Financial Statements when preparing the audit report and the financial audit report respectively. These statements also include, in addition to what is stated in the attached documents, matters requiring disclosure in "Notes to the Consolidated Financial Statements" and "Notes to Non-Consolidated Financial Statements."
 - * If any revision is made with regard to the matters stated in the Business Report, Non-Consolidated Financial Statements, Consolidated Financial Statements and the Reference Documents for the General Meeting of Shareholders, the modified information will be shown on the website of the Company (<http://www.tokuyama.co.jp/>).

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal No. 1: Appropriation of Surplus

The Company makes payment of cash dividends to shareholders, in principle on a continuous and stable basis, while taking into consideration changes in business performance and the medium-term business plan.

As to dividends of the fiscal term under review, taking into account business performance for the fiscal term under review and that profit plans for business performance for the fiscal year ending March 31, 2019 onward are in line with the Medium-Term Management Plan, the Company proposes dividends of 10 yen per share.

Additionally, as the Company celebrated the 100th anniversary of its founding on February 16, 2018, the Company proposes a commemorative dividend of 10 yen per share.

Although the Company was unable to provide dividends since the fiscal year ended March 31, 2015, placing great strain on shareholders, the Company proposes year-end dividends as follows, and appreciates your understanding.

1. Type of dividend property:

Dividends will be paid in cash.

2. Matters concerning the allocation of dividend property to shareholders and total amount thereof:

20 yen per share of common stock of the Company (of which, a commemorative dividend of 10 yen)

The total amount: 1,391,119,940 yen

Furthermore, on October 1, 2017, the Company implemented a share consolidation at a ratio of five common shares to one common share. As the Company has already paid an interim dividend of 2 yen per share prior to the share consolidation with a record date of September 30, 2017, the annual dividend for the fiscal term under review, after conversion to the post-consolidation figure, will amount to the equivalent of 30 yen per share, which includes an interim dividend of 10 yen and a year-end dividend of 20 yen.

3. Effective date of distribution of surplus

June 25, 2018

Proposal No. 2: Election of Six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members)

The terms of office of all seven (7) Directors will expire at the close of this General Meeting of Shareholders.

Accordingly, we request the election of six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members).

Furthermore, we confirmed that there were no matters of note expressed by the Audit and Supervisory Committee at the General Meeting of Shareholders with regard to this Proposal.

The candidates for Director (excluding Directors who are Audit and Supervisory Committee Members) are as follows:

No.	Name	Current position and assignment at the Company	Attendance at meetings of the Board of Directors
1	Candidate for reelection Masao Kusunoki	Representative Director, Chairperson	20/20 (100%)
2	Candidate for reelection Hiroshi Yokota	Representative Director, Supervision of all business divisions and Audit Office, President and Executive Officer	20/20 (100%)
3	Candidate for reelection Takeshi Nakahara	Director, In charge of Research & Development, Kashima Factory and Corporate Social Responsibility Div. Managing Executive Officer, General Manager, Corporate Social Responsibility Div.	20/20 (100%)
4	Candidate for reelection Hideki Adachi	Director, In charge of Tokuyama Factory Managing Executive Officer, General Manager, Tokuyama Factory	20/20 (100%)
5	Candidate for reelection Akihiro Hamada	Director, In charge of Finance and Procurement & Logistics Managing Executive Officer, General Manager, Corporate Administration Div.	20/20 (100%)
6	Candidate for reelection Hideo Sugimura	Director, In charge of Corporate Planning Div., General & Personnel Affairs and Secretarial Dept. Managing Executive Officer, General Manager, Corporate Planning Div.	16/16 (100%)

No.	Name (Date of birth)	Career Summary, Position, Assignment and Principal Concurrent Positions	
1	<p data-bbox="296 349 395 383"><u>Reelected</u></p> <p data-bbox="296 400 464 465">Masao Kusunoki (January 3, 1948)</p> <p data-bbox="296 495 576 577">Number of Company Shares Owned: 20,400 shares</p> <p data-bbox="296 607 485 658">Tenure as Director: 13 years in total</p> <p data-bbox="296 687 587 824">Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2018: 20/20 (100%)</p>	<p data-bbox="616 297 724 322">April 1970</p> <p data-bbox="616 333 772 358">December 1995</p> <p data-bbox="616 369 716 394">June 1997</p> <p data-bbox="616 405 716 430">June 2000</p> <p data-bbox="616 463 716 488">June 2001</p> <p data-bbox="616 521 724 546">April 2002</p> <p data-bbox="616 557 724 582">April 2003</p> <p data-bbox="616 616 724 640">April 2011</p> <p data-bbox="616 674 716 698">June 2011</p> <p data-bbox="616 732 724 757">April 2015</p> <p data-bbox="616 768 716 792">June 2015</p>	<p data-bbox="818 297 1018 322">Joined the Company</p> <p data-bbox="818 333 1235 358">General Manager, Chemicals Sales Dept. 1</p> <p data-bbox="818 369 1214 394">General Manager, Chemicals Sales Dept.</p> <p data-bbox="818 405 1331 456">Deputy Executive Officer, Deputy General Manager, Cement Business Div.</p> <p data-bbox="818 468 1337 519">Director, Deputy General Manager, Cement Business Div.</p> <p data-bbox="818 530 1305 555">Director, General Manager, Cement Business Div.</p> <p data-bbox="818 566 1362 618">Managing Director, General Manager, Cement Business Div.</p> <p data-bbox="818 629 1331 680">Managing Director, Supervision of Cement Business Div., Supervision of ESS Project Dept.</p> <p data-bbox="818 692 991 716">Executive Officer</p> <p data-bbox="818 728 999 752">Corporate Advisor</p> <p data-bbox="818 763 1278 788">President, EXCEL SHANON CORPORATION</p> <p data-bbox="818 799 991 824">Executive Officer</p> <p data-bbox="818 835 1302 860">Representative Director, Chairperson (To present)</p>
<p data-bbox="296 887 772 911">Reasons for nomination as candidate for Director</p> <p data-bbox="296 922 1362 1041">Mr. Masao Kusunoki supervises the management as Representative Director. At the Company, after serving as General Manager of Chemicals Sales Department and Cement Business Division, he retired as Director in 2011, and with great achievements in rehabilitating the management of a subsidiary. With our high expectations for his management talent, he returned as Director in 2015. We again propose his election as Director.</p>			

No.	Name (Date of birth)	Career Summary, Position, Assignment and Principal Concurrent Positions	
2	<p><u>Reelected</u></p> <p>Hiroshi Yokota (October 12, 1961)</p> <p>Number of Company Shares Owned: 11,300 shares</p> <p>Tenure as Director: 3 years</p> <p>Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2018: 20/20 (100%)</p>	<p>April 1985</p> <p>April 2008</p> <p>January 2010</p> <p>April 2014</p> <p>March 2015</p> <p>June 2015</p> <p>June 2017</p>	<p>Joined the Company</p> <p>General Manager, Fine Chemicals Sales Dept.</p> <p>General Manager, Silica & Derivatives Sales Dept.</p> <p>Executive Officer, General Manager, Specialty Products Business Div.</p> <p>President and Executive Officer</p> <p>Representative Director, Supervision of all business divisions, Corporate Planning Div., Audit Office, Secretarial Dept. and General & Personnel Affairs, President and Executive Officer</p> <p>Representative Director, Supervision of all business divisions and Audit Office, President and Executive Officer (To present)</p>
<p>Reasons for nomination as candidate for Director</p> <p>Mr. Hiroshi Yokota supervises the management as Representative Director. At the Company, he has not only extensive sales experience in wide-ranging areas, including chemicals, fine chemicals, and silica & derivatives, but also has experience in personnel and labor issues, as well as information systems and as General Manager of Specialty Products Business Division. Showing strong leadership with a sound business perspective, he succeeded in putting an end to a big issue of concern: rebuilding the deteriorated financial base. To sustain the Company's further growth in the future as we look toward its leap forward after reconstruction, we again propose his election as Director.</p>			

