

[Translation]

February 19, 2007

To whom it may concern:

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**Introduction of Countermeasures Large-scale Acquisitions of  
Sumitomo Metal Mining Shares (Takeover Defense Measures)**

Sumitomo Metal Mining Co., Ltd. (“SMM” or the “Company”) announces as follows that at a meeting of the Company’s board of directors held on February 19, 2007, the Company resolved to introduce a plan for countermeasures to large-scale acquisitions of the Company’s shares (hereinafter together referred to as “the Plan”) for the purpose of ensuring and enhancing the corporate value of the Company and, in turn, the common interest of its shareholders. Four (4) corporate auditors, including two (2) outside corporate auditors, attended at the board of directors meeting which resolved to introduce the Plan, and all of those corporate auditors approved the introduction of the Plan.

**1. Efforts toward ensuring and enhancing the Company’s corporate value and the common interest of its shareholders**

1.1. SMM Group corporate philosophy and business

The SMM Group strives to maximize its corporate value and, in turn, the common interest of its shareholders through the provision of high-quality materials, such as non-ferrous metals, Electronic Materials and Advanced Materials via its global network based on the principles of compliance, environmental protection and operational safety. Our efforts are based on the SMM Group’s corporate philosophy that is (i) SMM, in accordance with the Sumitomo’s Business Spirit that values reliability that honors confidence, shall, through the performance of sound corporate activities, seek to make positive contributions to society and to fulfill its responsibilities to its stakeholders, in order

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[Note: This English translation has been prepared for general reference purposes. The Company is not responsible for any consequence resulting from the use of the English translation in place of the original Japanese text. In any legal matter, readers should refer to and rely upon the original Japanese text of the press release dated as of February 19, 2007.]

to win ever greater trust, and (ii) SMM shall, based on respect for all individuals and recognizing each person's dignity and value, seek to be a forward-minded and vibrant company.

The SMM Group originated with copper refining and craftwork that the Sumitomo family began in Kyoto in 1590. By using technologies and know-how accumulated over 400 years, the SMM Group has been expanding the Electronic Materials and Advanced Materials segments where sophisticated materials and new materials are developed and produced, as well as expanding domestic and global mine development and refining segments.

## 1.2. Sources of the Group's corporate value

The corporate value of the SMM Group is supported by five pillars:

1. original and advanced refining technology and know-how;
2. capacity for global mine development and resource interests;
3. a business model of conducting refining business whilst owing mineral resources in non-ferrous metal fields;
4. an operation model of conducting downstream Electronic Materials and Advanced Materials business by utilizing technology of the mineral resources and refining business; and
5. Operations based on the pride as Sumitomo's mainstream company and Sumitomo's Business Spirit, and relations of trust with shareholders and stakeholders such as employees, business partners, and local communities.

The Company has accumulated original and advanced technology and know-how in the field of resources and refining business for more than 400 years. This allows us to (i) discover and develop mines, and operate mines stably in the long-term, and (ii) establish our original processing technology in metal refining and purification and provide a steady supply of products.

In order to provide a steady supply of products to business partners under the current circumstances where competition in the refining industry has increased and it is difficult to secure resources, the Company believes a "Mineral Resources + Refining" business model, where it conducts refining business whilst owing mineral resources by itself, is desirable. In particular, taking into consideration the current situation that it is difficult to secure resources within Japan although Japan is one of the world's leading non-ferrous metals consuming countries, it is very important to secure resource interests outside Japan. Thus, the Company has actively developed mines in which the Company has controlling interests and joint projects with foreign resource majors to secure a steady

supply of resources.

Moreover, by using advanced technologies, abundant knowledge and know-how related to materials and processing of stock through the non-ferrous metals business, the Company is developing a cutting-edge Electronic Materials and Advanced Materials business related to downstream electronics and information-communication industries, and providing top global class products. Conducting upstream resources and non-ferrous metals business to downstream high-tech related material business as a non-ferrous metal material manufacturer, the Company produces a unique synergy not seen in other companies.

For the steady and continuous development of diverse business of the Company, it is essential to keep strong relationships with shareholders and stakeholders such as employees, business partners and local communities based on the Company's corporate culture reflecting Sumitomo's business spirit. In particular, as mine development usually takes more than 10 years, the business must be conducted from a long-term perspective. Therefore, it is essential to obtain understanding from local community residents and social confidence by striving to preserve the environment to secure a livable environment for the coming generations.

The Company believes that these pillars support the Company's corporate value and establish common interests of shareholders.

### 1.3. Mid-term Management Plan and Policy for Profit Return to Shareholders

In January 2004, the SMM Group released its 2003 mid-term management plan related to fiscal year 2004 through 2006 and set a financial goal of 35 billion yen of consolidated recurring profit, a consolidated equity ratio of 40% or more, and a consolidated interest-bearing debt ratio of 30% or less. It is likely that the Company will achieve this goal this year.

On the basis of this achievement, the Company has released its 2006 mid-term management plan today to further expand and develop the 2003 mid-term management plan. The fundamental strategy declared in the plan is "further improvement of corporate value by promotion of the growth strategy" and the Company is striving for specific developments, aiming to "become a non-ferrous major" in the field of recourse and refining of non-ferrous metals and to obtain "top global class share" in the field of Electronic Materials and Advanced Materials segments. It is difficult to forecast future non-ferrous metal prices at the present moment, however, we predict the 2009 consolidated recurring profit will be 100 billion yen as a result of implementation of the strategy,

with prices of non-ferrous metals for fiscal year 2009 assumed to be US\$4,000/T (Copper), US\$550/TOZ (Gold), US\$7.00/lb (Nickel), US\$2,250/T (Zinc) and 110 yen per US dollar (Exchange Rate).

As for profit returns to shareholders, the Company will change its dividend policy from traditional stable dividends to incentive-based dividends during the period of the 2006 mid-term management plan. The Company is setting the target payout ratio as 20% or more from fiscal year 2009 taking into consideration funding requirements such as continuing high levels of prior investment and refunding of funds for foreign mine projects and other circumstances.

The Company aims to enhance the corporate value of the Company and the common interest of its shareholders by implementing these measures.

#### 1.4. Strengthening Corporate Governance

The Company has adopted an executive officer system since 2001 and applied an incentive-based compensation system to directors and executive officers for the purposes of prompt and flexible business judgments and reinforced management monitoring functions. There are currently eight directors, and four corporate auditors including two independent outside corporate auditors have been monitoring the directors' execution of their duties.

In addition, the Company, for the purposes of further strengthening corporate governance of the Company, intends to submit to the ordinary general shareholders' meeting for the fiscal year ending in March 2007 (the "Ordinary General Shareholders' Meeting") a proposal for the election of a new outside director and an amendment to the Articles of Incorporation to shorten the term of office of directors of the Company from two years to one.

