

The following is an English translation prepared for the convenience of shareholders and investors. The official text in the Japanese version of this notice has been prepared in accordance with statutory provisions and mailed to the respective shareholders separately. Should there be any inconsistency in the contents of the translation and the official version, the latter shall prevail. The Company accepts no liability for any misunderstanding caused by the translation.

To All Shareholders:

Stock code: 6841

June 2, 2011

Yokogawa Electric Corporation
2-9-32 Nakacho, Musashino-shi, Tokyo

Notice of 2011 Annual General Meeting of Shareholders

Dear Shareholder:

We offer our sincere condolences to all those whose lives have been impacted by the Great East Japan Earthquake.

You are cordially invited to attend the 2011 Annual General Meeting of Shareholders of Yokogawa Electric Corporation (hereinafter the Company), which will be held as per the schedule below.

In the event that you are unable to attend the meeting in person, please review the attached Reference Materials for General Meeting of Shareholders concerning the exercise of your shareholder voting rights and submit your vote using one of the methods outlined below.

Sincerely,

Shuzo Kaihori
President and CEO

1. Time & Date: 10:00 a.m. (Japan time), Friday, June 24, 2011

2. Place: Conference Hall, Yokogawa Head Office, 2-9-32 Nakacho, Musashino-shi, Tokyo

3. Meeting Agenda:

Items to be reported

- 1: Business Report, Consolidated Financial Statements, and a report on the audit of the consolidated accounts by the Accounting Auditors and the Board of Corporate Auditors for fiscal year 2010 (April 1, 2010 to March 31, 2011)
- 2: Non-consolidated Financial Statements for fiscal year 2010 (April 1, 2010 to March 31, 2011)

Items to be resolved

- Item 1: Reduction of Capital Surplus and Retained Earnings and Disposition of Surplus**
- Item 2: Appointment of Seven (7) Directors**
- Item 3: Renewal of Countermeasures to Large-scale Acquisition of Yokogawa Electric Shares (Takeover Defense Measures)**

[Vote by mail]

Indicate “for” or “against” for each agenda item shown on the enclosed voting form and return it promptly to ensure its arrival **no later than 5:00 p.m. on Thursday, June 23, 2011, Japan time.**

[Vote via the Internet]

Access the shareholder voting site (<http://www.it-soukai.com/>) designated by the Company and enter the voting code and the password which are found in the enclosed voting form.

By following the prompts on the screen, indicate “for” or “against” for each agenda item **no later than 5:00 p.m. on Thursday, June 23, 2011, Japan time.**

For more details, please refer to the Instructions for Internet Voting on pages 65.

[Handling of multiple voting]

If you exercise your voting right both by mail and via the Internet, the voting via the Internet shall prevail regardless of the arrival date of the mailed vote. In the case of multiple voting via the Internet, the last voting shall prevail.

Notes:

1. If attending the meeting in person, please present the enclosed voting form to the reception desk upon arrival. When exercising the voting right by proxy, pursuant to the Articles of Incorporation, the authorized proxy shall be a shareholder of the Company who is entitled to exercise voting rights. The number of proxies is limited to one. A written document must be submitted to the Company to certify the proxy’s authority.
2. Revisions to or amendments, if necessary, of the Reference Materials for General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements and Consolidated Financial Statements will be posted on the Company website (<http://www.yokogawa.com/>).

Business Report

(From April 1, 2010 to March 31, 2011)

1. Status of the Yokogawa Group

(1) Business Results

a. Analysis of Business Results

This section reviews the performance of the Yokogawa Group for the consolidated accounting period (fiscal year) under review. The global economy remained generally steady thanks to the continued growth of emerging economies in Asia and other regions, although there were signs of a slowdown in the economic recovery in Europe and the United States. The Japanese economy started to pick up in the first half of the fiscal year, supported by stronger exports to emerging countries. But in the second half, uncertainty about the economic outlook increased due to expectations that the yen is likely to remain strong for an extended period and as a result of the economic stagnation and deterioration in earnings brought on by the massive earthquake that struck eastern Japan.

Under such business circumstances, the Group reviewed its business portfolio and reduced fixed costs by taking measures that included the reassignment of staff to more appropriate positions. This fiscal year is the last year of a two-year process of carrying out structural reforms for future growth.

In the fiscal year under review, net sales were up year on year thanks to continued growth in emerging countries, although the strong yen had a negative influence. Operating income increased due to increased sales and continued efforts to implement structural reforms that strengthened the Company by reducing fixed costs. As a result, ordinary income also increased. Although a net loss was reported due to extraordinary losses such as a loss on valuation of investment securities and business structure improvement expenses, the net loss this fiscal year was down from the previous year.

<Consolidated financial results (year-on-year)>

Net sales	¥325,620 million	(+2.8%, up	¥9,014 million)
Operating Income	¥11,079 million	(+323.0%, up	¥8,460 million)
Ordinary Income	¥8,590 million	(— up	¥8,351 million)
Net Loss	¥6,692 million	(— down	¥8,106 million)

Results by individual business segment are outlined below.

Please note that an accounting standard on the disclosure of segment information, etc. (Corporate Accounting Standard No. 17 of March 27, 2009) and a guideline for applying the standard (Corporate Accounting Standard Application Guideline No. 20 of March 21, 2008) have been applied since the start of the fiscal year under review. As a result, the method for aggregating segment data has been changed, though the reporting segments remain unchanged from the previous fiscal year. For comparison purposes only, the segment information for the previous fiscal year has been reclassified based on the new aggregation method.

Industrial Automation and Control Business

The industrial automation and control business was strong throughout the year thanks to the growing number of new electric power and energy related construction projects in China, India, Russia, South Korea, Southeast Asia, and the Middle East, which more than offset slack demand in North America and Europe. In the Japan market, although demand started to pick up in the first half in markets related to pulp and paper, steel, water supply and drainage, and electric power, capital investment slowed in the second half due to economic uncertainty.

Under such circumstances, the Group concentrated on the booming upstream markets for the exploration, development, and production of oil and natural gas and on the electric power sector, which is experiencing strong demand in emerging countries. We also focused on providing plant energy conservation diagnostic services to our customers in Asia. In Japan, we expanded the service business,

advanced into new markets, and captured market share by improving our marketing and proposal development capability and strengthening our cost competitiveness.

As a result of these proactive efforts to respond to market changes, sales in the industrial automation and control business rose to 260.665 billion yen, a year-on-year increase of 3.353 billion yen that was achieved despite the impact on yen-denominated sales of the strong yen. However, operating income declined to 16.464 billion yen, a decrease of 3.249 billion yen from the previous year, due to the strong yen and increased R&D expenditure.

Test and Measurement Business

In the test and measurement businesses, although investment by major semiconductor manufacturers in Asia and the United States was buoyed by strong demand for semiconductors used in mobile devices and other types of electronic equipment, capital investment lagged for front-end memory testers, a major Yokogawa product, due to factors such as falling DRAM prices. Meanwhile, in the measuring instruments market, demand for power and optical measurement products remained strong in the booming energy-saving, alternative energy, and optical market sectors.

Under such market circumstances, we sought to reduce fixed costs and R&D expenditure for the semiconductor tester business, and strengthened marketing of our measuring instruments in emerging countries, with an emphasis on the energy-saving, alternative energy, and optical market sectors.

As a result, sales for the test and measurement business rose to 37.076 billion yen, an increase of 5.150 billion yen from the previous year, whereas the operating loss declined to 6.391 billion yen, a decrease of 11.877 billion yen from the previous year.

Other Businesses

With our Other Businesses segment, net sales were 27.879 billion yen, up 511 million yen from the previous fiscal year. Operating income was 1.006 billion yen, down 168 million yen from the previous year.

b. Capital Investment

Total capital investment during the fiscal year under review stood at 11,337 million yen, up 212 million yen from the previous fiscal year. Capital investments were mainly for the construction of information infrastructure and for the upgrading of existing facilities.

c. Fundraising

Equipment funds and working capital during the fiscal year under review were self-financed or were allocated from loans taken out from financial institutions.

(2) Financial Assets and Profits/Losses**a. The Group's Financial Assets and Profits/Losses**

(Millions of yen)

Category	FY2007	FY2008	FY2009	FY2010
Orders	455,072	374,285	315,247	334,093
Net sales	437,448	376,534	316,606	325,620
Ordinary income	16,453	274	239	8,590
Net income (loss)	11,667	(38,446)	(14,799)	(6,692)
Net income (loss) per share	¥44.76	¥(149.26)	¥(57.45)	¥(25.98)
Total assets	444,644	400,959	398,792	361,233
Net assets	224,844	171,008	157,360	145,232

b. The Company's Financial Assets and Profits/Losses

(Millions of yen)

Category	FY2007	FY2008	FY2009	FY2010
Orders	236,045	182,940	155,382	152,818
Net sales	238,786	184,872	156,948	153,412
Ordinary income	(2,424)	(2,151)	(15,974)	(4,786)
Net income (loss)	(2,132)	(40,043)	(25,849)	(11,705)
Net income (loss) per share	¥(8.18)	¥(155.46)	¥(100.36)	¥(45.45)
Total assets	341,153	304,203	293,130	252,495
Net assets	186,550	139,474	113,937	101,340

(3) Status of Parent Company and Principal Subsidiaries

a. Parent Company

No applicable matters

b. Principal Subsidiaries

Name	Capital	Percentage owned by the Company	Principal businesses
Yokogawa Manufacturing Corporation	JPY5,010 million	100.0%	Manufacturing of control and measuring equipment
Yokogawa Corporation of America	USD1,000	100.0%	Sales, engineering, and maintenance services of control and measuring equipment
Yokogawa Europe B.V.	EUR17,725,000	100.0%	Sales, engineering, and maintenance services of control and measuring equipment
Yokogawa Engineering Asia Pte. Ltd.	SGD29,000,000	100.0%	Sales, engineering, and maintenance services of control and measuring equipment
Yokogawa Middle East B.S.C. (c)	BHD2,481,000	100.0%	Sales, engineering and maintenance services of control equipment
Yokogawa Field Engineering Service Corporation	JPY300 million	100.0%	Sales, engineering and maintenance services of control equipment
Yokogawa Electric China Co., Ltd.	JPY4,000 million	100.0%	Manufacturing of control equipment
Yokogawa Denshikiki Co., Ltd	JPY300 million	78.7%	Manufacturing and sales of marine and aerospace electronics equipment
Yokogawa Electric Asia Pte. Ltd.	SGD31,020,000	100.0%	Manufacturing of control equipment
Yokogawa China Co., Ltd.	RMB119 million	100.0%	Sales, engineering and maintenance services of control equipment

Note: In addition to capital of 1,000 U.S. dollars, the Company invested 122,729,000 U.S. dollars in the legal capital surplus of Yokogawa Corporation of America.

(4) Challenges for the Company

To create a profitable corporate structure, the Yokogawa Group positioned fiscal years 2009 and 2010 as a period of structural reforms that would improve efficiency and prepare the way for the next growth phase by reducing fixed costs and reviewing the business portfolio. Regarding the reduction of fixed costs, we have surpassed the initial target. As for the review of the business portfolio, we decided to scale down or withdraw from almost all unprofitable businesses. In fiscal year 2011, we will complete the revision of our business portfolio centering on the industrial automation and control business.

Uncertainty about our business operations has increased due to the earthquake in March. Therefore, we have decided to focus our activities in fiscal year 2011 on contributing to Japan's economic recovery while continuing to take measures that will strengthen our corporate structure by, for example, promoting efficiency.

Challenges in enhancing corporate governance

Our Group will place a priority on enhancing its corporate governance to realize healthy and sustainable growth. It will be a basic mission of corporate management to secure healthy and profitable operation and to earn the trust of all stakeholders, including shareholders.

At meetings of the Board of Directors, we will strive for quick and transparent decision-making by directors who are familiar with Yokogawa's business as well as outside directors who are independent from the full-time directors. In addition, we will improve our management audit function by strictly checking and verifying the legality and efficiency of the work carried out by directors and the validity of their decision making processes. This will be done by a board of corporate auditors that includes outside auditors.

The Group's compliance principles are set out in the Standards of Business Conduct for the Yokogawa Group. The directors will take the initiative to promote the observation and awareness of business ethics throughout the Group. We have also established an internal control system for the Yokogawa Group to ensure the reliability of financial statements, the validity of the decision-making process, and proper and efficient execution of operations.

To ensure the effectiveness of the Yokogawa Group's internal control system, the department responsible for this function will conduct regular internal audits based on an annual plan, and report the key results to the Board of Directors and the corporate auditors.

(5) Principal Businesses (as of March 31, 2011)

Business segment	Main products
Industrial automation and control business	Production control systems, flowmeters, differential pressure/pressure transmitters, process analyzers, programmable controllers, industrial recorders
Test and measurement business	Waveform measuring instruments, optical communication devices, waveform generators, power/temperature/pressure measurement devices, semiconductor test systems, confocal scanners
Other businesses	Aircraft navigation-related devices, marine equipment, meteorological/hydrological measurement devices

(6) Main Offices and Factories (as of March 31, 2011)**a. The Company**

Head office:	Musashino-shi, Tokyo	
Offices:	Kanazawa Office	(Kanazawa-shi, Ishikawa)
	Sagamihara Office	(Sagamihara-shi, Kanagawa)
Sales branches:	Sales Division at head office	(Musashino-shi, Tokyo)
	Kansai Branch	(Osaka-shi, Osaka)
	Chiba Branch	(Ichihara-shi, Chiba)
	Chubu Branch	(Nagoya-shi, Aichi)
	Kyushu Branch	(Fukuoka-shi, Fukuoka)
Factory:	Factory at head office	(Musashino-shi, Tokyo)

b. Subsidiaries

Sales companies:	Yokogawa Corporation of America	(United States)
	Yokogawa Europe B.V.	(Netherlands)
	Yokogawa Engineering Asia Pte. Ltd.	(Singapore)
	Yokogawa Middle East B.S.C. (c)	(Bahrain)
	Yokogawa China Co., Ltd.	(China)
Factories:	Yokogawa Manufacturing Corporation	
	Kofu Factory	(Kofu-shi, Yamanashi)
	Komine Factory	(Akiruno-shi, Tokyo)
	Ome Factory	(Ome-shi, Tokyo)
	Kanazawa Factory	(Kanazawa-shi, Ishikawa)
	Yokogawa Electric Asia Pte. Ltd.	(Singapore)
	Yokogawa Electric China Co., Ltd	(China)

(7) Employees (as of March 31, 2011)

Business segment	Number of employees
Industrial automation and control business	16,159
Test and measurement business	2,288
Other businesses	887
Total	19,334

Note: Only regular employees are included, i.e. contract, dispatch, and other temporary personnel are excluded.

