

[Translation: Please note that the following purports to be an accurate translation of excerpt contents of the original Japanese document, prepared for foreign shareholders solely as a reference material. In case of any discrepancy between the translation and the Japanese original, the latter shall prevail. Please also be advised that certain explanations for the domestic voting procedures are omitted or modified in this translation.]

SEKISUI CHEMICAL CO., LTD.

Stock Exchange Code: 4204

June 5, 2008

To Our Shareholders:

NOTICE OF CONVOCATION OF THE 86TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

You are cordially invited to attend the 86th Annual General Meeting of Shareholders of SEKISUI CHEMICAL CO., LTD. (the "Company"), which will be held as described below.

If you are unable to attend the aforesaid meeting, you may exercise your voting rights by choosing either the methods stated below. In such case, please kindly see the attached Reference Documents Concerning the General Meeting of Shareholders below and exercise your voting rights before 5:30 PM on June 26, 2008 (Thursday).

For Reference Only: REGISTERED SHAREHOLDERS IN JAPAN may exercise voting rights by means of either of the following:

[In case of exercising voting rights via mail]

Please indicate on the Voting Right Exercise Form enclosed herewith your approval or disapproval of each of the items listed thereon and return the form to the Company before the deadline stated above.

[In case of exercising voting rights via the Internet, etc.]

Please access the website for exercising voting rights designated by the Company (<http://www.evotep.jp/>), indicate your approval or disapproval of each of the items by following the guidance on the display after entering the "log-in ID" and "password" shown on the enclosed Voting Right Exercise Form.

The Company cordially requests the shareholders who exercise voting rights via the Internet, etc. to understand the Guidance for the Exercise of Voting Rights via the Internet, etc. below. (omitted)

If voting rights are exercised via both mail and via the Internet, only the vote registered via the Internet will be recognized as valid.

Yours very truly,

By: **NAOTAKE OKUBO**
President & Representative Director
SEKISUI CHEMICAL CO., LTD.
4-4 Nishitenma 2-chome,
Kita-ku, Osaka 530-8565

PARTICULARS

1. **Date and Time of the Meeting:** 10:00 a.m. on June 27, 2008 (Friday)
2. **Place of the Meeting:** Employee Hall,
Osaka Head Office of Sekisui Chemical Co., Ltd.
11th Floor of Dojima Kanden Bldg.,
4-4 Nishitenma 2-chome, Kita-ku, Osaka
3. **Agenda of the Meeting:**

Matters for Reporting:

1. Report on the Business Report, the Consolidated Accounting Documents and the Non-Consolidated Accounting Documents for the 86th Business Term (from April 1, 2007 to March 31, 2008).
2. Report on the Results of the Audits of Consolidated Accounting Documents by the Accounting Auditor and the Board of Corporate Auditors.

Matters for Resolution:

- | | |
|---------------------------------|---|
| First Item of Business: | Appropriation of Retained Earnings |
| Second Item of Business: | Partial Amendments to the Articles of Incorporation |
| Third Item of Business: | Appointment of Nine (9) Directors |
| Fourth Item of Business: | Appointment of Two (2) Corporate Auditors |
| Fifth Item of Business: | Issuance of Stock Acquisition Rights under Stock Option Plan |
| Sixth Item of Business: | Introduction of Policy Against Large Purchase Action of Shares of the Company (Takeover Defense Measure) |

- End -

The date and time, and place and agenda of the Meeting are as stated above.

For those attending, please present Voting Rights Exercise Form (not enclosed in this translation) at the reception desk on arrival at the Meeting.

Sekisui Chemical Group's products exposition will be held at the showroom on the second floor of Osaka Head Office of the Company. The Company would like you to come on this occasion.

If any amendment is made to the Reference Document Concerning the General Meeting of Shareholders and the Business Report, the Consolidated Accounting Documents and the Non-Consolidated Accounting Documents, the amended version shall be posed on the Company's website (<http://www.sekisui.co.jp/>).

**REFERENCE DOCUMENTS CONCERNING
THE GENERAL MEETING OF SHAREHOLDERS**

Items and Matters for Reference

First Item of Business: Appropriation of Retained Earnings

One of the Company's primary policies in management is to increase corporate value, with an emphasis on returning the Company's profits to the shareholders proactively. In connection with returning of the Company's profits to the shareholders hereafter, the Company will implement stable dividends depending upon business results with a target of a dividend payout ratio of 30% of the consolidated net income.

In order to reward the shareholders' support, totally taking into consideration financial conditions and business results for the business term, the Company proposes that the year-end dividend for the business term under review be as follows.

1. Type of dividend assets:
Cash
2. Matters concerning distribution of dividend assets and the aggregate amount:
¥8 per share of common stock of the Company
Aggregate amount of dividends: ¥4,206,280,968

The annual dividend for the business term under review is ¥15 per share, together with the interim dividend of ¥7 per share that was paid in December 2007.

3. The date when dividends of retained earnings take effect:
June 30, 2008

Second Item of Business: Partial Amendments to the Articles of Incorporation

The Company proposes to make partial amendments to the Articles of Incorporation as follows:

1. Reason for amendments:
 - (1) The Company introduced the Operating Officer System on April 1, 2008 in order to quickly respond to changes in operating environments surrounding the Company. The Operating Officer System is designed to further activate and strengthen the functions of the Board of Directors, by clearly separating supervisory functions to decision-making and business execution of the Board of Directors, from business execution functions of each Company. Accordingly, the Company proposes to make necessary changes in the provisions of Article 20 and Article 24 of the current Articles of Incorporation;
 - (2) The Company proposes to establish Article 28 to enable outside Directors to fully perform their duties as expected, and renumber Articles after Article 28. With respect to the submission of the proposed Article 28 to this Annual General Meeting of Shareholders, the Company has already obtained consent from all Corporate Auditors.

2. Details of proposed amendments

The details of the amendments are described below:

(Parts proposed to be amended are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p>Article 20 (Number of Directors) The Company shall have three (3) or more Directors. 2. If the Director resigns as his or her office as Director during the term, a substituted Director shall be elected. Provided, however, that the Company may adjourn the election of the substituted Director or not conduct the election by a resolution of the Board of Directors, unless otherwise the number of Directors is lower than the statutory number of Directors.</p>	<p>Article 20 (Number of Directors) The Company shall have <u>at least three (3) Directors but not more than fifteen (15) Directors.</u> 2. (Same as the current provisions)</p>
<p>Article 24 (Directors with Special Titles and Counselors) The Board of Directors may determine Director and Chairman, Director and President, Director and Vice President, <u>Senior Managing Director and Managing Directors</u> by its resolution. 2. The Board of Directors may determine Counselor(s).</p>	<p>Article 24 (Directors with Special Titles and Counselors) The Board of Directors may determine Director and Chairman, Director and President <u>and</u> Director and Vice President by its resolution. 2. (Same as the current provisions)</p>
<p>(To be newly established)</p>	<p><u>(Agreement to Limit Outside Director's Liability)</u> Article <u>28</u> <u>The Company may enter into an agreement with an outside Director to the effect that the liability provided by Article 423, Paragraph 1 of the Corporation Law shall be limited when the requirements provided by the applicable laws and regulations are met. The maximum amount of liability under the agreement shall be the minimum amount of liability stipulated by the applicable laws and regulations.</u></p>
<p>Article <u>28</u>- Article <u>38</u> (Provisions are omitted)</p>	<p>Article <u>29</u>- Article <u>39</u> (Same as the current provisions)</p>

Third Item of Business: Appointment of Nine (9) Directors

The Company introduced the Operating Officer System on April 1, 2008 and defined the Board of Directors as an organization to make decisions of management policies and supervise business execution of the entire Company. In addition, the Company shall invite new two (2) outside Directors to further strengthen supervisory functions of the Board of Directors to business execution and enhance the transparency and fairness of the management.

The Company, thus, proposes shareholders to appoint nine (9) Directors, whereby optimizing the number of Directors to enable the Board of Directors to make flexible decisions. The Company provides that the term of office of Directors is one (1) year in the Articles of Incorporation to clarify the Director's responsibility towards shareholders.

