

April 26, 2007

Introduction of Countermeasures to Large-Scale Acquisition of Yokogawa Shares (Takeover Defense Measures)

Yokogawa Electric Corporation (the “Company”) announces that its board of directors has resolved in a meeting on this date to introduce countermeasures to the large-scale acquisition of the Company’s shares (the “Plan”). Subject to the approval of shareholders at the ordinary general meeting of shareholders of the Company to be held in June 2007 (the “Ordinary General Meeting of Shareholders”), this Plan has the purpose of ensuring and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders.

1. Purpose of Introducing the Plan

1.1. Efforts to Enhance the Company’s Corporate Value and Serve the Common Interests of Shareholders

The Company is committed to contributing to industry based on an understanding of the factors that make up the Company’s corporate value. This is in accordance with the corporate philosophy, which states, “As a company, our goal is to contribute to society through broad-ranging activities in the areas of measurement, control and information. Individually, we aim to combine good citizenship with the courage to innovate”. Based on this philosophy, the board of directors believes that its business mission is the continual pursuit of sound business activities and the maximizing of corporate value for all stakeholders, including shareholders, customers, employees, and people in local communities.

With this as its base, the Company has aimed for healthy and profitable operation. It took on reforms to its business structure and group management, with fiscal year 2005 as the First Milestone for its VISION-21 & ACTION-21 long-term corporate strategy. A new scheme was introduced in fiscal year 2006 that will lead up to the Second Milestone of fiscal year 2010. This embarks on activities that will bring about even greater growth in the business, and is based on the foundation that was built through previous structural reforms. The specific managerial target of the Company is to achieve an operating income of 75 billion yen in fiscal year 2010, the final year of the Second Milestone phase. The specific measures for each business are as follows.

This English translation has been prepared for general reference purposes. The Company is not responsible for any consequence resulting from the use of the English translation in place of the original Japanese text. In any legal matter, readers should refer to and rely upon the original Japanese text of the press release dated as of April 26, 2007.

Industrial Automation and Control Business

The Company is planning to proactively develop the industrial automation and control business, with the goal of becoming the world's top company in this field by the year 2010. Besides cementing the number one position in regions where the Company is competitive and where market growth is high, the Company is also increasing its market share by responding to replacement demand in regions where the market has matured.

In the world market, the Vigilance marketing campaign has demonstrated the Company's commitment to customers and enhanced its reputation as a trusted partner. The Company is taking this opportunity to intensify its competitiveness and proactively develop international markets. While transferring production outside Japan and enhancing its engineering system to effectively utilize worldwide resources, the Company is also reinforcing its research and development functions in various parts of the world to meet the needs of the customer in each region. By these means, the Company plans to rapidly increase its share of the market.

The Company continues to increase its share of the Japan market by concentrating on replacement demand and making use of its long-cultivated ability to propose total solutions and provide reliable products that meet the customer's requirements. In addition, the Company is developing its businesses and expanding its business domain by offering new solutions in information fields such as manufacturing execution systems (MES) and enterprise resource planning (ERP) systems.

Test and Measurement Business

The Company is increasing its test and measurement business through the strategic launch of competitive products in the semiconductor market and the communications and measurement market. The Company plans to grow its semiconductor tester business through further technology development and by developing a product strategy that reinforces its product development capabilities and meets the needs of the customer. The Company is reinforcing its ability to propose solutions from the customer's point of view to the entire semiconductor test process, ranging from the semiconductor design environment to services. In addition, the Company is reinforcing its worldwide business structure.

The Company has determined that it will focus development resources on the following important fields in the communications and measurement business: mechatronics and energy, which is growing rapidly as a result of the increasing use of computer technologies in automobiles; electronics and

semiconductors, which is expanding through the increasing use of information appliances; and optical communications and networks, which is expanding and gaining momentum as the result of the introduction of next-generation optical communications networks. The Company plans to grow this business by accelerating product development based on its leading edge measuring technology and semiconductor technology.

New and Other Business

In the photonics business, the Company is working to increase sales in the key optical communications market by establishing a business based on next-generation optical communications modules and optical communications subsystems. It is also accomplishing this by increasing sales in the optical packet network business, where the use of next-generation computers is expected to achieve a rapid increase in demand. The Company is concentrating on investing in the development of three core technologies for the advanced-stage business: precise positioning technology, high-function and high-performance controller technology, and image protocol technology. By being a world technology leader, the Company is working to increase its share in the liquid crystal display manufacturing market and the semiconductor manufacturing market. The Company is also investing in resources for life science related businesses, with an aim to proactively open the market and launch its business. The Company plans to expand business in the aviation instruments field, actively tapping into traditional public-sector as well as private-sector demand.

1.2. Purpose of Introducing the Plan

The Plan will be introduced for the purpose of ensuring and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders, as set out below.

As described above, by having a well balanced portfolio of industrial automation and control, test and measurement, and new and other businesses, the Company can drive forward growth strategies whilst considering business risks, and develop mid- to long-term approaches to improving the corporate value. However, if a party carrying out a large-scale acquisition of the Company shares is not properly aware of the Company's growth strategies and the management environment that surrounds the business, it will become difficult to ensure and enhance the corporate value of the Company and the common interests of its shareholders, and it is possible that the common interests of the stakeholders, particularly shareholders, will be harmed.

In this regard, a decision regarding any proposal that would involve a transfer of corporate control of stock corporation, which is a public company, must be ultimately based upon the intent of all the shareholders. While accepting the concept that the shares of a publicly held company should be freely traded, the Company's board of directors believes that the decision whether to accept a large-scale acquisition of the Company's shares by a specific party should be ultimately left up to the shareholders of the Company.

There are corporate takeovers that do not contribute to the corporate value of the target company or the common interests of the shareholders, including (i) those with respect to which the purpose of the share acquisition requires the disposal of material business assets, etc., that would clearly harm the corporate value and, in turn, the common interests of shareholders, (ii) those that are likely to force shareholders to respond to a takeover in effect, (iii) those that do not provide adequate time and information for the board of directors and shareholders of the target company to consider the large-scale acquisition of shares, etc., or for the board of directors of the target company to submit an alternative proposal, and (iv) those that require the target company to negotiate with the offeror to procure more advantageous terms for the shareholders than those presented by the offeror.

For the Company to continuously ensure and enhance its corporate value, it is essential to understand the various factors that constitute the corporate value of the Company such as its managerial resources and workforce, the trusting relationship with customers, the future and potential value of its businesses, and the general value achieved through the organic combination of these factors. However, if a party carrying out a large-scale acquisition of Company shares is not properly aware of the sources of the Company's corporate value and cannot ensure and enhance it from a mid- to long-term perspective, the corporate value of the Company and the common interests of its shareholders will be harmed.

If a takeover were to be proposed by an outside party, after adequately ascertaining from all shareholders the various factors that compose the corporate value of the Company, it would be necessary to make a judgment on the effect that the takeover would have on the corporate value of the Company and, in turn, on the common interests of the shareholders.

The Company's board of directors has considered the need for securing sufficient time and information so that alternatives can be presented to shareholders and so that they can effectively judge whether to accept a large-scale acquisition of the Company's shares. Accordingly, they have come to the decision that the introduction of the Plan is necessary as a process for deterring acts that are against the Company's corporate value and, in turn, the common interests of the shareholders.

Currently, the Company is not aware of any specific threat of such an inappropriate acquisition. Principal shareholders of the Company as of March 31, 2007, are listed in Attachment 5 entitled “Outline of the Company’s Shareholding”.

2. Plan details

2.1. Plan outline

(a) Procedures for introduction of the Plan

In light of the importance of the introduction of the Plan, the Company considered it appropriate to reflect the intent of the shareholders. Therefore, the Company requests shareholders to approve the introduction of the Plan at the Ordinary General Meeting of Shareholders. Introduction of the Plan is subject to this item of business being approved with a majority of the votes cast by the shareholders attending the Ordinary General Meeting of Shareholders.

