

TRANSLATION ONLY

This translation is for convenience purposes only of the Japanese language original and in the event of any discrepancy, the Japanese language original shall prevail.

The Policy for a Large-Scale Purchase of Citizen Shares

1. Outline of basic policy relating to persons who hold control over the financial and business policies of the Company (the Basic Policy)

The mission of the Citizen Group is to provide the best products and services to all citizens around the world, as its name implies. Under its corporate principle “For the citizen - contribute to the better lives of citizens and remain loved by citizens,” the Company has been making its utmost efforts to protect and enhance the corporate value and the common interest of shareholders, by contributing to the better lives of citizens all over the world through manufacturing of products that are loved and supported by them. The Company believes that persons who control decision-making over its financial and business policies should appropriately and consistently implement the Group’s management strategies with medium-and long-term perspectives, with a good understanding of its corporate principle and unique business profiles, thereby achieving the further creation and enhancement of the corporate value and the common interest of shareholders.

In the meantime, the Company holds a view that if a Large-Scale Purchase of the Company’s shares is offered, the Company will give consideration as long as such Large-Scale Purchase is beneficial to its corporate value and the shareholders’ common interest, and a decision of acceptance or rejection of such issue should be made ultimately by its shareholders.

However, in light of the current legal framework and financial environment, it is difficult to deny the possibility of a Large-Scale Purchase that would not be beneficial to the corporate value of the Company or the common interest of its shareholders. Examples of such a Large-Scale Purchase would include those that, judging from the objectives and the manner in which it is conducted, is not the one which sincerely seeks streamlining of the Company’s operation, but rather, which could cause irreparable harm to the Company; those that could virtually force the shareholders to sell their shares of the Company; those that do not provide sufficient time and information for the shareholders and the board of directors of the targeted company to examine the purchase conditions or for the board of directors of the targeted company to make alternative proposals; and those that require the targeted company to further negotiate with the Large-Scale Purchaser to obtain more favorable conditions than those offered by the Large-Scale Purchaser.

The Company considers that persons who carry out these Large-Scale Purchases should be given exceptional treatment, as they are not suitable in controlling decision-making over the financial and business policies of the Company; in order to do so, introduction of a certain

framework which prevents any purchase detrimental to the corporate value of the Company or the common interest of its shareholders is imperative.

2. Special efforts to implement the Basic Policy

The Company has implemented various efforts to encourage more people to understand its corporate value and hold its shares in the long run.

For example, in March 2010, the Company established its medium-term management plan ending March 31, 2013. As our group vision for the medium-term management plan, we will focus on “being a corporate group that goes back to its roots in micro-precision technologies and reliable quality, to create new value and achieve continuous growth.” We will continue to strengthen the organization’s structure as we seek steady, sustainable development rather than drastic expansion while rising to future growth challenges and creating value that responds to the new needs of a new world.

Learning the lessons of the simultaneous global recession that started in fiscal 2008, the Citizen Group recognizes that reformulating our system to respond to any and all environmental changes and advancing the fortification of our corporate structure are issues of paramount importance to enhance corporate value and medium- to long-term earning power.

Our strategy by business is as follows:

- Watches and Clocks, as a high-profit core business, will promote a differentiation strategy that makes the most of our strengths as a general watch and clock manufacturer.
- Electronic Devices will continue to consolidate and focus its operations and, regarding opto-devices in particular, it will move forward with the development of a growth strategy centered on new fields such as lighting applications.
- Electronic Products will go forward with value-added initiatives, including solutions operations, and develop new markets for finished products.
- Industrial Machinery will seek to realize a rapid return to profitability while rebuilding its business system in response to new reforms in production systems.

To implement the business strategies mentioned above, we will focus our attention on addressing the following five medium-term issues:

1) Implementing medium- to long-term business strategies

In the interest of realizing steady growth, the Citizen Group will leverage its strengths in each business and promote measures that will serve to overcome weaknesses. In addition, to take advantage of growth opportunities, we will create and prepare to implement business models for a new era. Meanwhile, we will also develop as quickly as possible products, services, manufacturing capabilities, and sales systems for emerging markets. As a new important issue, we will review our assets and shed any that are unnecessary in hopes of boosting our asset efficiency, and engage in management that focuses on the balance sheet.

2) Enhancing marketing capabilities

We will plot strategies appropriate for individual business segments and pursue them. In

particular, we will approach proactively in China markets and reorganize and restructure sales offices intensively in the key markets.

3) Enhancing cost competitiveness

We will rebuild our manufacturing capabilities as we develop optimal domestic and overseas production systems, ensure the passing on of skills and enhance production technologies, and promote production innovation.

4) Enhancing development functions and creating new products

We will move forward with high value-added product development by restructuring our development system.

5) Human resource development and application of skills

Here, we will create systems that facilitate human resource development, focusing in particular on promoting job rotations aimed at developing the next generation of managers, strengthening management of operating companies, and rejuvenating our operations and workforce.

