



May 12, 2006

To: All Concerned Parties

Company Name: Tokuyama Corporation
Name of Representative: Representative
Director Shigeaki Nakahara
(Code No. 4043 TSE First Section,
OSE First Section)
Direct Inquiries to: Public Relations Group
Yoshifumi Matsumoto
(TEL: 03-3499-8023)

Introduction of Policy regarding Large-scale Purchases of Tokuyama Corporation's Shares (Anti-Takeover Measures)

Tokuyama Corporation hereby announces that it has determined, at a meeting of its Board of Directors held on May 12, 2006, a policy (hereinafter, the "Policy") regarding any purchase of Tokuyama's share certificates, etc.¹ for the purpose of acquiring 20% or more of the total voting rights² for a specified shareholder group³, or any purchase of Tokuyama's share certificates, etc. that would result in the specified shareholder group's total voting rights becoming 20% or more (excluding cases where the prior consent of Tokuyama's Board of Directors has been obtained regarding either case; hereinafter such a purchase shall be referred to as a "Large-scale Purchase" and the party carrying out such Large-scale Purchase shall be referred to as the "Large-scale Purchaser").

1. Purpose of Large-scale Purchase Rules

Since its founding in 1918, Tokuyama has developed a wide range of businesses with our group companies, including a chemical business, film business, cement and building materials business, silicon business, including silica, polycrystalline silicon and the like, advanced materials business, including fine chemicals and the like, and medical-related business based on a foundation of uniform devotion to the production of goods and earning the long standing trust of our stakeholders, including our customers in particular.

The special features of these businesses involve endeavoring 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 plan for change, develop technology, produce equipment, bolster trust and cooperation with our stakeholders, including our customers in particular, and collect management resources for their introduction. We believe that, from this medium to long-term perspective, the cumulative result of these efforts and the advance introduction of management resources that is currently ongoing is the very source Tokuyama's corporate value.

It goes without saying that the decision of whether to accept a Large-scale Purchase is ultimately left up to the discretion of Tokuyama's shareholders, and, 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 appraisal and opinions of Tokuyama's Board of Directors as well as the provision of information and the like based on the business features pertaining to any Large-scale Purchase is critical for the shareholders to make a decision of whether to accept said Large-scale Purchase, and that the same contributes to the common interests of Tokuyama's shareholders.

Based on the foregoing philosophy, we hereby set forth the following rules regarding Large-scale Purchases (hereinafter, the "Large-scale Purchase Rules") so that the necessary and adequate information can be furnished to the shareholders at the time of a Large-scale Purchase.

Tokuyama 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 interest of Tokuyama's shareholders and Tokuyama's corporate value.

2. Details of Large-scale Purchase Rules

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

A summary of the Large-scale Purchase Rules follows.

(1) Provision of Large-scale Purchase Information

Prior to any Large-scale Purchase, Large-scale Purchasers shall provide to Tokuyama's Board of Directors the required and adequate information (hereinafter, the "Large-scale Purchase Information") for decision-making by Tokuyama's shareholders and the appraisal and consideration of Tokuyama'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 Tokuyama'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. Tokuyama 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. In addition, in cases where the information initially submitted is believed to be insufficient by itself as a result of the close scrutiny of the same, Tokuyama's Board of Directors may request the Large-scale Purchaser to provide additional information until all of the Large-scale Purchase Information has been organized. 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, Tokuyama'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 Tokuyama's Board of Directors at a time that it deems appropriate.

- ① A Summary of the Large-scale Purchaser or its group (including specific name, capital, and financial information)
- ② The purpose, method, and details of the Large-scale Purchase (including the price and type of purchase consideration, the timing of the purchase, and the appropriateness of the purchase method)
- ③ 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.
- ④ 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)).
- ⑤ Circumstances of establishing a security on share certificates, etc. of Tokuyama that are already owned or plans for establishing a security on share certificates, etc. of Tokuyama to be purchased in the future (including the method and details of the planned establishment of a security).
- ⑥ Management policies and business plans of Tokuyama and the Tokuyama Group intended for after the completion of the Large-scale Purchase.
- ⑦ Any changes planned for after the completion of the Large-scale Purchase or the details thereof when making such changes regarding the relationship among the

Tokuyama and Tokuyama Group employees, suppliers, customers, local community, and other stakeholders and Tokuyama and the Tokuyama Group.

(2) Appraisal and Consideration By Tokuyama's Board of Directors

Tokuyama's Board of Directors believes that, after the Large-scale Purchaser completes the provision of the Large-scale Purchase Information to Tokuyama's Board of Directors, a period of 60 days (in cases of purchases of all of Tokuyama's share certificates, etc. 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 Tokuyama'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. Therefore, Large-scale Purchases shall commence only after the elapse of the Board of Directors Appraisal Period. Tokuyama'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 Tokuyama's Board of Directors shall be carefully summarized and publicly announced.

