

## **Introduction of Countermeasures to Large-scale Acquisitions of the Company's Shares (Takeover Defense Measures)**

The Board of Directors of Sanden Corporation (the “Company”) determined at its meeting held on May 26, 2008 definite contents of the countermeasures to large-scale acquisitions of the Company’s shares (hereinafter “the Plan”) as efforts to prevent inappropriate parties from controlling over decision-making on the Company’s financial and business policies in light of the basic policy on the control of the Company. The Plan was approved at the 82nd Ordinary General Meeting of Shareholders held on June 24, 2008 and came into effect. Also, the Independent Committee, which is the organ to rule out arbitrary judgments by Directors and perform objective and substantial judgments on the operation of invocation etc. of the Plan for shareholders, has been established with the appointment of 3 individuals for its members.

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

The Plan is introduced as an initiative to prevent inappropriate parties from controlling over decision-making on the Company’s financial and business policies in light of the basic policy on the control of the Company and to secure and enhance its corporate value and, in turn, the common interests of its shareholders.

In considering the recent capital market in Japan, the Company cannot deny the possibility that there are, in large-scale acquisitions of the shares of the Company or such proposals, some abrupt and enforced large-scale acquisitions of shares that are not accompanied with necessary and sufficient information or opportunities for the Company’s shareholders and investors to consider the terms and conditions of the acquisition, or those that do not provide information or sufficient time for the Company’s Board of Directors to express opinions or make alternative proposals.

In view of these situations, the Board of Directors of the Company has judged that in order to deter any large-scale acquisition of shares that may harm the corporate value of the Company and, in turn, the common interests of the Company’s shareholders, it will be essential to develop a framework which, when any acquirer offers to make a large acquisition of Company shares, allows shareholders to decide whether or not they should accept an offer for the large-scale acquisition or, by securing necessary information and time, enables the Board of Directors of the Company to propose an alternative plan to shareholders and negotiate with the acquirers in the interests of shareholders.

### **2. Details of the Plan**

#### **(1) Establishment of Independent Committee**

The Company establishes the Independent Committee as an organ to rule out arbitrary judgments by Directors and perform objective and substantial judgments on the operation of invocation etc. of the Plan for shareholders.

The number of the members of the Independent Committee shall be three (3) or more, and they shall be elected from among those who are highly independent from the management of the Company, such as outside directors and outside auditors of the Company and knowledgeable persons outside the Company (see Appendix 1 “Outline of the Rules of the Independent Committee” for the standards for appointing members and resolution matters of the Independent Committee).

If the Acquisition of shares in the Company were to actually occur, the Independent Committee would make substantive examinations and determinations as to whether or not

the Acquisition would have a detrimental effect on the corporate value of the Company and the common interests of its shareholders and shall make recommendations to the Board of Directors of the Company. Then, the Board of Directors of the Company shall, by paying the utmost respect to the determination, adopt a resolution as an organ under the Corporation Law of Japan.

The Independent Committee will disclose at proper timing any information regarding the outline of any recommendation given to the Board of Directors.

(2) Procedures for invoking the Plan

(a) Acquisitions to which the Plan is applied

The Plan will be applied to such cases where any acquisition of the share certificates of the Company or a similar action or proposal (excluding cases that are approved separately by the Board of Directors of the Company; hereinafter the “Acquisition”) that falls under (i) or (ii) below is effected. Any party carrying out or proposing the Acquisition (the “Acquirer”) must comply with procedures predetermined in the Plan.

- (i) The Acquisition that would result in the holding ratio of share certificates, etc. (note 3) of a holder (note 2) amounting to 20% or more of the share certificates, etc. issued by the Company (note 1); or
- (ii) A tender offer that would result in the owning ratio of share certificates, etc. (note 6) of share certificates, etc. relating to the tender offer (note 5) and the owning ratio of share certificates, etc. of a party having a special relationship therewith (note 7) totaling at least 20% of the share certificates, etc. issued by the Company (note 4).

(b) Request to the Acquirer for the provision of information

Excluding the Acquisition approved by the Board of Directors of the Company, the Company will require any Acquirer conducting the Acquisition described in 2.(2)(a) above to submit to the Company in a form prescribed by the Company, before effecting the Acquisition, necessary information for examination by the Company as described in each of the items listed below (hereinafter the “Essential Information”) and a written undertaking of the Acquirer stating that the party will upon the Acquisition comply with the procedures established under the Plan (hereinafter collectively referred to as the “Acquisition Statements”).

When the Acquisition Statements are received, the Board of Directors of the Company will promptly send it to the Independent Committee. When the Independent Committee deems that the contents of the Acquisition Statement is insufficient as the Essential Information, it may fix a proper deadline (a maximum of 60 days as a general rule) for response and request, either directly or indirectly, that the Acquirer additionally provide the Essential Information. In such a case, the Acquirer should additionally provide the Essential Information within the relevant time limit.

- (i) Details (including the specific name, line of business, capital composition, financial condition, and experience of the similar type of transactions to the relevant Acquisition and the results thereof) of the Acquirer and its group (including joint holders (note 8), parties having a special relationship and, in the case of funds, each partner and other constituent members).
- (ii) The purpose, method and terms of the Acquisition (including amount and type of consideration for the Acquisition, the Acquisition timing, the scheme of any related transactions, the legality of the Acquisition method, and the feasibility of the Acquisition).
- (iii) The basis for the calculation of the price of the Acquisitions (including the

underlying facts of the calculation, the calculation method, the numerical data used in the calculation, the details of any expected synergetic effect from any series of transactions relating to the Acquisition including synergetic effects that are to be shared with other shareholders).