In achieving the above, we will further strengthen our group organization and prepare ourselves to rise to new growth challenges.

3. Efforts to prevent inappropriate persons from controlling decision-making over the financial and business policies of the Company in light of the Basic Policy (the Policy)

(1) Large-Scale Purchase Rules

The Board of Directors believes that any purchase of the Company's share certificates, etc.¹ which will either intentionally or as a consequence increase the voting ratio² of a group of shareholders³ up to 20% or more (regardless of whether by a market transaction, a tender offer,

¹ The term "Company's share certificates, etc." means "Share Certificates, etc." as prescribed in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act (the "Act"). The same interpretation shall apply to the term "share certificates, etc." hereinafter.

² The term "voting ratio" means: (i) with respect to a group of shareholders which falls under the criteria of Note 3 (i) below, the holding ratio of share certificates, etc. (meaning "Holding Ratio of Share Certificates, etc." as prescribed in Article 27-23, Paragraph 4 of the Act, which includes, for the purpose of this definition, the number of share certificates, etc. held by the joint holder of such group of shareholders as prescribed in the same Paragraph) of such group of shareholders; and (ii) with respect to a group of shareholders which falls under the criteria of Note 3 (ii) below, the total of the holding ratio of share certificates, etc. (meaning "Share Certificates, etc. Ownership Ratio" as prescribed in Article 27-2, Paragraph 8 of the Act) of the relevant Large-Scale Purchaser and of the specially related parties (as defined in Note 3 below). For the purpose of calculating each such ratio, the total number of voting rights (meaning the "number of the voting rights" as prescribed in Article 27-2, Paragraph 8 of the Act) and the total number of shares outstanding (meaning the "total number of shares outstanding" as prescribed in Article 27-23, Paragraph 4 of the Act) contained in the Company's latest annual securities report (yuuka shouken houkokusho), quarterly securities report (shihanki houkokusho) or the treasury stock purchase report (jiko kabuken kaitsuke jyokyo houkokusho) may be referred to.

³ The term "a group of shareholders" means: (i) the holder (meaning a "Holder" as prescribed in Article 27-23, Paragraph 1 of the Act, including those deemed to be a Holder in accordance with Article 27-23, Paragraph 3 of the Act; the same interpretation shall apply to the term "Holder" hereinafter) of the Company's share certificates, etc. (meaning "Share Certificates, etc." as prescribed in Article 27-23, Paragraph 1 of the Act) and his/her joint holder (meaning a "Joint Holder" as prescribed in Article 27-23, Paragraph 5 of the Act, including those deemed to be a Joint Holder in accordance with Article 27-23, Paragraph 6 of the Act; the same interpretation shall apply to the term "Joint Holder" hereinafter); or (ii) a person who conducts purchase (meaning "Purchase, etc." as prescribed in Article 27-2, Paragraph 1 of the Act, including those conducted in a financial instruments market of an exchange) of share certificates, etc. (meaning "Share Certificates, etc." as prescribed in Article 27-2, Paragraph 1 of the Act) of the Company, and such person's specially related parties (meaning "Persons in Special Relationship" as prescribed in

or other methods, but except those to which the Board of Directors has consented in advance: hereinafter, these purchases or similar acts shall be referred to as “Large-Scale Purchase(s)” and purchaser(s) that conduct or contemplate a Large-Scale Purchase shall be referred to as “Large-Scale Purchaser(s)”, should be subject to the rules prescribed below (hereinafter, the “Large-Scale Purchase Rules”) in order to secure the corporate value of the Company and the common interest of its shareholders. The Large-Scale Purchase Rules stipulate that: a) a Large-Scale Purchaser must provide necessary and sufficient information to the Board of Directors before he/she gives effect to the Large-Scale Purchase, and b) the Large-Scale Purchase may be commenced only after the expiration of the review period during which the Board of Directors makes necessary assessments. The Board of Directors has established an independent committee to properly apply the Large-Scale Purchase Rules and avoid any arbitrary judgments by the Board of Directors. The independent committee consists of three or more members, elected from the outside Directors of the Company and outside experts, all of whom are independent from executive management of the Company. The independent committee will make recommendations on matters prescribed in the Large-Scale Purchase Rules and other matters referred to the committee by the Board of Directors. The Board of Directors respects such recommendations to the fullest extent in making resolutions as an organization established pursuant to the Companies Act. In addition to provision of recommendations, the independent committee is also empowered to engage in the acts prescribed in the Large-Scale Purchase Rules and other acts designated by the Board of Directors. The independent committee may seek advice from outside experts including legal counsels and financial advisers at the expense of the Company. Other matters relating to the independent committee will be prescribed in the independent committee rules (see Exhibit 1 for details). Kazumoto Yamamoto, Teruaki Aoki, and Shigekazu Torikai are the members of the independent committee (see Exhibit 2 for the names and brief histories of each member).