By implementing these measures, the Company aims to strengthen management monitoring functions and clarify responsibilities while maintaining prompt and flexible business execution, and to achieve effective and highly transparent corporate management.

## **2. Purpose of introducing the Plan**

The Plan will be introduced for the purpose of ensuring and enhancing the corporate value of the Company and the common interest of its shareholders, as explained below.

Recently, there have been instances of a large number of shares being acquired without obtaining the approval of the management of the target company. In particular, the competition for resources has increased globally on the background of surges in oil and non-ferrous metal prices and the rise of resource nationalism, and the so-called M&A has been activated in the non-ferrous metal industry.

The Company does not generally oppose the acquisition of a large number of company stock if it contributes to corporate value and the common interests of shareholders. The Company also believes a decision regarding any proposed acquisition that would involve a transfer of corporate control of a public company must ultimately be based upon the intent of all the shareholders.

Nonetheless, there are some large-scale share acquisitions that do not serve the Company's value or the common interests of its shareholders:

those with a purpose that would obviously harm the corporate value of the target company and the common interests of its shareholders;

those with the potential to substantially coerce shareholders into selling their shares;

those that do not provide sufficient time or information for the target company's shareholders and board of directors to consider the terms and conditions and the like of the acquisition or allow for the target company's board of directors to make an alternative proposal;

and those that require the target company to negotiate with the acquirer in order to procure more favorable terms for shareholders than those presented by the acquirer, or similar reasons.

In order to provide our customers with a prompt and steady supply of products which are safe, of high quality, and high-value added upon their request, and to ensure and enhance corporate value and the common interest of its shareholders, as outlined above, it is essential that we ensure and maintain (i) original and advanced refining technology and know-how, (ii) capacity for global mine development and resource interests, (iii) a "Mineral Resources + Refining" business model, (iv) an operation model of conducting both downstream Electronic Materials and Advanced Materials business and upstream mineral resources and refining business, (v) operations based on the corporate culture based on Sumitomo's business spirit and relationships with shareholders and stakeholders such as employees, business partners, and local communities. Unless these matters are secured and improved over the medium and long term by the person offering to acquire a large number of

company stock, the corporate value and the common interests of shareholders will be impaired.

Also, when an offer to acquire a large number of company stock is received, it will be necessary to consider the effects of a proposed large-scale acquisition on the corporate value and the common interests of its shareholders by appropriately understanding, in addition to the above issues, various other factors such as the tangible and intangible management resources of the Company, the potential effect of future-directed policies, and other matters constituting corporate value.

The Company's board of directors has decided that a framework is needed when an offer is made to acquire a large number of company stock to be able to deter such offers when they harm corporate value and the common interests of shareholders by making it possible (1) for shareholders to decide whether to accept this offer, (2) to secure the information and time needed so the board of directors can propose a counter offer to shareholders, and (3) to negotiate in the interest of shareholders.

For these reasons, the Company's board of directors resolved to introduce the Plan at the above-mentioned meeting of the board of directors. Please note that at the time of introduction of the Plan the Company has received no concrete proposals for acquisitions.

### **3. Plan details**

#### **3.1. Plan outline**

##### **(a) Establishment of procedures for triggering the Plan**

In the event of any proposal that involves acquisition of the Company's shares or a similar action or proposals excluding those deemed friendly by the meeting of the Company's board of directors (hereinafter referred to as the "Acquisition") was made, the Plan sets out procedures for presenting information such as alternative schemes and counterproposals of the management of the Company to the shareholders, and for conducting negotiations with the person effecting the Acquisition (hereinafter referred to as the Acquirer). Furthermore, the Plan allows for requests to the Acquirer to provide information relating to the Acquisition in advance, and for securing sufficient time to collect information with respect to the Acquisition and to give it full consideration (for details see below at 3.2, 'Procedures for triggering the Plan').

##### **(b) Use of a gratis allotment of Stock Acquisition Rights**

If an Acquirer effects an Acquisition without following the procedures set out in the Plan or

otherwise acts in a way that is deemed to have a threat to harm the Company's corporate value or the common interests of its shareholders (for details of these requirements, see below at 3.3, 'Requirements for the gratis allotment of Stock Acquisition Rights'), the Company will allot stock acquisition rights having an exercise condition that does not allow the Acquirers to exercise and an acquisition provision to the effect that the Company may acquire the stock acquisition rights from persons other than the Acquirers in exchange for shares in the Company (the main details of such stock acquisition rights are set out below at 3.4, 'Outline of the gratis allotment of Stock Acquisition Rights'; "Stock Acquisition Rights") by means of a gratis allotment of stock acquisition rights (prescribed by Article 277 onwards of the Corporation Law of Japan) to all shareholders at that time.

(c) Use of the Independent Committee to eliminate arbitrary decisions by directors

In order to eliminate directors' arbitrary decisions relating to the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights, or the acquisition of the Stock Acquisition Rights, the Plan is designed to require decisions of an independent committee, which is comprised of outside members who are highly independent from the Company's management in accordance with the Rules of the Independent Committee (see Attachment 1 for a summary), and ensure transparency by timely disclosures to the shareholder.

The initial Independent Committee will be composed of two outside corporate auditors of the Company and an expert who are highly independent from the management of the Company. Furthermore, after an outside director and outside corporate auditors are elected at the Ordinary General Shareholders Meeting, the Independent Committee will be composed of one outside director and two outside corporate auditors. The names and career summaries of the members are mentioned in Attachment 2 (see Attachment 1 for the standards for appointing members, requirements for resolution and resolution matters, of the Independent Committee after the introduction of the Plan).

(d) Exercise of the Stock Acquisition Rights and the Company's acquisition of Stock Acquisition Rights

If a gratis allotment of Stock Acquisition Rights were to take place in accordance with the Plan and either the shareholders other than the Acquirer exercises the Stock Acquisition Rights or the shareholders other than the Acquirer receives shares of the Company in exchange for the Company acquiring the Stock Acquisition Rights, then it would be possible for the ratio of Company shareholder voting rights held by the Acquirer to be diluted up to approximately maximum 50%<sup>1</sup>.

