

March 25, 2008

To Whom It May Concern

Name of Listed Company: Taiyo Nippon Sanso Corporation

Name of Representative: Hirosuke Matsueda, President

(Code No.: 4091 TSE/OSE/NSE)

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**Important Notice Regarding Basic Policies for Control over the Company and  
Countermeasures Against Large-scale Acquisitions of the Company's Shares  
(Takeover Defense)**

We are writing to advise that, at the Board meeting held today, the Company resolved to introduce a plan (hereinafter referred to as the "Plan") as set out below as a countermeasure against any acquisition of the Company's share certificates <sup>(\*)1</sup> aimed at increasing the percentage of voting rights <sup>(\*)2</sup> held by any particular group of shareholders <sup>(\*)3</sup> up to or in excess of twenty percent (20%) or any acquisition of the Company's shares that results in an increase in the percentage of voting rights held by any particular group of shareholders up to or in excess of twenty percent (20%) (in any

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<sup>(\*)1</sup> Share certificates shall mean share certificates as defined in Article 27-23 Clause 1 or Article 27-2 Clause 1 of the Financial Instruments and Exchange Law.

<sup>(\*)2</sup> The percentage of voting rights is determined as follows: 1) if the particular group of shareholders is as provided in <sup>(\*)1</sup> of (1) above, the percentage of shares held by any such holder (the percentage of shares held as defined in Article 27-23, Clause 4 of the Law; in such a case, the number of shares held by such a shareholder's joint shareholders [which hereinafter refers to the number of share certificates held as defined in the same clause] should be added); or 2) if the particular group of shareholders is as provided in <sup>(\*)2</sup> of (1) above, the total percentage of share certificates held (the percentage of share certificates held as defined in Article 27-2 Clause 8 of the Law) by the bidder and the special interested person.

For the purpose of calculating the percentage of share certificates held, the latest financial statements, interim statements or reports on purchases of treasury shares submitted may be referred to for the total voting rights (as defined in Article 27-2 Clause 8 of the Law) and the total number of outstanding shares (as defined in Article 27 -23 Clause 4 of the Law).

<sup>(\*)3</sup> A "particular group of shareholders" includes: (1) any holder of Company share certificates (share certificates as defined in Article 27-23 Clause 1 of the Financial Instruments and Exchange Law) (hereinafter including any person deemed to be a holder pursuant to Article 27-23 Clause 3 of the Law) and any joint holder (as defined in Article 27-23, Clause 5 of the Law, hereinafter including any person deemed to be a joint holder pursuant to Paragraph 6 of the same Article); or (2) any person who engages in bidding (bidding as defined in Article 27-2 Clause 1 of the Law, including any bidding on the securities market of an exchange) for the Company's share certificates (share certificates as defined in Article 27-2 Clause 1 of the Law) and any special interested person (special interested person as defined in Article 27-2 Clause 7 of the Law).

case, other than any acquisition approved by the Board in advance, regardless of the specific method used to make the acquisition, including market dealings and takeover bids; any such acquisition shall hereinafter be referred to as a “large-scale acquisition” and any person who makes such a large-scale acquisition as a “Large-scale Bidder”) as the basic policy on the roles of persons who control the Company’s financial and business policies and for the purpose of improving the Company’s corporate value and ensuring that the common interests of our shareholders are upheld.

Please see Appendix 1 for the specific procedure under the Plan.

The Plan shall be adopted subject to the approval of shareholders at the Company’s annual meeting scheduled for June 27, 2008, and shall remain effective until the end of the Company’s annual meeting of shareholders scheduled for June 2011.

For the avoidance of doubt, as of today’s date, there has been no approach or offer made to the Company regarding any large-scale acquisition of the Company’s shares. The status of major shareholders as of September 30, 2007 is provided in Appendix 2.

#### **I. Basic policies regarding the roles of persons who control decisions on the Company’s financial and business policies**

As the Company is listed on the securities exchange, the Company’s shares are to be freely traded by its shareholders and other investors; therefore, even if any offer of a large-scale acquisition or similar is made for the Company’s shares, the Company will not reject such an offer indiscriminately and believes that ultimately, the decision must be left to the discretion of shareholders.

However, in recent times, activities designed to forcibly and unilaterally acquire shares without obtaining the consent of the target company’s management have become more prevalent in Japanese capital markets. As is often the case, such large-scale acquisitions clearly damage corporate value and thus the common interests of shareholders, and may in effect force shareholders to sell their shares, provide insufficient time or information to enable the target company’s board and shareholders to examine the terms and conditions of the acquisition, require the target company to negotiate with the bidder in order to set more favorable terms and conditions than those offered by the bidder, and in no way contribute to the target company’s corporate value / the common interests of shareholders, given the purpose of such bidders.

We believe that persons who control decisions on the Company's financial and business policies must have a full understanding of the Company's management philosophy, its sources of corporate value and thus the confidential relationships with stakeholders who support the Company, and can ensure and improve the Company's corporate value and thus the common interests of shareholders over the long term.

## **II. Measures to Implement Basic Policies**

To allow a number of investors to continue investing in the Company over the medium-to-long term, the Company has introduced the following measures to improve the Company's corporate value and thus advance the common interests of shareholders. We believe that these measures will contribute to the implementation of the Basic Policies described in I above.