3. Policy When Large-scale Purchase Is Attempted

(1) When Large-scale Purchaser Fails to Comply with Large-scale Purchase Rules

In cases where the Large-scale Purchaser fails to comply with the Large-scale Purchase Rules, Tokuyama's Board of Directors may, regardless of the specific purchase method thereof, take measures (hereinafter, the "Countermeasures") deemed within the authority of Tokuyama's Board of Directors under the Company Law, other laws and ordinances, and Tokuyama's Articles of Incorporation, such as issuing new shares and/or issuing share subscription rights, for the purpose of protecting the common interests of Tokuyama's shareholders and Tokuyama's corporate value, and oppose the Large-scale Purchase. That which is deemed appropriate at such point in time shall be selected in regards to the decision of whether to implement any specific Countermeasure.

An outline regarding the issuance of share subscription rights by shareholder allotment is set forth in Exhibit 1 as a specific Countermeasure, however, in cases of actually issuing share subscription rights, an exercise period and exercise terms may be established in light of the impact of such Countermeasure. In this case, such shares

subscription rights may not be exercised by the Large-scale Purchaser. In addition, there may be cases in which future changes are included, such as adding a clause (an acquisition clause) in which Tokuyama may acquire the share subscription rights in exchange for its shares or other property regarding the details of said share subscription rights. Furthermore, Tokuyama plans to register the issuance of shares subscription rights so that the issuance of the same may be executed quickly.

(2) When Large-scale Purchaser Complies with Large-scale Purchase Rules

In cases where the Large-scale Purchaser complies with the Large-scale Purchase Rules, Tokuyama'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 Tokuyama'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 Tokuyama's shareholders and Tokuyama's corporate value, even if the Large-scale Purchase Rules have been complied with, Tokuyama's Board of Directors may implement a Countermeasure (the specific details of the Countermeasure are as set forth in the foregoing 3.(1)) in order to protect the common interests of the shareholders and Tokuyama's corporate value. Specifically, in cases where there are reasonable grounds for concluding that the Large-scale Purchase corresponds to any of the patterns described in ① through ⑦ below, such the Large-scale Purchase will, in principle, be concluded as being one that will significantly damage the common interests of Tokuyama's shareholders and Tokuyama's corporate value.

- ① When it is determined that the purchase of Tokuyama shares is being carried out for the purpose of causing Tokuyama's related parties to take over Tokuyama shares at an overstated share price, regardless of there being no genuine intent to participate in the management of Tokuyama (so-called greenmail).
- ② When it is determined that the purchase of Tokuyama shares is being carried out for the purpose of temporarily controlling the management of Tokuyama so that the intellectual property rights, know-how, trade secrets, and principal suppliers, customers and the like required with respect to Tokuyama's or the Tokuyama Group Company's business can be transferred to the Large-scale Purchaser or its group

companies and the like.

- ③ When it is determined that the purchase of Tokuyama shares is being carried out in accordance with plans to divert the assets of Tokuyama 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 Tokuyama.
- ④ When it is determined that the purchase of Tokuyama shares is being carried out for the purpose of temporarily controlling the management of Tokuyama so that Tokuyama's or the Tokuyama Group Company's 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 the temporarily high dividends whereupon the same can be sold at an inflated price.
- ⑤ When it is determined that the purchase method of Tokuyama 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 Tokuyama shares (provided that incremental tender offers shall not always correspond hereto).
- ⑥ When significant damages to Tokuyama's corporate value, including the interests of Tokuyama shareholders, employees, supplier, customers, its local community, and other stakeholders, is foreseen due to the acquisition of controlling rights by the Large-scale Purchaser, or when it is determined on a reasonable basis that the maintenance or improvement of Tokuyama's corporate value will be significantly obstructed.
- ⑦ When it is determined on a reasonable basis that the Large-scale Purchaser is inappropriate as a controlling shareholder of Tokuyama from the point of view of public order and good morals, such as cases in which there are persons in the Large-scale Purchaser's management or principal shareholders that are involved in antisocial forces.

4. Establishment of Special Committee

(1) Special Committee Members

A Special Committee has been established as an organ that serves as a deterrent against arbitrary decision-making by Tokuyama's Board of Directors before activating a

Countermeasure. The Special Committee shall be comprised of at least three members, who shall be selected from among outside Directors, outside Auditors, attorneys-at-law, public certified accountants, tax accountants, academic experts, and experienced outside key figures as Directors or executives to enable fair and neutral decision making. The initial Special Committee shall comprise one attorney-at-law and two outside Auditors. A brief work history of the members is set forth in Exhibit 2 "Brief Work Histories of Special Committee Attorney-at Law and Outside Auditor Members."