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<sup>1</sup> This dilution rate assumes that the number of shares to be acquired upon exercise of each Stock Acquisition Right is one (1) share which is the maximum. In case the number of shares to be acquired upon exercise of each Stock

### 3.2. Procedures for triggering the Plan

#### (a) Targeted acquisitions

The Plan will apply to cases where there is an Acquisition that falls under (i) or (ii) below:

- (i) An Acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariiai*)<sup>2</sup> of a holder (*hoyuusha*)<sup>3</sup> amounting to 20% or more of the share certificates, etc. (*kabuken tou*)<sup>4</sup> issued by the Company; or
- (ii) A tender offer (*koukai kaittsuke*)<sup>5</sup> that would result in the owning ratio of share certificates, etc. (*kabuken tou shoyuu wariiai*)<sup>6</sup> of share certificates, etc. (*kabuken tou*)<sup>7</sup> relating to the tender offer and the owning ratio of share certificates, etc. of a person having a special relationship (*tokubetsu kankei-sha*)<sup>8</sup> totaling at least 20% with respect to the share certificates, etc. issued by the Company.

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

Excluding Acquisitions determined by the Company's board of directors to be friendly Acquisitions, the Company will require any Acquirer conducting a Acquisition described above at 3.2(a) to submit to the Company in a form prescribed by the Company, before effecting the Acquisition, information as described in each of the list below (hereinafter referred to as the Essential Information) and a written undertaking that the Acquirer will upon the Acquisition comply with the procedures established by the Plan (hereinafter referred to as the "Acquisition Statement").

If we receive an Acquisition Statement, the Company's board of directors will promptly provide it to the Independent Committee. In case the Independent Committee evaluated that the content of the

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Acquisition Right is less than one (1) share, the dilution rate may be less accordingly.

<sup>2</sup> Defined in Article 27-23(4) of the Securities and Exchange Law of Japan. This definition is applied throughout this document.

<sup>3</sup> Including persons described as a holder under Article 27-23(3) of the Securities and Exchange Law of Japan (including persons considered to fall under this provision by the Company's board of directors). The same is applied throughout this document.

<sup>4</sup> Defined in Article 27-23(1) of the Securities and Exchange Law of Japan. Unless otherwise provided for in this document, this definition is applied throughout this document.

<sup>5</sup> Defined in Article 27-2(6) of the Securities and Exchange Law of Japan. This definition is applied throughout this document.

<sup>6</sup> Defined in Article 27-2(8) of the Securities and Exchange Law of Japan. This definition is applied throughout this document.

<sup>7</sup> Defined in Article 27-2(1) of the Securities and Exchange Law of Japan. This definition is applied in 3.2(a)(ii).

<sup>8</sup> Defined in Article 27-2(7) of the Securities and Exchange Law of Japan (including persons considered to fall under this provision by the Company's board of directors); provided, however, that persons provided for in Article 3(2) of the Cabinet Office Regulations concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from the persons described in Article 27-2(7)(i) of the Securities and Exchange Law of Japan. The same is applied throughout this document.

Acquisition Statement is inadequate as the Essential Information, it may fix a deadline for response and request, either directly or indirectly, that the Acquirer additionally provide the Essential Information. In such case, the Acquirer should additionally provide the Essential Information within the relevant time limit.

- (i) Details (including the specific name, 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<sup>9</sup>, persons 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 timeframe of the Acquisition, the scheme of any related transactions, the legality of the Acquisition method, and the probability that the Acquisition will be effected).
- (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 synergies from any series of transactions relating to the Acquisition, and the details of such synergies to be shared with other shareholders).
- (iv) Financial support for the Acquisition (including the name, financing methods and the terms of any related transactions of the funds providers (including all indirect funds providers)).
- (v) Post-Acquisition management policy, business plan, capital and dividend policies for the Company and the SMM Group.
- (vi) Post-Acquisition policies dealing with stakeholders in the Company such as the employees, business partners, and local communities.
- (vii) Specific measures to avoid conflict of interests with other shareholders of the Company.
- (viii) Any other information that the Independent Committee or other bodies reasonably considers necessary.

If the Independent Committee recognizes that an Acquirer has initiated an Acquisition without complying with the procedures set by the Plan, as a general rule, it will recommend the Company's board of directors to implement a gratis allotment of Stock Acquisition Rights in accordance with 3.2(d)(i) below, except in particular circumstances where it should continue with its requests for the submission of an Acquisition Statement and the Essential Information, and its discussion and

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<sup>9</sup> "Joint holders" are as defined in Article 27-23(5) of the Securities and Exchange Law of Japan, including persons regarded as a joint holder under Article 27-23(6) of the Securities and Exchange Law of Japan (including persons that the Company's board of directors recognizes as falling under the above). The same is applied throughout this document.

negotiation with the Acquirer.

- (c) Consideration of Acquisition terms, negotiation with the Acquirer, and consideration of an alternative proposal

- (i) Request to the Company's board of directors for the provision of information

If the Acquirer submits an Acquisition Statement and the Essential Information, the Independent Committee may set a reply period (up to sixty (60) days as a general rule) and request that the Company's board of directors present an opinion (including reservations; 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 Statement and the Essential Information to the business plan of the Company's board of directors and the company valuation conducted by the Company's board of directors for the purpose of ensuring and enhancing the Company's corporate value and the common interests of its shareholders.

- (ii) Independent Committee consideration

Upon taking receipt of the information from the Acquirer and the Company's board of directors (if the Independent Committee requested the Company's board of directors to provide information as set out above), the Independent Committee should conduct its consideration of the Acquirer's Acquisition terms, information collection on the business plans and other information of the Acquirer and the Company's board of directors and comparison thereof, and consideration of any alternative proposal presented by the Company's board of directors, and the like until the expiration of a period of sixty (60) days as a general rule from such receipt (provided, however, that in the case described below at 3.2(d)(iii) or the like, the Independent Committee may extend this period (hereinafter the "Independent Committee Consideration Period")).

In order to ensure that the Independent Committee's decision ensures and enhances the Company's corporate value and the common interests of its shareholders, the Independent Committee may at the cost of the Company obtain advice from independent third parties (including financial advisers, certified public accountants, attorneys, consultants or any other experts).

When the Independent Committee makes a demand, directly or indirectly (for example to provide materials or information, or for talks or negotiations to ensue), the Acquirer must comply with the request promptly.

(iii) Disclosure of information

Respecting the rule of timely disclosure regulation, at a time the Independent Committee considers appropriate, the Company will disclose the fact that an Acquirer has emerged, the fact that it has received an Acquisition Statement from the Acquirer, that the Company's board of directors has offered alternative proposals to the Independent Committee and any matters considered appropriate by the Independent Committee out of the Essential Information or other information.

(d) Independent Committee procedures for recommendation, etc.

If an Acquirer emerges, the Independent Committee will make recommendation to the Company's board of directors or take other actions in accordance with the following procedures. If the Independent Committee makes any of the resolutions for recommendation to the Company's board of directors or otherwise as listed in 3.2(d)(i) through 3.2(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, including the period of and reason for such extension ), promptly after the resolution.