Among other things, the Large-Scale Purchase Rules provide that the Large-Scale Purchaser shall be required to firstly submit to the Board of Directors a document in Japanese containing sufficient information for the shareholders to make judgments and the Board of Directors to render opinion (hereinafter, “Large-Scale Purchase Information”).

The items to be contained therein in general are as follows:

- (a) Details (including names, capital structures, businesses, and financial data) of the Large-Scale Purchaser and the members of its group (including joint holders, specially related parties, and in the case of funds, its partners and other members);
- (b) Objectives, methods, and details of the contemplated Large-Scale Purchase (including the price and type of consideration proposed to be paid for the contemplated purchase, purchase period, structures of related transactions, legality of the purchase method, and viability of the contemplated purchase);
- (c) Basis upon which the consideration proposed to be paid for the contemplated purchase is

Article 27-2, Paragraph 7 of the Act).

calculated (including, to a reasonable extent, facts and assumptions, calculation method, numerical data used in the calculation and the details of expected synergic effects produced by a series of transactions related to the contemplated purchase and the details of the economic benefits of the synergic effects to be distributed to minority shareholders);

(d) The sources of the funding of the contemplated purchase (including names of the fund providers (including the substantial providers), financing method, and the details of related transactions);

(e) Management policy, business plans, capital policy and dividend policy of the Group after the contemplated purchase;

(f) Policy for treatment of employees, business partners, customers and other stakeholders of the Company after the contemplated purchase; and

(g) Specific measures to be taken to avoid a conflict of interest with other shareholders of the Company.

The Large-Scale Purchase Information required for individual Large-Scale Purchases may vary depending on the details of the Large-Scale Purchase. Any purchaser intending to conduct a Large-Scale Purchase is required to submit to the Board of Directors a confirmation letter executed in Japanese in the form designated by the Company, which will contain, including without limitation, the purchaser's covenant to comply with the Large-Scale Purchase Rules. This confirmation letter shall clearly show the name, address, the law of establishment, and contact address in Japan of the Large-Scale Purchaser and a summary of the Large-Scale Purchase proposed. Upon receipt, the Board of Directors will immediately forward the confirmation letter to the independent committee, and the independent committee, within 10 business days after receiving the same, will deliver to the Large-Scale Purchaser either directly or through the Board of Directors, a list of the Large-Scale Purchase Information which must be submitted by the Large-Scale Purchaser at the beginning of the process. If the independent committee concludes that the information submitted by the Large-Scale Purchaser is insufficient as the requested Large-Scale Purchase Information, the independent committee may request, either directly or through the Board of Directors, the Large-Scale Purchaser to provide additional information until the independent committee concludes that it has been provided with sufficient Large-Scale Purchase Information.

The independent committee may also request the Board of Directors to submit its opinion regarding the proposed Large-Scale Purchase and supporting documents of such opinion, an alternative proposal (if any), and other information and materials deemed necessary by the independent committee. The reservation of the Board's opinion is one possible response to such request of the independent committee. The independent committee will set the deadline date for the Board's response as it deems appropriate (up to 60 days maximum in principle).

When the independent committee determines it necessary to do to enable the shareholders to make judgment, the independent committee, either directly or through the Board of Directors, will disclose to the shareholders all or part of the fact that a Large-Scale Purchase has been

proposed, and the Large-Scale Purchase Information provided to the Board of Directors or to the independent committee, as well as the information and materials submitted by the Board of Directors to the independent committee, at such time as is deemed appropriate.

Then, after the receipt of Large-Scale Purchase Information, and receipt of information and materials provided by the Board of Directors, the independent committee will have 60 days in principle as a period to assess, examine, negotiate and form opinions (this period shall be referred to as the “Independent Committee Assessment Period”). The independent committee may extend the Independent Committee Assessment Period for up to 30 days and, if extended, the Company will promptly disclose a summary of the resolution of the independent committee, the reasons for the extension, and the new Independent Committee Assessment Period. Accordingly, a Large-Scale Purchase may only be conducted after the Independent Committee Assessment Period has expired. During the Independent Committee Assessment Period, the independent committee will fully assess and analyze the provided Large-Scale Purchase Information, and carefully study the results thereof before it forms and announces its opinion. In addition, the independent committee may, either directly or through the Board of Directors, negotiate and exchange views with the Large-Scale Purchaser to seek better conditions in respect of the Large-Scale Purchase as necessary. The independent committee may also recommend that the Board of Directors submit an alternative proposal to the shareholders. The Large-Scale Purchaser must immediately respond to any request of the independent committee for information, negotiation or exchange of views.

(2) Policy for responding to a Large-Scale Purchase

(a) In case a Large-Scale Purchaser does not observe the Large-Scale Purchase Rules

If a Large-Scale Purchaser does not observe the Large-Scale Purchase Rules, and the independent committee determines that the allotment of stock acquisition rights without contribution is appropriate, the independent committee will recommend the Board of Directors to implement such allotment as a countermeasure against the Large-Scale Purchase in order to protect the corporate value of the Company and the common interest of its shareholders. In this case, the Board of Directors will respect such recommendation to the fullest extent, and make resolutions required as an organization under the Companies Act as to allotment of stock acquisition rights without contribution. The terms of the allotment of stock acquisition rights without contribution are summarized in Exhibit 3.

