

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 11, 2010

NIHON KOHDEN CORPORATION (6849)

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Renewal of Policy toward Large-Scale Purchases of the Company’s Shares (Anti-Takeover Measures)

Nihon Kohden (the “Company”) adopted the policy toward large-scale purchases of the Company’s shares (hereinafter referred to as the “Former Basic Rule”) subject to shareholder approval by resolution of its Board of Directors (hereinafter referred to as the “Board of Directors”) on May 18, 2007 and obtained approval at the 56th general shareholders’ meeting held on June 28, 2007. The effective period of the Former Basic Rule will expire at the conclusion of the 59th general shareholders’ meeting to be held on June 29, 2010 (hereinafter referred to as the “General Shareholders’ Meeting”).

Before the Former Basic Rule expires, the Board of Directors of the Company resolved at the meeting held on May 11, 2010 to partially revise the Basic Principles regarding persons who control decisions on the Company’s financial and business policies (as set forth in Article 118, Item 3 of the Enforcement Regulations of the Companies Act). In response to recent legislative amendments and developments in the ongoing debate on anti-takeover measures, the Board of Directors also resolved to partially amend and update the Former Basic Rule as a measure to prevent decisions on the Company’s financial and business policies from being controlled by persons deemed inappropriate (as set forth in Article 118, Paragraph 3 (b) (2) of the Enforcement Regulations of the Companies Act), subject to approval at the General Shareholders’ Meeting. Hereafter the amended strategy shall be referred to as the “Basic Rule”.

The Basic Rule shall remain in effect from the expiration of the Former Basic Rule until the conclusion of the 62nd general shareholders’ meeting scheduled to be held in June 2013.

The key differences between the Basic Rule and the Former Basic Rule are as follows:

- (1) The Company has tightened the condition for triggering the use of Defense Measures in response to discussion at the Corporate Value Study Group.
- (2) The Basic Rule clarifies the procedure for confirming intent of the shareholders on the use of Defense Measures in cases where the Basic Rule applies.
- (3) In order to alleviate concerns about willful and unnecessary extension of the period for deliberating a takeover proposal, the Basic Rule sets a maximum limit of 60 days for requesting additional information from the proposer. The Deliberation Period shall be deemed to have begun at the point where the information thus provided is adjudged to be sufficient by the Independent Committee.
- (4) The Basic Rule provides further clarification regarding new stock acquisition rights and includes amendments pertaining to electronic stock certificates and other matters.

I. Basic Principles regarding persons who control decisions on the Company's financial and business policies

The Company believes that persons involved in financial and operational decision-making processes should demonstrate an adequate understanding of the Company's corporate philosophy, the diversity of sources of corporate value, and the importance of maintaining the trust and confidence of the many stakeholders who constitute the foundations of the Company, and should also have the ability and capacity to enhance the corporate value of the Company and in turn the common interests of the shareholders over the medium to long term.

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.

A person who proposes a Large-Scale Purchase or equivalent undertaking that would not contribute to the corporate value of the Company or the common interests of the shareholders shall be deemed unsuitable for involvement in the financial and operational decisions of the Company. A necessary and appropriate response shall be applied to the actions of such persons in order to preserve the corporate value and common interests of the shareholders.

II. The Source of Corporate Value of the Company and Special Initiatives for Realization of the Basic Principles

1. The Source of Corporate Value of the Company

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. The Company provides an extensive line-up of medical equipment using advanced technology, ranging from physiological measuring equipment (including EEG and ECG), patient monitors and treatment equipment such as defibrillators to basic healthcare devices and home medical appliances.

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. Given that medical equipment has a direct bearing on human lives, it is vital to maintain the highest standards of quality and safety and to provide full customer service and support so that products can be used with total confidence.

At Nihon Kohden, we believe that our main sources of corporate value include technology development in collaboration with end users in clinical practice; a loyal clientele base in Japan and around the world; a commitment to quality products and services backed by development, production, sales and service teams; and a solid brand reputation established over many years in the industry.

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, 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.