- (iv) Financial supports for the Acquisition (including the specific name, financing methods and the terms of any related transactions of the funds providers (including all indirect funds providers)).
- (v) Post-Acquisition management policies, business plans, capital and dividend policies and asset management plans for the Company and Company Group.
- (vi) Post-Acquisition policies dealing with the Company's shareholders, employees, business partners, customers, and any other stakeholders in the Company.
- (vii) Any other information that the Independent Committee reasonably considers necessary.

If the Independent Committee deems that the Acquirer has initiated the Acquisition without complying with the procedures set forth in the Plan, as a general rule, it will recommend the Board of Directors of the Company to implement a gratis allotment of stock acquisition rights (hereinafter referred to the "Stock Acquisition Rights") in accordance with 2.(2)(d)(i) below for the purpose of diluting the ratio of shareholder's voting rights in the Company held by the Acquirer, unless there are special circumstances that necessitate the holding of discussions and negotiations, etc. with the Acquirer on continuing requests for the submission of the Acquisition Statements and Essential Information.

- (c) Consideration of the Acquisition terms, negotiation with the Acquirer, and consideration of an alternative proposal
  - (i) Request to the Board of Directors of the Company for the provision of information  
If the Acquirer submits the Acquisition Statements including the Essential Information to the Company, the Independent Committee may fix a proper deadline (a maximum of 60 days as a general rule) for response and request that the Board of Directors of the Company present an opinion (including, if any, the statement to decline an immediate comment; hereinafter the same) on the Acquirer's terms and supporting materials, an alternative proposal (if any), and any other information that the Independent Committee considers suitably necessary, in order to compare the details of the Acquisition Statements including the Essential Information to the business plan of the Board of Directors of the Company and the company valuation assessed by the Board of Directors of the Company from the standpoint of securing and enhancing the Company's corporate value and the common interests of its shareholders.
  - (ii) Independent Committee consideration  
Upon completing the receipt of the information from the Acquirer and the Board of Directors of the Company (if the Independent Committee requested the Board of Directors to provide information as set forth above), the Independent Committee will examine the Acquirer's Acquisition terms, collect information from both of the Acquirer and the Board of Directors of the Company on the business plans and other information, make comparison thereof, and consider any alternative proposal provided by the Board of Directors and the like until the expiration of a period of sixty (60) days as a general rule from the completion of such receipt (provided, however, that in the case described in 2.(2)(d)(iii) below, the Independent Committee may extend this period (hereinafter the "Independent Committee

Consideration Period”). Further, if necessary in order to improve the terms of the Acquisition from the standpoint of securing and enhancing the corporate value of the Company and the common interests of its shareholders, the Independent Committee will directly or indirectly discuss and negotiate with the Acquirer, or recommend the Board of Directors of the Company to present its alternative proposals, all results of which will be presented to shareholders etc. by the Independent Committee.

When the Independent Committee requests materials for examination, other information, discussions, negotiations, etc., directly or indirectly, the Acquirer must respond to this request promptly. The Independent Committee may seek advice from independent third parties, including financial advisors, certified public accountants, attorneys, consultants and other experts, at the expense of the Company, to secure that the judgment by the Independent Committee furthers the corporate value of the Company and the common interests of its shareholders.

(iii) Disclosure of information

At the time when the Independent Committee considers appropriate, the Company will disclose the fact that the Acquirer has emerged, that it has received the Acquisition Statements from the Acquirer, that the Independent Committee has fully received information from the Acquirer and the Board of Directors of the Company, that the Board of Directors of the Company has presented alternative proposals to the Independent Committee and any matter the Independent Committee considers appropriate out of the Essential Information or other information.

(d) Procedures for recommendations, etc. by the Independent Committee

If the Acquirer emerges, the Independent Committee will make recommendations to the Board of Directors of the Company in accordance with the following procedures. If the Independent Committee makes any of the resolutions for recommendations to the Board of Directors of the Company or otherwise as listed in 2.(2)(d)(i) through 2.(2)(d)(iii) below, or otherwise believes it to be appropriate, the Independent Committee shall disclose an outline of the recommendation or the like and any other matters that the Independent Committee considers appropriate (in the case of extending the Independent Committee Consideration Period, the period of and reason for such extension will also be disclosed), promptly after the resolution.

(i) The Independent Committee recommends the invocation of the Plan

If, as a result of the examination of the terms of the Acquirer’s Acquisition, the Independent Committee determines that the Acquisition by the Acquirer meets any of the requirements set forth in 2.(3) below (“Requirements for the gratis allotment of Stock Acquisition Rights”) and that the implementation of the gratis allotment of Stock Acquisition Rights is reasonable, the Independent Committee will recommend the implementation of the gratis allotment of Stock Acquisition Rights to the Board of Directors of the Company, regardless of whether the Independent Committee Consideration Period has commenced or terminated.

However, even after the Independent Committee has already made a recommendation for the implementation of the gratis allotment of Stock Acquisition Rights, if the Independent Committee determines that either of (A) or (B) below apply, it may make a new recommendation that (until the gratis allotment has taken effect) the Company should suspend the gratis allotment of Stock Acquisition Rights or that (after the day the gratis allotment has taken effect and by the day prior to the Exercise Period Commencement Date) the Company should acquire the Stock

Acquisition Rights without consideration.

