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Stock Exchange Code 4202  
June 1, 2017

**To Shareholders with Voting Rights:**

Misao Fudaba  
President and CEO  
Daicel Corporation  
3-1, Ofuka-cho, Kita-ku,  
Osaka, Japan

**NOTICE OF  
THE 151ST ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

You are cordially invited to attend the 151st Annual General Meeting of Shareholders of Daicel Corporation (the "Company"). The meeting will be held for the purposes described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing by submitting the Voting Rights Exercise Form. Please review the hereinafter attached "Reference Documents for the General Meeting of Shareholders," indicate your vote for or against the proposal on the enclosed Voting Rights Exercise Form and return it so that it is received by 5:00 p.m. on June 22, 2017, Japan time.

- 1. Date and Time:** Friday, June 23, 2017 at 10:00 a.m. Japan time
- 2. Place:** Knowledge Theater, 4F, Knowledge Capital, GRAND FRONT OSAKA located at 3-1 Ofuka-cho, Kita-ku, Osaka, Japan
- 3. Meeting Agenda:**
  - Matters to be reported:**
    1. The Business Report, Consolidated Financial Statements for the Company's 151st Fiscal Year (April 1, 2016 - March 31, 2017) and results of audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements
    2. Non-consolidated Financial Statements for the Company's 151st Fiscal Year (April 1, 2016 - March 31, 2017)
  - Proposals to be resolved:**
    - Proposal 1:** Appropriation of Surplus
    - Proposal 2:** Partial Amendment to the Articles of Incorporation
    - Proposal 3:** Election of 8 Directors
    - Proposal 4:** Continuation of Policy for Responding to a Large-scale Purchase of Shares of Daicel Corporation

- When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk. Please bring this convocation notice to the meeting with you to help save resources.
- To help conserve electricity, the air conditioning at the venue will be partially turned down. We would appreciate it if you could come to the meeting wearing light clothing.
- Of the documents to be included in this notice, “Notes to the Consolidated Financial Statements” and “Notes to the Non-consolidated Financial Statements” are posted on the Company’s website (<https://www.daicel.com>) on the internet, pursuant to applicable laws and regulations, as well as the provisions in Article 16 of the Articles of the Incorporation. Therefore, they are not stated in the Appendix concerning the matters to be reported. “Notes to the Consolidated Financial Statements” and “Notes to the Non-consolidated Financial Statements,” as well as the Appendix concerning the matters to be reported are subject to the audit by the Accounting Auditor and Corporate Auditors.
- Should the Reference Documents for the General Meeting of Shareholders and the Appendix require revisions, the revised versions will be posted on the Company’s website (<https://www.daicel.com>).

# Reference Documents for the General Meeting of Shareholders

## Proposals and References

### Proposal 1: Appropriation of Surplus

Concerning the appropriation of surplus, the Company proposes as follows:

Matters concerning the year-end dividends

The Company's basic dividend policy is to distribute profits in a balanced manner, taking into comprehensive consideration a shareholder return that is in line with the Company's consolidated financial results in each fiscal year, as well as enhancement of internal reserves to improve medium-to long-term shareholder value based on a more robust revenue base. The Company will also facilitate acquisition of its treasury stocks as a shareholder return measure to complement dividend payments in a flexible manner.

Internal reserves will be applied to investment in business expansion and reinforcement of highly-profitable business structures, such as R&D for new business development and strengthening of existing businesses, new construction and extension of facilities, and efficiency improvement measures. Through future business development, we will ensure a growing benefit to our shareholders.

In our 3-year 3D-II mid-term plan, which started in FY2015, we maintained our target of 30% for the shareholder return ratio, or the amount of dividends plus amount of treasury stocks acquired divided by consolidated net income for the year, in continuation of the 3-year 3D-I mid-term plan which started in FY2012.

During the 3-year 3D-III mid-term plan starting in FY2018, we will target a dividend payout ratio of 30%, and also flexibly conduct purchases of the Company's own shares.

Based on the policy mentioned above, the year-end dividend for the fiscal year under review will be 17 yen per share.

(1) Type of dividend property  
Cash

(2) Matters concerning the allotment of dividend property to shareholders and the total amount thereof

17 yen per share of common stock of the Company

Total amount: 5,885,480,597 yen

(Note) The annual dividends for the fiscal year under review will be 30 yen per share including the interim dividends, an increase of 4 yen.

(3) Effective date of distribution of surplus  
June 26, 2017

**Proposal 2: Partial Amendment to the Articles of Incorporation**

1. Reason for Amendment

- (1) In order to prepare for future new business development, the Company will make necessary changes to the purposes of the Company's businesses, in addition to a reorganization of the items. (Proposed changes to Article 3.)
- (2) The Company will review the responsibilities of the Chairman of the Board of Directors and the President, and make necessary changes regarding the caller of meetings and chairperson of the General Meeting of Shareholders. (Proposed changes to Article 17.)
- (3) The Company shall make other necessary changes, including amendments to wording, and changes to the numbering of Articles in accordance with the addition and deletion of Articles.

2. Details of Amendment

The details of the amendment are shown in the attachment.

(The amended parts are underlined.)

Current Articles	Proposed Amendment
<p>Article 3. (Purposes) The Company shall operate the following businesses: 1. Manufacture, processing, purchase and sale of the following products:  a. to e. (Omitted)  f. Pharmaceutical products, non-pharmaceutical supplies, medical materials, medical <u>devices</u>, veterinary products, <u>hygiene products, cosmetics, foods, food additives, feed additives, microorganisms, enzymes, agricultural chemicals and fertilizers</u>;  (Newly established)  (Newly established)  g. to k. (Omitted)  <u>2. Mining and sale of limestone and other minerals.</u>  3. to 8. (Omitted)</p>	<p>Article 3. (Purposes) The Company shall operate the following businesses: 1. Manufacture, processing, purchase and sale of the following products:  a. to e. (Same as current)  f. Pharmaceutical products, non-pharmaceutical supplies, medical materials, medical <u>equipment, in vitro diagnostic medical products, products for regenerative medicine, etc. and</u> veterinary products;  <u>g. Food and food additives</u>  <u>h. Hygiene products, cosmetics, feed additives, microorganisms, enzymes, agricultural chemicals and fertilizers</u>;  <u>i. to m.</u> (Same as current)  (Deleted)  <u>2. to 7.</u> (Same as current)</p>

Article 11. (Administrator of the Shareholder Registry)

The Company shall have an administrator of the shareholder registry.

The administrator of the shareholder registry and its business office shall be designated by resolution of the board of directors, and public notice thereof shall be given.

The preparation and keeping of the register of shareholders and the register of stock acquisition rights, the purchase and the additional purchase of shares constituting less than one unit and other administrative matters with respect to the stock and stock acquisition rights shall be entrusted to the administrator of the shareholder registry. The Company itself shall not handle these activities.

Article 17. (Caller of Meetings and the Chairperson)

The president shall call a general shareholders meeting and shall assume its chairmanship. If the president is prevented from so acting, another director, who shall be selected in accordance with an order of priority previously determined by resolution of the board of directors, shall call such a general shareholders meeting and act as chairman thereof.

Article 11. (Administrator of the Shareholder Registry)

The Company shall have an administrator of the shareholder registry.

The administrator of the shareholder registry and its business office shall be designated by resolution of the board of directors, and public notice thereof shall be given.

The preparation and keeping of the register of shareholders and the register of stock acquisition rights and other administrative matters with respect to the stock and stock acquisition rights shall be entrusted to the administrator of the shareholder registry. The Company itself shall not handle these activities.

Article 17. (Caller of Meetings and the Chairperson)

The Chairman of the Board of Directors shall call a general shareholders meeting and shall assume chairmanship thereof. If the Chairman of the Board of Directors is vacant or is involved in an accident, another director, who shall be selected in accordance with an order of priority previously determined by resolution of the board of directors, shall call such a general shareholders meeting and act as chairman thereof.

**Proposal 3: Election of 8 Directors**

The terms of office of all 8 Directors will expire at the conclusion of this year's Annual General Meeting of Shareholders. Accordingly, the election of 8 Directors is proposed.

