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Securities Code: 4186

March 7, 2018

To Those Shareholders with Voting Rights

Ikuo Akutsu
President and Representative Director
TOKYO OHKA KOGYO CO., LTD.
150 Nakamaruko, Nakahara-ku, Kawasaki, Kanagawa,
Japan

NOTICE OF THE CONVOCATION OF THE 88th ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 88th Ordinary General Meeting of Shareholders of TOKYO OHKA KOGYO CO., LTD. (“the Company”). The meeting will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights by either of the following means. Please review the Reference Documents for the General Meeting of Shareholders, and exercise your voting rights by 5:30 p.m., Wednesday, March 28, 2018 (JST).

Exercise of Voting Rights in Writing

Please indicate your votes for or against the proposals on the enclosed Voting Rights Exercise Form and return it to the Company, ensuring that the form reaches us no later than the above voting deadline.

Exercise of Voting Rights by Electronic Means (via the Internet, etc.)

Please review the “Guide for Exercising Voting Rights” described on pages 3 and 4, and enter your approval or disapproval for each proposal no later than the above voting deadline.

- 1. Date and Time:** Thursday, March 29, 2018 at 10:00 a.m. (JST)
(The date of the meeting for this fiscal year is apart from the corresponding date of the meeting for the last fiscal year (June 28, 2017) because the Company changed the end of its fiscal year from March 31 to December 31 and the 88th fiscal year (current fiscal year) consists of only nine month from April 1, 2017 to December 31, 2017 as a transition period.)
- 2. Place:** 1st Meeting Room, 5F, Corporate Headquarters of the Company
150 Nakamaruko, Nakahara-ku, Kawasaki, Kanagawa, Japan

3. Agenda of the Meeting:

Matters to be reported:

1. The Business Report and the Consolidated Financial Statements for the 88th fiscal year (from April 1, 2017 to December 31, 2017) and results of audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements
2. The Non-Consolidated Financial Statements for the 88th fiscal year (from April 1, 2017 to December 31, 2017)

Proposals to be resolved:

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Election of Eight Directors
- Proposal No. 3:** Continuation of Guidelines on Response to Large-Scale Purchase of the Company’s Shares etc. (Takeover Defensive Measures)

4. Matters Decided for the Convocation:

- (1) If you exercise your voting rights by two different means, that is, by electronic means (via the Internet, etc.) as well as in writing, votes by electronic means (via the Internet, etc.) shall prevail.

(2) If you exercise your voting rights by electronic means (via the Internet, etc.) more than once, your final votes shall prevail.

- * For those attending the meeting, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival.
- * When it is necessary to modify the matters stated in the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements, please understand that the matters after modification will be shown on the website of the Company (<http://www.tok.co.jp/>).

Guide for Exercising Voting Rights

Voting rights can be exercised using the following three methods.

[Attending the General Meeting of Shareholders]

Please hand in the enclosed Voting Rights Exercise Form at the reception desk.

Date and Time: Thursday, March 29, 2018 at 10:00 a.m. (JST)

Place: 1st Meeting Room, 5F, Corporate Headquarters of the Company
150 Nakamaruko, Nakahara-ku, Kawasaki, Kanagawa, Japan

[Exercise of Voting Rights by Postal Mail]

Please indicate your votes for or against the proposals on the enclosed Voting Rights Exercise Form and mail it without a stamp.

Deadline for exercising voting rights: 5:30 p.m., Wednesday, March 28, 2018 (JST)

[Exercise of Voting Rights via the Internet]

Please access the website for exercising voting rights (<https://evote.tr.mufg.jp/>) from personal computer, smartphone, or mobile phone, enter the “login ID” and “temporary password” provided on the Voting Rights Exercise Form and then enter your vote for each proposal according to the instructions on the screen.

Deadline for exercising voting rights: 5:30 p.m., Wednesday, March 28, 2018 (JST)

- (1) To prevent people who are not shareholders (impostors) from illegally accessing the website and alteration of the content of your voting selections, we will ask shareholders who use the website to change their “temporary passwords” on the website for exercising voting rights.
- (2) You will be provided with a new “login ID” and “temporary password” each time a General Meeting of Shareholders is convened.

Points to note when exercising the voting rights by electromagnetic means (via the Internet, etc.)

- (1) If you exercise your voting rights by two different means, that is, by electronic means (via the Internet, etc.) as well as in writing, votes by electronic means (via the Internet, etc.) shall prevail.
- (2) If you exercise your voting rights by electronic means (via the Internet, etc.) more than once, your final votes shall prevail.

Website to use for exercising voting rights

- (1) Exercise of voting rights via the Internet is possible by accessing the website designated by the Company exclusively for the purpose of exercising voting rights (<https://evote.tr.mufg.jp/>) via a personal computer, smartphone or mobile phone (i-mode, EZweb and Yahoo!Keitai). (Access is unavailable between 2:00 a.m. and 5:00 a.m. (JST) every day.)
- (2) Depending on the Internet user environment, shareholders using personal computers or smartphones may not be able to exercise their voting rights via the website for exercising voting rights. For more details, please contact the Help Desk by telephone at the following number.
- (3) In order to exercise voting rights using a mobile phone, it is necessary for a mobile phone to have the capability to use the i-mode, EZweb, or Yahoo!Keitai service. Even if shareholders have access to one of the above services, some shareholders may not be able to use the service if their mobile phone models are incapable of sending information, or not encrypted communication (SSL communication) enabled, to ensure security.
- (4) Costs arising from accessing the website for exercising voting rights (Internet access fees, communication charges, etc.) will be borne by the shareholder.

Note: i-mode, EZweb, and Yahoo! are trademarks or registered trademarks of NTT DOCOMO, INC., KDDI CORPORATION and Yahoo! Inc. in the U.S., respectively.

Electronic proxy voting platform

If you are nominee shareholders such as management trust banks (including standing proxy) and apply in advance for the use of the electronic proxy voting platform operated by ICJ, Inc., you may use such platform operated by ICJ, Inc.

For inquiries concerning systems, etc. please contact:

Mitsubishi UFJ Trust and Banking Corporation, Stock Transfer Agency Department (Help Desk)
Tel: 0120-173-027 (Business hours: 9:00 a.m.–9:00 p.m. (JST) toll free)

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal No. 1: Appropriation of Surplus

Regarding the appropriation of surplus, the Company proposes as follows.

Matters related to the year-end dividend:

The Company considers the return of its profits to shareholders as an important managerial issue. The Company, in light of its financial condition and business performance from a long-term point of view, makes it its basic policy to carefully secure its sufficient internal reserves for the purpose of effectively utilizing them as a resource for continuous improvement of its corporate value by advancing measures essential for the enhancement of the corporate competitiveness and enlargement of its profit such as: aggressive research and development investment into new technologies and new products geared towards new growth; capital investment in manufacturing equipment, etc. for quality improvements and further efficiency improvements of existing business; and enhancement of its business development both at home and overseas. On the other hand, the Company also makes it its basic policy to continue its payments of dividends with a consolidated payout ratio of 40% or more, taking into account the current level of payout; and the flexible acquisition of its own stocks to provide shareholder returns.

Under this policy, with regard to the year-end dividend for the fiscal year, the Company proposes to pay ¥32 per share. This payment takes into account various factors, including the Company's business performance, and also reflects the Company's desire to reciprocate the consistent support of its shareholders.

Accordingly, including the interim dividend of ¥32 per share paid in November 2017, the annual dividend for the fiscal year is ¥64 per share.

- (1) Type of dividend property
Cash
- (2) Matters related to distribution of dividend property to shareholders and the total amount
¥32 per common share of the Company Total amount: ¥1,346,526,816
- (3) Effective date of the distribution of surplus
March 30, 2018

Proposal No. 2: Election of Eight Directors

The terms of office of all eight Directors will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the Company requests that eight Directors be elected.

The candidates for Director are as follows:

No.	Name (Date of birth)	Career summary, position and responsibility at the Company, and significant concurrent positions	Number of shares of the Company held
1	Ikuo Akutsu (April 27, 1959) [Re-election]	<p>Apr. 1982 Joined the Company</p> <p>Apr. 2003 General Manager, Manufacturing Technology Division</p> <p>Oct. 2003 General Manager, Advanced Material Development Division 2</p> <p>Apr. 2007 Chairman and President of TOK TAIWAN CO., LTD.</p> <p>June 2009 Officer; Department Manager, Corporate Planning Department of the Company</p> <p>June 2010 Director; Executive Officer; Department Manager, Corporate Planning Department</p> <p>June 2011 Representative Director, President and Chief Executive Officer (to the present)</p>	13,300 shares
<p>Reasons for nomination as candidate for Director</p> <p>Since assuming the position of Representative Director, President and Chief Executive Officer, Mr. Ikuo Akutsu has led the management of the TOK Group (“the Group”) as its top executive and contributed to the Group’s further development through the measures in the Medium-Term Plan. Thus, since the Company judges that Mr. Ikuo Akutsu can be expected to continue contributing to the management of the Company, it requests his election as a Director.</p>			
2	Harutoshi Sato (June 1, 1961) [Re-election]	<p>Apr. 1984 Joined the Company</p> <p>Apr. 2004 General Manager, Quality Assurance Division</p> <p>Apr. 2007 General Manager, Advanced Material Development Division 2</p> <p>Apr. 2008 General Manager, Advanced Material Development Division 1</p> <p>June 2009 Officer; Deputy Department Manager, Research and Development Department and General Manager, Advanced Material Development Division 3</p> <p>June 2011 Officer; Deputy Department Manager, Research and Development Department and General Manager, Advanced Material Development Division 1</p> <p>June 2012 Director; Officer; Department Manager, Research and Development Department</p> <p>June 2017 Director; Executive Officer; Department Manager, Research and Development Department (to the present)</p>	8,900 shares
<p>Reasons for nomination as candidate for Director</p> <p>Mr. Harutoshi Sato has held important positions in the Group, serving in such roles as representative at the U.S. subsidiary, person responsible for quality assurance, and person responsible for product development before assuming the position of Department Manager, Research and Development Department. Owing to this experience, he is well acquainted with the Company’s business characteristics and customer and consequently possesses necessary and sufficient knowledge of such matters as important decision-making by the Board of Directors and supervision of duties executed by other Directors. Thus, since the Company judges that Mr. Harutoshi Sato can be expected to continue contributing to the management of the Company, it requests his election as a Director.</p>			

