

[Translation]



May 11, 2012

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### **Renewal of Policy Regarding Large-Scale Purchases of Tokuyama Corporation's Company Shares (Anti-Takeover Measures)**

Tokuyama Corporation (hereinafter “the Company,” “Tokuyama” or “we”) hereby announces that the Board of Directors of the Company, at its meeting held on May 11, 2012, determined to renew a policy (hereinafter “the Policy”) regarding the Large-Scale Purchase of Tokuyama’s shares, as explained in the following, and make a proposal on the agenda to seek shareholders’ approval of the renewal of the Policy at the 148th Ordinary General Shareholders’ Meeting (hereinafter “this Ordinary General Shareholders’ Meeting”) to be held on June 26, 2012. The renewal of the Policy is based on the “Basic Policy Regarding Persons Who Control the Company’s Decisions on Financial Matters and Business Policies” (hereinafter the “Basic Policy”) as defined in the clause in Paragraph 3 of Article 118 of the Enforcement Regulations of the Companies Act. It is one of our measures to prevent the Company’s decisions on financial matters and business policies from being controlled by persons deemed inappropriate according to the Basic Policy (Article 118, Paragraph 3, B(2), of the Enforcement Regulations of the Companies Act).

At the meeting of the Board of Directors held on May 12, 2009, Tokuyama determined to adopt the Policy Regarding Large-Scale Purchases of Tokuyama Corporation’s Shares (Anti-Takeover Measures) (hereinafter the “Former Policy”), which was announced in a press release as of the following day. Later, at the 145th Ordinary General Shareholders’ Meeting held on June 25, 2009, the Former Policy was approved by a majority of the vote of shareholders, thereby continuing the Former Policy. The Policy is a renewed version of the Former Policy.

The Policy will take effect on condition that the above proposal on the agenda is approved by shareholders at this Ordinary General Shareholders’ Meeting. In case it is not approved

thereat, the Policy shall not be introduced.

In cases where amendments of the Companies Act, the Financial Instruments and Exchange Law 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 stipulation of new laws and regulations inheriting the previous content, each Article and Paragraph of the laws and regulations referred to in this document shall be read as corresponding Article and Paragraph to the previous content, unless otherwise stipulated by the Board of Directors.

The major changes from the Former Policy to the Policy are as follows.

- We have more clearly defined the Large-Scale Purchase Information required to be submitted by the Large-Scale Purchaser (3. (1) ⑧ below).
- We have clarified that the countermeasure against a Large-Scale Purchase when a Large-Scale Purchaser complies with the Large-Scale Purchase Rules shall be exclusively activated in cases where the Large-Scale Purchase is judged to significantly damage the common interests of Tokuyama’s shareholders and Tokuyama’s corporate value.

The status of the major shareholders of the Company as of March 31, 2012 is provided in the Appendix.

As of May 11, 2012, we have not received any Large-Scale Purchase proposal.

## **1. Purpose of the Large-Scale Purchase Rules**

### (1) Basic Policy and Its Background

Tokuyama endeavors to improve its corporate value based on the improvement of corporate ethics and thorough compliance. At the same time, Tokuyama has formulated its basic management policies to realize a Tokuyama Group that will always be selected by customers and appreciated by stakeholders—shareholders, customers, employees and local communities—through the policy of “practicing corporate management in harmony with society” based on the recognition of its corporate social responsibility (CSR).

Since its founding in 1918, Tokuyama has developed a wide range of businesses with our group companies, including the chemical business; the film business; the cement and building materials business; the silicon business, including silica, polycrystalline silicon and the like; the advanced materials business, including fine chemicals and the like; and the

medical-related business. 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 plan for change; develop technology; produce 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 ongoing advance introduction of management resources are the very source Tokuyama'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 Tokuyama's shareholders and Tokuyama's corporate value.

The above explains Tokuyama's Basic Policy Regarding Persons Who Control the Company's Decisions on Financial Matters and Business Policies.