The candidates for Directors are as follows:

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
1	Misao Fudaba (February 23, 1956)	<p>April 1979      Joined the Company June 2006      Executive Officer of the Company Deputy Head of Corporate Support Center of the Company June 2008      Head of Raw Material Purchasing Center of the Company June 2010      President of the Company President and CEO of the Company</p> <p>(Positions and responsibilities) President, President and CEO, Member of the Nomination and Compensation Committee and Chairman of the Management Advisory Committee</p>	85,866
		<p>[Reasons for selection as a candidate for Director] Mr. Misao Fudaba has served as President of the Company since 2010, and has achievements in leading the Group toward improving corporate value through his strong leadership. Based on his wealth of insight and operational experience in overall management, the Company has determined that he is an appropriate person to promote global business management, and thus requests his election as Director.</p>	
2	Masumi Fukuda (January 12, 1952)	<p>April 1975      Joined the Company April 2002      Vice President of Cellulose Company of the Company April 2004      President of Functional Organic Products Company of the Company June 2004      Executive Officer of the Company June 2006      Managing Executive Officer of the Company Head of Corporate Planning of the Company June 2008      President of Cellulose Company of the Company June 2010      President of Organic Chemical Products Company of the Company June 2012      Director of the Company Senior Managing Executive Officer of the Company Head of Corporate Support Center of the Company Responsible for Corporate Compliance Program of the Company Responsible for Business Process Innovation of the Company Responsible for Corporate Planning of the Company</p> <p>(Positions and responsibilities) Director, Senior Managing Executive Officer, Member of the Nomination and Compensation Committee, Member of the Management Advisory Committee, Head of Corporate Support Center, Responsible for Corporate Compliance Program, Responsible for Corporate Planning and Responsible for Business Process Innovation</p>	61,971
		<p>[Reasons for selection as a candidate for Director] Mr. Masumi Fukuda has served as the responsible person for administrative divisions such as corporate planning, finance and accounting, and compliance of the Company, and has a wealth of experience, achievements, and insights. The Company has determined that he is an appropriate person to strengthen the management of the Group as well as the global business, and thus requests his election as Director.</p>	

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
3	Yoshimi Ogawa (January 8, 1960)	<p>April 1983      Joined the Company</p> <p>June 2000      Head of Production Innovation Center, Production Technology Headquarters of the Company</p> <p>April 2002      Head of Business Process Innovation of the Company</p> <p>June 2006      Executive Officer of the Company Vice President of Aerospace &amp; Defense Systems/Safety Systems Company of the Company General Manager of Harima Plant, Aerospace &amp; Defense Systems/Safety Systems Company of the Company</p> <p>June 2009      Head of Production Technology of the Company Responsible for Responsible Care of the Company Responsible for Engineering Center of the Company</p> <p>June 2011      Director of the Company</p> <p>June 2013      Managing Executive Officer of the Company</p> <p>April 2014      General Manager of Production Technology Headquarters of the Company</p> <p>April 2015      Responsible for Quality Management Division of the Company</p> <p>June 2016      Responsible for Organic Chemical Products Company of the Company Responsible for Aerospace &amp; Defense Systems/Safety Systems Company of the Company</p> <p>(Positions and responsibilities) Director, Managing Executive Officer, Member of the Management Advisory Committee, Responsible for Quality Management Division, Responsible for Organic Chemical Products Company and Responsible for Aerospace &amp; Defense Systems/Safety Systems Company</p> <p>[Reasons for selection as a candidate for Director] Mr. Yoshimi Ogawa has served as the responsible person for production technology and manufacturing sectors of the Company, and has achievements in strongly leading the production and quality assurance sectors of the Group. He also has a wealth of experience, achievements, and insights in safety and craftsmanship. The Company has determined that he is an appropriate person, and thus requests his election as Director.</p>	33,952

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
4	Hisao Nishimura (December 12, 1954)	<p>August 1985      Joined the Company</p> <p>April 2002      Head of Central Research Center of the Company</p> <p>July 2005      President of CPI Company of the Company</p> <p>June 2010      Executive Officer of the Company</p> <p>June 2012      Head of Research Control of the Company Responsible for New Business Planning and Development of the Company Responsible for Intellectual Property Center of the Company</p> <p>June 2013      Managing Executive Officer of the Company</p> <p>April 2014      General Manager of R&amp;D Headquarters of the Company</p> <p>June 2014      Director of the Company</p> <p>June 2016      Responsible for New Business Planning of the Company</p> <p>April 2017      Responsible for New Business Development of the Company</p> <p>(Positions and responsibilities) Director, Managing Executive Officer, Member of the Management Advisory Committee, General Manager of R&amp;D Headquarters, Responsible for New Business Development and Responsible for Intellectual Property Center</p> <p>[Reasons for selection as a candidate for Director] Mr. Hisao Nishimura has served as the responsible person for fundamental technologies and research and development in various areas including product development of the Company. He also has a wealth of experience, achievements, and insights in the planning and development of new products of the Group. The Company has determined that he is an appropriate person, and thus requests his election as Director.</p>	20,739
5	Akishige Okada (April 9, 1938)	<p>June 1997      President (Representative Director) of Sakura Bank</p> <p>April 2001      Chairman of the Board (Representative Director) of Sumitomo Mitsui Banking Corporation</p> <p>December 2002      Chairman of the Board (Representative Director) of Sumitomo Mitsui Financial Group, Inc.</p> <p>June 2005      Advisor of Sumitomo Mitsui Banking Corporation</p> <p>June 2006      Director of the Company</p> <p>April 2010      Advisor of Sumitomo Mitsui Banking Corporation</p> <p>(Positions and responsibilities) Director, and Member of the Nomination and Compensation Committee</p> <p>(Significant concurrent positions) Advisor of Sumitomo Mitsui Banking Corporation Outside Corporate Auditor of YOMIURI LAND CO., LTD.</p> <p>[Reasons for selection as a candidate for External Director] Mr. Akishige Okada has as a wealth of insights and experience, etc., fostered as a manager of financial institutions, and to have him utilize these in the management of the Company, the Company requests his election as External Director.</p>	18,452



No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
6	Tadao Kondo (April 12, 1944)	<p>June 2004 Representative Member of the Board, Vice President of NIPPON SHOKUBAI CO., LTD.</p> <p>April 2005 Representative Member of the Board, President of NIPPON SHOKUBAI CO., LTD.</p> <p>April 2011 Representative Member of the Board, Chairman of NIPPON SHOKUBAI CO., LTD.</p> <p>June 2011 Member of the Board, Chairman of NIPPON SHOKUBAI CO., LTD.</p> <p>June 2012 Councilor of NIPPON SHOKUBAI CO., LTD.</p> <p>June 2013 Director of the Company</p> <p>(Positions and responsibilities) Director, and Member of the Nomination and Compensation Committee</p> <p>(Significant concurrent positions) Councilor of NIPPON SHOKUBAI CO., LTD. Outside Director of OKK Corporation</p>	5,250
		<p>[Reasons for selection as a candidate for External Director] Mr. Tadao Kondo has as a wealth of insights and experience, etc., fostered as a manager of a company that produces chemicals, and to have him utilize these in the management of the Company, the Company requests his election as External Director.</p>	
7	Chiyoko Shimozaki (November 30, 1954)	<p>October 1983 Associate Professor of The Junior College of Business Administration, Toyama University</p> <p>April 1992 Professor at Faculty of Management, School of Economics, Nara Sangyo University</p> <p>April 1999 Professor at Department of Management, School of Commerce and Economics, Kobe University of Commerce</p> <p>April 2004 Professor at Institute for Economics and Management (currently Institute for Policy Analysis and Social Innovation), The University of Hyogo</p> <p>October 2004 Professor at Human Resource Management Graduate School of Business Osaka City University</p> <p>June 2015 Director of the Company</p> <p>(Positions and responsibilities) Director, and Member of the Nomination and Compensation Committee</p> <p>(Significant concurrent positions) Professor of Human Resource Management Graduate School of Business Osaka City University</p>	1,650
		<p>[Reasons for selection as a candidate for External Director] Although Ms. Chiyoko Shimozaki has not been directly involved in corporate management, she has advanced specialized knowledge and wide insights as an academic who has conducted various research regarding management such as diversity management, and to have her utilize these in the management of the Company, the Company requests her election as External Director.</p>	

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
8	*Masafumi Nogimori (December 21, 1947)	<p>April 2005 Executive Vice President and Representative Director of Astellas Pharma Inc.</p> <p>June 2006 President &amp; CEO and Representative Director of Astellas Pharma Inc.</p> <p>June 2011 Chairman and Representative Director of Astellas Pharma Inc.</p> <p>June 2016 Retired from Chairman and Representative Director of Astellas Pharma Inc.</p> <p>[Reasons for selection as a candidate for External Director] Mr. Masafumi Nogimori has insights and experience, etc., fostered as a manager of a company that produces and sells medical products, and to have him utilize these in the management of the Company, the Company requests his election as External Director.</p>	0

(Notes)