The candidates of the Directors are as follows:

No	Name (Date of birth)	Career summary, Position and Duty, and Representation of Other Companies	Number of shares of the Company owned
1	Naotake Okubo (March 16, 1940)	<p>Aug. 1962: Joined the Company</p> <p>Jun. 1989: Director of the Company Office Manager of Corporate Development Office</p> <p>Oct. 1989: Director of the Company In Charge of Corporate Purchasing Department and Tokyo Purchasing Department Office Manager of Corporate Development Office</p> <p>Jan. 1993: Director of the Company In Charge of Corporate Purchasing Department and Tokyo Purchasing Department General Manager of Techno-Materials Headquarters</p> <p>Jun. 1993: Managing Director of the Company General Manager of Techno-Materials Headquarters</p> <p>Mar. 1997: Managing Director of the Company In Charge of Corporate Planning & Control Office and International Business Department</p> <p>Jun. 1997: Executive Managing Director of the Company In Charge of Corporate Planning & Control Office and International Business Department</p> <p>Jan. 1999: Executive Vice President & Director</p> <p>Jun. 1999: President & Representative Director of the Company</p> <p>Apr. 2008: President & Representative Director of the Company [incumbent]</p>	217,742 shares
2	Takayoshi Matsunaga (May 11, 1951)	<p>Apr. 1975: Joined the Company</p> <p>Jun. 2002: Director of the Company Senior Vice President of High Performance Plastics Company General Manager of Industrial Tape Division, High Performance Plastics Company</p> <p>Apr. 2004: Director of the Company Responsible for IT-Related Business Unit, High Performance Plastics Company</p> <p>Jun. 2004: Managing Director of the Company Responsible for IT-Related Business Unit, High Performance Plastics Company</p> <p>Apr. 2005: Executive Managing Director of the Company President of High Performance Plastics Company</p>	66,766 shares

No	Name (Date of birth)	Career summary, Position and Duty, and Representation of Other Companies	Number of shares of the Company owned
		<p>Apr. 2008: Executive Managing Director of the Company Senior Managing Executive Officer of the Company President of High Performance Plastics Company [incumbent]</p>	
3	Tetsuji Izu (April 26, 1944)	<p>Apr. 1971: Joined the Company Jun. 1999: Director of the Company General Manager of Human Resources & Labor Relations Department Apr. 2001: Director of the Company In Charge of Nara Business Office, General Manager of Human Resources & Labor Relations Department Apr. 2002: Director of the Company General Manager of Corporate Strategy Department Apr. 2004: Director of the Company General Manager of Corporate Strategy Department, General Affairs & Human Resources Department, Responsible for Sekisui's Overall Compliance Issues Jun. 2004: Managing Director of the Company General Manager of Corporate Strategy Department, General Affairs & Human Resources Department, Responsible for Sekisui's Overall Compliance Issues Apr. 2005: Managing Director of the Company General Manager of General Affairs & Human Resources Department and Environmental Management Department Responsible for Sekisui's Overall Compliance, Environmental and CSR issues Jul. 2006: Executive Managing Director of the Company General Manager of General Affairs & Human Resources Department and Environmental Management Department, Responsible for Sekisui's Overall Compliance, Environmental and CSR issues Jan. 2007: Executive Managing Director of the Company Responsible for Sekisui's Overall CS and Compliance Issues, and Legal Department General Manager of CSR Department Apr. 2008: Executive Managing Director of the Company Senior Managing Executive Officer & COO of the Company Responsible for External Affairs Department General Manager of CSR Department [incumbent]</p>	54,465 shares

No	Name (Date of birth)	Career summary, Position and Duty, and Representation of Other Companies	Number of shares of the Company owned
4	Yoshiyuki Takitani (February 24, 1949)	<p>Apr. 1971: Joined the Company</p> <p>Jun. 2001: Director of the Company Department Manager of Development Department, Housing Company</p> <p>Apr. 2002: Director of the Company Head of President's Office of Housing Company</p> <p>Apr. 2004: Director of the Company General Manager of CS & Quality Management Department and Corporate Communication Department Responsible for Sekisui's Overall CS Issues</p> <p>Jun. 2004: Managing Director of the Company General Manager of CS & Quality Management Department and Corporate Communication Department Responsible for Sekisui's Overall CS Issues</p> <p>Apr. 2005: Managing Director of the Company General Manager of Corporate Management Strategy Department and Corporate Communication Department</p> <p>Jan. 2007: Managing Director of the Company Responsible for Corporate Communication Department General Manager of Corporate Management Strategy Department</p> <p>Oct. 2007: Managing Director of the Company President of Urban Infrastructure & Environmental Products Company</p> <p>Apr. 2008: Managing Director of the Company Senior Managing Executive Officer of the Company President of Urban Infrastructure & Environmental Products Company [incumbent]</p>	57,131 shares
5	Ken Yoshida (May 23, 1951)	<p>Apr. 1974: Joined the Company</p> <p>Jun. 2002: Director of the Company Senior Vice President, High Performance Plastic Company</p> <p>Apr. 2003: Director of the Company Head of R&D Technology Center</p> <p>Jun. 2004: Managing Director of the Company Head of R&D Technology Center</p> <p>Apr. 2005: Managing Director of the Company General Manager of CS & Quality Management Department, Head of R&D Technology Center Responsible for Sekisui's Overall CS Issues</p> <p>Jan. 2007: Managing Director & CTO of the Company Head of R&D Center</p> <p>Oct. 2007: Managing Director & CTO of the Company General Manager of Corporate Management Strategy Department Head of R&D Center</p> <p>Apr. 2008: Managing Director of the Company</p>	79,287 shares

No	Name (Date of birth)	Career summary, Position and Duty, and Representation of Other Companies	Number of shares of the Company owned
		Senior Managing Executive Officer & CTO of the Company Head of R&D Center [incumbent]	
6	Naofumi Negishi (March 19, 1948)	<p>Apr. 1971: Joined the Company</p> <p>Apr. 2003: General Manager of Corporate Finance & Accounting and Planning Department</p> <p>Jun. 2003: Director of the Company General Manager of Corporate Finance & Accounting and Planning Department</p> <p>Apr. 2005: Managing Director of the Company General Manager of Corporate Finance & Accounting and Planning Department</p> <p>Oct. 2007: Managing Director of the Company Responsible for Corporate Communication Department General Manager of Corporate Finance & Accounting and Planning Department</p> <p>Apr. 2008: Managing Director of the Company Senior Managing Executive Officer & CFO of the Company Responsible for Corporate Communication Department General Manager of Corporate Finance & Accounting and Planning Department [incumbent]</p> <p>(Representation of Other Companies) President of Sekisui America Corporation President of Sekisui Europe B.V.</p>	53,117 shares
7	Teiji Kouge (November 14, 1953)	<p>Apr. 1976: Joined the Company</p> <p>Apr. 2003: President of Nagoya Sekisui Heim Co., Ltd.</p> <p>Jun. 2005: Director of the Company President of Nagoya Sekisui Heim Co., Ltd.</p> <p>Oct. 2005: Director of the Company Head of President's Office of Housing Company</p> <p>Apr. 2006: Director of the Company General Manager of Planning & Control Department, Housing Company</p> <p>Apr. 2007: Director of the Company General Manager of Housing Division and Planning & Control Department, Housing Company</p> <p>Jul. 2007: Director of the Company In Charge of Sales Department, General Manager of Housing Division, Housing Company</p> <p>Feb. 2008: Director of the Company President of Housing Company, In Charge of Sales Department, General Manager of Housing Division</p> <p>Apr. 2008: Director of the Company Managing Executive Officer of the Company President of Housing Company [incumbent]</p>	22,611 shares

No	Name (Date of birth)	Career summary, Position and Duty, and Representation of Other Companies	Number of shares of the Company owned
8	Shigemi Tamura (July 20, 1938)	<p>Apr. 1961: Joined The Tokyo Electric Power Company, Incorporated.</p> <p>Jun. 1995: Director of The Tokyo Electric Power Company, Incorporated.</p> <p>Jun. 1999: Executive Vice President of The Tokyo Electric Power Company, Incorporated.</p> <p>Oct. 2002: Chairman of The Tokyo Electric Power Company, Incorporated. [incumbent]</p> <p>(Representation of Other Companies) Director and Chairman of The Tokyo Electric Power Company, Incorporated. Chairman of Greater-Kanto Industrial Advancement Center</p>	-
9	Tohru Tsuji (February 10, 1939)	<p>Apr. 1961: Joined Marubeni-Iida Co., LTD. (currently Marubeni Corporation)</p> <p>Jun. 1991: Director of Marubeni Corporation</p> <p>Apr. 1996: Managing Director of Marubeni Corporation</p> <p>Jun. 1997: Senior Managing Director of Marubeni Corporation</p> <p>Apr. 1999: President and CEO, Director of Marubeni Corporation</p> <p>Apr. 2003: Chairman and CEO, Member of the Board of Marubeni Corporation</p> <p>Apr. 2004: Chairman and Member of the Board of Marubeni Corporation</p> <p>Apr. 2008: Senior Corporate Advisor and Member of the Board of Marubeni Corporation [incumbent]</p>	-

