

[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 4, 2009

To Our Shareholders:

### **NOTICE OF CONVOCATION OF THE 87TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

You are cordially invited to attend the 87th 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 25, 2009 (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: **NAOFUMI NEGISHI**  
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 26, 2009 (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 87th Business Term (from April 1, 2008 to March 31, 2009).
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:**

- |                                 |   |
|---------------------------------|---|
| <b>First Item of Business:</b>  | <b>Appropriation of Retained Earnings</b>                           |
| <b>Second Item of Business:</b> | <b>Partial Amendments to the Articles of Incorporation</b>          |
| <b>Third Item of Business:</b>  | <b>Appointment of Nine (9) Directors</b>                            |
| <b>Fourth Item of Business:</b> | <b>Appointment of One (1) Corporate Auditor</b>                     |
| <b>Fifth Item of Business:</b>  | <b>Issuance of Stock Acquisition Rights under Stock Option Plan</b> |

- 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.

Based on this dividend policy, the Company examined carefully with respect to the dividend for the year. Considering the balance between strengthening management and continuing a long-term stable dividend policy, the Company, with regret to shareholders, proposes that the year-end dividend for the business term under review be ¥3, a ¥5 deduction per share from that at the end of previous financial year.

1. Matters concerning the year-end dividend for the business term:

(1) Type of dividend assets:

Cash

(2) Matters concerning distribution of dividend assets and the aggregate amount:

¥3 per share of common stock of the Company

Aggregate amount of dividends: ¥1,577,163,855

The annual dividend for the business term under review is ¥10 per share, together with the interim dividend of ¥7 per share that was paid in December 2008.

(3) The date when dividends of retained earnings take effect:

June 29, 2009

**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) By virtue of the enforcement of the "Law for Partial Amendments to the Law Concerning Book-Entry Transfer of Corporate Bonds and Other Securities for the Purpose of Streamlining the Settlement for Trade of Stocks and Other Securities" (Law No.88, 2004) (hereinafter referred to as the "Settlement Streamlining Law") on January 5, 2009, it has been deemed that the provisions to issue share certificates of the Company's Articles of Incorporation was abolished on the effective date of the Settlement Streamlining Law. Accordingly, the Company will make formal changes in the provisions and words which are no longer necessary for the Articles of Incorporation of the Company (Article 7,

Article 9, Article 10 and Article 12 of the current Articles of Incorporation). In addition, in line with the aforesaid deletion of Article 7 of the current Articles of Incorporation, the Company will renumber Articles.

(2) The register of lost share certificates has to be prepared and maintained until the day on which one year has elapsed from the day following the effective date of the “Settlement Streamlining Law”, so that the Company will establish necessary provisions as supplementary provisions.

2. Contents of proposed amendments

The details of the amendments are described below:

(Parts proposed to be amended are underlined.)

Current Provisions	After Amendments
<p><u>Article 7 (Issue of Share Certificates)</u>  <u>The Company shall issue share certificates for its shares.</u></p>	<p>(To be deleted)</p>
<p>Article <u>8</u> (Provisions omitted)</p>	<p>Article <u>7</u> (Same as the current provisions)</p>
<p>Article <u>9</u> (Number of Shares Constituting One Unit and Non-issuance of Share Certificates for Shares Constituting Less Than One Unit)            Number of shares of the Company constituting one unit shall be 1,000 shares.  <u>2 Notwithstanding Article 7, the Company shall not issue share certificates for shares constituting less than one unit. However if otherwise provided by the Share Handling Regulations, such share certificates may be issued.</u></p>	<p>Article <u>8</u> (Number of Shares Constituting One Unit)            Number of shares of the Company constituting one unit shall be 1,000 shares.            (To be deleted)</p>
<p>Article <u>10</u> (Right of the Holders of Shares Less Than One Unit)            A shareholder of the Company (<u>including a beneficial shareholder, the same shall be applied hereinafter</u>) can not exercise rights other than the following rights in connection with shares constituting less than one unit:            1 Rights set forth in each Item of Article 189, Paragraph 2 of the Corporate Law;            2 Rights to request pursuant to Article 166, Paragraph 1 of the Corporate Law;            3 Right of allotment of offered shares or stock acquisition rights in proportion to the number of shares held by the shareholder; and</p>	<p>Article <u>9</u> (Right of the Holders of Shares Less Than One Unit)            A shareholder of the Company can not exercise rights other than the following rights in connection with shares constituting less than one unit:            1 Rights set forth in each Item of Article 189, Paragraph 2 of the Corporate Law;            2 Rights to request pursuant to Article 166, Paragraph 1 of the Corporate Law;            3 Right of allotment of offered shares or stock acquisition rights in proportion to the number of shares held by the shareholder; and</p>