No.	Name (Date of birth)	Career Summary, Position, Assignment and Principal Concurrent Positions	
3	<p data-bbox="296 600 395 629">Reelected</p> <p data-bbox="296 651 491 712">Takeshi Nakahara (December 4, 1955)</p> <p data-bbox="296 741 576 824">Number of Company Shares Owned: 4,600 shares</p> <p data-bbox="296 853 483 913">Tenure as Director: 4 years</p> <p data-bbox="296 936 587 1070">Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2018: 20/20 (100%)</p>	April 1980	Joined the Company
		April 2004	Senior Chief, temporary transferred to FIGARO Engineering Inc., Managing Director, General Manager, Manufacturing Dept., General Manager, Corporate Planning Div.
		June 2006	Senior Chief, temporary transferred to FIGARO Engineering Inc., President
		April 2010	General Manager, Corporate Planning Dept. of the Company
		April 2011	Executive Officer, General Manager, Corporate Planning Dept., General Manager, ESS Project Dept.
		April 2013	Executive Officer, General Manager, Corporate Planning Div.
		April 2014	Managing Executive Officer, General Manager, Corporate Planning Div.
		June 2014	Director, Supervision of Corporate Planning Div., Managing Executive Officer, General Manager, Corporate Planning Div.
		April 2015	Director, Supervision of MOT Div., and Kashima Factory
		June 2015	Managing Executive Officer, General Manager, MOT Div.
August 2015	Director, In charge of MOT Div., and Kashima Factory		
June 2015	Managing Executive Officer, General Manager, MOT Div.		
August 2015	Director, In charge of Research & Development and Kashima Factory		
April 2017	Managing Executive Officer, General Manager, Research & Development Div.		
April 2017	Director, In charge of Research & Development, Kashima Factory and Corporate Social Responsibility Div.		
April 2017	Managing Executive Officer, General Manager, Corporate Social Responsibility Div. (To present)		
<p data-bbox="296 1373 775 1402">Reasons for nomination as candidate for Director</p> <p data-bbox="296 1402 1362 1507">Mr. Takeshi Nakahara supervises the management as Director, mainly in the research & development field. At the Company, he has experience in management, research & development, management of a subsidiary, and the Corporate Planning Division. Deemed a person who can re-establish business development for the future even in the current difficult conditions, we again propose his election as Director.</p>			

No.	Name (Date of birth)	Career Summary, Position, Assignment and Principal Concurrent Positions	
4	<p data-bbox="295 398 395 427"><u>Reelected</u></p> <p data-bbox="295 450 448 517">Hideki Adachi (May 24, 1955)</p> <p data-bbox="295 539 576 622">Number of Company Shares Owned: 3,800 shares</p> <p data-bbox="295 651 485 712">Tenure as Director: 3 years</p> <p data-bbox="295 734 587 875">Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2018: 20/20 (100%)</p>	April 1981	Joined the Company
		April 2007	General Manager, Cement Manufacturing Dept.
		April 2011	Deputy General Manager, Tokuyama Factory, General Manager, Cement Manufacturing Dept.
		April 2012	Executive Officer, Deputy General Manager, Cement Business Div.
		April 2013	Executive Officer, General Manager, Tokuyama Factory
		April 2015	Managing Executive Officer, General Manager, Tokuyama Factory
		June 2015	Director, In charge of Tokuyama Factory and Manufacturing Technology
		April 2016	Managing Executive Officer, General Manager, Tokuyama Factory
April 2016	Director, In charge of Tokuyama Factory and Manufacturing Technology		
April 2016	Managing Executive Officer, General Manager, Tokuyama Factory, General Manager, Manufacturing Technology Div.		
April 2017	Director, In charge of Tokuyama Factory		
April 2017	Managing Executive Officer, General Manager, Tokuyama Factory (To present)		
<p data-bbox="295 981 775 1010">Reasons for nomination as candidate for Director</p> <p data-bbox="295 1010 1372 1169">Mr. Hideki Adachi supervises the management as Director, mainly in the manufacturing and technology fields. At the Company, after engaging in the development of cement building materials, he has had long experience in the Cement Manufacturing Department, and is currently serving as General Manager of the Tokuyama Factory, our main production base. We request his reelection as a Director, since he is a right person to work on safety and disaster management of the Tokuyama Factory as well as to increase competitiveness of the entire plant from a broad standpoint.</p>			

No.	Name (Date of birth)	Career Summary, Position, Assignment and Principal Concurrent Positions
5	<p data-bbox="296 439 395 465"><u>Reelected</u></p> <p data-bbox="296 488 481 551">Akihiro Hamada (October 31, 1955)</p> <p data-bbox="296 577 574 663">Number of Company Shares Owned: 3,900 shares</p> <p data-bbox="296 689 481 752">Tenure as Director: 3 years</p> <p data-bbox="296 779 587 909">Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2018: 20/20 (100%)</p>	<p data-bbox="616 300 1018 327">April 1980 Joined the Company</p> <p data-bbox="616 336 1136 362">April 2005 General Manager, Finance Dept.</p> <p data-bbox="616 371 1235 398">October 2007 Senior Chief, Management Support Center</p> <p data-bbox="616 407 1279 434">April 2010 General Manager, Management Support Center</p> <p data-bbox="616 443 1369 470">October 2011 Deputy General Manager, Corporate Administration Div.</p> <p data-bbox="616 479 1359 542">April 2012 Executive Officer, Deputy General Manager, Corporate Administration Div.</p> <p data-bbox="616 551 1279 613">April 2014 Executive Officer, General Manager, Corporate Administration Div.</p> <p data-bbox="616 622 1279 685">April 2015 Managing Executive Officer, General Manager, Corporate Administration Div.</p> <p data-bbox="616 694 1324 757">June 2015 Director, In charge of Corporate Administration and Corporate Social Responsibility Div.</p> <p data-bbox="616 766 1279 828">Managing Executive Officer, General Manager, Corporate Administration Div.</p> <p data-bbox="616 837 1369 900">April 2016 Director, In charge of Finance, Procurement & Logistics and Corporate Social Responsibility Div.</p> <p data-bbox="616 909 1279 972">Managing Executive Officer, General Manager, Corporate Administration Div.</p> <p data-bbox="616 981 1305 1043">April 2017 Director, In charge of Finance and Procurement & Logistics</p> <p data-bbox="616 1030 1279 1093">Managing Executive Officer, General Manager, Corporate Administration Div. (To present)</p>
<p data-bbox="296 1057 775 1084">Reasons for nomination as candidate for Director</p> <p data-bbox="296 1093 1359 1216">Mr. Akihiro Hamada supervises the management as Director, mainly in the finance and accounting fields. At the Company, after being engaged in the cement business and personnel affairs, he specialized in finance, and is currently General Manager of the Corporate Administration Division. Deemed an appropriate person who will respond to the Company's task of reestablishing and reinforcing its financial base, we again propose his election as Director.</p>		

No.	Name (Date of birth)	Career Summary, Position, Assignment and Principal Concurrent Positions	
6	<div style="border: 1px solid black; display: inline-block; padding: 2px;">Reelected</div> Hideo Sugimura (October 22, 1959) Number of Company Shares Owned: 1,003 shares Tenure as Director: 1 year Attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2018: 16/16 (100%)	April 1984	Joined the Company
		April 2004	Temporary transferred to TOKUYAMA ASIA PACIFIC PTE. LTD, President
		April 2007	Senior Chief, ERP Promotion Div. of the Company
		May 2009	Senior Chief, ISAAC Promotion Div.
		August 2011	Senior Chief, temporary transferred to EXCEL SHANON CORPORATION, General Manager of Administration Dept., Administration Div.
		April 2012	Senior Chief, temporary transferred to EXCEL SHANON CORPORATION, Director, General Manager of Administration Div.
		April 2014	Senior Chief, temporary transferred to EXCEL SHANON CORPORATION, Managing Director, General Manager of Administration Div.
		December 2014	General Manager, Management Support Center of the Company, Director, EXCEL SHANON CORPORATION
		April 2015	Executive Officer, General Manager, Corporate Planning Div.
		April 2017	Managing Executive Officer, General Manager, Corporate Planning Div.
	June 2017	Director, In charge of Corporate Planning Div., General & Personnel Affairs and Secretarial Dept. Managing Executive Officer, General Manager, Corporate Planning Div. (To present)	
Reasons for nomination as candidate for Director Mr. Hideo Sugimura served as president of an overseas subsidiary and has a wealth of experience in efforts to convert an information system and reconstruct a domestic subsidiary. Since April 2015, he has made coordinating efforts across divisions and proposals to the management as General Manager of the Corporate Planning Division. To sustain the Company's further growth in the future as we look toward its leap forward after reconstruction, we again propose his election as Director.			

Notes:

1. There are no special interests between the candidates and the Company.
2. In addition to the meetings of the Board of Directors included in the attendance at meetings of the Board of Directors during the fiscal year ended March 31, 2018, there were two written resolutions that are recognized as resolutions by the Board of Directors pursuant to Article 370 of the Companies Act and Article 29 of the Articles of Incorporation.
3. As Mr. Hideo Sugimura was elected as Director at the 153rd Ordinary General Meeting of Shareholders held on June 23, 2017, the attendance at meetings of the Board of Directors shows attendance at the meetings held on and after June 23, 2017.

Proposal No. 3: Amount and Content of Performance-based Stock Remuneration Program for Directors, etc.