(b) Establishment of procedures for triggering the Plan

In the event of any proposal that involves acquisition of the Company’s shares or a similar action or proposal (hereinafter referred to as the “Acquisition”), the Plan sets out procedures for conducting negotiations with the party effecting or proposing the Acquisition (hereinafter collectively referred to as the “Acquirer”) such as presenting information such as alternative schemes and counterproposals by the Company’s board of directors to the shareholders, as well as for requests to the Acquirer to provide information relating to the Acquisition in advance, and for securing sufficient time to collect information with respect to the Acquisition and to give it full consideration.

(c) Triggering the Plan by gratis allotment of Stock Acquisition Rights and use of an Independent Committee to eliminate arbitrary decisions by directors

If an Acquirer’s actions are deemed to threaten to harm the Company’s corporate value or the common interests of its shareholders, the Company will allot stock acquisition rights by means of a gratis allotment of stock acquisition rights to all shareholders on a certain day determined by the Company’s board of directors upon resolution of the Company’s board of directors (stock acquisition rights allotted hereby hereinafter referred to as the “Stock Acquisition Rights”).

In order to eliminate arbitrary decisions by directors relating to the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights, or the acquisition of the Stock Acquisition Rights, the Plan is designed to require objective decisions from an independent committee, which is comprised of persons who are completely independent of the Company's management, such as outside directors, in accordance with the Rules of the Independent Committee.

The people scheduled to be the initial members of the Independent Committee for the introduction of the Plan are: Mr. Masahisa Naito (a candidate for outside director), Mr. Yasuro Tanahashi (a candidate for outside director), Mr. Shigeru Hikuma (an outside statutory auditor), Mr. Takaaki Wakasugi (an outside expert) and Mr. Naoto Nakamura (an outside expert). (Please refer to Attachment 3 for the names and career summaries of the members.)

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

If a gratis allotment of Stock Acquisition Rights were to take place in accordance with the Plan and either the shareholders other than the Acquirer exercised the Stock Acquisition Rights or the shareholders other than the Acquirer received shares of the Company in exchange for the Company acquiring the Stock Acquisition Rights, then it would be possible for the ratio of Company shareholder voting rights held by the Acquirer to be diluted up to approximately one half.

2.2. Procedures for triggering the Plan

(a) Targeted acquisitions

Where there is an Acquisition that falls under (i) or (ii) below, the Company will, pursuant to the Plan, administer gratis allotment of Stock Acquisition Rights in accordance with the terms and conditions set out in the Plan:

(i) An Acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariiai*)¹ of a holder (*hoyuusha*)² amounting to 20% or more of the share certificates, etc. (*kabuken tou*)³ issued by the Company; or

(ii) A tender offer (*koukai kaitisuke*)⁴ that would result in the ownership ratio of share certificates, etc. (*kabuken tou shoyuu wariiai*)⁵ of share certificates, etc. (*kabuken tou*)⁶ relating to the tender offer and the owning ratio of share certificates, etc. of a person having a special relationship (*tokubetsu kankei-sha*)⁷ totaling at least 20% of the share certificates, etc. issued by the Company.

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

Excluding for Acquisitions determined by the Company's board of directors to be friendly Acquisitions, the Company will promptly send any Acquirer conducting an Acquisition described above in 2.2(a) an undertaking written in Japanese and in the form prescribed by the Company pledging that the Acquirer will upon the Acquisition comply with the procedures established in the Plan (hereinafter referred to as the "Acquisition Statement") and an inquiry about information prepared in the form prescribed by the Company and in Japanese that is necessary to review details of acquisition by the Acquirer as described in each item of the list below (hereinafter referred to as the "Essential Information").

As a general rule, the Company requires the Acquirer to submit to the Company's board of directors the Acquisition Statement and the Essential Information within ten business days after the Acquirer has received the materials sent by the Company before effecting the Acquisition. The Company's board of directors will send soon the materials to the Independent Committee.

In case the Independent Committee evaluates that the Acquisition Statement and the Essential

1 Defined in Article 27-23(4) of the Securities and Exchange Act of Japan. This definition is applied throughout this document.

2 Including persons described as a holder under Article 27-23(3) of the Securities and Exchange Act of Japan (including persons considered by the Company's board of directors to fall under this provision). This definition is applied throughout this document.

3 Defined in Article 27-23(1) of the Securities and Exchange Act of Japan. Unless otherwise provided for in this document, the same is applied throughout this document.

4 Defined in Article 27-2(6) of the Securities and Exchange Act of Japan. The same is applied throughout this document.

5 Defined in Article 27-2(8) of the Securities and Exchange Act of Japan. The same is applied throughout this document.

6 Defined in Article 27-2(1) of the Securities and Exchange Act of Japan. The same is applied in 3.1 (a)(ii).

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

Information provided is inadequate as the Essential Information, it may fix the Acquirer a deadline for response, and request by itself or through the Company's board of directors that the Acquirer provide additional Essential Information. In such case, the Acquirer should provide the additional Essential Information within the relevant time limit.

(i) Details (including the specific name, capital composition, and financial condition) of the Acquirer and its group (including joint holders⁸, persons having a special relationship and, in the case of funds, each partner and other constituent members).

(ii) The purpose, method and terms of the Acquisition (including information regarding the amount and type of consideration for the Acquisition, the timeframe of the Acquisition, the scheme of any related transactions, the legality of the Acquisition method, and the probability that the Acquisition will be effected).

(iii) The basis for the calculation of the price of the Acquisition (including the underlying facts and assumptions of the calculation, the calculation method, the numerical data used in the calculation, the details of any expected synergies from any series of transactions relating to the Acquisition (including the details of such synergies to be shared with other shareholders), and the calculation basis therefor).

(iv) Financial support for the Acquisition (including the specific name, financing methods and the terms of any related transactions of providers of the funds for the Acquisition (including all indirect fund providers)).

(v) Post-Acquisition management policy, business plan, capital and dividend policies for the Group.

(vi) Post-Acquisition policies dealing with the Company's employees, business partners, clients, and other stakeholders in the Company.

(vii) Specific measures to avoid conflicts of interest with other shareholders of the Company.

(viii) Any other information that the Independent Committee considers reasonably necessary.

⁸ "Joint holders" are as defined in Article 27-23(5) of the Securities and Exchange Act of Japan, including persons regarded as a joint holder under Article 27-23(6) of the Securities and Exchange Act of Japan (including persons that the Company's board of directors recognizes as falling under the above). The same is applied throughout this document.

If the Independent Committee recognizes that an Acquirer has initiated an Acquisition without complying with the procedures set by the Plan, as a general rule, it will advise the Company's board of directors to implement a gratis allotment of Stock Acquisition Rights in accordance with 2.2(d)(i) below, except in particular circumstances where board of directors should continue its requests for submission of an Acquisition Statement and the Essential Information, and board of directors' discussions and negotiations with the Acquirer.

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

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

If the Acquirer submits an Acquisition Statement, the Essential Information and the Essential Information required by the Independent Committee to be provided additionally (if any), the Independent Committee may set a reply period (up to 60 days as a general rule) and request that the Company's board of directors present an opinion on the Acquirer's terms and supporting materials for the Acquisition (including reservations; hereinafter the same), an alternative proposal (if any), and any other information and materials that the Independent Committee considers suitably necessary, in order to compare the details of the Acquisition Statement and the Essential Information to the business plan of the Company's board of directors and the company valuation conducted by the Company's board of directors for the purposes of ensuring and enhancing the Company's corporate value and the common interests of its shareholders.

(ii) Independent Committee consideration

Upon receiving the information and materials from the Acquirer and the Company's board of directors (if the Independent Committee requested the Company's board of directors provide information as set out above), the Independent Committee should consider the Acquirer's Acquisition terms, collect information on the business plans and other information and materials of the Acquirer and the Company's board of directors and comparisons thereof, and consider any alternative proposal presented by the Company's board of directors, and the like for a maximum period, as a general rule, of 60 days from such receipt (provided, however, that in the case described below in 2.2(d)(iii) or the like, the Independent Committee may extend this period (hereinafter the "Independent Committee Consideration Period")).