- (A) The Acquirer withdraws the Acquisition or otherwise the Acquisition ceases to exist after the recommendation of the Independent Committee is given to the Board of Directors.
- (B) There is a change in the underlying facts or other conditions upon which the recommendation decision was made, and the Acquisition by the Acquirer does not meet any of the requirements set forth in 2.(3) below (“Requirements for the gratis allotment of Stock Acquisition Rights”) or it is not reasonable to implement the gratis allotment or to allow shareholders to exercise the Stock Acquisition Rights even if the Acquisition by the Acquirer does meet one of the conditions under 2.(3) below.

In making its recommendation for the implementation of gratis allotment of Stock Acquisition Rights, the Independent Committee can, if it deems appropriate to do so, add a condition that the will of shareholders should be confirmed in advance.

- (ii) The Independent Committee recommends the non-invoking of the Plan  
If, as a result of the examination of the terms of the Acquirer’s Acquisition and discussion, negotiation or the like with the Acquirer, the Independent Committee determines that the Acquisition by the Acquirer does not meet any of the requirements set forth in 2.(3) below (“Requirements for the gratis allotment of Stock Acquisition Rights”), or that the implementation of the gratis allotment of Stock Acquisition Rights is not reasonable even if the Acquisition by the Acquirer does meet one of the conditions set forth in 2.(3) below, the Independent Committee will recommend the Board of Directors of the Company not to implement the gratis allotment of Stock Acquisition Rights, regardless of whether the Independent Committee Consideration Period has commenced or terminated.

However, even after the Independent Committee has already made a recommendation not to implement the gratis allotment of Stock Acquisition Rights, if there is a change in the underlying facts or other conditions upon which the recommendation was made and the Acquisition by the Acquirer has come to satisfy the requirements set forth in 2.(2)(d)(i) above, the Independent Committee may make recommendations to implement the gratis allotment of Stock Acquisition Rights.

- (iii) Cases where the Independent Committee extends the consideration period  
If the Independent Committee can not make a recommendation for either the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights by the expiry of the initial Independent Committee Consideration Period, the Independent Committee will, to the reasonable extent it is considered necessary for the examination of the terms of the Acquirer’s Acquisition, negotiation with the Acquirer and the examination of an alternative proposal, adopt a resolution to extend the Independent Committee Consideration Period (and any extension of the new period after a period has been extended will follow the same procedure).

If the Independent Committee Consideration Period is extended as a result of the resolution described above, the Independent Committee will continue with its information collection, examination process and similar activities, and make best efforts to make recommendations for the implementation or non-implementation of

the gratis allotment of Stock Acquisition Rights within the extended period.

(e) Resolution of the Board of Directors and holding a Shareholders Will Confirmation Meeting

The Board of Directors of the Company shall, by paying the utmost respect to the recommendations above and as an organ under the Corporation Law of Japan, promptly adopt a resolution relating to the implementation or non-implementation of a gratis allotment of Stock Acquisition Rights.

However, in advance to implementing the gratis allotment of Stock Acquisition Rights pursuant to the Plan under the recommendations of the Independent Committee, the Board of Directors shall convene a general meeting of shareholders with a recommendation from the Independent Committee to confirm the will of shareholders of the Company (hereinafter referred to the “Shareholders Will Confirmation Meeting”) concerning such implementation:

- (i) if the Board of Directors judges that such convocation is appropriate after considering the terms and conditions of the Acquisition proposal made by the Acquirer, the amount of time needed for the preparation of meeting, and the other factors; or
- (ii) if the recommendation requires the Board of Directors to convene a general meeting of shareholders to confirm the will of shareholders as a condition for the implementation.

If the Board of Directors of the Company determines to hold the Shareholders Will Confirmation Meeting, it will convene the meeting as soon as practically possible. If the Shareholders Will Confirmation Meeting is convened, the Board of Directors of the Company shall obey the judgment of shareholders given in the Meeting. If the Shareholders Will Confirmation Meeting resolved or the Independent Committee recommended not to implement the gratis allotment of Stock Acquisition Rights, the Board of Directors of the Company shall not implement such allotment.

The Acquirer must not effect the acquisition or similar acts until the Board of Directors of the Company adopts a resolution concerning the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights or a proposal concerning the implementation of the gratis allotment of Stock Acquisition Rights is approved or rejected at the Shareholders Will Confirmation Meeting.

Promptly after adopting a resolution relating to the implementation or non-implementation of a gratis allotment of Stock Acquisition Rights or a resolution to convene the Shareholders Will Confirmation Meeting, the Board of Directors of the Company will disclose an outline of its resolution and any other matters it considers appropriate.

(3) Requirements for the gratis allotment of Stock Acquisition Rights

The Company will implement the gratis allotment of Stock Acquisition Rights by resolution of the Board of Directors of the Company or the Shareholders Will Confirmation Meeting as described in (e) of 2.(2) (“Procedures for invoking the Plan”) above, if it is reasonable to implement the gratis allotment of Stock Acquisition Rights due to the reason that the Acquisition of the Acquirer falls under any of the items below. In making its determination whether or not an action of the Acquirer falls under any of the requirements mentioned below and furthermore whether or not it is reasonable to implement the gratis allotment of

Stock Acquisition Rights, the Board of Directors of the Company must consult and receive the determination of the Independent Committee in accordance with (d) of 2.(2) (“Procedures for invoking the Plan”) above.