1. Reason for Proposal and Reason that the Remuneration, etc., is Appropriate

This Proposal requests the introduction of a performance-based stock remuneration program (hereinafter “the Program”) for Directors of the Company (excluding Directors who are Audit and Supervisory Committee Members, Non-executive Directors, External Directors, and persons not resident in Japan) and Executive Officers (excluding persons not resident in Japan; hereinafter collectively referred to with Directors as “Directors, etc.”) that will conduct delivery, etc., of the Company’s shares in accordance with the level of achievement of business performance targets in the Company’s Medium-Term Management Plan, and other factors. The Program will provide stock remuneration to Directors, etc., in a framework separate from the annual limit (up to 560,000,000 yen per year) for Directors (excluding Directors who are Audit and Supervisory Committee Members) that was approved at the 153rd Ordinary General Meeting of Shareholders held on June 23, 2017.

As the Company aims to achieve the above Medium-Term Management Plan, the Company proposes to introduce the Program in order to clarify the linkage between the remuneration of Directors, etc., and the Company’s corporate value, enhance motivation to achieve the business performance targets in the Medium-Term Management Plan, and further ensure interests are shared with shareholders by promoting the holding of the Company’s shares by Directors, etc. As a result, the Company believes that its introduction is appropriate. Furthermore, the introduction of the Program has been deliberated upon in the Human Resources Committee, which consists of a majority of External Directors as committee members. Additionally, there were no matters of note expressed by the Audit and Supervisory Committee at the General Meeting of Shareholders with regard to this Proposal.

The number of Directors of the Company subject to the Program will be six if Proposal 2: Election of Six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members) is approved as originally proposed. Additionally, as stated above, Executive Officers are also subject to the Program (the number of Executive Officers not concurrently serving as Directors subject to the Program as of the close of this General Meeting of Shareholders is scheduled to be seven). Although remuneration based on the Program includes remuneration for Executive Officers, in view of the possibility that said Executive Officers may newly become appointed as Directors during the applicable period (as defined in 2. (2) below), this Proposal proposes amounts and contents for overall remuneration under the Program as remuneration, etc., for Directors, etc.

As a result, remuneration for Directors, etc., of the Company shall be composed of two types: “basic remuneration,” composed of fixed remuneration and performance-based remuneration corresponding to business performance for the previous fiscal year, and “performance-based

stock remuneration.”

2. Amount and Content of Remuneration Under the Program

(1) Overview of the Program

Utilizing the remuneration amount for Directors, etc., contributed by the Company as funds, the Program is a stock remuneration program in which a trust will acquire the Company’s shares, and the Company’s shares and cash equivalent to the conversion amount of the Company’s shares (hereinafter “the Company’s shares, etc.”) will be delivered or paid (hereinafter “delivered, etc.”) to Directors, etc. through said trust. Details are as shown in item (2) below and thereafter.

<p>1) Persons eligible for the delivery, etc., of the Company’s shares, etc., under this Proposal</p>	<ul style="list-style-type: none"> • Directors of the Company (excluding Directors who are Audit and Supervisory Committee Members, Non-executive Directors, External Directors, and persons not resident in Japan) • Executive Officers of the Company (excluding persons not resident in Japan)
<p>2) Effect that the Company’s shares subject to this Proposal will have on the total number of issued shares</p>	
<p>Maximum amount of cash to be contributed by the Company for acquisition of the Company’s shares subject to delivery, etc., to Directors, etc. (As shown in item (2) below.)</p>	<ul style="list-style-type: none"> • The amount will be 120 million yen multiplied by the number of years in the applicable period, and the maximum for the three fiscal years comprising the initial applicable period will be 360 million yen (the initial applicable period will be the three fiscal years from the fiscal year ending March 31, 2019 until the fiscal year ending March 31, 2021).
<p>Acquisition method for the Company’s shares (as shown in (2) below) and the maximum number of the Company’s shares, etc., to be delivered, etc., to Directors, etc. (As shown in (3) below.)</p>	<ul style="list-style-type: none"> • The number of shares will be the number equivalent to 40,000 points multiplied by the number of years in the applicable period, and the maximum number of deliverable shares to be delivered, etc., to Directors, etc., for the three fiscal years comprising the initial applicable period will be 120,000 shares • The ratio of the 40,000 shares of maximum number of deliverable shares per fiscal year above to the total number of issued shares of the Company is approximately 0.06% (as of March 31, 2018; after elimination of treasury shares) • As the trust will acquire the Company’s shares on the stock market, dilution will not occur

3) Content of business result achievement conditions (As shown in (3) below.)	<ul style="list-style-type: none"> • Variable within the range of 0-200% based on the level of achievement of consolidated operating profit and other business performance targets under the Medium-Term Management Plan in the final fiscal year of the applicable period
4) Timing of delivery, etc., of the Company's shares, etc., to Directors, etc. (As shown in (4) below.)	<ul style="list-style-type: none"> • After conclusion of the applicable period, in principle

(2) Maximum Amount of Cash to be Contributed by the Company

The period applicable to the Program will be fiscal years subject to Medium-Term Management Plans defined by the Company (hereinafter "Applicable Periods"). Additionally, the initial Applicable Period will be the three fiscal years from the fiscal year ending March 31, 2019 until the fiscal year ending March 31, 2021.

During the Applicable Periods, the Company will entrust money of 120 million yen multiplied by the number of years in an Applicable Period or less (360 million yen for the three fiscal years of the initial Applicable Period) to establish a trust (hereinafter the "Trust") for the period of the corresponding Applicable Period with Directors, etc., who satisfy the beneficiary conditions as beneficiaries. In accordance with the directions of the trust administrator, the Trust will acquire the Company's shares from the stock market in lump, using the money entrusted as funds. During the Applicable Period, the Company will allot points to Directors, etc. (as shown in (3) below), to conduct the delivery, etc., of the Company's shares, etc., from the Trust corresponding to the number of points allotted at a certain predefined timing.

When the trust period expires, the Company may continue the Trust by changing the trust agreement and making additional entrustments as a substitute for establishment of the new Trust. In this case, a number of years corresponding to the Medium-Term Management Plan at that time shall be the new Applicable Period and the trust period of the Trust will be extended by the same period as the new Applicable Period. For each extended trust period, the Company plans to make an additional entrustment of 120 million yen multiplied by the number of years in the new Applicable Period or less. However, when making these additional contributions, if there are the Company's shares (excluding the Company's shares corresponding to points granted to Directors, etc., whose delivery, etc., is incomplete) and money remaining in the trust assets on the final day of the trust period prior to extension (hereinafter "Remaining Shares, etc."), the total amount of the monetary amount of the Remaining Shares, etc., and any trust money additionally

contributed shall be 120 million yen multiplied by the number of years in the new Applicable Period or less.

- (3) Calculation Method and Maximum Number of the Company's Shares, etc., to be Delivered, etc., to Directors, etc.

At a certain time every year during the trust period, points calculated based on the following calculation formula (hereinafter "Base Points") shall be granted to Directors, etc., in accordance with their rank, and at a certain time immediately following the final day of the final fiscal year in the Plan Period (scheduled for June 2021 for the initial Plan Period), the number of the Company's shares to be delivered or paid shall be determined based on the number of points (hereinafter "Number of Share Conversion Points") calculated by multiplying the Base Points accumulated during the trust period (hereinafter "Accumulated Number of Points") by the performance-linked coefficient.

The performance-linked coefficient shall be determined with the range of 0 to 200%, based on the level of achievement of business performance targets using consolidated operating profit and other achievements in the final fiscal year of the Plan Period (the fiscal year ending March 31, 2021)

<<Calculation formula for Base Points>>

Base amount of share-based remuneration determined by rank ÷ Average closing price of the Company's shares on the Tokyo Stock Exchange during the month before the first month of the Plan Period (for the first Plan Period, the month preceding the month of the date when the trust agreement is executed) (any fractions less than one shall be discarded)

One (1) point shall equal one (1) share in the Company, and fractions less than one point shall be discarded. However, if a share split, share consolidation, etc., of the Company's shares is conducted during the trust period, the number of the Company's shares per point and the total maximum number of the Company's shares to be delivered from the Trust (as defined in the below item (7)) shall be adjusted in accordance with the split ratio, consolidation ratio, etc., of the Company's shares.

The maximum number of points to be allotted to Directors, etc., during the trust period of the Trust will be 40,000 points multiplied by the number of years in the Applicable Period, and the maximum number of the Company's Shares, etc., that Directors, etc., may receive delivery, etc., for during the trust period of the Trust will be a number of shares corresponding to said maximum number of points (hereinafter the "Maximum Number of Deliverable Shares"). As a result, the Maximum Number of Deliverable Shares corresponding to the initial Applicable Period that covers three fiscal years will be 120,000 shares (if 1 point corresponds to 1 share of the Company's shares). The Maximum Number

of Deliverable Shares is established based on money contributed by the Company in item (2) above in consideration of the share price, etc., as of May 2018. Furthermore, if the Trust is continued as described in the above item (2), the Maximum Number of Deliverable Shares during the extended trust period shall be a number of shares equivalent to 40,000 shares multiplied by the number of years in the new Applicable Period.

(4) Timing and Method of Delivery, etc., of Shares to Directors

The timing of the Company's Shares, etc., to Directors, etc., who fulfill the beneficiary requirements shall be after conclusion of the applicable period, in principle.