No.	Name (Date of birth)	Career summary, position and responsibility at the Company, and significant concurrent positions	Number of shares of the Company held
3	Kunio Mizuki (February 10, 1959) [Re-election]	Oct. 1985 Joined the Company Apr. 2005 General Manager, General Affairs Division June 2009 Officer; Deputy Department Manager, Administration Department and General Manager, General Affairs Division June 2012 Officer; Department Manager, General Affairs Department June 2013 Director; Officer; Department Manager, General Affairs Department June 2017 Director; Executive Officer; Department Manager, General Affairs Department (to the present) (Significant concurrent positions) Representative Director and President of OHKA SERVICE CO., LTD.	7,265 shares
<p>Reasons for nomination as candidate for Director</p> <p>Assuming the position of Department Manager of the General Affairs Department after serving as General Manager of the General Affairs Division, Mr. Kunio Mizuki has been working to strengthen corporate governance, including development of the information management system, the contingency management system, and the compliance system as well as improvement of investor relations. Furthermore, through his experience with the business operations in his charge, he possesses necessary and sufficient knowledge of such matters as important decision-making by the Board of Directors and supervision of duties executed by other Directors. Thus, since the Company judges that Mr. Kunio Mizuki can be expected to continue contributing to the management of the Company, it requests his election as a Director.</p>			

No.	Name (Date of birth)	Career summary, position and responsibility at the Company, and significant concurrent positions	Number of shares of the Company held
4	Nobuo Tokutake (April 2, 1961) [Re-election]	Apr. 1984 Joined the Company Oct. 2003 Chairman and President of TOK TAIWAN CO., LTD. Apr. 2007 General Manager, Quality Assurance Division of the Company June 2009 Senior General Manager, Production Control Division and General Manager, Quality Assurance Division June 2013 Officer; Deputy Department Manager, Manufacturing Department June 2015 Director; Officer; Department Manager, Manufacturing Department (to the present) (Significant concurrent positions) Director of TOKYO OHKA KOGYO AMERICA, INC. Director of TOK TAIWAN CO., LTD.	3,747 shares
<p>Reasons for nomination as candidate for Director</p> <p>Mr. Nobuo Tokutake has held important positions in the Group, serving in such roles as product developer, representative at the U.S. subsidiary, and Chairman and President of the Taiwanese subsidiary before assuming the position of Department Manager, Manufacturing Department. Owing to this experience, he is well acquainted with the Company's business characteristics and customers and consequently possesses necessary and sufficient knowledge of such matters as important decision-making by the Board of Directors and supervision of duties executed by other Directors. Thus, since the Company judges that Mr. Nobuo Tokutake can be expected to continue contributing to the management of the Company, it requests his election as a Director.</p>			
5	Keiichi Yamada (April 4, 1958) [Re-election]	Apr. 1983 Joined Japan Synthetic Rubber Co., Ltd. (present JSR Corporation) Apr. 2001 General Manager, Kyushu Office of JSR Corporation May 2002 Business Director of Shipley Far East Ltd. (present Rohm and Haas Electronic Materials K.K.) Apr. 2004 General Manager Japan of Rohm and Haas Electronic Materials K.K. Apr. 2008 Senior Deputy General Manager, Electronic Material Marketing Control Division of the Company June 2012 Deputy Department Manager, Marketing Department June 2013 Officer; Deputy Department Manager, Marketing Department June 2016 Director; Officer; Department Manager, Marketing Department (to the present) (Significant concurrent positions) Director of TOK TAIWAN CO., LTD. Director of Tokyo Ohka Kogyo Europe B.V.	8,799 shares
<p>Reasons for nomination as candidate for Director</p> <p>Mr. Keiichi Yamada has knowledge and rich experience in product development, sales and marketing, which he developed in previous positions. In addition, since joining the Company he has mainly been engaged in sales and marketing of mainstay products and is well acquainted with the electronic materials industry and characteristics and customers of the Company's business based on such roles as Department Manager of the Marketing Department. Furthermore, he possesses necessary and sufficient knowledge of such matters as important decision-making by the Board of Directors and supervision of duties executed by other Directors. Thus, since the Company judges that Mr. Keiichi Yamada can be expected to contribute to the management of the Company, it requests that he be elected as a Director.</p>			

No.	Name (Date of birth)	Career summary, position and responsibility at the Company, and significant concurrent positions	Number of shares of the Company held
6	Noriaki Taneichi (November 23, 1962) [Re-election]	Apr. 1986 Joined the Company June 2009 Department Manager, Marketing Development Business Development Division June 2011 Department Manager, New Business Development Department June 2015 Officer; Deputy Department Manager, New Business Development Department June 2017 Director; Officer; Department Manager, New Business Development Department (to the present)	1,460 shares
<p>Reasons for nomination as candidate for Director</p> <p>Mr. Noriaki Taneichi has held important positions in the Group, serving in such roles as representative at the U.S. subsidiary, person in charge of the sales and marketing of mainstay products, and person responsible for new business development before assuming the position of Department Manager, New Business Development Department. Owing to this experience, he is well versed in not only the Company's existing business areas, but also in new business areas, and consequently possesses necessary and sufficient knowledge of such matters as important decision-making by the Board of Directors and supervision of duties executed by other Directors. Thus, since the Company judges that Mr. Noriaki Taneichi can be expected to contribute to the management of the Company, it requests his election as a Director.</p>			
7	Hiroshi Kurimoto (August 26, 1947) [Re-election] [Outside Director] [Independent Director]	Apr. 1970 Joined OILES CORPORATION ("OILES") June 1999 Director of OILES June 2003 Director; Managing Operating Officer of OILES June 2006 Representative Director, President and Chief Operating Officer of OILES June 2011 Representative Director and Chairman of OILES June 2014 Director (Outside Director) of the Company (to the present) Director and Senior Advisor of OILES June 2015 Senior Advisor of OILES June 2016 Advisor of OILES (to the present) (Significant concurrent positions) Advisor of OILES	1,000 shares
<p>Reasons for nomination as candidate for Outside Director</p> <p>Election of Mr. Hiroshi Kurimoto as Outsider Director is proposed to request his continued supervision of the Company's management from an objective and neutral point of view based on his abundant experience and considerable insight as an executive of a listed company, as well as his contribution to enhancement of the corporate governance with his advice on the general management of the Company.</p>			

No.	Name (Date of birth)	Career summary, position and responsibility at the Company, and significant concurrent positions	Number of shares of the Company held
8	Noriko Sekiguchi (January 23, 1964) [Re-election] [Outside Director] [Independent Director]	Apr. 1986 Joined Manufacturers Hanover Bank (present JPMorgan Chase Bank, N.A.) Oct. 1991 Joined Asahi-Shinwa Kaikeisha audit corporation (present KPMG AZSA LLC) Mar. 1994 Registered as certified public accountant Feb. 1998 Joined Japan Broadcasting Corporation Dec. 2001 Joined Triumph International (Japan) Ltd. Jan. 2002 Reregistered as certified public accountant July 2004 Joined Ernst & Young ShinNihon (present Ernst & Young ShinNihon LLC) Nov. 2010 Representative of Sekiguchi CPA Office (to the present) Apr. 2011 Contract Monitoring Committee Member of Japan International Cooperation Agency ("JICA") (to the present) July 2011 External Assessment Committee Member of JICA (to the present) July 2012 Registered as certified tax accountant June 2015 Director (Outside Director) of the Company (to the present) (Significant concurrent positions) Representative of Sekiguchi CPA Office Contract Monitoring Committee Member of JICA External Assessment Committee Member of JICA	500 shares
<p>Reasons for nomination as candidate for Outside Director</p> <p>Election of Ms. Noriko Sekiguchi as Outside Director is proposed to request her continued supervision of the Company's management from an objective and neutral point of view based on her sophisticated expertise in accounting as a certified public accountant, abundant experience in several companies, and thorough understanding of internal control in her capacity as an external committee member for fraudulent accounting conducted in multiple listed companies. Although she does not have any experience of directly participating in corporate management by means other than acting as Outside Director of the Company, the Company judges that Ms. Noriko Sekiguchi can be expected to contribute to enhancement of the corporate governance with her advice on the general management of the Company.</p>			

- Notes:
1. No conflict of interest exists between the Company and any of the candidates.
 2. Mr. Hiroshi Kurimoto and Ms. Noriko Sekiguchi are both candidates for Outside Director. The Company has designated Mr. Hiroshi Kurimoto and Ms. Noriko Sekiguchi as independent directors in accordance with the regulations of the Tokyo Stock Exchange and has notified therein. If their election is approved, the Company plans to continue their independent director designation.
 3. The terms of office as Outside Director for the two candidates will be three years and nine months for Mr. Hiroshi Kurimoto and two years and nine months for Ms. Noriko Sekiguchi at the conclusion of this General Meeting of Shareholders.
 4. Liability limitation agreement with Outside Director:
In accordance with the current Articles of Incorporation, the Company is able to enter into liability limitation agreements with Directors (excluding Executive Directors, etc.) that limit the maximum amount of liability provided for in Article 423, Paragraph 1 of the Companies Act. The Company has entered into such agreements with Mr. Hiroshi Kurimoto and Ms. Noriko Sekiguchi. The maximum amount of liability in accordance with the agreement shall be the minimum liability amount stipulated by laws and regulations. If their election is approved, the Company plans to continue such agreements with them.