Further, when implementing the allotment, the Company may designate the exercise period, exercise conditions, and rights of the Company to acquire the stock acquisition rights from the holders, with the view to obtaining the effects of the allotment which the Company seeks as a countermeasure against the Large-Scale Purchase.

(b) In case the Large-Scale Purchaser observes the Large-Scale Purchase Rules

So long as a Large-Scale Purchaser observes the Large-Scale Purchase Rules, the independent committee will in principle recommend that the Board of Directors should not trigger countermeasures against the Large-Scale Purchase. In this case, even if the Board of Directors is

against such Large-Scale Purchase, it will limit itself to express its dissent to the proposed purchase, submit an alternative proposal, and/or persuade the shareholders, and will not take a countermeasure against the Large-Scale Purchase.

In such case, the shareholders will determine whether or not the Company should agree to the proposed purchase by the Large-Scale Purchaser, considering the proposals of the Large-Scale Purchaser and the opinions and alternative plans concerning the proposals provided by the Company.

However, even if the Large-Scale Purchaser observes the Large-Scale Purchase Rules, if the independent committee concludes that the contemplated Large-Scale Purchase may significantly damage the corporate value of the Company or the common interest of its shareholders, the independent committee will recommend that the Board of Directors implement the allotment of stock acquisition rights without contribution to protect the corporate value of the Company and the common interest of its shareholders as a countermeasure against the Large-Scale Purchase. In this case, the Board of Directors will respect such recommendation to the fullest extent and make resolutions required as an organization under the Companies Act as to allotment of stock acquisition rights without contribution.

The independent committee will draw such a conclusion if the Large-Scale Purchase in question falls under any of the following criteria, and the independent committee determines that the allotment of stock acquisition rights without contribution is appropriate:

- 1) Where the Large-Scale Purchaser is judged to intend only to raise the share price of the Company to make the Company or its related parties purchase those shares back from the Large-Scale Purchaser at a higher price, while having no true intention of taking part in the management of the Company through its holding of shares of the Company.
- 2) Where the Large-Scale Purchaser is judged to intend to temporarily hold control over the management of the Company, to have it transfer to the Large-Scale Purchaser or its group companies the intellectual property rights, know-how, business secrets, or major business partners or customers required for the operation of businesses of the Company or its Group companies.
- 3) Where the Large-Scale Purchaser is judged to intend to hold control over the management of the Company, to utilize assets of the Company or the Group companies as collateral or source of payment of debts owed by the Large-Scale Purchaser or its group companies.
- 4) Where the Large-Scale Purchaser is judged to intend to temporarily hold control over the management of the Company, to have it sell or otherwise dispose of valuable assets of the Company or any of the Group companies, including real estate properties and securities which are not necessary for its day to day business for the time being, and have it pay a large amount of dividend to its shareholders including the Large-Scale Purchaser with the proceeds of the disposition, or to seek soaring of its share price caused by such a temporary high dividend with the view to selling its shares of the Company at a higher price.
- 5) Where the Large-Scale Purchaser employs a strategy that may in effect force the shareholders

of the Company to sell the Company's shares to the Large-Scale Purchaser, including implementation of a TOB where the Large-Scale Purchaser does not solicit all of the shares of the Company at the first TOB and make the terms of the second TOB less favorable to the remaining shareholders, or does not make the terms of the second TOB clear at the time of the first TOB.

In addition, when the independent committee judges it appropriate to seek resolution of the General Meeting of Shareholders on the allotment of stock acquisition rights without contribution, the independent committee will recommend so. In this case, the Company's Directors shall, respecting the recommendations of the independent committee to the fullest extent, call a General Meeting of Shareholders (hereinafter "General Meeting of Shareholders for Confirmation") as early as practically possible and submit an agenda on the allotment of stock acquisition rights without contribution. If the General Meeting of Shareholders for Confirmation resolves to approve the proposed allotment of stock acquisition rights without contribution, the Board of Directors shall perform necessary procedures for the allotment pursuant to the resolution. In this case, the Large-Scale Purchase shall not commence until the General Meeting of Shareholders for Confirmation adopts a resolution on whether the said allotment be performed.

(c) Suspension of countermeasures

If the relevant circumstance changes or the Large-Scale Purchaser clearly changes its Large-Scale Purchase plan after the independent committee has recommended the allotment of stock acquisition rights without contribution as a countermeasure against the Large-Scale Purchase, the independent committee may recommend suspension of the allotment if it is before its effective date or, if it is after the effective date but before the commencement of the exercise period of the stock acquisition rights, recommend the acquisition by the Company of the stock acquisition rights from the holders without consideration.