The Independent Committee recommends the Company's board of directors presents an alternative proposal to shareholders with the view of ensuring and enhancing the Company's corporate value and the common interests of its shareholders.

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

(iii) Disclosure of information

At a time the Independent Committee considers appropriate, the Company will disclose to shareholders the fact that the Acquirer submitted an Acquisition Statement and any matters considered appropriate by the Independent Committee out of the Essential Information or other information.

(d) Independent Committee methods for judgment

If an Acquirer emerges, the Independent Committee will take the following procedures.

(i) The Independent Committee recommends triggering the Plan

If the Acquirer fails to comply with the procedures set forth in 2.2(b) and (c) above, or if otherwise as a result of the consideration of the terms of the Acquirer's Acquisition, the Independent Committee determines that the Acquisition by the Acquirer meets any of the requirements set out in 2.3 'Requirements for the gratis allotment of Stock Acquisition Rights' below and that the implementation of the gratis allotment of Stock Acquisition Rights is reasonable, the Independent Committee will recommend the implementation of the gratis allotment of Stock Acquisition Rights to the Company's board of directors, regardless of whether the Independent Committee Consideration Period has commenced or ended.

However, even after the Independent Committee has already made one recommendation for the implementation of the gratis allotment of Stock Acquisition Rights, if the Independent Committee determines that either of the events below applies, it may make a new recommendation by the day prior to the Exercise Period Commencement Date (defined below in (f) of 2.4) that (before the gratis allotment has taken effect) the Company should suspend the gratis allotment of Stock Acquisition

Rights or that (after the gratis allotment has taken effect) the Company should acquire the Stock Acquisition Rights without compensation.

- The Acquirer withdraws the Acquisition or otherwise ceases to exist after the recommendation.
- There is a change in the facts or circumstances upon which the recommendation decision was made, and the Acquisition by the Acquirer does not meet any of the requirements set out in 2.3 'Requirements for the gratis allotment of Stock Acquisition Rights' below, or it is not reasonable to implement the gratis allotment or allow for shareholders to exercise the Stock Acquisition Rights even if the Acquisition by the Acquirer does meet one of the requirements under 2.3 below.

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

If as a result of its consideration of the terms of the Acquirer's Acquisition, the Independent Committee determines that the Acquisition by the Acquirer does not meet any of the requirements set out below in 2.3 'Requirements for the gratis allotment of Stock Acquisition Rights,' or that the implementation of the gratis allotment of Stock Acquisition Rights is not reasonable even if the Acquisition by the Acquirer does meet one of the requirements set out in 2.3 below, the Independent Committee will recommend the non-implementation of the gratis allotment of Stock Acquisition Rights to the Company's board of directors, regardless of whether the Independent Committee Consideration Period has ended.

However, if there is a change in the facts, circumstances or otherwise upon which a recommendation decision was made and the requirements set out in the first paragraph of (i) above have come to be satisfied, the Independent Committee may make a separate decision including a recommendation to implement the gratis allotment of Stock Acquisition Rights, and advise the Company's board of directors.

(iii) The Independent Committee defers recommendation concerning the Plan

If the Independent Committee does not reach a recommendation for either the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights by the expiry of the initial Independent Committee Consideration Period, the Independent Committee will pass a resolution to extend the Independent Committee Consideration Period to the reasonable extent considered

necessary to weigh up the terms of the Acquirer's Acquisition.

If the Independent Committee Consideration Period is extended as a result of the resolution described above, the Independent Committee will continue with its information collection and consideration, and make best efforts to recommend the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights within the extended period.

(iv) Information Disclosure

If the Independent Committee passes a resolution set out in (i) through (iii) above or in any other case where the Independent Committee considers appropriate, the Company will promptly disclose information on the outline of the resolution and other matters that the Independent Committee considers appropriate (including the reason of extension of the Independent Committee Consideration Period if it is extended in accordance with (iii) above).

(e) Resolutions of the board of directors

The Company's board of directors*, in exercising their role under the Corporation Law, will pass a resolution relating to the implementation or non-implementation of a gratis allotment of Stock Acquisition Rights giving the utmost consideration to any recommendation of the Independent Committee described above. Promptly after passing such resolution, the Company's board of directors will disclose an outline of its resolution, and any other matters that the board of directors considers appropriate. In addition, the Acquirer may not implement the Acquisition until the Company's board of directors passes a resolution for non-implementation of gratis allotment of Stock Acquisition Rights.

* As three out of the ten Directors to be appointed at the Ordinary General Meeting of Shareholders are part-time directors who are independent from current management (including two outside directors), the judgment of the Company's board of directors is ensured to be transparent and objective.

2.3. Requirements for the gratis allotment of Stock Acquisition Rights

The Company intends to implement the gratis allotment of Stock Acquisition Rights by a resolution of the Company's board of directors as described above in (e) of 2.2 'Procedures for triggering the Plan,' if it is considered that an act by an Acquirer falls under any of the items below and it is

reasonable to implement the gratis allotment of Stock Acquisition Rights. As described in (d) of section 2.2 above, 'Procedures for triggering the Plan,' fulfillment of the requirements below and the appropriateness of the implementation of gratis allotment of the Stock Acquisition Rights must be determined based on the recommendation of the Independent Committee.

- (a) An Acquisition does not comply with procedures described in the Plan.
- (b) An Acquisition that threatens to cause obvious harm to the corporate value of the Company and, in turn, the common interests of its shareholders through actions such as those described below:
 - (i) A buyout of share certificates, etc. that requires such share certificates, etc. to be compulsorily acquired by the Company at an inflated price.
 - (ii) Management that advantages the interests of the Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company's material assets.
 - (iii) Diversion of the Company's assets to secure or repay debts of the Acquirer or its group company.
 - (iv) Temporary control of the Company's management to bring about the disposal of high-value assets that have no current relevance to the Company's business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price by taking advantage of the opportunity afforded by the sudden rise in share price created by the temporarily high dividends.
- (c) Certain Acquisitions that threaten to have the effect of coercing shareholders into selling shares, etc. such as coercive two-tiered tender offers (meaning acquisitions of shares including tender offers that do not offer to acquire all shares in the initial acquisition, and set unfavorable or unclear acquisition terms for the second stage).
- (d) Acquisitions whose terms (including amount and type of compensation, the Acquisition schedule, the legality of the Acquisition method, and the probability of the Acquisition being effected) are inadequate or inappropriate in light of the Company's corporate value and, in turn, common interests of its shareholders.
- (e) Acquisitions that materially threaten to harm the corporate value of the Company and, in turn, the common interests of shareholders by destroying tangible and intangible management resources, such as personnel networks with employees and business partners and global service networks, which are indispensable to generating the Company's corporate value and are the source

of generating the value of the Company's corporate brand and corporate value.

2.4. Outline of the gratis allotment of Stock Acquisition Rights

An outline of the gratis allotment of Stock Acquisition Rights to be implemented under the Plan is described below. (Please refer to Attachment 1 'Yokogawa Electric Terms and Conditions of the Stock Acquisition Rights' for details of Stock Acquisition Rights.)

(a) Number of Stock Acquisition Rights

The number of the Stock Acquisition Rights granted will be equal to the final and total number of issued and outstanding shares in the Company (excluding the number of shares in the Company held by the Company at that time) on a certain date (the "Allotment Date") that is determined by the Company's board of directors in a resolution relating to the gratis allotment of Stock Acquisition Rights (the "Gratis Allotment Resolution").

(b) Shareholders eligible for allotment

The Company will implement gratis allotment of the Stock Acquisition Rights to shareholders other than the Company who are entered or recorded in the Company's final register of shareholders or register of beneficial shareholders (the "Applicable Shareholders") on the Allotment Date, at a ratio of one Stock Acquisition Right for every one share held.

