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To Whom It May Concern

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**Notice on the Basic Policy for the Control of the Company and
Continuation of the Policy for the Handling of Large Purchases of
Company Shares (Anti-Takeover Measures)**

The Company determined, at the Board of Directors meeting held on May 9, 2008, its basic policy on the composition of persons to control decision-making over the financial and business policies of the Company (the “Basic Policy”) and resolved to adopt the “Policy for the Handling of Large Purchases of Company Shares (Anti-Takeover Measures)” (the “Former Handling Policy”), subject to approval of the shareholders at the 91st Ordinary General Meeting of Shareholders, in an effort to keep the control of decision-making over the financial and business policies out of the hands of persons who are inappropriate in light of the Basic Policy.

The Former Handling Policy will remain in effect until the close of the 94th Ordinary General Meeting of Shareholders to be held by June 30, 2011. Accordingly, we have reviewed the Former Handling Policy to deliberate how the policy should be including the question as to whether or not to renew it, in view of the enhancement of our corporate value and the preservation of the common interests of the shareholders, and in response to of amendments to relevant laws and regulations and changes in social and economic circumstances, etc. As a result, the Company hereby announces that the Board of Directors meeting held today confirmed the maintenance of the Basic Policy and decided to continue implementing the Former Handling Policy as the “Policy for the Handling of Large Purchases of Company Shares (Anti-Takeover Measures)” (the “Handling Policy”) after improving some of the descriptions within the Handling Policy and amending the Handling Policy in connection with the introduction of the electronic share certificate system and other issues, subject to approval of the shareholders at the 94th Ordinary General Meeting of Shareholders to be held on June 24, 2011.

For details on the Basic Policy and Handling Policy, you are requested to refer to the EXHIBITs.

All four of the Statutory Auditors, including two External Statutory Auditors, were present at the Board of Directors meeting that determined the Handling Policy. All of the former members were of the opinion that the Handling Policy should be adopted, on the condition that the objective performance of the Handling Policy should be appropriately applied under the real context.

If shareholders approve the Handling Policy at the 94th Ordinary General Meeting of Shareholders, the Handling Policy will be effective from the date of approval and will remain in effect till the close of the 97th Ordinary General Meeting of Shareholders to be held by June 30, 2014.

Additionally, as of today, the Company has not received any inquiries, offers, or the like regarding large purchases of the Company’s shares.

EXHIBIT

I. Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of the Company

1. Company's Sources of Corporate Value

The Company was established in 1946, at the very beginning of the postwar period. At that time, the semiconductor industry was still in its infancy. We pursued research and development of semiconductors and used the technologies we developed to begin manufacturing power supply products. Since then, we have walked the way of a pioneering dedicated semiconductor manufacturer in Japan and have provided firm basis for the continuing evolution of our industry based on technological innovation for electronics products of various types, from home electronics, office automation, and automobiles through to industrial equipment.

We recognize that for us, as a Company that does not belong to any group of companies formed by crossholdings of share capital, our enduring and long-lasting close relationships with stakeholders around the world are important business assets. We also believe that the assets, tangible or intangible, developed under these relationships give us a competitive edge and support the brand as sources constituting our corporate value.

At this time, the Company essentially provides high-quality products to meet diverse customer needs in business areas such as power electronics and optical devices, seeking for sales growth and competitive advantage in and around its core business of semiconductor devices. The Company focuses on a number of businesses in which “power is converted to, and stabilized, and in some cases used as light,” and thus is able to provide customers with comprehensive solutions in various products fields. From a middle-and long-term viewpoint, we also are convinced that we must continue to enhance our comprehensive solutions, in order to improve our corporate value and the common interests of the shareholders. Thus, we must not allow ourselves to let our greatest advantage, the wide range of technologies at hand, slip through our fingers.

Based on our accumulated knowledge and expertise, we will provide society with more creative and advanced products, and continue to take on new challenges for innovation. We intend to maintain and reinforce our solid presence and step forward as an innovator in the power electronics industry.

2. Details of the Basic Policy

Because the shares of the Company, a listed company, may be traded freely by shareholders and investors, the Board of Directors believes that the composition of persons to control decision-making over the financial and business policies of the Company should ultimately be decided by the will of the shareholders, and that the final judgment as to whether to sell the shares of the Company in response to a mass acquisition of the shares of the Company should ultimately be decided based on the free will of the shareholders holding the shares.

However, the management of the Company and the Company Group needs a wide range of know-how and ample experience in technical subjects, including proprietary manufacturing technologies for wafer fabrication and semiconductor device assembly, as well as the integration of power supply systems with optical devices based on leading-edge circuit technologies. Further, a full understanding of the relationships that the Company has developed with stakeholders such as customers, suppliers, and employees is indispensable to the management. Without this understanding, the management would be unable to appropriately judge the shareholder value to be realized in the future.

The Company has engaged in investor relations activities aimed at ensuring that shareholders and investors will have an appropriate understanding of the value of the Company's shares. In the case of a sudden large purchase of the Company's shares, however, we believe that the shareholders must receive necessary and sufficient information from both the said purchaser and the Company's Board

of Directors, in order to quickly judge whether or not the acquisition consideration offered by the said purchaser is adequate. In addition, it is especially important that shareholders contemplating long-term investment in the Company receive information on the expected effects of the said purchase on the Company, on the intentions of the large purchase purchaser with regard to participation in the Company's operational management and the shaping of specific management policies and business plans, and on the opinions of the Board of Directors on the said prospective share purchase.

Upon weighing these factors, we believe that a purchaser intending a large purchase should provide the Board of Directors in advance with necessary and sufficient information on the relevant purchase to allow the shareholders to form judgments, in accordance with a certain reasonable rule to be established and disclosed by the Company beforehand, and start the relevant purchase only after a certain evaluation period.