- (a) The Acquisition is not in compliance with procedures described in the Plan.
- (b) The Acquisition could cause obvious harm to the corporate value of the Company and the common interests of its shareholders through actions including any of the actions below:
  - (i) A buyout of share certificates and the like to require such share certificates and the like to be acquired by the Company at an inflated price;
  - (ii) Management that achieves an advantage for the Acquirer to the detriment of the Company, such as temporary control of the Company’s management for the low-cost acquisition of the Company’s or Company Group’s material assets;
  - (iii) Diversion of the Company’s or Company Group’s assets to secure or repay debts of the Acquirer or its group company; or
  - (iv) Temporary control of the Company’s management to sell the high-value assets that have no current relevance to the Company’s or Company Group’s business and declare temporarily high dividends from the profits of the sale, or sell the shares at a higher price taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends.
- (c) Certain Acquisitions that threaten to have the effect of coercing shareholders into selling 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).
- (d) Acquisitions that do not provide the Board of Directors of the Company with the period of time reasonably necessary to present an alternative proposal to the Acquisition.
- (e) Acquisitions in which the Essential Information or any other information considered reasonably necessary to assess the Acquisition terms is not provided to Company’s shareholders, or the provision of such information (if any) is inadequate.
- (f) Acquisitions whose terms (including amount and type of consideration for the Acquisition, the Acquisition timing, the legality of the Acquisition method, the feasibility of the Acquisition, post-Acquisition management policies and business plans, and post-Acquisition policies dealing with the Company’s other shareholders, employees, customers, business partners and any other stakeholders in the Company) are inadequate or inappropriate in light of the Company’s intrinsic value.
- (g) Acquisitions that could materially threaten the corporate value of the Company and the common interests of its shareholders by destroying the relationship with the Company Group’s employees, customers, business partners, or any other sources of the Company’s corporate value, which are indispensable to the generation of the Company’s corporate value.
- (h) The Acquirer is an inappropriate controlling shareholder of the Company from the view point of public order and moral due to the reason that the management or investors of the Acquirer include or are connected with anti-social groups.

- (4) Outline of the gratis allotment of Stock Acquisition Rights  
An outline of the gratis allotment of Stock Acquisition Rights under the Plan is described below.
- (a) Number of Stock Acquisition Rights  
The number of the Stock Acquisition Rights will be the same as the final and total number of shares issued and outstanding in the Company (excluding the number of shares in the Company held by the Company at that time) on a certain date (the “Allotment Date”) that is separately determined by the Board of Directors of the Company or a general meeting of shareholders in a resolution relating to the gratis allotment of Stock Acquisition Rights (the “Resolution for the Gratis Allotment of Stock Acquisition Rights”).
- (b) Shareholders eligible for allotment  
The Company will allot the Stock Acquisition Rights to those shareholders, other than the Company, who are entered or recorded in the Company’s final shareholder registry or beneficial shareholder registry on the Allotment Date, at a ratio of one Stock Acquisition Right for every one share of the Company held.
- (c) Effective date of gratis allotment of Stock Acquisition Rights  
The effective date of the gratis allotment of Stock Acquisition Rights will be separately determined in the Resolution for the Gratis Allotment of Stock Acquisition Rights.
- (d) Number of shares to be acquired upon exercise of the Stock Acquisition Rights  
The number of shares to be acquired upon exercise of each Stock Acquisition Right (the “Applicable Number of Shares”) shall be one share unless a special adjustment is made.
- (e) The amount of properties to be contributed upon exercise of the Stock Acquisition Rights  
Contributions upon exercise of the Stock Acquisition Rights are money, and the amount per share of properties to be contributed upon exercise of the Stock Acquisition Rights will be separately determined in the Resolution for the Gratis Allotment of Stock Acquisition Rights within the range between a minimum of one yen and a maximum of any amount equivalent to one-half of the fair market value of one share of the Company.
- (f) Exercise period of the Stock Acquisition Rights  
The commencement date will be a date separately determined in the Resolution for the Gratis Allotment of Stock Acquisition Rights (this commencement date of the exercise period shall be referred to as the “Exercise Period Commencement Date”), and the exercise period will be a period from one (1) month to three (3) months long as determined by the Board of Directors of the Company in the Resolution for the Gratis Allotment of Stock Acquisition Rights; provided, however, that if the Company acquires the Stock Acquisition Rights pursuant to 2.(4)(i)(B) below, the exercise period for the Stock Acquisition Rights with respect to that acquisition will be up to and including the business day immediately prior to the relevant acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment place for the money payable upon exercise, the final day shall be the preceding business day.
- (g) Conditions for the exercise of the Stock Acquisition Rights  
As a general rule, the following parties can not exercise the Stock Acquisition Rights (the parties falling under (I) through (VI) below shall collectively be referred to as “Non-Qualified Parties”):
- I. Specified large holders (note 9);
  - II. Joint holders of specified large holders;



- III. Specified large acquirers (note 10);
- IV. Parties having a special relationship with specified large acquirers;
- V. Any transferee of or successor to the Stock Acquisition Rights of any party falling under (I) through (IV) without the approval of the Board of Directors of the Company; or
- VI. Any affiliated party of any party falling under (I) through (V) (note 11).

Further, nonresidents of Japan who are required to follow certain procedures under applicable foreign laws and regulations to exercise the Stock Acquisition Rights may not as a general rule exercise the Stock Acquisition Rights (provided, however, that the Stock Acquisition Rights held by nonresidents will be subject to acquisition by the Company in exchange for shares of the Company as set forth in 2.(4)(i)(B) below, if they are in compliance with applicable laws and regulations). In addition, any party, who does not submit a written undertaking in a format specified by the Company containing representations and warranties clauses regarding matters such as the fact that the party meets the enough conditions to exercise the Stock Acquisition Rights, indemnity clauses, and other pledges, may not exercise the Stock Acquisition Rights.