1. \* indicates a new candidate for Director.
2. There are no special interests between each candidate for Director and the Company.
3. Mr. Akishige Okada, Mr. Tadao Kondo, Ms. Chiyoko Shimozaki and Mr. Masafumi Nogimori are candidates for External Directors.
4. Matters concerning the candidates for External Directors are as follows:
  - (1) Candidate for External Director, Mr. Akishige Okada
    - 1) Matters that should be specifically noted regarding the candidate for External Director  
Mr. Akishige Okada will have served as External Director for a period of eleven years as of the conclusion of this General Meeting of Shareholders.  
The Company has registered him as an independent director with Tokyo Stock Exchange, Inc., pursuant to the rules stipulated by the Exchange. If his election is approved, the Company plans to continue registering him as independent director. Additionally, he satisfies the “Standards for Independence of External Directors/External Corporate Auditors” as defined by the Company. Regarding the “Standards for Independence of External Directors/External Corporate Auditors” defined by the Company, please refer to the standard which is attached on the last portion of the Reference Documents..
    - 2) Liability limitation agreements with the candidate for External Director  
The Company has entered into a liability limitation agreement with Mr. Akishige Okada.  
The outline of the agreement is as follows:  
When bearing liability for the damages stipulated in Article 423 Paragraph 1 of the Companies Act, he shall be liable for such damages to the extent of ¥15 million or the minimum liability amount set forth in Article 425 Paragraph 1 of the Companies Act, whichever is higher.  
The above liability limitation applies only in cases where he has performed his duties which caused liabilities in good faith and without gross negligence.  
Subject to the approval of the reappointment of Mr. Akishige Okada, the Company plans to continue such liability limitation agreement with him.
  - (2) Candidate for External Director, Mr. Tadao Kondo
    - 1) Matters that should be specifically noted regarding the candidate for External Director  
Mr. Tadao Kondo will have served as External Director for a period of four years as of the conclusion of this General Meeting of Shareholders.  
The Company has registered him as an independent director with Tokyo Stock Exchange, Inc., pursuant to the rules stipulated by the Exchange. If his election is approved, the Company plans to continue registering him as independent director. Additionally, he satisfies the “Standards for Independence of External Directors/External Corporate Auditors” as defined by the Company. Regarding the “Standards for Independence of External Directors/External Corporate Auditors” defined by the Company, please refer to the standard which is attached on the last portion of the Reference Documents..
    - 2) Liability limitation agreements with the candidate for External Director  
The Company has entered into a liability limitation agreement with Mr. Tadao Kondo. The outline of the agreement is as follows:  
When bearing liability for the damages stipulated in Article 423 Paragraph 1 of the Companies Act, he shall be liable for such damages to the extent of ¥15 million or the minimum liability amount set forth in Article 425 Paragraph 1 of the Companies Act, whichever is higher.  
The above liability limitation applies only in cases where he has performed his duties which caused liabilities in good faith and without gross negligence.

Subject to the approval of the reappointment of Mr. Tadao Kondo, the Company plans to continue such liability limitation agreement with him.

(3) Candidate for External Director, Ms. Chiyoko Shimozaki

1) Matters that should be specifically noted regarding the candidate for External Director

Ms. Chiyoko Shimozaki will have served as External Director for a period of two years as of the conclusion of this General Meeting of Shareholders.

The Company has registered her as an independent director with Tokyo Stock Exchange, Inc., pursuant to the rules stipulated by the Exchange. If her election is approved, the Company plans to continue registering her as independent director. Additionally, she satisfies the “Standards for Independence of External Directors/External Corporate Auditors” as defined by the Company. Regarding the “Standards for Independence of External Directors/External Corporate Auditors” defined by the Company, please refer to the standard which is attached on the last portion of the Reference Documents.

2) Liability limitation agreements with the candidate for External Director

The Company has entered into a liability limitation agreement with Ms. Chiyoko Shimozaki.

The outline of the agreement is as follows:

When bearing liability for the damages stipulated in Article 423 Paragraph 1 of the Companies Act, she shall be liable for such damages to the extent of ¥15 million or the minimum liability amount set forth in Article 425 Paragraph 1 of the Companies Act, whichever is higher.

The above liability limitation applies only in cases where she has performed her duties which caused liabilities in good faith and without gross negligence.

Subject to the approval of the reappointment of Ms. Chiyoko Shimozaki, the Company plans to continue such liability limitation agreement with her.

(4) Candidate for External Director, Mr. Masafumi Nogimori

1) Matters that should be specifically noted regarding the candidate for External Director

Mr. Masafumi Nogimori is scheduled to assume the positions of Outside Director of Mitsui Fudosan Co., Ltd. on June 29, 2017 and Outside Director of Linical Co., Ltd. on July 1, 2017, respectively.

The Company plans to register him as an independent director with Tokyo Stock Exchange, Inc., pursuant to the rules stipulated by the Exchange. Additionally, he satisfies the “Standards for Independence of External Directors/External Corporate Auditors” as defined by the Company. Regarding the “Standards for Independence of External Directors/External Corporate Auditors” defined by the Company, please refer to the standard which is attached on the last portion of the Reference Documents..

2) Liability limitation agreements with the candidate for External Director

If the election of Mr. Masafumi Nogimori is approved, the Company plans to enter into a liability limitation agreement with him.

The outline of the agreement is as follows:

When bearing liability for the damages stipulated in Article 423 Paragraph 1 of the Companies Act, he shall be liable for such damages to the extent of ¥15 million or the minimum liability amount set forth in Article 425 Paragraph 1 of the Companies Act, whichever is higher.

The above liability limitation applies only in cases where he has performed his duties which caused liabilities in good faith and without gross negligence.

**Proposal 4:** Continuation of Policy for Responding to a Large-scale Purchase of Shares of Daicel Corporation

At the 148th Annual General Meeting of Shareholders held on June 20, 2014, the Company brought a policy for responding to a large-scale purchase of the Company's shares ("the Policy") as a proposal, and received the approval of shareholders. The effective period of the Policy is until the conclusion of this meeting. Therefore, in order to continue protecting the corporate value of the Company and the common interests of shareholders, the continuation of the Policy is proposed. If approval is granted, the effective period of the Policy will be until the conclusion of the Annual General Meeting of Shareholders for the 154th fiscal year, which is scheduled to be held in June 2020.

Furthermore, there are no substantial changes to the Policy.

1. Basic policy regarding persons controlling decisions on financial and business policies of the Company

The Company maintains the "Daicel Group Basic Philosophy," comprising the Daicel Group's reason for being, "Corporate Objective: We contribute to a better quality of life by developing and manufacturing products that society needs and values," and a sense of values shared among all members of the Daicel Group, "The Daicel Spirit: (1) Integrity and Ceaseless Efforts, (2) Focus on Creation on New Value (Monozukuri), and (3) Respect for Individuality and Achievements."

Under this basic philosophy, the Company believes that in order to conduct management that enhances corporate value, it is essential that the Company maintains and develops specialist knowledge, experience, and expertise relating to existing businesses and projects in the planning and development stage expected to be commercialized in the future, in addition to relationships built with customers in Japan and overseas, business partners, employees, and other stakeholders.

The Company believes that as a listed company, the purchase and sale of the Company's shares should be entrusted to the free determination of shareholders and investors in the market in principle, and that whether or not to sell the Company's shares in response to a large-scale share purchase by specific persons should ultimately be entrusted to the judgment of the Company's shareholders holding the Company's shares. However, among large-scale share purchases, there are some that do not contribute to the corporate value of the company that is the target of the large-scale purchase or shareholders' common interests, such as those that, looking at their purposes etc., will clearly harm the corporate value of the target company or the common interests of shareholders ("shareholders' common interests"), those that may effectively force shareholders to sell shares, and those that do not provide sufficient time or information for the Board of Directors of the target company and shareholders to consider the details of the large-scale purchase etc., or for the Board of Directors of the target company to present an alternative proposal.

The Company believes that persons who conduct large-scale share purchases similar to those above that may harm the corporate value of the Company or shareholders' common interests or similar actions are not suitable as persons with control over the decisions on financial and business policies of the Company.

2. Initiatives contributing to the realization of the basic policy

(1) The sources of the Company's corporate value

The Daicel Group operates businesses that have unique characteristics as a group, as we manufacture and sell products based on our core technologies of cellulose chemistry, organic chemistry, polymer chemistry, and pyrotechnic engineering, including cellulose acetate made from natural pulp material, cellulosic derivatives such as tow for cigarette filters, organic chemicals containing acetic acid and its derivatives, which are used as a raw material in various fields, organic designed products using peracetic acid derivatives etc. for the field of electronic materials and coating applications etc., chiral columns, which contribute to the development of safe medical products, polyacetal and other engineering plastics for use in auto components and electronic devices, thermoplastic compound products and other plastic products, inflators for automobile airbags, pilot emergency-escape systems, and pyrotechnic devices such as rocket motor propellants and other defense-related products. In addition, the Company also contributes to enhancing the competitiveness of Japanese equipment industries as we strive to spread innovative manufacturing methods that we have developed among other domestic companies.

The Company believes that our corporate value is created from leveraging synergies between technologies, products, and services with unique characteristics that we have developed and

expanded from the starting point of the celluloid business to expand core businesses, enhance our business foundations, develop new technologies and furthermore create new businesses and other activities.

## (2) Initiatives to enhance the corporate value of the Company

In April 2010, the Company formulated the “Grand Vision 2020,” a long-term vision for the Daicel Group that presents a form for the Group to aim for over the next ten years. In this “Grand Vision 2020,” the Group takes pride in providing the best solutions that appeal to shareholders, customers, business partners, employees, and other stakeholders through helping to build industry-leading manufacturing systems by developing and combining “bonds of confidence with our partners,” “a variety of unique technologies,” and our “advanced production system,” and studying the needs of individual customers and society as a whole to develop and offer the best solutions.