In addition, there is a possibility that some large purchases will substantially impair the common interests of the shareholders by inflicting irrevocable losses to the Company in various forms. We believe that it will be necessary for the Board of Directors to take appropriate measures in accordance with a certain and reasonable rule to be established and disclosed in advance by the Company, in order to secure the common interests of the shareholders (the policy on the composition of persons to control decision-making over the financial and business policies of the Company is hereinafter referred to as the "Basic Policy").

II. Specific Efforts to Contribute to the Effective Use of Assets, the Formation of an Appropriate Company Group, and the Realization of the Basic Policy

1. Specific Efforts to Contribute to the Realization of the Basic Policy

The Company has engaged in the following efforts to safeguard the common interests of the shareholders and to enable many investors to invest in the Company's shares on a long-term and continuing basis.

(1) Basic Policy for Company's Management

In order to define the direction in which the Company should proceed, the Company established a new Management Philosophy in April 2003. Under this philosophy, the Company has endeavored to create and innovate technologies in its core business of semiconductors, to expand global business based on proprietary technologies, and to ensure a firm management base in an effort to maximize corporate value through timely response to social expectations for the company and long-lasting harmony with the environment.

(2) Management Strategy on Middle-and Long-Terms

The Company Group has developed a mid-term management plan covering the three-year period from April 2009 to March 2012 (the "Plan").

The Plan stipulates the following items as part of a fundamental policy:

- (a) Provide total solutions which follow an "eco-friendly and energy-saving" philosophy,
- (b) Create differentiated technologies and promote innovative *monozukuri* ("excellence in manufacturing"),
- (c) Establish strategic marketing and align sales activities to the markets served,
- (d) Develop global strategies and realize the full potential of the Sanken Group,
- (e) Improve the productivity of every employee.

The Plan defines the power electronics and optical devices as business areas of focus. In keeping with our newly defined strategic direction as "Leadership through Innovative Power and Optical Solutions," we develop a more aggressive growth strategy by concentrating management

resources on the two business areas in order to become an innovative leader with a perpetual lead over the competition in the market. Another strategic drive to advance the Plan is to further improve profitability by maintaining our commitment to “Achieve Success by Overcoming Constant Challenges.”

(3) Strengthening Corporate Governance

The Company has strengthened the speedy and appropriate management decision-making and supervising functions of the Board of Directors over the business operations in order to improve management efficiencies, improve transparency, and maintain its corporate soundness. The Company, meanwhile, has developed a flexible system for operational execution and enhanced management functions by adopting a Corporate Officer system. We have also been strengthening our corporate governance scheme via the activities of a Corporate Social Responsibility Office and an Investor Relation Office.

In addition, in order to realize a management system able to promptly respond to changes in the management environment, and to clarify the management responsibility of the Directors for the corresponding fiscal year, the Company shortened the term of office of Directors from two years to one year.

2. Opinions of the Board of Directors regarding Efforts to Contribute to the Realization of the Basic Policy

The Board of Directors believes that the efforts mentioned in II. 1. above improve the Company’s corporate value and decrease the likelihood that a Large Purchase will significantly harm the common interests of the shareholders. Accordingly, these efforts are deemed to be in compliance with the details of the Plan, and in no way harmful to the common interests of the shareholders. In addition, we believe that these efforts are not undertaken with the intention to maintain the status of the Officers of the Company, as we define the basic policy for management, strategy, and organization, and clarify the corresponding management responsibilities of Directors.

III. Efforts to Keep the Control over Decision-Making on Financial and Business Policies out of the Hands of Persons who are Inappropriate in Light of the Basic Policy (Policy for Handling Large Purchases of Shares (Anti-Takeover Measures))

The Company will establish a rule (the “Large Purchase Rule”; see below for details) in an effort to keep the control over decision-making on financial and business policies out of the hands of persons who are inappropriate in light of the Basic Policy.

The policy for handling Large Purchases of the Company’s shares (Anti-Takeover Measures) as stipulated in this section (III) is referred to as the “Handling Policy.”

1. Target of the Handling Policy

The Handling Policy is targeted at any purchase of the Company’s shares (Note 3) undertaken by a specific shareholders group (Note 1) acquiring 20% or more of voting rights (Note 2), and any form of purchase of the Company’s shares that will result in the acquisition of 20% or more of voting rights by a specific shareholders group (regardless of whether the purchase is executed by a market trade, tender offer, or other method; in addition, the tender offer is deemed as a purchase at the time of the public notice of commencement of the tender offer). A purchase approved beforehand by the Board of Directors, however, shall be excluded from the subject of the Handling Policy.

A purchase covered by the Handling Policy is referred to as a “Large Purchase,” and persons who perform a Large Purchase are referred to collectively as the “Large Purchaser.”

Note 1: Specific shareholders group means as follows:

- (i) Holders (including persons defined as holders under Article 27-23, Paragraph 3 of the Financial Instruments and Exchange Law; hereinafter the same interpretation shall apply) of share certificates, etc. (as defined in Article 27-23, Paragraph 1 of the said Law) of the Company and joint holders (as defined in Article 27-23, Paragraph 5 of the said Law, and including persons defined as joint holders under Article 27-23, Paragraph 6 of the said Law; hereinafter the same interpretation shall apply), and any persons whose relationship with the holders or the joint holders of the holders are similar to the relationship between the holders and the joint holders (the “Quasi-Joint Holders”); or
- (ii) Persons who make purchases, etc. (as defined in Article 27-2, Paragraph 1 of the said Law, and including purchases, etc. traded in financial instruments exchanges regardless of whether in auction or not) share certificates, etc. (as defined in Article 27-2, Paragraph 1 of the said Law) of the Company and their special stakeholders (as defined in Article 27-2, Paragraph 7 of the said Law).