### **1. Commitment to improve corporate value under the "medium-term business plan"**

In the previous medium-term business plan, "Global 5000" which ended in FY2007, the Company promoted global business deployment on a par with major overseas companies, positioned the medium-term target sales of JPY500 billion as the "First Step" to be achieved (with target sales of JPY450 billion for FY2008), and actively pursued 1) M&As in Japan and abroad, 2) strategic capital investment based on the predicted demand from the electronics industry, which is the growth market, 3) strengthening / expansion of business in growth regions including the US, China and Southeast Asia, and 4) horizontal integration of the carbon dioxide business as well as consolidation / reorganization of the cryogenic equipment / semiconductor engineering subsidiaries under the basic policies of "development of new businesses through effective use of cash flow" and "pursuit of effective business management". As a result, the Company was able to achieve the profit target two years earlier than planned partly due to a favorable external environment.

Based on these results, the Company will set higher targets and take on challenges to become a "global" company. For this purpose, the Company has drawn up a new medium-term business plan, "Stage 10": – challenges in becoming a global company [II]", which starts in the current fiscal year (FY 2008). Through its commitment to attaining the goals outlined in "Stage 10", the Company will dedicate itself to improving the Company's corporate value on an ongoing basis and thus contribute to the common

interests of shareholders.

The outline of “Stage 10: challenges in becoming a global company [II]” is as follows:

[What are the three “10s” pursued by the Taiyo Nippon Sanso Group?]

- To gain a “global market share of 10%” as a growth indicator;
- To achieve “operating margins of at least 10%” as a profitability indicator; and
- To maintain an “ROCE of at least 10%” as an efficiency indicator.

[Target indicators for FY2010]

- Sales: JPY600 billion +α
- Operating profit of at least JPY54 billion (at least JPY56 billion before amortization of goodwill under the US GAAP due to changes in the accounting system)
- ROCE of at least 10%

[Key themes]

- Accelerated growth potential accompanied by increase in profits
- Promotion of globalization
- Implementation of cost cutting measures
- Strengthening of group management

[Continuation of strategic investment]

- The Company will make strategic investment of JPY200 billion over three years; JPY140 billion (70%) of this investment will be targeted at the growth markets / regions.
  - Amount invested in the electronics business: JPY85 billion
  - Amount invested in overseas businesses: JPY68 billion (including JPY13 billion invested in the electronics business)

[Promotion of CSR management]

- Thoroughgoing efforts to ensure safety, security and quality assurance  
In accordance with the firm brief that specifies product safety, security and quality assurance as the basis of the Taiyo Nippon Sanso Group’s business activities, the Company will seek to carry out intensive safety reviews, enhance its safety guidance through security audits and achieve total quality management based on the ISO9001 management systems in order to win trust from customers / society and establish a strong business platform.

Total compliance

The Taiyo Nippon Sanso Group will make efforts to win the trust of society as a “good corporate citizen” based on the awareness that “companies should foster creativity while delivering fair and appropriate management in harmony with society through activities carried out in good faith in accordance with the set of values / sense of ethics aspired to by members of society.”

Commitment to the prevention of global warming

In order to reduce the volume of electricity in gas production which is responsible for approx. 98% of CO<sub>2</sub> emissions of the Taiyo Nippon Sanso Group, the Company will remain committed to promoting energy saving at the gas production plants. In addition, to reduce CO<sub>2</sub> emissions which occur during transportation in tanks, the Company will make efforts to reduce the volume of fuels used by the distribution company in the Group and contracted carriers.

## **2. Efforts to improve corporate value through the enhancement of corporate governance**

In order to increase the Company’s corporate value and thus advance the common interests of shareholders on an ongoing basis through effective and sound management, the Company has ranked the development of management structures / systems and the appropriate implementation of necessary measures as its key business challenges.

In accordance with these policies, we have introduced the following measures: 1) monitoring of important decision-making and functions by the Board, 2) the acceleration of decision-making through the business administrative structure from the perspective of the group as a whole; 3) auditing of directors’ performance of their duties by corporate auditors, 4) internal auditing conducted by the Corporate Audit Office, which reports directly to the President.

In addition, in order to keep pace with changes in the management environment and institute an ideal management framework in a flexible manner, as well as to further clarify management responsibilities during the fiscal year and increase the opportunities to gain the confidence of its shareholders, the Company plans to submit a proposal to amend the articles of incorporation by reducing the term of office of directors from the current two (2) years to one (1) year to the shareholders’ meeting scheduled for June this year.

Concurrently with such measures, the Company will make efforts to further strengthen

the relationship of mutual trust with its shareholders, business partners, employees and other stakeholders and steadily improve corporate value from a medium- and long-term perspective.

### **III. Contents of the Plan (measures to prevent any inappropriate person from controlling decisions on the Company's financial and business policies pursuant to the Basic Policies)**

#### **1. Purpose of Introducing the Plan**

This Plan is introduced as a means to prevent any inappropriate person from controlling decisions on the Company's financial and business policies pursuant to the basic policies as described in I above.

In relation to any large-scale acquisition attempt, the Plan aims to 1) require a large-scale bidder to provide necessary and sufficient information, 2) secure sufficient time for the Company to collect information on / consider an attempted large-scale acquisition; and 3) provide necessary and sufficient information and time to shareholders by providing the Company's management plans and alternatives to shareholders and through negotiations with a large-scale bidder as appropriate so that shareholders can make an appropriate decision on the acceptance or rejection of any such large-scale acquisition attempt.