- (Notes)
1. Each of the candidates has no interest in the Company.
 2. Messrs. Shigemi Tamura and Tohru Tsuji are candidates for outside Directors.
 3. The special matters to be particularly stated with respect to the candidates for outside Directors are as follows:
 - (1) Reasons for the election of candidates for outside Directors:
 - 1) Mr. Shigemi Tamura has experiences and achievements as a member of the management of one of Japan's representative energy corporations. The Company, therefore, considers that his advices to management execution of the Company from an independent position will contribute to strengthening the corporate governance of the Company, and that requests the shareholders to appoint him as an outside Director.
 - 2) Mr. Tohru Tsuji has experiences and achievements as a member of the management of one of Japan's representative general trading companies. The Company, therefore, considers that his advices based on the international experiences and knowledge acquired through managing the general trading company will be useful to promote globalization of the Sekisui Chemical Group, and that requests shareholders to appoint him as an outside Director.
 - (2) Outlines of the facts whether any unlawful business was executed, whether any preventive action was taken therefor and whether any countermeasures were taken after an unlawful business was discovered while the above candidates were in office as outside Directors or outside Corporate Auditors of other companies, if the candidates for outside Directors assumed the office of outside Directors or outside Corporate Auditors of other companies in the last five (5) years:

Sompo Japan Insurance Inc. ("Sompo Japan"), of which Mr. Tohru Tsuji concurrently holds the office of outside Corporate Auditor since June 2003, received an administrative order from the Financial Services Agency ("FSA") as of May 25, 2006 to suspend a part of its business operations pursuant to Article 133 of the Insurance Business Law and to

improve business operations pursuant to Article 132(1) of the Insurance Business Law, due to the incidental failure in claim payments and irregularity in connection with the underwriting of liability insurance contracts. Before these facts were found, Mr. Tohru Tsuji stated opinions and made recommendations to the Board of Directors and the Board of Corporate Auditors of Sompo Japan, for the system to comply with the laws and regulations, the strengthened internal audit system and the reporting method of results of internal audit. After these facts were found, he regularly checked the status of implementation of the business improvement plan which was submitted by Sompo Japan to the FSA, and at the same time, reported useful opinions to prevent recurrence of such misconducts at the meetings of the Board of Directors and the regular opinion exchange meetings with representative Directors of Sompo Japan.

(3) Summary of agreement to limit outside Director's liability:

The Company has submitted the partial amendments to the Articles of Incorporation as the Second Item of Business to this Annual General Meeting of Shareholders, allowing the Company to enter into an agreement with outside Directors to limit the amount required to indemnify the Company for damages. If this item is approved as originally proposed, the Company will enter into an agreement with all the outside Directors. The summary of the agreement to limit outside Director's liability is as follows:

If outside Directors cause damages to the Company due to negligence of duties as Directors, but they perform their duties in good faith and there are no material faults, outside Directors are liable to the Company up to the amount limited by the minimum amount of liability provided for under Article 425, Paragraph 1 of the Corporate Law.

Fourth Item of Business: Appointment of Two (2) Corporate Auditors

The terms of offices of Mr. Katsuya Kittaka and Mr. Masashi Takai, Corporate Auditors, will expire at the closing of this Annual General Meeting of Shareholders. The Company proposes that two (2) Corporate Auditors be appointed. The Board of Corporate Auditors has given consent to this Item.

The candidates of Corporate Auditors are as follows:

No	Name (Date of birth)	Career summary, Position and Duty, and Representation of Other Companies	Number of shares of the Company owned
1	Masashi Takai (September 26, 1947)	Apr. 1970: Joined the Company Apr. 2002: Head of Corporate Audit Department Jun. 2004: Corporate Auditor [incumbent]	35,444 shares
2	Eiji Mansho (January 21, 1949)	Apr. 1971: Joined the Company Apr. 2003: Responsible for Housing Materials, Urban Infrastructure & Environmental Product Company Head of Wood Project Jun. 2003: Director of the Company Responsible for Housing Materials, Urban Infrastructure & Environmental Product Company Head of Wood Project Apr. 2005: Director of the Company Head of New Business Project, Urban Infrastructure & Environmental Product Company Jun. 2005: Director of the Company Responsible for Research & Development, Urban Infrastructure & Environmental Product Company Head of New Business Project Apr. 2006: Director of the Company President and Representative Director of Toto Sekisui Co., Ltd. Jun. 2006: President and Representative Director of Toto Sekisui Co., Ltd. Apr. 2008: Director of Toto Sekisui Co., Ltd. [incumbent]	37,303 shares

Fifth Item of Business: Issuance of Stock Acquisition Rights under Stock Option Plan

It is proposed that the Company will, pursuant to the provisions of Articles 236, 238 and 239 of the Corporate Law, issue stock acquisition rights under a stock option plan to executive employees of the Company, and representative Directors, a part of Directors and executive employees of the affiliated companies of the Company, and delegate the determination of the terms and conditions thereof to the Board of Directors of the Company.

1. Purpose for issuing stock acquisition rights

The Company will issue stock acquisition rights under a stock option plan to grant incentives to executive employees of the Company, and representative Directors, a part of Directors and executive employees of the affiliated companies of the Company in order to improve business results and increase corporate value and to raise morale for the business operation with an emphasized consideration toward shareholders.

2. Grantees of stock acquisition rights to be allotted:

Executive employees of the Company, and representative Directors, a part of Directors and executive employees of the affiliated companies of the Company (hereinafter referred to as the “Grantees”)

3. Details of stock acquisition rights

(1) Class and number of shares to be allotted for stock acquisition rights

Maximum of 500,000 shares of common stock of the Company.

In case the Company makes a stock split or stock consolidation of its outstanding shares, the number of shares to be allotted for a stock acquisition right shall be adjusted in accordance with the formula set forth below. Provided, however, that such adjustment shall be made solely to the number of shares to be allotted for a stock acquisition right which have not yet been exercised at the time of such stock split or consolidation, and that any fractional shares less than one share arising out of such adjustment shall be disregarded:

$$\begin{array}{rcccl} \text{Number of shares} & = & \text{Number of shares} & \times & \text{Percentages of stock split} \\ \text{after adjustment} & & \text{before adjustment} & & \text{(or stock consolidation)} \end{array}$$

(2) Aggregate number of stock acquisition rights to be issued:

Maximum of 500 (The number of shares to be allotted for a stock acquisition right shall be 1,000 shares.). Provided, however, that in case the Company makes a stock split or stock consolidation as set forth in (1) above, the same adjustment shall be made.

(3) Issue price of a stock acquisition right:

Free of charge.

(4) Value of assets to be contributed upon exercise of each stock acquisition right

The value of assets to be contributed upon exercise of each stock acquisition right shall be the amount to be paid for a share upon exercise of exercise of each stock acquisition right (hereinafter referred to as “exercise price”), multiplied by the number of shares to be allotted.

The exercise price shall be an amount which is the average of the closing prices of the Company’s shares of common stock on the Tokyo Stock Exchange on each day (other than any days on which no sale is reported) of the month immediately preceding the month to which the date of the issuance of stock acquisition rights belongs, multiplied by 1.05. Any amount less than one yen arising out of such calculation shall be rounded upward to the nearest yen. Provided, however, that if such price is less than the closing price as of the date of the issuance of stock acquisition rights (or the latest available closing price reported

if no trading is made on such date), then such closing price reported on such date shall be the amount to be paid.

In case the Company shall make a stock split or stock consolidation of its outstanding shares after the issuance of a stock acquisition right, the exercise price shall be adjusted in accordance with the following formula, and any amount less than one yen arising out of such adjustment shall be rounded upward to the nearest yen:

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Percentages of stock split or stock consolidation}}$$

Furthermore, in case the Company issues new shares or disposes of its treasury stocks at a price less than the current market price (except where shares are issued upon exercise of stock acquisition rights), the exercise price shall be adjusted in accordance with the following formula, and any amount less than one yen arising out of such adjustment shall be rounded upward to the nearest yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares newly issued} \times \text{Amount paid per share newly issued} + \text{Current market price before issuance of new shares}}{\text{Number of shares issued} + \text{Number of shares newly issued}}$$

The “Number of shares issued” in the above formula means the number of shares obtained by deducting the number of treasury stock from the total number of shares issued. In case of disposal of treasury stock, the “Number of shares newly issued” shall be read as the “Number of treasury stock to be disposed of.” In addition, the Company shall make adjustments to the extent reasonable, if adjustments of the exercise price will be necessary due to any occurrence of unavoidable events after the allotment date of stock acquisition rights including where the Company carries out allotment to holders of common stocks of other class of shares without any charge, or the Company shall distribute shares of other company to common stocks of the Company as dividends in kinds.