## (2) Centennial Vision and New Three-Year Management Plan

Toward the 100th anniversary of its establishment, which will be celebrated in February 2018, the Tokuyama Group set out a corporate vision. It defines the optimum form of the Group as "a manufacturing company that exists in harmony with society and creates a better future with the vitality of its human resources and the creativity of chemistry," being on par with globally competitive companies. We have declared that this goal is not simply an extension of the status quo but rather can be achieved by Venture Spirit & Innovation. The basic strategies of the Centennial Vision are to strengthen strategically growing businesses through selection and concentration and to bolster international competitiveness. We will promote these basic strategies through the foundation of a support structure that consists of human resource-based management and the promotion of CSR activities.

### i) Strengthen Strategically Growing Businesses

Positioning the electronic materials (polycrystalline silicon) business and the like as strategically growing businesses, we will proactively expand business and increase production bases. In addition, we aim to create growth-driving businesses, centering

on electronic components and environment/energy-related materials, as part of the creation of new businesses.

ii) Bolster Our International Competitiveness

We will establish a highly profitable structure by restructuring the integrated operations and lowering the unit energy consumption index (promoting energy-saving) at the Tokuyama Factory. We will also pursue improvements in productivity and efficiency in back-office divisions.

iii) Support Structure for Basic Strategies

The Company considers its most important management resource to be human resources and will address nurturing human resources who can globally work by maximizing their vitality through enhancing employees' motivation. The promotion of CSR activities represents our basic policy of "practicing corporate management in harmony with society with a viewpoint focused on future," which is consistently pursued by Tokuyama. We thus aim to become a corporation that is recognized and evaluated by our stakeholders in society.

Positioning the new Three-Year Management Plan, of which the starting year is FY2012, as the second step for Accelerating Our Growth Strategies toward achieving our Centennial Vision, we will strive to promote growth strategies and establish a support structure for such growth strategies. To create a flow that accelerates growth, we will complete the Malaysia Project, restructure the Group's businesses and strengthen the organizational functions.

In addition, in the new Three-Year Management Plan, we will further develop the results of our endeavor under the previous Three-Year Management Plan and for FY2011 and accelerate our initiatives to address remaining issues such as the creation of new businesses, the nurturing of highly profitable businesses and the full utilization of the new information line of business (LOB) system.

(3) Corporate Governance

Corporate governance system is an extremely important structure for every company in realizing its improvement of corporate value. We therefore believe that routine oversight should be made and necessary measures be taken so that corporate governance of Tokuyama functions appropriately at all times.

Tokuyama is a company with an Auditor system. To strengthen the supervisory function of the Board of Directors, the Company installed an Outside Director in June 2011. Two of the four Auditors are Outside Auditors and we strive to maintain sound management by ensuring the transparency and fairness of Tokuyama's corporate

management. Meanwhile, the Company implemented an executive officer system in April 2011 for the purpose of separating the supervisory function from the business execution function. We believe that the aforementioned governance system will ensure the objectivity and neutrality of the management supervisory function of the Company.

The decision of whether to accept a Large-Scale Purchase is ultimately left to the discretion of Tokuyama'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 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, are critical for the shareholders to make a decision of whether to accept said Large-Scale Purchase, and contribute to the common interests of Tokuyama's shareholders.

Based on the foregoing philosophy, we hereby designate the rules as set forth in 3. below 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 interests of Tokuyama's shareholders and Tokuyama's corporate value.

## **2. Purchases of Tokuyama'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 Tokuyama'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 shares<sup>1</sup> issued by the Company, a purchase and other actions where the holding ratio of the shares<sup>2</sup> of a holder<sup>3</sup> will be 20% or more.
- (ii) With respect to the shares<sup>4</sup> issued by the Company, a tender offer<sup>5</sup> where the total of the owning ratio of the shares<sup>6</sup> owned by a party carrying out the tender offer and the owning ratio of the shares owned by a party having a special relationship<sup>7</sup> 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 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 is as follows.

#### **(1) Provision of the 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. Upon judging that sufficient Large-Scale Purchase Information has been provided, Tokuyama'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, 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.