Note 2: Ratio of voting rights means:

- (i) If the specific shareholders group is covered by the definition in Note 1 (i) above, (a) the ratio of shares, etc. held by the holders (as defined in Article 27-23, Paragraph 4 of the said Law; in this case, the number of shares, etc. (as defined in the same paragraph; hereinafter the same interpretation shall apply) held by the joint holders of the holders is included in the calculation) and (b) the ratio of shares, etc. held by the Quasi-Joint Holders of the holders (if (a) and (b) are added together, however, the number of shares, etc. counted twice between (a) and (b) shall be deducted.); or
- (ii) If the specific shareholders group is covered by definition in Note 1 (ii) above, the sum of the ratio of shares, etc. held (as defined in Article 27-2, Paragraph 8 of the said Law) by the Large Purchaser and the ratio of shares, etc. held by the special stakeholders
Upon calculation of each ratio of shares,, the number of total voting rights (as defined in Article 27-2, Paragraph 8 of the said Law) and the total number of shares issued (as defined in Article 27-23, Paragraph 4 of the said Law) shall be as reported in the latest version submitted of any of annual financial reports, quarterly financial reports, and purchase reports on treasury stock.

Note 3: Share certificates, etc. mean the share certificates, etc. as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Law.

2. Details of Large Purchase Rule

(1) Outline of Large Purchase Rule

Under the Large Purchase Rule, we have established an Independent Panel as a supervisory organization to oversee the appropriate operation of the Handling Policy by the Board of Directors and to prevent the Board of Directors from making arbitrary judgments. The principal provisions of the Large Purchase Rule are as listed below and require in total that a Large Purchase can only be commenced after the elapse of a designated evaluation period for the Board of Directors.

- (a) In accordance with III. 2. (2) below, a Large Purchaser provides the Board of Directors with necessary and sufficient information in Japanese on the Large Purchase in advance.
- (b) During the evaluation period for the Board of Directors stipulated in III. 2. (3) below, the Board of Directors appraises and reviews the proposed Large Purchase, negotiates terms, and forms opinions and develops alternative plans.
- (c) In accordance with the handling policy of III. 3. below, in certain cases such as cases of non-compliance with the Large Purchase Rule by the Large Purchaser, the Board of Directors decides whether the Company will or will not exercise countermeasures, will cease to exercise countermeasures, or otherwise, while honoring the recommendation of the Independent Panel to the fullest degree. In addition, as stated in III. 2. (5) below, we may ask shareholders to judge whether or not the countermeasures against the Large Purchase should be exercised.

(2) Provision of Information

Specifically, we have a Large Purchaser first submit to the Representative Director a “Statement

of Intention,” subject to the Large Purchase Rule. The “Statement of Representation of Intention” will list and state in Japanese the name and address of the Large Purchaser, an applicable law for the Large Purchaser’s incorporation, the name of the representative, a domestic contact, and an outline of the Large Purchase proposed. The Large Purchaser will also provide the Board of Directors with necessary and sufficient information (the “Necessary Information”) in Japanese to enable the shareholders to judge and to enable the Board of Directors to form opinions.

Within ten business days of receiving the Statement of Intention, the Board of Directors will present the Large Purchaser with a list of the Necessary Information to be provided by the Large Purchaser. If it is concluded, through a detailed inspection, that the information initially submitted is insufficient, the Board of Directors will request the Large Purchaser to submit information again until the Necessary Information is found to be sufficient and complete, provided that the Board of Directors shall receive recommendations to the same effect from the Independent Panel (refer to III. 2. (4) below).

Though the specific content of the Necessary Information may vary according to the attributes of a Large Purchaser and the purposes and details of a Large Purchase, the following items will generally be included:

- (a) Outline (including a description of business, capital structure, and experiences in businesses similar or identical to the businesses of the Company and the Company Group, etc.) of the Large Purchaser and its group (including joint holders, Quasi-Joint Holders, and special stakeholders);
- (b) Purposes and details of the Large Purchase (including the purchase price and form of payment, purchase timing, relevant transaction methods, legality of the proposed purchase method, and the possibility of purchase executed);
- (c) Basis for the calculation of the acquisition cost, the availability of purchase money for the Company’s shares, including the specific name of the provider of funds (including any beneficial sources), procurement method, and nature of relevant transactions;
- (d) Candidates for corporate managers (including information on experience, etc. in businesses similar or identical to the businesses of the Company and the Company Group), management policies, business plans, capital policies, dividend policies and asset utilization policies expected to be implemented after participation in the management of the Company and the Company Group (the “Management Policies After Purchase”); and
- (e) Any scheduled change in relationships between stakeholders such as suppliers, customers, employees etc., and the Company and Company Group, after the completion of the Large Purchase, and the details of such changes.

In addition, if the Board of Directors receives a Statement of Intention or the Necessary Information from the Large Purchaser, the Board of Directors will disclose information on the Large Purchaser and the details of the Large Purchase in a timely manner in accordance with the applicable rules for disclosure of the financial instruments exchange.

(3) Appraisal Period by the Board of Directors

Secondly, the Board of Directors believes that after the Large Purchaser has finished providing the Necessary Information, the Board of Directors should be given a period of either 60 days (when the plan calls for the purchase of shares of the Company by means of tender offer only in exchange for cash (yen)), or 90 days (in the case of other types of Large Purchases) depending of the complexities of appraisal, for the appraisal and review of the proposed Large Purchase, and negotiations of terms, forming of opinions and development of alternative plans (the “Appraisal Period for the Board of Directors”), . In addition, if the Necessary Information has been completely received, the Board of Directors shall promptly announce the completion and the date on which the Appraisal Period for the Board of Directors will expire. Further, if the Board of Directors extends the Appraisal Period for the Board of Directors at the recommendation of the

Independent Panel, the Board of Directors will promptly disclose the extended period and the reasons for the extension.