(5) Exercise period of stock acquisition rights:
From July 1, 2010 to June 30, 2013

(6) Conditions of exercise of stock acquisition rights:

(i) Grantees are required to be in the position of Directors or employees of the Company or the affiliated companies of the Company when exercising such rights. Provided, however, that the foregoing shall not be applicable in the event that such person retires from his/her position as Director of the Company or the affiliated companies of the Company due to the expiry of the term of office, such person retires from the Company or the affiliated companies of the Company by the retiring age limit, or for any other justifiable reasons.

(ii) No pledge on, or disposition of, stock acquisition rights shall not be created or made.

(iii) Other conditions of the exercise of stock acquisition rights shall be determined in accordance with the agreement with respect to the granting of stock acquisition rights to be entered into between the Company and each of the Grantees, pursuant to a resolution of the Board of Directors.

(7) Transfer restrictions on stock acquisition rights:

Transfer of stock acquisition rights shall require approval of the Board of Directors of the Company.

(8) Amount of stated capital or capital reserve to be increased by issuance of shares upon exercise of stock acquisition rights

(i) The amount of stated capital to be increased by issuance of shares upon exercise of stock acquisition rights shall be half of the maximum amount of increase of stated capital, etc. calculated pursuant to Article 40, Paragraph 1 of the Accounting Rules for Corporation, and any amount less than one yen arising out of such calculation shall be rounded upward to the nearest yen:.

(ii) The amount of stated capital reserve to be increased by issuance of shares upon exercise of stock acquisition rights shall be the amount obtained by deducting the amount of increase of stated capital as set forth in the above (i) from the maximum amount of increase of stated capital, etc. as set forth in the above (i).

(9) Details of stock acquisition rights other than the above shall be determined by a resolution of the Board of Directors to determine the terms and conditions of stock acquisition rights.

Sixth Item of Business: Introduction of Policy Against Large Purchase Action of Shares of the Company (Takeover Defense Measure)

Sekisui Chemical Co., Ltd. (the “Company”) announces that a meeting of its Board of Directors held on May 15, 2008 resolved the following countermeasures to large-scale acquisitions of the Company shares (hereinafter referred to as “this Plan”). subject to the approval of the ordinary general meeting of the Company’s shareholders scheduled to be held on June 27, 2006 (the “Ordinary General Meeting of Shareholders”).

1. Basic policy toward any person(s) who should have control in determining the Company’s policy toward its finance and business

The Company whose shares are listed on the financial instrument exchange respects any free transaction of shares of the Company in the market. Accordingly, it should be left finally to shareholders’ judgment whether or not the proposal for a large purchase of shares of the Company, which would transfer the control of the Company, is accepted. However, among proposals for a large purchase of shares and the like, there are such proposals as deviate in the light of the enhancement of corporate value and common interest of shareholders of the Company, for example, (a) a proposal which would obviously prejudice the corporate value and in turn common interest of shareholders of the Company in the light of the purpose of takeover and management policy and the like following the takeover; (b) a proposal which will *de fac-to* force shareholders to sell shares; (c) a proposal in which the Company has not been provided reasonably enough time to present an alternative plan for the large purchase of shares; (d) a proposal in which shareholders of the Company have not been provided reasonably enough information to make the final judgment on details of the proposal; (e) a proposal of which the terms and conditions, including kind and amount of consideration for Purchase, timing of Purchase, structure of the related transactions, legality of the manner, probability of Purchase to be conducted, are insufficient and inappropriate in the light of the essential value of the Company; and (f) a proposal which may prejudice the confidence between the Company and employees, business partners including customers, interested parties including creditors, which are inevitable for continuously enhancing long-term shareholder value of the Company, so that the corporate value and in turn common interest of shareholders of the Company might substantially be prejudiced. Any person(s) who contemplates to engage in such large purchase action or proposes any takeover of shares of the Company should be exceptionally inappropriate person(s) if he had control in determining the Company’s policy toward its finance and business.

2. Measures to Facilitate Realization of the Basic Policy

For the purpose of enabling investors to continue investment in the Company on the long-term basis, the Company has exerted efforts to enhance the corporate value and in turn common interest of shareholders through the following measures. The Company believes that these measures also contribute to the realization of the “basic policy toward any person(s) who should have control in determining the Company’s policy toward its finance and business” stated in paragraph 1 above, which the Company recently determined.

(1) Measures to enhance the corporate value through medium-term management plan, “GS21-Go!Frontier”

The Company designed a medium-term management plan, “GS21-Go!Frontier” for the period from the fiscal year commencing April 2006 to fiscal year commencing April 2008. In this vision a

targeted “Premium Company” is defined a “company materializing continually 10% of operating income and contributing globally to the development of society”, and for the purpose of materializing the above, “the Company will develop five Emerging Frontiers through innovations in the three areas” and make best efforts to become itself to the “Premium Company”. The principal details are as follows:

1) Outline of “GS21-Go!Frontier”

- (a) Targets for growth and high profitability and concentrating on “develop Emerging Frontiers;
- (b) Discharging CSR (Corporate Social Responsibility) and target to be really the “Premium Company”, which contribute to society.

<Principal measures>

The Company opens up five Emerging Frontiers through innovations in the three areas and aims to become the Premium Company.

- (a) The Company promotes innovations in the three areas, namely “Marketplace, manufacturing development and human resources”, for the purpose of specifically enforcing technology and human resources, which will bring up growing business and create new business, leading to materialize high profitability.
- (b) The Company, setting forth three companies engaging in "Housing", "Urban Infrastructure & Environmental Products" and "High Performance Plastics" as pillars and having each of the companies develop their characteristic aspects, places emphasis on the five Emerging Frontiers which will globally grow in the future and bring high profits.

2) Innovations in the Three Areas

Marketplace Innovations	<ul style="list-style-type: none"> • Target the five emerging frontiers where we can achieve higher growth and higher profitability from a global perspective. • Prioritize activities and resources into growth fields by completing reengineering of less profitable businesses.
Manufacturing Development Innovations	<ul style="list-style-type: none"> • Radically review our manufacturing development processes and we will complement the superb quality of our products with the ultimate in cost-efficiency. • Strengthen the prominence of our businesses by sustaining a competitive advantages in manufacturing development.
Human Resources Innovations	<ul style="list-style-type: none"> • Cultivate and expand human resources who can spearhead the development of emerging frontiers. Private tuition be created and positively cultivate entrepreneurs who can open up the future.

3) Five Emerging Frontiers and targets for growth

Pursuit of SEKISUI HEIM value	The Company will comply with increased needs for better environmental friendliness and living comfort from higher performance and differentiation through pursuit of industrialized houses.
Water Environment Solutions	The Company will comply with needs for massive water infrastructure improvement and replacement through evolution of pipe systems, abilities for global operations.
AT-IT-MD High Performance Materials	The Company will comply with increased demand for high-performance materials in three growth fields (Automobile, IT, and Medical) through market-responsive marketing and product development capabilities, abilities for global operations.
IT 800	The Company will supply advanced materials for the growing and evolving FPD/semiconductor sector through collaboration with customers, abilities for global operations with one-of-a-kind technologies.
GLOBAL 1500	The Company will target for globally expanding markets, including rapidly growing “Asian and BRICs” markets through strengthening of management abilities for global operations and cultivation of human resources .

4) Financial Policy

The Company will manage on the basis of cash flows. Operating cash flow amounting to Yen 240 billion acquired during the period from fiscal year commencing April 2006 to fiscal year commencing April 2008 will be expended for (a) investment in the amount of Yen 160 billion, including a strategic investment in Emerging Frontiers in the amount of Yen 100 billion; (b) strengthened return to shareholders (30% of consolidated dividend payout ratio); (c) investment for the enforcement of financial structure, so that the Company will aim to double the corporate value.

(2) Measures to strengthen corporate governance

The business environment surrounding the Company came recently to a substantial turning point in that the business has rapidly been globalized and the housing starts decreased in Japan. With respect to swift response to new business opportunities, establishment of a system to survive competitions and preparation for increased risks, an essential measure is inevitably required to be established. Under such circumstances, the Company will represent the management idea and corporate action guidelines of Sekisui Chemical Group and make it an important managerial theme to strengthen corporate governance for the purpose of contemplating to enhance continuously the corporate value. The Company will define supervising function and business executing function so that the Company will make best efforts to enhance the transparency and fairness of management and aim at making quick decision.