When determining whether or not the Large-Scale Purchaser has complied with the procedure set forth in the Large-Scale Purchase Rules, Tokuyama'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 Tokuyama's Board of Directors has not been provided by the

Large-Scale Purchaser.

- 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 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))
- ⑤ The existing collateral for the shares of Tokuyama that are already owned or the planned establishment of collateral for the shares of Tokuyama to be purchased in the future (including the method and details of the planned establishment of collateral)
- ⑥ The intended fundamental management policies and business plans of Tokuyama and the Tokuyama Group after the completion of the Large-Scale Purchase
- ⑦ Any changes planned 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
- ⑧ 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 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 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 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.

To confirm the shareholders' view with regard to whether to implement a countermeasure against an inappropriate Large-Scale Purchase, the Board of Directors of

the Company, based on the advice of the Special Committee, can extend the Board of Directors Appraisal Period for a maximum of thirty (30) days (excluding the first day) within a necessary and reasonable range. In that case, the Board of Directors will quickly announce the specific period of the extension and the reason for the extension. During 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 in a timely and appropriate manner.

**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, 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 Companies Act, other laws and ordinances, and Tokuyama's Articles of Incorporation, such as issuing new shares and/or issuing share options, 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 the share options by shareholder allotment is set forth in Exhibit 2 as a specific Countermeasure. However, in cases of actually issuing the share options, an exercise period and exercise terms may be established in light of the impact of such Countermeasure. In this case, such share options may not be exercised by the Large-Scale Purchaser. In addition, there may be cases in which future changes are made, such as adding a clause (an acquisition clause) in which Tokuyama 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 26, 2009, and June 30, 2011). In case shareholders approve the introduction of the Policy at this Ordinary General Shareholders' Meeting, Tokuyama 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, 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 4. (1)) in order to protect the common interests of Tokuyama's 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 scenarios described in ① through ⑦ below, such a Large-Scale Purchase will, in principle, be determined to be one that will significantly damage the common interests of Tokuyama's shareholders and Tokuyama'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 Tokuyama's shareholders and Tokuyama'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 ① through ⑦ below.

- ① When it is determined that the purchase of Tokuyama's shares is being carried out for the purpose of causing Tokuyama's related parties to take over Tokuyama's shares at an overstated share price, regardless of whether there is genuine intent to participate in the management of Tokuyama (so-called green mailer).
- ② When it is determined that the purchase of Tokuyama's 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 companies' 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's 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's shares is being carried out for the purpose of temporarily controlling the management of Tokuyama so that Tokuyama'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 Tokuyama's shares can be sold at an inflated price.
- ⑤ When it is determined that the purchase method of Tokuyama'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 Tokuyama shares (provided that incremental tender offers shall not always correspond hereto).
- ⑥ When it is foreseen that the acquisition of controlling rights by the Large-Scale Purchaser could lead to significant damages to the Company's tangible and/or intangible management resources, including relationships with Tokuyama shareholders, employees, suppliers, customers, its local community and other stakeholders, which are necessary for creating the common interests of Tokuyama's shareholders and Tokuyama's corporate value, resulting in significant damage to the common interests of Tokuyama's shareholders and Tokuyama's corporate value from the medium- and long-term perspective, or when it is determined on a reasonable basis that the maintenance or improvement of the common interests of Tokuyama's shareholders and Tokuyama's corporate value will be significantly obstructed.
- ⑦ When there are persons in the Large-Scale Purchaser's management or principal shareholders that are involved in antisocial forces or groups or organizations that are regarded as antisocial forces.

## **5. Establishment of a Special Committee**

### **(1) Special Committee Members**

A Special Committee is 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 remain established upon the renewal of the Policy. The Special

Committee shall comprise at least three members, who shall be selected from among Outside Directors, Outside Auditors, attorneys-at-law, Certified Public Accountants, 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 Outside Auditors. The names and brief work histories of the members who will assume office after the close of this Ordinary General Shareholders' Meeting are set forth in Exhibit 3, "Brief Work Histories of the Special Committee Attorney-at-Law and Outside Auditor Members (planned to assume office)."