(8) Principal Lenders (as of March 31, 2011)

Lenders	Loan amount
Syndicated loan (Note 1)	¥46,000 million
Subordinated loan (Note 2)	¥25,000 million
Mizuho Corporate Bank, Ltd.	¥20,000 million

Notes: 1. Mizuho Corporate Bank is lead manager for the syndicated loan.
2. The subordinated loan consists of borrowings from six financial institutions.
3. Although the Company has a 30,000 million yen syndicated commitment line contract, the loan balance is zero as of the end of the fiscal year under review.

(9) Other Important Matters Related to the Group

The Company subscribed to a tender offer by TOSHIBA Tec Corporation to purchase a portion of its shares in Kokusai Chart Corporation. The tender offer was concluded and completed on March 14, 2011. Following this transaction, the Company's stake in Kokusai Chart Corporation decreased from 57.06% to 3.06% and Kokusai Chart Corporation was excluded from the scope of the Company's consolidated subsidiaries.

2. Overview of the Company

(1) Shares (as of March 31, 2011)

a. Number of Authorized Shares: 600,000 thousand

b. Number of Issued Shares: 268,624 thousand

c. Number of Shareholders: 33,324

d. Major Shareholders (Top 10):

Name of shareholder	Number of shares (thousand shares)	Shareholding ratio (%)
The Dai-ichi Mutual Life Insurance Company, Limited	22,697	8.8
Master Trust Bank of Japan Limited (trust account)	18,645	7.2
Nippon Life Insurance Company	14,284	5.5
Japan Trustee Services Bank, Limited (trust account)	11,833	4.6
Yokogawa Electric Employee Shareholding Program	8,971	3.5
Retirement Benefit Trust in Mizuho Trust & Banking Co., Ltd. (Mizuho Corporate Bank, Ltd. account); Trust & Custody Services Bank, Ltd. as a Trustee of Retrtrust	6,643	2.6
State Street Bank and Trust Company	5,029	2.0
Tokio Marine & Nichido Fire Insurance Co., Ltd.	4,694	1.8
Retirement Benefit Trust in Mizuho Trust & Banking Co., Ltd. (Mizuho Bank, Ltd. account); Trust & Custody Services Bank, Ltd. as a Trustee of Retrtrust	4,617	1.8
State Street Bank and Trust Company 505225	3,981	1.5

Notes: 1. The Company holds 11,071 thousand shares of treasury stock, but they are excluded from the capital positions of the above major shareholders.
2. The shareholding ratio is calculated after deducting treasury stock.

(2) Company Executives

a. Directors and Corporate Auditors (as of March 31, 2011)

Status	Name	Area of responsibility and significant concurrent positions
Chairman of the Board	Isao Uchida	
President and Chief Executive Officer	Shuzo Kaihori	
Director	Kazunori Yagi	Executive Vice President Management Administration Headquarters
Director	Teruyoshi Minaki	Executive Vice president IA Business Headquarters
Director	Junji Yamamoto	Senior Vice President Corporate Planning Headquarters
Director	Masahisa Naito	Advisor of The Institute of Energy Economics, Japan Outside Director of Nippon Koei Co., Ltd. Outside Director of ESPEC Corporation
Director	Yasuro Tanahashi	Outside Director of Internet Initiative Japan Inc. Outside Director of Murata Manufacturing Co., Ltd. Outside Director of San Holdings Corporation
Director	Nobuo Katsumata	Chairman of Marubeni Corporation Outside Director of Sapporo Holdings Limited
Standing Corporate Auditor	Takafumi Koyanagi	
Standing Corporate Auditor	Kiyoshi Makino	
Corporate Auditor	Shigeru Hikuma	Representative President of CRD Association, a general incorporated association Outside Corporate Auditor of Asahi Glass Co., Ltd.
Corporate Auditor	Teruhiko Ikeda	Advisor of Mizuho Trust & Banking Co., Ltd. Outside Corporate Auditor of TOKYO FM Broadcasting Co., Ltd. Outside Director of Kao Corporation
Corporate Auditor	Kouichi Iki	Chairman of DIAM Co., Ltd.

- Notes:
1. Directors Masahisa Naito, Yasuro Tanahashi and Nobuo Katsumata are outside directors.
 2. Corporate Auditor Shigeru Hikuma, Teruhiko Ikeda, and Kouichi Iki are outside corporate auditors.
 3. Directors Masahisa Naito, Yasuro Tanahashi, and Nobuo Katsumata and Corporate Auditor Shigeru Hikuma are independent officers pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange.
 4. The responsibilities of the following directors have changed, in conjunction with the reorganization that took effect on April 1, 2011, after the closing of fiscal year 2010.

Status	Name	Area of responsibility and significant concurrent positions
Director	Kazunori Yagi	Executive Vice President in charge of business structural reform
Director	Teruyoshi Minaki	Executive Vice President in charge of sales to customers outside Japan and risk management of IA business's R&D
Director	Junji Yamamoto	Senior Vice President in charge of structural reform of Japan sales organizations

b. Directors and Corporate Auditors Who Retired during the Fiscal Year under Review

Name	Retirement date	Reason for retirement	Position and area of responsibility / significant concurrent positions at time of retirement
Kazuhiko Kimura	April 19, 2010	Resigned	Director, Executive Vice President ATE Business Headquarters and President of Yokogawa Field Engineering Service Corporation
Takashi Fujii	June 25, 2010	Expiration of term of office	Director, Senior Vice President Aerospace Products Business Headquarters

c. Compensation to Directors and Corporate Auditors

i. Items Regarding Decisions on the Amount of Compensation, etc. or Calculation Methods Thereof for Each Company's Executives

In order to improve objectivity and transparency when deciding the allocation of compensation, etc. for directors within the limits resolved and approved at the shareholders meeting, the Company established a Compensation Committee, comprised of three directors, two of whom are outside directors. The allocation of compensation for directors shall be decided through deliberation by the Compensation Committee.

The compensation for directors (including those concurrently serving as officers) other than the outside directors shall be set at a level that allows for the effective execution of the supervision and monitoring duties of officers, etc., which is the main duty of directors. Also, the level of compensation shall be linked to performance. Specifically, the compensation shall be at a level that is market competitive, and be comprised of fixed and performance-linked (bonuses) components, according to each role.

Considering the duties of outside directors, they shall only receive fixed compensation.

Compensation for corporate auditors shall be decided by mutual consultation among the corporate auditors and be within the limits approved at the shareholders meeting. Considering the duties of corporate auditors (including outside corporate auditors), they shall only receive fixed compensation.

ii. Total Compensation Paid to Directors and Corporate Auditors

Classification	Number of persons paid	Amount paid
Directors (Outside Directors)	10 (3)	¥390 million (¥32 million)
Corporate Auditors (Outside Corporate Auditors)	5 (3)	¥86 million (¥32 million)
Total (Outside Directors and Outside Corporate Auditors)	15 (6)	¥477 million (¥64 million)

- Notes:
1. The above numbers include one director who retired during the fiscal year under review and one director who resigned during the fiscal year under review.
 2. The total paid to directors does not include employee salaries for directors who are concurrently employees.
 3. The annual limit for director compensation was set at 1,200 million yen by resolution of the 2007 Annual General Meeting of Shareholders convened on June 27, 2007. This does not include employee salaries.
 4. The annual limit for corporate auditor compensation was set at 150 million yen by resolution of the 2004 Annual General Meeting of Shareholders convened on June 25, 2004.

d. Matters regarding Outside Directors and Outside Corporate Auditors

- (1) Significant concurrent positions as executives of other organizations and the Company's relation thereto
 - Director Nobuo Katsumata is serving as Chairman of Marubeni Corporation. There is no special relation between the Company and said company.
 - Corporate Auditor Shigeru Hikuma is serving as Representative President of the CRD Association, a general incorporated association. There is no special relation between the Company and said organization.
 - Corporate Auditor Kouichi Iki is Chairman of DIAM Co., Ltd. There is no special relation between the Company and said company.
- (2) Concurrent positions held at other organizations as outside directors and outside corporate auditors and the Company's relation thereto
 - Director Masahisa Naito is an Advisor of The Institute of Energy Economics, Japan, and Outside Director of Nippon Koei Co., Ltd. and ESPEC Corporation. There is no special relation between the Company and said companies.
 - Director Yasuro Tanahashi is an Outside Director of Internet Initiative Japan Inc. and Murata Manufacturing Co., Ltd. and San Holdings Corporation. There is no special relation between the Company and said companies.
 - Director Nobuo Katsumata is an Outside Director of Sapporo Holdings Limited. There is no special relation between the Company and said company.
 - Corporate Auditor Shigeru Hikuma is an Outside Corporate Auditor of Asahi Glass Co., Ltd. There is no special relation between the Company and said company.
 - Corporate Auditor Teruhiko Ikeda is an Advisor of Mizuho Trust & Banking Co., Ltd. and an Outside Corporate Auditor of TOKYO FM Broadcasting Co., Ltd. and an Outside director of Kao Corporation.
Mizuho Trust & Banking Co., Ltd. is the stock transfer agent of the Company and provides banking services to the Company.
There is no special relation between the Company and TOKYO FM Broadcasting Co., Ltd. and Kao Corporation.

(3) Major activities in the business year under review

Name	Status	Principal activities
Masahisa Naito	Outside Director	Present at 14 of the 14 Board of Directors meetings convened in the year. As necessary, provided advice with high insight based on abundant experience mainly as an outside director at global companies.
Yasuro Tanahashi	Outside Director	Present at 14 of the 14 Board of Directors meetings convened in the year. As necessary, provided advice based on his managerial experience, wide knowledge of Japan's key industries and broad outlook gained from abundant experience in establishing and developing new businesses.
Nobuo Katsumata	Outside Director	Present at 13 of the 14 Board of Directors meetings convened in the year. As necessary, provided advice with high insight based on managerial experience mainly at general trading companies with global operations, and abundant experience in corporate restructuring.
Shigeru Hikuma	Outside Corporate Auditor	Present at 14 of the 14 Board of Directors meetings and 15 of the 16 Board of Corporate Auditors meetings convened in the year. As necessary, provided advice with high insight based on deep knowledge of corporate finance, discernment, and abundant experience.
Teruhiko Ikeda	Outside Corporate Auditor	Present at 11 of the 14 Board of Directors meetings and 14 of the 16 Board of Corporate Auditors meetings convened in the year. As necessary, provided advice with high insight based on abundant managerial experience and wide range of activities in the business world.
Kouchi Iki	Outside Corporate Auditor	Present at 14 of the 14 Board of Directors meetings and 15 of the 16 Board of Corporate Auditors meetings convened in the year. As necessary, provided advice with high insight based on abundant managerial experience and deep knowledge of human resources management.

(4) Summary of limited liability contract

Based on Article 427, Paragraph 1 of the Companies Act, the Company enters into an agreement with its outside directors and outside corporate auditors which limits their liability provided for in Article 423, Paragraph 1 to the higher of either 15 million yen or the amount stipulated by the Act.

(3) Accounting Auditor

a. **Designation:** Deloitte Touche Tohmatsu LLC

b. Compensation Paid to Accounting Auditor

	Payment amounts
Compensation to the accounting auditor for the year under review	¥114 million
Total amount paid in cash and other financial asset profits to the accounting auditor by the Company and subsidiaries	¥175 million

Note: In the audit contracts between the Company and its accounting auditor, the fees for audits conducted under the Companies Act and under the Financial Instruments and Exchange Law are not clearly differentiated. As they cannot be effectively separated, the amounts of compensation paid to the accounting auditor for the year under review show the total amounts.

c. Details of Services Other than Audit

The Company entrusts Deloitte Touche Tohmatsu LLC with advisory and guidance services concerning the introduction of the International Financial Reporting Standards (IFRS).

d. Policy on Decision to Dismiss or Not Reappoint Accounting Auditor

In addition to dismissal provided for in Article 340 of the Companies Act, the Company can in principle, with the consent or at the request of the Board of Corporate Auditors, propose to the General Meeting of Shareholders a resolution to dismiss or not reappoint the accounting auditor, when it is deemed difficult for the accounting auditor to perform its duties appropriately.

e. Auditing of Principal Consolidated Subsidiaries

Yokogawa Europe B.V., Yokogawa Electric Asia Pte. Ltd, Yokogawa Engineering Asia Pte. Ltd., Yokogawa Middle East B.S.C. (c), Yokogawa Electric China Co., Ltd., and Yokogawa China Co., Ltd. are audited by accounting auditors other than the Company's accounting auditor. Their qualifications in each country are the equivalent of the relevant qualifications.

(4) System for Assuring the Appropriateness of Company Operations

Details are provided as follows on resolutions concerning systems that ensure directors comply with laws, ordinances, and the Articles of Incorporation of the Company, as well as a system required by a Ministry of Justice ordinance that ensures the appropriateness of corporate operations.

