

This is an English translation of the “Basic Rule” toward Large-Scale Purchases of the Company shares, prepared by the Company for the convenience of non-Japanese speaking parties. Any interested parties must realize that the original of which is based on the Japanese language only, and carefully review the original “Basic Rule” prior to any planned actions by those parties. The Company does not guarantee or secure the accuracy and completeness of the English translation.

May 18, 2007

## **NIHON KOHDEN CORPORATION (6849)**

Stock Exchange Listing: 1st section Tokyo Stock Exchange

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### **Introduction of Policy toward Large-Scale Purchases of NIHON KOHDEN CORPORATION Shares (Anti-Takeover Measures)**

For the purpose of protecting and increasing corporate value and common interests of its shareholders, the Company announced that its Board of Directors (hereinafter referred to as the “Board of Directors”) decided, at the Board of Directors Meeting held on May 18, 2007, to introduce a basic rule (hereinafter referred to as the “Basic Rule”), subject to approval at the 56<sup>th</sup> general shareholders’ meeting held on June 28, 2007 (hereinafter referred to as the “General Shareholders’ Meeting”), regarding purchases of the Company’s share certificates or other securities <sup>(\*)2</sup> by a group of shareholders <sup>(\*)1</sup> with an intent to obtain 20% or more of the total voting rights of the Company, or purchases of the Company’s share certificates or other securities that will result in the acquisition by a group of shareholders of a 20%-or-greater share of voting rights <sup>(\*)3</sup> of the Company (regardless of the specific method used to make the purchase, including but not limited to market transactions and tender offers, with the exception of cases where the Board of Directors has given consent in advance of the purchase). (A purchase of the Company’s share certificates or other securities as described above shall be hereinafter referred to as a “Large-Scale Purchase.”)

Currently the Board of Directors is not received any proposal regarding Large-Scale Purchases of the Company’s share certificates or other securities by specific third parties. For your information, the major shareholders of the Company as of March 31, 2007 are shown in Attachment (4).

(\*1) A group of shareholders means (i) a holder of shares and other securities (including a person deemed as a holder pursuant to Paragraph 3, Article 27-23 of the Securities and Exchange Law) and a joint holder thereof (defined in Paragraph 5, Article 27-23 of the Securities and Exchange Law, including a person deemed as a joint holder pursuant to Paragraph 6 thereof) or (ii) a person or a company who makes a purchase (defined in Paragraph 1, Article 27-2 of the Securities and Exchange Law, including a purchase made on a securities exchange market) of shares and other securities of the Company and any specially related parties (defined in Paragraph 7, Article 27-2 of the Securities and Exchange Law).

(\*2) Share certificates or other securities shall mean as defined in Paragraph 1, Article 27-23 of the Securities and Exchange Law.

(\*3) “Shares of voting rights” refer to (i) the shareholding ratio of the holder as defined in paragraph 4, Article 27-23 of the Securities and Exchange Law, taking into account the number of shares held by any joint holders as defined in the said paragraph, when the “group of shareholders” is as defined in note 1 (i), and (ii) the sum of the shareholding ratio of the purchaser and any specially related parties.

## **I. Measures for the Enhancement of Corporate Value of the Company and the Common Interests of the Shareholders**

### **1. Management Policy**

Founded in 1951 under the vision of "Fighting Disease With Electronics," Nihon Kohden has supplied medical institutions with various medical devices across the globe as one of the top medical electronic equipment manufacturers. Responding to the social changes such as aging society and structure of disease, etc., the Company is taking an even greater part not only in clinical care but also in the business of emergency medical care, home medical care, home nursing care and health enhancement.

With the Company's corporate philosophy of "Fighting disease and enhancing health by advanced technology in order to contribute to the world as well as creating affluent life of employees", the Company aims at achieving sustained growth and at establishing reliance as a company highly evaluated by the customers, shareholders, clients and the society in all aspects including products, service, technology, financial strength, quality of employees, etc.

Based on the corporate philosophy described above, the Company established 3-year mid-term business plan (FY2007 to FY 2009). In the previous mid-term plan (FY 2004 to FY 2006), the Company actively implemented various measures to increase corporate value under the theme of "Establishing high-profit structure achieved by strengthening management structure and management base". In the domestic market, the Company emphasized development of products with high market demand, such as system network products that support hospitals in introducing IT to their operations, in order to respond to medical system reform. At the same time, the Company worked to increase share in the acute hospital market and promoted dissemination of AED (automatic external defibrillator) in the emerging market of PAD (public access defibrillation). In the overseas market, the Company established a three axis organization based on the Americas, Europe and Asia. As a result, the Company could mark higher than original targeted consolidated sales, consolidated ordinary profit and ratio of overseas sales in FY2006, the final year of the previous plan. In the new mid-term business plan, the Company continues the theme of its previous mid-term business plan of "Establishing high-profit structure achieved by strengthening management structure and management base" and management vision of "Building a global brand as a manufacturer of medical electronic equipment". The Company also set a new long-term management goal of "achieving sales of ¥ 140 billion, operating profit margin of 10%, and ratio of overseas sales of 30% by FY2012". The Company aims to increase its corporate value and common interests of its shareholders by steadily implementing various measures presented in the 3-year mid-term business plan which will result in establishing high-profit structure. (For the details of the new mid-term business plan, please refer to the separate press release from the Company.)