Current Provisions	After Amendments
4 Rights to request pursuant to the following Article.	4 Rights to request pursuant to the following Article.
Article <u>11</u> (Provisions omitted)	Article <u>10</u> (Same as the current provisions)
<p>Article <u>12</u> (Share Registrar)  The Company shall appoint a share registrar.  2 The appointment of the share registrar and designation of the place of business shall be determined by a resolution of the Board of Directors and public notice thereof shall be made.  3 The preparation and retention of the Register of Shareholders of the Company <u>(including the Register of Beneficial Shareholders, the same shall be applied hereinafter)</u>, the register of stock acquisition rights, the register of lost share certificates, and other affairs relating to the Register of Shareholders, the register of stock acquisition rights <u>and the register of lost share certificates</u> shall be entrusted to the share registrar, but not handled by the Company.</p>	<p>Article <u>11</u> (Share Registrar)  The Company shall appoint a share registrar.  2 The appointment of the share registrar and designation of the place of business shall be determined by a resolution of the Board of Directors and public notice thereof shall be made.  3 The preparation and retention of the Register of Shareholders of the Company <u>and the register of stock acquisition rights, and other affairs relating to the Register of Shareholders and the register of stock acquisition rights</u> shall be entrusted to the share registrar, but not handled by the Company.</p>
Article <u>13</u> – Article <u>27</u> (Provisions omitted)	Article <u>12</u> – Article <u>26</u> (Same as the current provisions)
<p>Article <u>28</u> (Number of Corporate Auditors)  (Same as the current provisions)</p> <p>2 The provision of Paragraph 2, Article <u>20</u> shall be applied <i>mutatis mutandis</i> to the Corporate Auditors.</p>	<p>Article <u>27</u> (Number of Corporate Auditors)  (Same as the current provisions)</p> <p>2 The provision of Paragraph 2, Article <u>19</u> shall be applied <i>mutatis mutandis</i> to the Corporate Auditors.</p>
Article <u>29</u> – Article <u>39</u> (Provisions omitted)	Article <u>28</u> – Article <u>38</u> (Same as the current provisions)
(Newly provided)	<p><u>Supplementary provisions</u>  Article 1. <u>The preparation and retention of the register of lost share certificates of the Company, and other affairs relating to the register of lost share certificates shall be entrusted to the share registrar, but not handled by the Company.</u>  Article 2. <u>The preceding Article and this Article shall be valid until January 5, 2010 and deleted on January 6, 2010.</u></p>

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

The terms of offices of all directors, will expire at the closing of this Annual General Meeting of Shareholders. The Company proposes that nine (9) Directors be appointed.

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 &amp; Control Office and International Business Department</p> <p>Jun. 1997: Executive Managing Director of the Company In Charge of Corporate Planning &amp; Control Office and International Business Department</p> <p>Jan. 1999: Executive Vice President &amp; Director of the Company</p> <p>Jun. 1999: President &amp; Representative Director of the Company</p> <p>Apr. 2008: President &amp; Representative Director of the Company</p> <p>Mar. 2009: Chairman &amp; Representative Director of the Company [incumbent]</p>	217,785 shares
2	Naofumi Negishi (March 19, 1948)	<p>Apr. 1971: Joined the Company</p> <p>Apr. 2003: General Manager of Corporate Finance &amp; Accounting and Planning Department</p> <p>Jun. 2003: Director of the Company General Manager of Corporate Finance &amp; Accounting and Planning Department</p> <p>Apr. 2005: Managing Director of the Company General Manager of Corporate Finance &amp; Accounting and Planning Department</p> <p>Oct. 2007: Managing Director of the Company In charge of Corporate Communication Department General Manager of Corporate Finance &amp; Accounting and Planning Department</p> <p>Apr. 2008: Managing Director of the Company Senior Managing Executive Officer &amp; CFO of the Company In charge of Corporate Communication Department General Manager of Corporate Finance &amp; Accounting and Planning Department</p> <p>Jun. 2008: Director of the Company Senior Managing Executive Officer &amp; CFO of the Company</p>	66,495 shares