Pursuant to Article 362, Paragraph 4, Item 6 of the Companies Act, and Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act, the Company has established the Yokogawa Group Internal Control System. This is as follows:

a. System for Assuring Compliance of Directors with Laws, Ordinances, and the Company's Articles of Incorporation

- Compliance principles have been set forth in the Standards of Business Conduct for the Yokogawa Group, and the Board of Directors takes the lead in ensuring that business ethics are upheld and embraced throughout the Group.
- A department has been established that is in charge of matters pertaining to business ethics. This includes the identification and resolution of problems with the Groupwide compliance system.
- The Board of Directors is to base its decisions on the Rules Governing the Board of Directors and on the Decision Making Code. The Board, which includes both inside and outside directors, bears supervisory responsibility for business operations. Corporate auditors, including outside corporate auditors, audit the actions of the directors based on the Auditing Standards for Corporate Auditors and the Rules Governing the Board of Corporate Auditors.

b. System for Assuring Efficient Execution of Directors' Duties

- The Rules Governing the Board of Directors and the Decision Making Code provide the basis for ensuring that the Board of Directors thoroughly deliberates matters and delegates authority to the Management Board and other decision-making bodies.
- Companywide management objectives have been established, and the measures taken to achieve those objectives are reviewed. To ensure that the annual management objectives are achieved, they are reviewed by each organization on a quarterly basis. The Board of Directors receives reports on the attainment of these objectives and determines what activities are to be eliminated, decides how efficiency can be improved by overcoming obstacles, and deploys mechanisms that make it possible for the Company as a whole to pursue efficiency and achieve its goals. This system aims to achieve the Company's objectives by enhancing efficiency throughout the organization. A management information system is maintained for the purpose of identifying, reporting, and acting on information regarding the achievement of management objectives, in real time.

c. System for Storing and Controlling Information concerning Directors' Execution of Duties

- Rules and control systems concerning meeting minutes and other information that should be preserved have been established in accordance with the Rules Governing the Board of Directors, the Rules on the Control of Communications and Documentation, and the Rules on the Control of Documentation.
- Rules and control systems concerning information confidentiality categories have been established in accordance with the Confidentiality Code and the Regulations Concerning the Prevention of Insider Trading. In addition, people performing work for the Group are requested to sign confidentiality agreements.

d. System for Assuring Compliance of Employees with Laws, Ordinances, and the Company's Articles of Incorporation

- Employees of the Group are to conduct themselves as set forth in the Yokogawa Group Compliance Guidelines. These guidelines require upstanding behavior and complete obedience of the rules of society.
- The President continuously reminds all employees of the importance of legal compliance, and the department in charge of business ethics takes the lead in providing compliance education.
- The Rules on Internal Reporting and Consultation require employees to internally report any suspicions of compliance violations by people performing work for the Group. A system for receiving such internal reports has been established.
- The department in charge of business ethics monitors the status of compliance efforts and reports important findings to the Board of Directors and the corporate auditors.

e. System for Ensuring Appropriateness of Business Activities Carried out by the Group (the Company and Its Subsidiaries)

- Groupwide rules have been established and responsible units have been designated for each of the following systems: business ethics, decision making, operations management, crisis management, and corporate auditing infrastructure. Important matters are reported to the Board of Directors and the corporate auditors.
- To ensure the reliability of financial reports, an Accounting and Finance Policy has been formulated that establishes controls for the correct performance of accounting work by each Group company. In addition, a system for evaluating these financial reporting controls and disclosing the evaluation results has been established in accordance with the internal control reporting system requirements of the Financial Instruments and Exchange Act.

- In accordance with the Group Management Audit Code, the department that is in charge of internal audits shall audit the effectiveness of the Yokogawa Group's internal control systems and report on important matters to the Board of Directors and the corporate auditors.
- Corporate auditors are allowed to obtain information directly or by contacting Group company auditors for the purpose of verifying decisions on important Group company matters.

f. Rules and Other Systems for Crisis Management

- As the unit responsible for risk management, the department in charge of internal audits identifies and analyzes risks, and makes recommendations on appropriate improvements. It also reports important matters to the Board of Directors and the corporate auditors.
- Crisis situations are to be responded to as set forth in the Group Policy for Crisis Management. As the head of the Crisis Management Office, the President controls the communication of information and issuance of instructions during times of crisis, and works to ensure safety and minimize economic losses.

g. System for Directors and Employees to Report to Corporate Auditors, and Other Systems for Reporting to Corporate Auditors

- Directors and employees shall report the following matters to corporate auditors:
 - (a) Violations of laws, ordinances, and the Articles of Incorporation
 - (b) Important matters concerning the internal audit situation and risk management
 - (c) Matters that could cause significant losses to the Company
 - (d) Important matters concerning decision making
 - (e) Important matters concerning the management situation
 - (f) Matters concerning information reported via the internal reporting system
 - (g) Other important matters related to compliance

h. Other Systems for Ensuring Effective Auditing by Corporate Auditors

- Views are periodically exchanged among the president, the department in charge of internal audits, the department in charge of business ethics, and the accounting auditor. Opportunities are provided for interviews with directors and important employees.
- As necessary, outside specialists can be appointed.

i. Matters concerning Requests by Corporate Auditors to Assign Assistants to Support Roles

- A Corporate Auditor's Office has been set up, and assistants, including those who will work there on a full time basis, are to be assigned.

j. Matters concerning Independence of Assistants from Directors

- Personnel transfers related to the Corporate Auditor's Office require prior approval from the corporate auditors.
- Assessment of the assistants working in the Corporate Auditor's Office is conducted by corporate auditors designated by the Board of Corporate Auditors.

(5) Basic Policy regarding Control over the Company

a. Details of the Basic Policy regarding Control over the Company

The Yokogawa Group believes that any decision regarding a proposal that would involve a transfer of corporate control of a public, joint-stock company should be ultimately based on the intent of all shareholders. While acknowledging the fact that we are a public company and our shares are freely traded, the Group believes that a decision on whether to allow a party to carry out a large-scale acquisition of the Company's shares should be ultimately left to its shareholders.

There are a number of situations where a large-scale takeover attempt would not contribute to the corporate value of the Company or the common interests of the shareholders, such as when (i) sufficient time and information are not provided for the Company or its shareholders to consider the proposal or an alternative proposal regarding the acquisition, (ii) the purpose of the share acquisition and the administrative policy to be followed after the acquisition are likely to harm the corporate value and the common interests of the Company's shareholders, (iii) shareholders are effectively forced to sell their shares, and (iv) the acquisition terms are considered insufficient or inappropriate in light of the corporate value and the common interests of the Company's shareholders.

The Company believes that any person attempting a large-scale acquisition in the above manner would be inappropriate for making decisions on the Company's financial and business policies, and that it is necessary to establish a mechanism to deter such acquisitions.

b. Measures to Realize the Basic Policy regarding Control over the Company

(1) Corporate Philosophy and Long-term Corporate Strategy

The Yokogawa Group aims to contribute to industry and society based on a corporate philosophy that incorporates the following mission statements: "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 Yokogawa Group believes that its business mission is to steadfastly pursue its business activities based on a mid- to long-term perspective, and to maximize its corporate value. The Company therefore aims for sound and profitable management along the lines set out in its VISION-21 & ACTION-21 long-term corporate strategy. The Yokogawa Group aims for sound and profitable management and improvement of its corporate value by significantly improving business efficiency through truly consolidated management and by providing Customer Centric Solutions with Leading Edge Technology as One Global YOKOGAWA.

(2) Challenges in enhancing corporate governance

Our Group will place a priority on enhancing its corporate governance to realize healthy and sustainable growth. It will be a basic mission of corporate management to secure healthy and profitable operation and to earn the trust of all stakeholders, including shareholders.

At meetings of the Board of Directors, we will strive for quick and transparent decision-making by directors who are familiar with Yokogawa's business as well as outside directors who are independent from the full-time directors. In addition, we will improve our management audit function by strictly checking and verifying the legality and efficiency of the work carried out by directors and the validity of their decision making processes. This will be done by a board of corporate auditors that includes outside auditors.

The Group's compliance principles are set out in the Standards of Business Conduct for the Yokogawa Group. The directors will take the initiative to promote the observation and awareness of business ethics throughout the Group. We have also established an internal control system for the Yokogawa Group to ensure the reliability of financial statements, the validity of the decision-making process, and proper and efficient execution of operations.

To ensure the effectiveness of the Yokogawa Group's internal control system, the department responsible for this function will conduct regular internal audits based on an annual plan, and report the key results to the Board of Directors and the corporate auditors.

c. Measures Set out in the Basic Policy (Takeover Defense Measures) to Prevent Inappropriate Parties from Affecting the Company's Financial and Operational Decisions

The Company's Board of Directors resolved in a meeting on April 28, 2009 to renew countermeasures to the large-scale acquisition of the Company's shares (Takeover Defense Measures) (hereinafter referred to as "Plan" in this Item). The Company acquired the approval of shareholders at the 2009 Annual General Meeting of Shareholders held on June 29, 2009.

Full explanation of the Plan can be found in a document titled "Renewal of Countermeasures to Large-scale Acquisition of Yokogawa Electric Shares (Takeover Defense Measures)" that was uploaded to our website on April 28, 2009:
(<http://www.yokogawa.com/pr/pdf/20090428-en.pdf>)

The following provides a summary of the Plan:

1. Plan outline

(A) Establishment of procedures for triggering the Plan

In the event of any proposal that involves acquisition of the Company's shares or a similar action or proposal (hereinafter the "Acquisition"), the Plan sets the following procedures for conducting negotiations with the party effecting or proposing the Acquisition (hereinafter collectively referred to as the "Acquirer") and for other issues; requesting the Acquirer to provide information relating to itself and the Acquisition in advance; securing sufficient time to collect information with respect to the Acquisition and to give it full consideration; and presenting schemes and alternative proposals offered by the Company's Board of Directors to the shareholders.

(B) Implementation of gratis allotment of Stock Acquisition Rights

If an Acquirer's actions threaten to cause obvious harm to the Company's corporate value or the common interests of its shareholders, the Company will, upon a resolution of the Company's Board of Directors, implement the gratis allotment of stock acquisition rights (hereinafter "Stock Acquisition Rights") to shareholders other than the Company who, as of a date to be determined by the Board of Directors, are recorded in the Company's final register of shareholders (as a general rule, acquirers are unable to exercise such rights). This will be at a ratio of one Stock Acquisition Right for each share held. One share will be acquired upon the exercise of each Stock Acquisition Right.

(C) Establishment of Independent Committee to eliminate arbitrary decisions by directors

For the Plan's operation, such as its invocation, the Company has established an Independent Committee as an organ that will prevent arbitrary decisions by directors, fairly and objectively make decisions that protect the corporate value of the Company and the common interests of the shareholders, and advise the Board of Directors on whether or not to invoke the Plan. The members of the Independent Committee shall be comprised of the following six highly independent people, of which three are outside directors and three are outside experts.

<Members of Independent Committee>

Outside director: Masahisa Naito (Advisor of The Institute of Energy Economics, Japan)

Outside director: Yasuro Tanahashi (Former Representative Director & Chairman of NS Solutions Corporation)

Outside director: Nobuo Katsumata (Chairman of Marubeni Corporation)

Outside expert: Takaaki Wakasugi (Professor of Finance, School of Business Administration at Tokyo Keizai University)

Outside expert: Naoto Nakamura (Partner at Nakamura, Tsunoda & Matsumoto Law Office)

Outside expert: Tetsuo Kitagawa (Professor of Aoyama Business School [Graduate School of International Management])

(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. 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 a shareholder having 20% or more of the share certificates, etc. issued by the Company; or
- (ii) A tender offer by an Acquirer who, through a special relationship with other parties, has control of combined holdings amounting to 20% or more of the share certificates, etc. issued by the Company.

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

The Company will promptly send any Acquirer conducting an Acquisition described above in 2. (A) an acquisition statement (hereinafter "Acquisition Statement") and an inquiry about information necessary to review details of acquisition by the Acquirer (hereinafter "Essential Information") in the form prescribed by the Company.

As a general rule before the effecting of an Acquisition by an Acquirer, the Company requires the Acquirer to submit to the Company's Board of Directors an Acquisition Statement and Essential Information no later than 10 business days after receiving the materials sent by the Company.

If the Independent Committee, after receiving the Acquisition Statement and Essential Information from the Company's Board of Directors, evaluates that the Acquisition Statement and the Essential Information provided by the Acquirer is insufficient to review the details of the acquisition, the Independent Committee may set a response deadline that is up to 60 days following the initial receipt of the Acquisition Statement (the "Information Provision Period"), and request that the Acquirer provide additional Essential Information. The Acquirer must comply with the request. On the date on which the Information Provision Period is to expire, if the Independent Committee still deems that the Essential Information is insufficient, it may extend the Information Provision Period by up to 30 days.

If the Independent Committee deems that the Acquisition Statement and the Essential Information provided by the Acquirer are sufficient for reviewing the details of the Acquisition, or if the Information Provision Period has expired, it will issue a notice informing the Acquirer that information provision has been completed (the "Completion Notice"). The Company will promptly notify its shareholders that the Completion Notice has been delivered to the Acquirer.

(C) Independent Committee consideration and decision after delivery of Completion Notice

The Independent Committee requests that the Board of Directors present an opinion on the Acquirer's terms and supporting materials for the opinion, an alternative proposal, and any other information and materials that the Independent Committee considers suitably necessary within a maximum period of 60 days after delivering the Completion Notice.

Upon receiving the information from the Acquirer and the Board of Directors, the Independent Committee will consider the Acquirer's Acquisition terms, collect additional information on the business plans and other information and materials from the Acquirer and the Board of Directors,

compare the information from both parties, and consider any alternative proposal presented by the Board of Directors for a maximum period of 60 days from such receipt.

If the Independent Committee determines that any of the following cases apply to the Acquisition by the Acquirer, the Independent Committee will recommend the implementation of the gratis allotment of Stock Acquisition Rights to the Board of Directors providing it has determined that this implementation in accordance with the Plan is reasonable. These cases are as follows: (a) The Acquisition does not comply with procedures described in the Plan. (b) Upon considering the Acquisition terms, the Independent Committee determines that the Acquisition by the Acquirer meets the triggering requirement of threatening to cause obvious harm to the corporate value of the Company and the common interests of its shareholders. (c) Upon considering the Acquisition terms, the Independent Committee determines that the Acquisition by the Acquirer meets the triggering requirement of being a coercive two-tiered tender offer. (d) Upon considering the Acquisition terms, the Independent Committee determines that the Acquisition by the Acquirer meets the triggering requirement of having terms that are inadequate or inappropriate in light of the Company's corporate value in the mid- to long-term. If the Acquisition by the Acquirer meets any of the triggering requirements described in cases (b) through (d), the Independent Committee may deem it reasonable to recommend implementation of the gratis allotment of Stock Acquisition Rights, subject to prior approval at a shareholders meeting.

The Board of Directors, in exercising their role under the Companies Act, will pass a resolution relating to the implementation or non-implementation of a gratis allotment of Stock Acquisition Rights, giving maximum consideration to any recommendation of the Independent Committee described above.

3. Rationale of the Plan

(A) 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.

(B) Respecting shareholders' intent (Sunset Clause)

The effective period of the Plan shall be two years, until the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending in March 2011. In addition, if the abolition of the Plan is resolved at the General Meeting of Shareholders or the Board of Directors meeting, the Plan shall be abolished even before the expiration of its term.

(C) Disclosure of information and emphasis on the decisions of independent parties

The Company has established an Independent Committee that will prevent arbitrary decisions by 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.