Proposal No. 3: Continuation of Guidelines on Response to Large-Scale Purchase of the Company's Shares etc. (Takeover Defensive Measures)

The continuation of "Guidelines on Response to Large-Scale Purchase of the Company's Shares etc. (Takeover Defensive Measures)" (hereinafter referred to as the "Response Guidelines") was approved by the shareholders at the Company's 85th Ordinary General Meeting of Shareholders held on June 25, 2015, by a majority of voting rights of the attending shareholders. As the effective term of the Response Guidelines runs until the conclusion of this General Meeting of Shareholders, however, the Company has looked into the proper strategies for the Response Guidelines, including whether or not the Response Guidelines needs to be ongoing, from the viewpoint of securing and enhancing the common interests of the Company shareholders and the corporate value of the Company, before the expiration of the effective term of the Response Guidelines. Consequently, the Company determined, at the meeting of the board of directors of the Company (hereinafter referred to as the "Board of Directors") on February 23, 2018 (hereinafter referred to as the "Board Meeting"), as described below in <Necessity of maintaining Response Guidelines,> the continuation of the Response Guidelines upon partial modification thereof, subject to the approval of shareholders of the Company.

Through this proposal, the Company requests the approval of shareholders for the continuation of the Response Guidelines.

If the Response Guidelines is approved by a majority of voting rights of the shareholders present at this General Meeting of Shareholders, the Response Guidelines will remain in effect from the conclusion of this General Meeting of Shareholders until the conclusion of the Company's Ordinary General Meeting of Shareholders in 2021.

The continuation of the Response Guidelines was determined at the Board Meeting by the unanimous approval of Directors, including two Outside Directors, with all Corporate Auditors present, including three Outside Corporate Auditors, and all Corporate Auditors expressed agreement with the continuation of the Response Guidelines on condition that it be carried out properly in specific circumstances.

The purpose of the Response Guidelines is to help shareholders make proper judgments on large-scale purchases of the Company's shares, etc., and is not to deter the relevant purchase itself.

The Company hereby notes that we have not as of the date hereof received any proposal for large-scale purchases of the Company's shares, etc. from any specific third party.

Major amendments to the Response Guidelines are as follows. Please refer to page 14 to page 26 for the contents of the Response Guidelines.

- 1) The Company has changed the starting date of the provision period of Large-Scale Purchase Information and clarified the maximum length of the provision period.
- 2) To reflect the intentions of shareholders directly in the decision to or not to enact defensive measures under the Response Guidelines, the Company has introduced a new rule that, except for cases where the Large-Scale Purchase Rules are not observed, when the special committee, an organization independent of the Board of Directors, recommends the Company to enact defensive measures, the procedures for confirming the intentions of shareholders shall be implemented and the Board of Directors shall follow the result of those procedures (See "(6) Procedures for confirming the intentions of shareholders" and "(7) Procedures for enacting defensive measures" in "3. Efforts to prevent the control of the Company's financial and business policy decisions by inappropriate parties in light of the Company Control Basic Policy (Response Guidelines)" below).
- 3) The Company has partially modified the wording and altered the expressions in order to make the Response Guidelines more easily comprehensible.

<Necessity of maintaining Response Guidelines>

With regard to the expiry date of the Response Guidelines, from the perspectives of securing and enhancing both the common interests of shareholders and corporate value, the Company has conducted a multifaceted and comprehensive consideration of the Response Guidelines, including whether or not it should be renewed. The

Company is positioned at the cutting-edge of the electronics market and must respond to rapid technological innovation while delivering precisely targeted solutions to meet customers' needs. Accordingly, it is important from the perspective of improving corporate value to maintain strategic decision-making based on a medium to long-term viewpoint, while exerting a restraining influence on parties that plan large-scale purchases of the Company's shares that are short-term or abusive in nature. Under these circumstances, the Company has determined it necessary to continue to enforce certain rules on the provision of information about large-scale purchases of the Company's shares that would affect the control of the Company so that its management can concentrate on the execution of their management duties to improve corporate value toward the realization of sustainable growth of the Company going forward.

In consideration of the circumstances above, the continuance of these Response Guidelines is proposed for this General Meeting of Shareholders.

1. Basic policy regarding the modality of those who control the Company's financial and business policy decisions (hereinafter referred to as the "Company Control Basic Policy")

The Company believes it is necessary for a party that controls the Company's financial and business policy to fully understand the details of the financial affairs and business of the Company and the sources of the Company's corporate value, and thus be able to lead the way in enabling the Company to sustainably secure and enhance the common interests of the Company shareholders and the corporate value of the Company.

The Company has long enjoyed relationships of trust with customers, business partners, employees and other stakeholders in Japan and many other countries, and its management has taken full advantage of its unique business by dynamically combining proprietary new technologies and technology resources the Company has accumulated so as to achieve further revolutions in the microprocessing that is at the core of the Company's technology base. In this way, the Company has sustainably secured and enhanced the common interests of the Company shareholders and the corporate value of the Company. In particular for the Company, which conducts business activities in cutting-edge areas of the electronics market, we believe that deciding on management and business policy from a medium to long-term perspective backed by the trust of stakeholders and specialized technical expertise including investments for R&D on new technologies and products and maintaining outstanding high quality to respond to the needs of customers as soon as possible is essential to maximize the common interests of the Company's shareholders and the corporate value of the Company.

If the relationships built up with the Company's stakeholders are destroyed and its new technologies and technology resources are drained by facile changes in Company management policies and so-called scorched-earth management following the large-scale purchase of shares, etc. of the Company without sufficient understanding of the relationships with stakeholders of the Company and the unique nature of the Company's business, which are the sources of corporate value of the Company, the common interests of the Company shareholders and the corporate value of the Company would be materially harmed, and therefore the Company believes that a party that is taking or is about to take the relevant purchase action to that end is an inappropriate party to be in control of the Company's financial and business policies.

The Board of Directors believes that it is ultimately up to the shareholders who own shares, etc. of the Company to decide whether to sell shares, etc. of the Company in the event of the relevant purchase, and that this also applies to large-scale purchases if they contribute to the common interests of the Company's shareholders and the corporate value of the Company, but also believes that it would be difficult to increase the corporate value of the Company without fully understanding unique nature of its business. Being responsible for the management of the Company and fully understanding its unique business, the Board of Directors considers it extremely important, when shareholders evaluate the relevant purchase, that the Board of Directors provide them with full information at an appropriate time and in an appropriate manner, including the Board of Directors' evaluation and opinion of the relevant purchase, not just with the information unilaterally provided by the party that is taking or is about to take the action to purchase.

Under such concept, the Board of Directors considers that, to establish a scheme that enables the Board of Directors to secure information and a period of time for shareholders to judge whether or not to accept the relevant purchase and for the Board of Directors to present an alternative plan and to conduct negotiations for the sake of shareholders with the party who initiates or is about to initiate the relevant purchase, and to enact defensive measures permissible under laws and regulations, and the Company's Articles of Incorporation, if the relevant purchase is judged to materially harm the common interests of the Company shareholders and the corporate value of the Company, are duties with which the Board of Directors is entrusted by shareholders.

2. Special measures that will help achieve the Company Control Basic Policy

(1) Management principles and the source of the corporate value

Ever since its inception in 1940, the Company has been managed around the principles of "continue efforts to enhance our technology," "raise the quality levels of products," "contribute to society," and "create a frank and open-minded business culture." In an aim to develop with society, we have always taken on challenges aimed at creating new value by providing the highest-quality products and services that satisfy users. This spirit continues on today unchanged and forms the core of the Company's business activities.

Throughout the Company's history of manufacturing, the Company has established solid trust and brand power in the electronics market that includes semiconductors and displays based on proprietary microprocessing technologies achieved through photolithography while striving to expand globally together with users in order to support new needs as quickly as possible and achieve further advances in microprocessing technologies. We believe that this organic chain that has been developed over many years is the very source of the Company's corporate value.

(2) Initiatives to improve corporate value through the "tok Medium-Term Plan 2018"

The "tok Medium-Term Plan 2018" is a three-year medium-term plan ending in fiscal year 2018 with a vision of "aiming to be a globally trusted corporate group by inspiring customers with high-value-added products that have satisfying features, low cost and superior quality." Under this management vision, the Company adopted "reform business portfolio," "evolve our strategy of building close relationships with customers," "develop global personnel," and "strengthen management foundation and realize the TOK Group concept" as the company-wide strategy. We will pursue the creation of corporate value by fully utilizing the TOK Group's core competencies of microprocessing technologies and high purification technologies.

1) Reform business portfolios

Regarding the development of new businesses, we will strengthen our efforts to realize unique technological development by newly constructing a R&D building designed to facilitate open innovation within the Sagami Operation Center, which is the pivotal development center of the TOK Group. With regard to existing businesses, aiming to secure competitive advantages, we will continue to focus on the development of high value added products and steadily conducting research and development activities single-mindedly to improve customer satisfaction. By these initiatives, we will promote the reform of our business and product portfolios

2) Evolve our strategy of building close relationships with customers

While striving to optimize the allocation of management resources and the service system not only among domestic locations, but also among major overseas locations, we will promote enhancement and enforcement of the trinity system of sales, production, and R&D functions. With this, we will build a strong customer base and aim to improve the brand strength and to enhance the market share of our products.