- (h) Restriction on assignment of the Stock Acquisition Rights  
Any acquisition of the Stock Acquisition Rights by assignment requires the approval of the Board of Directors of the Company.
- (i) Acquisition of the Stock Acquisition Rights by the Company
  - (A) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Board of Directors of the Company deems that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a day separately determined by the Board of Directors of the Company, acquire all of the Stock Acquisition Rights without consideration.
  - (B) On a day separately determined by the Board of Directors of the Company, the Company may acquire all of the Stock Acquisition Rights that have not been exercised by or on the business day immediately prior to the date determined by the Board of Directors of the Company, that are held by the parties other than Non-Qualified Parties and, in exchange, deliver shares of the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right.

Further, if, on or after the date upon which the acquisition takes place, the Board of Directors of the Company recognizes the existence of any party other than Non-Qualified Parties holding Stock Acquisition Rights, the Company may, on a day separately determined by the Board of Directors of the Company after the date upon which the acquisition described above takes place, acquire all of the Stock Acquisition Rights held by that party that have not been exercised by or on the business day immediately prior to such date determined by the Board of Directors of the Company (if any) and, in exchange, deliver shares of the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right. The same will apply thereafter.

- (j) Delivery of the Stock Acquisition Rights in the case of merger, absorption-type demerger, incorporation-type demerger, share exchange, and share transfer  
The Board of Directors of the Company will separately determine these matters in the Resolution for the Gratis Allotment of Stock Acquisition Rights.
  - (k) Issuance of certificates representing the Stock Acquisition Rights  
Certificates representing the Stock Acquisition Rights will not be issued.
  - (l) Others  
In addition to the provisions set forth above, terms and conditions of the Stock Acquisition Rights will be separately determined in the Resolution for the Gratis Allotment of Stock Acquisition Rights.
- (5) Effective period, repeal, and amendment of the Plan  
The Plan would be effective until the conclusion of the 85th Ordinary General Meeting of Shareholders to be held by June 30, 2011.

However, the Plan may be terminated by resolution of a general meeting of shareholders of the Company or the Board of Directors of the Company to do so even if the effective period of the Plan has not expired, in which case the Plan shall be repealed at that point in time.

Further, if any laws and regulations, stock exchange rules or the like concerning the Plan is established, amended or repealed and it is appropriate to reflect such establishment, amendment or abolition, or if it is appropriate to modify the wording for reasons such as typographical errors and omissions, and if such revision or amendment does not detriment the Company's shareholders, then the Board of Directors of the Company may modify or amend the Plan even during the effective period of the Plan subject to approval of the Independent Committee.

If the Plan is repealed, amended or the like, the Company will promptly disclose facts including the fact that such repeal, amendment or the like has taken place, and (in the event of an amendment or the like) the details of the amendment or the like and any other relevant matters.

(Note 1)

Defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Law. Unless otherwise provided for in this document, this definition is applied throughout this document.

(Note 2)

"Holder" includes a party described as a holder under Article 27-23, Paragraph 3 of the Financial Instruments and Exchange Law (including a party considered to fall under this category by the Board of Directors of the Company). This definition is applied throughout this document.

(Note 3)

Defined in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Law. This definition is applied throughout this document.

(Note 4)

Defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Law. This definition is applied throughout in sub-item (ii).

(Note 5)

Defined in Article 27-2, Paragraph 6 of the Financial Instruments and Exchange Law. This definition is applied throughout this document.

(Note 6)

Defined in Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Law. This definition is applied throughout this document.

(Note 7)

Defined in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Law (including a party considered to fall under this category by the Board of Directors of the Company); provided, however, that a party provided for in Article 3, Paragraph 1 of the Cabinet Office Regulations concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company is excluded. This definition is applied throughout this document.

(Note 8)

“Joint holder” means a joint holder defined in Article 27-23, Paragraph 5 of the Financial Instruments and Exchange Law and includes a party who is deemed to be a joint holder under Paragraph 6 of the same Article (including a party considered to fall under this category by the Board of Directors of the Company). This definition is applied throughout this document.

(Note 9)

“Specified Large Holder” means, as a general rule, a party who is a holder of share certificates, etc. issued by the Company and whose holding ratio of share certificates, etc. in respect of such share certificates, etc. is at least 20% (including a party considered to fall under this category by the Board of Directors of the Company). However, a party that the Board of Directors of the Company recognizes as a party whose acquisition or holding of share certificates, etc. of the Company is not contrary to the Company’s corporate value or the common interests of its shareholders and a party separately determined by the Board of Directors of the Company in the Resolution for the Gratis Allotment of Stock Acquisition Rights shall be excluded from the Specified Large Holder. This definition is applied throughout this document.

(Note 10)

“Specified Large Acquirer” mean, as a general rule, a party who makes a public announcement of purchase, etc. (as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Law; the same applies in this footnote 10) of share certificates, etc. (as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Law; the same applies in this footnote 10) issued by the Company through a tender offer and whose ratio of ownership of share certificates, etc. in respect of such share certificates, etc. owned by such party after such purchase, etc. (including similar ownership as prescribed in Article 7, Paragraph 1 of the Order for Enforcement of the Financial Instruments and Exchange Law) is at least 20% when combined with the ratio of ownership of share certificates, etc. of a party having a special relationship (including a party considered to fall under this category by the Board of Directors of the Company). However, a party that the Board of Directors of the Company recognizes as a party whose acquisition or holding of share certificates, etc. of the Company is not contrary to the Company’s corporate value or the common interests of its shareholders and a party separately determined by the Board of Directors of the Company in the Resolution for the Gratis Allotment of Stock Acquisition Rights shall be excluded from the Specified Large Acquirer. This definition is applied throughout this document.