If an Acquisition of shares in the Company were to actually occur, the Independent Committee would, in accordance with the Rules of the Independent Committee under the Plan, 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 Board of Directors would then, as an organ pursuant to the Companies Act, give maximum consideration to those determinations and pass a resolution regarding the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights. In this way, the Independent Committee will strictly monitor any arbitrary triggering of the Plan 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.

(D) Establishment of reasonable, objective requirements

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.

(E) Obtaining the advice of third-party experts

The Independent Committee may obtain advice from independent third parties (including 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.

(F) No dead-hand or slow-hand takeover defense measures

The Plan is designed in a way so that it may be abolished at any time by a Board of Directors comprised of persons elected at a General Meeting of Shareholders of the Company, and the Plan may be abolished by the Board of Directors comprised of directors elected after the takeover, 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 for the Company's directors is one year and the Company has not adopted the practice of having 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).

CONSOLIDATED BALANCE SHEETS

As of March 31, 2011

	Millions of yen
ASSETS	
Current assets	
Cash and deposits	58,663
Notes and accounts receivable-trade	103,492
Merchandise and finished goods	16,477
Work in process	8,745
Raw materials and supplies	10,250
Deferred tax assets	2,829
Other	9,853
Allowance for doubtful accounts	(3,175)
Total current assets	207,136
Noncurrent assets	
Property, plant and equipment	
Buildings and structures	48,927
Machinery, equipment and vehicles	7,219
Tools, furniture and fixtures	4,569
Land	17,243
Lease assets	488
Construction in progress	2,653
Total property, plant and equipment	81,101
Intangible assets	30,095
Investments and other assets	
Investment securities	31,731
Deferred tax assets	2,076
Other	9,459
Allowance for doubtful accounts	(368)
Total investments and other assets	42,899
Total noncurrent assets	154,096
Total assets	361,233

CONSOLIDATED BALANCE SHEETS

(continued)

	Millions of yen
LIABILITIES	
Current liabilities	
Notes and accounts payable-trade	28,806
Short-term loans payable	54,258
Income taxes payable	3,270
Provision for bonuses	11,526
Accounts payable-other	12,828
Other	41,402
Total current liabilities	152,093
Noncurrent liabilities	
Long-term loans payable	56,739
Deferred tax liabilities	1,672
Provision for retirement benefits	2,067
Provision for directors' retirement benefits	203
Other	3,224
Total noncurrent liabilities	63,907
Total liabilities	216,000
NET ASSETS	
Shareholders' equity	
Capital stock	43,401
Capital surplus	50,344
Retained earnings	73,011
Treasury stock	(11,001)
Total shareholders' equity	155,755
Total other comprehensive income	
Valuation difference on available-for-sale securities	2,145
Deferred gains or losses on hedges	(137)
Pension liability adjustment	(374)
Foreign currency translation adjustment	(15,686)
Total other comprehensive income	(14,053)
Minority interests	3,529
Total net assets	145,232
Total liabilities, net assets	361,233

CONSOLIDATED STATEMENTS OF INCOME

For the year ended March 31, 2011

		Millions of yen
Net sales		325,620
Cost of sales		215,130
Gross profit		110,489
Selling, general and administrative expenses		99,410
Operating income		11,079
Non-operating income		
Interest income	305	
Dividend income	1,553	
Equity in earnings of affiliates	593	
Miscellaneous income	1,302	3,754
Non-operating expenses		
Interest expenses	2,815	
Foreign exchange losses	1,752	
Miscellaneous expenses	1,676	6,244
Ordinary income		8,590
Extraordinary income		
Gain on sale of noncurrent assets	205	
Gain on sale of investment securities	502	
State subsidy	333	
Other	417	1,459
Extraordinary losses		
Loss on sale of noncurrent assets	79	
Loss on retirement of noncurrent assets	304	
Impairment loss	707	
Loss on valuation of investment securities	2,250	
Business structure improvement expenses	6,800	
Other	931	11,074
Loss before income taxes and minority interests		(1,025)
Income taxes-current	4,490	
Income taxes-deferred	630	5,121
Loss before minority interest		(6,146)
Minority interests in income		545
Net loss		(6,692)

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2011

	Millions of yen
Shareholders' equity	
Capital stock	
Balance at the end of previous period	43,401
Balance at the end of current period	<u>43,401</u>
Capital surplus	
Balance at the end of previous period	50,345
Changes of items during the period	
Disposal of treasury stock	(0)
Total changes of items during the period	<u>(0)</u>
Balance at the end of current period	<u>50,344</u>
Retained earnings	
Balance at the end of previous period	80,303
Changes of items during the period	
Dividends from surplus	(515)
Net loss	(6,692)
Other	(84)
Total changes of items during the period	<u>(7,292)</u>
Balance at the end of current period	<u>73,011</u>
Treasury stock	
Balance at the end of previous period	(10,991)
Changes of items during the period	
Purchase of treasury stock	(11)
Disposal of treasury stock	1
Total changes of items during the period	<u>(9)</u>
Balance at the end of current period	<u>(11,001)</u>
Total shareholders' equity	
Balance at the end of previous period	163,058
Changes of items during the period	
Dividends from surplus	(515)
Net loss	(6,692)
Purchase of treasury stock	(11)
Disposal of treasury stock	1
Other	(84)
Total changes of items during the period	<u>(7,302)</u>
Balance at the end of current period	<u>155,755</u>

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(continued)

	Millions of yen
Total other comprehensive income	
Valuation difference on available-for-sale securities	
Balance at the end of previous period	2,450
Changes of items during the period	
Net changes of items other than shareholders' equity	(304)
Total changes of items during the period	(304)
Balance at the end of current period	2,145
Deferred gains or losses on hedges	
Balance at the end of previous period	82
Changes of items during the period	
Net changes of items other than shareholders' equity	(219)
Total changes of items during the period	(219)
Balance at the end of current period	(137)
Pension liability adjustment	
Balance at the end of previous period	(369)
Changes of items during the period	
Net changes of items other than shareholders' equity	(5)
Total changes of items during the period	(5)
Balance at the end of current period	(374)
Foreign currency translation adjustment	
Balance at the end of previous period	(11,859)
Changes of items during the period	
Net changes of items other than shareholders' equity	(3,827)
Total changes of items during the period	(3,827)
Balance at the end of current period	(15,686)
Total other comprehensive income	
Balance at the end of previous period	(9,696)
Changes of items during the period	
Net changes of items other than shareholders' equity	(4,356)
Total changes of items during the period	(4,356)
Balance at the end of current period	(14,053)

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(continued)

	Millions of yen
Minority interests	
Balance at the end of previous period	3,998
Changes of items during the period	
Net changes of items other than shareholders' equity	(468)
Total changes of items during the period	(468)
Balance at the end of current period	3,529
Total net assets	
Balance at the end of previous period	157,360
Changes of items during the period	
Dividends from surplus	(515)
Net loss	(6,692)
Purchase of treasury stock	(11)
Disposal of treasury stock	1
Other	(84)
Net changes of items other than shareholders' equity	(4,825)
Total changes of items during the period	(12,127)
Balance at the end of current period	145,232

NON-CONSOLIDATED BALANCE SHEETS

As of March 31, 2011

	Millions of yen
ASSETS	
Current assets	
Cash and deposits	24,508
Notes and accounts receivable-trade	1,425
Accounts receivable-trade	47,947
Merchandise and finished goods	3,511
Work in process	2,432
Raw materials and supplies	1,695
Advance payments-trade	136
Prepaid expenses	1,326
Short-term loans receivable	11,079
Accounts receivable-other	4,282
Other	327
Allowance for doubtful accounts	(2,537)
Total current assets	96,137
Noncurrent assets	
Property, plant and equipment	
Buildings	30,366
Structures	1,092
Machinery and equipment	1,112
Tools, furniture, and fixtures	2,100
Land	12,527
Construction in progress	2,675
Other	40
Total property, plant and equipment	49,917
Intangible assets	
Goodwill	219
Patent right	30
Leasehold right	602
Software	7,180
Software in progress	18,370
Other	55
Total intangible assets	26,458
Investments and other assets	
Investment securities	25,526
Stocks of subsidiaries and affiliates	31,019
Investment in capital of subsidiaries and affiliates	12,559
Long-term loans receivable from subsidiaries and affiliates	6,101
Long-term prepaid expenses	110
Lease and guarantee deposits	1,069
Long-term financial assets	5,810
Other	481
Allowance for doubtful accounts	(2,696)
Total investments and other assets	79,982
Total noncurrent assets	156,357
Total assets	252,495

NON-CONSOLIDATED BALANCE SHEETS

(continued)

	Millions of yen
LIABILITIES	
Current liabilities	
Notes payable-trade	100
Accounts payable-trade	14,003
Short-term loans payable	1,204
Current portion of long-term loans payable	48,176
Accounts payable-other	11,041
Accrued expenses	4,423
Income taxes payable	178
Advances received	485
Deposit received	360
Unearned revenue	436
Provision for bonuses	5,469
Other	5,490
Total current liabilities	91,370
Noncurrent liabilities	
Long-term loans payable	56,519
Long-term accounts payable-other	213
Long-term deferred tax liabilities	1,433
Other	1,617
Total noncurrent liabilities	59,784
Total liabilities	151,154
NET ASSETS	
Shareholders' equity	
Capital stock	43,401
Capital surplus	50,151
Legal capital surplus	46,350
Other capital surplus	3,801
Retained earnings	16,766
Legal retained earnings	5,372
Other retained earnings	11,393
Reserve for advanced depreciation of noncurrent assets	1,353
General reserve	11,783
Retained earnings brought forward	(1,742)
Treasury stock	(11,001)
Total shareholders' equity	99,317
Valuation and translation adjustments	
Valuation difference on available-for-sale securities	2,022
Total valuation and translation adjustments	2,022
Total net assets	101,340
Total liabilities, net assets	252,495

NON-CONSOLIDATED STATEMENTS OF INCOME

For the year ended March 31, 2011

		Millions of yen
Net sales		
Net sales of finished goods		153,412
Cost of sales		
Beginning finished goods	3,291	
Cost of products manufactured	119,251	
Transfers from other accounts	0	
Total	122,543	
Transfers to other accounts	1,516	
Ending finished goods	2,734	118,292
Gross profit		35,119
Selling, general and administrative expenses		45,484
Operating loss		(10,364)
Non-operating income		
Interest income	208	
Dividend income	9,085	
Rent receivable	1,840	
Miscellaneous income	703	11,838
Non-operating expenses		
Interest expenses	2,523	
Contribution	121	
Rent payable	1,713	
Foreign exchange losses	949	
Miscellaneous expenses	953	6,260
Ordinary loss		(4,786)
Extraordinary income		
Gain on sale of noncurrent assets	176	
Gain on sale of investment securities	239	
Gain on sales of subsidiaries and affiliate's stocks	947	
State subsidy	333	
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	525	
Other	425	2,647
Extraordinary losses		
Loss on sale of noncurrent assets	2	
Loss on retirement of noncurrent assets	139	
Impairment loss	567	
Compensation for impairment loss on affiliated companies' production facilities	39	
Loss on valuation of investment securities	2,247	
Business structure improvement expenses	5,974	
Other	465	9,436
Loss before income taxes and minority interests		(11,575)
Income taxes-current	153	
Income taxes-deferred	(23)	130
Net loss		(11,705)

NON- CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2011

	Millions of yen
Shareholders' equity	
Capital stock	
Balance at the end of previous period	43,401
Balance at the end of current period	<u>43,401</u>
Capital surplus	
Legal capital surplus	
Balance at the end of previous period	46,350
Balance at the end of current period	<u>46,350</u>
Other capital surplus	
Balance at the end of previous period	3,801
Changes of items during the period	
Disposal of treasury stock	(0)
Total changes of items during the period	<u>(0)</u>
Balance at the end of current period	<u>3,801</u>
Total capital surplus	
Balance at the end of previous period	50,151
Changes of items during the period	
Disposal of treasury stock	(0)
Total changes of items during the period	<u>(0)</u>
Balance at the end of current period	<u>50,151</u>
Retained earnings	
Legal retained earnings	
Balance at the end of previous period	5,372
Balance at the end of current period	<u>5,372</u>
Other retained earnings reserve	
Reserve for retirement allowance	
Balance at the end of previous period	1,255
Changes of items during the period	
Reversal of reserve for retirement allowance	(1,255)
Total changes of items during the period	<u>(1,255)</u>
Balance at the end of current period	<u>—</u>
Reserve for dividends	
Balance at the end of previous period	1,235
Changes of items during the period	
Reversal of reserve for dividends	(1,235)
Total changes of items during the period	<u>(1,235)</u>
Balance at the end of current period	<u>—</u>
Reserve for advanced depreciation of noncurrent assets	
Balance at the end of previous period	1,418
Changes of items during the period	
Reversal of reserve for advanced depreciation of noncurrent assets	(65)
Total changes of items during the period	<u>(65)</u>
Balance at the end of current period	<u>1,353</u>

NON- CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(continued)

	Millions of yen
General reserve	
Balance at the end of previous period	11,783
Balance at the end of current period	11,783
Retained earnings brought forward	
Balance at the end of previous period	7,922
Changes of items during the period	
Reversal of reserve for retirement allowance	1,255
Reversal of reserve for dividends	1,235
Reversal of reserve for advanced depreciation of noncurrent assets	65
Dividends from surplus	(515)
Net loss	(11,705)
Total changes of items during the period	(9,665)
Balance at the end of current period	(1,742)
Total retained earnings	
Balance at the end of previous period	28,986
Changes of items during the period	
Dividends from surplus	(515)
Net loss	(11,705)
Total changes of items during the period	(12,220)
Balance at the end of current period	16,766
Treasury stock	
Balance at the end of previous period	(10,991)
Changes of items during the period	
Purchase of treasury stock	(11)
Disposal of treasury stock	1
Total changes of items during the period	(9)
Balance at the end of current period	(11,001)
Total shareholders' equity	
Balance at the end of previous period	111,548
Changes of items during the period	
Dividends from surplus	(515)
Net loss	(11,705)
Purchase of treasury stock	(11)
Disposal of treasury stock	1
Total changes of items during the period	(12,230)
Balance at the end of current period	99,317

NON- CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(continued)

	Millions of yen
Valuation and translation adjustments	
Valuation difference on available-for-sale securities	
Balance at the end of previous period	2,389
Changes of items during the period	
Net changes of items other than shareholders' equity	(366)
Total changes of items during the period	(366)
Balance at the end of current period	2,022
Total valuation and translation adjustments	
Balance at the end of previous period	2,389
Changes of items during the period	
Net changes of items other than shareholders' equity	(366)
Total changes of items during the period	(366)
Balance at the end of current period	2,022
Total net assets	
Balance at the end of previous period	113,937
Changes of items during the period	
Dividends from surplus	(515)
Net loss	(11,705)
Purchase of treasury stock	(11)
Disposal of treasury stock	1
Net changes of items other than shareholders' equity	(366)
Total changes of items during the period	(12,596)
Balance at the end of current period	101,340

Independent Auditor's Report

May 11, 2011

To the Board of Directors of
Yokogawa Electric Corporation

Deloitte Touche Tohmatsu LLC

Designated Limited and Engagement Partner	Certified Public Accountant	Kunihiko Sugahara
Designated Limited and Engagement Partner	Certified Public Accountant	Masako Watanabe
Designated Limited and Engagement Partner	Certified Public Accountant	Hiroyuki Kobayashi

We have audited the Consolidated Balance Sheet, Statement of Income, Statement of Changes in net assets, Notes to the Consolidated Financial Statements, and attached detailed statements of Yokogawa Electric Corporation for the consolidated fiscal year beginning on April 1, 2010 and ending on March 31, 2011, in accordance with Article 444, Paragraph 4, of the Companies Act. Responsibility for preparation of these financial statements lies with the Company's management. Our responsibility is to express an opinion on these financial statements from an independent perspective.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that Accounting Auditors obtain reasonable assurance that consolidated financial statements contain no material false statements. An audit includes an assessment, on a test basis, of the overall presentation of consolidated financial statements, including accounting principles used, application of those principles, and estimates made by management. We believe that, as a result of our audits, we have obtained a reasonable basis upon which to express our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Yokogawa Electric Corporation and its consolidated subsidiaries for the related consolidated fiscal year, in conformity with accounting principles generally accepted in Japan.

