

February 5, 2008

To Whom It May Concern:

Name of the Company: NTN Corporation  
Name of the Representative: Tatsuo Kondo, President  
(Code no.: 6472 TSE/OSE 1st Section)  
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**ON COUNTERMEASURES TO THE LARGE-SCALE PURCHASE OF THE  
COMPANY'S SHARES (TAKEOVER DEFENSE MEASURES)**

This is to announce that the Company resolved, in the meeting of the Board of Directors of the Company, to introduce the countermeasures to a Large-scale Purchase (as regards the definition of the "Large-scale Purchase," please refer to II 2(i) below) of the Company's shares, which countermeasures appear below (hereinafter referred to as the "Policy").

This Policy was unanimously resolved by all of the eleven (11) members of the Board of the Directors; also, all of the four (4) company auditors gave their approvals subject to the appropriate operation of this Policy.

This Policy took effect upon the issuance of the resolution by the Board of Directors, in the meeting held on February 5, 2008. However, this Policy may become invalid in case the shareholders do not approve (i) the proposal to change such portion of the Article of Incorporation, according to the establishment of a new provision, to entitle the General Meeting of Shareholders to determine the matters regarding the takeover defense measures; and (ii) the proposal on the introduction of this Policy.

Attached Exhibit 2 shows the major shareholders of the Company as of September 30, 2007. As of this moment, the Company has not received any notice regarding the conduct of a Large-scale Purchase of the Company's shares.

Each paragraph, which makes reference to laws and regulations, is premised on laws and regulations in force as of February 5, 2008. In the event that a revision of the laws and regulations takes place and the revised laws and regulations become effective, the respective paragraphs of the laws and regulations referred to in this Policy shall be substituted with the revised paragraphs of such laws and regulations that correspond or succeed the former ones, unless the Board of Directors of the Company provides otherwise.

**I. CORPORATE VALUE OF THE COMPANY: OUR CONCERTED DRIVE TO  
ENSURE AND ENHANCE THE COMMON INTEREST OF THE  
SHAREHOLDERS**

The NTN Group's corporate philosophy is: "Our contribution to the global community lies in our creation of new technologies and development of new products." In addition to realizing

creative technologies, furthering customer satisfaction (in technology and services), enhancing globalization and implementing innovations to achieve a kind of business that is suitable for an international company, we also aim to reduce any possible impact on the environment and contribute to a recycling-oriented society. We consider that it is our most important mission to maximize corporate value for our shareholders, customers, local communities, and other stakeholders through continuous sound corporate activities.

April 2007 marked the start of the “Growth through Creativity and Achievements 21” medium-term business plan (April 2007 through March 2010). The Plan’s most important task is to build corporate value for the NTN Group. To this end, the fundamental policy of the plan is to achieve results and growth by encouraging all employees to create new products and technologies, thinking beyond the way things were done before now. The plan will enhance asset efficiency by quickly reaping the benefits of earlier investments, while, at the same time, pursuing continuous business development through investments aimed at spurring further growth. Our programs to achieve the task are as follows:

- (i) Strive to strengthen competitiveness through further quality enhancements, stronger proposal capabilities, and a faster development pace.
- (ii) Focus on measures on HITOZUKURI and MONOZUKURI in ways that improve production efficiency and capacity utilization rates, through a complete reevaluation of our workforce, facilities, materials and production methods.
- (iii) Putting into operation cost reduction activities through VA (value-analysis) and VE (value-engineering) in addition to expanding global and local procurement activities.
- (iv) Exert efforts to ensure strict compliance, build an internal control system, bolster our risk management framework and lessen the Group’s environmental footprint.

The NTN Group continues to look to both the medium and long-term, and are committed to securing and enhancing the corporate value and common interest of the shareholders by taking steps to put the global management resources on strategic products that value quality first, enhancing competitiveness of products and services, and strengthening proposal capabilities.

It was resolved, at the meeting of the Board of Directors of the Company held today, that the Board of Directors shall submit a proposal to appoint one (1) outside director at the annual General Shareholders Meeting of the Company to be held on June 27, 2008, to make it clear that the Company values its shareholders, and with an aim to ensure further management transparency and enhance corporate governance system.

## **II. PURPOSE AND OUTLINE OF LARGE-SCALE PURCHASE RULES**

### **1. Purpose of the Large-scale Purchase Rules**

Under the above-mentioned corporate philosophy and “Growth through Creativity and Achievements 21” Medium-term Management Plan, the NTN Group aims to create its

continued growth, and to secure and enhance the corporate value and common interest of the shareholders. However, sudden conducts of one-sided large-scale purchase of shares are recently occurring in the capital markets of Japan, without carrying-out deliberate discussions with the management of the target company or following due process including obtaining the management's consent.

The Board of Directors of the Company does not flatly deny every large-scale purchase of the Company's shares. The Company believes that, in the event that a large-scale purchase occurs, the shareholders of the Company should make the final decision as to whether or not to accept the proposal of a large-scale purchase. However, the Company believes that it is difficult for the shareholders of the Company to make appropriate decisions unless there is an appreciation of the business environment and understanding of the NTN Group's effort to carry its business to maximize corporate value to every stakeholder. The Company also believes that, when the shareholders of the Company assess the large-scale purchase by a Large-scale Purchaser (as regards the definition of the "Large-scale Purchaser" in this Policy, please refer to 2 (i) below), it is crucial for the shareholders to appropriately receive an assessment of such large-scale purchase from the Board of the Directors of the Company, which has full understanding of the characteristics of the Company's business; the Board's opinion on the said large-scale purchase, and the information provided by the large-scale purchasers. It is also crucial for the shareholders that a reasonable period be given for their assessment.

Furthermore, we believe that, for those shareholders who do not intend to sell their shares but intend to continue to hold them, management policies or the content of the business program, including a policy regarding relationships with every stakeholder, which is contemplated by the Large-scale Purchaser, forms part of the substantial information that are considered by the shareholders in continuing to hold on to their shares.