### **2. Corporate Governance**

In order to achieve its basic management policy, the Company believes that it is an essential business challenge to enhance corporate governance by establishing a business management system that aims to improve soundness and efficiency of management. The Board of Directors decided to implement the following measures for the improvement of the management system in order to further enhance the corporate governance.

- Reduction of number of directors

In order to facilitate speedy decision-making, a bill to amend the articles of incorporation to reduce the maximum number of directors from 18 to 12 will be submitted to the General Shareholders' Meeting.

- Shortening the term of directors

In order to identify management responsibilities of the directors in the relevant fiscal year and to respond promptly and optimally to changes in the business environment, a bill to amend the articles of incorporation to shorten the term of directors from 2 years to 1 year will be submitted to the General Shareholders' Meeting.

- Introduction of operating officer system

In order to achieve segregation and clear definition of the scope of decision-making of the management, supervisory function and operating function, and to strengthen these functions, operating officer system will be introduced.

## II. Purpose of Introduction of the Basic Rule

The shares of the Company are in principle freely tradable, and are traded freely and actively on markets. Therefore, the Company believes that its shareholders should make the final decision as to whether to accept a Large-Scale Purchase. The Company does not necessarily reject Large-Scale Purchases if they would contribute to the corporate value and the common interests of the shareholders. However, the Company cannot rule out the possibility of an inappropriate Large-Scale Purchase that may harm corporate value and benefits for all shareholders. Some examples are, but not limited, the following:

- those with a purpose that would apparently harms corporate value and common interests of the shareholders;
- those with the potential to practically coerce shareholders to sell shares; or
- those that do not provide sufficient disclosure of information on the proposal given to and sufficient time allowed for the Board of Directors and shareholders to review the proposal.

In the industry of medical equipment, it is essential to identify needs of customers such as doctors, nurses, engineers and patients adhering tightly to actual medical care scene and to continue to develop and provide timely user-oriented products. The Company has been nurturing expertise and know-how and wealth of experience accumulated since its foundation and has been maintaining good cooperative relationship with domestic and overseas customers established through collaboration between industry, government and academia, all of which helped the Company strengthen capability of technological development and provide high-value added products with high international competitiveness. And the confidence the Company gained from its customers, shareholders, clients and other stakeholders through many years of business activities is now the valuable assets of the Company, or, “Nihon Kohden” brand, which cannot be replaced by anything else.

The Board of Directors believes that it is essential to have thorough understanding of the business characteristics of the Company as described above in order (i) to accurately identify its corporate value, (ii) to identify shareholder value that its shareholders can realize in the future and (iii) to identify impact on corporate value brought out by the proposal by Large-Scale Purchaser. To this end, the Board of Directors, which has full understanding of the business characteristics of the Company, will reach a consensus and disclose the opinion following the evaluation and consideration of all necessary information pertaining to the Large-Scale Purchase, which is to be provided by the prospective Large-Scale Purchaser. Furthermore, the Board of Directors will negotiate with the Large-Scale Purchaser and offer shareholders alternative plans when necessary.

Based on the perspective of protecting and increasing corporate value and benefits for all shareholders, the Board of Directors has decided to introduce the Basic Rule, (i) to clarify the procedures that should be taken by a Large-Scale Purchaser when conducting Large-Scale Purchase of shares of the Company, (ii) to ensure necessary and sufficient information and time that allow shareholders to make appropriate judgment, and (iii) to ensure opportunity to the Company to negotiate with the Large-Scale Purchaser.

## III. Contents of the Basic Rule

### 1. Outline of the Basic Rule

- (1) A person or a company intending to conduct a Large-Scale Purchase (hereinafter referred to as “Large-Scale Purchaser” and referred to as “Large-Scale Purchaser Group” combined with any specially related parties defined in Paragraph 7, Article 27-2 of the Securities and Exchange Law) is to notify the Board of Directors prior to the commencement of the Large-Scale Purchase and is to provide to the Board of Directors necessary and sufficient information concerning the Large-Scale Purchaser Group and the Large-Scale Purchase thereby (hereinafter referred to as “Proposal of Large-Scale Purchase”).
- (2) To eliminate arbitrary decisions by the Board of Directors and to ensure fair judgment as regards to compliance with the Basic Rule by the Large-Scale Purchaser Group and as regards to whether Defense Measures should be triggered (hereinafter referred to as “Defense Measures”), the Company establishes the Independent Committee, in accordance with the resolution at the Board of Directors.
- (3) The Board of Directors, when it receives a prior notice of Large-Scale Purchase from a Large-Scale Purchaser, shall seek an opinion from the Independent Committee and make the decision as to whether Defense Measures should be triggered, fully respecting the opinion of the Independent Committee. When the Board of Directors consents to the Large-Scale Purchase, it is not required to seek an opinion from the Independent Committee.
- (4) Should the Board of Directors determine that sufficient information regarding the Large-Scale Purchase has been provided, it will notify the relevant Large-Scale Purchaser of that effect. A period of time required for the Board of Directors to assess the proposal and negotiate with the prospective Large-Scale Purchaser

(including time required for the Independent Committee to make Deliberation) shall be either 60 days or 90 days in principle from the date of the notification, depending on the difficulty level for reviewing the Large-Scale Purchase proposal. The Large-Scale Purchaser Group shall proceed the proposed purchase only after such deliberation period has been lapsed.