Conversely, if, after the independent committee has decided not to recommend the implementation of the allotment of stock acquisition rights without contribution as a countermeasure against a Large-Scale Purchaser, there is any change in the relevant circumstances causing the independent committee to come to conclude that the Large-Scale Purchase significantly damages the corporate value of the Company or the common interest of its shareholders, the independent committee may, in order to protect the corporate value of the Company and the common interest of its shareholders, recommend the allotment of stock acquisition rights without contribution as a countermeasure against the Large-Scale Purchase.

In these cases, the Board of Directors will respect to the fullest extent the recommendation of the independent committee and make resolutions required as an organization under the Companies Act in relation to the suspension of the allotment of stock acquisition rights without contribution, the Company's acquisition of the stock acquisition rights from the holders without consideration, or the implementation of the allotment of stock acquisition rights without contribution, as the case may be.

(3) Effective date and term of the Policy

The Policy became effective as of June 25, 2010, the date of the 125th Ordinary General Meeting of Shareholders upon approval of shareholders at the meeting, and remain effective until the end of an Ordinary General Meeting of Shareholders to be held for the final fiscal year of the Company which ends within the three year period thereafter.

However, in the event that the Board of Directors determines to abolish the Policy even during its effective term, the Policy will be abolished with immediate effect. Furthermore, the Board of Directors may amend the Policy even during its effective term upon approval of the independent committee, under the condition that such amendment would not impair the purpose and contents of the Policy which are to be approved by the 125th Ordinary General Meeting of Shareholders. Circumstances giving rise to the amendment may include those where a modification is necessary and proper to conform to the revisions of applicable laws and regulations or rules of the financial instruments exchanges; where a correction of wording is necessary and proper due to typographical errors or inadvertent omissions; or where it is confirmed that the amendment would not be detrimental to its shareholders.

If abolishment or amendment of the Policy is enforced, the Company will promptly make an announcement of the effect thereof to its shareholders.

(4) Possible effects on shareholders and investors of the Company

(a) Possible effects of the Large-Scale Purchase Rules on the shareholders and investors

The purpose of the Large-Scale Purchase Rules is to ensure provision to the shareholders with information necessary for them to decide whether or not they should agree to a Large-Scale Purchase as well as the opinion of the Board of Directors in charge of the management of the Company, and to guarantee an opportunity for the shareholders to receive an alternative proposal from the Company where necessary. Thus, the Large-Scale Purchase Rules enable the shareholders to make an appropriate decision with sufficient information as to whether or not they should agree to a Large-Scale Purchase.

Therefore, the Company believes that the introduction of the Large-Scale Purchase Rules is a prerequisite for the shareholders of the Company and its investors to make an appropriate investment decision and should serve for their benefit.

When a Large-Scale Purchase is proposed, the Company would like to draw the attention of its shareholders and investors to the actions of the Large-Scale Purchaser and the Company's responses thereto; as mentioned in (2) above, the policy which the Company adopts to the Large-Scale Purchase will depend on whether or not the Large-Scale Purchaser observes the Large-Scale Purchase Rules.

(b) Possible effects on the shareholders and investors when the countermeasures are triggered

If the Large-Scale Purchaser does not observe the Large-Scale Purchase Rules, or even if the Large-Scale Purchaser observes the Large-Scale Purchase Rules, when the independent committee determines that the Large-Scale Purchase significantly damages the corporate value of the Company or the common interest of its shareholders, the independent committee will

recommend to the Board of Directors the allotment of stock acquisition rights without contribution to protect the corporate value of the Company and the common interest of its shareholders. The Board of Directors will then respect such recommendation to the fullest extent, and may make resolutions required as an organization under the Companies Act as to allotment of stock acquisition rights without contribution. In case that the allotment of stock acquisition rights without contribution is indeed implemented, the Company does not anticipate that the allotment will cause any particular damage to the legal rights or economic interests of the Company's shareholders (excluding a shareholder belonging to the group of shareholders which includes the Large-Scale Purchaser, or having any other relationship with the Large-Scale Purchaser). When the Board of Directors, respecting the recommendation of the independent committee to the fullest extent, decides to give effect to an allotment of stock acquisition rights without contribution as a countermeasure as an organization established under the Companies Act, the Company will make timely and appropriate disclosure in compliance with applicable laws and regulations and rules of the financial instruments exchanges.

When the Company implements allotment of stock acquisition rights without contribution as a countermeasure, the shareholders of the Company will need to be listed on the final list of shareholders of the Company as of the allotment date in order to receive the allotment of stock acquisition rights. This allotment date will be determined and officially announced by the Board of Directors after the determination. In addition, for receipt of shares upon exercise of stock acquisition rights, the holders of such rights must complete payment of a certain amount of money within a predetermined period. When the Board of Directors determines that the Company purchases the stock acquisition rights from the holders, the Company may issue new shares to the shareholders in consideration of its acquisition of such rights from them, in lieu of paying the amount equal to the exercise price of such right. As to the details of these procedures, the Company will notify the shareholders in accordance with applicable laws and regulations and rules of the financial instruments exchanges, when the Company actually allots the stock acquisition rights without contribution.