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

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

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

The number of shares to be acquired upon exercise of each Stock Acquisition Right (the "Applicable Number of Shares") shall be determined by the Company's board of directors in the Gratis Allotment Resolution within the range of a half and one share. If the Applicable Number of Shares is less than one share, the Company shall make a bulk sale of these shares and allocate the disposal proceeds to shareholders pro rata in accordance with the fractions they hold.

(e) The amount of assets to be contributed upon exercise of Stock Acquisition Rights

Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount per share of assets to be contributed upon exercise of the Stock Acquisition Rights will be an amount determined by the Company's board of directors in the Gratis Allotment Resolution within the range of a minimum of one yen and a maximum the amount equivalent to 50% of the fair market value of one share of the Company. The "fair market value" means the value equivalent to the average closing price of regular transactions in the Company's shares of common stock conducted on the Tokyo Stock Exchange for the 90 days (excluding any day on which no trade occurred) immediately prior to the date of the Gratis Allotment Resolution, and any fraction of a yen shall be rounded up to the nearest whole yen.

(f) Exercise period of Stock Acquisition Rights

The commencement date will be a date determined by the Company's board of directors in the Gratis Allotment Resolution (the commencement date of this exercise period shall be referred to as the "Exercise Period Commencement Date"), and the period will be a period of one to three months as determined by the Company's board of directors in the Gratis Allotment Resolution; provided, however, that if the Company acquires the Stock Acquisition Rights pursuant to the provisions of paragraph (i) below, the exercise period for the Stock Acquisition Rights will be up to and including the day immediately prior to that acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment place of the cash payable upon exercise, the final day will be the preceding business day.

(g) Conditions for the exercise of Stock Acquisition Rights

As a general rule, the following parties may not exercise the Stock Acquisition Rights:

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

Further, nonresidents of Japan who are required to follow certain procedures under foreign laws and ordinances to exercise the Stock Acquisition Rights may not as a general rule exercise the Stock

Acquisition Rights (provided, however, that the Stock Acquisition Rights held by nonresidents will be subject to acquisition of shares of the Company by the Company in exchange for shares of the Company as set out in (i) below). Please refer to Attachment 1 'Yokogawa Electric Terms and Conditions of the Stock Acquisition Rights' for definitions and details of terms used above.

(h) Assignment of Stock Acquisition Rights

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

(i) Acquisition of Stock Acquisition Rights by the Company

(i) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Company's board of directors recognizes that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a day determined by the Company's board of directors, acquire all of the Stock Acquisition Rights without compensation.

(ii) On a day determined by the Company's board of directors, the Company may acquire all of the Stock Acquisition Rights that have not been exercised before or on the day immediately prior to such date determined by the Company's board of directors, that are held by parties other than those listed in (g)(I) through (VI) above and, in exchange, deliver shares of the Company in the number equivalent to the Applicable Number of Shares for every one Stock Acquisition Right.

Further, if, on or after the date upon which the acquisition takes place, the Company's board of directors recognizes the existence of any party holding Stock Acquisition Rights other than those listed in (g)(I) through (VI) above, the Company may, on a day determined by the Company's board of directors after the date upon which the acquisition described above takes place, acquire all of the Stock Acquisition Rights held by that party that have not been exercised by or on the day immediately prior to such date determined by the Company's board of directors and, in exchange, deliver shares of the Company in the number equivalent to the Applicable Number of Shares for every one Stock Acquisition Right. The same will apply thereafter.

If the Applicable Number of Shares is less than one share, the Company shall make a bulk sale of these shares and allocate the disposal proceeds to shareholders pro rata in

accordance with the fractions they hold.

In addition, the Company's board of directors resolved to enable issue of stock acquisition rights in accordance with the Plan and to submit a proposal on an amendment to the Articles of Incorporation at the Ordinary General Meeting of Shareholders to increase the current total number of issuable shares from 483,735,000 shares to 600,000,000 shares for the purpose of flexible funding to provide for future business expansion (Please refer to Attachment 4 for details of Proposed Amendment to Articles of Incorporation).

2.5. Procedures for introduction of the Plan

The introduction of the Plan will be as follows, subject to approval of the shareholders at the Ordinary General Meeting of Shareholders.

The Company considered the Plan to be inseparably close to the basic policy for the party who controls the determination of financial and business policies of a company, and decided it would be appropriate to reflect the intent of shareholders when introducing the Plan. Therefore, when the item of business "Introduction of Countermeasures to Large-Scale Acquisitions of Yokogawa Electric Shares (Takeover Defense Measures)" is passed at the Ordinary General Meeting of Shareholders, the Plan officially becomes effective.

2.6. Effective period of the Plan

The effective period to decide matters relating to the gratis allotment of Stock Acquisition Rights under the Plan as assigned by a resolution of the Ordinary General Meeting of Shareholders as described in 2.5 above shall be the period until the conclusion of the ordinary general meeting of shareholders relating to the fiscal year ending March 2009.

2.7. Abolition and amendment of the Plan

If, before the expiration of the Effective Period, (a) a general meeting of shareholders of the Company passes a resolution recommending the board of directors to abolish decisions on matters relating to the gratis allotment of Stock Acquisition Rights under the Plan, or (b) the Company's board of directors passes a resolution to abolish the Plan by its own judgment, the Plan shall be abolished at that time. Therefore, the Plan may be abolished in accordance with the shareholders'

intent.

Further, (c) the Company's board of directors may revise or amend the Plan even during the Effective Period of the Plan to the extent deemed reasonably necessary following amendments to the Corporation Law, Securities Exchange Law, and other laws and regulations or stock exchange rules, or changes in interpretation or application of these laws, or amendments to taxation or judicial precedents.

If the Plan is abolished, modified, or amended, the Company will promptly disclose facts including the facts of such abolition, modification, or amendment taking place, and (in the event of a modification or amendment) the details of the modification, amendment and any other matters.

3. Rationale of the Plan

3.1. Fully satisfying the requirements of the Guidelines for Takeover Defense Measures

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

3.2. Respecting Shareholders' Intent (Sunset Clause)

As mentioned in 1 'Purpose of Introducing the Plan' and 2.5 'Procedures for introduction of the Plan' above, the Plan shall become effective upon approval by the shareholders at the Ordinary General Shareholders' Meeting, for which the Effective Period shall be the period of two years until the conclusion of the ordinary general meeting of shareholders relating to the fiscal year ending March 2009 as mentioned in 2.6 'Effective period of the Plan'. In addition, as the term of office of directors is one year, if the abolition of the Plan is resolved at the Company's general shareholders' meeting, the Plan shall be abolished even if before the expiration of term of the Plan as mentioned in 2.7 'Abolition and amendment of the Plan'. In this regard, the life of the Plan depends on the intent of the Company's shareholders.

3.3. Disclosure of information and emphasis on the decisions of independent parties

In introducing the Plan, the Company will establish the Independent Committee as an organization

that will eliminate arbitrary decisions by the directors, and objectively carry out substantive decisions in the interests of the shareholders in the event of the triggering, abolition or other operation of the Plan. The members of the Independent Committee will be appointed from the Company's outside directors, outside statutory auditors and outside experts.

If an Acquisition of shares in the Company were to actually occur, this Independent Committee would, as set out above in 2.2 'Procedures for triggering the Plan' and in accordance with the Rules of the Independent Committee, make recommendations to the board of directors as to whether or not the Acquisition would have a detrimental effect on the corporate value of the Company and the common interests of shareholders. The Company's board of directors would then, by giving maximum consideration to those determinations, pass a resolution regarding implementation or non-implementation of the gratis allotment of Stock Acquisition Rights as an institution pursuant to the Corporation Law of Japan.