3) Develop global personnel

In addition to our group-wide efforts to develop human resources who can play an active role around the world, we will actively appoint talents who can effectively work in global business

situations. In this way, we will make efforts to form an organization in which people with different values and technical backgrounds can exercise their abilities to the fullest extent, while thinking from diverse perspectives.

4) Strengthen management foundation and realize the TOK Group concept

For the purpose of improving corporate value and reducing management risks, we will work to improve the efficiency of the management system for controlling the entire TOK Group and promote the advancement of group management. By ensuring that the personnel throughout the TOK Group share the same understanding to increase the synergy effect, we will continue to endeavor to create unique value and realize sustainable growth.

(3) Strengthening corporate governance

In order to continually secure and improve the common interests of the Company's shareholders and the corporate value of the Company, the Company regards the enhancement of corporate governance that contributes to securing sound and transparent management and operational efficiency as one of the most important issues for management.

Under this recognition, to strengthen the management supervisory function and to speed up decision-making, the Company has adopted an executive officer system. In addition, the Company has taken measures, for example, to secure sufficient time for deliberation by the Board of Directors and the Committee of Officers to deliver necessary materials to Directors earlier. The term of office of Directors is one year to clarify their management accountability for each fiscal year. Furthermore, for the purpose of increasing the transparency of the Board of Directors and strengthening its supervisory function, the Company has elected two independent Outside Directors. The remuneration of Directors is composed of a fixed remuneration that is a form of basic remuneration, a bonus that is a form of remuneration based on single-year performance, as well as stock options that are a form of stock-price-linked remuneration aimed at further enhancing motivation and morale related to contributing to performance and corporate value, and by extension, improvement in stock value (Stock options will not be granted to Outside Directors considering their expected roles). In addition, we will work to strengthen corporate governance through efforts aimed at enhancing internal control systems within the Group, including initiatives aimed at facilitating the exercise of voting rights at the General Meetings of Shareholders, strengthening the business management of overseas subsidiaries that are increasing their presence, and developing compliance systems.

(4) Stance towards returns to shareholders

The Company regards the return of profit to shareholders as one of the most important management issues and has adopted the basic policy that while paying attention to the accumulation of internal reserves that are expected to lead to the strengthening of corporate competitiveness and revenue expansion in comprehensive consideration of, among others, the financial condition and performance from the long-term perspective, the Company will continue to pay dividend at a payout ratio of 40% or more on a consolidated basis taking into consideration the current level of dividend and will also implement the acquisition of own shares in a flexible manner as a measure to return profit to shareholders.

We will use these internal reserves effectively as funds for activities to realize sustainable increase in corporate value, such as aggressive research and development investments in new technologies and products that will drive new growth, investments in, among others, production facilities designed to improve quality and efficiency of existing businesses, and reinforcement of business expansion both in Japan and overseas.

3. Efforts to prevent the control of the Company's financial and business policy decisions by inappropriate parties in light of the Company Control Basic Policy (Response Guidelines)

The Board of Directors believes, as described above in the "1. Basic policy regarding the modality of those who control the Company's financial and business policy decisions," that the parties in control of the Company's financial and business policy decisions should sufficiently understand the financial details and lines of business of the Company and sources of corporate value of the Company, and thereby secure and

enhance the common interests of the Company shareholders and the corporate value of the Company sustainably, and that parties who are contrary to this are inappropriate to be in control of the Company's financial and business policy decisions. The Board of Directors has formulated the Response Guidelines for the purpose of preventing large-scale purchases of shares, etc. of the Company that would cause the control of the Company's financial and business policy decisions to fall into the hands of such inappropriate parties, and which would threaten to materially harm the common interests of the Company shareholders and the corporate value of the Company, and for helping shareholders to make proper judgments on whether to accept or reject the relevant purchase, and the rules concerning the relevant purchase (hereinafter referred to as the "Large-Scale Purchase Rules") have been determined. The Large-Scale Purchase Rules ask the party who is making or is about to make the relevant purchase (hereinafter referred to as the "Large-Scale Purchaser") to provide necessary and complete information to the Board of Directors in advance of the relevant purchase and establish a period of time for the Board of Directors to study and evaluate the relevant purchase, with the relevant purchase commencing after this period has elapsed.

The Board of Directors requests that Large-Scale Purchasers comply with the Large-Scale Purchase Rules, and, in the event that the Board of Directors receives necessary and complete information in accordance with the Large-Scale Purchase Rules, the Board of Directors will study said information, disclose its opinion at an appropriate time and in an appropriate manner, accept or present an alternative to the proposed purchase, and respond in accordance with its views. In the event that the Large-Scale Purchaser fails to comply with the Large-Scale Purchase Rules, or that the Large-Scale Purchaser complies with the Large-Scale Purchase Rules but the Board of Directors judges the relevant purchase to materially harm the common interests of the Company shareholders and the corporate value of the Company, the Board of Directors may take certain defensive measures.

The contents of the Large-Scale Purchase Rules are as follows and for your reference, please refer to the "Outline of Large-Scale Purchase Rule" on page 27.

(1) Large-Scale Purchase subject to the Large-Scale Purchase Rules

The Response Guidelines shall apply to either of the purchases of shares, etc. of the Company below and similar actions; provided, however, that purchases approved by the Board of Directors shall be excluded (such purchase is hereinafter referred to as "Large-Scale Purchase"). Large-Scale Purchaser must follow the procedures as prescribed in the Response Guidelines in advance:

- 1) Any Purchase or similar action, by which holding ratio (*3) of the shares, etc. (*1) issued by the Company of the Holder (*2) comes to 20% or more
- 2) Any takeover bid with respect to the shares, etc. issued by the Company (*4) where total of the holding ratio of the shares, etc. (*6) relating to the takeover bid (*5) and that of the parties with special interests (*7) comes to 20% or more

- Notes:
1. This shall mean "Share Certificate, etc." as set forth in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act; hereinafter the same unless otherwise provided. It shall be noted that, when laws and regulations cited in the Response Guidelines are revised (including change of name of laws or regulations, establishment of new laws and regulations to succeed former laws and regulations), the provisions of the laws and regulations cited in the Response Guidelines shall read as provisions of the laws and regulations that substantially succeed the provisions of the relevant laws and regulations after the relevant revision, unless otherwise provided by the Board of Directors.
 2. This shall mean "Holder(s)" as set forth in Article 27-23, Paragraph 1, which includes those deemed as Holder(s) pursuant to Article 27-23, Paragraph 3 of the Financial Instruments and Exchange Act.
 3. This shall mean "Holding Ratio of the Share Certificates, etc." as set forth in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act; hereinafter the same.
 4. This shall mean "Share Certificate, etc." as set forth in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act; hereinafter the same in 2) and Note No. 3 of the Attachment "Outline of Gratis Allotment of Subscription Warrants" on page 26.

5. As defined in Article 27-2, Paragraph 6 of the Financial Instruments and Exchange Act; hereinafter the same.
6. This shall mean “Holding Ratio of the Share Certificates, etc.” as set forth in Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Act; hereinafter the same.
7. This shall mean “Special Related Party (-ies), etc.” as defined in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act; provided however, that parties provided for in Article 3, Paragraph 2 of the Cabinet Office Ordinance concerning Disclosure of a Tender Offer by Parties other than the Issuer shall be excluded from the parties provided for in Article 27-2, Paragraph 7, Item 1 of the Financial Instruments and Exchange Act; hereinafter the same.

(2) Provision of Large-Scale Purchase Information

The Large-Scale Purchaser shall provide the Board of Directors with necessary and complete information (hereinafter referred to as “Large-Scale Purchase Information”) written in Japanese for shareholders to make a decision and for the Board of Directors to study and evaluate the proposed Large-Scale Purchase in advance of the Large-Scale Purchase.

Specific content of the Large-Scale Purchase Information will differ according to the nature of the Large-Scale Purchaser and the contents of the Large-Scale Purchase. Large-Scale Purchasers intending to engage in Large-Scale Purchase shall first provide to the Board of Directors a “statement of intent” regarding the Large-Scale Purchase in accordance with the Large-Scale Purchase Rules.

This statement of intent, written in Japanese, shall contain the following: “1) name and address of Large-Scale Purchaser,” “2) law under which the Large-Scale Purchaser was established,” “3) name of representative thereof,” “4) contact address in Japan,” “5) outline of proposed Large-Scale Purchase,” “6) number of shares, etc. of the Company currently held by the Large-Scale Purchaser and number of shares, etc. of the Company expected to be held,” and “7) covenant to comply with Large-Scale Purchase Rules.”

The Board of Directors shall prepare a list of Large-Scale Purchase Information (hereinafter referred to as “Initial Information List”) written in Japanese to be initially provided and then provide the Large-Scale Purchaser with the list within five business days after receipt of the statement of intent. In addition, if Large-Scale Purchase Information is received from a Large-Scale Purchaser, it shall be sent to the special committee as soon as possible. In the event that the Board of Directors and special committee reasonably deem that the information initially provided is insufficient for decisions by shareholders and consideration and evaluation by the Board of Directors, the Board of Directors may ask the Large-Scale Purchaser to provide additional information.