Accordingly, the Board has decided to establish certain rules regarding the provision of information at the time of any large-scale acquisition attempt (hereinafter referred to as the "Large-scale Acquisition Rules") and introduce the Plan as a takeover defense including countermeasures against any large-scale acquisition attempt made by an inappropriate person in accordance with the basic policies described above.

#### **2. Summary of the Large-scale Acquisition Rules**

In order to ensure / improve the Company's corporate value and thus shareholder value, the Plan establishes the procedures for (i) requiring any large-scale bidder to provide necessary and sufficient information about its large-scale acquisition attempt in advance; (ii) enabling the Company to secure sufficient time to gather information on / review any such large-scale acquisition attempt; (iii) having the Board provide the Company's management plans or alternatives to shareholders and/or conduct negotiations with the large-scale bidder; (iv) holding a shareholders' meeting to

confirm the wishes of shareholders on the exercise of countermeasures against any such large-scale acquisition attempt, and request that the large-scale bidder wait until the procedures described in (i) through (iv) above have been completed before commencing any large-scale acquisition attempt in order to ensure an opportunity is given to shareholders to confirm their wishes where any large-scale acquisition attempt is made for the Company's share certificates.

**(1) Prior submission of a statement of intention to the Company**

If any large-scale bidder desires to engage in a large-scale acquisition, the bidder shall first be required to provide the Board with its name, address, the governing law under which the bidder was established, the name and contact details of its Japanese representative and a summary of the proposed large-scale acquisition together with a statement of intention including its agreement to comply with the procedures specified in the Plan. The Board shall, within ten (10) business days of receiving any such statement of intention, deliver to the large-scale bidder a list of required information that must be initially submitted by said large-scale bidder.

**(2) Provision of Necessary Information**

Unless the Board considers it unnecessary, a large-scale bidder shall be required to provide the Company with any information that is necessary and sufficient to enable shareholders to make a decision and enable the Board to form an opinion (hereinafter referred to as the "Required Information") based on the list of necessary information as provided in (1) above. The specific details of the Required Information will vary depending on the attributes of the large-scale bidder and the nature of the large-scale acquisition attempt; however, the following items will generally be required:

- 1) the identity of the large-scale bidder and any group of which it is a member (including the identity of any joint holder, special interested person or [in the case of a fund] partners and other members) (including information on the exact name, business activities, capital composition and financial standing of the large-scale bidder and its experience in any business similar to that of the Company or Group, etc.);
- 2) all securities issued by the Company held by the large-scale bidder, the details of all transactions involving the Company's securities conducted by the large-scale bidder during the previous sixty (60) day period (including the nature of the transaction, pricing, place, method and the counterparty to the transaction) and all contracts,

arrangements and agreements executed by the large-scale bidder in relation to the Company's securities (including oral agreements and regardless of the ability to perform any such contract, arrangement or agreement);

- 3) the purpose, method and details of the large-scale acquisition attempt (including the value / type of compensation, timing, the structures of related transactions, the legality of the large-scale acquisition attempt and the feasibility of the large-scale acquisition attempt and related transactions, and the facts supporting and reasons for any possible delisting of the Company's shares if any such delisting is expected after the completion of the acquisition);
- 4) the existence or non-existence of communications with any third party in the course of the large-scale acquisition attempt (hereinafter including any communication relating to the making of a material proposal to the Company as defined in Article 27-26 Clause 1 of the Financial Instruments and Exchange Law) and the specific format and contents of any such communication;
- 5) the basis for calculating the cost of acquiring the Company's share certificates (calculation assumptions, method of calculation, numerical information used in the calculation, the nature of synergies expected to arise from a series of transactions relating to the large-scale acquisition attempt, etc.) and supporting evidence for the acquisition funds (including the exact name of the person providing the funds [including any substantial provider], the fundraising method and the details of related transactions);
- 6) the Manager expected to be appointed to participate in the management of the Company and the Group (including information about his/her experience in any business similar to that of the Company and the Group, etc.), management policies, business and financial plans, capital and dividend policies and asset utilization plans;
- 7) whether or not the relationship between the Company and the Group's business partners, customers, employees and other stakeholders and between the Company and the Group will be changed after completing the large-scale acquisition attempt, and the details, if any;
- 8) specific steps taken to avoid any conflict of interest between the large-scale bidder

and other shareholders in the Company; and

9) such other information as is reasonably deemed necessary by the Board.

We will carefully examine the information initially provided and, after consulting with any third party independent of the Board (including financial advisors, certified public accountants, attorneys, consultants or other experts; hereinafter referred to as “External Experts”) as appropriate, if such information as is initially provided is found to be insufficient, the Board will request that the large-scale bidder provide additional information until such required information is fully obtained.

Except for any information which is deemed inappropriate by the Board before disclosure, the Company may, as deemed necessary by the Board, disclose to shareholders the fact that a large-scale acquisition proposal has been made, the required information provided to the Board and any other information as is deemed appropriate by the Board at any time.

**(3) Review of the details of a large-scale acquisition attempt, negotiations with a large-scale bidder and disclosure of information by the Board**

If the Board accepts and acknowledges that sufficient information has been provided by a large-scale bidder, the Board shall set a period of sixty (60) days (in the case of an acquisition of the Company’s shares through a takeover bid for cash [Japanese yen] only) or ninety (90) days (for any other large-scale acquisition attempt) for review (hereinafter referred to as the “Board Evaluation Period”) and shall disclose information accordingly.