- (5) The Board of Directors, fully respecting the opinion of the Independent Committee, may issue stock acquisition rights as a Defense Measure against the Large-Scale Purchase in accordance with its resolution when it determines that the relevant Large-Scale Purchase is deemed either of the cases defined in 2 (4)a. When the relevant Large-Scale Purchase does not fall under the cases defined in 2 (4)a, such Defense Measure is not triggered even when the Board of Directors is against the relevant Large-Scale Purchase.
- (6) The issued stock acquisition rights as a Defense Measure include the condition that the Large-Scale Purchaser Group may not exercise the stock acquisition rights.
- (7) Effective term of the Basic Rule shall be 3 years after its introduction.

## 2. Contents of the Basic Rule

### (1) Submission of a Statement of Intent of Purchase

- a. A Large-Scale Purchaser, prior to making a Large-Scale Purchase, must first submit a proposal of Large-Scale Purchase which includes the following items and a written statement containing a pledge to comply with the Basic Rule (together with a proposal of Large-Scale Purchase, referred to as a “Statement of Intent of Purchase”) to the Board of Directors:
  - i) An overview of the Large-Scale Purchaser Group, including the Large-Scale Purchaser’s name, address, governing law for incorporation, structure of the ownership, contact information in Japan, description of business, financial conditions, etc.
  - ii) The purpose, method and terms of the Large-Scale Purchase
  - iii) Purchase price of the Company’s shares and the basis for its determination thereof
  - iv) Source of funds for the purchase, including names of the lenders and repayment plan in case of borrowing
  - v) When the Large-Scale Purchase is not made in cash, type of considerations and basis for its evaluation thereof
  - vi) Management policies, business plans, capital policies, and dividend policies for the Company that the Large-Scale Purchaser intends to adopt after the completion of the Large-Scale Purchase
  - vii) Policies on the treatment of employees, clients, customers, local community, and other stakeholders, and on the treatment of labor union of the Company that the Large-Scale Purchaser intends to adopt after the completion of the Large-Scale Purchase
  - viii) Any other information that the Board of Directors or the Independent Committee reasonably considers necessary
- b. The Board of Directors will disclose all or part of the information as regards to the fact that a Large-Scale Purchase has been proposed as well as the information included in the Statement of Intent of Purchase submitted to the Board of Directors in a timely manner, when deemed appropriate.

### (2) Deliberation made by the Independent Committee

- a. To eliminate arbitrary decisions by the Board of Directors and to ensure fair judgment as regards to the compliance with the Basic Rule by the Large-Scale Purchaser Group and as regards to whether Defense Measures should be triggered, the Company establishes the Independent Committee, in accordance with resolution at the Board of Directors, comprised of three or more Independent Committee members. Those members are appointed by the Board of Directors from outside statutory auditors or independent outside advisors (Please see Attachment (2) for the outline of the Independent Committee, and see Attachment (3) for candidates for members of the Independent Committee).
- b. The Board of Directors shall, after the Statement of Intent of Purchase has been submitted, promptly requests the Independent Committee which is established independently from the Board of Directors to be convened.
- c. The Independent Committee shall, as an advisory body of the Board of Directors, review and examine the contents of the Statement of Intent of Purchase and alternative plans (if such alternative plans are submitted by the Board of Directors) and submit an opinion as regards to whether Defense Measures should be triggered to the Board of Directors attached with basis of such opinion (hereinafter referred to as “Deliberation”). Deliberation made by the Independent Committee, shall be disclosed in a timely and appropriate manner. The Independent Committee shall deliberate on the following items:
  - i) Status of compliance with the Basic Rule by the Large-Scale Purchaser Group
  - ii) Examination as to whether the information provided in the Statement of Intent of Purchase is deemed necessary and sufficient in light of items described in 2 (1) (a)

- iii) Request to the Large-Scale Purchaser Group for additional information, send an inquiry to or conduct an interview with the Large-Scale Purchaser Group
  - iv) Examination of contents included in the Statement of Intent of Purchase and information additionally provided
  - v) Examination of alternative plans submitted by the Company
  - vi) Evaluation of results of discussions and negotiations conducted by the Board of Directors with the Large-Scale Purchaser Group
  - vii) As to whether Defense Measures should be triggered
  - viii) As to whether Defense Measures should be cancelled
  - ix) Other items that should be determined by the Board of Directors, among which are consulted to the Independent Committee
- d. The Independent Committee, when it deems necessary to compare the details of the relevant Large-Scale Purchase proposal described on the Statement of Intent of Purchase with the Company's business plans, may set a reasonable reply period (up to sixty days as a general rule) and request that the Board of Directors present (i) an opinion on the contents of proposal of the relevant Large-Scale Purchase (including reserved opinions), (ii) supporting materials and alternative proposal (if any), and (iii) any other information or materials that the Independent Committee considers necessary and appropriate.
- e. The Independent Committee may, at the expense of the Company, seek advice from independent outside experts which include financial advisors, certified public accountants, attorneys, academic experts, etc. to ensure that its decision ensures and enhances the Company's corporate value and common interests of its shareholders.