The Board of Directors may set a deadline for the reply from the Large-Scale Purchaser as necessary to ensure that the Large-Scale Purchase Rules are operated appropriately and promptly. In addition, for the purpose of ensuring prompt provision of information from the Large-Scale Purchaser and avoiding arbitrary operation of the Large-Scale Purchase Rules by the Board of Directors such as endlessly extending the period to seek information, the maximum length of the period in which the Board of Directors request the provision of information from the Large-Scale Purchaser and the Large-Scale Purchaser provides requested information (hereinafter referred to as “Information Provision Period”) shall be 60 days from the day immediately following the day on which the Initial Information List is sent. If the Information Provision Period has reached the maximum length, communication with the Large-Scale Purchaser with regard to the provision of information shall be terminated at that point regardless of whether sufficient information has been submitted by the Large-Scale Purchaser and the study and evaluation by the Board of Directors shall commence with the information that has been submitted by that point (see “(3) Study and evaluation by Board of Directors” below) (provided, however, that if the Large-Scale Purchaser has requested an extension of the Information Provision Period based on a reasonable ground, the Company may extend the Information Provision Period).

Below is a list of some of the Large-Scale Purchase Information. The Board of Directors will publish the fact of the Large-Scale Purchase proposal and all or a part of the Large-Scale Purchase Information

provided to the Board of Directors at a point in time it deems appropriate so as to assist shareholders in their decisions.

- 1) Detailed information (including specific names, capital structure, business description, financial status, the name and career histories of executives) on the Large-Scale Purchaser and its group (including joint holders (*8), special related parties, and partners and other members if a fund)
- 2) Objectives, method and content of the Large-Scale Purchase (including whether there are intentions to participate in management, type and amount of the countervalue of the Large-Scale Purchase, timing of purchase, financing of purchase, collateral rights established with respect to shares, etc. of the Company already held, intention to establish collateral rights with respect to the assets of the Company or shares, etc. of the Company to be acquired in the future, timing, and structure of transaction)
- 3) Rationale for calculations of Large-Scale Purchase price (including calculation assumptions, calculation method, numerical information used in calculations, the synergy value between Large-Scale Purchase and other transactions and rationale for these calculations)
- 4) Communication of intent with any third parties with respect to the Large-Scale Purchase, as well as details of any such communications and an overview of the applicable third parties
- 5) Financing for the Large-Scale Purchase (including specific names, capital structures, financing methods, and contents of related transactions of parties providing funding (including parties effectively providing funds))
- 6) If the Large-Scale Purchaser has lease agreements, security agreements, resale agreements, trade agreements, or other major agreements or arrangements (hereinafter referred to as “Security Agreements, etc.”) related to the Company’s shares, etc. that are already held; the type of Security Agreements, etc., counterparties, the volume, etc. of the Company’s shares subject to Security Agreements, etc., and the specific contents of the Security Agreements, etc.
- 7) If there are plans for Security Agreements, etc. or other agreements with third parties related to the Company’s shares, etc. scheduled to be acquired in a Large-Scale Purchase by a Large-Scale Purchaser; the type of Security Agreements, etc., counterparties, the volume, etc. of the Company’s shares subject to Security Agreements, etc., and the specific contents of the Security Agreements, etc.
- 8) Intended basic management policies, business guidelines, capital policy, and dividend policy for the Company and Company’s group after completion of Large-Scale Purchase
- 9) Programs for stable and sustained increases in the corporate value of the Company and Company’s group after completion of Large-Scale Purchase, rationale for expectations that they will increase the corporate value of the Company and Company’s group
- 10) Description of any intended changes in the staffing, business partners, customers, community relations and relations with other interested parties in the Company and Company’s group after completion of the Large-Scale Purchase
- 11) Other information deemed necessary by the Board of Directors and special committee

Note that if the Board of Directors deems that the Large-Scale Purchaser has provided sufficient Large-Scale Purchase Information, the Board of Directors will provide notice to the Large-Scale Purchaser (hereinafter referred to as the “Information Provision Completion Notice”) and promptly disclose the completion of information provision.

The Information Provision Period shall expire on the earlier of the day on which the Board of Directors has given the Information Provision Completion Notice or the day on which the Information Provision Period has reached the maximum length (or, if the Information Provision Period is extended based on the extension request of the Large-Scale Purchaser, the expiration date of the extended Information Provision Period).

Note: 8. This shall mean “Joint Holders” as set forth in Article 27-23, Paragraph 5, which includes those deemed as Joint Holders pursuant to Article 27-23, Paragraph 6 of the Financial Instruments and Exchange Act; hereinafter the same.

(3) Study and evaluation by Board of Directors

Starting from the day following the end of the Information Provision Period, the Board of Directors considers a maximum period of 60 days for purchases of all shares of the Company in a cash (yen) takeover bid and a maximum period of 90 days for the other Large-Scale Purchases to be necessary for the Board of Directors to study, evaluate, negotiate, form an opinion and when necessary draft an alternative proposal (hereinafter referred to as the “Board of Directors Evaluation Period”).

During the Board of Directors Evaluation Period, the Board of Directors may, as necessary and appropriate, seek the advice of a special committee or outside experts, etc. as it studies and evaluates the provided Large-Scale Purchase Information, shall carefully form its opinion, shall notify its opinion to the Large-Scale Purchaser and shall publish its opinion. When necessary, the Board of Directors may negotiate with the Large-Scale Purchaser for better terms for the Large-Scale Purchase and may present alternative proposals to shareholders.

(4) Response in the event of Large-Scale Purchase

1) If the Large-Scale Purchaser fails to comply with the Large-Scale Purchase Rules

If the Large-Scale Purchaser fails to comply with the Large-Scale Purchase Rules, regardless of the specific method of purchase, the Board of Directors may, for the purpose of protecting the common interests of the Company shareholders and the corporate value of the Company and within a reasonable scope deemed necessary, enact defensive measures to defend against the Large-Scale Purchase.

The defensive measure enacted by the Board of Directors shall be gratis allotment of subscription warrants. Its outline may be found in the Attachment “Outline of Gratis Allotment of Subscription Warrants” on pages 25 and 26. The specifics of the subscription warrant, including terms of acquisition, exercise period and terms of exercise (preventing the Large-Scale Purchaser and its group from exercising warrants, etc.) may be modified in light of their effectiveness as a defensive measure.

Meanwhile, to determine whether or not the Large-Scale Purchase Rules have been complied with, the Company will take into account the circumstances of the Large-Scale Purchaser to a reasonable extent and, at least, will not deem that the purchaser has failed to comply with the rules solely on the grounds that parts of the Large-Scale Purchase Information have not been provided.

2) If the Large-Scale Purchaser complies with the Large-Scale Purchase Rules

If the Large-Scale Purchaser complies with the Large-Scale Purchase Rules, the Board of Directors will not enact defensive measures against the Large-Scale Purchase even if it is opposed to the Large-Scale Purchase, although this does not prevent it from expressing its opposition, presenting an alternative proposal or lobbying shareholders. It is the decision of shareholders whether to respond to the proposal of the Large-Scale Purchaser after having studied the proposal, the opinion of the Board of Directors and any alternative proposals thereof.

Notwithstanding the above, the Board of Directors may enact defensive measures to protect the common interests of the Company shareholders and the corporate value of the Company even if the Large-Scale Purchaser has complied with the Large-Scale Purchase Rules if, in the judgment of the Board of Directors, the proposed Large-Scale Purchase would materially harm the common interests of the Company shareholders and the corporate value of the Company and it would be appropriate to enact defensive measures because the Large-Scale Purchase meets one or more of the criteria in sub-items a) to e) and accordingly causes non-recoverable damage to the Company.

- a) When the Large-Scale Purchaser is considered to have no intention of truly participating in the management of the Company and is purchasing shares, etc. of the Company merely for the purpose of raising their price and selling them back to interested parties (so-called “greenmailer”)
- b) When the Large-Scale Purchaser is considered to be purchasing shares, etc. of the Company for the purpose of so-called scorched-earth management in which it gains temporary control of the

Company so as to convey to itself or its group companies, etc. the intellectual property rights, know-how, confidential information, major business partners and customers, etc. required for the business of the Company

- c) When the Large-Scale Purchaser is considered to be purchasing the shares, etc. of the Company with the intent of diverting the assets of the Company to securing and repaying the debts of the Large-Scale Purchaser or its group companies, etc.
- d) When the Large-Scale Purchaser is considered to be purchasing shares, etc. of the Company for the purpose of achieving temporary control of the Company so as to cause it to sell or otherwise dispose of high-value assets such as real estate and securities, etc. that are not directly related to the operations of the Company and cause it to use the proceeds therefrom to pay a high, one-off dividend or use a high, one-off dividend to trigger a rapid rise in the share price so as to enable it to sell its shares, etc. at a high price
- e) When the method of purchasing shares, etc. proposed by the Large-Scale Purchaser is a coercive two-stage purchase (takeover bid that does not solicit the purchase of all shares in the first stage but establishes disadvantageous purchasing conditions or does not define purchasing conditions for the second stage) or otherwise restricts shareholders' opportunity and freedom of judgment or is deemed for practical purposes to coerce or potentially coerce shareholders to sell shares, etc. (obviously, a partial takeover bid does not by itself constitute coercion)

(5) Establishment of special committee

The Board of Directors will make the final decision as to whether the Large-Scale Purchase Rules have been complied with and, if they have been complied with, as to whether to enact defensive measures because of the potential to materially harm the common interests of the Company shareholders and the corporate value of the Company. However, the Company has also established a special committee as an organization independent of the Board of Directors, in order to rule out arbitrary judgments by the Board of Directors and to ensure objectivity and reasonableness of judgment and handling by the Board of Directors.