As milestones toward realizing the long-term vision, the Group will formulate and execute three medium-term plans during the period of the “Grand Vision 2020.” The Company considers these three medium-term plan periods in terms of three steps: “Design the Future” (the design and initiative phase), “Develop New Value” (the growth and development phase), and “Deliver the Best Solution” (the achievement and delivery phase), and calls the three medium-term plans “3D-I,” “3D-II,” and “3D-III,” together forming the “3D Step-up Plan.”

In “3D-II,” the medium-term plan lasting from FY 2014 to FY 2016, positioned as the growth and development phase, the Company focused on enhancing corporate value with performance targets of 500.0 billion yen in sales and 50.0 billion yen in operating profit in the final year of the plan, in addition to accelerating the development of new businesses. In FY 2016, the final year of the plan, the Company did not achieve the sales target, but it achieved the operating profit target, as it had in FY 2014 and FY 2015. However, these results were partly due to the effect of fluctuations in foreign exchange rates and fuel prices, and the Company did not implement all of the specific measures listed in the medium-term plan. In particular, despite having multiple products, there remains the issue that the creation of new businesses has not progressed in line with targets.

In “3D-III,” the medium-term plan lasting from FY 2017 to FY 2019, which the Company formulated by looking back over “3D-II” and considering the “form the Company is aiming for” in the final year of the long-term vision, 2020, the Company is aiming for sustainable growth, with business performance targets of sales of 500.0 billion yen and operating profit of 70.0 billion yen in the final year of the plan. In order to achieve these targets and further enhance corporate value, the Group is implementing the following basic strategies:

- Development and expansion of growth business units through focused allocation of resources based on "selection and concentration"
- Accelerate “new business unit” creation by moving away from the principle of vertical integration (utilizing open innovation, partnerships, M&A, etc.)

In addition, the Company uses management indicators that emphasize return on equity (ROE) and the operating income ratio (return on sales, ROS).

Furthermore, with regard to shareholder returns, in “3D-III,” the Company will target a dividend payout ratio of 30%. The Company will perform a balanced profit distribution taking into full consideration the policies of setting and paying a dividend in accordance with annual consolidated business performance, and saving internal reserves for the establishment of a more solid revenue base. In addition, the Company will also flexibly acquire treasury shares to support dividend payments.

The Company firmly believes that achieving these management targets will lead to further enhancement of the corporate value of the Company.

## (3) Corporate governance

### 1) Basic approach to corporate governance

By strengthening its corporate governance, the Company is increasing its corporate value. This is recognized as an important management initiative that will enable the Company to achieve its social mission and responsibilities as a listed company.

The Company maintains its agility by clarifying the responsibilities of each part of its organization and by adopting a management system that supports timely decision-making and implementation. Moreover, by actively soliciting external opinions and incorporating positive suggestions in its operations, the Company is maintaining the soundness of its corporate management while improving management transparency and fairness.

## 2) Corporate governance structure

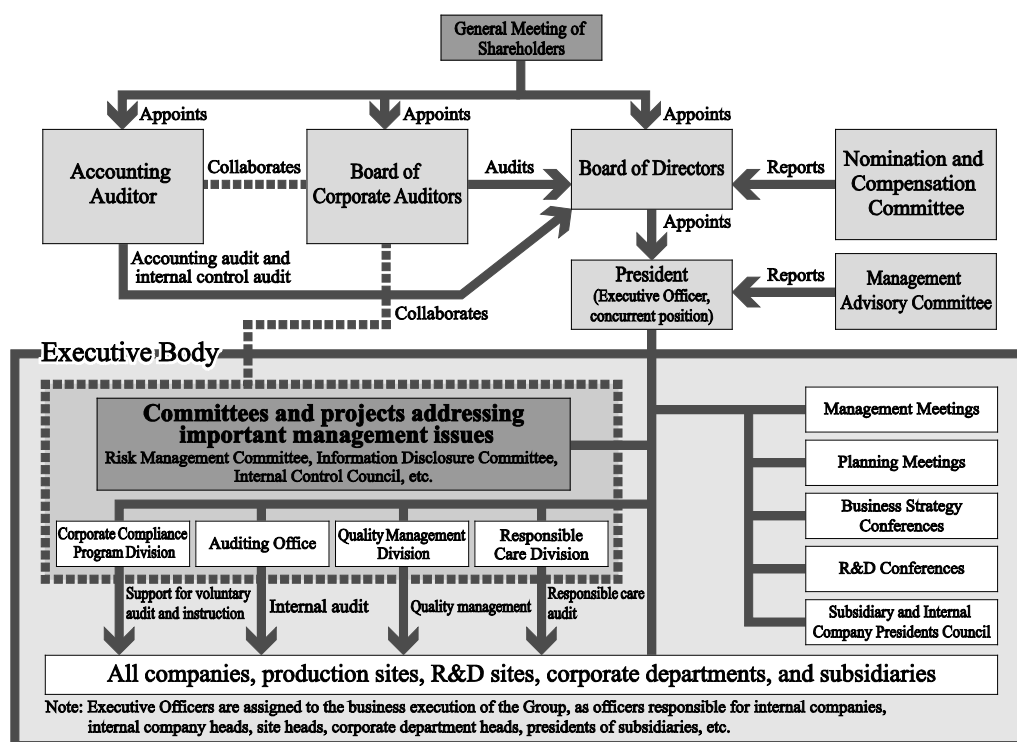
The Company has adopted a corporate auditor system. With regard to Directors, by welcoming External Directors and allowing them to provide opinions and advice based on their expertise, the Company has strengthened the appropriateness of the decisions made by its Board of Directors and the supervision of the execution of director duties. The Company has also adopted an executive officer system. The adoption of the executive officer system has enabled the Company to clearly separate its decision-making, supervisory and business execution functions. Such a clear division of roles has allowed us to bolster our business management structure and, consequently, corporate activities. In addition, the Company has adopted an internal company system. Through this system, the Company is promoting various initiatives with aims including strengthening collaboration among its production, sales and R&D functions, and improving productivity and strategic functions within its corporate departments.

The Board of Directors comprises eight (8) Directors, including three (3) External Directors. The three External Directors fulfill the Company's "Standards of Independence of Outside Officers," and are registered with the Tokyo Stock Exchange, Inc. as independent officers pursuant to the rules stipulated by the Exchange. In addition, in order to clarify Directors' management responsibilities by increasing opportunities for shareholders to appoint new Directors, and further enhance corporate governance, the term of office for Directors is set to one (1) year. Additionally, if Proposal 3 "Election of 8 Directors" is approved, the Board of Directors is scheduled to become a structure of eight (8) persons, including (4) External Directors; and as the four (4) External Directors satisfy the "Standards for Independence of Outside Officers," the Company plans to register all four of them as independent directors with Tokyo Stock Exchange, Inc.

There are five (5) Corporate Auditors, including three (3) External Corporate Auditors. The three External Corporate Auditors fulfill the Company's "Standards of Independence of Outside Officers," and are registered with the Tokyo Stock Exchange, Inc. as independent officers pursuant to the rules stipulated by the Exchange. The Company has established a "Nomination and Compensation Committee" chaired by an External Director and comprising External Directors, the Chairman of the Board of Directors and Representative Directors, as a body for the Chairman of the Board of Directors and Chairman of the Board of Corporate Auditors to consult with regarding the nomination and compensation of Directors, Corporate Auditors and Executive Officers. Furthermore, at present the Nomination and Compensation Committee comprises three (3) External Directors and two (2) Internal Directors (both Representative Directors).

At present, there are 23 Executive Officers (including four (4) who are concurrently Directors), and each Executive Officer is assigned to the business execution of the Group, as officers in charge of internal companies, internal company heads, site heads, corporate department heads, Presidents of Group companies, etc.

The below diagram shows the Company's corporate governance structure, including other bodies, etc.



3. Initiatives to prevent the decisions on financial and business policies of the Company being controlled by unsuitable persons in accordance with the basic policy

(1) Objective and necessity of the Policy

In accordance with the basic policy described in item 1. above, the Company believes that as a listed company, the purchase and sale of the Company's shares should be entrusted to the free determination of shareholders and investors in the market in principle, that whether or not to sell the Company's shares in response to a large-scale share purchase by specific persons should ultimately be entrusted to the determination of the Company's shareholders holding the Company's shares, and that large-scale purchases that contribute to the corporate value of the Company and shareholders' common interests should not be rejected.

On the other hand, we believe that in order for shareholders to appropriately assess whether or not to accept a large-scale purchase for the Company's shares, it is essential that appropriate and sufficient information is provided by the large-scale purchaser, in view of the sources of the corporate value of the Company as described above in item 2.-(1) and the characteristics of the Company's management, whereby corporate value is enhanced by, for example, utilizing synergies as a group. Specifically, we believe that factors such as the acquisition price presented by the large-scale purchaser for the Company's shares, the impact of the large-scale share purchase on the Company and the details of planned management policies and business plans in the event of participation in the management of the Company (including policies regarding relationships with the Company's customers, business partners, employees, and other stakeholders) are important for shareholders to take into account when considering the large-scale purchase.