The occurrence of a Large-scale Purchase of the Company's shares may give an adverse effect on the performance of the Company's efforts as described in I above. We believe that the Board of Directors is responsible for collecting and providing information necessary for the shareholders of the Company to make the ultimate judgment on the propriety of the Large-scale Purchase; it is also responsible for assessing and considering whether the management policies or the content of the business program will expedite the securing and enhancing of the corporate value and common interest of the shareholders of the Company. Furthermore, and as a result of such assessment and consideration, when the Board of Directors judges that such Large-scale Purchase will impair the corporate value and common interest of the shareholders of the Company, we should take countermeasures, if necessary, alongside with the negotiations with the Large-scale Purchasers, to improve the content of the purchase proposals. The Board of Directors does not propose for the Large-scale Purchase rules to remove every purchase activity against the Company. The aim of the rules is to ensure the provision of sufficient information, including of the purchase conditions, by those who intend to conduct a purchase, as well as provide a chance and time

for faithful and sincere negotiations between the purchasers and the Board of Directors; and, subsequently, to secure and enhance the corporate value and common interest of shareholders of the Company.

Reflecting such basic policy, the Board of Directors of the Company considers that compliance with certain reasonable rules on the occasion of a Large-scale Purchase expedites securing and enhancing the corporate value and common interest of the shareholders of the Company. The Board of Directors therefore establishes the “Large-scale Purchase Rules” and ask Large-scale Purchasers to comply therewith. If a Large-scale Purchaser does not comply with the Large-scale Purchase Rules, the Board of Directors of the Company may take countermeasures against it upon the recommendation of the Special Committee. We believe that it is necessary for the shareholders of the Company to secure sufficient information, by establishing such reasonable rules in advance regarding the provision of information by Large-scale Purchasers and asking them to comply therewith. In addition, we consider that efforts to obtain transparency by establishing such rules in advance, compared with cases where there are no similar rules, enable the parties to secure the predictability of the Large-scale Purchasers and prevent the giving of any chilling effect against those Large-scale Purchases that may benefit the Company and the shareholders of the Company.

## **2. Outline of the Large-scale Purchase Rules**

With an aim to secure and enhance the corporate value and common interest of the shareholders of the Company, the Large-scale Purchase Rules permits the commencement of an actual Large-scale Purchase only after the provision of sufficient information by the Large-scale Purchaser to the Board of Directors of the Company prior to the conduct of the Large-scale Purchase, after the Board of Directors’ assessment and consideration pursuant thereto for a certain period, and after the shareholders of the Company are able to make an appropriate judgment based on the said information, assessment and consideration. The outline of the Large-scale Purchase Rules appears below. The outline of the procedure to be followed in the event of a Large-scale Purchase is described in Exhibit 3 attached hereto.

### **(i) Subject Matter of the Large-scale Purchase Rules**

Under the Large-scale Purchase Rules, a “Large-scale Purchase” is defined as either (i) a Group of Shareholders’ [Note 1] Purchasing the Company’s Certificates of Shares and Other Securities [Note 2] with the intent of increasing their Voting Rights Ratio [Note 3] to 20 % or more, or (ii) a Purchase of the Company’s Certificates of Shares and Other Securities resulting in 20% or more of the Voting Rights Ratio being held by a Group of Shareholders. The person who conducts such Purchase is defined as a “Large-scale Purchaser,” and is required to comply with the Large-scale Purchase Rules (this is regardless of the concrete method of the Purchase, including an acquisition through market transactions

or an acquisition through a take over bid, except in cases where there is an approval by the Board of Directors of the Company for such Purchase prior to the actual Purchase).

**(ii) Submission of the Written Oath to Comply with the Large-scale Purchase Rules**

In the event that a Large-scale Purchaser intends to commence a Large-scale Purchase, the Large-scale Purchaser shall submit to the President of the Company a written oath to comply with the Large-scale Purchase Rules (the “Written Oath to Comply with the Large-scale Purchase Rules”). In the Written Oath to Comply with the Large-scale Purchase Rules, the name of the Large-scale Purchaser, address, governing law of its establishment, the name of the representative, contact details in Japan, outline of the proposed Purchase and the oath to comply with the Large-scale Purchase Rules shall be specified.

**(iii) Provision of Large-scale Purchase Information and the Disclosure thereof**

Within ten (10) business days after receipt of the Written Oath to Comply with the Large-scale Purchase Rules, the Company will deliver to the Large-scale Purchaser a list of the information that has to be provided by the Large-scale Purchaser, which is a requirement to allow the Company’s shareholders and the Board of Directors to assess and consider such Large-scale Purchase (“Large-scale Purchase Information”). If the Board of Directors of the Company determines that the Large-scale Purchase Information is insufficient, it may require the Large-scale Purchaser to submit additional information to sufficiently complete the Large-scale Purchase Information. The Large-scale Purchase Information shall include the following items:

- outline of the Large-scale Purchaser and its Group of Shareholders;
- the purposes and contents of the Large-scale Purchase;
- whether any communication has been made with a third party with regard to the Large-scale Purchase and the outline thereof, if any;
- the basis in the determination of the Purchase price;
- the funds used for the Purchase (including methods of raising funds, specific name of the person or corporation supplying the funds for the purchase (including substantive supplier) and other outlines);
- management policies, business plans, financial plans, capital policy and dividend policy which the Large-scale Purchaser intends to adopt after the completion of the Large-scale Purchase;
- policies that would be implemented after the completion of the Large-scale Purchase with regard to the customers, employees, local community and any other stakeholders of the Company and the NTN Group.

If the Board of Directors of the Company considers it necessary for the shareholders of the Company to make its decisions, the Company will disclose the fact that a Large-scale Purchase was proposed and all or part of the Large-scale Purchase Information submitted to

the Company at such time that it deems appropriate.

**(iv) Establishment of the Special Committee**

The Company may take countermeasures described in V below if it determines it necessary to secure and enhance the corporate value and common interest of the shareholders of the Company, regardless of whether the Large-scale Purchase Rules are complied with or not. In such case, to secure the reasonableness and fairness of the judgment of the Board of Directors of the Company, the Company will establish a special committee, which will be a body that is independent from the Board of Directors of the Company, and constituted by three (3) members who are outside company auditors or outside learned individuals (the outline of the Regulation for the Special Committee appears in Exhibit 4 attached hereto; and the initial members of the Special Committee is specified in Exhibit 5 attached hereto).