2. Measures for the Enhancement of Corporate Value

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 group growth and enhancement of the Company's corporate value.

In August 2011, the Company will celebrate its 60th anniversary. On the occasion of this important milestone in the Company's history, we have set out a long-term vision for the next ten years through to 2020. This period will see considerable dynamic change with the reinvention of the Nihon Kohden Group in line with the envisioned corporate status of leading the world in the development of revolutionary breakthrough technology, achieving global-standard quality levels, and attaining top share in applicable global markets.

The new medium-term business plan from FY2010 to FY2012, called SPEED UP III, represents the first stage towards achieving the objectives of the long-term vision. It contains four basic principles:

- (1) Adopting a customer-focused perspective among employees in the Group in order to maintain the highest standards of safety and security;
- (2) Consolidating the Company's high-profit structure in order to win the severe global competition;
- (3) Identifying new fields of core business capable of generating significant growth; and
- (4) Striving to do everything with greater speed.

To this end, SPEED UP III sets six key strategies:

- (1) Promoting quality improvement activities;
- (2) Strengthening technological development capacity;
- (3) Expanding and strengthening core business areas;
- (4) Accelerating the globalization of the Company;
- (5) Developing new business; and
- (6) Consolidating corporate fundamentals.

We will actively implement these six key strategies. We are committed to meeting the challenges of healthcare by utilizing our technological development prowess and experience in clinical practice as well as providing customers the highest standards of product safety and security. In this way, we will continue to make a meaningful contribution to society while enhancing the corporate value of the Company and the common interests of our shareholders. (For the details of the new medium-term business plan, please refer to the separate press release from the Company.)

3. Strengthening of 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.

As part of the Company's commitment to better Corporate Governance, we have introduced an operating officer system that provides a clear segregation between managerial decision making and supervisory functions on the one hand and the execution of operations on the other. The maximum number of directors has been limited to 12 in order to speed up decision-making procedures, while appointment terms have been limited to one year in order to clarify the management responsibilities of directors in each business year. The Company has also strengthened its internal auditing section for more stringent internal controls.

The Board of Directors decided at the meeting held on May 11, 2010 to appoint an outside director and increase an outside statutory auditor subject to approval at the General Shareholders' Meeting in order to further enhance the corporate governance. In order to strengthen the functions of the Independent Committee associated with the Basic Rule, both the outside director and the outside statutory auditor will be appointed to the Committee.

III. Purpose and Contents of the Basic Rule

1. Purpose of the Basic Rule

The Basic Rule has been introduced as a measure to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate (as defined in the Basic Principles described in I above).

Based on the perspective of protecting and increasing corporate value and benefits for all shareholders, the purpose of the Basic Rule is, (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 and offer shareholders alternative plans.

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, 2010 are shown in Attachment (5).

2. Contents of the Basic Rule

(1) Targeted Large-Scale Purchase

The Basic Rule will be applied to cases where there is Large-Scale Purchase that falls under (a) or (b) below or any similar action (except where the action has been previously approved by the Board of Directors of the Company). Hereafter a person or a company intending to conduct a Large-Scale Purchase shall be referred to as "Large-Scale Purchaser" and referred to as "Large-Scale Purchaser Group" combined with persons in special relationship as defined in Paragraph 7, Article 27-2 of the Financial Instruments and Exchange Act.

- (a) A purchase or other acquisition that would result in the holding ratio of share certificates (*1) of a holder and its joint holder (*2) amounting to 20% or more of share certificates or other securities issued by the Company (*3) ; or
- (b) A tender offer (*4) that would result in the ownership ratio of share certificates (*5) of a tender offerer (*6) and persons in special relationship (*7) totaling 20% or more of share certificates or other securities issued by the Company (*8).

The Large-Scale Purchaser Group must follow the procedures set out in the Basic Rule, and may not commence a Large-Scale Purchase until the Board of Directors of the Company decides whether or not to implement the gratis allotment of stock acquisition rights as a Defense Measure (see (5) below) in accordance with the Basic Rule.