To enable fair and impartial judgments, the special committee shall consist of between three and five members comprising Outside Directors, Outside Corporate Auditors, substitute Corporate Auditors (however, such substitute Corporate Auditors must satisfy the requirements for Outside Auditors) and outside experts (legal counsel, tax accountants, certified public accountants, persons with academic or practical experience, experts in investment banking or other persons similar thereto) who are independent of the management team executing the business of the Company and have no special-interest relationships with the Company or the Board of Directors.

The Board of Directors shall consult the special committee and receive its recommendation when determining whether or not to enact defensive measures.

For your reference, please refer to the "Outline of Rules of Special Committee" on page 28 about the outline of rules of the special committee, and the "Special Committee Members and Their CVs" on page 29 about the special committee members who are scheduled to be appointed provided that the continuation of the Response Guidelines is approved by the shareholders of the Company. The Company will disclose information including recommendations by the special committee and its summarized judgments, at an appropriate time and in an appropriate manner.

(6) Procedures for confirming the intentions of shareholders

If the special committee has recommended the Board of Directors to enact defensive measures based on the judgment that the Large-Scale Purchase falls under any of 2) a) through e) of "(4) Response in the event of Large-Scale Purchase" above and it is appropriate to enact defensive measures, despite the conformance with the Large-Scale Purchase Rules by the Large-Scale Purchaser, the Board of Directors shall, as soon as practicable, choose between voting at a general meeting of shareholders (hereinafter referred to as "General Meeting of Shareholders to Confirm the Intentions of Shareholders") and voting in writing and complete it to directly confirm the intentions of shareholders concerning the enactment of

defensive measures. The General Meeting of Shareholders to Confirm the Intentions of Shareholders may be held simultaneously with an ordinary or extraordinary general meeting of shareholders.

After determining which to choose between voting at the General Meeting of Shareholders to Confirm the Intentions of Shareholders and voting in writing as the method to confirm the intentions of shareholders, the Board of Directors shall promptly disclose relevant information including matters necessary for the completion of such procedures.

If a decision is made to enact or not to enact defensive measures through the procedures for confirming the intentions of shareholders, the Board of Directors shall follow the decision.

The result of voting at the General Meeting of Shareholders to Confirm the Intentions of Shareholders or voting in writing shall be determined in the same manner as an ordinary resolution at the general meeting of shareholders of the Company. The Board of Directors shall promptly disclose the result of the voting at the General Meeting of Shareholders to Confirm the Intentions of Shareholders or voting in writing together with information about any other matters deemed appropriate by the Board of Directors.

(7) Procedures for enacting defensive measures

The Board of Directors shall comply with the following procedures when enacting defensive measures in order to ensure the fairness and impartiality of its judgment.

- 1) Prior to enactment of defensive measures, the Board of Directors shall seek the advice of the special committee.
- 2) The special committee shall, as inquired by the Board of Directors as the above, determine the advisability of enacting defensive measures in accordance with “(4) Response in the event of Large-Scale Purchase” above and shall advise the Board of Directors of its opinion.
- 3) The Board of Directors shall accord maximum respect to the advice of the special committee when determining whether to enact defensive measures.
- 4) If a decision has been made to enact defensive measures through the procedures for confirming the intentions of shareholders prescribed in “(6) Procedures for confirming the intentions of shareholders” above, the Board of Directors shall pass a resolution for enacting defensive measures in accordance with the decision.
- 5) The decision to enact defensive measures by the Board of Directors shall be made by a majority vote of attending directors at a meeting attended by a majority of directors. In addition to seeking the advice of the special committee, the Board of Directors shall seek the advice of outside experts, etc. when studying the specific nature of the Large-Scale Purchase proposed by the Large-Scale Purchaser and the impact of the Large-Scale Purchase on the common interests of the Company shareholders and the corporate value of the Company pursuant to the Large-Scale Purchase Information provided by the Large-Scale Purchaser.

(8) Cancellation of defensive measures or suspension of enactment thereof

Even after the Board of Directors resolves the enactment of defensive measures or commences enactment of defensive measures, in the event that Large-Scale Purchaser cancels the Large-Scale Purchase, or there has occurred a change with respect to the facts upon which the decision to enact defensive measures was premised, and, as a result, it is not appropriate to enact defensive measures from the viewpoint of securing and enhancing the common interests of the Company shareholders and the corporate value of the Company, the Board of Directors will cancel the defensive measures or suspend enactment, with the utmost deference for the recommendations of the special committee.

(9) Commencement of Large-Scale Purchase

The Large-Scale Purchaser shall comply with the Large-Scale Purchase Rules and may not commence the Large-Scale Purchase until the Board of Directors passes a resolution for or against enacting defensive measures.

(10) Impact, etc. on shareholders and investors

- 1) Impact of Large-Scale Purchase Rules on shareholders and investors

The objective of the Large-Scale Purchase Rules is to provide shareholders with the information

they require to decide whether to respond to a Large-Scale Purchase and with the opinion of the Board of Directors actually managing the Company, and to guarantee an opportunity to present shareholders with alternative proposals. This will ensure that shareholders have sufficient information to enable an appropriate decision as to whether to respond to the proposed Large-Scale Purchase, thereby protecting the interests of shareholders. We therefore believe that the establishment of Large-Scale Purchase Rules provides the foundation required by shareholders and investors to make appropriate investment decisions and that it will contribute to the interests of shareholders and investors.

As noted in “(4) Response in the event of Large-Scale Purchase” above, the Company will respond differently depending on whether the Large-Scale Purchaser complies with the Large-Scale Purchase Rules, and, even if the Large-Scale Purchaser complies with the Large-Scale Purchase Rules, depending on whether the Large-Scale Purchase is deemed to materially harm the common interests of the Company shareholders and the corporate value of the Company. We therefore encourage shareholders and investors to closely monitor the activities of Large-Scale Purchasers.

2) Impact of enactment of defensive measures on shareholders and investors

The Board of Directors may enact defensive measures as described in “(4) Response in the event of Large-Scale Purchase” above for the purpose of protecting the common interests of the Company shareholders and the corporate value of the Company. The Board of Directors will make timely and appropriate disclosure in accordance with applicable laws and regulations and the regulations of the Tokyo Stock Exchange, among others, in the event that it decides to enact specific defensive measures.

The Board of Directors does not envision any particular loss of legal rights or economic benefits by shareholders other than the Large-Scale Purchaser and its group in the event that defensive measures are enacted. If, for example, a gratis allotment of subscription warrants was made as a defensive measure, one subscription warrant per one share of the stock held by shareholders who are recorded in the final shareholder registry as of the allotment date as specified by the Board of Directors of the Company will be allotted without contribution. Considering such a scheme, at the time of gratis allotment of subscription warrants, although the value per share of the Company held by shareholders will be diluted, the value of the overall shares of the Company held will not be diluted. Therefore, we do not anticipate that a situation will arise where a direct specific impact will befall any particular legal rights or economic interests pertaining to the shares of the Company held by shareholders.

Meanwhile, when a Large-Scale Purchase has failed to comply with the Large-Scale Purchase Rules, or has complied with the rules but is deemed to materially harm the common interests of the Company shareholders and the corporate value of the Company, defensive measures may be enacted, and it is possible that the legal rights and economic benefits of the Large-Scale Purchaser and its group may be disadvantaged by such defensive measures enacted. The purpose of publication of the Response Guidelines is to evoke attention in advance so that Large-Scale Purchaser will not violate Large-Scale Purchase Rules.

Note that, even though the Board of Directors adopts a resolution for a gratis allotment of subscription warrants, as stated in “(8) Cancellation of defensive measures or suspension of enactment thereof” in the above, in the event that the Board of Directors determines to cancel defensive measures or suspend the enactment of the defensive measures, there is a possibility of a reasonable change in the stock price of the Shares. For example, please note that, after the shareholders who will be optionees of subscription warrants without compensation are confirmed, if the Company suspends enactment of the defensive measures and acquires the subscription warrants without contribution and then does not issue new shares, then the dilution of the individual stock value of shares held by shareholders will not occur, and there is a possibility that shareholders and investors who sell or purchase the Company’s shares on the premise of a dilution of the Company’s stock value will sustain unexpected losses due to stock value fluctuation.

3) Procedures to be complied with by shareholders in the event that defensive measures are enacted

If a gratis allotment of subscription warrants is made as a defensive measure, the relevant subscription warrants would be allotted to shareholders without requiring them to file a subscription application for shareholders who are recorded in the final shareholder registry as of the allotment date as specified by the Board of Directors.

In addition, when the Company performs procedures to acquire the relevant subscription warrants, shareholders other than Large-Scale Purchaser and its group will receive the Shares of the Company in consideration for the acquisition of the subscription warrants by the Company, without payment of an amount of money equal to the exercise price, so procedures such as payment in relation to the relevant subscription warrants is not necessary. (However, if the Company does not take procedures to acquire the subscription warrants, shareholders will be required to pay a certain amount within a set period in order to exercise subscription warrants and thereby acquire new shares. In such situations, it is anticipated that the amount to be paid would be a nominal amount of 1 yen per share, etc.)

However, in such instance, the Company may request such shareholders submit separately a standard form covenanting that they personally are not a Large-Scale Purchaser.

Procedural details will be notified to the shareholders separately in accordance with applicable laws and regulations and the regulations of the Tokyo Stock Exchange, among others, in the event that a gratis allotment of subscription warrants is actually made.