If the Board of Directors of the Company decides to implement the defense measures, prior to the actual exercise thereof, the Board of Directors of the Company shall seek the recommendation of the Special Committee on the propriety of such exercise. The Special Committee shall, pursuant thereto, make recommendations to the Board of Directors of the Company on the propriety of such exercise. To ensure that the decision made by the Special Committee shall be reasonable and fair in view of securing and enhancing the corporate value and common interests of the shareholders of the Company, the Special Committee may obtain advice from independent third parties (including financial advisors, certified public accountants, lawyers, consultants and other professionals) at the Company's expense. The Board of Directors of the Company shall conform to, in principle, the decision of the Special Committee in determining whether or not countermeasures are to be implemented. However, if the Board of Directors of the Company determines that there are material differences in the recognition of facts, which served as the premise for such judgment of the Special Committee, or if the grounds for such judgment are irrational, the Board of Directors of the Company may require the Special Committee to reconsider the matters, but only once.

Furthermore, the Special Committee shall evaluate whether the Large-scale Purchase Information provided is sufficient or insufficient, and convey such evaluation to the Board of Directors of the Company. The Special Committee may also make other recommendations, if necessary, on matters submitted by the Board of Directors. When the Special Committee makes a recommendation that the Large-scale Purchase Information provided is sufficient for the relevant Large-scale Purchase, the Board of Directors of the Company shall not require the Large-scale Purchasers to submit additional information.

**(v) Establishment of the Board of Directors Assessment and Negotiation Period**

Upon completion of the submission of the Large-scale Purchase Information by the

Large-scale Purchaser, the Board of Directors shall notify the Large-scale Purchaser and disclose the fact that such submission was completed to the shareholders and investors of the Company at the appropriate time.

Depending on the difficulty level of the assessment of the Large-scale Purchase, the Board of Directors of the Company shall be given a period for it to reach its assessment, etc. (the “Board of Directors Assessment Period”). Such period shall be for a maximum of sixty (60) days (in case the purchase of all of the Company’s shares is made by a tender offer with cash-only (yen) consideration) or a maximum of ninety (90) days (in case of any other Large-scale Purchase), commencing from the date immediately succeeding the date when the submission of the Large-scale Purchase Information is completed; provided, however, that if the Board of Directors of the Company requests the Special Committee to reconsider a recommendation made by the latter, the relevant period shall be extended by an additional maximum period of fourteen (14) days. Upon such extension, the Board of Directors shall disclose the reason therefor and the number of the days so extended to the shareholders and investors of the Company. The Special Committee shall make recommendations to the Board of Directors of the Company at latest ten (10) days before the end of the Board of Directors Assessment Period. The Large-scale Purchaser may conduct the Large-scale Purchase after the expiration of the Board of Directors Assessment Period. If the Large-scale Purchase is conducted before the expiration of the Board of Directors Assessment Period, the Board of the Directors of the Company may take countermeasures upon the recommendation of the Special Committee (as regards the countermeasures, etc., to be adopted by the Board of Directors of the Company in the event that a Large-scale Purchase takes place after the expiration of the Board of Directors Assessment Period, please refer to III below). During the Board of Directors Assessment Period, the Board of Directors of the Company shall assess and examine the submitted Large-scale Purchase Information, receiving advice from the Special Committee and outside experts, etc., carefully form its opinion, and disclose such opinion to the shareholders and investors of the Company. The Board of Directors may negotiate with the Large-scale Purchaser, as may be deemed necessary, regarding the improvement of the conditions relating to the Large-scale Purchase, and propose an alternative plan to the shareholders of the Company.

### **III. IF THE LARGE-SCALE PURCHASER COMPLIES WITH THE LARGE-SCALE PURCHASE RULES**

In case a Large-scale Purchaser complies with the Large-scale Purchase Rules, the Board of Directors of the Company, in principle, will not take any countermeasures against it, since it is the shareholders of the Company who ultimately determines whether or not to accept the Purchase proposals of the Large-scale Purchasers, after considering the Purchase proposal, the opinion presented by the Company regarding such proposal or alternative plans, etc.

However, even if the Large-scale Purchaser complies with the Large-scale Purchase

Rules, when it is deemed that such Large-scale Purchase meets any of the factors as set forth in paragraphs (i) through (vi) below, and when such Large-scale Purchase is regarded as apparently harmful to the corporate value and common interests of the shareholders of the Company, the Board of Directors of the Company may still allocate share options for no consideration as a countermeasure to secure the corporate value and common interest of the shareholders of the Company (as regards the outline of the allotment of share options for no consideration, please refer to V below). On the other hand, when it is not deemed that such Large-scale Purchase meets such factors as set forth in either paragraph (i) through (vi) below, the Company shall not take any countermeasure.

The Board of Directors of the Company shall discuss and negotiate with the Large-scale Purchaser as may be deemed necessary. Even after the Board of Directors of the Company decides to allocate share options for no consideration as a countermeasure, if there is any material change in matters that served as a basis for its judgment, including the Large-scale Purchaser's proposal to change any matter that is essential to the relevant Large-scale Purchase, the Board of Directors may halt the countermeasures, including the cancellation of the allotment of share options for no consideration, but only if it is made before the ascertainment of the shareholders' rights that accrue from the implementation of countermeasures, and such halt will not impair the common interest of the shareholders.

Regarding the consideration and judgment as to whether a Large-scale Purchase is apparently harmful to the corporate value and the common interests of the shareholders of the Company, the Board of Directors of the Company shall conform to, in principle, the judgment of the Special Committee, to secure the objectiveness and fairness of such consideration and judgment (the Special Committee shall recommend to the Board of Directors of the Company that the issuance of share options is not allowed, when it is not deemed that such Large-scale Purchase meets any of the factors set forth in paragraph (i) through (vi) below). However, if the Board of Directors of the Company determines that there are material differences in the recognition of facts, which served as the premise for such judgment, or if the grounds for such judgment are irrational, the Board of Directors of the Company may require the Special Committee to reconsider the matters, but only once. The outline of the Special Committee's recommendation and the reasons for its judgment will be disclosed to the shareholders and investors of the Company at the appropriate time.