(Note 11)

“Affiliated Party of a given party” means a party who substantially controls, is controlled by, or is under common control with such given party (including any party who is deemed by the Board of Directors of the Company to fall under this category), or a party deemed by the Board of Directors of the Company to act in concert with such given party. “Control” is defined as a condition of controlling decision-making on financial and business policies of other companies (as defined in Article 3, Paragraph 3 of the Ordinance for Enforcement of the Corporation Law).

**(For Reference)**

1. Members of the Independent Committee

The profile of each member of the Independent Committee at the time of the introduction of the Plan is shown in Appendix 2 “Profiles of the Members of the Independent Committee”.

2. Impact on shareholders

(1) Impact on shareholders and investors at the time of the introduction of the Plan

At the time of its introduction, the Plan will have no direct or material impact on the rights and interests of shareholders and investors. This is because, at that time, no actual gratis allotment of Stock Acquisition Rights will be implemented.

(2) Impact on shareholders and investors at the time of the gratis allotment of Stock Acquisition Rights

When the Board of Directors of the Company or a general meeting of shareholders of the Company adopts the Resolution for the Gratis Allotment of Stock Acquisition Rights, shareholders on record on the Allotment Date separately specified by the Resolution shall be given one Stock Acquisition Right for one share held without consideration. In case a shareholder does not take the procedures for the execution of the Stock Acquisition Rights including payment in full, as described in detail in (b) of (3) (“Necessary procedures for shareholders upon the gratis allotment of Stock Acquisition Rights”) below during the exercise period, its own shares will be diluted by execution of Stock Acquisition Rights held by other shareholders.

However, the possibility exists that the Company will acquire the Stock Acquisition Rights of all shareholders other than Non-Qualified Parties and, in exchange, deliver shares in the Company, in accordance with the procedures set forth in (c) of (3) (“Necessary procedures for shareholders upon the gratis allotment of Stock Acquisition Rights”) below. If the Company carries out such acquisition procedures, all shareholders other than Non-Qualified Parties will come to receive shares in the Company without exercising their Stock Acquisition Rights or paying an amount equivalent to the exercise price, and no dilution of the aggregate shares in the Company they hold will result (rather only dilution of the value per share of shares in the Company they hold will result).

Furthermore, even after the Allotment Date has come or the gratis allotment of Stock Acquisition Rights has taken effect, the Company may suspend the gratis allotment or acquire those Stock Acquisition Rights without consideration nor delivery of the shares in the Company to the Stock Acquisition Rights holders by the day immediately prior to the Exercise Period Commencement Date due to circumstances such as, for example, if the Acquirer withdraws its Acquisition of the shares in the Company. In these cases, those investors who have sold the shares in anticipation of a dilution of the value per share may suffer corresponding losses due to changes in the stock price.

(3) Necessary procedures for shareholders upon the gratis allotment of Stock Acquisition Rights

(a) Procedures for entry of name transfer

If the Board of Directors of the Company resolves to implement a gratis allotment of Stock Acquisition Rights, the Company will first make public announcement of the Allotment Date for the gratis allotment of Stock Acquisition Rights. In this case, as the Company will make a gratis allotment of Stock Acquisition Rights to the shareholders whose names have been entered or recorded in the Company’s last shareholder registry and beneficial shareholder registry as of the Allotment Date, it will be necessary for

shareholders to take the procedures for entry of name transfer as soon as possible (please note that no procedure for entry of name transfer is required for those share certificates deposited with the Japan Securities Depository Center, Inc.).

In this connection, all of the shareholders who are entered or recorded in the Company's last shareholder registry and beneficial shareholder registry as of the Allotment Date will become Stock Acquisition Right holders automatically on the effective date of the gratis allotment of Stock Acquisition Rights.

(b) Procedures for exercising Stock Acquisition Rights

The Company will, as a general rule, deliver an exercise request form for the Stock Acquisition Rights (in a form designated by the Company that contains necessary information such as the terms and number of the Stock Acquisition Rights to be exercised and the exercise date for the Stock Acquisition Rights, as well as representations and warranties clauses regarding matters such as the fact that they are not Non-Qualified Parties, indemnity clauses and other pledges) and other documents necessary for the exercise of the Stock Acquisition Rights to all shareholders being entered or recorded on the Company's last shareholder registry and beneficial shareholder registry as of the Allotment Date. After the gratis allotment of Stock Acquisition Rights, the shareholders will be issued one share in the Company per one Stock Acquisition Right upon submitting these necessary documents and paying to the institution handling such payments for the price determined by the Board of Directors of the Company in the Resolution for the Gratis Allotment of Stock Acquisition Rights, which will be an amount within the range between a minimum of one yen and a maximum of any amount equivalent to one-half of the fair market value of one share of the Company per one Stock Acquisition Right, both during the exercise period and before the acquisition of the Stock Acquisition Rights by the Company takes effect.

(c) Procedures for the acquisition of Stock Acquisition Rights by the Company

If the Board of Directors of the Company determines to acquire the Stock Acquisition Rights, the Company will acquire the Stock Acquisition Rights in accordance with the statutory procedures, on the day that falls on the date separately determined by the Board of Directors of the Company. When the Company is to deliver shares in the Company to shareholders in exchange for the acquisition of Stock Acquisition Rights, it shall do so promptly. Further, in such case, the shareholders concerned will be separately requested to submit a written undertaking, in a form prescribed by the Company, containing representations and warranties clauses regarding matters such as the fact that they are not Non-Qualified Parties, indemnity clauses and other pledges.