The Board may, during the Board Evaluation Period, consider an opinion on the bid for the proposed large-scale acquisition from an internationally recognized investment bank or other institution as to whether the purchase price is adequate from a financial perspective (referred to as an “Inadequacy Opinion”), and if the Company receives an opinion that the purchase price is inadequate, the Company shall extend the initial Board Evaluation Period by up to 40 days and disclose information accordingly.

In addition, for security registration statements, financial statements, interim and extraordinary reports prepared in Japanese under the Financial Instruments and Exchange Law (including any notice of adjustment required therefor or if there is any

amendment report, the relevant notice of adjustment and the amendment report) (hereinafter collectively referred to as “Security Registration Statements”) or Japanese versions of such documents prepared by a large-scale bidder (not including the Japanese summary of any document prepared in a foreign language; however, for financial statements and interim reports [including any amendment report therefore], English language statements or interim statements for a foreign company corresponding to the financial statements and interim reports prepared under the Financial Instruments and Exchange Law [including any amendment report therefor] [hereinafter collectively referred to as “foreign company statements”] and supplementary documents required under the Financial Instruments and Exchange Law and the Japanese version of the summary of such reports and statements shall be acceptable) have not been submitted or disclosed for the last five (5) years (or if the period from the date on which the large-scale bidder was required to submit the financial statements, foreign company statements or any other similar documents in accordance with the Financial Instruments and Exchange Law until the starting date of the Board Evaluation Period is less than five (5) years, that period), the Company shall further extend the initial Board Evaluation Period by up to twenty (20) days and disclose information accordingly in order to allow for a careful examination of the contents of the documents submitted by the large-scale bidder (which are not required by the Financial Instruments and Exchange Law).

For the purpose of ensuring / improving the Company’s corporate value and shareholder value, the Board shall evaluate / review the nature of any large-scale acquisition attempt by a large-scale bidder based on the information / materials provided by the large-scale bidder within the Board Evaluation Period. In addition, the Board shall make efforts to understand the wishes of shareholders, ask for the opinions of customers, business partners, employees and relevant local parties as appropriate and obtain advice from External Experts to improve the reasonableness / objectivity of the decision made.

On that basis, the Board shall review the nature of any large-scale acquisition attempt and hold consultations / negotiations with the large-scale bidder to encourage the large-scale bidder to improve the terms of its large-scale acquisition attempt as appropriate. The large-scale bidder must respond to any Board request relating to the provision of materials or other information for review, or for consultations or negotiations.

In order to improve the transparency of its decision, other than any information for which the Board deems disclosure to be inappropriate, such as trade secrets, the Board

shall disclose to shareholders, at such time as is deemed appropriate by the Board, the Required Information provided by a large-scale bidder, the Board's opinion on the nature of the large-scale acquisition attempt by the large-scale bidder, a summary of any alternatives developed by the Board and any other information which is deemed appropriate by the Board.

#### **(4) Procedures to confirm the wishes of shareholders**

If the Board resolves to hold a shareholders' meeting and fixes a reference date, the Board Evaluation Period shall end on that day and the Board shall promptly start arranging the shareholders' meeting.

In such a case, a prompt announcement shall be made about the termination of the Board Evaluation Period and the holding of a shareholders' meeting.

After the termination of the Board Evaluation Period, (i) unless the Board decides the large-scale acquisition attempt will result in a significant deterioration of the Company's corporate value and shareholder value, as provided in 3. (1) a) or b).; and (ii) unless the Board decides that the large-scale acquisition attempt will make a significant contribution to the maximization of the Company's corporate value and shareholder value, the Board shall ask shareholders to decide whether any countermeasures should be taken against the large-scale acquisition attempt. In addition, (i) even if the Board determines that the large-scale bidder is not in compliance with the procedures provided in the Plan, or (ii) even if the large-scale acquisition attempt is deemed to be likely to have a significant detrimental effect on the Company's corporate value or shareholder value, as provided in 3. a) or b), the Board shall ask shareholders to decide whether any countermeasures should be taken against the large-scale acquisition attempt in order to ensure that shareholders' wishes are taken into account.

Shareholders' wishes shall be confirmed through resolutions made at a shareholders' meeting (hereinafter referred to as the "Shareholders' Meeting") pursuant to the Corporate Law. The Company shall act in accordance with resolutions made at the shareholders' meeting held pursuant to the guidelines set out in 1) through 5) below and shall or shall not take any countermeasures against a proposed large-scale acquisition attempt:

- 1) to fix a reference date to determine those shareholders entitled to exercise their voting rights at the shareholders' meeting (hereinafter referred to as the "Reference

Date”), the Board shall make an announcement by such means as are provided in the Company’s articles of incorporation no less than two (2) weeks prior to the Reference Date.

- 2) Shareholders listed or registered in the latest shareholders’ or beneficial shareholders’ register as of the Reference Date may exercise their voting rights.
- 3) Shareholders’ resolutions shall be approved by a majority of shareholders in attendance in accordance with laws and regulations, and if an amendment of part of the articles of incorporation is approved at the next annual meeting of shareholders, in accordance with Article 14 thereof.
- 4) No particular group of shareholders may commence making bids for the Company’s share certificates until the end of the shareholders’ meeting.
- 5) If any material change or amendment is made to the information provided to enable shareholders to make decisions at the shareholders’ meeting, even if the Reference Date is already fixed, the Board may change the Reference Date or postpone or call off the shareholders’ meeting.