- (i) a buy-out of the Company's shares in order to demand that the Company and its affiliates purchase the said shares at an inflated price, without any intent to participate in the Company's management;
- (ii) a buy-out of the Company's shares in order to obtain temporary control of the Company, to enable the transfer of intellectual property rights, know-how, confidential information proprietary to the Company, major business acquaintance or costumers, which are necessary for the operation of the Company, to the Large-scale Purchaser or its Group;



- (iii) a buy-out to cause the diversion of the Company's assets to secure or repay the debts of the Large-scale Purchaser or its Group's businesses;
- (iv) obtaining temporary control of the Company's management to bring about a disposal of its high-value assets (including know-how and intellectual property) that have no current relevance to the Company's business and declaring temporary 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;
- (v) any conduct by the Large-scale Purchaser other than those set forth in paragraphs (i) through (iv) that may cause irrecoverable damage to the corporate value of the Company without any sincere aim to participate in the Company's management, or
- (vi) a buy-out of the Company's share that threatens to have the effect of compelling the shareholders to sell their shares, such as a coercive two-tiered tender offer (meaning a takeover which coerces the shareholders into accepting a front-end tender offer by setting unfavorable terms, without making the same offer for all of the Certificate of Shares and Other Securities, or without specifically indicating the terms for the back-end of the transaction); however, partial acquisition through a takeover bid will not immediately meet the factors set forth in this paragraph.

#### **IV. NON-COMPLIANCE WITH THE LARGE-SCALE PURCHASE RULES**

If a Large-scale Purchaser does not comply with the Large-scale Purchase Rules, the Board of Directors of the Company may allocate share options as a countermeasure for no consideration, upon recommendation of the Special Committee, to secure corporate value and the common interest of shareholders of the Company. This countermeasure may, as a result, cause the Large-scale Purchaser, who does not comply with these Large-scale Purchase Rules, a disadvantage including economic damages. Therefore, these Large-scale Purchase Rules also aim to call the Large-scale Purchasers' attention in advance, to prevent them from conducting a Large-scale Purchase while ignoring the rules.

However, even if the Large-scale Purchaser does not comply with the Large-scale Purchase Rules, the Board of Directors of the Company may discuss and negotiate with the Large-scale Purchaser as may be deemed necessary; even after the Board of Directors of the Company decides to allocate share options for no consideration as a countermeasure, if there is any material change in the matters that served as a basis for its judgment, including the Large-scale Purchaser's proposal to change any matter that is essential to the relevant Large-scale Purchase, the Board of Directors may halt the countermeasures including the cancellation of an allotment of share options for no consideration, only if it is made before the ascertainment of the shareholders' rights that accrue from the implementation of countermeasures, and such halt will not impair the common interest of the shareholders.

#### **V. OUTLINE OF ALLOTMENT OF SHARE OPTIONS FOR NO CONSIDERATION**

## **AS A CONCRETE COUNTERMEASURE**

The outline for the allotment of share options for no consideration, to be conducted by the Board of Directors of the Company as a countermeasure, is as follows:

- (i) The shareholders who are entitled to receive the allotment and the number of shares to be allotted to such shareholders

The Shareholder of the Company registered or recorded in the latest register of shareholders or register of beneficial shareholders, as of the allotment date, separately determined by the Board of Directors of the Company, will be allotted one share option for each share of common stock of the Company held by them (except for the common stock held by the Company).

- (ii) The type and number of shares to be acquired

The type of share that may be acquired shall be the common stock of the Company, and the number of shares that may be acquired upon the exercise of each share option shall be one share; provided, however, that if the Company conducts a share split or consolidation of shares, the requisite adjustment shall be adopted.

- (iii) The effective date of the allotment of the share options for no consideration

To be separately determined by the Board of Directors of the Company.

- (iv) The total number of shares that may be allotted for the share options

The total number of shares that may be allotted for the share options shall be separately determined by the Board of Directors, which allotted number may equal a maximum of the latest total number of issued shares of the Company as of the date of the allotment.

- (v) The amount to be invested upon the exercise of the share options

The amount to be invested upon the exercise of the share options shall be one (1) Japanese yen. However, in cases where share options with an acquisition clause, described in (ix) below, are issued, the shareholder shall not be required to pay in any money.

- (vi) The assignment of the share options

The approval of the Board of Directors of the Company is required for the acquisition of the share options through an assignment.

- (vii) The exercise period for the share options

The effective date of the allotment of the share options, or such other date separately determined by the Board of Directors in the resolution for the allotment of the share options for no consideration, shall be the commencement date of the exercise period of the share options and shall extend for such period separately determined by the Board of Directors of the Company, which shall be between one (1) month to two (2) months; provided, that when the last day for the exercise period is a holiday in the place where any money payment to be made upon the

exercise is to be handled, the day immediately following such holiday shall be the last date. However, in cases where share options with an acquisition clause, as described in (ix) below, are issued, the shareholder shall not be required to pay in any money.

(viii) The conditions for the exercise of the share options

Any party who may qualify under any of the following items is not entitled, in principle, to exercise the share options for no consideration pursuant to this Policy:

(a) The Large-scale Purchasers; (b) Joint Holder of the Large-scale Purchasers (defined in Paragraph 5, Article 27-23 of the Financial Products and Exchange Act of Japan and a person deemed as a joint holder pursuant to Paragraph 6 of the same article, including a person deemed to meet such provisions by the Board of Directors of the Company); (c) any Specially Related Party (defined in Paragraph 7, Article 27-2 of the Financial Products and Exchange Act, including a person deemed to meet such provision by the Board of Directors of the Company); (d) any party who was assigned with, or succeeded to, the share options for no consideration pursuant to this Policy from any person who may qualify under any of the items provided in (a) through (c), without obtaining the approval thereto of the Board of Directors of the Company; or (e) any related party of the person who may qualify under any of the items provided in (a) through (d) (means a person substantially controlled by such person, or deemed by the Board of Directors of the Company as being controlled by, under common control with, or acting in concert with such person; “control” means “when (it) controls decisions of the financial and business policy” of the other company, etc. (Paragraph 3, Article 3 of the Ordinance for Enforcement of the Companies Act of Japan).