### (3) Deliberation Period

- a. Should the Board of Directors determine after consulting with the Independent Committee that sufficient and necessary information regarding the Large-Scale Purchase has been provided, it will notify the relevant Large-Scale Purchaser of the fact that it has commenced a process of the Deliberation on the prospective Large-Scale Purchase proposal (hereinafter referred to as "Notification of Commencement"). Then the Independent Committee makes Deliberation, the Board of Directors reviews and examines the prospective Large-Scale Purchase proposal or negotiates with the Large-Scale Purchaser within a set period of time (hereinafter referred to as "Deliberation Period"). Such Deliberation Period shall be either (i) or (ii) below, depending on the difficulty level for reviewing the Large-Scale Purchase proposal. The Large-Scale Purchaser Group shall proceed the proposed purchase only after such Deliberation Period has been lapsed.
- (i) A 60-day period shall be granted for a prospective Large-Scale Purchase in which all shares of the Company are to be purchased via a cash tender offer in Japanese yen
  - (ii) A 90-day period shall be granted for any prospective Large-Scale Purchase other than (i) above
- b. Should the Independent Committee determine, after the Company has sent Notification of Commencement, that the contents included in the Statement of Intent of Purchase submitted by the Large-Scale Purchaser is deemed insufficient or unclear, it may require the Large-Scale Purchaser Group to provide additional information or may send an inquiry to the Large-Scale Purchaser Group directly or via the Board of Directors to the reasonable extent. In such a case, the Deliberation Period described in clause a. above shall be suspended until such additional information is submitted by the Large-Scale Purchaser Group.
- c. The Board of Directors carefully reviews and evaluates the proposal of Large-Scale Purchase, with the advice of independent outside experts. Then, the Board of Directors forms and discloses its opinion on the Large-Scale Purchase proposal. The Board of Directors may discuss and negotiate with the Large-Scale Purchaser Group to improve conditions of the Large-Scale Purchase or come up with alternative plans for shareholders.

### (4) Cases against which a Defense Measure is triggered

- a. The Board of Directors, fully respecting the opinion of the Independent Committee, may issue stock acquisition rights as a Defense Measure against the Large-Scale Purchase in accordance with its resolution when it determines that the relevant Large-Scale Purchase is deemed either of the following cases. When the relevant Large-Scale Purchase does not fall under the following cases, Defense Measures are not triggered even when the Board of Directors is against the relevant Large-Scale Purchase. Timely and appropriate disclosure of information shall be made as regards to triggering of Defense Measures.
- i) If the Large-Scale Purchaser Group deviates from the Basic Rule (including the case in which a written statement containing a pledge to comply with the Basic Rule is not submitted)
  - ii) Cases in which it is clear that the relevant Large-Scale Purchase damages common interests of shareholders of the Company which includes:

- Acquiring the Company's share certificates or other securities in order to compulsorily purchased by the Company or the parties concerned with the Company at an inflated price (so-called "green mailer" case)
  - Acquiring the Company's share certificates or other securities in order to realize the profits of the Large-Scale Purchaser Group at the expense of the Company which includes (i) temporarily taking control of the Company in order to acquire important assets of the Company (including intangible assets such as intellectual properties, know-how, and customer base, etc.) at low prices or (ii) diverting the Company's assets as collateral for or repayment of debts of the Large-Scale Purchaser Group
  - Acquiring the Company's share certificates or other securities to temporarily take control of the Company to dispose the assets of the Company so that the Large-Scale Purchaser may cause the Company to temporarily distribute high dividends or sell the shares at a temporarily higher price as a result of the high dividends
  - Other than the above, cases where the Large-Scale Purchase is not conducted with the purpose of achieving rational management goals and the Large-Scale Purchaser Group's control over the Company causes irreparable damages to the Company
- iii) Cases that threaten to have the effect of forcing the Company's shareholders into selling their shares, such as coercive two-tiered tender offers (meaning acquisitions of shares including tender offers that do not offer to acquire all shares in the initial acquisition, and set unfavorable acquisition terms for the second stage or do not set clear terms for the second stage)
- iv) In the event that conditions for the purchase (including the amount and type of considerations, the purchase schedule, legality, probability of the purchase, post-purchase management policies and business plans and treatment plans for stakeholders such as shareholders other than the Large-Scale Purchaser Group, employees, clients and customers) are significantly insufficient or inappropriate from the Company's intrinsic value
- b. If it is decided to implement a Defense Measure against the Large-Scale Purchase, the Board of Directors, after setting an Allotment Date, adopts a resolution on the gratis allotment of stock acquisition rights to the Company's shareholders as of the Allotment Date. The stock acquisition rights issued by the relevant resolution include the following conditions:
- (i) The Large-Scale Purchaser Group are not allowed to exercise the stock acquisition rights
  - (ii) Upon the exercise of the stock acquisition right, during the exercise period separately determined by the Board of Directors, one share of the Company shall be delivered in exchange for each stock acquisition right
- (Please see Attachment (1) for the details of stock acquisition rights.)
- c. The Board of Directors may, when necessary, discuss and negotiate with the Large-Scale Purchaser Group even after triggering of the Defense Measures. Such discussions or negotiations may result in material change in matters which were the basis of the judgment made by the Board of Directors to trigger a Defense Measure, which includes the Large-Scale Purchaser Group proposing any change in matters that may affect the basis of the Large-Scale Purchase. In such circumstances, the Company, in accordance with resolution at the Board of Directors, may cancel the issuance of the stock acquisition rights after consulting with the Independent Committee on the condition that such cancellation will be made prior to the Allotment Date and that common interests of shareholders of the Company are not impaired.
- (5) Effective term and abolition or amendment of the Basic Rule
- a. The Basic Rule shall remain in effect from the introduction thereof after being adopted at the General Stockholders' Meeting until the conclusion of the first general shareholders' meeting held subsequent to the end of fiscal year ended March 31, 2010 (scheduled to be held in June 2010). Continuance of the implementation of the Basic Rule shall be presented again to the general shareholders' meeting of the Company for approval.
- b. The Basic Rule may be changed or revised at the Board of Directors before the expiration of the effective term to reflect possible revisions of laws and ordinances and rules of stock exchanges, or other reasons, but only after obtaining an approval at the Independent Committee, on the condition that such changes or revisions are not inconsistent with the resolution of the General Stockholders' Meeting. The Basic Rule shall be abolished when (a) a general shareholders' meeting of the Company passes a resolution to abolish the Basic Rule, or (b) the Board of Directors passes a resolution to abolish the Basic Rule. When the Basic Rule is amended or abolished, timely and appropriate disclosure of the fact that such amendment or abolishment shall be made by the Board of Directors.

(6) Interpretation of the laws and ordinances

The provisions of the laws and ordinances referred in the Basic Rule are based on the laws and ordinances effective as of May 18, 2007 and are subject to future amendments, abolishment or new enactment. In those cases, the meanings of the provisions or terms as set forth in each item referred therein require revisions due to the enactment, amendment or abolishment of laws and ordinances after May 18, 2007, or the Board of Directors may interpret the meanings of the provisions or terms as set forth in each item therein to the reasonable extent as required, taking into consideration of the purposes of such enactment, amendment or abolishment.

#### **IV. Impact on shareholders and investors**

1. Impact on shareholders and investors upon introduction of the Basic Rule

At the time of introduction of the Basic Rule, no actual gratis allotment of stock acquisition rights will be implemented. Accordingly, it is expected that the introduction of the Basic Rule will have no economic impact on shareholders and investors.

2. Impact when Defense Measures are triggered

When the Board of Directors implements Defense Measures in accordance with the opinion of the Independent Committee with the purpose of protecting the common interest of its shareholders, a gratis allotment of stock acquisition rights will be implemented on the registered shareholders of the Company as of the Allotment Date that will separately be determined by the Board of Directors, at a ratio of one stock acquisition right per one share held. In order to exercise stock acquisition rights, shareholders are required to pay 1 Japanese Yen for each stock acquisition right during the prescribed period in addition to performing prescribed procedures. If the shareholders do not perform the aforementioned procedure during the prescribed period, the shares they hold in the Company will be diluted. If the stock acquisition rights are issued with the condition that such rights may be compulsorily acquired by the Company, the shareholders receive the Company's shares as consideration for acquired stock acquisition rights. In such cases, shareholders are not required to make any payment and the shares they hold in the Company will not be diluted.

3. Impact upon the cancellation of the Defense Measures

When the implementation of the Defense Measures is canceled, it is not later than 4 business days prior to the Allotment Date. Accordingly, implementation of Defense Measures will not be canceled after shareholders to whom stock acquisition rights are granted have been determined. After stock acquisition rights are allotted to the shareholders, compulsory gratis acquisition of stock acquisition rights shall not be implemented without issuing the shares of the Company. Accordingly, it is not assumed that a shareholder who trades shares based on the premise of the dilution of the Company's shareholder value will be unexpectedly damaged.

#### **V. Rationale of the Basic Rule**

1. Fully satisfying the requirements of the Guidelines Regarding Takeover Defense

The Basic Rule fully satisfies the three principles set out in the "Guidelines Regarding Takeover Defense for the Purposes of Ensuring and Enhancing Corporate Value and Shareholders' Common Interests" released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005

2. Respecting the intent of shareholders

The Basic Rule will be introduced subject to the approval at the General Stockholders' Meeting. If the general shareholders' meeting makes a resolution to abolish the Basic Rule after its introduction, the Basic Rule will be abolished at that time to reflect the intent of the shareholders.