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

3.4. Establishment of reasonable, objective requirements

As set out above at section 2.2(d) 'Independent Committee methods for judgment' and 2.3 'Requirements for the gratis allotment of Stock Acquisition Rights,' the Plan is established so that it will not be triggered unless reasonable objective requirements have been satisfied, and ensures a structure to eliminate arbitrary triggering by the Company's board of directors.

3.5. Obtaining the advice of third-party experts

As mentioned in 2.2 'Procedures for triggering the Plan' (c) above, if an Acquirer emerges, the Independent Committee may obtain advice from independent third parties (financial advisors, certified public accountants, lawyers, consultants and other experts) at the cost of the Company. This is a mechanism to even more securely enhance the objectivity and fairness of the decisions made by the Independent Committee.

3.6. No dead-hand or slow-hand takeover defense measures

As stated in section 2.7 'Abolition and amendment of the Plan,' the Plan is designed in a way so that

it may be abolished at any time by a board of directors comprised of persons appointed at a general meeting of shareholders of the Company, and the Plan may be abolished by the board of directors comprised of directors appointed under the new shareholder composition.

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

4. Impact on shareholders and other stakeholders

4.1. Impact on shareholders and investors at the time of introduction

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

4.2. Impact on shareholders and investors at the time of the gratis allotment of Stock Acquisition Rights

The Company's board of directors will allot Stock Acquisition Rights to shareholders on record on the date specified by a resolution of that meeting, at a ratio of one Stock Acquisition Right for one share at no cost. In case a shareholder does not carry out procedures on execution of the Stock Acquisition Rights including payment in full as described in detail in the following (b) of 4.3 during the exercise period, its own holding of Company shares shall be diluted by execution of Stock Acquisition Rights held by other shareholders.

However, the possibility exists that the Company will, in accordance with the decision of the Company's board of directors, acquire the Stock Acquisition Rights of all shareholders other than those listed in 2.4 (g)(I) through (VI) above and, in exchange, deliver shares in the Company, in accordance with the procedures set out in (c) of 4.3 below. If the Company carries out such acquisition procedures, all shareholders other than those listed in 2.4 (g)(I) through (VI) above will come to receive shares in the Company without exercising their Stock Acquisition Rights or paying an amount equivalent to the exercise price, and no economic dilution of the aggregate shares in the

Company they hold will result as a general rule.

Furthermore, after the shareholders to be allotted gratis allotment of Stock Acquisition Rights are fixed, even if the Company cancels the gratis allotment or acquires those Stock Acquisition Rights without compensation allotted at no cost, no dilution of stock value will be incurred, and investors who made transactions on the assumption of dilution may suffer the corresponding losses on stock price fluctuation.

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

(a) Procedures for entry of name transfer

If the Company's board of directors resolves to implement a gratis allotment of Stock Acquisition Rights, the Company will first make public notice of the Allotment Date for the gratis allotment of Stock Acquisition Rights. As the Company will make a gratis allotment of Stock Acquisition Rights to the shareholders who are entered or recorded in the most recent register of shareholders and register of beneficial shareholders on the Allotment Date, it will be necessary for shareholders to arrange for the procedures for entry of name transfer as soon as possible. Please note that no procedures for entry of name transfer are required for those share certificates deposited with the Japan Securities Depository Center, Inc.

In connection to this, all shareholders who are entered or recorded in the most recent register of shareholders or register of beneficial shareholders on the Allotment Date will become Stock Acquisition Right holders as a matter of course on the effective date of the gratis allotment of Stock Acquisition Rights.

(b) Procedures for exercising Stock Acquisition Rights

The Company will deliver, as a general rule, an exercise request form for the Stock Acquisition Rights (in the form prescribed by the Company and containing necessary matters such as the terms and number of the Stock Acquisition Rights for exercise and the exercise date for the Stock Acquisition Rights, as well as representations and warranties regarding matters such as whether the shareholders themselves fulfill the terms of exercising the Stock Acquisition Rights, indemnity clauses and other covenants) and other documents necessary for the exercise of the Stock Acquisition Rights to all shareholders entered or recorded in the most recent register of shareholders

or register of beneficial shareholders on the Allotment Date. After the gratis allotment of Stock Acquisition Rights, the shareholders will be issued shares of the Company to the number determined by the Company's board of directors in the Gratis Allotment Resolution within a range of a half and one share in the Company per Stock Acquisition Right upon submitting these necessary documents during the exercise period of Stock Acquisition Rights and, as a general rule, by paying to the place handling such payments the exercise price determined by the Company's board of directors in the Gratis Allotment Resolution, which will be an amount within the range of one yen and 50% of the fair market value of the Company's stock per Stock Acquisition Right.

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

If the Company's board of directors determines to acquire the Stock Acquisition Rights, the Company will acquire the Stock Acquisition Rights in accordance with the statutory procedures on the day separately determined by the Company's board of directors. When the Company delivers shares in the Company in exchange for Stock Acquisition Rights, the Company shall do so promptly. Furthermore, in such case, the shareholders concerned will be separately requested to submit, in the form prescribed by the Company, a written undertaking including representations and warranties regarding matters such as the fact that they are not parties listed in (g)(I) through (VI) above, indemnity clauses and other pledges.

In addition to the above, the Company will disclose information or notify all of its shareholders with respect to the particulars of the allotment method, method of procedures for entry of name change, exercise method and method of acquisition by the Company after the Company's board of directors resolves to make a gratis allotment of Stock Acquisition Rights. We request that shareholders check these details at that time.

--- End ---

Attachment 1

Yokogawa Electrics Terms and Conditions of the Stock Acquisition Rights

- I. Determination on Gratis Allotment of Stock Acquisition Rights
 1. Terms and number of Stock Acquisition Rights

The Company will allot Stock Acquisition Rights, the terms of which include terms set forth in section II below, and the number of the Stock Acquisition Rights will be the same number as the final and total number of issued and outstanding shares in the Company (excluding the number of shares in the Company held by the Company) on a date to be determined by the Company's board of directors (the "Allotment Date") in a resolution relating to the gratis allotment of Stock Acquisition Rights (the "Gratis Allotment Resolution").
 2. Shareholders eligible for allotment

The Company will implement a gratis allotment of Stock Acquisition Rights to shareholders who are entered or recorded in the Company's final register of shareholders or register of beneficial shareholders on the Allotment Date, at a ratio of one Stock Acquisition Right for every one share in the Company (excluding shares in the Company held by the Company at that time).
 3. Effective date of gratis allotment of Stock Acquisition Rights

The Company's board of directors will determine the effective date of the gratis allotment of Stock Acquisition Rights in the Gratis Allotment Resolution.
- II. Terms of Stock Acquisition Rights
 1. Number of shares to be acquired upon exercise of Stock Acquisition Rights

The number of shares in the Company to be acquired upon exercise of Stock Acquisition Rights (the "Applicable Number of Shares") shall be determined by the Company's board of directors in the Gratis Allotment Resolution within the range of a half and one share.
 2. The amount of assets to be contributed upon exercise of Stock Acquisition Rights
 - (1) Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount to be contributed upon exercise of the Stock Acquisition Rights will be an amount equal to the Exercise Price (as defined in (2) below) multiplied by

the Applicable Number of Shares.

- (2) The amount of assets per Company share to be contributed upon exercise of the Stock Acquisition Rights (the “Exercise Price”) will be an amount within the range of a minimum of one yen and a maximum of 50% of the fair market value of one share of the Company. The “fair market value” means the value equivalent to the average closing price of regular transactions in the Company’s shares of common stock conducted on the Tokyo Stock Exchange for the 90 days (excluding any day on which no trade occurred) immediately prior to the date of the Gratis Allotment Resolution, and any fraction of a yen shall be rounded up to the nearest whole yen.

3. Exercise period of Stock Acquisition Rights

The commencement date will be the effective date of gratis allotment of Stock Acquisition Rights (or other such date as the Company’s board of directors may determine), and the period will be a period of one to three months long as determined by the Company’s board of directors in the Gratis Allotment Resolution; provided, however, that if the Company acquires the Stock Acquisition Rights in accordance with the provisions of section 7 below, the exercise period for the Stock Acquisition Rights with respect to that acquisition will be up to and including the day immediately prior to that relevant acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment place for the cash payable upon exercise, the final day will become the preceding business day.