There are no interest relationships either between the Company and our audit corporation or between the Company and the Designated and Engagement Partners that are required to be reported by the Certified Public Accountant Law.

Independent Auditor's Report

May 11, 2011

To the Board of Directors of
Yokogawa Electric Corporation

Deloitte Touche Tohmatsu LLC

Designated Limited and Engagement Partner	Certified Public Accountant	Kunihiko Sugahara
Designated Limited and Engagement Partner	Certified Public Accountant	Masako Watanabe
Designated Limited and Engagement Partner	Certified Public Accountant	Hiroyuki Kobayashi

We have audited the non-consolidated Balance Sheet, Statement of Income, Statement of Changes in net assets, Notes to the Non-Consolidated Financial Statements, and attached detailed statements of Yokogawa Electric Corporation for the 135th fiscal year beginning on April 1, 2010 and ending on March 31, 2011, in accordance with Article 436, Paragraph 2, Item 1 of the Companies Act. Responsibility for preparation of these financial statements and attached detailed statements lies with the Company's management. Our responsibility is to express an opinion on these financial statements and attached detailed statements from an independent perspective.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that Accounting Auditors obtain reasonable assurance that non-consolidated financial statements and attached detailed statements contain no material false statements. An audit includes an assessment, on a test basis, of the overall presentation of non-consolidated financial statements and attached detailed statements, including accounting principles used, application of those principles, and estimates made by management. We believe that, as a result of our audits, we have obtained a reasonable basis upon which to express our opinion.

In our opinion, the non-consolidated financial statements and attached detailed statements referred to above present fairly, in all material respects, the financial position and results of operations of Yokogawa Electric Corporation for the business year under review, in conformity with accounting principles generally accepted in Japan.

There are no interest relationships either between the Company and our audit corporation or between the Company and the Designated and Engagement Partners, that are required to be reported by the Certified Public Accountant Law.

Audit Report

We have prepared this audit report based on a consideration of the corporate auditors' reports on the directors' performance of their duties during the 135th fiscal year that began on April 1, 2010 and ended on March 31, 2011.

1. Corporate Auditors' and Board of Corporate Auditors' Auditing Procedures and Particulars Thereof

The Board of Corporate Auditors has made determinations, including those regarding audit policies and the division of responsibilities, received reports on audit progress and results from individual corporate auditors, received reports on the performance of directors' duties from directors and reports on the performance of the independent auditors' duties from the independent auditors, and sought further explanation when warranted.

Each corporate auditor, in accordance with the auditing standards set forth by the Board of Corporate Auditors, has abided by determinations, including those regarding audit policies and the division of responsibilities; striven to achieve common understanding with directors, the Internal Audit Department, and other employees; and worked to gather information and create an environment conducive to auditing. In addition, they have attended Board of Directors meetings and other important meetings, received reports on the performance of directors' duties from directors and reports on the performance of job duties from employees, sought further explanation when warranted, and reviewed documentation on important decisions concerning auditing work and property at the headquarters and key facilities.

The corporate auditors have regularly received reports from directors and employees with regard to the structure and the operation of the following: (1) systems for ensuring that the performance of directors' duties as presented in the Business Report is in compliance with the laws of Japan and the Company's Articles of Incorporation, (2) the content of resolutions by the Board of Directors concerning the implementation of systems set forth in Articles 100, Paragraph 1 and Paragraph 3 of the Ordinance for Enforcement of the Companies Act that ensure the propriety of corporate activities, and (3) systems that are maintained based on these resolutions (internal control system). In regard to such matters, the corporate auditors sought, when necessary, explanations from the directors and employees, and expressed opinions.

With regard to the internal control pertaining to financial reports, the corporate auditors have received reports on evaluation of the internal control and audit progress from directors and Deloitte Touche Tohmatsu LLC, and sought further explanation as necessary.

The corporate auditors, based on the status of discussions within the Board of Directors and elsewhere, have contributed their examinations of the basic corporate policy as stipulated in Article 118, Item 3a and measures as stipulated in Article 118, Item 3b of the Ordinance for Enforcement of the Companies Act that are addressed in the Business Report. Regarding the subsidiaries, the corporate auditors have also striven to achieve common understanding and exchange information with directors, corporate auditors, and others at subsidiaries, and received business reports from subsidiaries as necessary. The corporate auditors have, in the ways mentioned above, examined the Business Report and related detailed statements for the business year under review.

The corporate auditors have monitored the activities of the independent auditors to determine whether they have maintained an independent position and properly performed audits, received audit status reports from the independent auditors, and sought further explanation when warranted. They also received notification from the independent auditors that they were preparing systems for

ensuring the performance of job duties (items provided in Article 131 of the Corporate Calculation Regulations) in accordance with the Audit Quality Management Standards (October 28, 2005 Business Accounting Deliberation Council), and sought further explanation when warranted. Through the activities mentioned above, the corporate auditors have examined the non-consolidated financial statements (Balance Sheet, Statement of Income, Statement of Changes in net assets, and notes to the accounting statements), detailed statements for the business year under review, and consolidated financial statements (consolidated Balance Sheet, Statement of Income, Statement of Changes in net assets, and notes to the accounting statements).

2. Audit Results

(1) Business Report and Other Results

- a. The Business Report and detailed statements correctly represent the condition of the Company in accordance with the laws of Japan and the Company's Articles of Incorporation.
- b. There were no serious acts of impropriety or violations of the laws of Japan or of the Company's Articles of Incorporation by any of the directors in the performance of their duties.
- c. Board of Directors resolutions regarding the system of internal controls were appropriate. Furthermore, concerning the directors' performance of their duties with regard to the system of internal controls, there were no matters to report.
- d. Regarding the basic corporate policy concerning the nature of parties who would control the Company's financial and operational decisions described in the Business Report, there were no matters to report. Measures described in the Business Report that seek to comply with the above basic policy as stipulated in Article 118, Item 3b of the Ordinance for Enforcement of the Companies Act shall not impinge upon the common interest of our shareholders nor aim to maintain the status of our directors.

(2) Audit Results for Consolidated Financial Statements and Detailed Statement

The audit procedures implemented by and results received from Deloitte Touche Tohmatsu LLC, the independent auditors, are appropriate.

(3) Audit Results for Financial Statements and Detailed Statements

The audit procedures implemented by and results received from Deloitte Touche Tohmatsu LLC, the independent auditors, are appropriate.

May 19, 2011

Board of Corporate Auditors, Yokogawa Electric Corporation

Standing Corporate Auditor	Takafumi Koyanagi
Standing Corporate Auditor	Kiyoshi Makino
Outside Corporate Auditor	Shigeru Hikuma
Outside Corporate Auditor	Teruhiko Ikeda
Outside Corporate Auditor	Kouichi Iki

Reference Materials for General Meeting of Shareholders

Item 1: Reduction of Capital Surplus and Retained Earnings and Disposition of Surplus

To ensure the flexibility and mobility of capital policies, the Company proposes the reduction of the capital surplus and retained earnings reserve in accordance with Article 448, Paragraph 1 of the Companies Act, and the disposition of the other reserve in accordance with Article 452 of the Companies Act.

Accordingly, the Company proposes the following:

1. Matters related to reduction of a portion of capital surplus and the full amount of Legal retained earnings

(1) Reserve items and amount to be reduced

Capital surplus	10,000,000,000 yen
Retained earnings	5,372,415,957 yen

(2) Retained earnings items and amount to be increased

Other capital surplus	10,000,000,000 yen
Retained earnings brought forward	5,372,415,957 yen

(3) Date that reduction in legal capital surplus and legal retained earnings takes effect, August 10, 2011

2. Matters related to disposition of surplus

(1) Surplus item and amount to be reduced

General reserve	11,783,500,000 yen
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(2) Surplus item and amount to be increased

Retained earnings brought forward	11,783,500,000 yen
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Item 2: Appointment of Seven (7) Directors

At the conclusion of this General Meeting of Shareholders, the terms of office for eight (8) directors will expire.

The Company proposes to reduce the number of directors by one (1) and appoint seven (7) directors. Information on the seven (7) director candidates is provided below.

Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
1	Shuzo Kaihori (Jan. 31, 1948)	Apr. 1973 Joined the Company Apr. 2005 Vice President of IA Business Headquarters Apr. 2006 Senior Vice President of IA Business Headquarters June 2006 Director and Senior Vice President of IA Business Headquarters Apr. 2007 President and Chief Operating Officer Apr. 2008 President and Chief Executive Officer (present)	80,757 shares
2	Hitoshi Nara (Jan. 23, 1963)	Apr. 1985 Joined the Company Oct. 2001 Deputy Managing Director, Yokogawa Engineering Asia Pte. Ltd. Oct. 2003 Managing Director, Yokogawa (Thailand) Ltd. Jan. 2007 Head of Sales Div. I, Industrial Solutions Business Headquarters Apr. 2010 Senior Vice President, Head of Industrial Solutions Business Headquarters (present)	11,145 shares
3	Satoru Kurosu (Dec. 25, 1960)	Apr. 1983 Joined the Company Apr. 2006 Vice President, Head of Marketing Center, IA Business Headquarters Apr. 2007 Senior Vice President, Head of IA Business Headquarters Apr. 2009 Senior Vice President, Head of Global Business Headquarters Apr. 2010 President, Yokogawa Engineering Asia Pte. Ltd. Apr. 2011 Senior Vice President, Head of IA Marketing Headquarters (present)	31,995 shares
4	Takashi Nishijima (Aug. 12, 1957)	Apr. 1981 Joined Hokushin Electric Works Ltd. (present the Company) Apr. 2001 Head of Development and Engineering Dept. 2, Field Instruments Business Division Apr. 2005 Head of Field Instruments Product Marketing Dept. IA Business Headquarters Oct. 2008 Head of Control Products Business Center, IA Business Headquarters Apr. 2010 President of Yokogawa Meters & Instruments Corporation (present)	13,706 shares

5	Yasuro Tanahashi (Jan. 4, 1941)	<p>Apr. 1963 Joined Fuji Iron & Steel Co., Ltd. (present Nippon Steel Corporation)</p> <p>June 1995 Director and General Manager of Electronics and Information Systems Division of Nippon Steel Corporation</p> <p>Apr. 1997 Managing Director of Nippon Steel Corporation (in charge of new businesses overall)</p> <p>Apr. 2000 Representative Director and President of Nippon Steel Information and Communication Systems Inc. (present NS Solutions Corporation)</p> <p>Apr. 2003 Representative Director and Chairman of NS Solutions Corporation</p> <p>June 2007 Senior Adviser of NS Solutions Corporation and Director of the Company (present)</p> <p><Significant concurrent positions> Outside Director of Internet Initiative Japan Inc. Outside Director of Murata Manufacturing Co., Ltd. Outside Director of San Holdings Corporation.</p>	0 shares
6	Nobuo Katsumata (Dec. 5, 1942)	<p>Apr. 1966 Joined Marubeni-Iida Co., Ltd. (present Marubeni Corporation)</p> <p>June 1996 Director of Marubeni Corporation</p> <p>Apr. 1999 Corporate Vice President of Marubeni Corporation</p> <p>Apr. 2001 Senior Vice President of Marubeni Corporation</p> <p>Apr. 2003 President and CEO of Marubeni Corporation</p> <p>Apr. 2008 Chairman of Marubeni Corporation (present)</p> <p>June 2009 Director of the Company (present)</p> <p><Significant concurrent positions> Chairman of Marubeni Corporation Outside Director of Sapporo Holdings Limited</p>	0 shares
7	Mitsudo Urano (Mar. 20, 1948)	<p>Apr. 1971 Joined Nippon-Reizo Co., Ltd. (present Nichirei Corporation)</p> <p>Apr. 1997 General Manager, Strategic Planning Division of Nichirei Corporation</p> <p>June 1999 Director of Nichirei Corporation</p> <p>June 2001 Representative Director and President of Nichirei Corporation</p> <p>June 2007 Representative Director and Chairman of Nichirei Corporation (present)</p> <p>Apr. 2008</p> <p><Significant concurrent positions> Representative Director and Chairman of Nichirei Corporation President of Japan Frozen Food Association President of the Central Society for Promoting the Industrial Education Outside Director of Mitsui Fudosan Co., Ltd. Outside Corporate Auditor of JX Holdings, Inc. Outside Corporate Auditor of NSD Co., Ltd.</p>	0 shares

- Notes:
1. There are no conflicts of interest between the candidates and the Company.
 2. Hitoshi Nara, Satoru Kurosu, Takashi Nisijima, and Mitsudo Urano are new candidates.
 3. Yasuro Tanahashi, Nobuo Katsumata, and Mitsudo Urano are candidates to fill the outside director positions provided for in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.
 4. The Company appointed Yasuro Tanahashi and Nobuo Katsumata as independent officers pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock

Exchange, and they are registered as such at the said Exchange. Provided they are elected as proposed, they will continue their service for the Company as independent officers. Also, Mitsudo Urano meets the requirements of an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange. Provided he is elected as proposed, the Company plans to report him as its independent officer to the said Exchange.