No	Name (Date of birth)	Career summary, Position and Duty, and Representation of Other Companies	Number of shares of the Company owned
		<p>In charge of Corporate Communication Department General Manager of Corporate Finance &amp; Accounting and Planning Department</p> <p>Oct. 2008 Vice President &amp; Director of the Company Senior Managing Executive Officer &amp; CFO of the Company</p> <p>In charge of Corporate Communication Department and Corporate Finance &amp; Accounting and Planning Department</p> <p>Mar. 2009 President &amp; Representative Director of the Company [ incumbent ]</p>	
3	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 In charge of IT-Related Business Unit, High Performance Plastics Company</p> <p>Jun. 2004: Managing Director of the Company In charge of 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> <p>Apr. 2008: Executive Managing Director of the Company Senior Managing Executive Officer of the Company President of High Performance Plastics Company</p> <p>Jun. 2008: Director of the Company Senior Managing Executive Officer of the Company President of High Performance Plastics Company [incumbent]</p>	78,799 shares
4	Tetsuji Izu (April 26, 1944)	<p>Apr. 1971: Joined the Company</p> <p>Jun. 1999: Director of the Company General Manager of Human Resources &amp; Labor Relations Department</p> <p>Apr. 2001: Director of the Company In Charge of Nara Business Office, General Manager of Human Resources &amp; Labor Relations Department</p> <p>Apr. 2002: Director of the Company General Manager of Corporate Strategy Department</p> <p>Apr. 2004: Director of the Company General Manager of Corporate Strategy Department, General Affairs &amp; Human Resources Department, In charge of Sekisui's Overall Compliance Issues</p> <p>Jun. 2004: Managing Director of the Company General Manager of Corporate Strategy Department, General Affairs &amp; Human Resources Department, In charge of Sekisui's Overall Compliance Issues</p> <p>Apr. 2005: Managing Director of the Company General Manager of General Affairs &amp; Human Resources Department and Environmental</p>	66,503 shares

No	Name (Date of birth)	Career summary, Position and Duty, and Representation of Other Companies	Number of shares of the Company owned
		<p>Management Department In charge of Sekisui's Overall Compliance, Environmental and CSR issues</p> <p>Jul. 2006: Executive Managing Director of the Company General Manager of General Affairs &amp; Human Resources Department and Environmental Management Department, In charge of Sekisui's Overall Compliance, Environmental and CSR issues</p> <p>Jan. 2007: Executive Managing Director of the Company In charge of Sekisui's Overall CS and Compliance Issues, and Legal Department General Manager of CSR Department</p> <p>Apr. 2008: Executive Managing Director of the Company Senior Managing Executive Officer &amp; COO of the Company In charge of External Affairs Department General Manager of CSR Department</p> <p>Jun. 2008: Director of the Company Senior Managing Executive Officer &amp; COO of the Company In charge of External Affairs Department General Manager of CSR Department</p> <p>Mar. 2009: Director of the Company Senior Managing Executive Officer &amp; COO of the Company In charge of Corporate Communication Department General Manager of CSR Department [incumbent]</p>	
5	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 &amp; Quality Management Department and Corporate Communication Department In charge of Sekisui's Overall CS Issues</p> <p>Jun. 2004: Managing Director of the Company General Manager of CS &amp; Quality Management Department and Corporate Communication Department In charge of 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 In charge of Corporate Communication Department General Manager of Corporate Management Strategy Department</p>	69,161 shares