4. Conditions for the exercise of Stock Acquisition Rights

- (1) The following parties may not exercise the Stock Acquisition Rights:
 - (i) Specified Large Holders;
 - (ii) Joint Holders of Specified Large Holders;
 - (iii) Specific Large Acquirers;
 - (iv) Persons having a Special Relationship with Specific Large Acquirers;
 - (v) Any transferee of or successor to the Stock Acquisition Rights of any party set out in (i) through (iv) without the approval of the Company’s board of directors; or
 - (vi) Any Affiliated Party of any party falling under (i) through (v).

The terms used above shall have the following meanings:

- (a) “Specified Large Holder” means a party who is a holder (including any person who is described as a holder under Article 27-23(3) of the Securities and Exchange Act) of share certificates, etc. (as defined in Article 27-23(1) of the Securities and Exchange Act; the same applies hereinafter unless otherwise provided for) issued by the Company and whose holding ratio of share certificates, etc. (as defined in Article 27-23(4) of the Securities and Exchange Act) in respect of such share certificates, etc. is at least 20% (including any party who is deemed to be a specified large holder by the Company’s board of directors).
- (b) “Joint Holder” means a joint holder as defined in Article 27-23(5) of the Securities and Exchange Act, including any party who is deemed to be a joint holder in accordance with Article 27-23(6) of the Securities and Exchange Act (including any party who is deemed to be a joint holder by the Company’s board of directors).
- (c) “Specific Large Acquirer” means a person who makes a public announcement of acquisition, etc. (as defined in Article 27-2(1) of the Securities and Exchange Act; the same applies hereinafter) of share certificates, etc. (as defined in Article 27-2(1) of the Securities and Exchange Act; the same applies hereinafter in this subparagraph (c)) issued by the Company through tender offer (as defined in Article 27-2(6) of the Securities and Exchange Act) and whose ratio of ownership of share certificates, etc. (as defined in Article 27-2(8) of the Securities and Exchange Act; the same applies hereinafter) in respect of such share certificates, etc. owned by such person after such acquisition, etc. (including similar ownership as prescribed in Article 7(1) of the Order of the Enforcement of the Securities and Exchange Act) is at least 20% when combined with the ratio of ownership of share certificates, etc. of a Person having a Special Relationship.
- (d) “Person having a Special Relationship” is defined in Article 27-2(7) of the Securities and Exchange Act (including any party who is deemed to be a person having a special relationship by the Company’s board of directors); provided, however, that those parties provided for in Article

3(2) of the Cabinet Ordinance concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from those parties set out in Article 27-2(7)(i) of the Securities and Exchange Act.

- (e) An “Affiliated Party” of any given party means a person who substantially controls, is controlled by, or is under common control with such given party acknowledged by the Company’s board of directors, or a party deemed by the Company’s board of directors to act in concert with such given party. “Control” means a situation where one company “controls determinations of financial and business policies” of another company or the like (defined in Article 3 of the Enforcement Regulation of the Corporation Law).

(2) Notwithstanding (1) above, the parties set out in (a) through (d) below are not Specified Large Holders or Specific Large Acquirers:

- (a) the Company, its subsidiaries (as defined in Article 8(3) of the Regulations concerning Terminology, Forms and Method of Preparation of Financial Statements, etc.) or its affiliates (as defined in Article 8(5) of the Regulations concerning Terminology, Forms and Method of Preparation of Financial Statements, etc.);
- (b) a party that the Company’s board of directors recognizes as a party that fell under the category of Specified Large Holder set forth in (1)(i) above with no intention to control the Company and that ceased to fall under the category of Specified Large Holder set forth in (1)(i) above due to a disposal of the share certificates, etc. of the Company held within ten (10) days after falling under the category of Specified Large Holder set forth in (1)(i) above (provided, however, that the ten (10) day period may be extended by the Company’s board of directors);
- (c) a party that the Company’s board of directors recognizes as a party that involuntarily fell under the category of Specified Large Holder set forth in (1)(i) above by the Company acquiring treasury stock or for any other reason (excluding cases where the party thereafter newly acquires Company share certificates, etc. at its own discretion); or

- (d) a party that the Company's board of directors recognizes as a party whose acquisition and holding of share certificates, etc. of the Company is not contrary to the Company's corporate value or the common interests of shareholders (the Company's board of directors may determine that acquisition and holding of share certificates, etc., of the Company by a party determined by the Company's board of directors as falling under parties set forth in (1)(i) through (vi) above to not be contrary to the Company's corporate value or the common interests of shareholders, and if the Company's board of directors determines that an acquisition and holding is not contrary to the Company's corporate value or common interests of shareholders under certain conditions, such recognition is effective to the extent that these conditions are satisfied.)
- (3) Under the applicable foreign laws and ordinances, if a party located under the jurisdiction of such laws and ordinances is required for the purposes of exercising the Stock Acquisition Rights to (i) perform certain procedures, (ii) satisfy certain conditions (including prohibition of exercise for a certain period of time or submission of specified documents), or (iii) both perform such procedures and satisfy such conditions (collectively, the "Governing Law Exercise Procedures and Conditions"), such party may exercise the Stock Acquisition Rights only if the Company's board of directors recognizes that it fully performs or satisfies the Governing Law Exercise Procedures and Conditions, and such party may not exercise the Stock Acquisition Rights if the Company's board of directors does not recognize that it satisfies the Governing Law Exercise Procedures and Conditions. Provided, however, that the Company shall bear no obligation to implement or satisfy any Governing Law Exercise Procedures and Conditions which are required in order for the party under such jurisdiction to exercise the Stock Acquisition Rights. In addition, if a party located under such jurisdiction is not permitted to exercise the Stock Acquisition Rights under such laws and ordinances of such jurisdiction ("Exercise Prohibit under Governing Law"), such person who is located in such jurisdiction may not exercise the Stock Acquisition Rights.
- (4) Notwithstanding (3) above, a party located in the United States may exercise the Stock Acquisition Rights only if it (i) represents and warrants that it is an

accredited investor as defined in Rule 501(a) of the U.S. Securities Act of 1933, and (ii) covenants to resell the shares of common stock of the Company to be acquired upon exercise of the Stock Acquisition Rights held by such party only through a regular transaction at the Tokyo Stock Exchange (not on the basis of any previous arrangements and without previous solicitation). Only in this case, the Company shall perform or satisfy the Governing Law Exercise Procedures and Conditions under Regulation D of the U.S. Securities Act of 1933 and U.S. state laws that are required to be performed or satisfied by the Company for exercise of the Stock Acquisition Rights by that party located in the United States. A party located in the United States may not exercise the Stock Acquisition Rights if the Company's board of directors determines that such party is not permitted to legally exercise the Stock Acquisition Rights under the U.S. Securities Act due to a change in the law of the United States or some other reason, even though such party satisfies the conditions as described in (i) and (ii) above.

(5) A holder of the Stock Acquisition Rights may exercise the Stock Acquisition Rights only if the holder submits to the Company a written statement in which the holder undertakes representations and warranties, including, but not limited to, the fact that the holder does not fall under the category of parties set forth in (1)(i) through (vi) above, nor is that party a party that has any intention to exercise the Stock Acquisition Rights on behalf of any parties set forth in (1)(i) through (vi) above, and the fact that that the holder satisfies the conditions for the exercise of the Stock Acquisition Rights, provisions for indemnification and other matters prescribed by the Company and any written statement required under the laws and ordinances.

(6) Even if a holder of the Stock Acquisition Rights is unable to exercise the Stock Acquisition Rights in accordance with the provisions of this section 4, the Company shall not be liable to such holder of the Stock Acquisition Rights for damages or any other obligations.