3. Elimination of arbitrary decisions by the Board of Directors

To eliminate arbitrary decisions by the Board of Directors and to ensure fair judgment as regards to compliance with the Basic Rule by the Large-Scale Purchaser Group and as regards to whether Defense Measures should be triggered, the Company establishes the Independent Committee, in accordance with the resolution at the Board of Directors. By disclosing outlines of the Deliberation to the shareholders, the Independent Committee ensures a structure which contributes to the corporate value of the Company and the common interests of its shareholders.

4. Establishing reasonably objective requirements for triggering the Defense Measures

As set out in III 2. (4) a, Defense Measures established by the Basic Rule will not be triggered unless pre-determined reasonable and objective requirements have been satisfied, which ensures a structure to eliminate arbitrary triggering of the Defense Measures by the Board of Directors.

5. Term of Directors is 1 year

As well as the introduction of the Basic Rule, a bill to amend the articles of incorporation of the Company to shorten the term of directors from 2 years to 1 year will be submitted to the General Stockholders' Meeting. During the effective term of the Basic Rule, intention of the shareholders regarding the Basic Rule may be reflected through election of board members that takes place every year.

6. No dead-handed Defense Measures

A person who acquired a large quantity of share certificates or other securities of the Company may block the introduction of the Basic Rule by not approving the introduction thereof at the General Stockholders' Meeting. It is also possible, after the introduction of the Basic Rule, to pass a resolution to abolish the Basic Rule at the general shareholders' meeting, or to appoint directors who are against the Basic Rule and to form the Board of Directors composed by so-elected directors to abolish the Basic Rule or to avoid triggering of the Defense Measures in accordance with the Basic Rule. Accordingly, the Basic Rule is not a dead-handed takeover defense measure (a takeover defense measure in which even if a majority of the members of the Board of Directors are replaced, the triggering of the measure cannot be stopped).

## Attachment (1): Terms and Conditions of the Stock Acquisition Rights

1. Total number of stock acquisition rights to be issued  
The maximum number of stock acquisition rights is the number of outstanding shares of the Company (excluding the number of shares of the Company held by the Company at that time) on a date that is determined as an allotment date by a resolution of the Board of Directors regarding issuance of the stock acquisition rights (hereinafter referred to as the “Allotment Date”).
2. Shareholders to whom the stock acquisition rights are granted and terms and conditions of allotment thereof  
One stock acquisition right will be granted for each share held by shareholders registered or recorded in the last register of shareholders of the Company and Japan Securities Depository Center, Inc. as of the Allotment Date. Stock acquisition rights are not granted to the shares held by the Company.
3. Class and number of shares issued upon the exercise of stock acquisition rights  
Class of shares subject to stock acquisition rights is common stock and the number of shares issued upon the exercise of stock acquisition rights (hereinafter referred to as the “Number of Shares Issued”) shall be one share for each stock acquisition right. If the Company conducts a stock split or reverse stock split after the issuance of stock acquisition rights, Number of Shares Issued will be adjusted using the following calculation formula.  
$$\text{Number of Shares Issued after adjustment} = \text{Number of Shares Issued before adjustment} \times \text{split ratio (or reverse ratio)}$$

(Fractional shares resulting from the adjustment will be rounded down.)
4. Issue price of stock acquisition rights  
Stock acquisition rights are issued without considerations as they are allotted to shareholders without considerations.
5. Amount to be paid upon exercising the stock acquisition rights and financial institution handling the payment  
The amount required to be paid to exercise a stock acquisition right is one Japanese Yen for each common stock of the Company. The financial institution handling the aforementioned payment shall be designated separately by the Board of Directors. If the stock acquisition rights are issued with the condition that such rights may be compulsorily acquired by the Company, the shareholders receive the Company’s shares as considerations for acquired stock acquisition rights. Accordingly the shareholders are not required to make any payment.
6. Exercise period of the stock acquisition rights  
The commencement date of the exercise period will be a date on which the stock acquisition rights becomes effective (or a date otherwise determined by the Board of Directors in the resolution of issuance of stock acquisition rights), and the exercise period will be a period from one month to three months as determined by the Board of Directors in the resolution of issuance of stock acquisition rights. Further, if the final day of the exercise period falls on a holiday of the financial institution handling such payment of the cash payable upon exercise, the final day will become the next business day.
7. Conditions for the exercise of the stock acquisition rights
  - A) A person who holds more than one stock acquisition right may exercise all or a part of its stock acquisition rights. In case of exercising a part of its stock acquisition rights, those rights can be exercised only in integral number.
  - B) As a general rule, the following person may not exercise its stock acquisition rights unless it has obtained a consent of the Board of Directors in advance.
    - 1) The Large-Scale Purchaser or a person who conducted Large-Scale Purchase without complying with the Basic Rule after its introduction
    - 2) A joint holder thereof (defined in Paragraph 5, Article 27-23 of the Securities and Exchange Law, including a person deemed as a joint holder pursuant to Paragraph 6 thereof. Any person deemed by the Board of Directors to fall under the said person is