Directors, etc., who fulfill the beneficiary conditions will receive delivery from the Trust of a number of the Company's shares corresponding to 70% of the Number of Share Delivery Points (shares less than one unit will be rounded down), and shall receive payment of cash equivalent to the conversion amount of the number of the Company's shares corresponding to the remaining Number of Share Delivery Points, after conversion in the Trust. In principle, Directors, etc. shall continuously hold the Company's shares that have been delivered until they retire from office of Director or Executive Officer of the Company.

In the event that a Director, etc., dies during the trust period, his or her heir shall receive payment of cash equivalent to the conversion amount of the number of the Company's shares corresponding to the Accumulated Number of Points calculated at that point, after conversion in the Trust. In addition, if a Director, etc., is transferred overseas during the trust period, he or she shall receive payment, by the date of his or her transfer overseas, of cash equivalent to the conversion amount of the number of the Company's shares corresponding to the Accumulated Number of Points calculated at that point, after conversion in the Trust.

(5) Voting Rights of the Company's Shares in the Trust

In order to ensure neutrality toward management, voting rights for the Company's shares in the Trust will not be exercised during the trust period.

(6) Treatment of Dividends of the Company's Shares in the Trust

Dividends from the Company's shares in the Trust shall be received by the Trust and used for the trust fees and trust expenses of the Trust. After use for trust compensation and trust expenses there exist residual dividends at the time the Trust ends, they will revert to the Company within the range of the reserve fund for trust expenses after deducting share acquisition funds from the trust money, and any amount that exceeds the reserve fund for trust expenses will be donated to an organization with no special interests with the Company.

(7) Other Contents of the Program

Other contents of the Program shall be determined by the Board of Directors upon establishment of the Trust, modifying the trust agreement, and making additional contributions to the Trust.

(Reference)

For details concerning the Program, please see “Introduction of Performance-linked Share-based Remuneration Plan for Directors, etc., of Tokuyama Corporation” posted on the Company’s website (<http://www.tokuyama.co.jp/>).

Proposal No. 4: Approval of Policy Regarding Large-Scale Purchases of the Company's Shares, etc. (Anti-Takeover Measures)

The Company's Board of Directors decided to seek renewal of the Policy Regarding the Large-Scale Purchases of the Company's Shares, etc. (hereinafter "the Policy") set forth below at a Board of Directors meeting held on May 22, 2018. In view of the importance of the Policy, the Company seeks approval for this proposed renewal by votes in favor from the majority of shareholders, in order that shareholders' views on the Policy may be widely reflected.

In the case that this proposal is not approved, the Policy will be abolished with immediate effect.

At the meeting of the Board of Directors held on April 30, 2015, the Company determined to adopt the Policy Regarding Large-Scale Purchases of the Company's Shares, etc. (Anti-Takeover Measures) (hereinafter the "Former Policy"), which was announced in a press release as of the aforementioned day. Later, at the 151st Ordinary General Meeting of Shareholders held on June 24, 2015, the Former Policy was approved by a majority of the vote of shareholders, thereby continuing the Former Policy. The Former Policy will be effective until the closing of this General Meeting of Shareholders.

After considering the status of the Former Policy, including the appropriateness of its continuation, from the perspective of protecting the common interests of the Company's shareholders and the Company's corporate value, the Company shall renew the Former Policy, with certain amendments that are made from the standpoint to continue to improve an environment in which the Company's management can commit themselves to achieving the goals set forth in the medium-term management plan. The Policy will take effect on condition that this Proposal is approved by shareholders. In case it is not approved thereat, the Policy shall not be renewed.

The Company does not plan to continue renewing the Policy for an indefinite period. The Company will consider abolishing the Policy when it has determined that it has completed steps to gain a firm foothold by carrying out the series of measures identified in its medium-term management plan, currently in progress.

In cases where amendments of the Companies Act, the Financial Instruments and Exchange Act and the associated regulations, Cabinet Orders, Cabinet Office Ordinances and/or Ordinances of the Ministry (hereinafter, in general, "laws and regulations") come into effect including the change of the names of laws and regulations and the establishment of new laws and regulations inheriting the previous content, each provision of the laws and regulations referred to in this document shall be read as corresponding provision to the previous content, unless otherwise stipulated by the Board of Directors.

In order to respect shareholders' views when activating countermeasures, the following amendments will be made to the Policy.

- The activation of countermeasures (4. (1)) by the Company's Board of Directors to protect

the common interests of the Company's shareholders and the Company's corporate value has been limited only to cases when approval at a General Meeting of Shareholders has been obtained; and

- Other amendments to words and phrasing, etc. have been made.

The status of the major shareholders of the Company as of March 31, 2018 is provided in the Appendix. As of May 22, 2018, we have not currently received any Large-Scale Purchase proposal.

1. Purpose of the Large-Scale Purchase Rules

(1) Basic Policy and Its Background

The Company has put in place a renewed Group vision in a bid to further clarify its role and significance. As a key component of this vision, the Tokuyama Group is determined to help realize a prosperous society by creating value that enhances people's lives centered on the field of chemistry. Drawing on the chemical technologies that it has nurtured over many years, the Group will contribute to the well-being, growth, and development of society by continuously creating and proposing new value.

Since our founding in 1918, the Company and our group companies have developed a wide range of businesses organized into five segments: Chemicals Segment, including soda ash, caustic soda, and polyvinyl chloride; Cement Segment, including cement and building materials; Specialty Products Segment, including polycrystalline silicon, fumed silica, aluminum nitride, and high-purity chemicals for electronics manufacturing; Life & Amenity Segment, including microporous film, dental materials, and ion exchange membranes; and Others Segment. These businesses are based on a foundation of uniform devotion to the production of goods and earning the longstanding trust of our stakeholders, in particular, our customers.

In each of these businesses, we attempt to anticipate future changes to the business operating environment, make advance introductions of management resources and continuously improve corporate value. This effort involves endeavoring to create business; develop technology; build equipment; bolster trust and cooperation with our stakeholders, in particular, our customers; and collect management resources. We believe that, from this medium- to long-term perspective, the cumulative result of these efforts and the advance introduction of management resources are the very source of the Company's corporate value.

Consequently, in order to raise management efficiency and increase profitability while being engaged in management from such a medium- to long-term perspective, we believe that persons who have highly professional expertise and/or marketing/technical know-how being in charge of important duties with regard to the Company's decisions on financial matters and business policies in compliance with laws, regulations and the Articles of Incorporation will contribute to the common interests of the Company's shareholders and the Company's corporate value.

The above explains the Company's Basic Policy Regarding Persons Who Control the

Company's Decisions on Financial Matters and Business Policies.

(2) Medium- to Long-Term Management Strategies

Under the Medium-Term Management Plan formulated in May 2016, we have identified the following two medium- to long-term management strategies, which we intend to carry out over the next decade through to the fiscal year ending March 31, 2026.

- Transition to a robust business structure that is resilient against changes in its operating environment and is capable of sustainable growth

The Tokuyama Group has set the goal of becoming a global leader in advanced materials through unique technologies across growth businesses including the Specialty Products as well as Life & Amenity segment together with the development of new products. In such traditional businesses as the Cement and Chemicals segments, the Group will work to become a leader in Japan through strengthening competitiveness.

- Transition to a Group-wide low-cost structure by undertaking a comprehensive review of existing work practices

The Tokuyama Group will reduce costs by adopting a cross-departmental approach that differs from conventional methods and undertaking strategic capital expenditures as a part of efforts to cut back principal costs including raw material, fuel, repairs and maintenance, and logistics costs

The Tokuyama Group is focused on rebuilding its financial platform as a first step toward its revitalization. In addition to completing the transfer of Tokuyama Malaysia Sdn. Bhd., the Group has undertaken measures such as purchasing and retiring Class A shares. Recognizing the significant deterioration in our operations due to impairment losses recorded in relation to Tokuyama Malaysia's business since 2014, we remain committed to strengthening our financial platform, improving our corporate governance structure and systems, and clarifying business strategies as a part of efforts to make the most of lessons learned. Moving forward, we will work diligently to create the necessary driving force to propel new profit growth.

In order to overcome each of these issues, we will steadfastly carry out the priority measures set out in our current medium-term management plan and reform both management and the Group's operations in a bid to secure renewed growth.

- Change its organizational climate

In order to change the Group's organizational culture and structure as soon as possible, the Company has launched a new personnel system for managers, who are a necessary component of our organization, in which the level of achievement of targets is more greatly reflected in treatment. In addition, we have revised our personnel system for senior employees, who possess abundant experience, such that treatment will be based on results. Looking ahead, we plan to expand this system to all employees.

In order to incorporate fresh perspectives in the Group's business promotion activities, we

will also actively recruit outside personnel with specialized skills and a wealth of experience as a part of our human resources development system.