If the Company suspends allotment of the stock acquisition rights without contribution after the shareholders entitled to receive the same are determined, or the Company acquires without consideration any stock acquisition rights from the holders who have been allotted such rights without contribution, the value of the Company's stock per share will not be diluted; accordingly, investors who have traded shares of the Company assuming that the value of the Company's shares will be diluted may suffer damages corresponding to the change in the share price.

(5) Determination of the Board of Directors on the Policy and reasons therefor

The Board of Directors believes that the Policy is consistent with the Basic Policy and meets the common interest of its shareholders, and should not and will not be implemented for the sake of the Company's officers maintaining their position, as it reflects and embodies all of the following elements:

(a) Full satisfaction of the requirements under the guidelines for anti-takeover measures

The Policy fully satisfies the requirements of the three principles stipulated in the “Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders’ Common Interest” jointly released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

(b) Respect of shareholders’ intentions (resolutions of general meeting of shareholders and adoption of a Sunset Provision)

As described in (3) above, the Policy came into effect upon approval of shareholders of the Company to be adopted at the 125th Ordinary General Meeting of Shareholders. In addition, since the Policy includes a sunset provision which remains in force for around 3 years, and the term of office of the Directors of the Company is limited to one year, the shareholders will be able to additionally express their intention for the Policy through the election of directors, even during the effective period of the Policy.

(c) Respect of judgment of independent outside personnel and disclosure of information

For the purposes of prevention of arbitrary judgments of the Directors, the Company maintains the independent committee as an organization to make decisions in an objective manner on behalf of the shareholders as to the substantive issues of the Policy including decisions to implement or abolish the Policy.

The Board of Directors will appoint the members of the independent committee from among (i) the outside Directors of the Company and/or (ii) outside experts, all of whom are independent from the Company’s executive management.

When a Large-Scale Purchase is actually proposed for the Company’s shares, the independent committee, as mentioned in (2) above, will make recommendations to the Board of Directors pursuant to the independent committee rules as to, among other things, whether or not the Large-Scale Purchase damages the Company’s corporate value or the shareholders’ common interest. The Board of Directors, respecting such recommendations to the fullest extent, will make resolutions required as an organization under the Companies Act to decide whether or not to implement the allotment of stock acquisition rights without contribution.

The independent committee will closely see to it that the Directors should not arbitrarily implement the countermeasures, and the gist of the judgment of the independent committee will be disclosed to the shareholders. Thus the Company believes that the Company has established a structure to ensure that the Policy is applied in a transparent manner and serve for the benefit of the corporate value of the Company and the common interest of its shareholders.

(d) Reasonable and objective conditions precedent for the countermeasure

As discussed in (2) above, the Company has set in the Policy reasonable and objective conditions which need to be satisfied before the countermeasures can be implemented. This will prevent the Board of Directors from making arbitrary decisions to implement the countermeasures.

(e) Third party expert opinion available to the independent committee

When a Large-Scale Purchaser is contemplated, the independent committee is entitled to obtain advice from independent third parties (including financial advisers, certified public accountants, legal counsels, consultants, and other experts) at the expense of the Company. Thus, the fairness and objectivity of the independent committee's judgment will be further secured.

(f) The Policy do not have an anti-takeover provision similar to a "dead-hand" or "slowhand" provision

The Policy can be abolished at any time in the judgment of the Board of Directors, of which members are elected at the General Meeting of Shareholders of the Company. Therefore, it is possible for any prospective large-scale purchaser to appoint its nominees as Directors and have them abolish the Policy by way of Board resolutions.

Therefore, the Policy is not a dead-hand anti-takeover measure (which means that triggering of countermeasures cannot be prevented even by changing a majority of the Directors on the Board). In addition, the term of office of the Company's Directors is one year, and the Company has not adopted a system to appoint Directors at different times. Therefore, the Policy is not a slow-hand anti-takeover measure (which means that prevention of countermeasures takes time because the Directors cannot be replaced all at one time), either.