During the Appraisal Period for the Board of Directors, the Board of Directors will consult with the Independent Panel, appraise and review the Necessary Information submitted while receiving advice from external specialists as the case may be, and carefully make up and publish the opinion of the Board of Directors. In addition, we may negotiate with the Large Purchaser to improve the conditions of the Large Purchase as necessary, and may otherwise present shareholders with an alternative plan from the Board of Directors.

In addition, if the Board of Directors makes no resolution for the exercise or non-exercise of countermeasures within the Appraisal Period for the Board of Directors due to the Independent Panel's non-recommendation on exercise or non-exercise of the countermeasures within the Appraisal Period for the Board of Directors, or if unavoidable reasons otherwise so require, the Board of Directors may extend the Appraisal Period for the Board of Directors for a necessary number of days but within the maximum of thirty days under the recommendation of the Independent Panel. If the Board of Directors determines by resolution an extension of the Appraisal Period for the Board of Directors, the Board of Directors will immediately disclose shareholders of the specific period resolved and the reasons thereof in accordance with applicable laws and regulations and the rules of the financial instruments exchange.

(4) Independent Panel

The Board of Directors establishes the Independent Panel as a supervisory organization to oversee the appropriate operation of the Handling Policy by the Board of Directors and to prevent the Board of Directors from making arbitrary judgments. The Independent Panel shall be composed of three or more panel members independent from the management of the Company and shall be elected by the Board of Directors from amongst knowledgeable persons outside the company (Note 4) or External Statutory Auditors of the Company, in order to enable fair and unbiased judgment. If the Handling Policy is approved by the shareholders, the current members of the Independent Panel will remain in their posts. The names and summary curriculum vitae of the members of the Independent Panel are stated in EXHIBIT 1. In addition, the outline of the rules of the Independent Panel is stated in EXHIBIT 2.

In the Handling Policy, a set of objective requirements for the exercise of countermeasures are provided to the effect that if the Larger Purchaser conforms to the Large Purchase Rule (as stated in III. 3. (1) below), the Board of Directors will not in principle exercise the countermeasures against the Large Purchase, and if the Larger Purchaser does not conform to the Large Purchase Rule (as stated in III. 3. (2) below), the Board of Directors may exercise the countermeasures against the Large Purchase. If the Board of Directors makes significant judgment on the Handling Policy, the Board of Directors will in principle refer the matter to the Independent Panel, in such cases as The Board of Directors exercises countermeasures even if the Large Purchaser conforms to the Large Purchase Rule (as stated in III. 3. (1) below), or we exercise countermeasures when the Larger Purchaser does not conform to the Large Purchase Rule (as stated in III. 3. (2) below). The Board of Directors will honor the recommendation of the Independent Panel to the fullest degree.

Note 4: Knowledgeable persons outside the Company will be elected from among corporate managers with proven track records, persons with expert knowledge in the investment banking business, lawyers, certified public accountants, academics specializing in research on the Companies Act, etc., or similar persons.

(5) Procedures to Confirm the Will of the Shareholders

When, after the expiration of the Appraisal Period for the Board of Directors, the Board of Directors exercises the countermeasures against a Large Purchase, the Board of Directors may,

upon the recommendation by the Independent Panel, ask shareholders to judge whether or not the countermeasures against the Large Purchase should be exercised, to honor the opinions of the shareholders to the fullest extent.

The will of the shareholders shall be confirmed by resolution of the General Meeting of Shareholders or other similar procedures under the Companies Act (the “General Meeting of Shareholders, etc.”). If the Board of Directors holds the General Meeting of Shareholders, etc., the Board of Directors follows the result of the resolution at the General Meeting of Shareholders, etc. as to whether or not to exercise the countermeasures against the proposed the Large Purchase. If the Board of Directors establishes a record date (the “Record Date”) in order to determine the shareholders entitled to exercise voting rights at the General Meeting of Shareholders, etc., the Board of Directors will issue a public notice of the Record Date two weeks before the Record Date by the means stipulated in the Articles of Incorporation.

- (a) The shareholders entitled to exercise voting rights at the General Meeting of Shareholders, etc. shall be the shareholders recorded in the register of shareholders at the close of the Record Date.
- (b) If the Board of Directors intends to hold the General Meeting of Shareholders, etc., the Board of Directors will send the shareholders with exercisable voting rights a notice of convocation three weeks prior to the date of the General Meeting of Shareholders, etc.
- (c) All resolutions of the General Meeting of Shareholders, etc. shall be adopted by a majority of votes of the shareholders present with voting rights.

When significant changes arise in the information upon which the shareholders will judge in the General Meeting of Shareholders, etc., the Board of Directors may change the Record Date or postpone or cancel the General Meeting of Shareholders, etc., even if the Record Date of the General Meeting of Shareholders, etc. has already been established.

3. Handling Policy when a Large Purchase is Made

(1) If a Large Purchaser conforms to the Large Purchase Rule

If a Large Purchaser conforms to the Large Purchase Rule, the Board of Directors will in principle not exercise the countermeasures against the Large Purchase. The shareholders will judge whether or not The Board of Directors will accept the purchase proposal of the Large Purchaser.

The Board of Directors may take any appropriate measures as exceptions under the Handling Policy in order to protect the interests of the shareholders, if the Board of Directors judges that the Large Purchase will significantly harm the common interests of the shareholders, because the Large Purchaser has no intention to reasonably manage the company, the acquisition of control by the Large Purchaser will irrevocably harm the Company, or similar reasons.