(ix) Others

The Company may issue share options with an acquisition clause providing that the Company may acquire the share options in exchange for the Company’s shares. In such a case, no consideration shall be delivered to the Large-scale Purchasers, or any consideration other than the Company’s shares may be delivered thereto. The Board of Directors of the Company shall separately determine the acquisition clause to the share options and such other necessary matters.

## **VI. EFFECTIVE TERM, EXPIRATION OF, AND CHANGES TO THE POLICY**

Although this Policy took effect upon the issuance of the resolution by the Board of Directors in a meeting held on February 5, 2008, this Policy may become invalid in case the shareholders do not approve (i) the proposal to change such portion of the Articles of Incorporation as attached in Exhibit 1; and (ii) the proposal on the introduction of this Policy,

in the annual General Meeting of the Shareholders of the Company to be held on June 27, 2008.

If the shareholders of the Company give approval to (i) the proposal to change such portion of the Articles of Incorporation as attached in Exhibit 1; and (ii) the proposal on the introduction of this Policy, in the annual General Meeting of the Shareholders of the Company to be held on June 27, 2008, this Policy shall remain effective until the close of the annual General Meeting of the Shareholders to be held in June 2011. However, in the event that a resolution to abolish this Policy is passed at the General Meeting of the Shareholders of the Company prior to the expiration of the above period, this Policy shall become invalid upon such resolution.

Furthermore, even during the effective term of this Policy, the Board of Directors of the Company may review or change any part of this Policy, with the consent of the Special Committee, to the extent that such review or change adheres to the intent of the resolution to be passed by the General Meeting of the Shareholders with regard to the introduction of this Policy.

If this Policy is abolished or changed, the Board of Directors of the Company will disclose the fact of such abolishment or change and such other matters as deemed necessary by it to the shareholders and investors of the Company at the appropriate time.

## **VII. REASONABLENESS OF THE POLICY**

### **1. The Policy Fulfills the Requirements of the Guidelines for the Takeover Defense Plan**

This Policy fulfills the three principles (the principle of securing and enhancing the corporate value and common interest of the shareholders, the principle of disclosure in advance and valuing the shareholders' intentions, and the principle of necessity and appropriateness) required by the "Guidelines regarding the Takeover Defense Plan to Secure or Enhance the Corporate Value and Common Interest of the Shareholders" announced by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

### **2. The Policy is being Introduced for the Purpose of Ensuring and Enhancing the Common Interests of the Shareholders**

As stated above, this Policy is being introduced for the purpose of ensuring and enhancing the corporate value of the Company, and, subsequently, the common interests of the shareholders, by providing the information or period necessary for the shareholders of the Company to evaluate the appropriateness of a Large-scale Purchase, or to enable the Company to negotiate with the Large-scale Purchasers, in behalf of the shareholders of the Company, in the event of a Large-scale Purchase of the shares of the Company.

### **3. The Policy Values the Shareholders' Intentions**

In order to reflect the shareholders' intentions with regard to this Policy, the Company shall obtain the approval of the shareholders thereto, at the annual General Meeting of the

Shareholders of the Company to be held on June 27, 2008, by submitting proposals to change a part of the Articles of Incorporation relating to the establishment of the provisions pertaining to the matter of the takeover defense measures, as attached in Exhibit 1, and by introducing this Policy, which the General Meeting of Shareholders will then resolve. In the event that such approval is not obtained, this Policy will become null and void immediately.

Although it is set that the effective term of this Policy will be until the close of the annual General Meeting of Shareholders of the Company to be held in June 2011, this Policy nevertheless reflects the shareholders' intentions by its immediate abolishment upon the passing of a resolution thereon in the General Meeting of Shareholders of the Company before expiry of the Policy's term.

#### **4. The Policy Values the Judgment of Outsiders Who are Highly Independent**

With the introduction of this Policy, the Company will establish the Special Committee as a body, which will remove the possibility of arbitrary decisions being made by the members of the Board of Directors. Such body will make substantial judgments objectively on the operations of this Policy for the shareholders of the Company.

On the occasion of the introduction of this Policy, the Special Committee will be constituted by outside company auditors or outside learned individuals (as regards the criteria of the election of the members of the Special Committee, please refer to the Exhibit 4 attached hereto).

Pursuant to the Regulations of the Special Committee, in the event that an actual Large-scale Purchase occurs in the Company, the Special Committee will assess whether such Large-scale Purchase prejudices the corporate value of the Company and the common interest of the shareholders, etc.; thereafter, the Board of Directors of the Company shall conform to, in principle, the Special Committee's judgment. However, if the Board of Directors of the Company determines that there are material differences in the recognition of facts, which served as the premise for such judgment by the Special Committee, or if the grounds for such judgment are irrational, the Board of Directors of the Company may require the Special Committee to reconsider the matters, but only once.

As described above, the Special Committee strictly monitors any arbitrary activity of the Board of Directors of the Company. At the same time, the Special Committee is expected to disclose an outline of its recommendations and the reasons for its judgment to the shareholders and investors of the Company at the appropriate time. Accordingly, it is ensured that this Policy will be operated within a scope that will enhance the corporate value and the common interest of the shareholders of the Company.

#### **5. The Policy Establishes Reasonable Objective Requirements**

Pursuant to this Policy, the countermeasures to a Large-scale Purchase will not be triggered unless reasonable and detailed objective requirements are fulfilled. Thus, the Policy is secured against the arbitrary implementation of its countermeasures by the Board of

Directors.

**6. The Company Obtains Third Party Opinions**

In the event that a Large-scale Purchaser appears, the Special Committee is required to obtain advice from independent third parties (including financial advisors, certified public accountants, lawyers, consultants and other professionals) at the Company's expense. This further secures the fairness and objectiveness of the judgment made by the Special Committee.

**7. The Policy is not a Dead Hand Type Takeover Defense Plan**

As described above, the General Meeting of Shareholders of the Company can abolish this Policy. Therefore, this Policy is not the so-called Dead Hand Type Takeover Defense Plan (in which an implementation of the plan cannot be deterred even if a majority of the Board of Directors are replaced).