## **(2) Functions of the 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 of 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.

With regard to the implementation of any countermeasure against an inappropriate Large-Scale Purchase, the Board of Directors of the Company, accepting the advice of the Special Committee, may convene a General Shareholders' Meeting to confirm the shareholders' view. As set forth in 3. (2) above, the Board of Directors shall not extend the Board of Directors Appraisal Period except for an extension for the purpose of confirming the shareholders' view concerning whether to implement any countermeasure against an inappropriate Large-Scale Purchase based on the advice of the Special Committee.

## **6. Impact on the Shareholders when Activating a 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 Companies Act, 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. Although no circumstances are expected to arise from the implementation of the Countermeasure, 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, the Company's stock price might be affected, to which shareholders would have to pay attention. 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.

In case the Large-Scale Purchaser withdraws the tender offer that it already initiated after it is determined to implement a gratis allotment of the share options by resolution of the Board of Directors as a specific Countermeasure or in case the Large-Scale Purchaser has immediately disposed of Tokuyama's shares after it purchased them, the purchase itself ceases to be a Large-Scale Purchase. In these cases, the Company cancels the implementation of the gratis allotment of the share options or acquires 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. In case the Company cancels a gratis allotment of the share options 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 Tokuyama Shareholders Attendant to the Issuance of the Share Options**

### **(1) Allotment of the Share Options**

In cases where Tokuyama's Board of Directors approves a resolution to issue the share options, Tokuyama shall give a public notice of the allotment date of the share options. Furthermore, because the share options will be allotted to the shareholders by way of a gratis allotment of the share options as stipulated under Article 277 of the Companies Act, the shareholders entered or registered in the final shareholders' registry or beneficial shareholders' registry as of the allotment date will naturally become the share options holders on the effective date of the gratis allotment of said share options.

### **(2) Procedures for Exercising the Share Options**

Tokuyama 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' registry or beneficial shareholders' registry 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 Tokuyama'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 Tokuyama 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 Tokuyama shares or other assets, or, in other words, in cases where it has been determined that Tokuyama can obtain the share options in exchange for the Company's shares, if Tokuyama completes the acquisition procedures, the shareholders who own the share options 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 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 Discontinuation and Change of the Policy**

The Policy will be effective until the closing of the Ordinary General Shareholders' Meeting for the last fiscal year that ends within three (3) years after this Ordinary General Shareholders' Meeting. Even before the end of the effective period, 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 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 discontinuation of the Policy shall be brought up as an agenda proposal at the General Shareholders' Meeting.

The Policy was determined by the unanimous approval of the Directors, including one Outside Director, in a resolution by Tokuyama's Board of Directors at a meeting held on May 11, 2012, whereupon all the Company's Auditors, including two Outside Auditors, participated in such meeting and in which every Auditor approved the Policy on the condition that the specific administration of the Policy be properly carried out.

## **9. Reasonableness of the Policy**

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

As described in the foregoing 3., the Policy will enable Tokuyama'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 Tokuyama'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. In other words, the Policy is renewed to constrain any purchase that is contrary to the common interests of Tokuyama'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 Shareholders' Meeting 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 discontinuation of the Policy shall be brought up as an agenda proposal at the General Shareholders' Meeting.

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, 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 Shareholders' Meeting 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 Tokuyama’s Board of Directors. The Special Committee comprises at least three members, who shall be selected from among Outside Directors, Outside Auditors, attorneys-at-law, Certified Public Accountants, 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 convocation of a General Shareholders’ Meeting to confirm the intentions of the shareholders and the extension of the Board of Directors Appraisal Period when the General Shareholders’ Meeting is convened. 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 Tokuyama’s Board of Directors from arbitrarily activating the Countermeasure.