### **3. Measures to be taken when any large-scale acquisition attempt is made**

#### **(1) If a large-scale bidder fully complies with the procedures stipulated in the Plan**

If a large-scale bidder fully complies with the procedures stipulated in the Plan, as provided in 2. (4) above, the Board shall ask shareholders to decide at the shareholders’ meeting whether the Company should take any countermeasures against the large-scale acquisition attempt.

If a large-scale bidder fully complies with the procedures stipulated in the Plan and the Board finds that the proposed acquisition is likely to contribute to the maximization of the Company’s corporate value and thus of its shareholder value, the Board shall be entitled to refrain from taking any countermeasures without going through the process of confirming shareholders’ wishes as provided in 2. (4) above. Provided, however, that even if the procedures stipulated in the Plan are fully complied with, if the Board finds that the large-scale acquisition attempt is likely to have a significant detrimental effect on the Company’s corporate value and shareholder value, in order to protect corporate value and thus shareholder value, the Board may take any countermeasure to the extent

necessary and appropriate, subject to a Board resolution. More specifically, if any large-scale acquisition attempt is found to fall within any of the following circumstances, the large-scale acquisition attempt shall be deemed to be likely to have a significant detrimental effect on the Company's corporate value and thus on its shareholder value:

a) any large-scale acquisition attempt which is likely to lead to a clear reduction in the Company's corporate value and shareholder value, including the activities described in 1) through 4) below:

- 1) purchasing shares with the intention of requiring the Company to buy back the shares at a higher price;
- 2) managing the Company in a manner designed to realize the interests of the acquirer and sacrifice those of the Company, for example, by controlling the Company temporarily and acquiring the material assets of the Company at a discount;
- 3) misappropriating the Company's assets to use them as a pledge or to redeem the liabilities of the acquirer or any of its group companies; or
- 4) controlling the management of the Company temporarily to dispose of high-value assets which are not being used in the Company's businesses for the time being and using the proceeds to pay large special dividends or to sell the shares at a high price when the price surges as a result of such large extraordinary dividends.

b) Any large-scale acquisition attempt which in effect may force shareholders to sell their shares including coercive two-step acquisitions (offers to acquire shares such as in takeover bids where the acquisition terms are less favorable in the second step than in the first or where the acquisition terms in the second step are not revealed).

In each case, in order to increase the reasonableness / objectivity of the decision as to whether such a large-scale acquisition attempt is likely to have a significant detrimental effect on the Company's corporate value or shareholder value, the Board shall make a decision on whether or not to take any countermeasure pursuant to advice obtained from External Experts.

However, as provided in 2. (4) above, even if the Board finds that such a large-scale

acquisition attempt is likely to have a detrimental effect on the Company's corporate value or shareholder value as provided in a) or b) above or otherwise, and if countermeasures may be taken subject only to the approval of the Board under the Plan, the Board may, with a view to taking shareholders' wishes into account, also institute the procedure to confirm shareholders' wishes as provided in 2. (4).

Even if the Board accepts that a large-scale bidder has fully complied with the procedures stipulated in the Plan and initiates the process to hold a shareholders' meeting, if the Board determines that the large-scale bidder has, before the end of the shareholders' meeting, started a large-scale acquisition attempt which is likely to have a significant detrimental effect on the Company's corporate value and thus on its shareholder value, the Board may call off the shareholders' meeting and take countermeasures, subject only to a requirement to obtain a Board resolution.

### **(2) Situations where a large-scale bidder does not comply with the procedures stipulated in the Plan**

If a large-scale bidder does not comply with the procedures stipulated in the Plan, unless exceptional circumstances make it necessary to continue consultations / negotiations with the large-scale bidder for the provision of the Required Information, or the Board determines that it should proceed to initiate the process to confirm shareholders' wishes as provided in 2. (4) above, in principle, the Board shall be entitled to take countermeasures to the extent necessary and appropriate in order to protect corporate value and thus shareholder value, subject only to a requirement to obtain a Board resolution. A summary of the specific countermeasure of a gratis issue of stock options is provided in Appendix 3.

### **(3) Suspension of countermeasures taken**

Even if a resolution to carry out a gratis issue of stock options is subject only to Board approval as provided in 3. (2) above, if (i) the bidder cancels the acquisition attempt or the acquisition attempt is discontinued for any other reason, or (ii) any changes occur to the facts constituting the assumptions made for the Board's decision and as a result, the bidder's acquisition attempt no longer meets any of the requirements specified in 3. (1) above, or even if it does, it would not be reasonable to carry out or permit a gratis issue of stock options, the gratis issue of stock options may be cancelled up to the day before the effective date of the stock options, or, at any time during the period from the day following the effective date of any such gratis issue until the day before the first day of

the exercise period for such stock options, the Company may acquire the stock options without compensation.

#### **4. Impact on shareholders / investors**

##### **(1) Impact on shareholders / investors of the introduction of the Plan**

The Plan is intended to provide the Company's shareholders with information necessary for the Company's shareholders to decide whether they should accept any offer to make a large-scale acquisition attempt and with the opinion of the Board then in charge of the Company's management and, in addition, to ensure that the Company's shareholders are given an opportunity at the time of any such attempt to be presented with any alternatives to enable them to make a final decision. In this way, the Company's shareholders will be able to make proper decisions on whether to accept or reject any such attempted large-scale acquisition on the basis of sufficient information, which should result in the Company's corporate value, and thus its shareholder value, being maintained or improved. Therefore, the establishment of the Plan should contribute to the interests of the Company's shareholders and investors.