5. Capital and capital reserve to be increased upon issuance of shares by exercise of Stock Acquisition Rights

The capital to be increased upon issuance of shares of the Company by exercise of the Stock Acquisition Rights shall be equal to the aggregate of the amount of assets to be contributed

upon exercise of the Stock Acquisition Rights, and the capital reserve shall not be increased.

6. Restrictions on transfers of Stock Acquisition Rights

- (1) Any acquisition of the Stock Acquisition Rights by assignment requires approval of the Company's board of directors.
- (2) If a party who intends to assign the Stock Acquisition Rights is located outside of Japan and is unable to exercise the Stock Acquisition Rights in accordance with the provisions of section 4(3) and 4(4) above (excluding a party not being able to exercise Stock Acquisition Rights in accordance with the provisions of section 4(1) above), then the Company's board of directors shall determine if it gives such approval as described in (1) above considering the following matters:
 - (a) whether or not a written undertaking prepared and signed or sealed by the transferor and transferee (including provisions for representations and warranties with respect to the matters described in (b), (c) and (d) below, provisions for indemnification and other provisions for covenants as provided by the Company) is submitted with respect to the acquisition by assignment of all or part of the Stock Acquisition Rights by the person who is located in such jurisdiction;
 - (b) whether or not it is clear that the transferor and transferee are not parties set forth in section 4(1)(i) through (vi) above;
 - (c) whether or not it is clear that the transferee is not located in such jurisdiction and does not intend to accept the Stock Acquisition Rights for a party located in such jurisdiction;
 - (d) whether or not it is clear that the transferee does not intend to accept the Stock Acquisition Rights for a party not able to exercise Stock Acquisition Rights in accordance with the provisions of section 4(1) above.

7. Acquisition of Stock Acquisition Rights by the Company

- (1) At any time on or before the date immediately prior to the Exercise Period

Commencement Date, if the Company's board of directors recognizes that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a date specified by the Company's board of directors, acquire all of Stock Acquisition Rights without compensation.

- (2) On a date specified by the Company's board of directors, the Company may acquire all of the Stock Acquisition Rights that have not been exercised before or on the day immediately prior to the date specified by the board of directors, that are held by parties other than parties not able to exercise Stock Acquisition Rights in accordance with the provisions of section 4(1) above and, in exchange, the Company may deliver shares of the Company to the Applicable Number of Shares for every one Stock Acquisition Right.

Further, if, after the date upon which the acquisition takes place, the Company's board of directors recognizes the emergence of a party other than parties not able to exercise Stock Acquisition Rights in accordance with the provisions of section 4(1) above who hold the Stock Acquisition Rights, the Company may, on a date determined by the Company's board of directors after the date upon which the acquisition described above takes place, acquire all of the Stock Acquisition Rights held by that party that have not been exercised before the day immediately prior to a date determined by the board of directors (if any) and, in exchange, the Company may deliver shares of the Company to the Applicable Number of Shares for every one Stock Acquisition Right. The same will apply thereafter. If the Applicable Number of Shares is less than one share, the Company shall make a bulk sale of these shares and allocate the disposal proceeds to shareholders pro rata in accordance with the fractions they hold.

8. Delivery of Stock Acquisition Rights in the case of merger, corporate division, share exchange or share transfer and conditions thereof
The Company's board of directors will determine the delivery of the Stock Acquisition Rights and the conditions thereof in the case of merger, corporate division, share exchange or share transfer in the Gratis Allotment Resolution.
9. Issuance of certificates representing Stock Acquisition Rights
Certificates representing the Stock Acquisition Rights will not be issued.

10. Revision due to amendment to laws and ordinances

The provisions of the laws and ordinances referred to above are the provisions that will come into effect as of April 11, 2007. If the meanings of the provisions or terms as set forth in each item above require revision due to the enactment, amendment or abolishment of laws and ordinances on or after April 11, 2007, the Company's board of directors may interpret the meanings of the provisions or terms as set forth in each item above to a reasonable extent as appropriate, taking into consideration the purposes of such enactment, amendment or abolishment.

--- End ---

Attachment 2

Outline of the Rules of the Independent Committee

1. The Independent Committee shall be established by resolution of the Company's board of directors.
2. The number of members of the Independent Committee shall be no less than three and no more than seven.
3. The Company's board of directors shall elect the members of the Independent Committee from (i) outside directors of the Company, (ii) outside statutory auditors of the Company, and (iii) other experts.
4. The outside expert must be an experienced corporate manager, party with knowledge of the investment banking industry, lawyer, certified public accountant, researcher whose research focuses on the Corporation Law of Japan or the like, or a party of similar qualifications.
5. The outside experts must have executed an agreement with the Company, separately specified by the Company's board of directors and containing a provision obligating them to exercise the duty of care of a good manager or similar provision.
6. The term of office of members of the Independent Committee shall be until the conclusion of the ordinary general meeting of shareholders relating to the fiscal year ending March 2009.
7. The Independent Committee shall make decisions on the matters listed below and submit recommendations to the Company's board of directors containing the details of and reasons for the recommendation. Respecting such recommendations of the Independent Committee to the maximum extent, the Company's board of directors shall pass resolutions concerning the implementation or non-implementation of a gratis allotment of Stock Acquisition Rights as a function under the Corporation Law of Japan. Each member of the Independent Committee and each director of the Company must make such decisions with a view to whether or not the corporate value of the Company and the common interests of its shareholders will be enhanced, and they must not serve solely for the purpose of their own interests or those of the Company management.
 - (a) The implementation or non-implementation of the gratis allotment of Stock Acquisition

Rights.

- (b) The suspension of the gratis allotment of Stock Acquisition Rights, or the gratis acquisition of Stock Acquisition Rights.
- (c) The abolition or amendment of the Plan (amendments are limited to the extent deemed reasonably necessary following amendments to the Corporation Law, Securities Exchange Law (Financial Instruments and Exchange Law), and other laws and regulations or stock exchange rules, or changes in interpretation or application of these laws, or amendments to taxation or judicial precedents.)
- (d) Any other matters that are to be determined by the Company's board of directors in respect to which it has consulted the Independent Committee.

In addition to the matters prescribed above, the Independent Committee may conduct the matters listed below.

- (a) Determining whether it is appropriate that the Acquisitions be made subject to the Plan.
- (b) Determining the information that the Acquirer and the Company's board of directors should provide to the Independent Committee, and the deadline for the provision of that information.
- (c) Examination and consideration of the terms of the Acquirer's Acquisitions.
- (d) Determining the extension of the Independent Committee Consideration Period.
- (e) Any other matters that the Plan prescribes that the Independent Committee may conduct.
- (f) Any matters that the Company's board of directors separately determines that the Independent Committee may conduct.

8. Excluding for Acquisitions determined by the Company's board of directors to be friendly Acquisitions, the Company will promptly send any Acquirer the Acquisition Statement in the form prescribed by the Company and an inquiry about the Essential Information. As a general rule, the Company requires the Acquirer to submit to the Company's board of directors the Acquisition Statement and the Essential Information within ten business days after the Acquirer has received the materials sent by the Company before effecting the Acquisition. The Company's board of directors will send soon the materials to the Independent Committee. If the Independent Committee decides that the Acquisition Statement and the Essential Information so provided are inadequate as the

Essential Information, it shall request that the Acquirer submit additional information. Further, if the Independent Committee receives from the Acquirer the Acquisition Statement, the Essential Information or the information requested by the Independent Committee to be additionally submitted, it may request that the Company's board of directors disclose within a certain period its opinion regarding the terms of the Acquisition by the Acquirer and materials supporting that opinion, an alternative proposal (if any), and any other information that the Independent Committee considers necessary from time to time.

9. In order to collect the necessary information, the Independent Committee may request the attendance of a director, statutory auditor or employee of the Company, or any other person that the Independent Committee considers necessary, and may demand an explanation of any matter it requests.