Although there are certain rules regarding the provision of information by the large-scale purchaser in the Financial Instruments and Exchange Act, there is no requirement for the large-scale purchaser to provide information before a tender offer, or in the case of purchases in a market where tender offer rules are not applied, and even after the tender offer, there remains a possibility that sufficient information for shareholders to assess whether or not to continue holding the Company's shares will not be provided. In addition, even if the information is provided, if it is after the tender offer, there is a possibility that there may not be sufficient time for shareholders to consider the matter. As a result, under the legal system of Japan, it is difficult to ensure sufficient information for shareholders to make an appropriate assessment and time to consider it in the event of a large-scale purchase, and the Company believes there is a risk that shareholders may not be able to appropriately assess whether or not to accept the large-scale purchase for the Company's shares.

In view of these factors, the Board of Directors of the Company has reached the conclusion that,

in the event of a large-scale purchase, necessary and sufficient information regarding the large-scale purchase for shareholders to make an assessment should be provided by the large-scale purchaser in advance, and that sufficient consideration time must be ensured for shareholders to assess whether to accept the large-scale purchase of the Company's shares based on that information. After this information has been provided, the Board of Directors of the Company will promptly evaluate and consider the large-scale share purchase and carefully compile an opinion while receiving advice from third-parties independent of the Board of Directors of the Company (including financial advisers, certified public accountants, attorneys, consultants, and other specialists; hereinafter "External Experts etc."), and publicly disclose it at an appropriate time. Furthermore, if it is recognized as necessary, the Board of Directors will negotiate the improvement of the large-scale share purchaser's proposal, and present alternative proposals to the Company's shareholders as the Board of Directors of the Company. The Company believes that by going through these processes, the Company's shareholders will be able to consider the proposal of the large-scale share purchaser (or alternative proposals if any have been presented by the Board of Directors of the Company) while taking into account the opinion of the Board of Directors of the Company, and obtain an opportunity to make an appropriate decision about whether to ultimately accept or decline.

Based on the above views, the Board of Directors of the Company believes that large-scale share purchases being conducted in accordance with certain reasonable rules is consistent with the Company's shareholders' common interests, and has decided to establish certain rules relating to the advance provision of information ("Large-Scale Purchase Rules") in the Policy.

## (2) Content of Large-Scale Purchase Rules

### 1) Overview

In the event of a purchase of the Company's share certificates, etc. (Note 3) with an objective of a ratio of voting rights (Note 2) of 20% or more for the specified shareholder group (Note 1), or a purchase of the Company's share certificates, etc. for which the ratio of voting rights of the specified shareholder group will be 20% or more as a result (in either case, this excludes those which the Board of Directors of the Company has approved in advance, and also applies regardless of the specific purchase method, including market transactions and tender offers; hereinafter, such purchases are referred to as "large-scale purchases" and persons conducting a large-scale purchase as "large-scale purchasers"), the large-scale purchaser shall provide necessary and sufficient information to the Board of Directors of the Company in advance, and based on this the Board of Directors of the Company shall establish a period for evaluation and consideration etc. of the large-scale purchase ("Board of Directors' Evaluation Period").

In addition, when assessing whether or not to activate countermeasures against the large-scale purchase, in order to respect the will of shareholders ("shareholder will"), the Company will confirm shareholder will after the Board of Directors' Evaluation Period in principle, by votes in writing, a General Meeting held in accordance with the General Meeting of Shareholders ("General Meeting to Confirm Shareholder Will") or other methods, and the Board of Directors of the Company will decide whether or not to activate countermeasures based on the result. However, in the event that the large-scale purchaser does not comply with the Large-Scale Purchase Rules, or meets any of the items a. to e. listed under item (3)-2) below, and it is judged that the corporate value of the Company or shareholders' common interests will be significantly harmed as a result, the Board of Directors of the Company may activate countermeasures without confirming shareholder will while respecting the advice of the Independent Committee to the maximum extent possible, in order to protect the corporate value of the Company and shareholders' common interests.

The large-scale purchaser shall initiate the large-scale purchase after the completion of the Board of Directors' Evaluation Period or after the confirmation of shareholder will in cases when it is confirmed.

### 2) Specific rules

#### (i) Provision of information by the large-scale purchaser

First, the large-scale purchaser shall provide in writing to the Board of Directors of the Company the necessary and sufficient information for the assessment of the Company's shareholders and the opinion forming of the Board of Directors of the Company ("the Required Information"). The items are as follows.

- a. Overview of the large-scale purchaser and their group (joint holders, specially related parties, and (in the case of funds) members and other constituent members) (including the specific name of the large-scale purchaser and their group, scope of business, capital structure,



financial details, and information relating to experience etc. with businesses in the same industry as those of the Company and the Group)

- b. All marketable securities issued by the Company that are held by the large-scale purchaser, and the status of all transactions relating to the Company's marketable securities conducted by the large-scale purchaser in the past 60 days (including the nature of transactions, price, trade location, method, and trading partners), and all contracts and agreements signed by the large-scale purchaser relating to the Company's marketable securities (including those conducted verbally, and regardless of the possibility of fulfillment)
- c. Objectives, methods, and details of the large-scale purchase (including the price and type of large-scale purchase, the timing of the large-scale purchase, structure of related transactions, legality of the method of large-scale purchase, feasibility of the large-scale purchase and related transactions, and reasons why the Company's share certificates, etc. will be delisted following the completion of the acquisition, in cases when such delisting is expected)
- d. Whether there has been communication of intent between third parties on the occasion of the large-scale purchase (including communications of intent relating to performing a Material Proposal toward the Company, as defined in the Financial Instruments and Exchange Act, Article 27-26, Paragraph 1; the same shall apply hereinafter), and on cases where there exists a communication of intent, its specific method and contents
- e. Calculation basis for the acquisition price of the Company's share certificates, etc. (including facts that form the basis of the calculation, calculation method, quantitative data used for the calculation, and the content of synergies expected to arise from transactions related to the large-scale purchase)
- f. Backing for acquisition funds (including the specific names of providers of funds (including de facto providers), method of raising funds, and details of related transactions)
- g. Type of intended participation in the Company after the large-scale purchase (this shall have a level of concreteness such that the Company's shareholders and Board of Directors etc. can make an appropriate evaluation, and includes management candidates (including information relating to experience etc. in businesses similar to those of the Company and the Group), management policy, business plans, financial plans, capital policy, dividend policy, and asset utilization policy)
- h. Whether or not there are any changes planned after the large-scale purchase is completed with regard to relationships between customers of the Company and the Group, business partners, employees, and other stakeholders and the Company and the Group, and their contents
- i. Other information reasonably judged to be necessary by the Board of Directors of the Company

If a large-scale purchaser attempts to conduct a large-scale purchase, the large-scale purchaser shall first submit to the Representative Director of the Company a statement of intent to the effect that they will comply with the Large-Scale Purchase Rules, which shall clarify the name, address or head office location, name of representative, contact details within Japan, and jurisdiction of incorporation (in the case of a foreign corporation) of the large-scale purchaser and overview of the proposed large-scale purchase, and the Representative Director of the Company shall issue to the large-scale purchaser a list of the Required Information that the large-scale purchaser should initially provide within ten (10) business days of receiving the statement of intent. Furthermore, if as a result of examining the information initially provided, it is recognized that it is insufficient, the Board of Directors of the Company shall request that the large-scale purchaser provide additional information in writing until the Required Information is compiled. If deemed necessary for the assessment by the Company's shareholders, the Board of Directors of the Company will disclose the fact that there was a proposal for a large-scale purchase and the Required Information provided to the Board of Directors of the Company, in full or in part at a time judged to be appropriate.

(ii) Evaluation and consideration by the Board of Directors of the Company

Next, after the large-scale purchaser has completed the provision of the Required Information in writing to the Board of Directors of the Company, the Board of Directors of the Company shall be given a period of 60 days (for purchases of all of the Company's shares by tender offer where the price is only in cash (yen)) or 90 days (for other large-scale purchases), as the Board of Directors' Evaluation Period, a period for the Board of Directors to evaluate, analyze, consider, negotiate, form an opinion, and create an alternative proposal, with the objective of providing information to the Company's shareholders etc. During the Board of

Directors' Evaluation Period, the Board of Directors of the Company shall sufficiently evaluate and analyze the Required Information provided, while receiving advice from External Experts etc.

The Board of Directors of the Company will establish an Independent Committee as a body to ensure the Large-Scale Purchase Rules are appropriately implemented and prevent arbitrary judgments by the Board of Directors. The Independent Committee shall have three (3) or more members, and in order to make fair and neutral judgment possible, they shall be elected from among External Directors of the Company, External Corporate Auditors of the Company, and external experts who are independent of the management team which executes the business of the Company. Furthermore, the names of the five (5) members of the Independent Committee elected by the Board of Directors of the Company and their past experience are as described in Attachment 1. During the Board of Directors' Evaluation Period, the Board of Directors of the Company will provide the Required Information and the results of their evaluation and analysis of the Required Information to the Independent Committee. The Independent Committee will consider the results of the evaluation and analysis of the Board of Directors and the opinions of External Experts etc., and also obtain and consider information etc. recognized as necessary for assessment of their own accord, and make an assessment and provide a recommendation to the Board of Directors regarding: 1) whether or not the Large-Scale Purchase Rules are being complied with, 2) whether or not to activate countermeasures, and 3) other matters necessary for protecting the corporate value of the Company and shareholders' common interests.