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

If the Acquirer fails to comply with the procedures set forth in the Plan, or if otherwise as a result of the consideration of the terms of the Acquirer's Acquisition, the Independent Committee determines that the Acquisition by the Acquirer meets any of the requirements set out below at 3.3, '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 Company's board of directors, regardless of whether the Independent Committee Consideration Period has commenced or ended.

However, even after the Independent Committee has already made one recommendation for the implementation of the gratis allotment of Stock Acquisition Rights, if the Independent Committee determines that either of the events below apply, it may make a new recommendation by the day prior to the Exercise Period Commencement Date (defined below at (f) of 3.4, 'Outline of the gratis allotment of Stock Acquisition Rights') that (until the gratis allotment has taken effect) the Company should suspend the gratis allotment of Stock Acquisition Rights or that (after the gratis allotment has taken effect) the Company should acquire the Stock Acquisition Rights without consideration.

- The Acquirer withdraws the Acquisition or otherwise ceases to exist after the recommendation.

- There is a change in the facts or circumstances upon which the recommendation decision was made, and the Acquisition by the Acquirer does not meet any of the requirements set out below in 3.3, 'Requirements for the gratis allotment of Stock Acquisition Rights', or it is not reasonable to implement the gratis allotment or allow for shareholders to exercise the Stock Acquisition Rights even if the Acquisition by the Acquirer does meet one of the requirements under 3.3 below.

(ii) The Independent Committee recommends the non-triggering of the Plan

If as a result of its consideration 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 out below at 3.3, '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 requirements set out in 3.3 below, the Independent Committee will recommend the non-implementation of the gratis allotment of Stock Acquisition Rights to the Company's board of directors, regardless of whether the Independent Committee Consideration Period has ended.

However, even after the Independent Committee has already made one recommendation for the non-implementation of the gratis allotment of Stock Acquisition Rights, if there is a change in the facts, circumstances or otherwise upon which a recommendation decision was made and the Acquirer's Acquisition has come to satisfy the requirements set out in the first paragraph of (i) above, the Independent Committee may make a new decision including a recommendation on the implementation of the gratis allotment of Stock Acquisition Rights, and recommend its decision to the Company's board of directors.

(iii) The Independent Committee defers triggering the Plan

If the Independent Committee does not reach 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 that it is considered necessary for actions such as consideration of the terms of the Acquirer's Acquisition, negotiation with the Acquirer and the consideration of an alternative proposal, pass 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,

consideration process and like activities, and use best efforts to make a recommendation for the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights within the extended period.

(e) Resolutions of the board of directors

The Company's board of directors, in exercising their role under the Corporation Law, will promptly pass a resolution relating to the implementation or non-implementation of a gratis allotment of Stock Acquisition Rights taking into consideration any recommendation of the Independent Committee described above to the maximum extent. The Acquirer must not effect an Acquisition until the Company's board of directors passes a resolution for the non-triggering of the Plan (including Independent Committee Consideration Period). Promptly after passing such a resolution, the Company's board of directors will disclose an outline of its resolution, and any other matters that the board of directors considers appropriate.

### 3.3. Requirements for the gratis allotment of Stock Acquisition Rights

The Company intends to implement the gratis allotment of Stock Acquisition Rights by a resolution of the Company's board of directors as described above at (e) of 3.2, 'Procedures for triggering the Plan', if it is considered that an acquisition of an Acquirer falls under any of the items below and it is reasonable to implement the gratis allotment of Stock Acquisition Rights. However, if an Acquirer falls under any of the requirement below and the gratis allotment of Stock Acquisition Rights is implemented, the recommendation of the Independent Committee in accordance with (d) of section 3.2 above, 'Procedures for triggering the Plan' must be obtained.

- (a) The Acquirer does not comply with procedures described in the Plan.
- (b) An Acquisition that threatens to cause obvious harm to the corporate value of the Company and, in turn, the common interests of its shareholders through actions including any of the actions below:
  - (i) A buyout of share certificates, etc. to require such share certificates, etc. to be compulsorily 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 SMM Group's material assets.
  - (iii) Diversion of the SMM Group's assets to secure or repay debts of the Acquirer or its

group company.

- (iv) Temporary control of the Company's management to bring about a disposal of high-value assets that have no current relevance to the SMM Group's business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high 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 acquisition terms for the second stage or do not set clear terms that are unfavorable for the second stage).
- (d) Acquisitions that do not provide the Company's board of directors with the period of time reasonably necessary to submit 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 the amount and type of consideration for the Acquisition, the Acquisition timing, the legality of the Acquisition method, the probability of the Acquisition being effected, post-Acquisition management policies and business plans, and post-Acquisition policies dealing with the Company's stakeholder such as shareholders, employees, business partners and local communities) are inadequate or inappropriate in light of the Company's intrinsic value.
- (g) Acquisitions that materially threaten the corporate value of the Company and, in turn, the common interests of shareholders by destroying the Company's relationship with shareholders, employees, business partners, and local communities, or any other sources of the Company's corporate value, which are indispensable to the generation of the Company's corporate value.

### 3.4. 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 granted will be up to the final and total number of issued and outstanding shares 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 Company’s board of directors in a resolution relating to the gratis allotment of Stock Acquisition Rights (“Gratis Allotment Resolution”).

(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 register of shareholders or register of beneficial shareholders on the Allotment Date, at a ratio of one Stock Acquisition Right for every one share of the Company held as a general rule.

(c) Effective date of gratis allotment of Stock Acquisition Rights

The Company’s board of directors will separately determine the effective date of the gratis allotment of Stock Acquisition Rights in the Gratis Allotment Resolution.

(d) Number of shares to be acquired upon exercise of the Stock Acquisition Rights

The number of shares to be acquired upon exercise of the Stock Acquisition Rights shall be, as a general rule, the product of the number separately determined by the Company’s board of directors in the Gratis Allotment Resolution within the range of 0.5 and 1 share and the number of the Stock Acquisition Rights. The number of shares<sup>10</sup> to be acquired upon exercise of each Stock Acquisition Right (the “Applicable Number of Shares”) shall be, as a general rule<sup>11</sup>, the number separately determined by the Company’s board of directors in the Gratis Allotment Resolution within the range of 0.5 and 1 share<sup>12</sup>. If there are fractions in the shares to be delivered to a holder of the Stock

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<sup>10</sup> Even if the Company becomes an issuer of multiple classes of shares (Article 2(13) of the Corporation Law) in the future, the class of (i) the shares of the Company to be delivered upon the exercise of Stock Acquisition Rights and (ii) the shares to be delivered in exchange for the acquisition of Stock Acquisition Rights shall be the same as the shares being issued by the Company at the time of the Ordinary General Meeting of Shareholders (i.e., common shares).