(2) Functions of Special Committee

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

First, Tokuyama's Board of Directors shall inquire to the Special Committee as to the suitability of activating a Countermeasure, whereupon the Special Committee shall make a recommendation to Tokuyama'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. Tokuyama'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.

Note that the Board of Directors Appraisal Period may not be prolonged on account of the delayed recommendation-making of the Special Committee or the delayed decision-making of Tokuyama's Board of Directors based on such recommendation.

5. Impact on Shareholders When Activating Countermeasure

In cases where a Large-scale Purchaser fails to comply with the Large-scale Purchase Rules, Tokuyama's Board of Directors may implement a Countermeasure allowed under the Company Law, other laws, or Tokuyama's Articles of Incorporation for the purpose of protecting the common interests of Tokuyama's shareholders and Tokuyama's corporate value, however no circumstances are expected to arise in which Tokuyama'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. If Tokuyama's Board of Directors decides to implement a specific Countermeasure, such matter shall be promptly and appropriately disclosed in accordance with laws, ordinances, and securities and exchange regulations, etc.

6. Procedures Required of Tokuyama Shareholders Attendant to Issuance of Share Subscription Rights

(1) Allotment of Share Subscription Rights

In cases where Tokuyama's Board of Directors approves a resolution to issue share subscription rights, Tokuyama shall announce the allotment date of the share subscription rights. Because share subscription rights will be allotted to shareholders entered or recorded in the final shareholders' registry or beneficial shareholders' registry as of the allotment date, the Tokuyama shareholders that have not completed the name transfer procedure must do so by the allotment date of the share subscription rights in order to acquire the same (name transfer procedures are not required regarding share certificates deposited with the Japan Securities Depository Center, Inc.). Furthermore, because the share subscription rights will be allotted to the shareholders by way of a gratis allotment of share subscription rights stipulated under Article 277 of the Company Law, the shareholders entered or registered in the final shareholders' registry or beneficial shareholders' registry as of the allotment date will naturally become share subscription rights holders on the effective date of the gratis allotment of said shares subscription rights.

(2) Procedures for Exercising Share Subscription Rights

Tokuyama shall send the claim forms for exercising share subscription rights (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 subscription rights to the shareholders entered or registered in the final shareholders' registry or beneficial shareholders' registry as of the allotment date. After the issuance of share subscription rights, shareholders shall be issued one ordinary share of the Company for each share subscription right through submitting the required documents thereof and paying to a payment handling institution an amount determined by Tokuyama's Board of Directors that is at least one yen for each share subscription right.

However, as set forth in the foregoing 3(1), in cases where Tokuyama includes a change, such as the addition of a clause (an acquisition clause) that enables the Company to acquire share subscription rights in exchange for Tokuyama shares or other assets, or, in other words, in cases where it has been determined that Tokuyama can obtain share subscription rights in exchange for Company shares, if Tokuyama completes the acquisition procedures, the shareholders who own share subscription rights determined by Tokuyama's Board of Directors to be the subject of the acquisition

will receive shares of the Company as consideration for the acquisition by Tokuyama of the share subscription rights 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).

7. Miscellaneous

This Policy was determined by the unanimous approval of all the Directors in a resolution by Tokuyama's Board of Directors Meeting held on May 12, 2006, whereupon all Auditors, including two outside Auditors, participated in such Meeting and in which both Auditors stated an opinion of approval of the Policy on the condition that the specific administration of the Policy be properly carried out.

This Policy became effective on the same day of the resolution of Tokuyama's Board of Directors held on May 12, 2006. However, bringing the Policy up as an agenda proposal at the Ordinary General Shareholders' Meeting (hereinafter, the "Ordinary General Shareholders' Meeting") to be held in June 2006 is planned in order to obtain the approval of the shareholders. If the approval of a majority of the shareholders in attendance at the Ordinary General Shareholders' Meeting is not obtained, the Policy shall be discontinued at that time.

Tokuyama's Board of Directors shall reevaluate the Policy as necessary from the point of view of protecting the common interests of Tokuyama's shareholders and Tokuyama's corporate value based on revisions to relevant laws and ordinances, such as the Company Law, trends in judicial decisions, and measures taken by securities exchanges and other public 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 discontinuation of the Policy shall be brought up as an agenda proposal at the General Shareholders' Meeting, and the approval thereof shall be obtained by a majority of the shareholders in attendance.

Furthermore, note that the term of office for Tokuyama's Directors shall be for one year, whereupon the intentions of the shareholders regarding the continuation of the Policy shall be reflected through the exercise of voting rights regarding the agenda proposal for the appointment of Directors at the Ordinary General Shareholders' Meeting held each year.