The Board of Directors of the Company, will carefully compile an opinion as the Board of Directors of the Company and publicly disclose it, while respecting the recommendation of the Independent Committee to the maximum extent possible. In addition, as necessary, the Board of Directors may also negotiate improvements in terms relating to the large-scale purchase with the large-scale purchaser, and present alternative proposals to the Company's shareholders as the Board of Directors of the Company.

(3) Response to large-scale purchases

1) When the large-scale purchaser does not comply with the Large-Scale Purchase Rules

Regardless of the specific purchase method, if the Large-Scale Purchase Rules are not complied with by the large-scale purchaser, the Board of Directors of the Company will take countermeasures and oppose the large-scale purchase in principle, with the objective of protecting the corporate value of the Company and shareholders' common interests. Furthermore, when assessing whether or not to activate countermeasures, the Board of Directors of the Company will respect the recommendation of the Independent Committee to the maximum extent possible. In the event that the Independent Committee has recommended to confirm shareholder will, the Company shall respect the recommendation to the maximum extent possible and may confirm shareholder will by votes in writing, holding a General Meeting to Confirm Shareholder Will, or other methods, either before or after the activation of countermeasures.

2) When the large-scale purchaser complies with the Large-Scale Purchase Rules

If the large-scale purchaser complies with the Large-Scale Purchase Rules, in principle, the Company will confirm shareholder will regarding whether to activate countermeasures against the large-scale purchase by the large-scale purchaser by votes in writing, holding a General Meeting to Confirm Shareholder Will, or other methods. Following confirmation of shareholder will, the Board of Directors of the Company will decide whether or not to activate countermeasures against the large-scale purchase in accordance with the judgment of shareholders.

However, even if the Board of Directors of the Company is opposed to the large-scale purchase, they will just express their opinion opposing the purchase proposal, present an alternative proposal, and present an explanation to the Company's shareholders etc., and will not take countermeasures against the large-scale purchase in principle, if they judge that it is appropriate to entrust the decision of whether or not to accept the large-scale purchaser's purchase proposal to the judgment of individual shareholders.

In addition, even if the Large-Scale Purchase Rules have been complied with, if the large-scale purchase meets any of the conditions listed under items a. to e. below and as a result it is judged that it will significantly harm the corporate value of the Company or shareholders' common interests, the Board of Directors of the Company may activate countermeasures against the large-scale purchase without confirming shareholder will, with the objective of protecting the

corporate value of the Company and shareholders' common interests, while respecting the recommendation of the Independent Committee to the maximum extent possible.

- a. Cases when it is judged that the objective is to increase the share price and make the Company or parties related to the Company purchase shares at a high price, despite there being no intention to truly participate in the management of the Company
- b. Cases when it is judged that the objective is to take temporary control of the management of the Company and transfer etc. to the large-scale purchaser, their group companies or other parties intellectual property, expertise, confidential corporate information, main business partners and customers etc. that are necessary for the management of the businesses of the Company or companies in the Group.
- c. Cases when it is judged that the objective is to use the assets of the Company or companies in the Group as collateral or repayment funds for the debt of the large-scale purchaser, their group companies or other parties, after taking control of the management of the Company
- d. Cases when it is judged that the objective is to take temporary control of the management of the Company, force the sale etc. of highly valued assets etc. that are not immediately related to the businesses of the Company or companies in the Group, such as real estate or marketable securities, and use profits from the sale to force a one-time high dividend, or alternatively to take advantage of the increase in share price caused by the one-time high dividend to sell shares at a high price
- e. Cases of purchases that may effectively force the Company's shareholders to sell shares in the Company, such as tender offers etc. where there is no offer to purchase all shares in the initial purchase, and the second-stage purchase terms are set unfavorably, or not made clear.

### 3) Specific content of countermeasures

As described in items 1) and 2), the Company may take countermeasures according to the judgment of shareholders based on the confirmation of shareholder will, while also respecting the recommendation of the Independent Committee to the maximum extent possible.

Regarding which specific methods to adopt as countermeasures, the Board of Directors of the Company will select the method that they judge to be the most appropriate under the Companies Act and other laws and regulations and the Articles of Incorporation of the Company, such as requesting that the large-scale purchaser cancel the large-scale purchase based on the confirmation of shareholder will, or the issuance of stock acquisition rights. An overview of cases of the issuance of stock acquisition rights by gratis allotment to shareholders as a specific countermeasure is described in Attachment 2, but the Company will determine the exercise period, exercise terms, and other factors in consideration of the status at the time, etc.

### 4) Countermeasure activation suspension

The Company may suspend or change etc. the activation of countermeasures if, after the Board of Directors of the Company has decided to adopt specific countermeasures against the large-scale purchase, the Board of Directors of the Company judges that the activation of countermeasures is not appropriate, such as cases when a change in status or a clear change in the details of the large-scale purchase is visible. Furthermore, when making such a judgment, the Board of Directors of the Company may consult the Independent Committee and request opinions from External Experts etc.

Conversely, the Board of Directors of the Company can request another recommendation from the Independent Committee regarding the large-scale purchase if, after the Board of Directors of the Company has decided not to activate countermeasures against the large-scale purchase, it is judged that the large-scale purchase will significantly harm the corporate value of the Company or shareholders' common interests with clear and specific grounds.

## (4) Impact on shareholders and investors

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

The objective of the Large-Scale Purchase Rules is to guarantee the provision of the information necessary for the Company's shareholders to assess whether to activate countermeasures against the large-scale purchase and whether to accept the large-scale purchase, and also to guarantee an opportunity for the Board of Directors of the Company, which are actually responsible for the management of the Company, to provide their opinion, and furthermore to present an alternative proposal to the Company's shareholders as necessary. As a result, it will be possible for the Company's shareholders to make an appropriate assessment

based on sufficient information.

Therefore, the Company believes that the establishment of the Large-Scale Purchase Rules is a precondition for the Company's shareholders and investors to make appropriate investment decisions, and will contribute to the interests of the Company's shareholders and investors.

Furthermore, as mentioned in (3) above, the response of the Company to the large-scale purchase will differ depending on whether or not the large-scale purchaser complies with the Large-Scale Purchase Rules, so the Company's shareholders and investors are asked to be aware of the behavior of the large-scale purchaser and the response of the Company.

#### 2) Impact etc. on shareholders and investors when countermeasures are activated

The Board of Directors of the Company may take countermeasures under the Companies Act and other laws and regulations and the Articles of Incorporation of the Company, with the objective of protecting the corporate value of the Company and shareholders' common interests, but because of the structure of the countermeasures, the Company does not expect the occurrence of any event that would cause the Company's shareholders (excluding large-scale purchasers that violate the Large-Scale Purchase Rules and large-scale purchasers that conduct large-scale purchases that are judged to significantly harm the corporate value of the Company or shareholders' common interests, such as those recognized to meet any of the items a. to e. described in (3)-2) above) to suffer any particular loss in terms of their legal rights or from an economic perspective. In cases when the Board of Directors of the Company has decided to take specific countermeasures, the Company will make timely, appropriate disclosure in accordance with laws and regulations and the regulations of stock exchanges.

Furthermore, among items that may be considered as countermeasures, with regard to procedures for the Company's shareholders when stock acquisition rights are issued, it is necessary to pay a certain amount of money within the specified period in order to obtain new shares from the exercise of stock acquisition rights. The Company will separately announce the details of the terms, including these procedures, if actually issuing stock acquisition rights, based on laws and regulations. Furthermore, if shareholders that have obtained stock acquisition rights do not exercise those rights, they may suffer the disadvantage of dilution as a result.

In addition, in cases when, after determining the shareholders that should receive a gratis allotment of stock acquisition rights, the Company cancels the gratis allotment of stock acquisition rights or acquires gratis the stock acquisition rights that were allotted gratis, there is a possibility that investors that made transactions based on the assumption that a dilution in the value of each share would occur may suffer considerable losses owing to fluctuations in the share price.

#### (5) Effective period of the Policy etc.

The effective period of the Policy will be until the conclusion of the Annual General Meeting of Shareholders of the Company for the 154th fiscal year, which is scheduled to be held in June 2020.

Furthermore, even during the effective period of the Policy, in the event that a resolution is passed canceling the Policy at a General Meeting of Shareholders of the Company, the Policy shall be canceled in accordance with the resolution. In addition, the Board of Directors of the Company may in future amend, cancel or introduce new countermeasures etc. as necessary, in view of amendments to laws and regulations, trends among judicial rulings, and other factors, with the objective of enhancing the corporate value of the Company and protecting shareholders' common interests. In such cases, the Company will promptly announce the content of such changes (Note 4).