(*1) Holding Ratio as defined in Paragraph 4, Article 27-23 of the Financial Instruments and Exchange Act.

(*2) Holder includes persons described as a holder in Paragraph 3, Article 27-23 of the Financial Instruments and Exchange Act; joint holder as defined in Paragraph 5, Article 27-23 of the Financial Instruments and Exchange Act, including persons considered to be joint holders in Paragraph 6, Article 27-23 of the Financial Instruments and Exchange Act.

(*3) Share certificates or other securities as defined in Paragraph 1, Article 27-23 of the Financial Instruments and Exchange Act.

(*4) Tender Offer as defined in Paragraph 6, Article 27-2 of the Financial Instruments and Exchange Act.

(*5) Ownership ratio as defined in Paragraph 8, Article 27-2 of the Financial Instruments and Exchange Act.

(*6) Tender offerer as defined in the text of Paragraph 1, Article 27-2 of the Financial Instruments and Exchange Act.

(*7) Persons in special relationship as defined in Paragraph 7, Article 27-2 of the Financial Instruments and Exchange Act.

(*8) Share certificates or other securities as defined in Paragraph 1, Article 27-2 of the Financial Instruments and Exchange Act.

(2) Submission of a Statement of Intent of Purchase

- a. A Large-Scale Purchaser Group, 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. Statement of Intent of Purchase and any other information must be made in the Japanese language.:
 - 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, and other stakeholders 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 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.
 - c. Upon receipt of the Statement of Intent of Purchase, the Board of Directors of the Company shall immediately forward the document to the Independent Committee. Should the Board of Directors and the Independent Committee determine that the contents included in the Statement of Intent of Purchase are deemed insufficient or unclear, they may set a reply period and 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. The Board of Directors and Independent Committee may continue to require additional information until such time as necessary and sufficient information has been provided, subject to a maximum response period of 60 days from the initial receipt of the Statement of Intent of Purchase.

(3) 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 directors or outside statutory auditors or independent outside advisors (Please see Attachment (3) for the outline of the Independent Committee, and see Attachment (4) for candidates for members of the Independent Committee).
- b. The Board of Directors shall, after a Large-Scale Purchase or Large-Scale Purchase proposal, promptly requests the Independent Committee 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 (2) (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 to convene a general shareholders' meeting in relation to the use of Defense Measures
 - viii) As to whether Defense Measures should be triggered
 - ix) As to whether Defense Measures should be cancelled
 - x) 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, (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 Board of Directors of the Company shall provide the above information and other materials as requested by the Independent Committee. The Board of Directors may, when necessary, discuss and negotiate with the Large-Scale Purchaser Group and offer shareholders alternative plans.
 - f. Should the Independent Committee determine 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. Then the Independent Committee makes Deliberation 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.
 - 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 offer in Japanese yen
 - ii) A 90-day period shall be granted for any prospective Large-Scale Purchase other than (i) above
 - g. 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.
- (4) Recommendations by the Independent Committee
- a. Recommendation for the triggering a Defense Measure

The Independent Committee shall, where it adjudges that the Large-Scale Purchase falls into any one of the following categories, recommend the implementation of Defense Measures in the form of gratis allotment of stock acquisition rights to the Board of Directors, except where it is deemed necessary to obtain further information from or conduct further negotiations or discussions with the Large-Scale Purchaser.

The Independent Committee may, if it is uncertain whether the Large-Scale Purchase will fall into the categories ii) through iv), recommend the implementation of Defense Measures subject to the approval of a general shareholders' meeting in advance (hereinafter referred to as the "Shareholders' Meeting").