<sup>11</sup> In the case of stock split and other similar actions by the Company, appropriate adjustment will be made from time to time.

<sup>12</sup> Since the total number of shares authorized to be issued is 1,000,000,000 shares at the time of introduction of the Plan and the number of issued shares is 573,456,209 shares (as of January 31, 2007), the number of shares authorized to be issued by the Company may be required to be increased by amending the Articles of Incorporation of the Company by the day immediately prior to the commencement date of the exercise period of Stock Acquisition Rights.

Acquisition Rights upon exercise of the Stock Acquisition Rights, the Company shall handle the fractions in accordance with applicable laws and ordinances.

(e) The amount of properties to be contributed upon exercise of the Stock Acquisition Rights Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount per share of properties to be contributed upon exercise of the Stock Acquisition Rights will be an amount separately determined by the Company's board of directors in the Gratis Allotment Resolution 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 determined by the Company's board of directors in the Gratis Allotment Resolution (this commencement date of the exercise period shall be referred to as the "Exercise Period Commencement Date"), and the period will be a period from one month to three months long as determined by the Company's board of directors in the Gratis Allotment Resolution; provided, however, that if the Company acquires the Stock Acquisition Rights pursuant to the provisions of paragraph (i)(ii) 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 cash payable upon exercise, the final day will be the preceding business day.

(g) Conditions for the exercise of the Stock Acquisition Rights

As a general rule, the following parties may 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<sup>13</sup>;
- (II) Joint Holders of Specified Large Holders;
- (III) Specified Large Acquirers<sup>14</sup>;

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<sup>13</sup> "Specified Large Holder" means, in principle, 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 any party who is deemed to fall under the above by the Company's board of directors). Provided, however, that a party that the Company's board of directors 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 shareholders or certain other party that the board of directors determines in the Gratis Allotment Resolution is not a Specified Large Holder. The same is applied throughout this document.

<sup>14</sup> "Specified Large Purchaser" means, in principle, a person who makes a public announcement of purchase, etc., (as defined in Article 27-2(1) of the Securities and Exchange Act; the same is applied throughout this Note 14) of share certificates, etc., (as defined in Article 27-2(1) of the Securities and Exchange Act; the same is applied throughout this Note 14) 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 person after such purchase, etc., (including similar ownership as prescribed in Article 7(1) of the Order of the Enforcement of the Securities and Exchange Act) is at least 20%

- (IV) Persons having a Special Relationship with Specified Large Acquirers;
- (V) Any transferee of or successor to the Stock Acquisition Rights of any person falling under (I) through (IV) without the approval of the Company's board of directors; or
- (VI) Any Affiliated Party<sup>15</sup> of any person falling under (I) through (V).

Further, nonresidents of Japan who are required to follow certain procedures under foreign laws and ordinances to exercise the Stock Acquisition Rights may not as a general rule exercise the Stock Acquisition Rights (provided, however, that certain nonresidents such as those who may use any exemption provision under applicable laws and ordinances in such foreign country will be able to exercise the Stock Acquisition Rights and the Stock Acquisition Rights held by nonresidents will be subject to acquisition by the Company in exchange for shares of the Company as set out in (i) below.).

(h) Restriction on assignment of the Stock Acquisition Rights

Any acquisition of the Stock Acquisition Rights by assignment requires the approval of the Company's board of directors.

(i) Acquisition of the Stock Acquisition Rights by the Company

- (i) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Company's board of directors recognizes that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a day separately determined by the Company's board of directors, acquire all of the Stock Acquisition Rights without consideration.
- (ii) On a day separately determined by the Company's board of directors, the Company may acquire all of the Stock Acquisition Rights that have not been exercised before or on the business day immediately prior to such date determined by the Company's board of directors, that are held by parties other than Non-Qualified Parties and, in

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when combined with the ratio of ownership of share certificates, etc., of a person having a special relationship (including any party who is deemed to fall under the above by the Company's board of directors). Provided, however, that a party that the Company's board of directors 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 shareholders or certain other party that the Company's board of directors determines in the Gratis Allotment Resolution is not a Specified Large Purchaser. This is applied throughout this document.

<sup>15</sup> An "Affiliated Party" of a given party means a person who substantially Controls, is Controlled by, or is under common Control with such given party (including any party who is deemed to fall under the above by the Company's board of directors), or a party deemed by the Company's board of directors to act in concert with such given party. "Control" means to "control the determination of the financial and business policies" (as defined in Article 3(3) of the Enforcement Regulations of the Corporation Act) of other corporations or entities.

exchange, deliver shares, etc. of the Company<sup>16</sup> in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right as a general rule.

Further, if, on or after the date upon which the acquisition takes place, the Company's board of directors recognizes the existence of any person holding Stock Acquisition Rights other than Non-Qualified Parties, the Company may, on a day separately determined by the Company's board of directors after the date upon which the acquisition described above takes place, acquire all of the Stock Acquisition Rights held by that person that have not been exercised by or on the business day immediately prior to such date determined by the Company's board of directors (if any) and, in exchange, deliver shares, etc. 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.

### 3.5. Effective period, abolition and amendment of the Plan

The effective period of the Plan at present is until the close of the Ordinary General Shareholders' Meeting. The Company will seek shareholders' approval for the Plan at the Ordinary General Shareholder's Meeting, and if the shareholders approve the Plan, the effective period of the Plan shall be extended until the close of the ordinary general shareholders' meeting concerning the last business year that ends within three years.

However, if, even before the expiration of the Effective Period, the Company's board of directors passes a resolution to abolish the Plan, the Plan shall be abolished at that time.

Further, in cases where any laws, regulations, stock exchange rules or the like concerning the Plan is established, amended or abolished and it is appropriate to reflect such establishment, amendment or abolition, cases where it is appropriate to revise the wording for reasons such as typographical errors and omissions, and cases where such revision or amendment does not detriment the Company's shareholders, the Company's board of directors may revise or amend the Plan even during the Effective Period of the Plan subject to approval by the Independent Committee.

If the Plan is abolished, amended or the like, the Company will promptly disclose facts including the

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<sup>16</sup> If the Applicable Number of Shares is less than one share, the Company plans to properly handle such fractions in accordance with applicable laws and ordinances. In this case, the number of the shares, etc. of the Company to be

fact that such abolition, 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 matters.