#### 4. Rationality of the Policy

##### (1) Satisfies the requirements of the Guidelines Regarding Takeover Defense

The Policy satisfies all three (3) principles of 1) the principle of protecting and enhancing corporate value and the interests of shareholders as a whole, 2) the principle of prior disclosure and shareholder will, and 3) the principle of ensuring the necessity and reasonableness) determined in the "Guidelines Regarding Takeover Defense for the Purpose of Protection and Enhancement of Corporate Value and Shareholders' Common Interests," announced by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005. In addition, the Policy also considers discussions etc. relating to the "Takeover Defense Measures in Light of Recent Environmental Changes" announced on June 30, 2008 by the Corporate Value Study Group.

##### (2) Introduced etc. with the objective of protecting the corporate value of the Company and

shareholders' common interests

Based on the basic policy, the Policy has been introduced with the object of protecting the corporate value of the Company and shareholders' common interests, by securing the necessary information and time for shareholders to appropriately assess whether or not to accept a large-scale purchase in the event of such a large-scale purchase of the Company's share certificates, etc., and for the Board of Directors of the Company to present an alternative proposal, and in addition to make it possible to conduct negotiations etc. with the large-scale purchaser for shareholders.

(3) Prioritizing shareholder will

The Policy will be continued subject to the approval of shareholders at this Annual General Meeting of Shareholders. In addition, the Board of Directors of the Company will confirm shareholder will regarding whether or not to activate countermeasures in principle, excluding cases where the large-scale purchaser does not comply with the Large-Scale Purchase Rules or meets any of the items a. to e. listed above under item 3.-(3)-2) and as a result is judged to significantly harm the corporate value of the Company or shareholders' common interests.

Furthermore, shareholders' intentions will be reflected as the Policy will be canceled if a resolution to cancel the Policy is passed at a General Meeting of Shareholders, even prior to the conclusion of the effective period.

(4) Prioritizing the judgment of highly independent external parties

The Company will establish an Independent Committee composed of three (3) or more members that are External Directors, External Corporate Auditors, or external experts who are independent of the management, which executes business duties, as a body to prevent arbitrary judgments by the Board of Directors. The Independent Committee will assess whether or not the Large-Scale Purchase Rules are being complied with, whether or not to activate countermeasures, and other matters necessary to protect the corporate value of the Company and shareholders' common interests, and issue recommendations to the Board of Directors. The Board of Directors of the Company will respect their recommendations to the maximum extent possible and make a resolution as a body defined in the Companies Act.

(5) Establishment of reasonable and objective activation requirements

The Policy is established such that countermeasures against a large-scale purchase will not be activated unless reasonable and objective requirements are satisfied, and it may be said that a mechanism is ensured to prevent arbitrary activation by the Board of Directors of the Company.

(6) Access to the opinions of External Experts etc.

It is a system that strongly guarantees the fairness and objectivity of the judgment of the Independent Committee, as the Independent Committee can obtain the advice of External Experts etc. of their own accord, at the expense of the Company.

(7) Not dead-hand or slow-hand takeover defense measures

The Policy can be canceled by the Board of Directors, which is composed of Directors elected at the General Meeting of Shareholders of the Company, and is not a dead-hand takeover defense measure (takeover defense measures whose activation cannot be prevented even if a majority of the members of the Board of Directors are replaced). In addition, the term of office of Directors of the Company is one (1) year, and so the Policy is not a slow-hand takeover defense measure (takeover defense measures that require time for the prevention of their activation as all members of the Board of Directors cannot be replaced at once).

(Note 1) The specified shareholder group refers to (i) holders (this refers to holders as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act, and includes holders based on Paragraph 3 of the same Act) of the Company's share certificates, etc. (this refers to share certificates, etc. as defined in Article 27-23, Paragraph 1 of the same Act) and joint holders (this refers to joint holders as defined in Article 27-23, Paragraph 5 of the same Act, and includes persons deemed to be joint holders based on Paragraph 6 of the same Act) of such holders; or (ii) persons that conduct a purchase, etc. (this refers to purchases, etc. as defined in Article 27-2, Paragraph 1 of the same Act, and includes those conducted on exchange securities markets) of the Company's share certificates, etc. (this refers to share certificates, etc. as defined in Article 27-2, Paragraph 1 of the same Act)

and specially related parties (this refers to specially related parties as defined in Article 27-2, Paragraph 7 of the same Act) of such persons.

- (Note 2) Depending on the specific purchase method of the specified shareholder group, the ownership ratio of share certificates, etc. refers to either (i) in cases when the specified shareholder group is the holder of the Company's share certificates, etc. (this refers to share certificates, etc. as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act) and the joint holders of such holder, the ownership ratio of share certificates, etc. (this refers to the ownership ratio of share certificates, etc. as defined in Article 27-23, Paragraph 4 of the same Act; in this case, the number of share certificates, etc. held by joint holders of the holder as defined in the same paragraph is also considered in the calculation) of the holder; or alternatively, (ii) in cases when the specified shareholder group is the large-scale purchaser of the Company's share certificates, etc. (this refers to share certificates, etc. as defined in Article 27-2, Paragraph 1 of the same Act) and the specially related party, the total ownership ratio of share certificates, etc. (this refers to the ownership ratio of share certificates, etc. as defined in Article 27-2, Paragraph 8 of the same Act) of the large-scale purchaser and specially related parties of such large-scale purchaser. When calculating each ownership ratio of share certificates, etc., the most recently submitted Securities Report, Quarterly Report, or Report on Repurchases can be referred to for the total number of voting rights (as defined in Article 27-2, Paragraph 8 of the same Act) or issued shares (as defined in Article 27-23, Paragraph 4 of the same Act).
- (Note 3) Share certificates, etc. refers to share certificates, etc. as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act or Article 27-2, Paragraph 1 of the same Act, as the case may be).
- (Note 4) The provisions of the law quoted in the Policy are based on the provisions implemented as of May 10, 2017, and in the event that, at a later date, there are amendments to the law (including changes to the names of laws and the establishment of new laws that succeed old laws) and those amendments are implemented, all articles and paragraphs of the law quoted in the Policy will be replaced with the relevant articles and paragraphs in the laws that effectively succeed the articles and paragraphs in the law after the amendments, excluding cases decided separately by the Board of Directors of the Company.

Attachment 1 (Names and Past Experience of the Members of the Independent Committee)

Tadao Kondo

[Past experience]

(April 12, 1944)

June 2004	Representative Member of the Board, Vice President of NIPPON SHOKUBAI CO., LTD.
April 2005	Representative Member of the Board, President of NIPPON SHOKUBAI CO., LTD.
April 2011	Representative Member of the Board, Chairman of NIPPON SHOKUBAI CO., LTD.
June 2011	Member of the Board, Chairman of NIPPON SHOKUBAI CO., LTD.
June 2012	Councilor of NIPPON SHOKUBAI CO., LTD. (current position)
June 2013	Director of the Company (current position)

Mr. Tadao Kondo is an External Director as specified in Article 2, item (xv) of the Companies Act. In addition, Mr. Tadao Kondo fulfills the Company's "Standards of Independence of Outside Officers," and the Company has registered him with the Tokyo Stock Exchange, Inc. as an independent officer pursuant to the rules stipulated by the Exchange. Please refer to the last portion of the Reference Documents for details of the Company's "Standards for Independence of External Directors/External Corporate Auditors"

Furthermore, there are no special interests between Mr. Tadao Kondo and the Company.

Toshio Takano

[Past experience]

(April 18, 1943)

April 1968	Public prosecutor of Sapporo District Public Prosecutor Office
July 1995	Chief public prosecutor of Kofu District Public Prosecutors Office
November 2000	Chief public prosecutor of Tokyo District Public Prosecutors Office
November 2001	Superintendent public prosecutor of Sendai High Public Prosecutors Office
January 2004	Superintendent public prosecutor of Nagoya High Public Prosecutors Office
April 2005	Registered as lawyer (Daiichi Tokyo Bar Association, currently in practice)
February 2006	Established Takano Law Firm
June 2012	Corporate Auditor of the Company (current position)

Mr. Toshio Takano is an External Corporate Auditor as specified in Article 2, item (xvi) of the Companies Act. In addition, Mr. Toshio Takano fulfills the Company's "Standards of Independence of Outside Officers," and the Company has registered him with the Tokyo Stock Exchange, Inc. as an independent officer pursuant to the rules stipulated by the Exchange. Please refer to the last portion of the Reference Documents for details of the Company's "Standards for Independence of External Directors/External Corporate Auditors"

Furthermore, there are no advisory contracts nor special interests between Mr. Toshio Takano and the Company.