10. The Independent Committee may, at the Company's expense, obtain advice from an independent third party (including financial advisors, certified public accountants, lawyers, consultants and other experts).

11. Any member of the Independent Committee or the board of directors may convene a meeting of the Independent Committee when an Acquisition arises, or whenever deemed reasonably necessary at any time.

12. Resolutions of the Independent Committee shall pass with a majority of the votes cast when a majority of the members of the Independent Committee are in attendance.

--- End ---

Attachment 3

Name and Career Summary of Members of the Independent Committee

The following five candidates are the proposed initial members of the Independent Committee at the time of introduction of the Plan:

1. Masahisa Naito

Born February 20, 1938

Chairman and CEO of the Institute of Energy Economics, Japan

[Career Summary]

Apr. 1961	Joined Ministry of International Trade and Industry
June 1991	Appointed Deputy Vice-Minister of International Trade and Industry
June 1993	Appointed Chief of Industrial Policy Bureau
Apr. 1998	Appointed Representative Director and Executive Vice President of Itochu Corporation
Jan. 2000	Appointed Outside Director of DuPont, USA (current)
Apr. 2000	Appointed Director and Executive Vice Chairman of Itochu Corporation
June 2003	Appointed Chairman and CEO of the Institute of Energy Economics, Japan (current)
	Appointed Outside Director of Yokogawa Electric Corporation (current)
June 2006	Appointed Outside Director of Nippon Koei Co., Ltd. (current)
	Appointed Outside Director of ESPEC Corp. (current)

Mr. Masahisa Naito is a candidate for the outside director who satisfies the requirements of an outside director set out in Article 2.3 (7) of the Enforcement Regulations of the Corporation Law of Japan and is scheduled to be appointed as an outside director after being approved at the Ordinary General Meeting of Shareholders. He does not have any special interests in the Company.

2. Shigeru Hikuma

Born November 6, 1946

President of CRD Management Council

[Career Summary]

Apr. 1970	Joined Bank of Japan
Sept 1997	Appointed Director-General of Business Management Department of Bank of Japan
May 1998	Appointed Executive Director of Bank of Japan
May 2000	Retired from Bank of Japan.
May 2001	Appointed President of Credit Risk Database Association, a Limited Liability Intermediate Corporation
June 2004	Appointed Outside Statutory Auditor of Yokogawa Electric Corporation (current)
Apr. 2005	Appointed President of CRD Management Council (current)

Mr. Shigeru Hikuma is a the outside statutory auditor set out in Article 2.16 of the Enforcement Regulations of the Corporation Law of Japan. He does not have any special interests in the Company.

3. Yasuro Tanahashi

Born January 4, 1941

Representative Director and Chairman of NS Solutions Corporation

[Career Summary]

Apr. 1963	Joined Fuji Steel Co.
June 1995	Appointed Director of Nippon Steel Corporation
Apr. 1997	Appointed Managing Director of Nippon Steel Corporation
Apr. 2000	Appointed Representative Director-President of Nippon Steel Information & Communication Systems Inc. (current NS Solutions Corporation)
Apr. 2003	Appointed Representative Director-Chairman of NS Solutions Corporation
June 2004	Appointed Outside Director of Internet Initiative Japan Inc. (current)
June 2005	Appointed Outside Director of Murata Manufacturing Company, Ltd. (current)

Mr. Yasuro Tanahashi is a candidate for the outside director set out in Article 2.3 (7) of the Enforcement Regulations of the Corporation Law of Japan and is scheduled to be appointed as an outside director after he is elected as such at the Ordinary General Meeting of Shareholders. NS Solutions Corporation accounted for 0.005% or less of the total sales proceeds of the Company for the fiscal year, which ended in March 2007. The Company does not have records of transaction with NS Solutions Corporation. Therefore, the Company and NS Solutions Corporation have no significant effect on each other and the Company believes that it will not be an obstacle in obtaining an independent opinion from Mr. Tanahashi.

4. Takaaki Wakasugi

Born March 11, 1943

Professor of Finance, School of Business Administration, at Tokyo Keizai University

[Career Summary]

Jan. 1972	Appointed Assistant Professor of the Faculty of Commerce, Yokohama City University
Apr. 1974	Appointed Assistant Professor of the Faculty of Economics, Tohoku University
June 1985	Appointed Professor of the Faculty of Economics at the University of Tokyo
Apr. 2003	Appointed Chairman & CEO of Japan Corporate Governance Research Institute Inc. (current)
Apr. 2004	Appointed Professor of Finance, School of Business Administration, at Tokyo Keizai University (current)
June 2004	Named Professor emeritus at the University of Tokyo
June 2005	Appointed Outside Director of Richo Company, Ltd. (current)
June 2006	Appointed Outside Statutory Auditor of JFE Holdings, Inc. (current)

Mr. Takaaki Wakasugi does not have any special interests in the Company.

5. Naoto Nakamura

Born January 25, 1960

Partner at Nakamura, Tsunoda and Matsumoto

[Career Summary]

Oct. 1982	Passed bar exam
Apr. 1985	Graduated from the Legal Training and Research Institute of Japan Registered on Daini Tokyo Bar Association
Apr. 1985	Joined Mori Sogo Law Offices
Apr. 1998	Established Hibiya Park Law Offices, Appointed Partner
Feb. 2003	Established Nakamura Naoto Law Office (current Nakamura, Tsunoda & Matsumoto), Appointed Partner (current)
Mar. 2003	Appointed Outside Statutory Auditor of Asahi Breweries, Ltd. (current)
June 2004	Appointed Outside Director of Eisai Co., Ltd. (current)
June 2006	Appointed Outside Statutory Auditor of Mitsui & Co., Ltd. (current)

Mr. Naoto Nakamura does not have any special interests in the Company.

Attachment 4

Proposed Amendment to Articles of Incorporation

The amendment is as follows:

1. Purpose of amending the Articles of Incorporation

The Company will amend the Articles of Incorporation in order to enable issue of stock acquisition rights in accordance with the takeover defense measures and to increase the current total number of issuable shares from 483,735,000 shares to 600,000,000 shares for the purpose of flexible funding to provide for future business expansion.

2. Proposed Amendment

Current	Proposed amendment
Article 6 (TOTAL NUMBER OF ISSUABLE SHARES)	Article 6 (TOTAL NUMBER OF ISSUABLE SHARES)
The total number of shares that may be issued by the Company shall be <u>483,735,000</u> shares.	The total number of shares that may be issued by the Company shall be <u>600,000,000</u> shares.

3. Schedule

Date of General Meeting of Shareholders to resolve the amendment to the Articles of Incorporation June 27, 2007 (Wed.)

Effective date of the amendment to the Articles of Incorporation June 27, 2007 (Wed.)

Attachment 5

Outline of the Company's Shareholding

Principal shareholders of the Company as of March 31, 2007 are as follows.

	Name of Shareholders	Status of Investments in the Company	
		Number of shares held (shares)	Shareholding Ratio (%)
1	The Master Trust Bank of Japan, Limited (Trust Account)	27,463,600	10.223
2	The Dai-ichi Mutual Life Insurance Company	22,697,000	8.449
3	Japan Trustee Services Bank, Limited (Trust Account)	17,583,900	6.545
4	Nippon Life Insurance Company	13,284,615	4.945
5	Retirement Benefit Trust in Mizuho Trust (Mizuho Corporate Bank, Ltd. account) Asset Management Services Trust for Beneficiary of Retruster	6,643,990	2.473
6	SSB Client Omnibus OM04	6,433,100	2.394
7	Yokogawa Electric Corporation	5,733,063	2.134
8	Tokio Marine & Nichido Fire Insurance Co., Ltd.	4,694,936	1.747
9	Retirement Benefit Trust in Mizuho Trust (Mizuho Bank, Ltd. account) Asset Management Services Trust for Beneficiary of Retruster	4,617,010	1.718
10	Japan Trustee Services Bank, Limited (Trust Account 4)	4,482,200	1.668