#### **4. Rationale of the Plan**

##### 4.1. Fully satisfying the requirements of the Guidelines for Takeover Defense Measures

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

##### 4.2 To Respect Shareholders' Intent (Resolution of General Shareholders' Meeting and Sunset Clause)

In order to reflect shareholders' intent regarding the Plan, the Company will seek the shareholders approval for this Plan at the Ordinary General Shareholders' Meeting. In addition, as mentioned in 3.5, 'Effective period, abolition and amendment of the Plan', above, if the abolition of the Plan is resolved at the meeting of the Company's board of directors which is comprised of directors elected at each ordinary general shareholders' meeting (proposal on amendment to Articles of Incorporation that makes the term of office of directors one year is scheduled to be submitted to the Ordinary General Shareholders' Meeting), the Plan shall be abolished even if before the expiration of term of the Plan. In this way, the introduction and abolition of the Plan are based on the intent of shareholders of the Company.

##### 4.3. Disclosure of information and emphasis on the decisions of independent parties

In introducing the Plan, the Company will establish the Independent Committee as an organization that will eliminate arbitrary decisions by the directors, and objectively carry out the substantive decisions in the interests of the shareholders in the event of triggering, abolition or other operation of the Plan.

If an Acquisition of shares in the Company were to actually occur, this Independent Committee would, as set out above in 3.2, 'Procedures for triggering the Plan', and in accordance with the Rules

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delivered for each Stock Acquisition Right may be different from the Applicable Number of Shares.

of the Independent Committee, make substantive 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 shareholders. Then, the Company's board of directors would, by taking into consideration those determinations to the maximum extent, pass a resolution pursuant to the Corporation Law of Japan.

In this way, the Independent Committee will strictly monitor any arbitrary actions by non-outside directors and disclose outlines of its decisions to the 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.

In addition, the initial Independent Committee will be comprised of two outside corporate auditors of the Company and an expert who are highly independent from the management of the Company. After an outside director and outside corporate auditors are elected at the Ordinary General Meeting, the Independent Committee will be composed of an outside director and two outside corporate auditors (see Attachment 1 for the standards for appointing members, requirements for resolution and resolution matters of the Independent Committee after introduction of the Plan; see Attachment 2 for the members of the Independent Committee at the time of introduction of the Plan).

#### 4.4. Establishment of reasonably objective requirements

As set out above at section 3.2(d), 'Independent Committee procedures for recommendation, etc.', and 3.3, 'Requirements for the gratis allotment of Stock Acquisition Rights', it can be said that the Plan is established so that it will not be triggered unless reasonable and detailed objective requirements have been satisfied, and ensures a structure to eliminate arbitrary triggering by the Company's board of directors.

#### 4.5. Obtaining the advice of third-party experts

If an Acquirer emerges, the Independent Committee may seek to obtain the advice of independent third parties (financial advisors, certified public accountants, lawyers, consultants and other experts) at the cost of the Company. This is a mechanism to even more securely enhance the objectivity and fairness of the decisions made by the Independent Committee.

#### 4.6. No dead-hand or slow-hand takeover defense measures

As stated in section 3.5, 'Effective period, abolition and amendment of the Plan,' the Plan is designed in a way so that it may be abolished by a person 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 person.

Therefore, the Plan is not a dead-hand takeover defense measure (an takeover defense measure in which even if a majority of the members of the board of directors are replaced, the triggering of the measure cannot be stopped). Also, as the Company has not adopted a staggered board, the Plan is not a slow-hand takeover defense measure either (a takeover defense measure in which triggering takes more time to stop due to the fact that the directors cannot be replaced all at once).

### **5. Impact on shareholders and other stakeholders**

#### 5.1. Impact on shareholders and investors at the time of introduction

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.

#### 5.2 Impact on shareholders and investors at the time of the gratis allotment of Stock Acquisition Rights

When the Company's board of directors resolves to grant the gratis allotment of Stock Acquisition Rights, shareholders, of the record on the date specified by a resolution of that meeting, shall be given one Stock Acquisition Right for one share at free of cost as a general rule. In case a shareholder does not take procedures on execution of the Stock Acquisition Rights including payment in full, as described minutely in the following (b) of 5.3, 'Necessary procedures for shareholders upon the gratis allotment of Stock Acquisition Rights' during the exercise period, its own share shall 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 out in (c) of 5.3, 'Necessary procedures for shareholders upon the gratis allotment of Stock Acquisition Rights'. 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 economic dilution of the aggregate shares in the Company they hold will result as a general rule (rather only dilution of the value per share of shares in the Company they hold will result).

If there are any fraction of a share in the number of the shares to be delivered upon exercise of or acquisition by the Company of the Stock Acquisition Rights, the Company may take cash-out measures for such fractional portions in accordance with applicable laws and ordinances. The dilution of shares of the Company held by shareholders may result, but no economic dilution will result as a general rule.

Furthermore, the Company, even if after the Allotment Date has come or the gratis allotment of Stock Acquisition Rights has taken effect, the Company may cancel the gratis allotment or acquire those Stock Acquisition Rights without consideration nor delivery of the shares in the Company to the entitled shareholders up until the day immediately prior to the date of commencement of the exercise period due to circumstances such as, for example, if the Acquirer withdraws its Acquisition of the shares in the Company. In these cases any dilution of stock value is not incurred, investors who made selling transactions on the assumption of dilution may suffer the corresponding losses on stock price fluctuation.

### 5.3. Necessary procedures for shareholders upon the gratis allotment of Stock Acquisition Rights

#### (a) Procedures for entry of name transfer

If the Company's board of directors resolves to implement a gratis allotment of Stock Acquisition Rights, the Company will first make public notice 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 who are entered or recorded in the Company's last register of shareholders and register of beneficial shareholders as of the Allotment Date, it will be necessary for shareholders to arrange for the procedures for entry of name transfer as soon as possible (Please note that no procedures for entry of name transfer are 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 register of shareholders or register of beneficial shareholders as of the Allotment Date will become Stock Acquisition Right holders as a matter of course on the effective date of the gratis allotment of Stock

## Acquisition Rights.

### (b) Procedures for exercising Stock Acquisition Rights

The Company will deliver, as a general rule, an exercise request form for the Stock Acquisition Rights (in a form prescribed by the Company and containing necessary matters such as the terms and number of the Stock Acquisition Rights for exercise and the exercise date for the Stock Acquisition Rights, as well as representations and warranties regarding matters such as whether the shareholders themselves are not Non-Qualified Parties, indemnity clauses and other covenants) and other documents necessary for the exercise of the Stock Acquisition Rights to all shareholders being entered or recorded on the Company's last register of shareholders or register of beneficial shareholders as of the Allotment Date. After the gratis allotment of Stock Acquisition Rights, the shareholders will be delivered the number of shares which will be the product of the number separately determined by the Company's board of directors in the Gratis Allotment Resolution within the range of 0.5 and 1 share per Stock Acquisition Right<sup>17</sup> and the number of Stock Acquisition Rights held by such party. Delivery of the shares will occur upon submission of the necessary documents and payment to the place handling such payments the amount of the properties to be contributed upon exercise of Stock Acquisition Rights, both during the exercise period of the Rights and before the acquisition of the Stock Acquisition Rights by the Company takes effect. If there are any fractions of a share in the number of shares of the Company to be delivered to a party exercising the Stock Acquisition Rights, the Company may previously adjust the number of shares by stock split or take cash-out measures in accordance with applicable laws and ordinances.