**VIII. THE POLICY'S IMPACT, ETC. ON THE SHAREHOLDERS AND INVESTORS**

**1. Impact upon Introducing the Policy**

The allotment of the share options for no consideration will not be implemented at the time of the Policy's introduction. Therefore, it will not have any concrete direct impact on any right or economic interests of the shareholders or investors.

**2. Impact at the Time of Implementation of the Countermeasures**

The Board of Directors of the Company may implement the countermeasures mentioned above for the purpose of ensuring and enhancing the common interests of the shareholders. When the Board of Directors decides to implement the concrete countermeasures, it will make timely and appropriate disclosures pursuant to applicable laws and regulations and the securities exchange rules, etc.

Upon the implementation of the countermeasure, considering that no dilution of the value of the entire shares of the Company will occur, although the value per share of the shares held by the shareholders will be diluted, the Company expects that the shareholders and investors of the Company will not suffer any particular legal or economic loss. However, as regards the Large-scale Purchasers who fall in any of the provisions in III (i) through (vi) above, or any person who qualifies under any of the provisions in V (viii) (a) through (e), they may suffer a legal and economic disadvantage as a result of the implementation of the actual countermeasures.

The Company may, even after the reference date for the allocation of the share options, or after date that the allocation of the share options for no consideration becomes effective, cancel the allocation of the share options for no consideration on the day immediately before the commencement date of the execution of the share options or obtain the share options for no consideration without delivering the shares of the Company to the holder of the share

options, due to circumstances including a withdrawal of the Large-scale Purchase by the Large-scale Purchaser. In such a case, no dilution will occur to the value per share, and thus, the shareholders, who conducted a sale, etc., on the assumption that the value per share will be diluted, may expectedly suffer an appropriate loss resulting from the corresponding fluctuation in the value of the share.

### **3. Procedures to be Taken by the Shareholders upon the Implementation of the Countermeasures**

(i) Formalities for the entry of a name change

In the event that the Board of Directors of the Company decides to implement the countermeasures, and thereafter the share options are allotted, the shareholders who are yet unable to complete the entry of a name change are asked to complete it before the date of the allotment, separately determined and publicly announced by the Board of Directors of the Company.

(ii) Formalities for the exercise of the share options

In the event that the shareholders exercise their share options, they will be asked to pay a certain amount of money during the prescribed period.

However, when the Company stipulates that the Company may obtain the share options in exchange for the shares of the Company, the shareholders who are holding the share options determined by the Board of Directors to be the subject of the acquisition will receive the shares of the Company without the need for the payment of any money equivalent to the exercise amount; such will be the consideration for such acquisition of the share options by the Company; provided, that in such instance, the shareholders may be separately asked to submit a document in a format prescribed by the Company, to make an oath that he/she is not a Large-scale Purchaser.

As regards the details of these formalities, the Company shall separately provide information therefor, pursuant to applicable laws and regulations and the securities exchange rules, etc., upon the occurrence of matters that entail these formalities.

[Note 1] A Group of Shareholders means a Holder (defined in Paragraph 1, Article 27-23 of the Financial Products and Exchange Act of Japan (“FPEA”), including a person deemed as a holder pursuant to Paragraph 3, Article 27-23 thereof) of Certificate of Shares and Other Securities (defined in Paragraph 1, Article 27-23 of FPEA) of the Company and any Joint Holders thereof (defined in Paragraph 5, Article 27-23 of FPEA, including a person deemed as a joint holder pursuant to Paragraph 6, Article 27-23 thereof), or a person or a company who makes a Purchase (defined in Paragraph 1, Article 27-2 of FPEA, including a purchase made on a securities exchange market) of Certificates of Shares and Other Securities of the Corporation (defined in Paragraph 1, Article 27-2 of the FPEA) and any Specially Related Parties (defined in Paragraph 7, Article 27-2 of FPEA.)

[Note 2] The Certificate of Shares and Other Securities mean those defined in Paragraph 1, Article 27-23 of FPEA.

[Note 3] The Voting Rights Ratio means, according to the concrete methods for the Purchase by each Group of Shareholders, (i) when the Group of Shareholders is the Holder (defined in the Paragraph 1, Article 27-23 of FPEA, including a person deemed as a holder pursuant to Paragraph 3, Article 27-23 thereof) and its Joint Holder (defined in Paragraph 5, Article 27-23 of FPEA, including a person deemed as a joint holder pursuant to Paragraph 6, Article 27-23 thereof) of the Company's Certificates of Shares and Other Securities (defined in Paragraph 1, Article 27-23 of FPEA), the voting rights ratio of such Holder (defined in Paragraph 4, Article 27-23 of FPEA; in calculating such Ratio, the number of the Company's Certificates of Shares and Other Securities held by a Joint Holder of the Holder (defined in the same article) shall be counted as well); or (ii) the total of the Voting Rights Ratio (defined in Paragraph 8, Article 27-2 of FPEA) of the Large-scale Purchasers of the Company's Certificates of Shares and Other Securities (defined in Paragraph 1, Article 27-1 of FPEA) and any of its Specially Related Parties (defined in Paragraph 5, Article 27-23 of FPEA, including a person deemed as a joint holder pursuant to Paragraph 6, Article 27-23 thereof), when a Group of Shareholders consists of the Large-scale Purchasers of the Company's Certificates of Shares and Other Securities and any of its Specially Related Parties. In calculating each Voting Rights Ratio, the Total Voting Rights (defined in Paragraph 8, Article 27-2 of FPEA) and the Total Number of Issued Shares (defined in Paragraph 4, Article 27-23 of FPEA) that appear in the latest of any of the securities reports, interim reports, or treasury shares purchase report can be referred to.



**EXHIBIT 1**

**PROPOSAL TO CHANGE ARTICLES OF INCORPORATION**

**1. Reason for the Change**

This is to change the Company’s total number of authorized shares, as provided in Article 5 of the current Articles of Incorporation, from 800,000,000 shares to 1,800,000,000 shares, in order to ensure the maneuverability of raising funds and capital policy as well as to make the Policy regarding the Countermeasures to the Large-scale Purchase of the Company’s Shares more effective. The total number of the authorized shares of the Company as of February 4, 2008 is 470,463,527 shares.