- included.)
- 3) Other specially related parties (defined in Paragraph 7, Article 27-2 of the Securities and Exchange Law. Any person deemed by the Board of Directors to fall under the said person is included.)
  - 4) Any transferee of or successor of the stock acquisition rights of any party falling under 1) through 3) who has not obtained an approval of the Board of Directors in advance.
  - 5) Any related party of any person falling under 1) through 4). (A person deemed by the Board of Directors to substantially control, be controlled by, or be under common control with such a party, or a person deemed by the Board of Directors to act in concert with such a party.)
- C) Even if a holder of the stock acquisition rights is unable to exercise the stock acquisition rights in accordance with the provisions of this 7-B), the Company shall not be liable to such holder of the stock acquisition rights for damages or any other obligations.
8. Transfer of shares
- In case that the Board of Directors has determined to trigger the Defense Measures, the Allotment Date of the stock acquisition rights will be announced publicly and stock acquisition rights will be granted to shareholders registered or recorded in the last register of shareholders of the Company and Japan Securities Depository Center, Inc. as of the Allotment Date. The shareholders need to complete recording their holdings in the register of shareholders of the Company prior to the Allotment Date as promptly as possible, except for shares deposited with Japan Security Depository Center, Inc.
9. Procedure for exercising the stock acquisition rights
- 1) The Company will deliver an exercise request form for the stock acquisition rights (in the form prescribed by the Company and containing necessary matters such as the terms and number of stock acquisition rights for exercise and the exercise date for the stock acquisition rights, as well as representations and warranties regarding matters such as whether the shareholders themselves fulfill the terms of exercising the stock acquisition rights, indemnify clauses and other covenants) and other documents necessary for the exercise of the stock acquisition rights to all shareholders to whom stock acquisition rights are granted.
  - 2) After the allotment of stock acquisition rights, one common stock of the Company will be issued for each stock acquisition right upon submitting the abovementioned necessary documents during the exercise period of the stock acquisition rights separately determined by the Board of Directors and by paying one Japanese Yen for each stock acquisition right at the financial institution handling such payment. If the stock acquisition rights are issued with the condition that such rights may be compulsorily acquired by the Company, the shareholders receive the Company's shares as considerations for acquired stock acquisition rights. Accordingly the shareholders are not required to make any payment or to submit the documents which are necessary to exercise the stock acquisition rights. In such a case, shareholders may be requested to separately submit a covenant in the form prescribed by the Company containing representations and warranties regarding matters such as whether the shareholders themselves are not Large-Scale Purchaser Group, indemnify clauses and other covenants.
10. Restriction on transfer of stock acquisition rights
- Any transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.
11. Cancellation of issuance of stock acquisition rights
- The Board of Directors may, even after it has been determined to issue stock acquisition rights as Defense Measures, cancel the issuance thereof not later than 4 business days prior to the Allotment Date after consulting with the Independent Committee.
12. Issuance of certificates representing stock acquisition rights
- Certificates representing stock acquisition rights are issued only when requested by a person who holds stock acquisition rights.
13. Initial date of reckoning of dividends on shares issued by exercising stock acquisition rights

The initial dividends on common stocks issued due to exercise of stock acquisition rights or issued due to acquisition of stock acquisition rights by the Company shall be the amount that would be paid if issuance of the new shares shall be deemed effective on the first day of the dividend period that includes the date on which the issuance of the new shares becomes effective.

14. Notice to the holders of stock acquisition rights

Notices to the holders of the stock acquisition rights shall be made in writing and sent by a mail addressed to such holders at the addresses of such holders as they appear upon the registry books of stock acquisition rights of the Company, and such notices shall be deemed to have been reached after the passing of the period usually required for their delivery. If a holder of the stock acquisition rights does not raise any objection to the Company in writing within 2 weeks from the date on which the notice is deemed to be reached to the holder, the Company may deem the holder of the stock acquisition rights to have no objection.

15. Revision due to amendment of laws and ordinances

If the meanings of the provisions or terms as set forth in the Basic Rule requires revisions due to the amendment (including enactment) of laws and ordinances, the meanings of the provisions or terms may be interpreted to the reasonable extent as required, taking into consideration the purposes of such amendment.