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

If the Company's board of directors determines to acquire the Stock Acquisition Rights, the Company will acquire the Stock Acquisition Rights in accordance with the statutory procedures, on the date separately determined by the Company's board of directors. 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. If there are fractions in the shares to be delivered, the Company may take financial measures in accordance with applicable laws and ordinances. Further, with respect to these procedures, the shareholders concerned will be separately requested to submit, in a form prescribed by the Company, representations and warranties regarding matters such as the fact that they are not Non-Qualified Parties, indemnity clauses and other covenants.

In addition to the above, the Company will disclose information or notify all of its shareholders with respect to the particulars of the allotment method of Stock Acquisition Rights, method of procedures

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<sup>17</sup> See Note 12.

for entry of name change, exercise method and method for acquisition by the Company after any resolution of the Company's board of directors in relation to a gratis allotment of Stock Acquisition Rights, so we request that shareholders check these details at that time.

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**Outline of the Rules of the Independent Committee**

- The Independent Committee shall be established by resolution of the Company's board of directors.
- There shall be no less than three (3) members of the Independent Committee, and the Company's board of directors shall elect the members from
  - (i) outside directors of the Company,
  - (ii) outside corporate auditors of the Company, or
  - (iii) expertswho are independent from the management that conducts the execution of the business of the Company. Such experts must be experienced corporate managers, parties with knowledge of the investment banking industry, parties with knowledge of the Company's business field, lawyers, certified public accountants, researchers whose research focuses on Corporation Law of Japan or the like, or parties of similar qualifications, and must have executed with the Company an agreement separately specified by the Company's board of directors that contains a provision obligating such experts to the Company to exercise the duty of care of a good manager or a similar provision.
- Unless otherwise determined by a resolution of the Company's board of directors, the term of office of members of the Independent Committee shall be until the conclusion of the ordinary general shareholders' meeting concerning the last business year that ends within three years from the conclusion of the Ordinary General Meeting of Shareholders. Moreover, the term of office of any member of the Independent Committee who is an outside director or outside corporate auditor shall end simultaneously in the event that they cease to be a director or corporate auditor (except in the case of their re-appointment).
- The Independent Committee shall make decisions on the matters listed below and submit recommendations to the Company's board of directors containing the details of and reasons for the recommendation. Respecting such recommendations of the Independent Committee to the maximum extent, the Company's board of directors shall pass resolutions concerning the implementation, non-implementation or other action pertaining to a gratis allotment of Stock Acquisition Rights as a function under the Corporation Law of Japan. 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 solely for the purpose of their own interests or those of the management of the Company.

- (a) The implementation or non-implementation of the gratis allotment of Stock Acquisition Rights.
  - (b) The cancellation of the gratis allotment of Stock Acquisition Rights or the gratis acquisition of Stock Acquisition Rights.
  - (c) Any other matters that are for determination by the Company's board of directors in respect to which it has consulted the Independent Committee.
- In addition to the matters prescribed above, the Independent Committee may conduct the matters listed below.
  - (a) Determining the information that the Acquirer and the Company's board of directors should provide to the Independent Committee, and the deadline for the provision of that information.
  - (b) Examination and consideration of the terms of the Acquirer's Acquisitions.
  - (c) Negotiation and discussion with the Acquirer.
  - (d) Request for an alternative proposal and consideration of the alternative proposal to the Company's board of directors.
  - (e) Determining the extension of the Independent Committee Consideration Period.
  - (f) Approval of modification or amendment of the Plan.
  - (g) Determining the introduction of takeover defense plans other than the Plan.
  - (h) Any other matters that the Plan prescribes that the Independent Committee may conduct.
  - (i) Any matters that the Company's board of directors separately determines that the Independent Committee may conduct.
- If the Independent Committee decides that the Acquisition Statement and the information provided are inadequate as Essential Information, it shall request that the Acquirer submit Essential Information, additionally. Further, if the Independent Committee receives from the Acquirer the Acquisition Statement and the Essential Information, it may request that the Company's board of directors provide 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 consider necessary from time to time.
- If it is necessary in order to have the terms of the Acquirer's Acquisition revised from the standpoint of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders, the Independent Committee shall either directly or

indirectly discuss and negotiate with the Acquirer, or present to shareholders or others the alternative plan presented by the Company's board of directors, or conduct any similar action.

- 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 the advice of an independent third party (including financial advisors, certified public accountants, lawyers, consultants and other experts) and similar actions.
- Any member of the Independent Committee may convene a meeting of the Independent Committee when an Acquisition arises, or at any other time.
- Resolutions of a meeting of the Independent Committee shall, as a general rule, pass with at least two-thirds of the votes cast when majority of the members of the Independent Committee are in attendance.

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**Career Summary of Members of the Independent Committee**

Initial members of the Independent Committee at the time of introduction of the Plan will be the following three candidates:

**Tsutomu Ushijima**

Career Summary:

Jul. 1950	Born
Apr. 1976	Registered as a lawyer
Apr. 1982	Established Ushijima Law and Tax Accountant Firm
Jun. 1982	Registered as a certified public tax accountant
Jan. 1994	Established Ushijima Teramae Law Firm (current Ushijima, Teramae & Wada Law Firm)
Jun. 2003	Appointed Corporate Auditor of the Company

As of February 19, 2007

Lawyer

Certified Public Tax Accountant

Corporate Auditor of the Company

Mr. Tsutomu Ushijima is a candidate for the outside director who satisfies the requirements of an outside director set out in Article 2.3 (7) of the Enforcement Regulations of the Corporation Law of Japan and is scheduled to be appointed as an outside director after he is elected as such by the ordinary general shareholders' meeting to be held in June 2007. He is currently an outside corporate auditor of the Company, as set out in Article 2 (16) of the Corporation Law of Japan.