Summary of Independent Committee Rules

1. The independent committee shall be established by resolution of the Board of Directors.
2. The independent committee shall consist of three or more members, appointed by the Board of Directors from (i) the Company's outside Directors or (ii) outside experts, both of whom are independent from the executive management of the Company. The outside experts shall be persons with traceable accomplishments as business managers, persons having extensive experience in investment banking business, legal counsels, certified public accountants, researchers whose primary area of research is Companies Act or other relevant law, or professionals similar thereto, and they shall sign an agreement with the Company in the form designated by the Board of Directors, which shall include their due care as prudent manager (zenryo naru kanrisha no chui).
3. The term of the independent committee members shall expire at the end of the Ordinary General Meeting of Shareholders held for the final fiscal year ending within three years after their election, unless otherwise determined by the resolution of the Board of Directors. In addition, when independent committee members who are outside Directors are no longer Directors (excluding those who are re-elected), their term as independent committee members shall expire at the same time.
4. The independent committee shall make decisions on the items specified below and, based upon the decisions, shall give recommendations with reasons to the Board of Directors. The Board of Directors, respecting the recommendations of the independent committee to the fullest extent, shall make resolutions as an organization under the Companies Act to determine whether or not to implement allotment of stock acquisition rights without contribution. (If, however, a General Meeting of Shareholders for Confirmation resolves otherwise upon the matter set forth in (b) below, such resolution shall be respected.) Each independent committee member and each Director of the Company shall make these decisions by taking into account solely whether or not their decisions benefit the corporate value of the Company and the common interest of its shareholders, and they shall not make decisions for their own personal interest or personal interest of the management of the Company.
 - (a) To determine whether or not an offer constitutes a Large-Scale Purchase to which the Policy applies
 - (b) To implement or not to implement the allotment of stock acquisition rights without contribution (including the bringing of these matters before a General Meeting of Shareholders for Confirmation.)
 - (c) To suspend the allotment of stock acquisition rights without contribution
 - (d) To acquire the stock acquisition rights from shareholders without consideration
 - (e) To abolish or change the Policy

- (f) Matters that the Board of Directors is responsible for determining and with respect to which the Board of Directors has requested the view of the independent committee
5. In addition to the items specified in 4. above, the independent committee may conduct the following activities:
 - (a) To designate the information to be provided to the independent committee by the Large-Scale Purchaser and the Board of Directors, and the deadline date for the Board of Directors to reply to the request for such information;
 - (b) To closely review and examine the details of the Large-Scale Purchase contemplated by the Large-Scale Purchaser;
 - (c) To negotiate and exchange views with the Large-Scale Purchaser regarding the Large-Scale Purchase;
 - (d) To request the submission of alternative plan by the Board of Directors and examine such alternative plan;
 - (e) To extend the Independent Committee Assessment Period; (The extension period, however, shall not exceed 30 days.)
 - (f) To conduct other activities that the independent committee is authorized to engage in under the Policy; and
 - (g) To conduct other activities that the independent committee is authorized to engage in by resolution of the Board of Directors separately from the Policy.
 6. Within 10 business days after receiving a confirmation letter from the Large-Scale Purchaser, the independent committee shall, either directly or through the Board of Directors, deliver to the Large-Scale Purchaser a list of Large-Scale Purchase Information that must be submitted by the Large-Scale Purchaser at the beginning of the process. If the independent committee concludes that the information submitted by the Large-Scale Purchaser is insufficient as the requested Large-Scale Purchase Information, the independent committee shall require, either directly or through the Board of Directors, the Large-Scale Purchaser to provide additional information until the independent committee concludes that it has received sufficient Large-Scale Purchase Information. The independent committee may also request the Board of Directors to submit its opinion regarding the proposed Large-Scale Purchase and supporting documents of such opinion, an alternative plan (if any), and other information and materials deemed necessary by the independent committee. The reservation of the Board's opinion is one possible response to such request of the independent committee. The independent committee shall set the deadline date for the Board's response as it deems appropriate (up to 60 days maximum in principle).
 7. The independent committee may directly or indirectly negotiate or exchange views with the Large-Scale Purchaser if necessary in order to seek better conditions in respect of the contemplated Large-Scale Purchase to benefit the corporate value of the Company and the common interest of its shareholders.
 8. For collection of necessary information, the independent committee is entitled to request the

Directors, Corporate Auditors, or employees of the Company and other parties who are deemed necessary by the independent committee to report to the independent committee and explain matters designated by the independent committee.

9. The independent committee may obtain the advice of independent third parties (including financial advisers, certified public accountants, legal counsels, consultants, and other professionals) at the expense of the Company.
10. The independent committee members may convene their meetings upon the occurrence of a Large-Scale Purchase or at any other time.
11. The resolution of the independent committee shall in principle be made with the majority of the members present who constitute two-thirds of the independent committee members. However, in case there is a compelling reason, the resolution may be made with a majority of the members present who constitute a majority of the independent committee members.

Names and Resumes of the Independent Committee Members

Kazumoto Yamamoto

Date of birth: July 22, 1933

June 1983 Director of Asahi Chemical Industry Co., Ltd.
(Currently Asahi Kasei Corporation)

June 1987 Managing Director of Asahi Chemical Industry Co., Ltd.

June 1990 Senior Managing Director of Asahi Chemical Industry Co., Ltd.

June 1995 Executive Vice-president of Asahi Chemical Industry Co., Ltd.

June 1997 President of Asahi Chemical Industry Co., Ltd.

April 2003 Vice Chairman of the Board of Asahi Kasei Corporation

June 2003 Full-time Advisor of Asahi Kasei Corporation

June 2005 Outside Director of Tokyo Gas Co., Ltd.