With a view to making clear management responsibility to shareholders, the term of office of Directors was shortened to one year from two years at the 85th Ordinary General Meeting of Shareholders held on June 28, 2007. On April 1, 2008, in order for each company of the Group to cope with changes in business environments, an executive officers system was introduced, under which officers devoting to business execution were elected. In addition, for the purpose of continuously enhancing the corporate value of the Company Group and securing the transparency and fairness of management and strengthening

supervising function of the Board of Directors, it is scheduled that Mr. Shigemi Tamura, chairman of the Board of The Tokyo Electric Power Company and Mr. Tohru Tsuji, Director and senior corporate advisor of Marubeni Corporation are elected as outside Directors as stated in Third Item of Business “Matter related to election of nine (9) Directors”. The number of Directors will reduce to nine (9) from current twenty-one (21) so that the role of the Board of Directors will be made clear in that it is an organ to determine the fundamental policy of Sekisui Chemical Group and a high degree of management issues, and supervise business execution.

3. Details of this Plan

(1) Purpose of Introducing this Plan

This Plan is introduced to enable shareholders to secure necessary and sufficient time and information required for shareholders to make an appropriate judgment, securing an opportunity to discuss and negotiate with the persons conducting the large purchase action (hereinafter referred to as “Large Purchaser”) for the purpose of securing and enhancing the corporate value and in turn common interest of shareholders in the event that a large purchase action of shares and the like of the Company or any other equivalent action or any proposal therefor (hereinafter referred to as collectively “Purchase”) is conducted. This Plan prevents any inappropriate person(s) in the light of the basic policy stated in paragraph 1 above from having control in determining the Company’s policy toward its finance and business although, at present moment, no third party has submitted to the Company any specific proposal for a large purchase action of shares and the like of the Company.

The status of large shareholders of the Company as at March 31, 2008 is stated in Attachment 1.

(2) Procedure for this Plan

1) Large Purchase Action subject to this Plan

“Large Purchase Action” subject to this Plan is action falling under item (a) or (b) below (other than those actions approved by the Board of Directors of the Company):

- (a) Any holding of shares¹ and the like of the Company, as a result of which a holding ratio² of the holder³ is 20% or more.
- (b) With respect to shares and the like⁴ of the Company, a tender offer bid⁵ as a result of which the ratio of holding shares and the like⁶ together with the holding ratio by specially related persons⁷ is 20% or more.

¹ This is defined in Article 27-23, paragraph 1 of the Financial Instruments and Exchange Law. Unless otherwise defined below, the same will apply.

² This is defined in Article 27-23, paragraph 4.

³ This means the holder as defined in Article 27-23, paragraph 3.

⁴ This is defined in Article 27-2, paragraph 1.

⁵ This is defined in Article 27-2, paragraph 6.

⁶ This is defined in Article 27-2, paragraph 8.

⁷ This means the specially related person(s) defined in Article 27-2, paragraph 7; provided, however, that the person stated in the same paragraph, item 1 is excluded from the person stated in Article 3, paragraph 2 of the Cabinet Order relating to disclosure of tender offer bid of shares and the like by person other than the issuing company. The same will be applicable below.

2) Establishment of Independent Committee

In connection with triggering or not triggering the measure authorized to the Board of Directors of the Company under the laws and ordinances or the Articles of Incorporation of the Company, including *gratis* allotment of stock acquisition rights, for the purpose of eliminating any arbitrary judgment from the Board of Directors of the Company and securing objectiveness and reasonableness, an independent committee is established independent from the Board of Directors of the Company pursuant to the regulations of the independent committee provided for by the Board of Directors. The summary of the independent committee is set forth in Attachment 4. The independent committee consists of three or more members, who are elected from outside Director, outside Corporate Auditor or outside well-informed person (lawyer, certified public accountant, person of learning and experience, person well knowing investment banking, well performed corporate management person, or the like) by the Board of Directors. The names and carriers of the members of the independent committee initially, are stated on Attachment 5.

3) Request for submission of Purchase Statement and Large Purchase Information against Large Purchaser

Prior to conducting a large purchase action, Large Purchaser shall submit to the Board of Directors a document in the form designated by the Company stating the name, address, the law under which it was incorporated, the name of representative, the address in Japan to contact, the summary of the large purchase action and a letter of commitment to comply with the procedure provided for by this Plan in Japanese (hereinafter referred to as “Purchase Statement”) in connection with commencing the large purchase action.

Thereafter, Large Purchaser shall submit to the Board of Directors of the Company information necessary and sufficient in writing in Japanese (hereinafter referred to as “Large Purchase Information”) for shareholders to make judgment and for the independent committee and the Board of Directors to form opinions. Since the details of the large purchase action deviate according to the attributes of Large Purchaser and the details of the large purchase action, the Board of Directors of the Company will make and present to Large Purchaser a list of Large Purchase Information not later than 10 business days following the receipt of Purchase Statement.

Although the details of the large purchase action deviate according to the attributes of Large Purchaser and the purpose and details of the large purchase action, a part of the general items are as follows:

- (a) Details of Large Purchaser and its group (joint holder (defined in the Financial Instruments and Exchange Law, Article 27-23, paragraph 5, including that deemed as joint holder under the same Article, paragraph 6), specially related person and fund (in the case of funds, including each member and other constituents), including specified names, details of business, carrier and history, governance system, measures for CSR, capital structure, details of finance, and the like).
- (b) Purpose of Purchase, the manner and details (including, kind and amount of consideration for Purchase, timing of Purchase, structure of the related transactions, legality of the manner in which Purchase is conducted, probability of Purchase to be conducted, and the like).
- (c) Basis on which consideration for Purchase is calculated (including the conditions or assumption on which it is calculated, method of calculation, numerical information used for the calculation and details of synergy expected to accrue from a series of transactions relating to Purchase and the basis on which the calculation is rendered and the like).
- (d) How to finance the funds for Purchase (specified name of fund provider (including any

- substantial provider), method of finance and details of the related transactions).
- (e) Management policy, business plan, capital policy and dividend policy of the Company following Purchase and policy for treatment of employees of the Company, business partners including customers and interested parties to the Company including creditors and the like.
 - (f) Whether or not communicates with any third party in connection with Purchase and in case of communication made with any third party, details thereof.
 - (g) In the event that any conflict of interest exists between Purchaser and any other shareholders, any specified measure to avoid the conflict of interest with other shareholders of the Company.
 - (h) Any matter related to compliance with the Act Concerning Prohibition of Privately Monopolization and Maintenance of Fair Trade and other laws and ordinances.
 - (i) Any other information the Board of Directors of the Company or the independent committee reasonably determines to be necessary.

In the event that the Board of Directors of the Company reasonably determined that Large Purchase Information provided to the Company is insufficient, it will demand Large Purchaser to provide additional information until Large Purchase Information has been fully provided during a specified period. In this event, Large Purchaser shall be required to submit additionally required Large Purchase Information in writing by the end of the period specified.

In the event that the Board of Directors of the Company received the aforesaid information from Large Purchaser, it shall immediately deliver such information to the independent committee.

The Board of Directors of the Company will disclose to shareholders information relating to Purchase Statement and Large Purchase Information Large Purchaser provided to the extent deemed necessary by the Company for shareholders to make judgment at the time deemed appropriate by the Board of Directors of the Company.

4) Independent Committee's Demand for Provision of Information to the Board of Directors of the Company

In the event that Large Purchaser has provided Purchase Statement and Large Purchase Information, the independent committee may demand the Board of Directors of the Company to provide an opinion relating to the details of Large Purchase Action and the supporting materials, alternative plan, other information and materials and the like the independent committee deems necessary during a period the independent committee reasonably deems necessary to prepare and deliver (not later than 30 days following the time when the Board of Directors of the Company received a proposal in writing relating to Large Purchase Action specifying such details as the Board of Directors of the Company or the independent committee deems to cover all of Large Purchase Information (hereinafter referred to as "Purchase Proposal").

5) Examination and Evaluation and the like by the independent committee

In the event that the Board of Directors of the Company received Purchase Statement and Purchase Proposal, regardless of whether or not it received demand for submission of information from the independent committee, it shall immediately deliver Purchase Proposal to the independent committee. After delivering, when the Board of Directors of the Company deems relevant, it immediately disclose to shareholders the fact of such delivery, the summary of Purchase Proposal, the commencement day and proposed closing day of the independent committee's evaluation period as stated below and such other items as the Board of Directors deems appropriate.

In principle not later than 60 days (in the case of a tender offer bid the consideration of which is cash in Japanese yen only) or 90 days (in the case of a tender offer bid other than stated above) (hereinafter referred to as "the independent committee evaluation period") after the time when the independent committee received information and materials and the like from Large Purchaser and (if it demanded for the submission of information as stated in paragraph (4) above), the independent committee will make judgment on recommendation to the Board of Directors of the Company of whether or not the defense measure should be triggered. In order for the independent committee to make judgment so as to secure to facilitate the corporate value of the Company and in turn common interest of shareholders, the independent committee may obtain at the cost of the Company advices from independent third parties (including financial advisers, certified public accountant, lawyer, consultant and any other professional).