The Board of Directors will “judge that the Large Purchase will significantly harm the common interests of the shareholders” when, for example, the Large Purchaser:

- (i) engages in purchase activities that clearly may harm the corporate value and common interests of the shareholders, such as the activities described in cases (a) to (d) below:
 - (a) the Large Purchaser has purchased shares with the intention of having the Company or its related parties to purchase back the shares at a significantly raised price, and has no intention of earnestly participating in the Company’s management
 - (b) the Large Purchaser has purchased shares in order to engage in asset stripping maneuvers, such as the transfer of intellectual property rights, know-how, trade secrets, primary suppliers, customers, or other assets necessary for the business of the Company to the purchaser and to the group companies of the purchaser, etc. while tentatively controlling the management;
 - (c) the Large Purchaser has purchased shares with the intention of having the assets of

the Company collateralized for the liabilities of the purchaser or the group companies of the purchaser, etc. and appropriated as resources for repayment after acquiring control of company management; or

- (d) the Large Purchaser has purchased shares in order to tentatively control the management, sell or dispose of expensive assets, etc. such as real estate and securities for purposes unrelated to the business of the Company, and to distribute tentative large dividends acquired through those disposals, or has purchased shares in anticipation of a surge of the share price resulting from the prospect of large dividends, with the intention of selling the shares at a peak price.
- (ii) presents a tender offer involving only a partial purchase of shares in the first phase and setting an inferior or totally unclear purchase terms in the second phase. (the so-called forced two-tier purchase).

With regard to the specific measures to be implemented upon the exercise of the countermeasures, the Board of Directors will choose what it judges to be most appropriate at that time. EXHIBIT 3 provides an outline of the gratis issuance of Stock Acquisition Rights as a specific measure.

In addition, when the Board of Directors judges whether or not it should exceptionally exercise the countermeasures as mentioned above, to enhance the objectiveness and reasonableness of judgments, the Board of Directors will review the specific information of the Large Purchaser and the Large Purchase, as well as the probable effects of the Large Purchase on the common interests of the shareholders, while receiving the advice of outside experts as necessary, based on the Necessary Information provided by the Large Purchase, including information on the management policies etc. to be put in place after the purchase by the Large Purchaser, and will honor the recommendation by the Independent Panel to the fullest degree. In addition, as stated in III. 2. (5) above, the Board of Directors may hold a General Meeting of Shareholders, etc. and have the shareholders judge whether or not the countermeasures should be exercised.

Note 5: For example, the Large Purchaser

(2) If a Large Purchaser does not conform to the Large Purchase Rule

If a Large Purchaser does not conform to the Large Purchase Rule, the Board of Directors may, regardless of the specific purchase methods, exercise the countermeasures permitted under the Companies Act, other laws, and the Articles of Incorporation, including the issuance of Stock Acquisition Rights, and oppose the Large Purchase in order to protect the common interests of the shareholders. It is the Board of Directors that will decide whether or not the Large Purchaser has conformed to the Large Purchase Rule and whether or not the Board of Directors should exercise the countermeasures while the Board of Directors consults the opinions of outside experts and honors the recommendation of the Independent Panel to the full extent. Furthermore, as mentioned in III. 2. (5) above, the Board of Directors may hold the General Meeting of Shareholders, etc. and have shareholders judge whether or not the countermeasures will be exercised.

With regard to the specific measures the Board of Directors will implement, the Board of Directors will choose what it judges to be most appropriate at that time. EXHIBIT 3 gives an outline of the gratis issuance of Stock Acquisition Rights as a specific measure.

(3) Suspension, etc. of the Exercise of the Countermeasures

If the Board of Directors has judged that it becomes inappropriate to exercise the countermeasures after the exercise of the countermeasures has been determined, including withdrawal or amendment of the Large Purchase by the Large Purchaser, the Board of Directors may change or suspend the exercise of the countermeasures while respecting the recommendation of the Independent Panel to the fullest degree.

For example, in the case of gratis issuance Stock Purchase Rights as countermeasures, the Board of Directors may suspend the countermeasures by one of the following methods if the

Directors judge it inappropriate to implement the countermeasures after the shareholders of record to receive the issuance of Stock Purchase Rights are fixed, based on such developments as withdrawal or amendment of the Large Purchase by the Large Purchaser:

- (a) suspend the gratis issuance of Stock Purchase Rights while honoring the recommendations of the Independent Panel to the fullest degree, for a period up to the effective date of the gratis issuance of Stock Purchase Rights; or
- (b) acquire Stock Purchase Rights without compensation, while honoring the recommendations of the Independent Panel to the fullest degree, for a period up to the commencement of the exercise period after the effective date of the gratis issuance of Stock Purchase Rights.

If the Board of Directors suspends the exercise of the countermeasures, it will promptly disclose the decision together with such matters as the Independent Panel requires to include.

4. Impact, etc. on Shareholders and Investors

(1) Impact, etc. of the Large Purchase Rule on Shareholders and Investors

The purposes of the Large Purchase Rule are i) to provide necessary information to enable shareholders to judge whether or not they will accept the Large Purchase, ii) to provide the opinions of the incumbent Board of Directors managing of the Company, and iii) to ensure opportunities that the shareholders should be presented alternatives. Accordingly, the shareholders may appropriately judge whether or not they will accept the Large Purchase based on sufficient information. Consequently, the common interests of the shareholders will be protected. Therefore, the Large Purchase Rule is a precondition to ensure that the shareholders and investors may make appropriate investment decisions. In this respect, the Large Purchase Rule is regarded to contribute to promote the interests of shareholders and investors.