 - i) If the Large-Scale Purchaser Group does not comply with 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:
 - Buying out the Company's share certificates in order to require such share certificates to be compulsorily purchased by the Company or the parties concerned with the Company at an inflated price (so-called "green mailer" case)
 - Management that achieves an interest for the Large-Scale Purchaser Group to the detriment of the Company, such as 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
 - Diverting the Company's assets as collateral for or repayment of debts of the Large-Scale Purchaser Group
 - Temporary control of the Company's management 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

- 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) are significantly insufficient or inappropriate from the Company's intrinsic value

b. Recommendation for the non-triggering a Defense Measure

In the event that the Independent Committee does not consider the Large-Scale Purchase to warrant the use of Defense Measures, it shall recommend to the Board of Directors that Defense Measures should not be used. Such a recommendation may be made regardless of the expiry of the Deliberation Period.

(5) Resolution of the Board of Directors

- a. The Board of Directors make the decision as to whether Defense Measures should be triggered, fully respecting the opinion of the Independent Committee, except where a Shareholders' Meeting is held as described in (6) below, in which case the decision of the Board of Directors shall be based on the resolution adopted at the Meeting.
- b. 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 Defense Measures after consulting with the Independent Committee on the condition. (The announcement of such cancellation shall be disclosed in a timely and appropriate manner in accordance with the relevant legislation and the regulations of Financial Instruments Exchanges). Specifically, the Company may stop the gratis allotment of stock acquisition right, or acquire all of the allocated stock acquisition free of charge.

(6) Convocation of the Shareholders' Meeting

If the Independent Committee recommends the implementation of Defense Measures subject to the approval of the Shareholders' Meeting in advance as described in (4)a above, the Board of Directors may convene the Shareholders' Meeting on the issue of gratis allotment of stock acquisition rights in accordance with the Basic Rule.

(7) Information disclosure

The Company shall provide information in a timely and appropriate manner regarding the status and progress of procedures set out in Basic Rule (including receipt of the Statement of Intent to Purchase and commencement of the Deliberation Period) as well as summaries of recommendations provided by the Independent Committee, decisions made by the Board of Directors, resolutions approved by the Shareholders' Meeting, and any other information deemed appropriate by the Independent Committee or the Board of Directors, in line with the Basic Rule and in accordance with the relevant legislation and the regulations of Financial Instruments Exchanges.

(8) Gratis allotment of stock acquisition rights

Where a gratis allotment of stock acquisition rights is implemented as a Defense Measure in accordance with the Basic Rule, the implementation thereof shall be undertaken as detailed in Attachment (2).

(9) Effective term and abolition or amendment of the Basic Rule

- a. Basic Rule shall remain in effect from the introduction thereof after being adopted at the General Stockholders' Meeting until the conclusion of the 62nd general shareholders' meeting scheduled to be held in June 2013. 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 financial instruments exchanges, or other reasons, 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.

(10) 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 10, 2010. If the meanings of the provisions or terms as set forth in each item referred therein are required revisions due to the enactment, amendment or abolishment of laws and ordinances after May 10, 2010, 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 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

In the event that the Company either cancels the gratis allotment of stock acquisition rights or purchases the allocated rights on a gratis basis after the registered shareholders of the Company as of the Allotment Date are confirmed, the shares they hold in the Company will not be diluted. In such cases, subsequent fluctuations in the share price could potentially disadvantage investors who have purchased or sold stock on the expectation of dilution of the price per share.

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. As the term of directors is 1 year, intention of the shareholders regarding the Basic Rule may be reflected through election of board members that takes place every year. 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