From the viewpoint of securing and enhancing the corporate value and in turn common interest of shareholders, the independent committee will directly or through the Board of Directors discuss and negotiate with Large Purchaser if any necessity arises to have the details of Large Purchase Action improved.

6) Recommendation of the independent committee

After the elapse of the independent committee evaluation period, the independent committee will immediately make judgment on whether or not the defense measure be triggered in accordance with the following standards and make the recommendation thereon to the Board of Directors of the Company. Large Purchaser shall not commence Large Purchase Action before the Board of Directors of the Company resolved not to trigger the defense measure upon receipt of recommendation from the independent committee.

In either of the following cases, the independent committee will disclose to shareholders the details of the recommendation and other matters judged by the independent committee immediately after the judgment.

(a) In the event that the independent committee recommends to trigger the defense measure.

Upon reviewing Purchase Proposal, the independent committee made judgment that Purchase Proposal fell under either of the requirements allowing the defense measure to be triggered stated in paragraph (3) below, it will make recommendation the Board of Directors of the Company to trigger the defense measure regardless of whether the independent committee evaluation period commenced or ended.

(b) In the event that the independent committee recommends not to trigger the defense measure.

Upon reviewing Purchase Proposal, the independent committee made judgment that Purchase Proposal did not fall under any of the requirements allowing the defense measure to be triggered stated in paragraph (3) below or it did fall under either of the requirements but it is not appropriate to trigger the defense measure, or in the event that the Board of Directors of the Company did not provide opinion and information and materials as stated in paragraph 4) above the independent committee had demanded the Board of Directors of the Company to provide within the period specified, it will make recommendation to the Board of Directors of the Company not to trigger the defense measure regardless of whether the independent committee evaluation period commenced or ended.

(c) Recommendation of Cessation and the like of Defense Measure Triggered

After the independent committee recommended to trigger the defense measure, in the event that Large Purchaser withdrew Large Purchase Action or Large Purchase Action was not contemplated, or in the event that the independent committee recognized changes in the factual conditions on which the judgment had been made, or the subject fact to be untrue, and as a result, the independent committee changed to judgment that neither of the requirements to allow the defense measure to be triggered as stated in paragraph (3) below was met, the independent committee will newly make recommendation to the Board of Directors of the Company to cease to trigger the defense measure.

In the event that stock acquisition rights are gratis allotted to shareholder as triggering the defense measure, after shareholders allotted with stock acquisition rights are fixed, Large Purchaser withdrew or changed Large Purchase Action, as a result, if the Board of Directors of the Company deemed it inappropriate to trigger the defense measure, it may cease to trigger the defense measure as follows:

- (a) If it is before the effective date of gratis allotment of stock acquisition rights, the Board of Directors of the Company will cease gratis allotment of stock acquisition rights.
- (b) If it is after the effective date of gratis allotment of stock acquisition rights but before the commencement date of the exercise period, the Board of Directors of the Company will acquire free of charge stock acquisition rights.

7) Resolution of the Board of Directors of the Company

The Board of Directors of the Company will immediately make resolution on whether or not finally to trigger the defense measure upon respecting the aforesaid recommendation of the independent committee to the full extent. In the event that the Board of Directors of the Company made resolution, it will immediately disclose details of the resolution and other items the Board of Directors of the Company

deems necessary.

(3) Requirement for Triggering Defense Measure

1) In the event that procedure provided for in this Plan is complied with.

In the event that the procedure provided for in this Plan is complied with, the defense measure will in principle not be triggered. However, even if the procedure is complied with, in the event that the details of Purchase Proposal by Large Purchaser fall under either of the requirements below and it is reasonable to trigger the defense measure, upon resolution stated in paragraph (2) 7), gratis allotment of stock acquisition rights as stated in paragraph (4) below or any other measure will be taken by Director of the Company so authorized under the laws and ordinances or the Articles of Incorporation of the Company.

- (a) Purchase which would obviously prejudice the corporate value and in turn common interest of shareholders of the Company in the light of the purpose of takeover and management policy and the like following the takeover (for example, actions stated below).
 - A. Action to demand the Company to purchase shares and the like of the Company at high price after buying up shares and the like of the Company.
 - B. Action to manage the Company for the benefits of Purchaser at the cost of the Company such as acquiring important assets and the like of the Company by virtue of temporarily controlling the management of the Company.
 - C. Action to make use of assets of the Company Group for the security of Large Purchaser's and its group's liabilities or the source of fund for repayment of their debts.
 - D. Action to cause the Company to dispose of expensive assets and the like not directly related to the business of the Company Group by virtue of temporary control of management of the Company and pay temporarily high dividend with such proceeds or sell out shares at ceiling price at a targeted opportunity at which share price suddenly sharply arises due to temporary high return.
- (b) Purchase which will *de fac-to* force shareholders to sell shares such as coercive Purchase consisting of two stages (i.e., at the first stage the entire Company's shares are not solicited for Purchase, but at the second stage, Purchase will be consummated at less favorable or unspecified conditions to shareholders, including a tender offer bid).
- (c) Purchase in which the Company has not been provided reasonably enough time to present an alternative plan for the Purchase.
- (d) Purchase in which shareholders of the Company have not been provided reasonably enough information to make judgment on Large Purchase Information and other details of Purchase;
- (e) Purchase of which the terms and conditions (including, but not limited to, amount and kind of consideration, timing of Purchase, legality of the method of Purchase, probability of consummation of Purchase) are insufficient and inappropriate in the light of the essential value of the Company; and
- (f) Purchase which may prejudice the confidence between the Company and employees, business

partners including customers, interested parties including creditors of the Company Group, which are inevitable for continuously enhancing long-term shareholder value of the Company, so that the corporate value and in turn common interest of shareholders of the Company might substantially be prejudiced.

2) In the event that procedure provided for in this Plan is not complied with.

In the event that Large Purchaser has not provided Large Purchase Information or even if Large Purchaser has provided Large Purchase Information (including a case in which information has been provided upon additional demand for submission of information by the Board of Directors of the Company), the independent committee deemed it reasonably insufficient or Large Purchaser otherwise violated the procedure provided for in this Plan, the Company will trigger the defense measure upon resolution of the Board of Directors of the Company as stated in paragraph (2) 7) above.

(4) Details of Defense Measure (gratis allotment of stock acquisition rights and the like)

In the event that the Board of Directors of the Company received recommendation on whether or not to trigger the defense measure, the Company may make gratis allotment of stock acquisition rights or any other measure which is authorized to be taken by Director of the Company under the laws and ordinances or the Articles of Incorporation of the Company upon resolution of the Board of Directors of the Company upon respecting the recommendation to the full extent. In the event that stock acquisition rights are gratis allotted upon actually triggering the defense measure, the summary of stock acquisition rights is stated in Attachment 3.

In the event that stock acquisition rights are gratis allotted, the exercise period, exercising conditions and terms of acquisition may be set forth taking into consideration expected effect as triggering the defense measure.

(5) Effective Period, Abolishment and Amendment of this Plan

The effective period of this Plan will terminate at the close of the 89th Annual General Meeting of Shareholders scheduled to be held in June 2011. However, in the event that resolution abolishing this Plan is adopted at the General Meeting of Shareholders of the Company or at the Board of Directors of the Company in accordance with recommendation of the independent committee prior to the end of such effective period, this Plan will be abolished pursuant to such resolution at the time the resolution is adopted. Accordingly, it is possible to abolish this Plan in accordance with shareholders' intention. Furthermore, the Board of Directors of the Company may review or amend this Plan in accordance with recommendation of the independent committee or may take any other measure to prevent any inappropriate person(s) from controlling in determining the Company's policy toward its finance and business. The Board of Directors of the Company will immediately disclose the abolishment in case of abolishment of this Plan and details of changes and other items in case of changes of this Plan.

* The procedure of this Plan is stated in the flowchart in Attachment 2.

4. Reasonableness of this Plan

Since the Company incorporated the following points into this Plan upon consideration, the Company believes that this Plan conforms to the corporate value and in turn common interest of

shareholders of the Company along with the basic policy stated in paragraph 1 above and does not intend to have the Company's officers to maintain their positions.

(1) Reflection of the shareholders intent

This Plan will become effective upon approval of shareholders at this General Meeting of Shareholders. As stated in paragraph 3 (5) above, even before the termination of the effective period, in the event that this Plan is abolished by resolution at the General Meeting of Shareholders of the Company, this Plan will be abolished pursuant to such resolution at such time. Accordingly, the intent of shareholders will fully be upheld.