5. Information pertaining to the candidates for outside directors is given below.

(1) Reasons for the appointment of the outside director candidates

- a. The appointment of Yasuro Tanahashi as an outside director is being requested so that he can contribute to the fair, objective, and transparent management of the Company based on wide knowledge gained as a manager in Japan's key industries and a broad outlook from abundant experience in establishing and developing new businesses.
- b. The appointment of Nobuo Katsumata as an outside director is being requested so that he can contribute to the fair, objective, and transparent management of the Company the wide knowledge he has acquired at general trading companies that do business globally and his broad outlook based on abundant experience in business restructuring.
- c. The appointment of Mitsudo Urano as an outside director is being requested so that he can contribute to the fair, objective, and transparent management of the Company based on his wide knowledge and abundant managerial experience.

(2) Number of years since appointment as an outside director

- a. Yasuro Tanahashi will have served as an outside director for a period of four years as of the conclusion of this General Meeting of Shareholders.
- b. Nobuo Katsumata will have served as an outside director for a period of two year as of the conclusion of this General Meeting of Shareholders.
- c. Appointment of Mitsudo Urano as a new outside director is being proposed at this General Meeting of Shareholders.

(3) Liability limitation agreement with outside directors

The Company has entered into liability limitation agreements with each of the outside directors, namely Yasuro Tanahashi and Nobuo Katsumata; upon approval of their reappointment, the Company will continue the agreement with them.

Upon appointment of Mitsudo Urano as proposed, the Company will enter into a liability limitation agreement with him.

The overview of the agreement is as follows:

Under Article 427, Paragraph 1 of the Companies Act, the Company shall enter into an agreement with its outside directors, which limits their liability provided for in Article 423, Paragraph 1 to the higher of either 15 million yen or the amount stipulated in the Act.

Item 3: Renewal of Countermeasures to Large-scale Acquisition of Yokogawa Electric Shares (Takeover Defense Measures)

As approved at the 133rd ordinary general meeting of shareholders held on June 29, 2009, the Company introduced countermeasures to the large-scale acquisition of Company shares (the “Plan”). The Plan will expire at the conclusion of the Annual General Meeting of Shareholders. The Board of Directors resolved at its meeting held on May 13, 2011, to introduce once again the basic policy regarding the control of companies as provided in Item 3 of Article 118 of the Enforcement Regulations of the Companies Act and to partially revise and continue the countermeasures (henceforth the original countermeasures are referred to as the “Former Plan” and the revised countermeasures are referred to as the “Plan”), subject to the approval of the shareholders at the 135th Shareholders Meeting.

Accordingly the Company proposes to obtain the shareholder’s approval to introduce the Plan.

I. Reason for Proposal

1. Basic Policy Regarding Control over the Company

While acknowledging the fact that we are a public company and our shares are freely traded, the Company believes that a decision on whether to allow a party to carry out a large-scale acquisition of its shares should ultimately be left to its shareholders. In the event of a large-scale acquisition of the Company shares, we will not categorically rule out the acquisition if it improves the corporate value of the Company or if it is in the common interests of the shareholders.

However, there are a number of situations when a large-scale takeover attempt would not contribute to the corporate value of the Company or the common interests of the shareholders, such as when (i) sufficient time and information are not provided for the Company or its shareholders to consider the proposal or an alternative proposal regarding the acquisition, (ii) the purpose of the share acquisition and the administrative policy to be followed after the acquisition are likely to harm the corporate value and the common interests of the Company’s shareholders, (iii) shareholders are effectively forced to sell their shares, and (iv) the acquisition terms are considered insufficient or inappropriate in light of the corporate value and the common interests of the Company’s shareholders.

The Company believes that any party attempting a large-scale acquisition in the above manner would not be suitable for making decisions about the Company’s financial and business policies.

Based on the above, when a party attempts a large-scale acquisition, it is important to have procedures in place that will secure sufficient time for the Company’s shareholders to review the party’s acquisition terms, consider the administrative and business policies that are likely to be followed after the acquisition, consult the opinions of the Board of Directors, and evaluate alternatives to the acquisition.

2. Measures to Realize the Basic Policy Regarding Control over the Company

(i) Corporate Philosophy and Long-term Corporate Strategy

The Yokogawa Group sets forth the following corporate philosophy: “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 Yokogawa Group will help to protect the environment and achieve a sustainable society through sound and profitable management that allows it to steadfastly pursue its business activities and maximize its corporate value, and by taking the customer perspective to provide solutions and services that add value.

(ii) Strengthening of Corporate Governance

The fundamental mission for the management of the Yokogawa Group is to ensure sound and continuous development and to fulfill the social expectations of its stakeholders, especially shareholders. It strives to reinforce its corporate governance as an important means for realizing sound and profitable management.

The Company’s Board of Directors aims for transparent and prompt decision making through discussions between directors with an intimate knowledge of the Yokogawa Group’s businesses and highly independent outside directors. In addition, the Yokogawa Group strictly supervises and verifies the legality and efficiency of the directors’ performance of their duties and the

appropriateness of the decision making process, and seeks to improve its operations through audits conducted by the corporate auditors, including outside corporate auditors.

The Yokogawa Group enacted its the *Standards of Business Conduct for the Yokogawa Group*, which are a basic set of compliance guidelines, and the directors actively promote and observe corporate ethics. The Yokogawa Group has also established an internal control system to ensure the credibility of its financial reporting and the appropriateness of its decision making. This internal control system was established to ensure the proper and efficient operation of the Yokogawa Group.

Moreover, in order to encourage thorough compliance, a department conducts internal audits in accordance with an annual plan and reports material matters to the Board of Directors and the corporate auditors.

3. Purpose of Introducing the Plan

The Company believes that it is essential for both the party attempting a large-scale acquisition and the Board of Directors to provide the Company's shareholders with sufficient information necessary to make an appropriate judgment of the advantages and disadvantages of the acquisition. In particular, when a large-scale acquisition is attempted, it is important to (i) request the party attempting the acquisition to provide sufficient information necessary for making an appropriate decision about its effects on the corporate value and the common interests of the Company's shareholders, (ii) provide the Company's shareholders with information such as the opinions of the Board of Directors and an analysis of alternatives to the acquisition in order to guide the decision making of the Company's shareholders, and (iii) prepare for processes such as negotiations with the party attempting the acquisition. The Plan will be introduced to protect against large-scale acquisitions that do not comply with these processes.

II. Details of Proposal

(1) Procedures for Introduction of the Plan

In light of the importance of the introduction of the Plan, the Company considered it appropriate to again broadly reflect the intent of the shareholders. Therefore, the Company requests shareholders to discuss and approve the introduction of the Plan at the 135th Shareholders Meeting. The introduction of the Plan is subject to this proposal receiving a majority of the votes cast by the shareholders attending the 135th Shareholders Meeting.

(2) Plan Details

(A) Targeted acquisitions

The Plan targets any acquisition of the Company's shares or a similar action or proposal (Note 1) that falls under (i) or (ii) below (the "Acquisition"). The Plan sets out procedures for conducting negotiations and relevant actions with the party effecting or proposing the Acquisition (the "Acquirer"). While securing sufficient time to gather information and give the Acquisition full consideration, the procedures would include presentations to the shareholders by the Company's Board of Directors on alternative schemes and counterproposals as well as requests for the Acquirer to provide information on itself and the Acquisition. The Acquirer must comply with the Plan.

Targeted Acquisitions

- (i) An Acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariiai*) (Note 2) of a holder (*hoyuusha*) (Note3) amounting to 20% or more of the share certificates, etc. (*kabuken tou*) (Note 4) issued by the Company; or
- (ii) A tender offer (*koukai kaitosuke*) (Note 5) that would result in the ownership ratio of share certificates, etc. (*kabuken tou shoyuu wariiai*) (Note 6) of share certificates, etc. (*kabuken tou*) (Note 7) relating to the tender offer and the owning ratio of share certificates, etc. of a person having a special relationship (*tokubetsu kankei-sha*) (Note 8) totaling at least 20% of the share certificates, etc. issued by the Company.

(B) Request to the Acquirer for provision of information

With the exception of Acquisitions that have been determined by the Company's Board of Directors to be amicable Acquisitions, the Company will promptly send any Acquirer conducting an Acquisition described above in II.2(A) a document that includes an undertaking written in Japanese

and in the form prescribed by the Company to the effect that the Acquirer pledges upon the Acquisition to comply with the procedures established in the Plan (the “Acquisition Statement”) and an inquiry about information prepared in the form prescribed by the Company and in Japanese that is necessary to review the details of the acquisition by the Acquirer as described in each item of the list below (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 no later than 10 business days after the Acquirer has received the materials sent by the Company before effecting the Acquisition. The Company’s Board of Directors will promptly send the materials to the Independent Committee after receiving them.

If the Independent Committee evaluates that the Acquisition Statement and the Essential Information provided by the Acquirer are insufficient to review the details of the Acquisition, the Independent Committee may set a response deadline that is up to 60 days following the initial receipt of the Acquisition Statement (the “Information Provision Period”), and request by itself or through the Company’s Board of Directors that the Acquirer provide additional Essential Information that is sufficient for the Independent Committee to review the materials. The Acquirer must comply with the request. On the date on which the Information Provision Period is to expire, if the Independent Committee still deems that the provided information is insufficient for reviewing the details of the acquisition, it may extend the Information Provision Period by up to 30 days.

In its requests for the Acquirer to provide information, the Independent Committee may choose to set a reply period each time.

Even if the Independent Committee deems the Acquisition Statement or the Essential Information to be insufficient for reviewing the details of the Acquisition, it will issue no further requests for the Acquirer to provide additional information after the Information Provision Period (including any extension) has expired.

If the Information Provision Period (and any extension) has not expired and the Independent Committee deems that the Acquisition Statement and the Essential Information provided by the Acquirer are sufficient for reviewing the details of the Acquisition, or if the Information Provision Period has expired, it will issue a notice informing the Acquirer that information provision has been completed (the “Completion Notice”). The Company will promptly notify its shareholders that the Completion Notice has been delivered to the Acquirer.

Essential Information

- (i) Details (including the name, capital composition, financial condition, operation results, details of any past violations of laws, and terms of any previous transactions by the Acquirer that are similar to the Acquisition) of the Acquirer and its group (including joint holders (Note 9), persons with a special relationship, and persons having a special relationship with a person in relation to whom the Acquirer is a controlled corporation (Note 10)) (Note 11).
- (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 therefore).
- (iv) Financial support for the Acquisition (including the specific names, 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, dividend, and asset management policies for the Yokogawa Group.
- (vi) Post-Acquisition policies dealing with the Company’s shareholders, employees, business partners, clients, and other interested parties in the Company.

- (vii) Specific measures to avoid conflicts of interest with other shareholders of the Company.
- (viii) Any other information that the Company's Board of Directors or the Independent Committee considers reasonably necessary.

(C) Independent Committee consideration after delivery of Completion Notice

- (i) Request to the Company's Board of Directors for provision of information
After delivering the Completion Notice, the Independent Committee sets an appropriate reply period (up to 60 days after the delivery of the Completion Notice to the Acquirer) and requests that the Company's Board of Directors present an opinion on the Acquirer's terms and supporting materials for the opinion, an alternative proposal, 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 of Acquisition terms
Upon receiving the information from the Acquirer and the Company's Board of Directors, the Independent Committee will 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, compare them, and consider any alternative proposal presented by the Company's Board of Directors for a maximum period of 60 days from such receipt (the "Independent Committee Consideration Period").

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 that an Acquirer has emerged, the Acquirer has submitted an Acquisition Statement, the Independent Committee Consideration Period has commenced, the Company's Board of Directors has presented an alternative proposal to the Independent Committee, or any other details from the Essential Information or other information that is considered appropriate by the Independent Committee.

(D) Independent Committee methods for judgment

If an Acquirer emerges, the Independent Committee will take the following steps to make a recommendation to the Company's Board of Directors.

- (i) The Independent Committee recommends triggering the Plan
If the Independent Committee determines that the Acquisition by the Acquirer meets the requirement set out in (a) below (requirements are collectively referred to as "Triggering Requirements"), or as a result of the consideration of the Acquisition terms, the Acquisition by the Acquirer meets any of the Triggering Requirements (b) through (d) and that the implementation of the gratis allotment of stock acquisition rights (the fundamental details of which are described in II.(3) "Outline of the Gratis Allotment of Stock Acquisition Rights" and referred to as "Stock Acquisition Rights") in accordance with the Plan is reasonable, the Independent Committee will recommend the implementation of the gratis allotment of Stock Acquisition Rights to the Company's Board of Directors.
Even if the Acquisition by the Acquirer meets any of the Triggering Requirements (b) through (d) and the implementation of the gratis allotment of stock acquisition rights in accordance with the Plan is reasonable, if the Independent Committee deems it reasonable to obtain approval at a shareholders meeting, it may recommend implementation of the gratis allotment of Stock Acquisition Rights subject to obtaining approval at the shareholders meeting in advance.

Moreover, even after the Independent Committee has already made a recommendation for the implementation of the gratis allotment of Stock Acquisition Rights, if the Independent Committee determines that either of the events below applies, it may make a new

recommendation by the day immediately before the Exercise Period Commencement Date (defined below in (F) of II.(3); the same applies hereinafter) 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 for no compensation.

- (1) The Acquirer withdraws the Acquisition or otherwise the Acquisition is terminated after the recommendation.
- (2) 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 Triggering Requirements set out 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 Triggering Requirements below.

Triggering Requirements

- (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 share certificates, etc. such as coercive two-tiered tender offers (acquisitions of share certificates, etc. including tender offers that do not offer to acquire all share certificates, etc. in the initial acquisition, and set unfavorable or unclear acquisition terms for the second stage).
 - (d) Acquisitions whose terms (including the amount and type of compensation, the legality of the Acquisition schedule and method, the probability of the Acquisition being effected, management policy and business plan) are inadequate or inappropriate in light of the Company's corporate value in the mid- to long-term.
- (ii) The Independent Committee recommends 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 Triggering Requirements set out in II.(2)(D)(i), 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 Triggering Requirements set out in II.(2)(D)(i) (b) through (d), the Independent Committee will recommend the non-implementation of the gratis allotment of Stock Acquisition Rights to the Company's Board of Directors.