(11) Effective term, amendment and discontinuation of the Response Guidelines

The Response Guidelines shall come into effect subject to the approval of shareholders at this General Meeting of Shareholders, and remain in effect from the conclusion of this General Meeting of Shareholders until the conclusion of the Ordinary General Meeting of Shareholders in 2021. However, even before the expiration of the effective term, if a resolution to the effect that the Response Guidelines will be discontinued is adopted at a Company's General Meeting of Shareholders or a meeting of the Board of Directors, the Response Guidelines shall be discontinued as of the relevant date.

The Board of Directors may review the Response Guidelines as necessary and take other appropriate measures at appropriate times in light of amendments to applicable laws and regulations, subsequent legal judgments and actions by the Tokyo Stock Exchange and other public institutions from the perspective of securing and improving the common interests of the Company shareholders and the corporate value of the Company. Any modifications to the Response Guidelines shall be subject to a proposal to the relevant General Meeting of Shareholders and the approval of shareholders (for minor changes such as changes of wording due to revisions of laws and regulations or changes of the Tokyo Stock Exchange regulations, etc., there may be cases where the Board of Directors will modify the Response Guidelines upon approval of the special committee).

(12) Reasonableness of the Response Guidelines

1) The Response Guidelines satisfies all requirements set forth in the Guidelines for Takeover Defensive Measures.

The Response Guidelines satisfies the three principles set forth in the "Guidelines Concerning Takeover Defensive Measures for Securing and Ensuring Corporate Value and the Common Interests of Shareholders" announced by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005 (which are, (i) the principle of securing and enhancing corporate value and the common interests of shareholders, (ii) the principle of prior disclosure and reflection of the will of shareholders, and (iii) the principle of ensuring necessity and proportionality), and in addition is based on the contents of "Takeover Defense Measures in Light of Recent Environmental Changes" published by the Corporate Value Study Group on June 30, 2008.

2) The Response Guidelines is continued with the purpose of securing and enhancing the common

interests of the Company shareholders and the corporate value of the Company.

As described in “3. Efforts to prevent the control of the Company’s financial and business policy decisions by inappropriate parties in light of the Company Control Basic Policy (Response Guidelines),” the Response Guidelines is continued with the purpose of securing the necessary information and time for shareholders to judge whether to accept the relevant Large-Scale Purchase or for the Board of Directors to present an alternative plan, and negotiate with Large-Scale Purchaser, thereby securing and enhancing the common interests of the Company shareholders and the corporate value of the Company.

3) The Response Guidelines places importance on the intentions of shareholders.

The Response Guidelines will be continued after obtaining the approval of shareholders at this General Meeting of Shareholders. In addition, as described in “(11) Effective term, amendment and discontinuation of the Response Guidelines” in the above, even after being approved at this General Meeting of Shareholders, if a resolution for change or discontinuation is adopted in a Company’s General Meeting of Shareholders thereafter, the Response Guidelines will be changed or discontinued in accordance with the relevant resolution. Therefore, the intentions of shareholders will be sufficiently reflected as to whether or not to continue, change or abolish the Response Guidelines.

In addition, as prescribed in “(6) Procedures for confirming the intentions of shareholders” above if the special committee has recommended the Board of Directors to enact defensive measures based on the judgment that the Large-Scale Purchase falls under any of 2) a) through e) of “(4) Response in the event of Large-Scale Purchase” above and it is appropriate to enact defensive measures, despite the conformance with the procedures prescribed in these Response Guidelines by the Large-Scale Purchaser, the Board of Directors shall complete the procedures for confirming the intentions of shareholders to directly confirm the intentions of shareholders concerning the enactment or non-enactment of defensive measures prescribed in these Response Guidelines and pass a resolution for or against enacting defensive measures in accordance with the result of the procedures for confirming the intentions of shareholders.

4) Decisions by highly independent company outsiders are emphasized, and information summarizing the relevant decision is disclosed.

As described in “(5) Establishment of the special committee” in the above, upon introduction of the Response Guidelines, in order to rule out arbitrary judgments by the Board of Directors concerning enactment of defensive measures against the Large-Scale Purchase and to secure objectivity and reasonableness of judgments and handling by the Board of Directors, the Company has established the special committee. The special committee is an organization independent of the management of the Company that is engaged in business execution of the Company, is composed of members appointed from external parties that have no special interest in the Company and Directors of the Company, and the Board of Directors is to accord the utmost deference to the recommendations of the special committee.

Moreover, the Company discloses information, summarizing for shareholders and investors judgments by the special committee at an appropriate time and in an appropriate manner, thus ensuring a scheme for transparent management of the Response Guidelines to contribute to the securing and enhancing of the common interests of the Company shareholders and the corporate value of the Company.

5) The Response Guidelines determines reasonable and objective requirements for enactment of the defensive measures.

The Response Guidelines is determined so that defensive measures will not be enacted unless reasonable and objective requirements for enactment are satisfied, as described in “(4) Response in the event of Large-Scale Purchase,” thereby ensuring a scheme to prevent arbitrary enactment by the Board of Directors.

6) The Response Guidelines is not a “dead-hand”-type or “slow-hand”-type takeover defensive measure.

As described in “(11) Effective term, amendment and discontinuation of the Response Guidelines” in the above, the Response Guidelines is designed so that it can be abolished at any time by Directors elected at a Company’s General Meeting of Shareholders, and thus, it is not a “dead-hand”-type takeover defense measure (i.e., a takeover defensive measure the enactment of which cannot be prevented even if a majority of the constituent members of the Board of Directors is replaced).

Moreover, the term of Directors is set at one year and, in other words, the intentions of shareholders can be reflected in the continuation of the Response Guidelines and defensive measures enacted by resolutions of the Board of Directors based on the Response Guidelines through the exercise of voting rights relating to proposals on election of Directors, and therefore, the Response Guidelines is not a “slow-hand”-type takeover defensive measure (i.e., a takeover defensive measure that requires the passage of time to prevent its enactment because it is not possible to replace all of the constituent members of the Board of Directors at one time).

(Attachment)

Outline of Gratis Allotment of Subscription Warrants

1. Shareholders to whom subscription warrants are allotted and method of allotment

Shareholders recorded on the shareholder registry as at an allotment date to be determined by the Board of Directors shall be allotted subscription warrants that do not require payment, in a ratio of 1 warrant per 1 share held by such shareholders (excluding shares of the Company held by the Company).

2. Class and number of shares to be issued upon exercise of subscription warrants

Subscription warrants shall be for common stock of the Company at a ratio of 1 share of common stock per 1 subscription warrant. However, this ratio may be adjusted in the event of a share split or share consolidation.

3. Total number of subscription warrants allotted to shareholders

The maximum total number of subscription warrants to be allotted to shareholders shall be the final total number of issued and outstanding shares of the Company as at the allotment date (excluding the number of shares of the Company held by the Company at that point in time).

4. Payment for subscription warrants

Subscription warrants are allotted gratis and do not require payment.

5. Property contributed upon exercise of subscription warrants and pricing thereof

Property to be contributed upon exercise of subscription warrants shall be cash, and the price is to be determined by the Board of Directors but not to be less than 1 yen per share.

6. Restrictions on assignment of subscription warrants

The approval of the Board of Directors is required for the assignment of subscription warrants.

7. Terms for exercise of subscription warrants

Specific terms may be placed on the exercise of subscription warrants, which terms include prohibiting exercise by: “1) designated large holders (*1),” “2) joint holders with such large holders (*2),” “3) designated large purchasers (*3),” “4) parties having special interests with such designated large purchasers” or “5) parties receiving conveyance of or succeeding to subscription warrants from any of the parties listed in the items 1 through 4 above without the approval of the Board of Directors,” or “6) parties affiliated with any of the parties listed in the items 1 through 5 above (*4).” Details shall be formulated separately by the Board of Directors.

8. Events enabling the Company to acquire subscription warrants in exchange for common stock and terms of acquisition

The Company places acquisition terms such as the conditions that the Company may acquire subscription warrants (excluding subscription warrants held by parties who are not entitled to exercise subscription warrants as noted in “7. Terms for exercise of subscription warrants” above) upon the arrival of an acquisition date to be determined by the Board of Directors and unless adjusted separately in exchange for this acquisition may grant 1 share of common stock for 1 subscription warrant. Meanwhile, the Company shall not deliver any cash as consideration of subscription warrants held by any party who is not entitled to exercise the subscription warrants as described in “7. Terms for exercise of subscription warrants.” Details shall be formulated separately by the Board of Directors.

9. Acquisition without contribution when defensive measures are suspended

If the Board of Directors suspends the enactment of defensive measures and in any other case separately determined by the Board of Directors, the Company may acquire all of the subscription warrants without contribution.