(2) Placing emphasis on judgment of independent outside persons

In connection with the introduction of this Plan, for the purpose of excluding arbitrary judgment by the Board of Directors of the Company and enabling substantial judgment duly to be made on behalf of shareholders on implementing this Plan, the independent committee is established. The independent committee is composed of outside Director, outside Corporate Auditor and outside well informed person. The summary of judgment rendered by the independent committee will be disclosed to shareholders so that this Plan will be operated with transparency.

(3) Reasonable and objective requirements being set forth

As stated in paragraph 3 (3) above, this Plan is designed so as not to allow defense measure to be triggered unless the reasonable and specified objective requirements have been satisfied with. In addition, these requirements coincide with the basic policy in which inappropriate person(s) who should not have control in determining the Company's policy toward its finance and business are referred to. Accordingly, it is ensured that any Director of the Company is prevented from arbitrarily triggering the defense measure.

(4) Defense Measure not falling under dead-hand type or slow-hand type take-over defense policy

As stated in paragraph 3 (5) above, since the Board of Directors composed of Directors elected at the General Meeting of Shareholders of the Company may abolish at any time the defense measure, so that Large Purchaser may appoint Directors at the General Meeting of Shareholders of the Company and, then this Plan may be abolished through resolution of the Board of Directors of the Company constituted by such Directors. Accordingly, it is not a dead-hand type take-over defense policy (a defense measure which cannot be prevented from triggering even if the majority of members of the Board are changed). Since the term of Directors of the Company is one year, it is not a slow-hand type take-over defense policy (a defense measure which takes a prolonged time to prevent triggering because all Directors cannot be changed at once).

5. Influence affecting Shareholders

(1) Influence affecting Shareholders and Investors when this Plan is Introduced

When this Plan is introduced, the *gratis* allotment of stock acquisition rights has not been made. Accordingly, the rights and economic value of the shareholders and investors are not directly affected in any respect.

(2) Influence affecting shareholders if Gratis Allotment of Stock Acquisition Rights is Made

In the event that the Board of Directors of the Company adopts resolution to make any gratis allotment of stock acquisition rights, stock acquisition rights will be allotted gratis to shareholders in the rate of one stock acquisition right per share of common stock of the Company held. In the event that shareholders acquire stock acquisition rights on the date designated by the Company and the Company delivers shares of the Company to shareholders in exchange for stock acquisition rights, shareholders will receive shares of the Company without payment of any cash equivalent to the exercise price, which are consideration for the acquisition of stock acquisition rights by the Company. Accordingly, no dilution of shares held by shareholders occurs.

The Company will disclose information necessary for shareholders in the procedure of triggering this Plan, but in the event that resolution for gratis allotment of stock acquisition rights was adopted and after stock acquisition rights had been gratis allotted, Large Purchaser withdrew Large Purchase Action and the like or other relevant reasons occurred, the Company may acquire free of charge stock acquisition rights without delivering shares to holders of stock acquisition rights prior to the date preceding the commencement date of the exercise period. In such case, the economic value per share of the Company is not diluted, but investors who consummated to sell shares of the Company on the assumption that the economic value per share of the Company would be diluted, would incur losses and damages arising from fluctuation of the stock price.

(3) Procedure requiring shareholders to follow in connection with gratis allotment of stock acquisition rights

1) Transfer registration procedure

In the event that the Board of Directors of the Company resolves upon gratis allotment of stock acquisition rights, the Company will make public notice of the date to fix shareholders who are entitled to the allotment of stock acquisition rights. Since gratis allotment of stock acquisition rights will be made to shareholders who have entered into or recorded in the shareholders' register or beneficial shareholders' register, shareholders are required to complete immediately the share transfer registration procedure. (No share transfer registration procedure is required for shares which have been deposited with the Japan Securities Depository Center.)

2) Allotment procedure for stock acquisition rights

Since shareholders who have entered into or recorded in the shareholders' register or the beneficial shareholders' register become holders of stock acquisition rights as a matter of course on the effective date of the gratis allotment of stock acquisition rights, no procedure for application therefore is required to follow.

3) Procedure to acquire stock acquisition rights by the Company

The Company may acquire stock acquisition rights in exchange for delivery of shares of the Company on the date designated by the Company upon notice or public notice to holders of stock acquisition rights based on resolution of the Board of Directors of the Company. In such case, shareholders will receive in principle one share per stock acquisition right without paying cash equivalent to the exercise price (in this case, certain specified shareholders may be required to submit document in the form

specified by the Company undertaking that the shareholders do not fall under the specified large holders of shares.) In addition, the Company will make disclosure or notice in details with respect to a method of allotment, manner of transfer of registration and a method of acquisition of stock acquisition rights by the Company after gratis allotment of stock acquisition rights is adopted. Accordingly, shareholders are requested to confirm the details of the disclosure or notice.

End

Major Shareholders of the Company

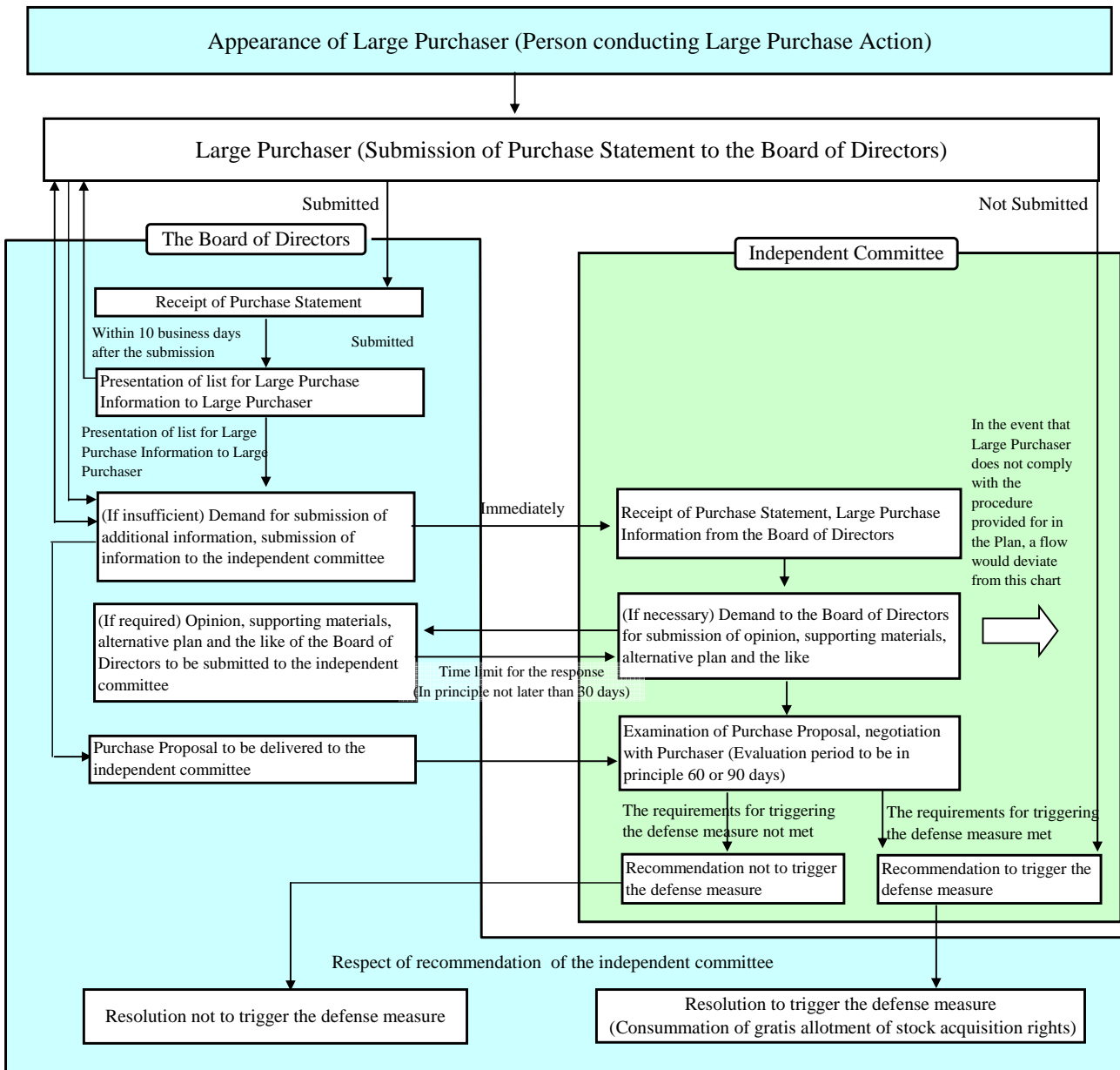
The status of major shareholders of the Company as at March 31, 2008 are as follows:

1. Total number of shares issued: 539,507,285 shares
(including 13,722,164 treasury stock)
2. Major shareholders:

Name of shareholders	Number of Shares Held (thousands)	Percentage of Ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	31,122	5.7
Asahi Kasei Corporation	31,039	5.7
The Dai-ichi Mutual Life Insurance Company	26,181	4.8
Sekisui House, Ltd.	25,592	4.7
Japan Trustee Services Bank, Ltd. (Trust Account)	21,911	4.0
Tokio Marine & Nichido Fire Insurance Co., Ltd.	15,927	2.9
The Chase Manhattan Bank NA London SL Omnibus A/C	15,212	2.8
State Street Bank and Trust Company	12,715	2.3
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	9,255	1.7
Employees Stock Ownership Plan	7,721	1.4
Total	196,679	36.4

- Notes:
1. Number of shares are indicated disregarding any amount less than thousand.
 2. The percentage of ownership represents a percentage of the number of shares owned to the total number of shares issued.
 3. The number of treasury stock is 13,722 thousand, representing 2.5% as against the total number of shares issued.