(6) Advice from Outside Experts

Tokuyama’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

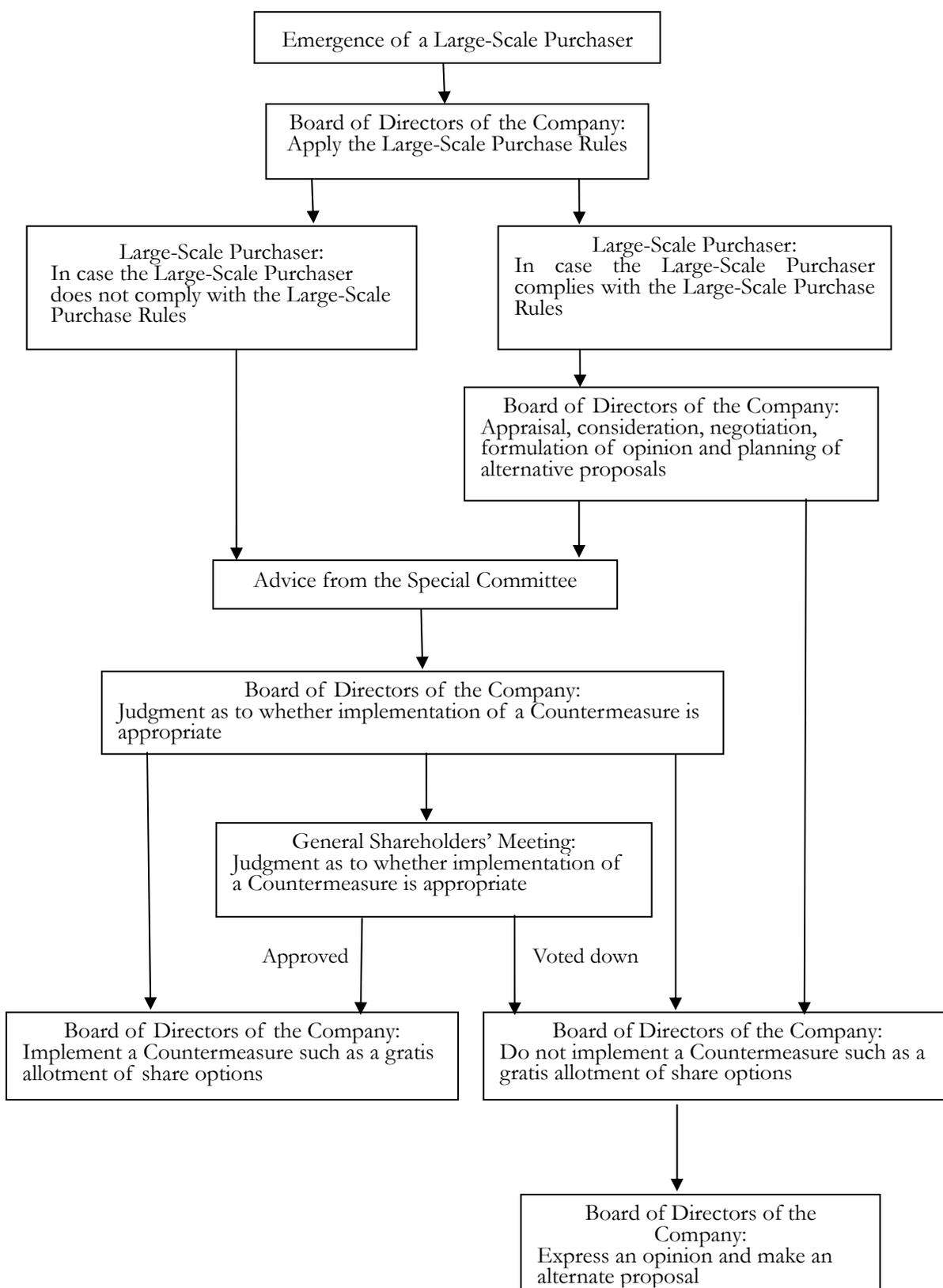
The Policy is not a so-called “dead hand” type anti-takeover measure (a takeover defense measure in which the triggering of the measure cannot be prevented even though a majority of the members of the Board of Directors are replaced). Neither is the Policy a “slow-hand” anti-takeover measure (a takeover 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. (The term of office for Tokuyama's directors is one year.)