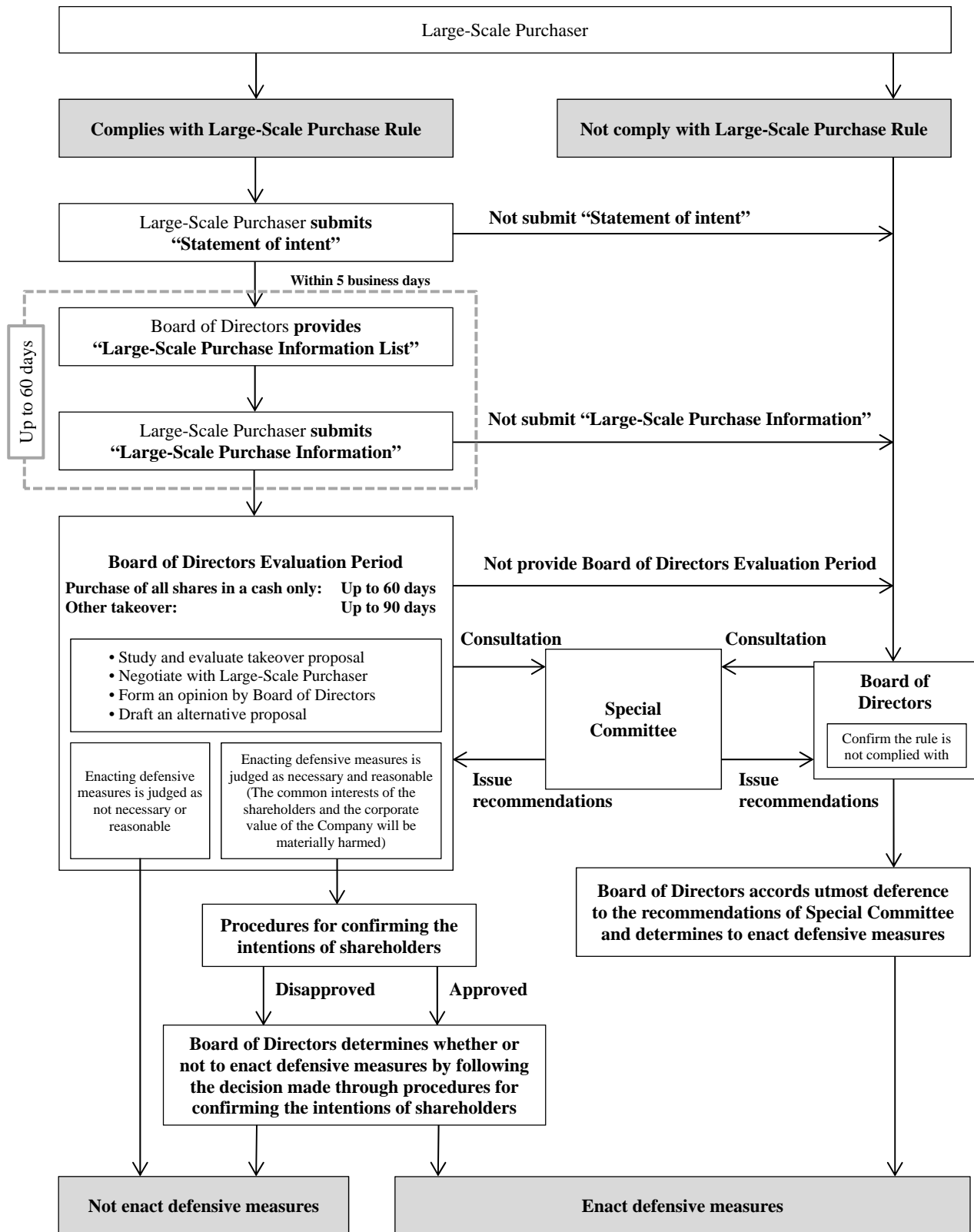
10. Exercise period of subscription warrants, etc.

The exercise period of subscription warrants, events enabling the Company to acquire subscription warrants without contribution, terms of acquisition and other necessary matters shall be determined separately by the Board of Directors.

- Notes:
1. "Designated large holder" refers to a holder of shares, etc. issued by the Company with a holding ratio of the relevant shares, etc. of 20% or more, or deemed by the Board of Directors to have a holding ratio of 20% or more.
 2. "Joint holder" means a person as defined in Article 27-23, Paragraph 5, which includes those deemed as Joint Holder(s) pursuant to Article 27-23, Paragraph 6, of the Financial Instruments and Exchange Act (including parties so deemed by the Board of Directors of the Company).
 3. "Designated large purchasers" means parties who give public notice to the effect that they will purchase, etc. (this means purchase, etc. as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act; hereinafter the same in this note) by takeover bid, and whose Holding Ratio of Shares, etc. (including the case as specified to be similar, in Article 7, Paragraph 1 of the Enforcement Order of the Financial Instruments and Exchange Act) and Holding Ratio of Shares, etc. owned by parties with special interests (including persons recognized by the Board of Directors of the Company to fall under the above) is 20% or more in total.
 4. "Affiliated party" is a party whom the Board of Directors deem under the consent of the special committee as substantially controlling the subject party, being substantially controlled by or under common control with the subject party (including a party who is deemed by the Board of Directors to fall under the above), or a party who is recognized by the Board of Directors to be acting in collaboration with the subject party.

(Reference)

Outline of Large-Scale Purchase Rule



Outline of Rules of Special Committee

1. The special committee shall be established upon resolution of the Board of Directors for the purpose of ruling out arbitrary judgments by the Board of Directors concerning enactment of the defensive measures against Large-Scale Purchase and other related actions, and thus ensuring the objectivity and reasonableness of judgments and handling by the Board of Directors.
2. The special committee shall consist of between three and five committee members (hereinafter referred to as “Members”) comprising Outside Directors of the Company, Outside Corporate Auditors of the Company, substitute Corporate Auditors of the Company (however, such substitute Corporate Auditors must satisfy the requirements for Outside Corporate Auditors) and outside experts (legal counsel, tax accountants, certified public accountants, persons with academic or practical experience, experts in investment banking or other persons similar thereto) who are independent of the management team executing the business of the Company and have no special-interest relationships with the Company or the Board of Directors.
3. Special committee members shall mutually appoint the Chairperson, and the Chairperson shall chair the special committee.
4. The special committee shall be convened by the Chairperson, and each Member may request convocation of special committee meetings of the Chairperson.
5. Resolutions for recommendation shall be made by a majority of the Members present at the meeting of the special committee where a majority of the Members are present. If the number of votes for approval or disapproval is the same for the resolution, the Chairperson shall make the final decision.
6. The special committee shall pass judgment on whether or not to enact the defensive measures in accordance with the Response Guidelines based on consultations with the Board of Directors, and issue recommendations to the Board of Directors. Moreover, the special committee shall issue recommendations in answer to consultations by the Board of Directors pertaining to the Response Guidelines. Upon issuing a recommendation, judgment must be made from the viewpoint of whether or not the common interests of the Company shareholders and the corporate value of the Company will be materially harmed, and must not aim at benefits for itself or Directors of the Company.
7. The special committee, as necessary, may request that Directors, Corporate Auditors, Officers, Accounting Auditors or employees of the Company provide information or attend special committee meetings.
8. The special committee may seek the advice of independent third parties (including financial advisers, legal counsel, tax accountants, certified public accountants, consultants and other experts) at the expense of the Company in order to ensure that its judgments contribute to the securing and enhancing of the common interests of the Company shareholders and the corporate value of the Company.

Special Committee Members and Their CVs

The following are the special committee members who are scheduled to be appointed provided that the continuation of the Response Guidelines is approved by the shareholders of the Company, with their CVs.

(Japanese alphabetical order)

Name (Date of birth)	Career summary
Hiroshi Kurimoto (August 26, 1947)	<p>April 1970 Joined OILES CORPORATION (“OILES”)</p> <p>June 1999 Director of OILES</p> <p>June 2006 President and Chief Operating Officer of OILES</p> <p>June 2011 Chairman of OILES</p> <p>June 2014 Director (Outside Director) of the Company (to the present)</p> <p>Director and Senior Advisor of OILES</p> <p>June 2015 Senior Advisor of OILES</p> <p>June 2016 Advisor of OILES (to the present)</p>
Takeo Kosugi (March 23, 1942)	<p>April 1968 Assistant Judge, Osaka District Court</p> <p>May 1974 Registered as attorney (affiliated with the Tokyo Bar Association)</p> <p>June 1974 Joined Matsuo Law Office (present Matsuo & Kosugi) (to the present)</p> <p>June 2009 Director (Outside Director) of TOSHIBA CORPORATION (until June 2014)</p> <p>June 2010 Corporate Auditor (Outside Corporate Auditor) of FUJIFILM Holdings Corporation (until June 2016)</p>
Noriko Sekiguchi (January 23, 1964)	<p>April 1986 Joined Manufacturers Hanover Bank (present JPMorgan Chase Bank, N.A.) (until June 1988)</p> <p>October 1991 Joined Asahi-Shinwa Kaikeisha audit corporation (present KPMG AZSA LLC) (until January 1998)</p> <p>March 1994 Registered as certified public accountant</p> <p>February 1998 Joined Japan Broadcasting Corporation (until June 2001)</p> <p>December 2001 Joined Triumph International (Japan) Ltd. (until June 2004)</p> <p>January 2002 Reregistered as certified public accountant</p> <p>July 2004 Joined Ernst & Young ShinNihon (present Ernst & Young ShinNihon LLC) (until October 2010)</p> <p>November 2010 Representative of Sekiguchi CPA Office (to the present)</p> <p>April 2011 Contract Monitoring Committee Member of Japan International Cooperation Agency (“JICA”) (to the present)</p> <p>July 2011 External Assessment Committee Member of JICA (to the present)</p> <p>July 2012 Registered as certified tax accountant</p> <p>June 2015 Director (Outside Director) of the Company (to the present)</p>

- Notes:
1. Mr. Hiroshi Kurimoto and Ms. Noriko Sekiguchi are both Outside Directors of the Company. The Company has designated them as independent directors in accordance with the regulations of the Tokyo Stock Exchange and has notified therein.
 2. There are no business relationships between Mr. Takeo Kosugi and Matsuo & Kosugi, and the Company.
 3. There are no business relationships between Ms. Noriko Sekiguchi and Sekiguchi CPA Office, and the Company.
 4. No conflict of interest exists between the Company or any Director of the Company and any of the above persons.