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 II.(2)(D)(i) are subsequently satisfied and the Independent Committee determines that the implementation of the gratis allotment of Stock Acquisition Rights is reasonable, 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) Information Disclosure

If the Independent Committee passes a resolution set out in (i) or (ii) above, or in any other case the Independent Committee considers appropriate, the Company will promptly disclose information on the outline of the resolution and from time to time other matters that the Independent Committee considers appropriate.

(E) Resolutions of the Board of Directors

The Company's Board of Directors, in exercising their role under the Companies Act, will pass a resolution relating to the implementation or non-implementation of a gratis allotment of Stock Acquisition Rights, giving maximum consideration to any recommendation of the Independent Committee described above.

If the Independent Committee recommends the implementation of a gratis allotment of Stock Acquisition Rights subject to prior approval at a general meeting of shareholders, the Company's Board of Directors will convene the shareholders meeting as soon as practicable, unless it is practically difficult to do so, and propose the implementation of a gratis allotment of Stock Acquisition Rights. In accordance with a resolution at the shareholders meeting, the Company's Board of Directors will pass a resolution relating to the implementation or non-implementation of a gratis allotment of Stock Acquisition Rights.

The Acquirer shall not implement an Acquisition until the Company's Board of Directors passes a resolution for the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights. (If the shareholders meeting is held as described above, an Acquisition must not be implemented until the Company's Board of Directors resolves implementation or non-implementation of gratis allotment of Stock Acquisition Rights at its meeting held after the shareholders meeting resolves to implement or not to implement the gratis allotment of Stock Acquisition Rights.)

After the resolution regarding the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights, the Company's Board of Directors will promptly disclose the summary of the resolution and other information that the Company's Board of Directors deems appropriate.

The Company's Board of Directors may negotiate with the Acquirer if necessary. Even after the implementation of the gratis allotment of Stock Acquisition Rights is resolved, the Company's Board of Directors may (before the gratis allotment has taken effect) suspend the gratis allotment of Stock Acquisition Rights or (after the gratis allotment has taken effect) acquire the Stock Acquisition Rights for no consideration until the day immediately before the Exercise Period Commencement Date in case of either (1) or (2) of II.(2)(D) above.

(3) 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 "Terms and Conditions of the Gratis Allotment of Stock Acquisition Rights" for details on the gratis allotment 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 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 recorded in the Company's final register of shareholders (the "Applicable Shareholders") on the Allotment Date, at a ratio of one Stock Acquisition Right for each 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

One share will be acquired upon exercise of each Stock Acquisition Right (the "Applicable Number of Shares").

(E) Amount of assets to be contributed upon exercise of Stock Acquisition Rights

Contributions upon exercise of the Stock Acquisition Rights will 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 for one share of the Company. The "fair market value" is equivalent to the average daily closing price for regular transactions in the Company's 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. Any fraction of a yen will be rounded up to the nearest whole yen.

(F) Exercise period of Stock Acquisition Rights

The exercise period for Stock Acquisition Rights will commence on the effective date of the gratis allotment of Stock Acquisition Rights (or the date separately determined by the Company's Board of Directors in the Gratis Allotment Resolution as an alternative to that date) (the commencement date of this exercise period will be referred to as the "Exercise Period Commencement Date"), and the period will be a period of one to three months as separately determined 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 (the parties falling under (I) through (VI) below will collectively be referred to as "Non-qualified Parties"):

(I) Specified Large Holders; (Note 12)

(II) Joint Holders of Specified Large Holders;

(III) Specific Large Acquirers; (Note 13)

(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 (Note 14) 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 Stock Acquisition Rights by the Company in exchange for shares of the Company as set out in ii of Paragraph (i) below on the condition that those foreign laws and ordinances are followed). In addition, anyone who fails to submit a written undertaking, in the form prescribed by the Company and containing representations and warranties regarding matters such as the fact that he or she satisfies the exercise conditions of the Stock Acquisition Rights, indemnity clauses and other covenants, may not exercise the Stock Acquisition Rights. Please refer to Attachment 1 "Terms and Conditions of the Gratis Allotment of Stock Acquisition Rights" for details of these conditions.

(H) Restricted 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 separately by the Company's Board of Directors, acquire all of the Stock Acquisition Rights for no 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 the date determined by the Company's Board of Directors, that are held by parties other than Non-qualified Parties and, in exchange, deliver one share in the Company for each Stock Acquisition Right.

Further, if, 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 Non-qualified Parties, 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 one share in the Company for each Stock Acquisition Right. The same will apply thereafter.

(4) Effective Period of the Plan

The Plan takes legal effect once the shareholders approve its proposed introduction at the 135th Shareholders Meeting. The Plan will remain in effect until the conclusion of the ordinary general meeting of shareholders for the fiscal year ending March 2014 (the "Effective Period").

(5) Abolition and Amendment of the Plan

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

Further, 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 Companies Act, Financial Instruments and Exchange Law, and other laws and ordinances or stock exchange rules, or changes in the interpretation or application of those laws, or amendments to taxation or judicial precedents.

If the Plan is abolished or amended, the Company will promptly disclose facts including the facts of such abolition or amendment taking place, and (in the event of an amendment) the details of the amendment.

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- Note 1: "Proposal" includes solicitation of a third party to respond to an Acquisition.
- Note 2: Defined in Article 27-23(4) of the Financial Instruments and Exchange Law. This definition is applied throughout this document.
- Note 3: Including persons described as a holder under Article 27-23(3) of the Financial Instruments and Exchange Law (including persons considered by the Company's Board of Directors to fall under this provision). This definition is applied throughout this document.
- Note 4: Defined in Article 27-23(1) of the Financial Instruments and Exchange Law. The same is applied unless otherwise provided for in this document.
- Note 5: Defined in Article 27-2(6) of the Financial Instruments and Exchange Law. The same is applied throughout this document.
- Note 6: Defined in Article 27-2(8) of the Financial Instruments and Exchange Law. The same is applied throughout this document.
- Note 7: Defined in Article 27-2(1) of the Financial Instruments and Exchange Law. The same is applied in II.(2) (A)(ii).
- Note 8: Defined in Article 27-2(7) of the Financial Instruments and Exchange Law (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 Financial Instruments and Exchange Law. The same is applied throughout this document.
- Note 9: "Joint holder" means a joint holder as defined in Article 27-23(5) of the Financial Instruments and Exchange Law, including any party who is deemed to be a joint holder in accordance with Article 27-23(6) of the Financial Instruments and Exchange Law (including any party who is deemed to be a joint holder by the Company's Board of Directors). The same is applied throughout this document.

- Note 10: Defined in Article 9(5) of Enforcement Regulations for the Financial Instruments and Exchange Law.
- Note 11: If an Acquirer is a fund, information relating to the matters described in (i) about each partner and other constituent members is required.
- Note 12: “Specified Large Holder” means, in principle, a party who is a holder of share certificates, etc., issued by the Company and whose holding ratio of share certificates, etc. in respect of such share certificates, etc. is at least 20% (including any party who is deemed to be a specified large holder by the Company’s Board of Directors); provided, however, that a party that the Company’s Board of Directors recognizes as a party whose acquisition or holding of share certificates, etc., of the Company is not contrary to the Company’s corporate value or the common interests of shareholders or a certain other party that the Board of Directors determines in the Gratis Allotment Resolution is not a Specified Large Holder. The same is applied throughout this document.
- Note 13: “Specified Large Acquirer” means, in principle, a person who makes a public announcement of acquisition, etc., (as defined in Article 27-2(1) of the Financial Instruments and Exchange Law; the same is applied throughout this Note 14) of share certificates, etc., (as defined in Article 27-2(1) of the Financial Instruments and Exchange Law; the same is applied throughout this Note 14) issued by the Company through a tender offer and whose ratio of ownership of share certificates, etc., in respect of such share certificates, etc., owned by such person after such acquisition, etc., (including similar ownership as prescribed in Article 7(1) of the Enforcement Regulations of the Financial Instruments and Exchange Law) is at least 20% when combined with the ratio of ownership of share certificates, etc., of a Person having a Special Relationship (including any party who is deemed to be a specified large acquirer by the Company’s Board of Directors); provided, however, that a party that the Company’s Board of Directors recognizes as a party whose acquisition or holding of share certificates, etc., of the Company is not contrary to the Company’s corporate value or the common interests of shareholders or a certain other party that the Company’s Board of Directors determines in the Gratis Allotment Resolution is not a Specified Large Acquirer. The same is applied throughout this document.
- Note 14: An “Affiliated Party” of a given party means a party who substantially controls, is controlled by, or is under common control with such given party (including any party who is deemed to be an affiliated party 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 the determination of the financial and business policies” of another company or the like (as defined in Article 3(3) of the Enforcement Regulations of the Companies Act).
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(Reference)

The specifics of the Plan are set out above in II.(2), “Plan Details.” It differs from the Former Plan in several respects, each of which is summarized below. The impact of the Plan on shareholders and other investors is also described below. The Company regards the Plan to be reasonable and asks the shareholders to give their approval of Item 3 after considering these factors.

1. Revisions to the Former Plan

(1) Review of the Effective Period

The effective period will be changed from two years to three years, mainly because nearly all the provisions of the Plan have been finalized and are well accepted by investors, and because the Plan may at any rate be abolished even during the effective period by resolution of the Board of Directors or the shareholder’s general meeting.

(2) Strengthening of the Independent Committee

Under the Plan, the Company will once again establish an independent committee as an organization that will eliminate arbitrary decisions by the directors and objectively carry out effective decisions on whether to trigger the Plan. Under the Former Plan, the Independent Committee consisted of three outside directors and three outside experts. Under the Plan, Tomomi Yano, a former Senior

Managing Director of the Pension Fund Association, will be invited as a new outside expert. As a result, the Independent Committee will consist of three outside directors and four outside experts, and it is expected that this will further enhance the objectivity of its decision making. (See attachment 3 for the names and career summaries of the members of the Independent Committee.)

2. Rationale of the Plan

(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.

(2) Respecting Shareholders' Intent (Sunset Clause)

As mentioned in II.(1) "Procedures for Introduction of the Plan," the Plan will take effect provided it is approved by the shareholders at the 135th Shareholders Meeting, for which the Effective Period will be the period of three years until the conclusion of the ordinary general meeting of shareholders for the fiscal year ending March 2014, as mentioned in II.(4) "Effective Period of the Plan." In addition, if a resolution to abolish the Plan is made at the Company's general shareholders' meeting, the Plan will be abolished before the expiration of its term, as mentioned in II.(5) "Abolition and Amendment of the Plan." In this regard, the continuance of the Plan depends on the intent of the Company's shareholders.

(3) Disclosure of Information and Emphasis on the Decisions of Independent Parties

The Company has established 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, non-triggering, or other operation of the Plan. The members of the Independent Committee will be appointed from the Company's outside directors, outside corporate 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 II.(2) "Plan Details" and in accordance with the Rules of the Independent Committee under the Plan, 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 Companies Act of Japan. Please refer to Attachment 2 "Outline of the Rules of the Independent Committee."

In this way, the Independent Committee will strictly monitor any arbitrary triggering of the Plan 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.

(4) Establishment of Reasonable, Objective Requirements

As set out above in II.(2)(D) "Independent Committee methods for judgment," 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.

(5) Term of office for directors being one year

As the term of office for the directors of the Company is one year, the Company's shareholders may reflect their intent regarding the Plan during the Effective Period through electing new directors.

(6) Obtaining the Advice of Third-party Experts

As mentioned above in II.(2)(C) "Independent Committee consideration after delivery of Completion Notice," if an Acquirer emerges, the Independent Committee may obtain advice from independent third parties (including 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.

(7) No Dead-hand or Slow-hand Takeover Defense Measures

As stated in II.(5) “Abolition and Amendment of the Plan,” the Plan is designed in a way so that it may be abolished at any time at a meeting of the Board of Directors comprised of persons appointed at a general meeting of shareholders of the Company. The Plan may also be abolished by the Board of Directors comprised of directors appointed under a 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).

3. Impact on Shareholders and Other Investors

(1) Impact on Shareholders and Investors at the Time of Introducing the Plan

At the time of introducing 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.

(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 in the Gratis Allotment Resolution, at a ratio of one Stock Acquisition Right for one share at no cost. If 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 3.(4) during the exercise period, its own holding of Company shares will be diluted by execution of Stock Acquisition Rights held by other shareholders.

However, the possibility exists that the Company will, in accordance with a decision of the Company’s Board of Directors, acquire the Stock Acquisition Rights of all shareholders other than Non-qualified Parties and, in exchange, deliver shares in the Company, in accordance with the procedures set out in (c) of 3.(4) below. If the Company carries out such acquisition procedures, all shareholders other than Non-qualified Parties will come to receive shares in the Company without being required to exercise 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.

(3) Impact of Canceling the Gratis Allotment of Stock Acquisition Rights

After it is decided which shareholders are to receive a gratis allotment of Stock Acquisition Rights, if the Company cancels the gratis allotment or acquires without compensation those Stock Acquisition Rights that had been allotted, no dilution of stock value will occur, and investors who made transactions on the assumption of dilution may suffer losses due to fluctuation in the stock price.

(4) Necessary Procedures for Shareholders upon the Gratis Allotment of Stock Acquisition Rights

(a) Necessary procedures on Allotment Date

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. The Company will make a gratis allotment of Stock Acquisition Rights to the Applicable Shareholders. Furthermore, all Applicable Shareholders will become holders of Stock Acquisition Rights as a matter of course on the effective date of the gratis allotment of Stock Acquisition Rights. The Applicable Shareholders are not required to carry out any procedures such as submitting an application.

(b) Procedures for Exercising Stock Acquisition Rights

On the Allotment Date, 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 other documents necessary for the exercise of the Stock Acquisition Rights to the Applicable Shareholders. After the gratis allotment of Stock Acquisition Rights, the shareholders will be issued one share in the Company per each 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 one share in the Company per each 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 determined by the Company's Board of Directors. The Company shall promptly deliver shares in the Company to shareholders in exchange for Stock Acquisition Rights. Furthermore, in this 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 Non-qualified Parties, indemnity clauses, and other pledges.