In addition, as already described in 3. above, the Company's policy for handling such matters will vary, depending on the large-scale bidder's compliance or non-compliance with the procedures stipulated in the Plan; therefore, the Company's shareholders and investors shall be required to pay attention to action taken by any such large-scale bidder.

##### **(2) Impact on shareholders / investors of taking countermeasures**

For the purpose of protecting corporate value and thus shareholder value, the Board may carry out a gratis issue of stock options to the extent necessary and appropriate. Although the value of each Company share will be diluted as a result of any such gratis issue of stock options, since the number of shares held by each shareholder will increase through the granting of new shares upon the exercise of such stock options or the granting of new shares in exchange for the Company acquiring such stock options, as a consequence, the total value of stock held by each shareholder will not change; therefore, the Company does not foresee any situation whereby any shareholder in the Company (not including any large-scale bidder that fails to comply with the procedures stipulated in the Plan and engages in any large-scale acquisition attempt that is likely to have a significant detrimental effect on the Company's corporate value and thus its shareholder value) will have its interests unduly damaged, either in terms of its legal rights or its

financial position.

However, if the Company cancels a gratis issue of stock options as provided in 3. (3) above or acquires stock options granted through any such gratis issue without compensation, since this will not result in the value of each share being diluted, any investor who trades in the Company's shares assuming that the price per share will be diluted after the Board has resolved to carry out a gratis issue of stock options as provided in 3. (2) may suffer certain consequences due to fluctuations in the stock price. If the Board determines to take any specific countermeasures, the Board shall make proper disclosure in a timely manner in accordance with laws and regulations and with the rules of the relevant securities exchange.

**(3) Procedures shareholders are required to follow when any countermeasure is taken**

a) Name transfer

If the Board or the shareholders' meeting resolves to carry out a gratis issue of stock options as a countermeasure, the Company shall publicly announce the date of allocation of the stock options. Stock options shall be issued to the shareholders listed or registered in the latest shareholders' or beneficial shareholders' register without compensation. Therefore, shareholders shall be required to follow the procedures required to transfer their shares promptly. (Name transfers will not be required for share certificates deposited with the Japan Securities Depository Center.)

b) Exercise of stock options

If the Board or the shareholders' meeting resolves to carry out a gratis issue of stock options as a countermeasure, in principle, the Company shall send a request form for the exercise of the stock options (in the Company's designated form containing the information necessary for exercising the stock options, including the nature and quantity of options being exercised and confirmation of the fact that the shareholder is not a member of the particular group of shareholders) and other documents necessary for exercising the stock options to the shareholders listed or registered in the latest shareholders' or beneficial shareholders' register on the date of allocation of such stock options. After the gratis issue of stock options, the Company's shares shall be issued in the number equal to the number of target stocks (the number to be separately determined by the Board) per stock option issued to each shareholder provided the shareholder submits the required documents within the exercise period and forwards payment to the

designated settlement facility in the amount determined by the Board, which in principle shall be no less than JPY1 per option.

c) Procedures for the acquisition of stock options by the Company

If the Board makes a decision to acquire stock options, the Company shall acquire stock options as of the date separately determined by the Board pursuant to statutory procedures. If the Company is to grant shares to shareholders in exchange for acquiring stock options, the Company shall grant such shares promptly. In any such case, the Company may request that shareholders separately submit a document in a form designated by the Company certifying that the shareholder is not a member of the particular group of shareholders.

Details of allocation methods, name transfers, and exercises and acquisitions of share options by the Company shall be disclosed or notified to shareholders after the Board's resolution regarding countermeasures; please read the relevant information or notice.

**5. Procedures for the introduction of the Plan; effective period, etc.**

**(1) Procedures for the introduction of the Plan**

The Plan shall be introduced subject to shareholder approval at the next annual meeting as follows:

- 1) Pursuant to the proviso to Article 278 Clause 3 of the Corporate Law, any proposal to change the Company's articles of incorporation is to be submitted to the next annual meeting of shareholders to add the following provision:

“The Company shall determine any matter relating to a gratis issue of stock options subject to a Board resolution, a resolution of the shareholders' meeting or a Board resolution authorized by a resolution of the shareholders' meeting.”

to the Company's articles of incorporation as Article 14, and increase the total number of issuable shares from 800 million to 1,600 million. Details of the proposed partial amendment of the articles of incorporation for the purpose of introducing the Plan have been separately disclosed as of today's date. Please see the “Notice of Partial Amendment of the Articles of Incorporation”.

- 2) Subject to shareholder approval at the next annual meeting of shareholders for 1) above, shareholders shall be required to delegate the authority to make decisions

concerning any gratis issue of stock options to the Board in accordance with the terms and conditions provided in the Plan by a resolution to be made at the next annual meeting of shareholders pursuant to Article 14 of the Company's articles of incorporation as amended as described in 1) above.

**(2) Effective period of the Plan, etc.**

The Plan shall be effective from the close of the next annual meeting of shareholders until the close of the annual meeting of shareholders for the last fiscal year ending within three (3) years; provided, however, including prior to the expiry of the effective period, where (i) a resolution is made to abolish the Plan at the Company's shareholders' meeting, or (ii) the Board resolves to abolish the Plan, the Plan shall be abolished immediately at that time. In addition, including during the effective period of the Plan, provided it is not contrary to the intent of any resolution made at the next annual meeting of shareholders (including any case in which a new law, regulation or securities exchange rule is formulated or an existing law, regulation or rule relating to the Plan is amended or abolished and it is appropriate to reflect the new law, regulation or rule, or amendment or abolition, or where it is appropriate to make corrections for typographic errors and omissions or where it has no adverse effect on the Company's shareholders), the Board may modify or amend the Plan as appropriate.