June 2006 Outside Director of Toto Kiki Co., Ltd. (Currently TOTO LTD.) (present)

June 2007 Outside Director of the Company (present)

June 2009 Advisor of Asahi Kasei Corporation (present)

* Mr. Kazumoto Yamamoto is an Outside Director set forth in Article 2, Item 15 of the Companies Act. The Company has appointed Mr. Yamamoto an Independent Officer defined by the Tokyo Stock Exchange and registered him with the Exchange as such. There are no specific conflicts of interest between Mr. Yamamoto and the Company.

Teruaki Aoki

Date of birth: October 18, 1941

June 1989 Director of Sony Corporation

June 1996 Managing Director of Sony Corporation

April 1998 President & COO of Sony Electronics Inc. (US corporation)

May 2000 Senior Executive Vice President of Sony Corporation

June 2003 Chief Operating Officer of Sony Corporation

April 2005 President of Sony University of Sony Corporation (present)

February 2006 Outside Director of Micron Technology, Inc. (US corporation) (present)

April 2006 Executive Alumnus of Sony Corporation (present)

June 2007 Outside Director of the Company (present)

* Mr. Teruaki Aoki is an Outside Director set forth in Article 2, Item 15 of the Companies Act. The Company has appointed Mr. Aoki an Independent Officer defined by the Tokyo Stock Exchange and registered him with the Exchange as such. There are no specific conflicts of interest between Mr. Aoki and the Company.

Shigekazu Torikai

Date of birth: March 12, 1947

October 1975 Joined the tax and accounting office

October 1986 Passed bar exam

April 1990 Registered with the Daini Tokyo Bar Association as practicing attorney

April 1994 Representing partner of Torikai Law Office (present)

* There are no specific conflicts of interest between Mr. Shigekazu Torikai and the Company.

Summary of allotment of stock acquisition rights without contribution

1. Decisions on the matters related to allotment of stock acquisition rights without contribution

- (1) The terms and number of the stock acquisition rights to be allotted

The terms of the stock acquisition rights shall be as specified in 2. below, and the number of stock acquisition rights to be allotted shall be determined by the Board of Directors, but shall not exceed twice the latest aggregate number of the outstanding shares of the Company (excluding the treasury stock owned by the Company) as of the date determined by the Board of Directors for the allotment of the stock acquisition rights (the “Allotment Date”).

- (2) Eligible shareholders to whom the allotment shall be made

The Board of Directors shall determine the allotment ratio of stock acquisition rights, for up to two stock acquisition rights per share held by the shareholder and effect the allotment of the stock acquisition rights to the shareholders recorded in the final list of shareholders on the Allotment Date.

- (3) Effective date of the allotment of the stock acquisition rights

The date separately determined by the Board of Directors.

2. Terms of the stock acquisition rights

- (1) Type and number of shares to be issued upon exercise of stock acquisition rights

The type of shares to be issued upon exercise of the stock acquisition rights shall be the common stock of the Company, and the number of shares to be issued upon exercise of the stock acquisition rights (hereinafter, “Number of Shares to be Issued”) shall be one share per one stock acquisition right. The Company shall make necessary adjustments in the event of a stock split or consolidation of shares.

- (2) Amount of consideration to be paid upon exercise of stock acquisition rights

The amount of consideration to be paid upon exercise of stock acquisition rights shall be one yen or more per share of the Company being issued, as shall be determined by the Board of Directors.

- (3) Exercise period of the stock acquisition rights

The exercise period of the stock acquisition rights shall commence on the date when the allotment of the stock acquisition rights becomes effective or on another date determined by the Board of Directors and shall last for the period as determined by the Board of Directors. However, if the stock acquisition rights are acquired by the Company from the holders, the exercise period shall end on the one business day prior to the date on which the stock acquisition rights are to be acquired by the Company.

- (4) Conditions for the exercise of the stock acquisition rights

Exercise of the stock acquisition rights may be subject to conditions including the

restriction that a party belonging to a group of shareholders which includes the Large-Scale Purchaser is not able to exercise the stock acquisition rights⁴. The Board of Directors shall determine the details of such conditions.

(5) Restrictions on transfer of the stock acquisition rights

Obtaining stock acquisition rights by transfer shall require the approval of the Board of Directors.

(6) Acquisition of the stock acquisition rights by the Company

The Company may determine, as a condition for any person to acquire stock acquisition rights, that the Company may acquire such stock acquisition rights from such person, if he/she does not belong to a group of shareholders which includes the Large-Scale Purchaser, and may deliver to such person the Number of Shares to be issued per each stock acquisition right acquired by the Company.

The Board of Directors shall determine the details of such condition.

(7) Others

The Board of Directors shall determine any other matters as necessary.

⁴ However, even if such restriction applies, if a person belonging to a group of shareholders which includes a Large-Scale Purchaser or similar person shall have made a covenant to the Company as required by the Board of Directors, and shall have sold not less than the required number of the Company's shares in a financial instruments market of an exchange via a securities firm approved by the Company, the Board of Directors may approve the exercise of stock acquisition rights by such person to the extent that the total number of shares delivered to such person upon the exercise does not exceed the number of shares sold by such person. In such case, the Board of Directors shall determine the requirements, procedures and other details.