- Rebuild the Group's business strategies

In order to realize the aspirations of becoming a leader in its traditional businesses in Japan and a global leader in advanced materials identified under its Medium-Term Management Plan, the Company will strengthen the competitiveness of each business utilizing ICT and accelerate the pace of overseas business development.

In addition, steps will be taken to introduce a new business evaluation system that focuses on capital efficiency and to optimize the business portfolio.

As far as research and development is concerned, we will rebuild our R&D structure so that it is more in tune with customers' needs and cultivate new business domains by implementing open innovation with other companies.

- Strengthen Group management

In order to fully capitalize on synergies within the Tokuyama Group, every effort was made to accelerate the pace of overhauling sales strategies with strong support for human resources and management based on flexible capital policies. As a result, reform of the Group as a whole will also gather pace.

In addition to applying the new business evaluation system to consolidated subsidiaries and clarifying the degree of contribution to enhancing corporate value, we will work to reinforce internal control at Group companies

- Improve its financial structure

Steps were taken to execute an unsecured bond trust-type debt assumption agreement, undertake the repayment in advance of loan agreements with financial covenants, and reduce interest-bearing debt in order to quickly stabilize the Company's financial position. Moving forward, the Company will continue to reduce interest-bearing debt while working to enhance its shareholders' equity by building up profits for the period.

(3) Corporate Governance

A corporate governance system is an extremely important structure for every company in realizing improvement in its corporate value. We therefore believe that routine oversight and periodic reviews should be made so that the corporate governance of the Company is operated appropriately at all times.

The Company is a company with an Audit and Supervisory Committee.

The Company introduced an executive officer system to separate the supervision and execution functions in April 2011, assigning External Directors in June of the said year. The number of External Directors was subsequently increased in stages.

In June 2017, the Company transitioned from a company with a Board of Auditors to a company with an Audit and Supervisory Committee.

The Audit and Supervisory Committee selects three External Directors from five Committee members and endeavors to ensure management transparency and fairness. By doing so, it strives to maintain management soundness.

As a company with an Audit and Supervisory Committee, the Company seeks to enhance corporate governance at all times by making the best of its rapid decision-making functions and effective supervising/auditing functions.

The decision of whether to accept a Large-Scale Purchase is ultimately left to the discretion of the Company's shareholders. Consequently, in cases where a Large-Scale Purchase is being attempted, we believe that the Large-Scale Purchaser's provision of an adequate amount of information is necessary. In addition, we believe that the provision of the appraisal and opinions of the Company's Board of Directors, as well as information and the like based on the business features pertaining to any Large-Scale Purchase, are critical for the shareholders to make a decision of whether to accept said Large-Scale Purchase, and contribute to the common interests of the Company's shareholders.

Based on the foregoing philosophy, we hereby designate the rules as set forth in 3. below regarding Large-Scale Purchases so that the necessary and adequate information can be furnished to the shareholders at the time of a Large-Scale Purchase.

The Company shall require Large-Scale Purchasers to comply with the Large-Scale Purchase Rules, and in cases where a Large-Scale Purchaser fails to comply with the same, we may take certain countermeasures from the perspective of protecting the common interests of the Company's shareholders and the Company's corporate value.

2. Purchases of the Company's Shares to which the Policy Is Applied

The Policy will apply to an action that falls under (i) or (ii) below or similar actions (regardless of the specific purchase method thereof, whether it is through market transactions or a tender offer, excluding cases where the prior consent of the Company's Board of Directors has been obtained regarding either case (hereinafter such a purchase shall be referred to as a "Large-Scale Purchase"). The party carrying out such Large-Scale Purchase (hereinafter the "Large-Scale Purchaser") must comply with the Large-Scale Purchase Rules that are set forth in the Policy.

- (i) With respect to the shares¹ issued by the Company, a purchase and other actions where the holding ratio of the shares² of a holder³ will be 20% or more.
- (ii) With respect to the shares⁴ issued by the Company, a tender offer⁵ where the total of the owning ratio of the shares⁶ owned by a party carrying out the tender offer and the owning ratio of the shares owned by a party having a special relationship⁷ with the said party will be 20% or more.

3. Details of the Large-Scale Purchase Rules

The Large-Scale Purchase Rules require that Large-Scale Purchasers furnish the necessary and adequate information to the Company's Board of Directors in advance, whereupon Large-Scale Purchases shall be commenced after the elapse of a certain period for the Company's Board of Directors to appraise the same (hereinafter the "Large-Scale Purchase Rules").

A summary of the Large-Scale Purchase Rules is as follows.

(1) Provision of the Large-Scale Purchase Information

Prior to any Large-Scale Purchase, Large-Scale Purchasers shall provide to the Company's Board of Directors the required and adequate information (hereinafter the "Large-Scale Purchase Information") for decision making by the Company's shareholders and the appraisal and consideration of the Company's Board of Directors.

In cases where a Large-Scale Purchaser attempts to carry out a Large-Scale Purchase, a "Statement of Intent" regarding the execution of the Large-Scale Purchase must first be provided to the Company's Representative Director in accordance with the Large-Scale Purchase Rules. The Statement of Intent shall have set forth therein the Large-Scale Purchaser's name, address, corporate establishment governing law, representative name and contact information within Japan; a summary of the proposed Large-Scale Purchase; and covenants that adhere to the Large-Scale Purchase Rules. The Company shall deliver to the Large-Scale Purchaser a list of the Large-Scale Purchase Information to be initially submitted by the same within 10 business days after receipt of the Statement of Intent. Upon judging that sufficient Large-Scale Purchase Information has been provided, the Company's Board of Directors will publicly announce the fact that it has received sufficient information at a time and in a manner that it deems appropriate. The principal items regarding the Large-Scale Purchase Information shall be as follows. In cases where it is concluded necessary for the shareholders to make a decision, the Company's Board of Directors may publicly announce all or part of the facts of the Large-Scale Purchase proposal and the Large-Scale Purchase Information submitted to the Company's Board of Directors at a time that it deems appropriate.

When determining whether or not the Large-Scale Purchaser has complied with the procedure set forth in the Large-Scale Purchase Rules, the Company's Board of Directors shall sufficiently consider to a reasonable extent various facts on the side of the Large-Scale Purchaser, including the fact that the Large-Scale Purchaser may not necessarily have detailed information with respect to the Company, and shall not determine that the Large-Scale Purchaser has not complied with the procedure set forth in the Large-Scale Purchase Rules solely for the reason that part of the Large-Scale Purchase Information that has been requested by the Company's Board of Directors has not been provided by the Large-Scale Purchaser.

- (i) A Summary of the Large-Scale Purchaser or its group (including specific name, capital and financial information).
- (ii) The purpose, method and details of the Large-Scale Purchase (including the type and value of purchase consideration, the timing of the purchase and the appropriateness of the purchase method).
- (iii) The existence of any notification of intent to a third party and, if such notification of intent exists, the details thereof, at the time of the Large-Scale Purchase
- (iv) The basis for calculating the purchase consideration and materials that evidence funding for the purchase (including the specific name and procurement method of the provider of purchase funds (including substantive providers).
- (v) The existing collateral for the shares of the Company that are already owned or the planned establishment of collateral for the shares of the Company to be purchased in the future (including the method and details of the planned establishment of collateral).
- (vi) The intended fundamental management policies and business plans of the Company and the Tokuyama Group after the completion of the Large-Scale Purchase.
- (vii) Any changes planned after the completion of the Large-Scale Purchase or the details thereof when making such changes regarding the relationship among our stakeholders, including customers, business partners, employees and local community, and the Company and the Tokuyama Group.
- (viii) The probability of acquiring the approvals, licenses and/or permits to be acquired from any governments or third parties in Japan and overseas, in accordance with the Antitrust Law, other laws and regulations, and the like.

(2) Appraisal and Consideration by the Company's Board of Directors

The Company's Board of Directors believes that, after the Large-Scale Purchaser completes the provision of the Large-Scale Purchase Information to the Company's Board of Directors, a period of 60 days (in cases of purchases of all of the Company's shares through a tender offer of the consideration in cash (denominated in Japanese yen) only) or 90 days (in cases of other Large-Scale Purchases) should be secured as a period for the Company's Board of Directors to appraise, consider, negotiate, form opinions about or devise alternate proposals (hereinafter the "Board of Directors Appraisal Period") in accordance with the degree of difficulty for appraising and considering the Large-Scale Purchase. During the Board of Directors Appraisal Period, the Company's Board of Directors shall sufficiently appraise and consider the provided Large-Scale Purchase Information while accepting the advice of outside experts and the like as deemed appropriate and necessary, whereupon the opinions and/or alternate proposal of the Company's Board of Directors shall be carefully summarized and publicly announced in a timely and appropriate manner.

In addition, to confirm shareholders' view regarding the activation of countermeasures against a

Large-Scale Purchase, the Board of Directors of the Company shall hold a General Meeting of Shareholders as soon as practically possible, and shall submit a proposal regarding the appropriateness of activating countermeasures.