Notes:

1. Defined in Article 27-23, Paragraph 1, of the Financial Instruments and Exchange Law, hereinafter the same applies, unless otherwise stipulated.
2. Defined in Article 27-23, Paragraph 4, of the Financial Instruments and Exchange Law, 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 Law, hereinafter the same applies.
4. Defined in Article 27-2, Paragraph 1, of the Financial Instruments and Exchange Law, the same applies in (ii).
5. Defined in Article 27-2, Paragraph 6, of the Financial Instruments and Exchange Law, hereinafter the same applies.
6. Defined in Article 27-2, Paragraph 8, of the Financial Instruments and Exchange Law, hereinafter the same applies.
7. Defined in Article 27-2, Paragraph 7, of the Financial Instruments and Exchange Law, 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 Ordinance concerning the disclosure of tender offer of shares by persons other than the issuer.

**Outline of the Policy**



### **Outline of the Share Options**

1. Shareholders Subject to Grant of the Share Options and Issuance 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 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 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 Tokuyama 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 Tokuyama's Board of Directors. Tokuyama's Board of Directors may execute an allotment of the share options 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 Tokuyama's Board of Directors of at least one Japanese yen.

6. Transfer Restrictions on the Share Options

The transfer of share options must be approved by Tokuyama'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 Tokuyama's Board of Directors

#### 9. Share Options with Acquisition Clause

As set forth in 7.(2) of the Policy, Tokuyama 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.

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

Junya Sato (born May 4, 1953)

April 1982 Registered as attorney-at-law with the bar (Daiichi Tokyo Bar Association)

April 1982 Joined Furnace, Sato & Ishizawa Legal Office (currently Ishizawa, Kami & Sato Law Office)

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

Ryuji Hori (born September 3, 1943)

April 1966 Joined Iwai Sangyo Corporation

June 1996 Director, Nissho Iwai Corporation

June 2000 Managing Director, Nissho Iwai Corporation

June 2002 Executive Director, Nissho Iwai Corporation

April 2003 Professor, Waseda University, School of Law

April 2004 Professor, Graduate School of Law, Waseda University (current position)

June 2005 Auditor, Tokuyama Corporation (current position)

Mr. Ryuji Hori is an outside auditor as set forth in Article 2, Item 16, of the Companies Act. The Company has notified Tokyo Stock Exchange, Inc., that he is an independent auditor in accordance with its regulations. He has no special interest in or with the Company.

Takeru Ishibashi (born September 29, 1941)

April 1964 Joined Mitsubishi Corporation

July 1990 General Manager, Chlor-alkali Division, Mitsubishi Corporation

June 1997 Director, Mitsubishi Corporation

April 2001 Managing Director, Mitsubishi Corporation

June 2001 Member of the Board, Executive Vice President, Mitsubishi Corporation

April 2004 Member of the Board, Senior Executive Vice President, Mitsubishi Corporation

June 2007 Adviser, Mitsubishi Corporation

June 2011 Auditor, Tokuyama Corporation (current position)

Mr. Takeru Ishibashi is an outside auditor as set forth in Article 2, Item 16, of the Companies Act. The Company has notified Tokyo Stock Exchange, Inc., that he is an independent auditor in accordance with its 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))

Name of Shareholder	Number of Shares Held (in thousands)	Percentage of Shares Held (%)
Japan Trustee Services Bank, Ltd. (trust account)	24,896	7.16
The Master Trust Bank of Japan, Ltd. (trust account)	17,483	5.02
Nippon Life Insurance Company	15,535	4.46
Japan Trustee Services Bank, Ltd. (trust account 9)	11,972	3.44
The Yamaguchi Bank, Ltd.	8,246	2.37
Meiji Yasuda Life Insurance Company	7,442	2.14
The Nomura Trust and Banking Co., Ltd. (trust account)	7,429	2.14
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,095	2.04
Sojitz Corporation	6,484	1.86
Mitsubishi UFJ Trust and Banking Corporation	5,852	1.68

(Note) The Percentage of Shares Held is calculated after deducting the shares held by the Company as treasury stock (1,729,017 shares).