Because, as stated in III. 3. above, the handling policy of the Company against the Large Purchase will treat differently according to whether the Large Purchaser conforms or fails to conform to the Large Purchase Rule, the shareholders and investors are strongly advised to take careful note of the Large Purchaser's moves.

(2) Impact, etc. of the Exercise of the Countermeasures on Shareholders and Investors

If the Large Purchaser does not conform to the Large Purchase Rule, etc., the Board of Directors may exercise the countermeasures permitted under the Companies Act, other laws, and the Articles of Incorporation in order to protect the common interests of the shareholders. Under the structure of the countermeasures, the Board of Directors does not anticipate any cases in which the shareholders (except for the Large Purchaser (including the certain shareholders group) relating to the exercise of the countermeasures) will incur exceptional economic losses or suffer damage to their legal rights. If the Board of Directors decides to exercise the specific countermeasures, it will disclose the decision in a timely and appropriate manner in accordance with laws and regulations and the rules of the financial instruments exchange. However, because the value per share will not be diluted if the Board of Directors decides to suspend the issuance of Stock Acquisition Rights or to acquire Stock Acquisition Rights issued, shareholders or investors, who sell their shares in an anticipation that the share value will be diluted on or after effective dates of Stock Acquisition Rights, may incur contingent losses due to changes of the share price.

(3) Procedures to be Taken by Shareholders upon the Exercise of the Countermeasures

(i) Procedures to Enter Proper Record in the Register of Shareholders

If the Board of Directors resolves to issue gratis Stock Acquisition Rights as countermeasures, it will publicly announce the issue date for the gratis Stock Acquisition Rights (the record date if a record date for the issuance is determined; hereinafter the same interpretation shall apply). Because gratis Stock Acquisition Rights are issued to shareholders of record in the last register

of shareholders at the close of the issue date, shareholders must be recorded in the last register of shareholders as of such date.

(ii) Procedures for the Exercise of Stock Acquisition Rights

If the Board of Directors resolves to issue gratis Stock Acquisition Rights as countermeasures, it will in principle send the shareholders recorded in the last register of shareholders as of the issue date the Stock Acquisition Right Exercise Application (in a form prescribed by the Company that includes information on necessary matters, such as the class and number of Stock Acquisition Rights to be exercised, and a statement that shareholders do not belong to the specific shareholders group, etc.) and other necessary documents for the exercise of Stock Acquisition Rights. After the gratis issuance of Stock Acquisition Rights, shareholders will submit the necessary documents within the exercise period for the Stock Acquisition Rights and pay the payment handling bank the exercise price determined by the Board of Directors in the Resolution on the Gratis Issuance of Stock Acquisition Rights but at least ¥1.00 per Stock Acquisition Right, whereupon, in principle, shares will be issued in a number separately determined by the Board of Directors for each Stock Acquisition Right.

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

If the Board of Directors resolves to acquire Stock Acquisition Rights, the Company may acquire Stock Acquisition Rights on the date separately determined by the Board of Directors in accordance with legal requirements. In exchange for acquisition of Stock Acquisition Rights, the Company will promptly deliver the Company's shares to the relevant shareholders. In this instance, the Company may request the relevant shareholders to submit Pledges in the form prescribed by the Company, including representations by shareholders to substantiate that they themselves have no affiliation with the specific shareholders group, etc.

In addition, once the Resolution on the Gratis Issuance of Stock Acquisition Rights is adopted, the Company will publicly announce or notify shareholders of the details of the method for issuance and exercise of Stock Acquisition Rights, and as the case so requires the method for the acquisition by the Company of Stock Acquisition Rights. Shareholders are therefore strongly advised to confirm the relevant information.

5. Commencement and Effective Period of the Handling Policy

If the continuation of the Handling Policy is approved at the 94th Ordinary General Meeting of Shareholders, the Handling Policy will remain in effect until the close of the 97th Ordinary General Meeting of Shareholders to be held by June 30, 2014. Further, it shall be provided that if the continuation of the Handling Policy is again approved at the 97th Ordinary General Meeting of Shareholders, the effective period shall be extended for another three year period (thereafter the same shall apply). If the continuation of the Handling Policy is approved, the Board of Directors shall promptly notify the shareholders to that effect.

The Board of Directors may review the Handling Policy from time to time in accordance with the development of related laws and regulations and the development of the rules of the financial instruments exchange etc., and may amend the Handling Policy with approval of the General Meeting of Shareholders. In this instance, the Company will promptly notify the shareholders of the details of such amendment. If the General Meeting of Shareholders or the Board of Directors decides by resolution to abolish the Handling Policy even within the effective period thereof, the Handling Policy shall be abolished.

EXHIBIT 4 states the status of major shareholders as of March 31, 2011.

6. The Rationale that the Handling Policy Conforms to the Basic Policy, is in No Way Harmful to the Common Interests of Shareholders, and is Not Introduced as a Means of Maintaining the Status of the Officers of the Company

(1) Handling Policy Conforms to Basic Policy

The Handling Policy stipulates the details of the Large Purchase Rule, the handling policy when

the Large Purchase is conducted, the establishment of the Independent Panel, the impact on shareholders and investors, etc.

The Handling Policy also stipulates that the Large Purchaser shall present the Board of Directors with necessary and sufficient information on the Large Purchase in advance and commence the Large Purchase only after a specified appraisal period, and that the Board of Directors may exercise the countermeasures if the Large Purchaser does not comply with such procedure.

In addition, the Handling Policy stipulates that even when the Large Purchase Rule is obeyed, if the Board of Directors judges that the Large Purchase by the Large Purchaser may significantly harm the common interest of shareholders, the Board of Directors may exercise the appropriate countermeasures against the Large Purchaser in order to protect the common interests of the shareholders.