## Attachment (2) Outline of the Independent Committee

1. The Independent Committee shall be comprised of three members or more. The members of the Independent Committee shall be elected from outside auditors of the Company, or outside experts (including attorneys, licensed tax accountants, certified public accountants, academic experts, experienced corporate managers, and parties with knowledge of the investment banking industry) and may not be those included in the following categories (1) to (6). The Chairman of the Independent Committee shall be elected by mutual election by the members of the Committee.
  - (1) Major shareholders (shareholders holding over 5% of the outstanding shares of the Company) or a person representing the interest thereof
  - (2) A person who is or was a director or an employee of an affiliate of the Company (An affiliate refers to a company in which the Company holds the majority of voting rights and includes a company in which a subsidiary or a sub-subsiary of the Company holds the majority of voting rights).
  - (3) A person who is a director, an executive officer or an employee of a company which has a significant business relationship with the Company or a company which had a significant business relationship with the Company in the past 3 years. (A company which has a significant business relationship with the Company refers to a company which has paid to the Company or has received from the Company a total amount which exceeds the higher of the ¥100 million per year or 2% of annual consolidated sales of the relevant company in consideration of goods or services.)
  - (4) A person who receives or received in the past 3 years a substantial amount of compensation (¥ 10 million or higher per year) as an advisor to the Company (including a corporate attorney and a management consultant, etc. and excluding an outside director and an outside auditor)
  - (5) Close relatives of a person described in (1) to (4) above (relatives within 2 degrees of relationship or relatives living together)
  - (6) A person who has been assuming the post of the member of the Independent Committee for over 6 years
2. The term of office of members of the Independent Committee shall be 3 years provided that their re-appointment shall not be prevented.
3. As a general rule, a resolution shall be adopted with the attendance of all members of the Independent Committee and by the majority of voting rights. Under a circumstance which is deemed unavoidable, a resolution may be adopted with a majority of voting rights when a majority of the members of the Independent Committee holding the voting rights as regards to the relevant resolution are in attendance. When the voting results in approving votes and dissenting votes of the same number, resolution may be adopted by the final decision made by the Chairman. Resolution regarding triggering of Defense Measures or cancellation of Defense Measures subsequent to triggering thereof shall require approving votes of 2 or more members of the Independent Committee.
4. In the process of Deliberation by the Independent Committee, the Board of Directors may, when a member of the Independent Committee is judged by the Board of Directors to have conflicts of interest with the Company, require the Independent Committee to avoid commitment of the relevant member in the process of the relevant Deliberation. The Independent Committee shall, after making deliberation as regards to conflicts of interest with the Company by the members of the Independent Committee excluding the member who is subject of the aforementioned requirement, eliminate the relevant member from the process of Deliberation to be made thereafter if it determines that such requirement by the Company is reasonable. A member of the Independent Committee, if it considers himself/herself to be in conflict of interest with the Company, may come forward to the Board of Directors to notify the Board of Directors that he/she will not be involved in the process of Deliberation by the Independent Committee. If, as a result of application of this clause, the number of members of the Independent Committee that are involved in the Deliberation falls short of 3, the Board of Directors shall appoint an additional member of the Independent Committee from those satisfying the items included in clause 1 above. In case of justifiable reason including emergency, etc., it is permitted not to make an additional nomination. As approving votes of 2 or more members are required for the Independent Committee to pass a resolution to consent to trigger Defense Measures, a resolution shall not be adopted to consent to trigger the Defense Measures by a vote of a single member of the Independent Committee.

## Attachment (3): Candidates for members of the Independent Committee

Osamu Kato  
(Career Summary)

Born in 1944

April 1976	Associate professor of law at Keio University
April 1981	Professor of law at Keio University (incumbent)
September 1983	Doctor of law at Keio University
September 2003	Registered as an Attorney (Tokyo Bar Association) (incumbent)
June 2004	Outside statutory auditor of the Company (incumbent)

Mr. Kato is an outside statutory auditor as stipulated in Paragraph 16, Article 2 of the Corporation Law. There are no special interests between the Company and Mr. Kato.

Sumio Moriwaki  
(Career Summary)

Born in 1957

April 1981	Registered as an Attorney (2 <sup>nd</sup> Tokyo Bar Association), joined Ishii Law Office
April 1991	Partner at Ishii Law Office (incumbent)
April 1999	Instructor in Civil Practice at the Supreme Court Legal Training and Research Institute (Until January, 2002)
April 2005	Grader of New National Bar Examination (Civil Law) (incumbent)
April 2007	Guest professor at University of Tokyo School of Law (incumbent)

There are no special interests between the Company and Mr. Moriwaki.

Kanichiro Kagawa  
(Career Summary)

Born in 1950

April 1975	Joined Syowa & Co.
September 1978	Register as a Certified Public Accountant
July 1980	Open Kagawa Certified Public Accountant's Office (incumbent)
July 1983	Joined Toyo & Co.
March 1989	Joined Asahi & Co.

There are no special interests between the Company and Mr. Kagawa. He has not been concerned with the audit of the Company including his tenure in Toyo & Co.

Attachment (4): Major shareholders of the Company as of March 31, 2007

Name	Number of Shares Held	Percentage Ownership
Japan Trustee Service Bank, Ltd.	3,285,800	7.46%
The Master Trust Bank of Japan, Ltd.	2,390,400	5.43%
Saitama Resona Bank, Ltd.	2,096,875	4.76%
Toshiba Medical Systems Corporation	1,990,000	4.52%
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	1,254,751	2.85%
Fujitsu Ltd.	1,063,779	2.41%
NIPPONKOA Insurance Co., Ltd.	974,748	2.21%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	862,565	1.96%
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	737,400	1.67%
Japan Trustee Service Bank, Ltd. (CMTB Equity Investments Co., Ltd. trust account re-entrusted by Mitsui Asset Trust and Banking Company, Limited)	600,000	1.36%

Note: The Company holds 1,727,745 shares of treasury stock, which is excluded from the major shareholders listed above.