Flowchart of Procedure relating to Large Purchase Action of shares and the like of the Company



Summary of Stock Acquisition Rights

1. Determination of the matters related to gratis allotment of stock acquisition rights

(1) Details and number of stock acquisition rights

The details of stock acquisition rights shall be based on the statement in paragraph 2. below and the number of stock acquisition rights shall be the same as the total number of shares issued of the Company (excluding treasury stock) at the end of a certain date determined by the Board of Directors of the Company (hereinafter referred to as the “allotment date”).

(2) Shareholders to whom allotment is made

Stock acquisition rights will be allotted to shareholders who have entered into or been recorded in the register of shareholders or the register of beneficial shareholders of the Company at the rate of one stock acquisition right per share of the Company; provided, however, that no stock acquisition rights will be allotted to treasury stock.

(3) Effective date of gratis allotment of stock acquisition rights

The date will be separately determined by the Board of Directors of the Company.

2. Details of stock acquisition rights

(1) Number of shares to be issued upon the exercise of stock acquisition rights

The number of shares issued upon exercise of a stock acquisition right will be one (1) share of common stock of the Company (hereinafter referred to as the “Specified Number of Shares”); provided, however, that if the Company makes any stock split or stock consolidation, the necessary adjustments shall be made.

(2) Amount of assets to be contributed upon exercise of stock acquisition rights

An amount of assets to be contributed upon exercise of stock acquisition right will an amount not less than Yen one (1) to be determined by the Board of Directors of the Company.

(3) Exercise period of stock acquisition rights

The exercise period will commence the effective date of the gratis allotment of stock acquisition rights or a date separately determined by the Board of Directors of the Company and end such date after one (1) month to three (3) months as separately determined by the Board of Directors of the Company; provided, however, that if acquired by the Company pursuant to paragraph (6) below, the exercise period will end the business date before the date on which stock acquisition rights are acquired.

(4) Conditions on exercise of stock acquisition rights

Conditions on exercise of stock acquisition rights may be provided for. Such conditions include, but not limited to, a condition that shareholders belonging to the specified shareholders group including Large Purchaser are prohibited to exercise stock acquisition rights. Details shall be separately determined by the Board of Directors of the Company.

(5) Restriction on transfer of stock acquisition rights

Acquisition by transfer of stock acquisition rights shall be subject to approval of the Board of Directors of the Company.

(6) Acquisition of Stock Acquisition Rights by the Company

Conditions on acquisition of stock acquisition rights by the Company may be provided for. Such conditions include, but not limited to, a condition that the Company may deliver the Specified Number of Shares in exchange for one (1) stock acquisition right held by person other than shareholders belonging to the specified shareholders group including Large Purchaser. Details shall be separately determined by the Board of Directors of the Company.

(7) Other

Any other necessary matters will be separately determined by the Board of Directors of the Company.

Summary of Regulations for Independent Committee

1. Purpose and the like of establishing a committee

In the event that the Board of Directors of the Company makes judgment on whether the defense measure (i.e., this Plan) to be triggered or not to be triggered against Large Purchase Action of shares and the like of the Company, for the purpose of asking an opinion of an organization independent from the Board of Directors of the Company, the independent committee shall be established by resolution of the Board of Directors of the Company after this Plan is approved at the General Meeting of Shareholders of the Company.

2. Composition of the independent committee

Members of the independent committee will be elected from outside Director, outside Corporate Auditor and outside well informed person, who satisfy requirements for independence provided for by the Company. The number of members of the independent committee will be three or more.

3. Term of office of members

The term of office of members of the independent committee shall terminate at the close of a meeting of the Board of Directors of the Company held immediately after the Ordinary General Meeting of Shareholders held with respect to the fiscal year ended within one year after the appointment of the member, but freely reappointed. In the event that the term of office of members terminates but no resolution with respect thereto is adopted by the Board of Directors, the members will be deemed reelected by the Board of Directors.

4. Authority and responsibility of the independent committee

- (1) The independent committee may demand, from time to time, the Board of Directors of the Company to submit an opinion on details of Large Purchase Action and the supporting materials, an alternative plan and such other information as the independent committee deems necessary.
- (2) The independent committee will make determination on the following items and recommend the Board of Directors of the Company with respect to the matters so determined together with the reasons. The Board of Directors of the Company respects the recommendation of the independent committee and will make final decision in accordance with the recommendation. Members of the independent committee and Directors of the Company are required to make decision from the viewpoint of whether or not to facilitate the corporate value and in turn common interest of shareholders of the Company, but not for the purpose that they or any third parties including management of the Company would solely get personal benefits.
 - (a) Consummation or no consummation of gratis allotment of stock acquisition rights;
 - (b) Cessation of gratis allotment of stock acquisition rights;
 - (c) Abolishment or change of this Plan;
 - (d) Introduction of any other measure than this Plan to prevent inappropriate person who should not have control in determining the policy toward the Company's finance and

business in the light of the basic policy:

- (e) Such other matters as the Board of Directors of the Company asks the independent committee to make advices.

(3) In addition to above, the independent committee will conduct following items.

- (a) Determination on whether or not Large Purchase Action falls under this Plan;
- (b) Determination of information to be delivered to the independent committee by Large Purchaser and the Board of Directors of the Company;
- (c) Scrutiny and Examination of Large Purchase Action by Large Purchaser;
- (d) Discussion and negotiation with Large Purchaser;
- (e) Instruction to the Board of Directors of the Company to examine and present an alternative plan for enhancing the corporate value of the Company;
- (f) In addition, such matters as the independent committee may conduct under this Plan;
- (g) In addition, such matters as the Board of Directors of the Company determined to enable the independent committee to conduct.

(4) The independent committee may obtain at the Company's costs advices from independent third parties (including financial advisor, certified public accountant, lawyer, consultant and other professionals).

5. Convocation and resolution of the independent committee

(1) Any member of the independent committee may convene the independent committee in the case of Large Purchase Action is conducted or at any time.

(2) A meeting of the independent committee will be held with the attendance of all members and resolution of the independent committee will be adopted by a majority of the members; provided, however, that in an inevitable case, a majority of the members will attend the meeting and resolution will be adopted by a majority of the attendants.

Members of Independent Committee

The following three (3) persons are the members of the Independent Committee initially at the time of introduction.

(Name) Mr. Shigemi Tamura

(Brief profile)

Born in July 20, 1938

Apr. 1961	Joined The Tokyo Electric Power Company, Incorporated
Jun. 1995	Director of The Tokyo Electric Power Company, Incorporated
Jun. 1999	Executive Vice President of The Tokyo Electric Power Company, Incorporated
Oct. 2002	Chairman of The Tokyo Electric Power Company, Incorporated (present post)
Jun. 2008	To be outside Director of the Company

(Name) Mr. Tohru Tsuji

(Brief profile)

Born in February 10, 1939

Apr. 1961	Joined Marubeni-Iida Co., LTD. (Currently Marubeni Corporation)
Jun. 1991	Director of Marubeni Corporation
Apr. 1996	Managing Director of Marubeni Corporation
Jun. 1997	Senior Managing Director of Marubeni Corporation
Apr. 1999	President and CEO, Director of Marubeni Corporation
Apr. 2003	Chairman and CEO, Member of the Board Marubeni Corporation
Apr. 2004	Chairman, Member of the Board Marubeni Corporation
Apr. 2008	Senior Corporate Advisor, Member of the Board Marubeni Corporation (present post)
Jun. 2008	To be outside Director of the Company

(Name) Mr. Tadashi Kunihiro

(Brief profile)

Born in November 29, 1955

Apr. 1986	Registered as a lawyer
Jan. 1994	Opened T. Kunihiro & Co.,
Jun. 2006	Outside Corporate Auditor of the Company