Ryo Ichida  
[Past experience]  
(April 2, 1952)

- November 1981 Entered Kyoto office of Tetsuzo Ota & Co. (currently, Ernst & Young ShinNihon LLC)
- March 1985 Registered as Certified Public Accountant (currently in practice)
- July 2002 Representative partner (currently, Senior Partner) of Showa Ota & Co. (currently, Ernst & Young ShinNihon LLC)
- September 2007 Nishi-Nihon Block Managing Partner and Osaka Office Managing Partner of Ernst & Young ShinNihon LLC
- July 2013 Established Ryo Ichida Certified Public Accountant Office
- June 2014 Corporate Auditor of the Company (current position)

Mr. Ryo Ichida is an External Corporate Auditor as specified in Article 2, item (xvi) of the Companies Act. In addition, Mr. Ryo Ichida fulfills the Company's "Standards of Independence of Outside Officers," and the Company has registered him with the Tokyo Stock Exchange, Inc. as an independent officer pursuant to the rules stipulated by the Exchange. Please refer to the last portion of the Reference Documents for details of the Company's "Standards for Independence of External Directors/External Corporate Auditors"

Furthermore, there are no advisory contracts nor special interests between Mr. Ryo Ichida and the Company.

Chiyoko Shimozaki  
[Past experience]  
(November 30, 1954)

- October 1983 Associate Professor of The Junior College of Business Administration, Toyama University
- April 1992 Professor at Faculty of Management, School of Economics, Nara Sangyo University
- April 1999 Professor at Department of Management, School of Commerce and Economics, Kobe University of Commerce
- April 2004 Professor at Institute for Economics and Management (currently Institute for Policy Analysis and Social Innovation), The University of Hyogo
- October 2004 Professor at Human Resource Management, Graduate School of Business, Osaka City University (currently in practice)
- June 2015 Director of the Company (current position)

Ms. Chiyoko Shimozaki is an External Director as specified in Article 2, item (xv) of the Companies Act. In addition, Ms. Chiyoko Shimozaki fulfills the Company's "Standards of Independence of Outside Officers," and the Company has registered her with the Tokyo Stock Exchange, Inc. as an independent officer pursuant to the rules stipulated by the Exchange. Please refer to the last portion of the Reference Documents for details of the Company's "Standards for Independence of External Directors/External Corporate Auditors"

Furthermore, there are no special interests between Ms. Chiyoko Shimozaki and the Company.

Masafumi Nogimori  
[Past experience]  
(December 21, 1947)

- April 2005 Executive Vice President and Representative Director of Astellas Pharma Inc.
- June 2006 President & CEO and Representative Director of Astellas Pharma Inc.
- June 2011 Chairman and Representative Director of Astellas Pharma Inc.
- June 2017 Scheduled for appointment as External Director of the Company

Mr. Masafumi Nogimori is scheduled to be elected External Director as specified in Article 2, item (xv) of the Companies Act. In addition, Mr. Masafumi Nogimori fulfills the Company's "Standards of Independence of Outside Officers," and the Company plans to register him with the Tokyo Stock Exchange, Inc. as an independent officer pursuant to the rules stipulated by the Exchange. Please refer to the last portion of the Reference Documents for details of the Company's "Standards for Independence of External Directors/External Corporate Auditors"

Furthermore, there are no special interests between Mr. Masafumi Nogimori and the Company.



## Stock Acquisition Rights Overview

### 1. Shareholders eligible for the granting of stock acquisition rights and terms of issuance

The Company shall allot stock acquisition rights at a ratio of one (1) per share of common stock of the Company held (however, this excludes common stock of the Company held by the Company) without permitting new payments, to shareholders listed in the final Register of Shareholders on the record date determined by the Board of Directors of the Company.

### 2. Type and number of shares to be acquired upon exercise of the stock acquisition rights

The type of shares to be acquired upon exercise of the stock acquisition rights shall be common stock of the Company, and the maximum total number of shares to be acquired upon exercise of the stock acquisition rights shall be the total number of authorized shares in the Company on the day determined as the record date by the Board of Directors of the Company minus the total number of issued shares of common stock of the Company (excluding common stock of the Company held by the Company). The number of shares to be acquired upon exercise of each stock acquisition right will be a number determined separately by the Board of Directors of the Company, up to a maximum of one (1); provided, however, that such number shall be adjusted to the extent necessary if the Company makes a stock split or a stock consolidation.

### 3. Total number of stock acquisition rights to be issued

The total number of stock acquisition rights to be issued will be a number determined separately by the Board of Directors of the Company. The Board of Directors of the Company may allot stock acquisition rights over multiple occasions.

### 4. Amount of property to be contributed upon the exercise of each stock acquisition right (amount to be paid)

The amount of property to be contributed (amount to be paid) upon the exercise of each stock acquisition right will be an amount determined by the Board of Directors of the Company that is one (1) yen or more.

### 5. Stock acquisition right exercise terms

The Company shall stipulate exercise terms such as not being a person belonging to a specified shareholder group with a ratio of voting rights of 20% or more (however, this excludes persons that have obtained the prior approval of the Board of Directors of the Company). The Board of Directors of the Company shall separately determine the details.

### 6. Stock acquisition rights exercise period etc.

The Board of Directors of the Company shall separately determine the day that the allotment of stock acquisition rights comes into effect, the exercise period, call-rights, and other necessary matters. Furthermore, with regard to call-rights, the Company may specify provisions to the effect that the Company may repurchase stock acquisition rights held by persons other than those not permitted to exercise stock acquisition rights under the exercise terms described in 5. above, and, in exchange, deliver one (1) share per stock acquisition right.

## Reference

## Status of Major Shareholders (Top 10) (as of March 31, 2017)

Name of shareholder	Number of shares owned (thousands of shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	24,987	7.21
The Master Trust Bank of Japan, Ltd. (Trust Account)	21,031	6.07
Nippon Life Insurance Company	17,402	5.02
FUJIFILM Holdings Corporation	17,271	4.98
Toyota Motor Corporation	15,000	4.33
Sumitomo Mitsui Banking Corporation	7,096	2.04
Japan Trustee Services Bank, Ltd. (Trust Account 9)	6,886	1.98
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,503	1.87
National Mutual Insurance Federation of Agricultural Cooperatives	5,459	1.57
Daicel Trading-Partner Shareholder Association	5,422	1.56
Total	127,060	36.70

(Notes)

1. The number of shares owned is rounded down to the nearest thousand shares.
2. The shareholding ratio is calculated after deducting treasury stock, and is rounded down after two decimal places.

[For reference] Standards for Independence of External Directors/External Corporate Auditors

The independence of External Directors/External Corporate Auditors of the Company refers to such a person being independent from the Company's management without falling under any of the following:

1. A person executing the business, etc. ("Executing Person") of the Company (\*1) and its affiliates (hereinafter, "the Group") and their relatives, etc. (\*2);
2. A party for which the Group is a principal business partner (\*3) or an Executing Person thereof;
3. A principal business partner of the Group (\*4) or an Executing Person thereof;
4. A major shareholder of the Company (\*5) or an Executing Person thereof;
5. A director and other Executing Person of an organization (\*6) that has received a certain amount or more of donations or subsidies from the Group;
6. A consultant, certified public accountant or other accounting professional, or lawyer or other legal professional who has received a substantial amount of monetary compensation or other consideration other than director/corporate auditor compensation from the Group (\*7) (if the party receiving such consideration is a corporation, association or other entity, a person belonging to the said entity or a person who has belonged to the said entity in the past three years).

(\*1) An Executing Person refers to those who conduct business operations or conducted business operations within the past three years, including directors (excluding external directors), executive officers and employees.

(\*2) Relatives refer to relatives within the second degree of kinship of those who conduct important business operations, including directors (excluding external directors), executive officers and division managers.

(\*3) A party for which the Group is a principal business partner refers to a business partner group (which means entities that belong to the consolidated group to which the direct business partner belongs; the same shall apply hereinafter) that supplies products and services to the Group, where the business partner group's trading amount with the Group exceeds 2% of the consolidated sales of the business partner group in the any of the recent past three fiscal year.

(\*4) A principal business partner of the Group refers to those who fall under either of the following:

- (1) A business partner group to whom the Group supplies products and services, where the Group's trading amount with such group exceeds 2% of the Group's consolidated sales in the any of the recent past three fiscal year.
- (2) A financial institution group (which means entities that belong to the consolidated group to which the direct lender belongs) from which the Group has borrowed funds, where the total amount of the Group's borrowings from the financial institution group exceeds 2% of the Group's consolidated total assets at the end of the any of the recent past three fiscal year.

(\*5) A major shareholder of the Company refers to those who directly or indirectly hold voting interests of 10% or more.

(\*6) An organization that has received a certain amount or more of donations or subsidies from the Group refers to public interest incorporated foundations, public interest incorporated associations, non-profit organizations, etc. which receive donations or subsidies of over 10 million yen per year within any of the past three years from the Group.

(\*7) A consultant, certified public accountant or other accounting professional, or lawyer or other legal professional who has received a substantial amount of monetary compensation or other consideration other than director/corporate auditor compensation from the Group refers to those who received such consideration other than director/ corporate auditor compensation of over 10 million yen from the Group in any of the recent past three fiscal year or those who belong to an entity which receives such consideration from the Group in amount exceeding 2% of the said entity's consolidated sales or gross income.