Also, on the occasion of our submission of Proposal 6, entitled “An approval of the Policy regarding the Countermeasures to the Large-scale Purchase of the Company’s Shares (Takeover Defense Measures),” this is to establish a new Paragraph 1 to the current Article 16 (Items to be Submitted to the General Meeting of Shareholders) of the Articles of Incorporation, in order to identify this proposal as one of the items to be approved by the General Meeting of Shareholders.

**2. Details of the Change**

(Underlined means portions to be changed)

Current Articles of Incorporation	Proposed Change
<p><i>(The Total Number of Authorized Shares)</i>            Article 5. The total number of authorized shares of the Company shall be <u>800,000,000</u> shares.</p>	<p><i>(The Total Number of Authorized Shares)</i>            Article 5. The total number of authorized shares of the Company shall be <u>1,800,000,000</u> shares.</p>
<p><i>(Items to be Submitted to the General Meeting of Shareholders)</i>            Article 16. The General Meeting of Shareholders is not entitled to discuss and resolve items other than those notified to the shareholders in advance.</p>	<p><i>(Matters to be Submitted to the General Meeting of Shareholders)</i>            Article 16. <u>The General Meeting of Shareholders may resolve the policy regarding the countermeasures to the large-scale purchase of the Company’s shares, except for items prescribed in the Companies Act.</u>            (2) The General Meeting of Shareholders is not entitled to discuss and resolve items other than those notified to the shareholders in advance.</p>

## EXHIBIT 2

### MAJOR SHAREHOLDERS OF THE COMPANY

The major shareholders of the Company as of September 30, 2007 are as follows:

1. The total number of authorized shares .....800,000,000 shares
2. The total number of issued shares .....470,463,527 shares  
(Including treasury shares ..... 1,011,700 shares)
3. Number of shareholders ..... 25,580 shareholders
4. Major shareholders

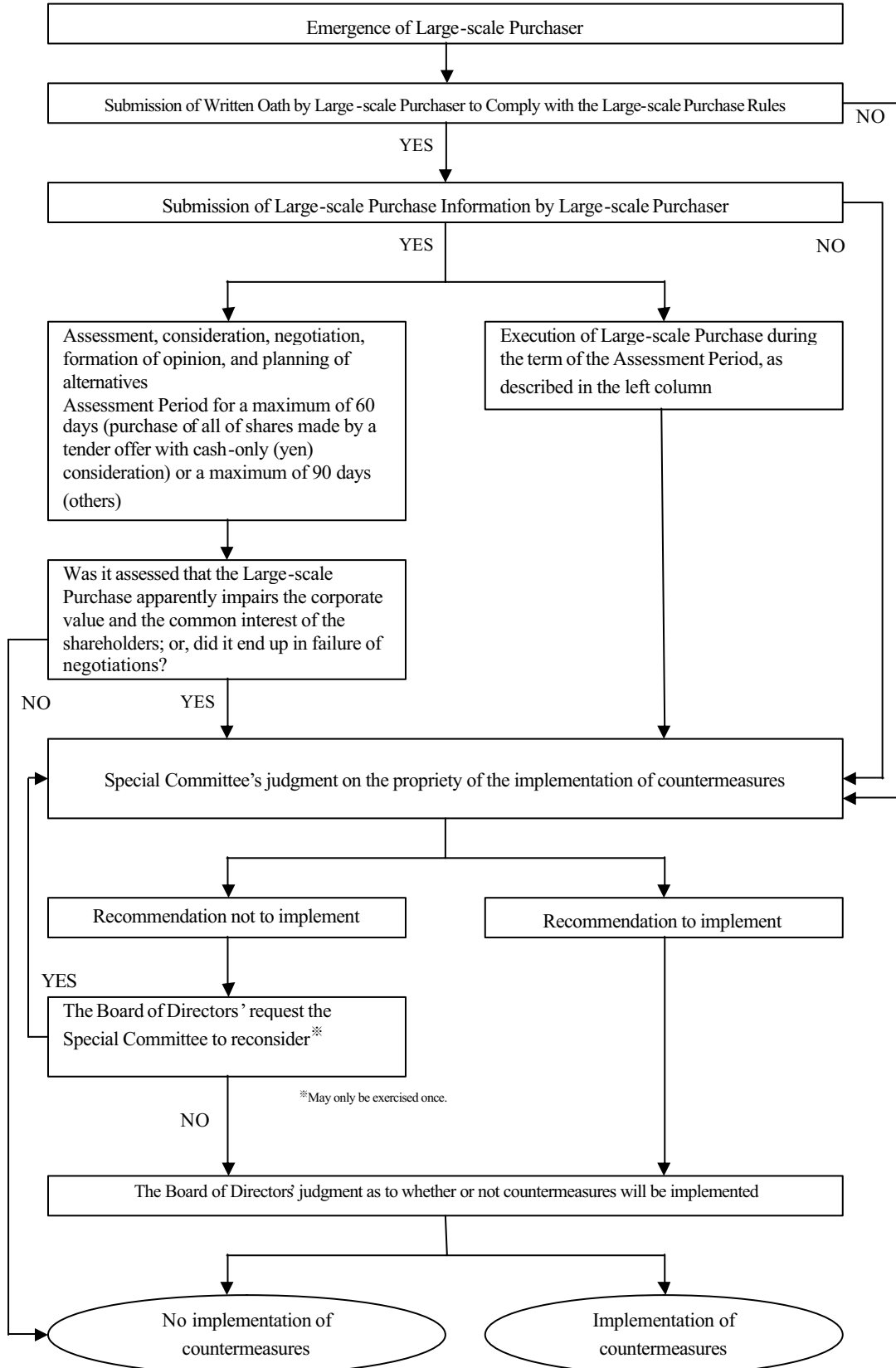
Name	Shareholders' Investment in NTN	
	Number of shares held (thousands)	Investment ratio
Japan Trustee Services Bank, Ltd. (Trust account)	44,297	9.41%
The Master Trust Bank of Japan, Ltd. (Trust account)	38,403	8.16%
The Dai-ichi Mutual Life Insurance Company	23,278	4.94%
Meiji Yasuda Life Insurance Company	22,467	4.77%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	21,674	4.60%
Mitsubishi UFJ Trust and Banking Corporation	11,870	2.52%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	11,653	2.47%
Nippon Life Insurance Company	9,507	2.02%
The Bank of New York, JASDEC Account	8,130	1.72%
NTN Kyoaikai	8,119	1.72%

Note 1: The number of shares held is calculated by rounding-down the shares that are less than 1,000

Note 2: The investment ratio is calculated by the percentage to the total issued shares.