In addition to the above, the Company will disclose information or notify its shareholders with respect to the particulars of the allotment method of Stock Acquisition Rights, method of procedures for entry of name transfer, exercise method and method for acquisition by the Company after they are adopted in the Resolution for the Gratis Allotment of Stock Acquisition Rights, so we request that shareholders check these details at that time.

3. Rationale of the Plan

The Board of Directors of the Company is of the opinion that, under the grounds listed below, the Plan is in line with the basic policy on the control of the Company, that the Plan does not harm the Company's corporate value or the common interests of its shareholders, and that the Plan is not effected for the purpose of maintaining the status of the executives of the Company.

- (1) Fully satisfying the requirements of the Guidelines for Takeover Defense Measures  
The Plan fully satisfies the three principles (three principals: to secure and enhance corporate value and the common interests of shareholders; disclosure in advance and shareholders' will; and to ensure necessity and appropriateness) set forth in the Guidelines Regarding Takeover Defense Measures for the Purposes of Securing and Enhancing Corporate Value and Shareholders' Common Interests jointly released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.
- (2) Introduction for the purpose of securing and enhancing the common interests of shareholders  
As mentioned in 1. of the main text of Agenda Item 6 above ("Purpose of the Plan"), the Plan is being introduced for the purpose of securing and enhancing the corporate value of the Company and the common interests of its shareholders by allowing shareholders to decide whether or not to accept a proposal for a Large-Scale Acquisition, or securing the Board of Directors of the Company the information and time necessary to submit an alternative proposal, and to negotiate with the Acquirer in the interests of the shareholders when a Large-Scale Acquisition of the Company's shares is carried out.
- (3) Respect for shareholders' will (resolution of general meeting of shareholders and sunset clause)  
The Plan will come into effect with the approval of the proposal by shareholders at this General Meeting of Shareholders. In addition, as mentioned in 2.(5) of the main text of Agenda Item 6 above ("Effective period, abolition and amendment of the Plan"), if the abolition of the Plan is resolved at a general meeting of shareholders or a meeting of the Board of Directors of the Company which is comprised of directors elected at a general meeting of shareholders, the Plan shall be repealed at that point in time even before the expiration of term of the Plan. In this way, the introduction and abolition of the Plan are based on the will of shareholders of the Company.
- (4) Emphasis on the judgments of highly independent outsiders of the Company and disclosure of information  
In introducing the Plan, the Company will establish the Independent Committee as an organ that will eliminate arbitrary decisions by the Board of Directors or each director, and objectively carry out the substantive decisions in the interests of shareholders in the event of invocation, modification, amendment or other operation of the Plan.

If the Acquisition of shares in the Company were to actually occur, the Independent Committee will, as mentioned in 2.(2) of the main text of Agenda Item 6 above ("Procedures for triggering the Plan"), make objective determinations under the Rules of the Independent Committee as to whether or not the Acquisition would have a detrimental effect on the corporate value of the Company and the common interests of its shareholders. Then, the Board of Directors of the Company shall, by paying the utmost respect to the determination, adopt a resolution under the Corporation Law of Japan.

In this way, the Independent Committee will strictly monitor any arbitrary actions by directors of the Company and disclose outlines of its decisions to shareholders, and will ensure a structure under which the Plan is only operated in a transparent way to the extent contributing to the corporate value of the Company and the common interests of its shareholders.

The Independent Committee shall be composed of three (3) or more members who are

highly independent from the management of the Company and are elected from among outside directors of the Company, outside corporate auditors of the Company, or knowledgeable persons outside the Company (please refer to Appendix 1 “Outline of the Rules of the Independent Committee” for the standards for appointing members, requirements for resolution and resolution matters).

- (5) The Plan establishes rational, objective requirements  
As mentioned in 2.(2)(d) of the main text of Agenda Item 6 above (“Procedures for recommendations, etc. by the Independent Committee”) and in section 2.(3) (“Requirements for the gratis allotment of Stock Acquisition Rights”), the Plan is established so that it will not be invoked unless rational and detailed objective requirements set forth in advance have been satisfied. These requirements secure a mechanism for preventing the Board of Directors of the Company from arbitrarily invoking the Plan.
- (6) The Plan provides for the acquisition of opinions from third-party experts  
When an Acquirer emerges, the Independent Committee is allowed to seek advices of independent third parties (including financial advisors, certified public accountants, attorneys, consultants and other experts) at the expense of the Company. This provides a mechanism to ensure a higher level of fairness and objectivity of the decisions made by the Independent Committee.
- (7) No dead-hand takeover defense measures  
As mentioned in 2.(5) of the main text of Agenda Item 6 above (“Effective period, abolition and amendment of the Plan”), the Plan is designed in a way so that it may be repealed by a party who has acquired a large number of share certificates of the shares in the Company through nomination and election, at a general meeting of shareholders of the Company, of directors so-nominated by that party. Therefore, the Plan is not a dead-hand takeover defense measure (i.e. a takeover defense measure in which even if a majority of the members of the board of directors are replaced, the invocation of the measure cannot be stopped).