Accordingly, the Handling Policy has been developed according to the idea of the Basic Policy.

(2) The Handling Policy is in No Way Harmful to the Common Interests of Shareholders

As stated in I above, the Basic Policy sets as a precondition that it will honor the common interests of the shareholders. The Handling Policy has been designed based on the ideas of the Basic Policy. The purposes of the Handling Policy are to ensure that necessary information is provided to enable shareholders to judge whether they should accept the Large Purchase, that opinions of the Board of Directors are presented, and that opportunities to present alternatives are kept. Because the Handling Policy enables shareholders and investors to make appropriate investment decisions, the Handling Policy is deemed not to harm, and in fact to promote, the common interests of the shareholders.

Additionally, because the implementation and extension of the Handling Policy are preconditioned on the approval by the shareholders, and because the Handling Policy may be abolished if shareholders so desire, the Board of Directors is of the opinion that these safeguards will keep the Handling Policy harmless to the common interests of the shareholders.

Furthermore, the Handling Policy conforms with the three principles set forth in the “Guidelines Concerning Anti-Takeover Measures for the Purpose of Preserving and Enhancing Corporate Value and the Common Interests of Shareholders” publicly announced by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

(3) Handling Policy is Not Implemented as a Means of Maintaining the Status of the Officers of the Company

The Handling Policy is an arrangement that calls for the conformance with the Large Purchase Rule and the exercise of countermeasures to the extent necessary to protect the common interests of the shareholders, based on the fundamental premise that the final judgment on whether or not to accept the Large Purchase, in principle, rests with shareholders. Through the Handling Policy, the Company accurately and precisely discloses in advance when and how the Board of Directors will exercise the countermeasures, and the countermeasures by the Board of Directors shall be exercised in accordance with the provisions of the Handling Policy. The Board of Directors itself may not on its sole discretion effect or extend the countermeasures, and will need approval of shareholders for such effectuation or extension.

In addition, if the Board of Directors makes a significant judgment relating to the Handling Policy, including a resolution to exercise the countermeasures against the Large Purchase, the Board of Directors will receive advice from outside experts, etc. as necessary, consult with the Independent Panel composed of members independent of the management operating the Company, and honor the recommendation of the Independent Panel to the fullest degree. Accordingly, the Handling Policy includes such procedures that are designed to secure appropriate handling by the Board of Directors.

Furthermore, because it is stipulated that the Handling Policy may be abolished at any time by a

Board of Directors composed of Directors elected by the General Meeting of Shareholders of the Company, the Handling Policy may in fact be abolished by a Board of Directors composed of Directors newly elected by new composition of shareholders. Accordingly, the Handling Policy is not a dead-hand type anti-takeover measure (an anti-takeover measure whose implementation cannot be avoided even when the majority of the members of the Board of Directors are replaced). In addition, because the term of office of each Director is one year and the Company does not adopt any staggered term system, the Handling Policy is not a slow-hand type anti-takeover measure (an anti-takeover measure whose implementation cannot be avoided until sufficient time has elapsed because the members of the Board of Directors cannot be replaced at one time).

Consequently, the Board of Directors believes that the Handling Policy is not implemented with the intention of maintaining the status of the Company's Officers.

Name and Brief Personal History of Independent Panel Members (Scheduled)

Hiroshi Ishibashi

Born in July 1948

April 1974 Registered as Attorney at Law
 Entered Marunouchi-sogo Law Office (to the present)

May 1998 External Statutory Auditor of Matsuya Co., Ltd. (to the present)

June 2004 External Statutory Auditor of NIPPON PISTON RING CO., LTD. (to the present)

June 2005 External Statutory Auditor of the Company (to the present)

No conflict of interest exists between the Company and Mr. Ishibashi.

Shingo Mazima

Born in September 1946

September 1975 Entered KPMG LLP (former PEAT MARWICK MITCHELL & Co.)
 New York office

July 1997 US Northeast General Manager, Japan Division of KPMG LLP

December 2004 Advisor of KPMG LLP

April 2006 Professor, Faculty of Commerce, Chuo University (to the present)

Mr. Mazima is a Certified Public Accountant in Japan and Certified Public Accountant in the state of New York.

No conflict of interest exists between the Company and Mr. Mazima.

Atushi Minami

Born in March 1958

April 1993 Registered as Attorney at Law

October 2001 Partner of Minami Patent and Law Office (to the present)

June 2007 External Statutory Auditor of CommSeed Corporation (to the present)

No conflict of interest exists between the Company and Mr. Minami.

Overview of Independent Panel Rules

1. Establishment

The Independent Panel is established by resolution of the Board of Directors.

2. Panel Members

The number of panel members of the Independent Panel shall be three (3) or greater, and panel members shall consist of External Statutory Auditors, corporate managers with proven track records, persons with expert knowledge in the investment banking business, lawyers, certified public accountants, academic experts specialized in research on the Companies Act, etc., or similar persons entrusted by the Board of Directors and independent of the executive management of the company.

3. Term of Office

The term of office of panel members of the Independent Panel shall expire at the close of the 97th Ordinary General Meeting of Shareholders if the Handling Policy is approved by the 94th Ordinary General Meeting of Shareholders. If continuation of the Handling Policy is approved at the 97th Ordinary General Meeting of Shareholders, the term of office shall be extended to the close of the Ordinary General Meeting of Shareholders to be held with respect to the last fiscal year ending within three years after the close of the 97th Ordinary General Meeting of Shareholders (thereafter the same shall apply), unless otherwise determined by resolution of the Board of Directors. Additionally, when a panel member who also serves as an External Statutory Auditor ceases to serve as a Statutory Auditor of the Company (unless he or she is reappointed), his or her term of office as a panel member of the Independent Panel shall also expire.