The Board of Directors of the Company shall also promptly disclose information related to an overview of the proposal at the General Meeting of Shareholders regarding the activation of countermeasures, and any other matters judged appropriate by the Board of Directors of the Company.

After the conclusion of the General Meeting of Shareholders, the Board of Directors of the Company shall resolve to activate or not activate countermeasures based on the resolution of the General Meeting of Shareholders.

Therefore, Large-Scale Purchases shall commence only after a resolution has been made by the Board of Directors.

4. Policy When a Large-Scale Purchase Is Attempted (Please refer to Exhibit 1, “Outline of the Policy,” for a summary of the Policy)

(1) When a Large-Scale Purchaser Fails to Comply with the Large-Scale Purchase Rules

In cases where a Large-Scale Purchaser fails to comply with the Large-Scale Purchase Rules, the Company’s Board of Directors may, regardless of the specific purchase method thereof, take measures (hereinafter the “Countermeasures”), that is “Allotment of Share Options without Contribution” defined in Article 277 and following of the Companies Act, for the purpose of protecting the common interests of the Company’s shareholders and the Company’s corporate value, and oppose the Large-Scale Purchase, provided the views of shareholders have been confirmed.

A detailed outline of the Countermeasures is as set forth in Exhibit 2. However, in cases of actually implementing the Allotment of Share Options without Contribution, an exercise period and exercise terms may be established in light of their effect as Countermeasures. In this case, such share options may not be exercised by the Large-Scale Purchaser. In addition, there may be cases in which changes are made, such as adding a clause (an acquisition clause) in which the Company may acquire the share options in exchange for its shares or other property regarding the details of said share options.

Furthermore, in relation to the Former Policy, the Company registered the issuance of the share options for quick issuance (submitted on June 25, 2015, June 24, 2016, and June 23, 2017). In case shareholders approve the renewal of the Policy at this Ordinary General Meeting of Shareholders, the Company plans to register the issuance of the share options again for quick issuance thereof.

(2) When a Large-Scale Purchaser Complies with the Large-Scale Purchase Rules

In cases where a Large-Scale Purchaser complies with the Large-Scale Purchase Rules, the Company's Board of Directors will only go so far as to express its opposition or present an alternate proposal regarding such purchase proposal, even if it is opposed to said Large-Scale Purchase, and shall not, in principle, take any Countermeasures pertaining to said Large-Scale Purchase.

The shareholders shall determine whether to accept the Large-Scale Purchaser's purchase proposal upon considering the details of said purchase proposal and the opinions, alternate proposals and the like of the Company's Board of Directors pertaining thereto.

However, in cases where it is determined that said Large-Scale Purchase will significantly damage the common interests of the Company's shareholders and the Company's corporate value, even if the Large-Scale Purchase Rules have been complied with, the Company's Board of Directors may implement a Countermeasure (the specific details of the Countermeasure are as set forth in the foregoing 4. (1)) in order to protect the common interests of the Company's shareholders and the Company's corporate value, provided the views of shareholders have been confirmed. Specifically, in cases where there are reasonable grounds for concluding that the Large-Scale Purchase corresponds to any of the scenarios described in (i) through (v) below, such a Large-Scale Purchase will, in principle, be determined to be one that will significantly damage the common interests of the Company's shareholders and the Company's corporate value. Meanwhile, a Countermeasure against the Large-Scale Purchase shall be exclusively activated in cases where the Large-Scale Purchase is judged to significantly damage the common interests of the Company's shareholders and the Company's corporate value, and shall not necessarily be activated only due to the fact that the Large-Scale Purchase is determined to formally fall under any of the categories (i) through (v) below.

- (i) When it is determined that the purchase of the Company's shares is being carried out for the purpose of causing the Company's related parties to take over the Company's shares at an overstated share price, regardless of whether there is genuine intent to participate in the management of the Company (so-called green mailer).
- (ii) When it is determined that the purchase of the Company's shares is being carried out for the purpose of temporarily controlling the management of the Company so that the intellectual property rights, know-how, trade secrets and principal suppliers, customers and the like required with respect to the Company's or the Tokuyama Group companies' business can be transferred to the Large-Scale Purchaser or its group companies and the like.
- (iii) When it is determined that the purchase of the Company's shares is being carried out in accordance with plans to divert the assets of the Company or the Tokuyama Group companies to secure or use as a source of funds to repay the obligations of the

Large-Scale Purchaser or its group companies and the like after controlling the management of the Company.

- (iv) When it is determined that the purchase of the Company's shares is being carried out for the purpose of temporarily controlling the management of the Company so that the Company's or the Tokuyama Group companies' high-value assets, such as real estate and securities, can be disposed of through sales and the like or so that an opportunity is afforded to cause the share price to increase rapidly due to temporarily high dividends whereupon the Company's shares can be sold at an inflated price.
- (v) When it is determined that the purchase method of the Company's shares proposed by the Large-Scale Purchaser will restrict the shareholders' opportunity and freedom to make decisions, such as oppressive two-stage purchases (executing purchases of shares, such as tender offers, whereby no solicitations for purchasing all the shares are made in the initial purchase, and disadvantageous purchase terms are set or the purchase terms are not made explicitly clear in the second stage), whereby shareholders may essentially be forced to sell their shares in the Company (provided that incremental tender offers shall not always correspond hereto).

5. Establishment of a Special Committee

(1) Special Committee Members

A Special Committee is an organ in the Former Policy that serves as a deterrent against arbitrary decision making by the Company's Board of Directors before activating a Countermeasure. The Special Committee shall remain established upon the renewal of the Policy. The Special Committee shall comprise at least three members, who shall be selected from among External Directors, attorneys-at-law, Certified Public Accountants, Certified Public Tax Accountants, academic experts and outside knowledgeable persons who have sufficient experience as Directors or executives to enable fair and neutral decision making. The current Special Committee comprises one attorney-at-law and two External Directors. The names and brief work histories of the members who will assume office after the close of this General Meeting of Shareholders are set forth in Exhibit 3, "Brief Work Histories of the Attorney-at-Law and External Directors as Special Committee Members (planned to assume office)."

(2) Functions of the Special Committee

In cases where the Company's Board of Directors contemplates activating a Countermeasure, the following procedures must be taken in order to ensure fair decision making.

First, the Company's Board of Directors shall inquire of the Special Committee as to the suitability of activating a Countermeasure, whereupon the Special Committee shall make a recommendation to the Company's Board of Directors on the suitability of activating such a Countermeasure while accepting advice from outside experts and the like based on said inquiries.

Resolutions to make a recommendation shall be made by unanimous approval of the members of the Special Committee, in principle. the Company's Board of Directors shall respect the recommendation of the Special Committee to the utmost when a decision as to whether to activate a Countermeasure has been made.

With regard to the implementation of any countermeasure against an inappropriate Large-Scale Purchase, the Board of Directors of the Company shall convene a General Meeting of Shareholders to confirm the shareholders' view. As set forth in 3. (2) above, Large-Scale Purchases shall commence only after this series of procedures has been completed.

6. Impact on the Shareholders when Activating a Countermeasure

Although no circumstances are expected to arise from the implementation of the Countermeasure, in which the Company's shareholders (excluding the Large-Scale Purchaser in violation of the Large-Scale Purchase Rules) suffer any especial losses in regards to legal rights or economic considerations, the Company's stock price might be affected, to which shareholders would have to pay attention. If the Company's Board of Directors decides to implement a Countermeasure, such matter shall be timely and appropriately disclosed in accordance with laws and ordinances and securities exchange regulations, etc.

If the Large-Scale Purchaser withdraws the tender offer that it has already initiated after a resolution to implement an Allotment of Share Options without Contribution as a specific Countermeasure is approved at a General Meeting of Shareholders of the Company, or if the Large-Scale Purchaser immediately disposes of the Company's shares after purchasing them, or if General Meeting of Shareholders approves a resolution to accept a Large-Scale Purchase, the purchase itself ceases to be a Large-Scale Purchase. In these cases, the Company may cancel the implementation of the Allotment of Share Options without Contribution or acquire the share options gratis that were already allotted gratis. In such cases, the Company's stock price might be affected, to which shareholders would have to pay attention. If the Company cancels the Allotment of Share Options without Contribution or acquires the share options gratis that were already allotted gratis after determination of shareholders to be allotted gratis the share options, the dilution of stock value per share will not occur. Any shareholders who conduct the purchase and sale of the Company's shares assuming the dilution of the per share stock value will suffer a significant loss due to changes in stock prices.