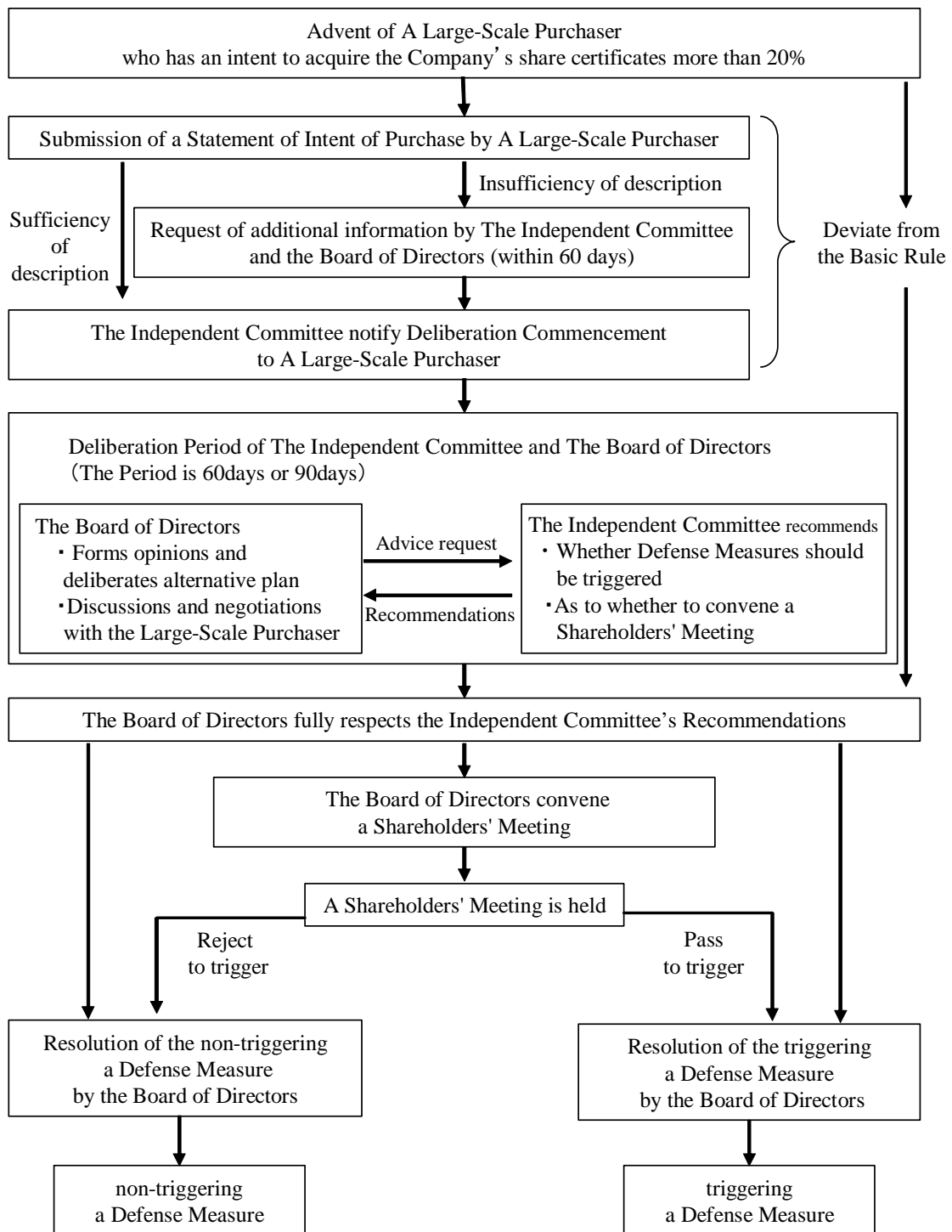
As set out in III 2. (4) a, Defense Measures established by the Basic Rule will not be triggered unless pre-determined reasonable and objective requirements have been satisfied, which ensures a structure to eliminate arbitrary triggering of the Defense Measures by the Board of Directors.

5. No dead-handed or slow-handed takeover defense measures

The Basic Rule may be abolished by a meeting of the Board of Directors composed of directors who are elected at the Company's general shareholders' meeting in accordance with a person who acquired a large quantity of share certificates or other securities of the Company. 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).

Further, since the appointment terms of the directors are not staggered, the Basic Rule is not a slow-handed takeover defense measure (a takeover defense measure that requires a considerable period of time to repeal because the directors cannot all be replaced at once).

Attachment (1): Flowchart of response procedures in the event of a Large-Scale Purchase of Company share certificates or other securities



Note: This flowchart is outline of the Basic Rule. For the details of the Basic Rule , please refer to the text.