No	Name (Date of birth)	Career summary, Position and Duty, and Representation of Other Companies	Number of shares of the Company owned
		<p>Oct. 2007: Managing Director of the Company President of Urban Infrastructure &amp; Environmental Products Company</p> <p>Apr. 2008: Managing Director of the Company Senior Managing Executive Officer of the Company President of Urban Infrastructure &amp; Environmental Products Company</p> <p>Jun. 2008: Director of the Company Senior Managing Executive Officer of the Company President of Urban Infrastructure &amp; Environmental Products Company [incumbent]</p>	
6	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&amp;D Technology Center</p> <p>Jun. 2004: Managing Director of the Company Head of R&amp;D Technology Center</p> <p>Apr. 2005: Managing Director of the Company General Manager of CS &amp; Quality Management Department, Head of R&amp;D Technology Center, In charge of Sekisui's Overall CS Issues</p> <p>Jan. 2007: Managing Director &amp; CTO of the Company Head of R&amp;D Center</p> <p>Oct. 2007: Managing Director &amp; CTO of the Company General Manager of Corporate Management Strategy Department, Head of R&amp;D Center</p> <p>Apr. 2008: Managing Director of the Company Senior Managing Executive Officer &amp; CTO of the Company Head of R&amp;D Center</p> <p>Jun. 2008: Director of the Company Senior Managing Executive Officer &amp; CTO of the Company Head of R&amp;D Center</p> <p>Mar. 2009: Director of the Company Senior Managing Executive Officer &amp; CTO of the Company In charge of External Affairs Department, Head of R&amp;D Center</p> <p>Apr. 2009: Director of the Company Senior Managing Executive Officer &amp; CTO of the Company In charge of External Affairs Department, Head of Manufacturing Development Innovation Center [incumbent]</p>	91,320 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</p>	30,629 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. 2006: Head of President's Office of Housing Company Director of the Company General Manager of Planning &amp; Control Department, Housing Company</p> <p>Apr. 2007: Director of the Company General Manager of Housing Division and Planning &amp; 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</p> <p>Apr. 2009: Director of the Company Senior Managing Executive Officer of the Company President of Housing Company [incumbent]</p>	
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.</p> <p>Jun. 2008: Director of the Company [incumbent]</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</p> <p>Jun. 2008: Director of the Company [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 entered into an agreement with Messrs. Shigemi Tamura and Tohru Tsuji limiting their liability to compensate, under Paragraph 1 of Article 423 of the Corporate Law. Furthermore, in the event that this proposition is approved such agreement to limit liability will be extended. 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 One (1) Corporate Auditor

Mr. Noriaki Kano, Corporate Auditor, will resign at the closing of this Annual General Meeting of Shareholders. The Company proposes that one (1) Corporate Auditor be appointed. The Board of Corporate Auditors has given consent to this Item.

The candidate of Corporate Auditor is as follows:

Name (Date of birth)	Career summary, Position and Duty, and Representation of Other Companies	Number of shares of the Company owned
Hiroshi Osada (October 1, 1947)	Apr. 1999: Professor of Faculty of Engineering, University of Yamanashi Apr. 2002: Professor of Graduate School of Engineering, University of Yamanashi Apr. 2005: Professor of Graduate School of Innovation Management, Tokyo Institute of Technology [incumbent]	1,000 shares

- (Notes) 1. The candidate has no interest in the Company.
2. Mr. Hiroshi Osada is a candidate for outside Corporate Auditor.
3. The special matters to be particularly stated with respect to the candidate for outside Corporate Auditor is as follows:
- (1) Reasons for the election of candidate for Corporate Auditor:  
With respect to Mr. Hiroshi Osada, he has experiences and knowledge in quality management and technology management. The Company, therefore, considers that his advices to management execution of the Company from an independent position will contribute to strengthening the corporate auditorium of the Company, and that requests the shareholders to appoint him as an outside Corporate Auditor.  
Despite the fact, he has not participated in management of company in any capacity other than as an external officer, we believe that he will duly execute his duties as a Corporate Auditor due to the above-mentioned reasons.
- (2) Summary of agreement to limit Corporate Auditor's liability:  
In the event that this proposition is approved, the Company will enter into an agreement with Mr. Hiroshi Osada limiting his liability to compensate, under Paragraph 1 of Article 423 of the Corporate Law. The summary of the agreement to limit outside Corporate Auditor's liability is as follows:  
If outside Corporate Auditor cause damages to the Company due to negligence of duties as Corporate Auditor, but he perform his duties in good faith and he is no material faults, outside Corporate Auditor is 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.

**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 600,000 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 600 (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, 2011 to June 30, 2014

(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.