7. Procedures Required of the Company's Shareholders Attendant to the Issuance of the Share Options

(1) Allotment of the Share Options

In cases where the Company's Board of Directors approves a resolution to implement an Allotment of Share Options without Contribution, the Company shall set the allotment date of the share options and give a public notice of this date. Furthermore, because the share options will be

allotted to the shareholders by way of “Allotment of Share Options without Contribution” as stipulated under Article 277 of the Companies Act, the shareholders entered or registered in the final shareholders’ register or beneficial shareholders’ register as of the allotment date will naturally become the holders of share options on the day when such Allotment of Share Options without Contribution becomes effective.

(2) Procedures for Exercising the Share Options

The Company shall send the claim forms for exercising the share options (a prescribed written instrument by the Company that includes a covenant that the shareholder him or herself is not the Large-Scale Purchaser) and the other documents required for exercising the rights of the share options to the shareholders entered or registered in the final shareholders’ register or beneficial shareholders’ register as of the allotment date. After the issuance of the share options, the shareholders shall be issued one ordinary share of the Company for each share option through submitting the required documents thereof and paying a payment-handling institution an amount determined by the Company’s Board of Directors that is at least one Japanese yen for each share option.

However, as set forth in the foregoing 4. (1), in cases where the Company makes a change, such as the addition of a clause (an acquisition clause) that enables the Company to acquire the share options in exchange for the Company’s shares or other assets, or, in other words, in cases where it has been determined that the Company can obtain the share options in exchange for the Company’s shares, if the Company completes the acquisition procedures, the shareholders who own the share options determined by the Company’s Board of Directors to be the subject of the acquisition will receive shares of the Company as consideration for the acquisition by the Company of the share options without having to pay any sum of money equivalent to the exercise price thereof. Note that, in this case, shareholders may be asked to separately submit a prescribed written instrument of the Company covenanting that they are not the Large-Scale Purchaser.

8. Effective Period, and Abolition and Change of the Policy

The Policy will be effective until the closing of the Ordinary General Meeting of Shareholders for the last fiscal year that ends within three (3) years after this Ordinary General Meeting of Shareholders. Even before the end of the effective period, the Company’s Board of Directors shall review the Policy as necessary from the point of view of protecting the common interests of the Company’s shareholders and the Company’s corporate value based on revisions to relevant laws and ordinances, such as the Companies Act, trends in judicial decisions and measures taken by securities exchanges and other institutions. Note that if it has been determined to change the Policy, the details thereof shall immediately be disclosed. In addition, any substantial change or abolition of the Policy shall be brought up as an agenda proposal at the General Meeting of Shareholders.

The Policy was determined by the unanimous approval of the Directors, including three External Directors who are Audit and Supervisory Committee Members, in a resolution by the Company's Board of Directors at a meeting held on May 22, 2018.

9. Reasonableness of the Policy

(1) Consistency of the Policy with the Basic Policy without Damaging the Common Interests of the Company's Shareholders

As described in the foregoing 3., the Policy will enable the Company's Board of Directors to appraise, consider, negotiate, form opinions about or devise alternate proposals for the Large-Scale Purchase by requiring the Large-Scale Purchaser in advance to provide the necessary information for the Large-Scale Purchase and secure a certain period for the Company's Board of Directors to appraise the same. Meanwhile, the shareholders will be, in turn, allowed to make a decision of whether to accept a Large-Scale Purchase, in accordance with the Policy. Furthermore, under the Policy, countermeasures shall only be activated in cases when approval at a General Meeting of Shareholders has been obtained. In other words, the Policy is renewed to constrain any purchase that is contrary to the common interests of the Company's shareholders and therefore is consistent with the Basic Policy.

(2) Respect for the Shareholders' Intentions

The Company makes a proposal on the agenda to seek shareholders' approval of the renewal of the Policy at this Ordinary General Meeting of Shareholders and shall not renew the Policy in case the shareholders' approval cannot be obtained. Thus, the intentions of the shareholders are reflected.

Even before the end of the effective period, the Company shall review the Policy as necessary based on revisions to relevant laws and ordinances. However, any substantial change or abolition of the Policy shall be brought up as an agenda proposal at the General Meeting of Shareholders.

Note that the term of office for the Company's Directors (excluding Directors who are Audit and Supervisory Committee Members) shall be for one year, whereupon the intentions of the shareholders regarding the continuation of the Policy shall be reflected, even during the effective period of the Policy, through the exercise of voting rights regarding the agenda proposal for the appointment of Directors at the Ordinary General Meeting of Shareholders held each year.

(3) The Requirements in the Guidelines regarding Anti-Takeover Measures Satisfied

The Policy satisfies all the three basic principles formulated in the "Guidelines Regarding Takeover Defenses for the Purposes of the Protection and Enhancement of Corporate Value and Shareholders' Common Interests" jointly released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005: (i) the principle of the protection and enhancement of corporate value and shareholders' common interests; (ii) the principle of prior disclosure and

shareholders' intentions; and (iii) the principle of securing necessity and suitability. The substance of the Policy also reflects recent practices and discussions, such as "Takeover Defense Measures in Light of Recent Environmental Changes" released on June 30, 2008, by the Corporate Value Study Group of the Ministry of Economy, Trade and Industry.

(4) Respect for the Judgment of Highly Independent Outsiders

The Company has established a Special Committee as an organ that serves as a deterrent against arbitrary decision making by the Company's Board of Directors. The Special Committee comprises at least three members, who shall be selected from among External Directors, attorneys-at-law, Certified Public Accountants, Certified Public Tax Accountants, academic experts and outside knowledgeable persons, all of whom are independent from the management team of the Company that is engaged in executing duties. The committee shall give advice to the Board of Directors on the judgment as to whether implementation of a Countermeasure is appropriate. The Board of Directors shall maximally accept the advice of the Special Committee to adopt resolutions as an organ under the Companies Act.

(5) Reasonable and Objective Requirements for Activating a Countermeasure

The Policy is so formulated that the Countermeasure against a Large-Scale Purchase may not be activated unless the reasonable and objective requirements for activating a countermeasure, which have been disclosed in advance, are met to prevent the Company's Board of Directors from arbitrarily activating the Countermeasure.

(6) Advice from Outside Experts

The Company's Board of Directors and the Special Committee may, for themselves, seek the advice of outside professionals (including attorneys-at-law, Certified Public Accountants, consultants, financial advisors and other specialists). The objectivity and reasonableness of the determination of the Board of Directors will thus be ensured.

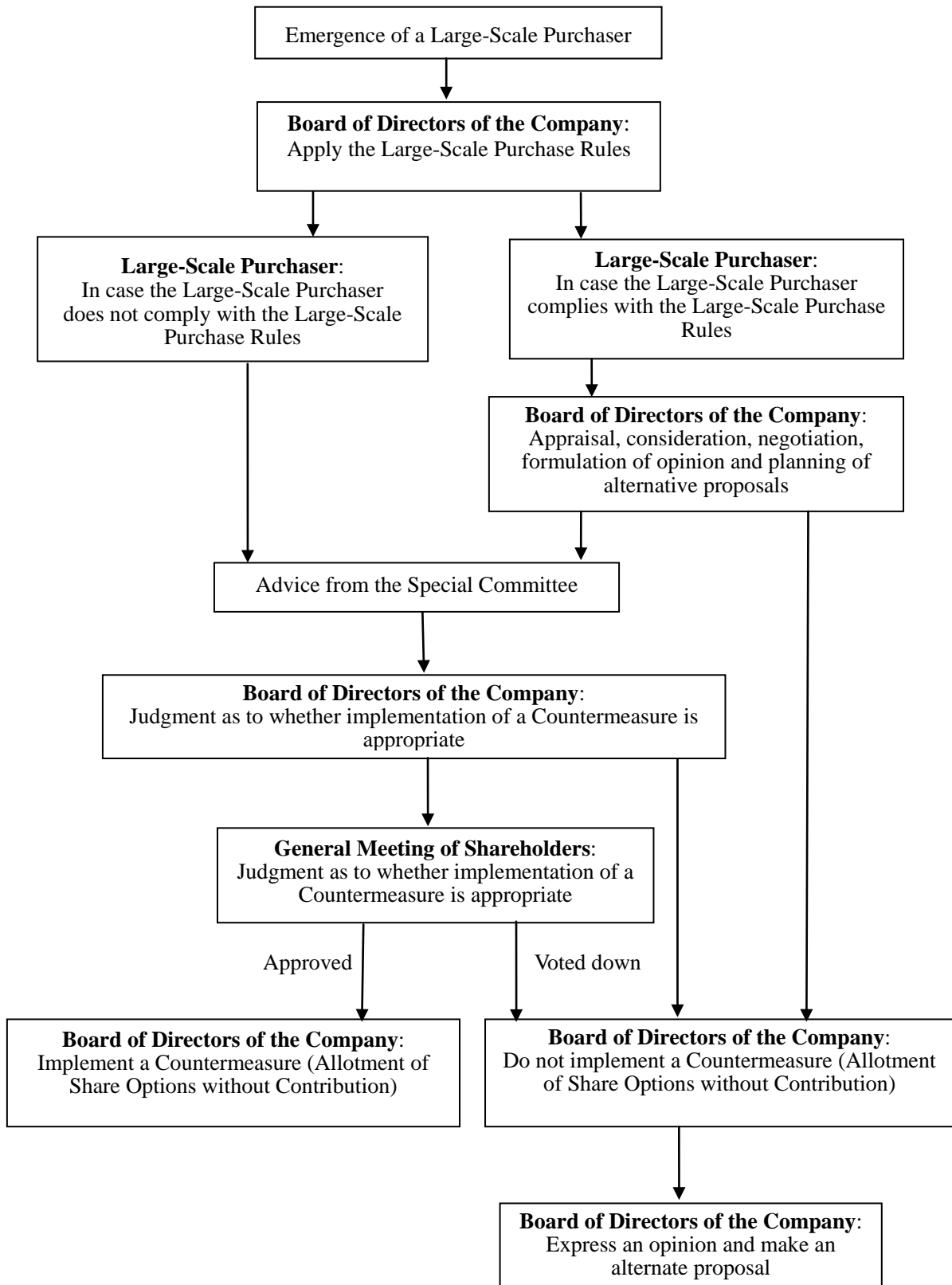
(7) Not a "Dead-Hand" Type or "Slow-Hand" Type Anti-Takeover Measure