When a panel member position on the Independent Panel is vacant, a new panel member shall be elected by resolution of the Board of Directors from among candidates who meet requirements for election stipulated in 2. above. The term of office of a newly elected panel member shall be the same as the remaining term of office of the retired panel member.

4. Requirements for Resolution

All resolutions of the Independent Panel shall be in principle be adopted by a majority of the votes of all incumbent panel members present. It shall be provided, however, that if any panel member of the Independent Panel is unable to act as a panel member or if any other unavoidable reasons arise, resolutions of the Independent Panel shall be adopted by a majority of the votes of panel members present who constitute in number a majority of the total number of panel members of the Independent Panel.

Additionally, if a resolution of the Independent Panel is not adopted due to a tie vote, the Independent Panel shall report that effect to the Board of Directors.

5. Matters to be Resolved and Other Matters

If the Board of Directors issues queries to the Independent Panel, the Independent Panel shall in principle review the matters enumerated in the respective items below, decide by resolution the result of its review as the Independent Panel, and recommend to the Board of Directors the contents of its decisions with rationales. Each member of the Independent Panel must determine such matters from the viewpoint of whether such matters will contribute to the corporate value and the common interests of the shareholders, and must not pursue self interest or the interest of a third party (including the managers of the Company).

(a) whether or not the purchase falls in the category of a Large Purchase subject to the Large

Purchase Rule;

- (b) the Necessary Information to be submitted to the Board of Directors by the Large Purchaser and the time limit for submission;
- (c) detailed check and review of the Necessary Information submitted by the Large Purchaser;
- (d) detailed check and review of the details of the Large Purchase conducted by the Large Purchaser;
- (e) whether or not the Large Purchase can be expected to significantly harm the corporate value and the common interests of the shareholders;
- (f) whether or not the Large Purchaser complies with the Large Purchase Rule;
- (g) whether or not the Appraisal Period for the Board of Directors will be extended;
- (h) whether or not the exercise of the countermeasures should be referred to the General Meeting of Shareholders, etc.;
- (i) whether or not the countermeasures should be exercised, changed, or suspended;
- (j) review of continuation, change, or abolishment of the Large Purchase Rule; and
- (k) other matters that the Board of Directors has referred to the Independent Panel.

GUIDELINE OF STOCK ACQUISITION RIGHTS

1. Shareholders entitled to receive Stock Acquisition Rights and terms and conditions of the gratis issuance of Stock Acquisition Rights
The number of share options separately determined by the Board of Directors will be granted without consideration for each common share held by the shareholders (except for common shares held by the Company) recorded in the last register of shareholders as of the issue date determined by the Board of Directors.
2. Class and number of shares to be issued or transferred upon the exercise of Stock Acquisition Rights
The class of shares to be issued or transferred upon the exercise of Stock Acquisition Rights shall be common shares, and the number of shares granted for each Stock Acquisition Right exercised shall be up to the total number of shares authorized to be issued as of the issue date as determined by the Board of Directors minus the total number of common shares issued and outstanding (except for common shares held by the Company). The number of shares granted for each Stock Acquisition Right exercised shall be separately determined by the Board of Directors.
3. Total number of Stock Acquisition Rights to be issued
Total number of Stock Acquisition Rights issued shall be separately determined by the Board of Directors. The Board of Directors may issue Stock Acquisition Rights more than once.
4. Amount to be paid upon the exercise of Stock Acquisition Rights
The amount of consideration to be paid upon the exercise of Stock Acquisition Rights shall be no less than ¥1 and shall be separately determined by the Board of Directors.
5. Restriction on transfer of Stock Acquisition Rights
In the case of acquisition of Stock Acquisition Rights by means of transfer thereof, the shareholder or transferee shall obtain approval of the Board of Directors in advance.
6. Conditions for the exercise of Stock Acquisition Rights
The terms and conditions for exercise include stipulation that no person affiliated with a specific shareholders group with no less than 20% of the voting rights may be denied to exercise Stock Acquisition Rights. The details of this condition shall be separately determined by the Board of Directors.
7. Period for the exercise of Stock Acquisition Rights, etc.
The exercise period, causes of acquisition, conditions for acquisition, and other necessary matters for Stock Acquisition Rights shall be separately determined by the Board of Directors. It shall be provided, however, that if common shares are issued in consideration of Stock Acquisition Rights, the upper limit of the number of common shares shall be the total number of shares authorized to be issued minus the total number of common shares issued and outstanding (except for common shares held by the Company) as of the acquisition date.

Status of Major Shareholders

Status of major shareholders as of March 31, 2011 is as follows:

Name	Capital contribution	
	Number of shares (thousands)	Percentage of equity participation
The Master Trust Bank of Japan, Ltd. (trust account)	11,724	9.66%
Japan Trustee Services Bank, Ltd. (trust account)	9,526	7.84%
S a i t a m a R e s o n a B a n k , L i m i t e d	6,011	4.95%
J u n i p e r	3,000	2.47%
I n t e r n a t i o n a l R e c t i f i e r C o r p o r a t i o n	2,500	2.06%
N I P P O N K O A I n s u r a n c e C o . , L t d .	2,061	1.69%
Nomura Asset Management U.K. Limited Sub A/C Evergreen Nominees Ltd	1,867	1.53%
T h e H a c h i j u n i B a n k , L t d .	1,556	1.28%
The Nomura Trust and Banking Co., Ltd. (trust account)	1,404	1.15%
F a l c o n	1,390	1.14%

- Notes: 1. The Company holds 4,138,777 shares of treasury stock that are excluded from the major shareholders listed above.
2. Percentage of equity participation is calculated after deducting the number of shares held as treasury stock from the total number of shares issued and outstanding.