Outline of Share Subscription Rights

1. Shareholders Subject to Grant of Share Subscription Rights and Issuance Terms and Conditions Thereof

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

2. Type and Number of Shares for Purpose of Share Subscription Rights

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

3. Total Number of Issued Share Subscription Rights

The total number of allotted share subscription rights shall be the number stipulated by Tokuyama's Board of Directors. Tokuyama's Board of Directors may execute an allotment of share subscription rights multiple times.

4. Issuance Price of Share Subscription Rights

Gratis.

5. Amount to Be Paid upon Exercise of Each Share Subscription Right

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

6. Transfer Restrictions on Share Subscription Rights

Transfer of share of subscription rights must be approved by Tokuyama's Board of Directors.

7. Exercise Terms and Conditions

Specified shareholder groups including Large-scale Purchasers cannot exercise share subscription rights.

8. Exercise Period, Etc. of Share Subscription Rights

The exercise period of the share subscription rights, 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 Tokuyama's Board of Directors

9. Share Subscription Rights with Acquisition Clause

As set forth in 6.(2) of the Policy, Tokuyama may include changes, such as the addition of a clause (an acquisition clause) that enables it to exchange shares or other assets of the Company for share subscription rights in regards to the details of the share of subscription rights.

**Brief Work Histories of Special Committee Attorney-at Law and
Outside Auditor Members**

Kazuyuki Taguchi (born March 11, 1966)
April 1989 Admitted to the bar (Daiichi Tokyo Bar Association)
April 1991 Joined Abe, Ikubo & Katayama

Kiyoshi Nukariya (born July 24, 1941)
April 1964 Joined The Sanwa Bank, Ltd.
June 1994 The Sanwa Bank, Ltd., Full-time Auditor
June 1996 Towa Meccs Corporation, Representative Director and President
June 2001 Tokuyama Corporation, Auditor (current position)
May 2005 Towa Meccs Corporation, Advisor (current position)

Ryuji Hori (born September 3, 1943)
April 1966 Joined Iwai Sangyo Corporation
June 1996 Nissho Iwai Corporation, Director
June 2000 Nissho Iwai Corporation, Managing Director
June 2002 Nissho Iwai Corporation, Executive Director
April 2003 Waseda University, School of Law, Professor
April 2004 Waseda Law School, Professor (current position)
June 2005 Tokuyama Corporation, Auditor (current position)

¹ Share certificates, etc. mean that which is defined in Paragraph 1, Article 27-23 of the Securities and Exchange Law.

² Total voting rights means, according to the specific purchase method of the specified shareholder group, (i) in cases where the specified shareholder group is a holder or a joint holder thereof of Tokuyama's share certificates, etc. (defined in Paragraph 1, Article 27-23 of the Securities and Exchange Law), the holding ratio of share certificates, etc. (defined in Paragraph 4, Article 27-23 of the Securities and Exchange Law; in this case, the number of share certificates, etc. (defined in the same Paragraph) held by any joint holder of said holders shall be considered with respect to performing the calculation) of said holder, or (ii) in cases where the specified shareholder group is a Large-scale Purchaser of Tokuyama's share certificates, etc. (defined in Paragraph 1, Article 27-2 of the Securities and Exchange Law) or a specially related party thereof, the total share certificate, etc. holding ratio (defined in Paragraph 8, Article 27-2 of the Securities and Exchange Law) of said Large-scale Purchaser or said specially related party. Of the securities reports, semi-annual reports, or treasury stock purchase reports, that which has been most recently submitted may be used as a reference with respect to the total voting rights (defined in Paragraph 8, Article 27-2 of the Securities and Exchange Law) and the total number of outstanding shares (defined in Paragraph 4, Article 27-23 of the Securities and Exchange Law) in calculating the holding ratio of all share certificates, etc.

³ A specified shareholder (*tokutei kabunushi*) group means a holder (defined in Paragraph 1, Article 27-23 of the Securities and Exchange Law, including any person or company deemed a holder pursuant to Paragraph 3 of the same Article) of Tokuyama's shares certificates, etc. (defined in Paragraph 1, Article 27-23 of the Securities and Exchange Law) or any joint holders thereof (defined in Paragraph 5, Article 27-23 of the Securities and Exchange Law, including any person or company deemed a joint holder pursuant to Paragraph 6 of the same Article) any person or company that makes a tender and the like (defined in Paragraph 1, Article 27-2 of the Securities and Exchange Law, including tenders made on a securities exchange market) or any specially related parties (defined in Paragraph 7, Article 27-2 of the Securities and Exchange Law).