## Appendix 1. Outline of the Rules of the Independent Committee

- The Independent Committee shall be established by resolution of the Board of Directors of the Company.
- The number of the members of the Independent Committee shall be three (3) or more, and the Board of Directors of the Company shall appoint them from among outside directors of the Company, outside corporate auditors of the Company, and knowledgeable persons outside the Company who are independent of the management that executes the business operations of the Company. Such knowledgeable persons must be experienced corporate managers, persons with expertise of the investment banking business, persons with expertise of the Company's business, attorneys, certified public accountants, academic experts specialized in the Corporation Law of Japan or the like, or persons of similar qualifications, and must have made an agreement with the Company, separately specified by the Board of Directors of the Company that contains a provision obligating such experts to the Company to exercise the duty of care of a good manager or a similar provision.
- The initial term of office of members of the Independent Committee shall be until the conclusion of the next Ordinary General Meeting of Shareholders, unless otherwise determined by resolution by the Board of Directors of the Company. Additionally, when a member of the Independent Committee who also acts as an outside director or an outside corporate auditor ceases to be a director or a corporate auditor of the Company (except for cases where he/she is reappointed), his/her term of office as a member of the Independent Committee shall also terminate.
- The Independent Committee shall make decisions on the matters listed below and submit recommendations to the Board of Directors of the Company containing the details of and reasons for the recommendation. Paying the utmost respect to such recommendations and as an organ under the Corporation Law of Japan, the Board of Directors of the Company shall adopt a resolution relating to the implementation, non-implementation or other actions pertaining to the gratis allotment of Stock Acquisition Rights. Each member of the Independent Committee and each director of the Company must make such decisions with a view to whether or not the corporate value of the Company and the common interests of its shareholders will be enhanced, and they must not serve the sole purpose of their own interests or those of the management of the Company.
  - (i) The implementation or non-implementation of the gratis allotment of Stock Acquisition Rights.
  - (ii) The suspension of the gratis allotment of Stock Acquisition Rights or the acquisition of Stock Acquisition Rights without consideration.
  - (iii) Any other matters regarding which the Board of Directors of the Company seeks advice of the Independent Committee among matters to be judged by the Board of Directors of the Company.
- In addition to the matters prescribed above, the Independent Committee may conduct the matters listed below:
  - (i) Determining the information that the Acquirer and the Board of Directors of the Company should provide to the Independent Committee, and the deadline for the provision of such information;
  - (ii) Inspection and examination of the terms of the Acquirer's Acquisitions;
  - (iii) Negotiation and discussion with the Acquirer;
  - (iv) Request to the Board of Directors of the Company for the submission of an alternative proposal and examination of the proposal;



- (v) Determining the extension of the Independent Committee Consideration Period;
  - (vi) Approval of modification or amendment of the Plan;
  - (vii) Advice to the Board of Directors in determining whether to introduce a takeover defense measures other than the Plan;
  - (viii) Any other matters authorized to the Independent Committee in the Plan; and
  - (ix) Any matters the Board of Directors has determined to authorize the Independent Committee to perform.
- If the Independent Committee decides that the Acquisition Statements and the information submitted are insufficient as Essential Information, it shall request that the Acquirer submit additional information. Further, if the Independent Committee receives from the Acquirer the Acquisition Statements and the Essential Information, it may request that the Board of Directors of the Company present within a certain period an opinion regarding the terms of the Acquisition by the Acquirer and materials supporting that opinion, an alternative proposal (if any), and any other information and the like that the Independent Committee may properly consider necessary.
  - If necessary, in order to improve the terms of the Acquisition from the standpoint of securing and enhancing the corporate value of the Company and the common interests of its shareholders, the Independent Committee will directly or indirectly discuss and negotiate with the Acquirer, or require the Board of Directors of the Company etc. to present an alternative plan. The results of such discussion, negotiation and presentation shall be disclosed to shareholders.
  - In order to collect the necessary information, the Independent Committee may request the attendance of a director, corporate auditor or employee of the Company, or any other person that the Independent Committee considers necessary, and may require explanation of any matter it requests.
  - The Independent Committee may, at the Company's expense, obtain advice of independent third parties (including financial advisors, certified public accountants, attorneys, consultants and other experts) and similar actions.
  - Any member of the Independent Committee may convene a meeting of the Independent Committee when the Acquisition is effected, or at any other time.
  - As a general rule, matters are resolved at the Independent Committee by the overwhelming majority of votes with the presence of at least two-thirds of the members of the Independent Committee.

## Appendix 2. Profiles of the Members of the Independent Committee

### Isao Tada

(Date of birth: July 5, 1945)

Outside Director of Sanden Corporation

April 1969      Joined Daiwa Securities Co., Ltd.

June 1998      Councilor in charge of Investment Banking Div. & General Manager, Business Development Dept., Daiwa Securities

June 1999      Standing Corporate Auditor, Daiwa Securities

June 2005      Director and Deputy Director, Management Strategy Institute, Daiwa Institute of Research Ltd.

June 2007      Director, Sanden Corporation (present)

October 2007   Lecturer, Tokai University Law School (present)

### Takuji Tsuchikane

(Date of birth: August 18, 1931)

Outside Corporate Auditor of Sanden Corporation

April 1954      Joined Bank of Japan

June 1990      Representative Director & President, The Gunma Bank, Ltd.

June 1998      Corporate Auditor, Sanden Corporation (present)

### Akinobu Hatsushika

(Date of birth: March 15, 1941)

Outside Corporate Auditor of Sanden Corporation

April 1964      Joined Fuji Xerox Co., Ltd.

January 1996   Managing Director

August 2003   Chief Executive Officer, AlphaPurchase Co., Ltd. (present)

June 2004      Corporate Auditor, Sanden Corporation (present)