Attachment (2): 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 at 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, other than the Company, who are recorded in the last register of shareholders of the Company as of the Allotment Date.
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 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.
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
The amount required to be paid to exercise a stock acquisition right is one Japanese Yen for each common stock of the Company. 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. Restriction on transfer of stock acquisition rights
Any transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.
7. Conditions for the exercise of the stock acquisition rights
Except where previously agreed by the Board of Directors, persons affiliated with a Large-Scale Purchaser Group which has an intent to acquire 20% or more of the total voting rights of the Company are not generally permitted to exercise their stock acquisition rights. Further details of this requirement will be determined separately by the Board of Directors.
8. Exercise period of the stock acquisition rights
The period for exercising stock acquisition rights and other terms and conditions shall be determined separately by the Board of Directors. The Board of Directors may impose conditions that gives it the right to obtain stock acquisition rights from holders thereof (except from those holders who are not permitted to exercise their stock acquisition rights as described in 7. above) and to issue one share per acquisition right thus obtained.

Attachment (3) 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 director of the Company, 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 (5). 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-subsubsidiary 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)
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. The Independent Committee shall 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. 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 (2) (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 to convene a general meeting of shareholders in relation to the use of Defense Measures
 - viii) As to whether Defense Measures should be triggered
 - ix) As to whether Defense Measures should be cancelled
 - x) Other items that should be determined by the Board of Directors, among which are consulted to the Independent Committee
4. 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.

Attachment (4): Candidates for members of the Independent Committee

Masaya Yamauchi

Born in 1960

(Career Summary)

April, 1988

Registered as an Attorney (Tokyo Bar Association)

September, 1993

Open Nakagawa Yamauchi Law Office

August, 2001

Change its name to Hibiki Sougou Law Office after the integration (incumbent)

Mr. Yamauchi is a candidate of outside director of the Company

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

Osamu Kato

Born in 1944

(Career Summary)

April, 1976

Associate professor of law at Keio University

April, 1981

Professor of law at Keio University

September, 1983

Doctor of law at Keio University

September, 2003

Registered as an Attorney (Tokyo Bar Association)

June, 2004

Outside statutory auditor of the Company (incumbent)

June, 2007

Independent Committee of the Company (incumbent)

April, 2010

Emeritus professor at Keio University (incumbent)

Mr. Kato is an outside statutory auditor as set forth in Paragraph 16, Article 2 of the Companies Act.

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

Masahiro Kawamura

Born in 1949

(Career Summary)

June, 1977

Registered as a Tax Accountant

March, 1979

Register as a Certified Public Accountant

August, 1979

Joined Kawamura Tax Accounting Office (incumbent)

Mr. Kawamura is a candidate of outside statutory auditor of the Company.

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

Sumio Moriwaki

Born in 1957

(Career Summary)

April, 1981

Registered as an Attorney (2nd 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) (FY2006, 2007, and 2008)

April, 2007

Guest professor at University of Tokyo School of Law (until March, 2010)

June, 2007

Independent Committee of the Company (incumbent)

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

Kanichiro Kagawa

Born in 1950

(Career Summary)

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.

June, 2007

Independent Committee of the Company (incumbent)

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 (5): Major shareholders of the Company as of March 31, 2010

Name	Number of Shares Held	Percentage Ownership
Japan Trustee Service Bank, Ltd.(trust account)	4,259,500	9.70%
Saitama Resona Bank, Ltd.	2,096,875	4.78%
Toshiba Medical Systems Corporation	1,990,000	4.53%
The Master Trust Bank of Japan, Ltd.(trust account)	1,893,700	4.31%
State Street Bank and Trust Company	1,155,400	2.63%
Fujitsu Ltd.	1,063,779	2.42%
NIPPONKOA Insurance Co., Ltd.	974,748	2.22%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	862,565	1.97%
Japan Trustee Service Bank, Ltd.(trust account 9)	854,200	1.95%
Trust & Custody Services Bank, Ltd.(securities investment trust account)	703,900	1.60%

Note: The Company holds 1,831,850 shares of treasury stock, which is excluded from the major shareholders listed above.