The Policy is not a so-called "dead hand" type anti-takeover measure (a takeover defense measure in which the triggering of the measure cannot be prevented even though a majority of the members of the Board of Directors are replaced). Neither is the Policy a "slow-hand" anti-takeover measure (a takeover defense measure in which the triggering of the measure takes more time to prevent due to the inability to replace all of the Directors at one time) because the Company does not adopt a board system with a different tenure of office for Directors (because the term of office for the Company's Directors (excluding Directors who are Audit and Supervisory Committee Members) is one year.)

Notes:

1. Defined in Article 27-23, Paragraph 1, of the Financial Instruments and Exchange Act, hereinafter the same applies, unless otherwise stipulated.
2. Defined in Article 27-23, Paragraph 4, of the Financial Instruments and Exchange Act, hereinafter the same applies.
3. Defined as holders in Article 27-23, Paragraph 3 and any joint holders defined in Article 27-23, Paragraph 5, including a person deemed to be a joint holder pursuant to Article 27-23, Paragraph 6, of the Financial Instruments and Exchange Act, hereinafter the same applies.
4. Defined in Article 27-2, Paragraph 1, of the Financial Instruments and Exchange Act, the same applies in (ii).
5. Defined in Article 27-2, Paragraph 6, of the Financial Instruments and Exchange Act, hereinafter the same applies.
6. Defined in Article 27-2, Paragraph 8, of the Financial Instruments and Exchange Act, hereinafter the same applies.
7. Defined in Article 27-2, Paragraph 7, of the Financial Instruments and Exchange Act, hereinafter the same applies (including persons who the Board of Directors regards as applicable). With regard to persons listed in Item 1 of the same Paragraph, persons are excluded who are set forth in Article 3, Paragraph 2, of the Cabinet Office Order on Disclosure Required for Tender Offer for Share Certificates, etc. by Person Other than Issuer.

Outline of the Policy



Outline of the Allotment of Share Options without Contribution

1. Shareholders Subject to Allotment of Share Options without Contribution and Terms and Conditions Thereof

The share options shall be allotted at a 1:1 ratio for each share held (excluding, however, ordinary shares of the Company held by the Company) to shareholders entered or registered in the final shareholders' register or beneficial shareholders' register as of the allotment date stipulated by the Company's Board of Directors.

2. Type and Number of Shares for Purpose of the Share Options

The type of shares for the purpose of the share options shall be ordinary shares of the Company, and the number of shares corresponding to each share option shall be one share. However, the requisite changes shall be made in cases where the Company executes a share split or a reverse share split.

3. Total Number of Issued Share Options

The total number of allotted share options shall be the number stipulated by the Company's Board of Directors. The Company's Board of Directors may execute Allotments of Share Options without Contribution multiple times.

4. Issuance Price of the Share Options

Gratis.

5. Amount to Be Paid upon Exercise of Each Share Option

The amount to be paid upon the exercise of each share option shall be the amount stipulated by the Company's Board of Directors of at least one Japanese yen per share.

6. Transfer Restrictions on the Share Options

The transfer of share options must be approved by the Company's Board of Directors.

7. Exercise Terms and Conditions

Large-Scale Purchasers cannot exercise the share options.

8. Exercise Period, etc., of the Share Options

The exercise period of the share options, exercise terms and conditions other than those set forth in the foregoing 7., grounds for extinguishing shares, share extinguishment terms and conditions, and other required matters shall be separately stipulated by the Company's Board of

Directors

9. Share Options with Acquisition Clause

As set forth in 7.(2) of the Policy, the Company may make changes, such as the addition of a clause (an acquisition clause) that enables it to exchange shares or other assets of the Company for the share options in regards to the details of the share options.

10. Cancellation of the Allotment of Share Options without Contribution or Acquisition of the Allotted Share Options Gratis

If the Large-Scale Purchaser withdraws the tender offer that it has already initiated after the Company's Board of Directors approves a resolution to implement an Allotment of Share Options without Contribution as a specific Countermeasure, or if the Large-Scale Purchaser immediately disposes of the Company's shares after purchasing them, or if General Meeting of Shareholders approves a resolution to accept a Large-Scale Purchase, the purchase itself ceases to be a Large-Scale Purchase. In these cases, the Company may cancel the implementation of the Allotment of Share Options without Contribution or acquire the share options gratis that were already allotted gratis.

Brief Work Histories of the Attorney-at-Law and External Directors as Special Committee**Members (planned to assume office)**

Junya Sato (born May 4, 1953)

Apr. 1982 Registered as Lawyer,
Apr. 1982 Law Office of Furness, Sato & Ishizawa
(currently Law Office of Oku, Katayama & Sato)

Mr. Junya Sato and the Company have not entered into a consultancy agreement and he has no special interest in or with the Company.

Shin Kato (born June 27, 1961)

Apr. 1990 Registered as Lawyer,
Hiranuma Law Office
Apr. 1995 Aoyama Central Law Office
Sept. 2001 South Toranomom Law Office
Jun. 2013 Audit & Supervisory Board Member of the Company
Jan. 2014 Representative lawyer, Kato Law Office (To present)
Jun. 2017 External Director who is an Audit and Supervisory Committee Member of the Company (To present)

Mr. Shin Kato is an External Director as set forth in Item 15 of Article 2 of the Companies Act. The Company has notified Tokyo Stock Exchange, Inc., that he is an independent officer as provided for in Article 415, Paragraph 6 and Article 436-2 of its Enforcement Rules for Securities Listing Regulations. He has no special interest in or with the Company.

Yoshikazu Tsuda (born December 27, 1950)

Apr. 1974 Joined Nisshin Steel Co., Ltd.
Jun. 2003 Executive Officer, General Manager, Finance Dept.
Apr. 2006 Managing Executive Officer, Chief Financial Officer
Jun. 2006 Director, Managing Executive Officer, Chief Financial Officer
Oct. 2012 Director, Managing Executive Officer, Chief Financial Officer, Nisshin Steel Holdings Co., Ltd.
Director, Managing Executive Officer, Chief Financial Officer, Nisshin Steel Co., Ltd.
Apr. 2014 Director, Assistant to President, Nisshin Steel Co., Ltd.
Jun. 2014 Senior Advisor
Jun. 2015 Advisor
Jun. 2015 Audit & Supervisory Board Member of the Company

Jun. 2017 External Director who is an Audit and Supervisory Committee Member of the
Company (To present)

Mr. Yoshikazu Tsuda is an External Director as set forth in Item 15 of Article 2 of the Companies Act. The Company has notified Tokyo Stock Exchange, Inc., that he is an independent officer as provided for in Article 415, Paragraph 6 and Article 436-2 of its Enforcement Rules for Securities Listing Regulations. He has no special interest in or with the Company.

Top 10 Major Shareholders

(Percentage of shares held to the total number of shares issued (excluding treasury stock))

(As of March 31, 2018)

Name of Shareholder	Number of Shares Held (in thousands)	Percentage of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (trust account)	8,144	11.71
Japan Trustee Services Bank, Ltd. (trust account)	7,399	10.64
Nippon Life Insurance Company	2,174	3.13
The Yamaguchi Bank, Ltd.	1,649	2.37
Meiji Yasuda Life Insurance Company	1,488	2.14
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)	1,419	2.04
Sojitz Corporation	1,296	1.86
Sumitomo Metal Mining Co., Ltd.	1,180	1.70
Mitsubishi UFJ Trust and Banking Corporation	1,170	1.68
Japan Trustee Services Bank, Ltd. (trust account 5)	1,161	1.67

(Note) The Percentage of Shares Held is calculated after deducting the shares held by the Company as treasury stock (378,378 shares).