If the Plan is abolished, changed, amended or modified, the Company shall promptly disclose information about the fact of the abolition, change, amendment or modification, and in the case of any change, amendment or modification, the details of the relevant change, amendment or modification and other relevant matters.

**IV. The fact that the Plan complies with basic policies, is in line with the maintenance of the Company's corporate value and thus the common interests of shareholders, and is not intended to safeguard the positions of the Company's officers**

The Company believes that in designing the Plan, the following matters were taken into consideration to ensure that the Plan conforms to the basic policies referred to in I above, is in line with the maintenance of the Company's corporate value and thus the common interests of shareholders, and is not intended to safeguard the positions of the Company's officers.

**1. Satisfying the requirements of the Guidelines Concerning Defensive Measures**

The Plan satisfies the requirements of the three principles of the “Guidelines concerning Defensive Measures against Takeovers to Secure or Enhance Corporate Value and the Common Interests of Shareholders” jointly published by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005 (the principles of: 1) securing / enhancing corporate value / the common interests of shareholders, 2) prior disclosure / shareholders’ wishes, and 3) ensuring necessity / appropriateness).

## **2. Introduction of the Plan for the purpose of ensuring / enhancing the common interests of shareholders**

As described in III 1. “**Purpose of Introducing the Plan**” above, the Plan enables the Company to provide shareholders with the time and information necessary to allow them to make decisions on the acceptance or rejection of large-scale acquisition attempts and to secure opportunities for shareholders to be provided with any alternatives where any such large-scale acquisition attempt is made, and is introduced for the purpose of securing / enhancing the Company’s corporate value and the common interests of shareholders.

## **3. Reflection of shareholders’ wishes**

As described in III 5. “**Effective period of the Plan, etc.**” above, the Company plans to submit the Plan as a proposal to be discussed at the next annual meeting to be held on June 27, 2008 to confirm shareholders’ views on the introduction of the Plan, thus enabling shareholders’ views to be taken into account.

Even if any proposal for a large-scale acquisition is made pursuant to the Plan, shareholders’ wishes shall be reflected in the decision on whether or not to take countermeasures against the large-scale acquisition attempt.

In addition, if the Company’s Board of Directors, consisting of Board members appointed by the Company’s shareholders’ meeting, resolves to abolish the Plan, including before the expiry of the effective period of the Plan, the Plan shall be abolished immediately at that time, thus reflecting shareholders’ wishes.

## **4. The setting of reasonable, objective requirements for the implementation of the Plan**

As described in III.3 “**Measures to be taken when any large-scale acquisition attempt is made**” above, no countermeasure provided for in the Plan may be effected

unless the requirement of reasonable objectivity is satisfied, thus ensuring that arrangements are in place to prevent the Board from implementing the countermeasures in an arbitrary manner.

**5. No dead-hand / slow-hand takeover defense**

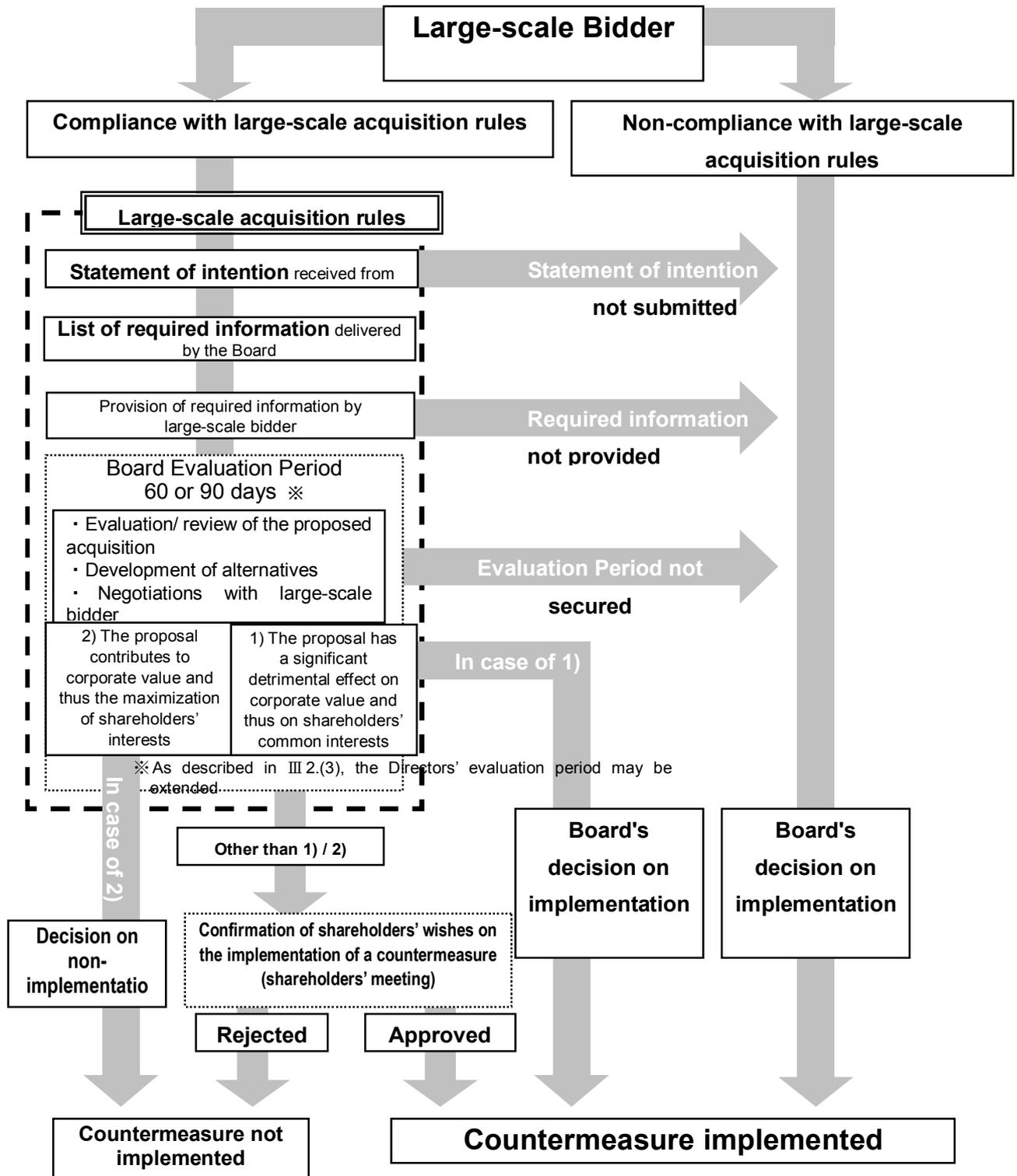
As described in III 5. “Effective period of the Plan, etc.” above, the Plan may be abolished by the Board of Directors, consisting of directors appointed by the Company’s shareholders’ meeting. Accordingly, the Plan is not a dead-hand takeover defense (a takeover defense which cannot be withdrawn even after a majority of the Board members have been replaced).