He does not have any special interests in the Company

## **Hajime Ohta**

### Career Summary:

Jan.	1940	Born
Apr.	1965	Joined Keidanren (Japan Federation of Economic Organizations) (current Nippon Keidanren (Japan Business Federation))
Jun.	1997	Appointed Executive Counselor of Keidanren
May.	2001	Retired from Executive Counselor of Keidanren
Jun.	2001	Appointed Corporate Auditor of the Company
Apr.	2002	Appointed guest professor of Doshisha University

As of February 19, 2007

Corporate Auditor of the Company

Guest Professor of Doshisha University

Mr. Hajime Ohta is an outside corporate auditor of the Company, as set out in Article 2 (16) of the Corporation Law of Japan.

He does not have any special interests in the Company

**Katsumi Maeda**

## Career Summary:

Sep. 1940	Born
Mar. 1969	Registered as a certified public accountant
Jul. 1989	Appointed Partner of ASAHI SHINWA & Co. (current KPMG AZSA & Co.)
Jun. 1991	Appointed Administrative Officer of ASAHI SHINWA & Co. (current KPMG AZSA & Co.)
May. 1995	Appointed Board Member of ASAHI & Co. (current KPMG AZSA & Co.)
Jun. 2006	Retired from KPMG AZSA & Co. for age-limit

As of February 19, 2007

Certified Public Accountant

Principal Researcher at the Research Center of the Japanese Institute of Certified Public Accountants

Mr. Katsumi Maeda is a candidate for the outside corporate auditor who satisfies the requirements set out in Article 2.3 (8) of the Enforcement Regulations of the Corporation Law of Japan and is scheduled to be appointed as an outside corporate auditor after he is elected as such at the ordinary general shareholders' meeting to be held in June 2007.

He does not have any special interests in the Company. He has never been involved in auditing of the Company in the past including the period where he was in KPMG AZSA & Co.

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## Reference Material 1

### Principal Shareholders of the Company

Principal shareholders of the Company as of September 30, 2006 are as follows.

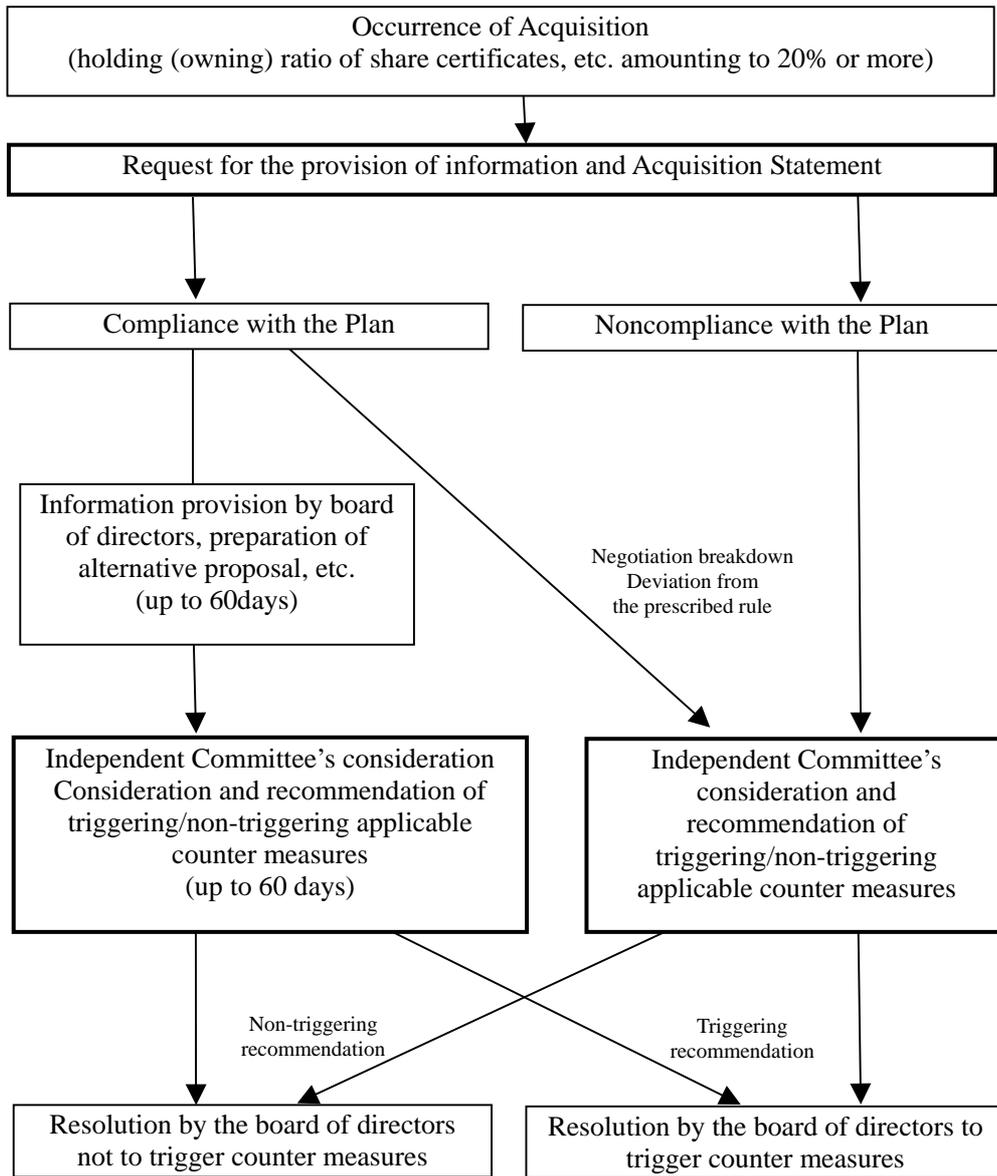
Name of Shareholders	Status of Investment to the Company	
	Number of shares held (,000 shares)	Shareholding Ratio (%)
Japan Trustee Services Bank, Limited (Trust Account)	64,309	11.21
The Master Trust Bank of Japan, Limited (Trust Account)	44,543	7.77
Trust & Custody Service Bank, Limited (Trust Account B)	8,605	1.50
State Street Bank and Trust Company 505103	8,243	1.44
Sumitomo Mitsui Banking Corporation	7,650	1.33
Sumitomo Life Insurance Company	7,104	1.24
Japan Securities Finance Co., Ltd.	6,526	1.14
Mitsui Asset Trust and Banking Co., Ltd., trustee of independent designated money in trust (One Account)	6,460	1.13
Mitsui Sumitomo Insurance Co., Ltd.	5,400	0.94
Mitsubishi UFJ Trust and Banking Corporation (Trust Account)	5,023	0.88

(Note)

In addition to the above, the Company holds 1,877,000 shares of its own shares.

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**Flow Chart concerning Large-scale Acquisition of Shares of the Company**



The flow chart above is provided as reference to the Plan to contribute to your understanding of the overview of the Plan. Please refer to the main text for the more accurate details of the Plan.