**EXHIBIT 3**

**PROCEDURES REGARDING THE LARGE-SCALE PURCHASE RULES  
(OUTLINE)**



## EXHIBIT 4

### REGULATIONS FOR THE SPECIAL COMMITTEE (OUTLINE)

1. Establishment of the Special Committee and Election and Dismissal of the Members Thereof
  - (i) The Special Committee shall be established by a resolution of the Board of Directors.
  - (ii) The number of the members of the Special Committee shall be three (3).
  - (iii) The members of the Special Committee shall be elected and appointed by the Company's Board of Directors from among the outside directors, outside company auditors, attorneys-at-law, certified tax accountants, certified public accountants, people of experience or academic, or non-company personnel who are experienced as a director, company auditor or executive officer.
  - (iv) The election and dismissal of the members of the Special Committee shall be made by the resolution of the Board of Directors. A resolution for dismissal shall be made by an affirmative vote of more than two-thirds of the directors present.
  
2. Term of the Office of the Members of the Special Committee

The term of the office of the members of the Special Committee shall expire on the close of the Company's annual General Meeting of Shareholders on the last business year that ends within the period of three (3) years after the day of the election of the members of the Special Committee, unless any other specific provision is adopted by a resolution of the Board of Directors.
  
3. Criteria for the Election of the Members of the Special Committee

The person who fall under any of the following shall not be elected as a member of the Special Committee:

  - (a) The person himself/herself used to be the Company's executive director or employee, or his/her relative, whose degree of kinship to him/her is two (2) degrees or less, used to be the Company's executive director or employee.
  - (b) The person himself/herself or his/her relative, whose degree of kinship to him/her is two (2) degrees or less, received remuneration (except directors' remuneration or company auditors' remuneration) in the amount of more than JPY10, 000,000 from the Company within any one (1) year within the past three (3) years.
  - (c) The person who falls under any of the following: (i) the person himself/herself or his/her relative, whose degree of kinship to him/her is two (2) degrees or less, is an employee of the audit firm that is entrusted to perform the accounting auditing or consulting services, etc. for the Company; (ii) the person himself/herself is an employer of the said audit firm; (iii) his/her relative, whose degree of kinship to him/her is two (2) degrees or less, is an employer of the said audit firm and is engaged in its accounting auditing or consulting services, etc.; or (iv) the person himself/herself or his/her relative, whose degree of kinship

to him/her is two (2) degrees or less, used to be an employee or an employer of the said audit firm, and engaged in any accounting auditing or consulting services for the Company.

- (d) The person himself/herself or his/her relative, whose degree of kinship to him/her is two (2) degrees or less, used to be an executive officer of a company other than the Company, and one of the current directors of the Company used to be an outside director or outside company auditor of the same company.
- (e) In case where the person himself/herself or his/her relative, whose degree of kinship to him/her is two (2) degrees or less, is an executive officer or an employer of a company other than the Company, and the Company has paid to the said company as consideration for any good or service within the past three (3) business years, or the said company has paid as consideration for any good or service to the Company within the past three (3) business years, the higher of (i) more than JPY100,000,000 or (ii) two (2) percent of the consolidated net sales of the said company.

#### 4. Resolution Requirement

A resolution of the Special Committee shall be made by an affirmative vote of the majority of the members of the Special Committee.

#### 5. Recommendations to the Board of Directors

The Special Committee shall make recommendations to the Board of Directors as to whether the Large-scale Purchase Information provided by the Large-scale Purchasers is, and as to whether it is permissible for the Company to implement countermeasures against the Large-scale Purchase. When the members of the Special Committee make recommendations, they are required to evaluate the matter with the view of enhancing the corporate value and common interest of the shareholders of the Company, and shall not aim to gain any individual advantage for himself/herself, or for any director of the Company.

#### 6. Advise by Third Parties

The Special Committee may obtain advice from independent third parties (including financial advisors, certified public accountants, lawyers, consultants and other professionals), as may be deemed necessary, at the Company's expense.

## EXHIBIT 5

### NAME AND CAREER SUMMARY OF THE SPECIAL COMMITTEE MEMBERS

**Name Tadao Kagano**

Date of birth: November 12, 1947

Career Summary  
March 1970 Graduated from the Faculty of Business Administration, Kobe University  
November 1988 Professor, Faculty of Business Administration, Kobe University  
April 1998 Dean, Faculty of Business Administration, Kobe University  
April 1999 Professor, Graduate School of Business Administration, Kobe University (incumbent)  
June 2004 Outside Company Auditor of NTN (incumbent)

**Name Norifumi Ishii**

Date of birth: July 3, 1956

Career Summary  
March 1979 Graduated from the Department of Law, Faculty of Law, Chuo University  
April 1985 Assistant Judge  
May 1992 Admitted to bar (Osaka Bar Association)  
Attorney-at-Law, Member of the Osaka West Law Office (up to the present)  
April 2004 Professor, Law School, Legal Professional Degree Program, Kyoto Sangyo University (incumbent)  
November 2006 Standing Director, National Lawyers' Network for Handling Bankruptcy (*Zenkoku Tohsan Shori Bengoshi* Network) (incumbent)  
June 2007 Outside Company Auditor of NTN (incumbent)

**Name Hisaji Kawabata**

Date of birth: December 21, 1939

Career Summary  
March 1962 Graduated from the Faculty of Law and Literature, Kanazawa University  
April 1962 Joined *Keihanshin Kyuko* Railway Company (changed its corporate name to Hankyu Corporation on April 1, 1973)  
June 1996 Managing Director and General Manager of Human Resources Development Section  
June 1998 President, Hankyu Bus Company Limited  
December 1998 Director, Nippon Rent-A-Car Service, Inc. (incumbent)  
April 2007 Advisor, Hankyu Bus Company Limited (incumbent)