In addition, the Company plans to propose a reduction in the directors’ term of office from two (2) years to one (1) year at the next annual meeting of shareholders. If this amendment is approved by shareholders, the term of office of the Company’s directors shall be reduced by one (1) year; therefore, the Plan is not a slow-hand takeover defense (a takeover defense which requires more time to withdraw as Board members cannot be replaced at once).

The Company has not added any additional conditions to resolution requirements by requiring an extraordinary resolution for the removal of directors.

Appendix 1

**Overview of the Plan: Flow upon the Commencement of a Large-Scale Acquisition Attempt**



Note: this chart is provided for reference only. Refer to the text for details.

Appendix 2

**Status of Major Shareholders as of September 30, 2007**

Name	Number of shares held (in thousands)	Shares held/total number of outstanding shares (%)
Mitsubishi Chemical Corporation	40,947	10.16
JFE Steel Corporation	20,617	5.11
Taiyo Nippon Sanso Corporation Share Ownership Scheme	17,295	4.29
Meiji Yasuda Life Insurance Company	16,491	4.09
Mizuho Corporate Bank	14,484	3.59
The Master Trust Bank of Japan, Ltd.(Trust Account)	12,695	3.15
State Street Bank and Trust Company 505103 (Standing agent: Mizuho Corporate Bank, Ltd., Kabuto-cho Settlement & Clearing Services Division)	12,410	3.08
The Chase Manhattan Bank N.A., London SL Omnibus Account (Standing agent: Mizuho Corporate Bank, Ltd., Kabuto-cho Settlement & Clearing Services Division)	10,110	2.51
The Dai-ichi Mutual Life Insurance Company	10,037	2.49
The Norinchukin Bank	10,000	2.48
Total	165,091	40.96

Note:

1. Numbers of shares have been rounded down to the nearest thousand.
2. In addition to those shares listed above, the Company owns 376,000 treasury shares (0.09% of the total number of outstanding shares).

## Appendix 3

### **Summary of Gratis Issue of Stock Options**

#### 1. Shareholders eligible for a gratis issue of stock options

One stock option for each share of the Company held by the shareholders listed or registered in the latest registers' or beneficial shareholders' register as of the reference date determined by the Board (not including common shares held by the Company) shall be granted without additional payment.

#### 2. Type and quantity of shares subject to stock options

The type of shares subject to the stock option grant is the Company's common shares and the total number of such shares shall be up to the number equal to: the total number of issuable shares as of the reference date determined by the Board less the total number of outstanding shares in the Company (not including common shares held by the Company). The number of target shares per stock option shall be separately determined by the Board; provided, however, that in the event that the Company's stock is split or combined, an adjustment should be made as necessary.

#### 3. Total number of stock options issued

The total number of stock options to be issued shall be separately determined by the Board.

#### 4. Value of assets to be contributed upon the exercise of each stock option (amount payable)

The value of assets to be contributed upon the exercise of each stock option (the amount payable) shall be determined by the Board, but in any event shall be no less than JPY1.

#### 5. Restriction on transfer of stock options

Any transfer of stock options which results in the acquisition of such stock options shall be subject to the Board's approval.

#### 6. Terms and conditions for the exercise of stock options

Options may be exercised only by any person who is not a member of a particular group of shareholders with voting rights of at least twenty percent (20%) (not including those approved by the Board in advance) . The details of any such condition shall be determined by the Board.

#### 7. Exercise period of stock options

The effective date of stock options allocated, the exercise period, the acquisition conditions and other information shall be separately determined by the Board. For the acquisition conditions, the Company may incorporate a provision stipulating that the Company shall acquire the stock options of those who cannot exercise such options due to the condition provided in 6 above and may grant shares in such number as separately determined by the Company in exchange for each stock option.