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Terms and Conditions of the Gratis Allotment of Stock Acquisition Rights

I. Determination on Gratis Allotment of Stock Acquisition Rights

1. Terms and number of Stock Acquisition Rights

The terms of the stock acquisition rights that the Company will allot to shareholders (the “Stock Acquisition Rights”) are set out in Section II below, and the number of Stock Acquisition Rights will be equivalent to the final total of issued shares in the Company (excluding the number of shares in the Company held by the Company at that time) on a date to be determined by the Company’s Board of Directors (the “Allotment Date”) in a resolution on 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 recorded in the Company’s final register of shareholders on the Allotment Date, at a ratio of one Stock Acquisition Right for each share that is held 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

One share in the Company will be acquired per each Stock Acquisition Right (the “Applicable Number of Shares”).

2. Amount of assets to be contributed upon exercise of Stock Acquisition Rights

(1) Contributions upon exercise of the Stock Acquisition Rights will 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 determined by the Company’s Board of Directors in the Gratis Allotment Resolution, and will be within the range of a minimum of one yen and a maximum of 50% of the fair market value for one share of the Company. The “fair market value” is equivalent to the average daily closing price for regular transactions in the Company’s common stock that are 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. Any fraction of a yen will be rounded up to the nearest whole yen.

3. Exercise period of Stock Acquisition Rights

The commencement date will be the effective date of the gratis allotment of Stock Acquisition Rights (or another date as the Company’s Board of Directors may determine in the Gratis Allotment Resolution), 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 Item 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 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 (the parties falling under (i) through (vi) below will collectively be referred to as “Non-qualified Parties”):

- (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 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 Financial Instruments and Exchange Law) of share certificates, etc. (as defined in Article 27-23(1) of the Financial Instruments and Exchange Law; 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 Financial Instruments and Exchange Law) 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); provided, however, that if the party is recognized by the Company's Board of Directors as a party whose acquisition or holding of share certificates, etc., of the Company is not contrary to the Company's corporate value or the common interests of shareholders, or is a certain other party that the Board of Directors determines in the Gratis Allotment Resolution is not a Specified Large Holder, it shall not be regarded as a Specified Large Holder.
- (b) "Joint Holder" means a joint holder as defined in Article 27-23(5) of the Financial Instruments and Exchange Law, including any party who is deemed to be a joint holder in accordance with Article 27-23(6) of the Financial Instruments and Exchange Law (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 Financial Instruments and Exchange Law; the same applies hereinafter) of share certificates, etc. (as defined in Article 27-2(1) of the Financial Instruments and Exchange Law; the same applies throughout this paragraph (c)) issued by the Company through a tender offer (as defined in Article 27-2(6) of the Financial Instruments and Exchange Law) and whose ratio of ownership of share certificates, etc. (as defined in Article 27-2(8) of the Financial Instruments and Exchange Law; 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 Enforcement Regulations of the Financial Instruments and Exchange Law) is at least 20% when combined with the ratio of ownership of share certificates, etc. of a Person having a Special Relationship (including any party who is deemed to be a specified large acquirer by the Company's Board of Directors); provided, however, that if the party is recognized by the Company's Board of Directors as a party whose acquisition or holding of share certificates, etc., of the Company is not contrary to the Company's corporate value or the common interests of shareholders, or is a certain other party that the Company's Board of Directors determines in the Gratis Allotment Resolution is not a Specific Large Acquirer, it shall not be regarded as a Specific Large Acquirer.
- (d) "Person having a Special Relationship" is defined in Article 27-2(7) of the Financial Instruments and Exchange Law (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 Financial Instruments and Exchange Law.
- (e) An "Affiliated Party" of any given party means a party who substantially controls, is controlled by, or is under common control with such given party (including any party who is deemed to be an affiliated party 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(3) of the Enforcement Regulations of the Companies Act).
- (2) Notwithstanding (1) above, parties that fall under (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, but 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 within 10 days after falling under the category of Specified Large Holder set forth in (1)(i) above (provided, however, that the 10 day period can 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 Non-qualified Parties is not contrary to the Company's corporate value or the common interests of shareholders. Further, 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. However, the Company bears 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 Prohibition 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 the 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 shall the Company 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 laws 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 Non-qualified Parties, nor is a party that has any intention to exercise the Stock Acquisition Rights on behalf of Non-qualified Parties, and the fact 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 Item 4, the Company will 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 will be equal to the aggregate of the amount of assets to be contributed upon exercise of the Stock Acquisition Rights, and the capital reserve will 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 Item 4(3) and 4(4) above (excluding Non-qualified Parties), then the Company's Board of Directors shall determine whether to give the approval described in (1) above considering the following matters:

- (a) whether 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) has been 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 it is clear that the transferor and transferee are not Non-qualified Parties;

- (c) whether 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 it is clear that the transferee does not intend to accept the Stock Acquisition Rights for Non-qualified Parties.

7. Acquisition of Stock Acquisition Rights by the Company

- (1) At any time 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 the Stock Acquisition Rights for no 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 the date specified by the Company's Board of Directors and which are held by parties other than Non-qualified Parties. In exchange, the Company may deliver one share of the Company for each Stock Acquisition Right.

Further, if, after the date upon which the acquisition takes place, the Company's Board of Directors recognizes the existence of a party other than Non-qualified Parties 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 date determined by the Board of Directors (if any) and, in exchange, the Company may deliver one share of the Company for each 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

In the case of a merger, corporate division, share exchange, or share transfer, the Company's Board of Directors will determine the delivery of the Stock Acquisition Rights and the conditions thereof 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 effective as of May 13, 2011. If the interpretation of the provisions or terms as set forth in each item above requires revision due to the enactment, amendment or abolishment of laws and ordinances on or after May 13, 2011, the Company's Board of Directors may do so to a reasonable extent and as appropriate, taking into consideration the purposes of such enactment, amendment, or abolishment.

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Outline of the Rules of the Independent Committee

1. The Independent Committee will be established by resolution of the Company's Board of Directors.
2. The number of members of the Independent Committee will be no less than three and no more than seven.
3. The Company's Board of Directors will elect the members of the Independent Committee from (i) outside directors of the Company, (ii) outside corporate auditors of the Company, and (iii) other experts.
4. The outside experts must be experienced corporate managers, parties with knowledge of the investment banking industry, lawyers, certified public accountants, researchers whose research focuses on the Companies Act of Japan or the like, or parties of similar qualifications.
5. The outside experts must have executed an agreement with the Company as specified by the Company's Board of Directors and containing a provision obligating them to act with the care of a good manager and other necessary provisions.
6. The term of office of members of the Independent Committee will be until the conclusion of the ordinary general meeting of shareholders for the fiscal year ending March 2014.
7. The Independent Committee will 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 decision. 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 an organization under the Companies Act of Japan. However, if a general meeting of shareholders is convened pursuant to the Independent Committee's recommendations, the Company's Board of Directors shall follow the resolutions approved at that general meeting of shareholders. Each member of the Independent Committee and each director of the Company must make such decisions with a view to whether 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 acquisition of Stock Acquisition Rights for no compensation.
 - (c) 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 carry out the following:

- (a) Subject to the Plan, determine whether it is appropriate for an Acquisition to be made
 - (b) Determine what information 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) Examine and consider the terms of the Acquirer's Acquisition, and gather and evaluate information on the business plans of the Acquirer and the Company's Board of Directors
 - (d) Request and consider alternative proposals from the Company's Board of Directors
 - (e) Determine whether to obtain the consent of the general meeting of shareholders for the implementation of the gratis allotment of Stock Acquisition Rights
 - (f) Any other items prescribed in the Plan
 - (g) Any other items that the Company's Board of Directors determines may be carried out by the Independent Committee
8. Except when Acquisitions are determined by the Company's Board of Directors to be amicable, the Company will promptly send any Acquirer materials requesting the provision of an Acquisition Statement and Essential Information in the form prescribed by the Company. 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 no later than 10 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 the Acquisition Statement and the Essential Information to the Independent Committee promptly after receiving them. If the Independent Committee decides that the Acquisition Statement and the Essential Information so provided are insufficient as information essential to consider the terms of the Acquisition, it shall request that the Acquirer submit additional information. Further, the Independent Committee may, after delivering the Completion Notice, 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, and any other information that the Independent Committee considers necessary from time to time. The Independent Committee will consider the terms of the Acquirer's Acquisition, gather information on and evaluate the business plans of the Acquirer and the Company's Board of Directors, and consider any alternative proposal from the Company's Board of Directors within a set period of time after receiving the information from the Acquirer and the Company's Board of Directors.

9. In order to collect the necessary information, the Independent Committee may request the attendance of a director, corporate auditor or employee of the Company, or any other person that the Independent Committee considers necessary, and may 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 a meeting is deemed reasonably necessary.
12. Resolutions of the Independent Committee will pass with a majority of the votes cast when a majority of the members of the Independent Committee are in attendance.

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Names and Career Summaries of Members of the Independent Committee

Coinciding with the introduction of the Plan, the following seven candidates are proposed for positions on the Independent Committee:

1. Yasuro Tanahashi

Born in 1941

Ex-Representative Director-Chairman of NS Solutions Corporation

[Career Summary]

- Apr. 1963 Joined Fuji Steel Co. (now Nippon Steel Corporation)
- 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. (now NS Solutions Corporation)
- Apr. 2003 Appointed Representative Director-Chairman of NS Solutions Corporation
- June 2004 Appointed Outside Director of Internet Initiative Japan Inc. (current position)
- June 2005 Appointed Outside Director of Murata Manufacturing Company, Ltd. (current position)
- June 2007 Appointed Senior Advisor to NS Solutions Corporation
- June 2007 Appointed Outside Director of Yokogawa Electric Corporation (current position)
- June 2010 Appointed Outside Director of SAN HOLDINGS, Inc (current position)

Yasuro Tanahashi is an incumbent outside director who satisfies the requirements for outside directors that are set out in Article 2.3 (7) of the Enforcement Regulations of the Companies Act. As such, he will be reappointed to this position providing he is reelected at the 135th Shareholders Meeting. He is registered at the Tokyo Stock Exchange as an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of said Exchange. If reelected as proposed, he will continue his service for the Company as an independent officer. He does not have any special interests in the Company.

2. Nobuo Katsumata

Born in 1942

Chairman, Member of the Board of Marubeni Corporation

[Career Summary]

- Apr. 1966 Joined Marubeni-Iida Co., Ltd. (now Marubeni Corporation)
- June 1996 Appointed Director of Marubeni Corporation
- Apr. 1999 Appointed Corporate Vice President of Marubeni Corporation
- Apr. 2001 Appointed Senior Vice President of Marubeni Corporation
- Apr. 2003 Appointed President and CEO of Marubeni Corporation
- Apr. 2008 Appointed Chairman of Marubeni Corporation (current position)
- Mar. 2009 Appointed Outside Director of Yokogawa Electric Corporation (current position)
- Mar. 2009 Appointed Outside Director of Sapporo Holdings Ltd. (current position)

Nobuo Katsumata is an incumbent outside director who satisfies the requirements for outside directors that are set out in Article 2.3 (7) of the Enforcement Regulations of the Companies Act. As such, he will be reappointed to this position providing he is reelected at the 135th Shareholders Meeting. He is registered at the Tokyo Stock Exchange as an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of said Exchange. If reelected as proposed, he will continue his service for the Company as an independent officer. He does not have any special interests in the Company.

3. Mitsudo Urano

Born in 1948

Representative Director and Chairman of Nichirei Corporation

[Career Summary]

- Apr. 1971 Joined Nippon Reizo Co. Ltd. (now Nichirei Corporation)
- Apr. 1997 Appointed General Manager, Strategic Planning Division
- June 1999 Appointed Director
- June 2001 Appointed Representative Director and President
- June 2007 Appointed Representative Director and Chairman (current position)
- June 2008 Appointed Outside Auditor of Nippon Mining Holdings, Inc. (now JX Holdings, Inc.) (current position)
- June 2009 Appointed Outside Director of Mitsui Fudosan Co., Ltd (current position)
- June 2009 Appointed Outside Auditor of Nippon System Development Co., Ltd. (now NSD Co., Ltd.) (current position)

Mitsudo Urano is a candidate for outside director who satisfies the requirements for outside directors that are set out in Article 2.3 (7) of the Enforcement Regulations of the Companies Act. Providing he is elected to this position at the 135th Shareholders Meeting, he will be registered at the Tokyo Stock Exchange as an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of said Exchange. He does not have any special interests in the Company.

4. Takaaki Wakasugi

Born in 1943

Professor of Finance, School of Business Administration, 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, University of Tokyo
- Apr. 2003 Appointed Chairman & CEO of Japan Corporate Governance Research Institute Inc. (current position)
- Apr. 2004 Appointed Professor of Finance, School of Business Administration, Tokyo Keizai University (current position)
- June 2004 Named Professor Emeritus, University of Tokyo
- June 2007 Appointed Outside Corporate Auditor of NTT DOCOMO Inc. (current position)
- June 2009 Appointed Outside Director of Nippon Suisan Kaisha, Ltd. (current position)

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

5. Naoto Nakamura

Born in 1960

Partner at Nakamura, Tsunoda and Matsumoto

[Career Summary]

- Oct. 1982 Passed bar examination
- Apr. 1985 Graduated from the Legal Training and Research Institute of Japan, Registered with the 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 (now Nakamura, Tsunoda & Matsumoto), Appointed Partner (current position)
- Mar. 2003 Appointed Outside Corporate Auditor of Asahi Breweries, Ltd. (current position)
- June 2006 Appointed Outside Corporate Auditor of Mitsui & Co., Ltd. (current position)

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

6. Tetsuo Kitagawa

Born in 1950

Professor at Graduate School of International Management Studies, Aoyama Gakuin University

[Career Summary]

- Apr. 1977 Joined IBM Japan, Ltd.
- Apr. 1981 Joined Nomura Research Institute Ltd. as Senior Researcher (sell-side analyst)
- June 1989 Joined JPMorgan Trust Bank Ltd. as Vice President of Investment Research Dept. (buy-side analyst)
- Nov. 1998 Appointed Examination Committee Member of The Securities Analysts Association of Japan (current position)
- Oct. 2000 Appointed Managing Director (Head of Research) of Meiji Dresdner Asset Management (now Meiji Yasuda Asset Management Company Ltd.)
- Sep. 2005 Appointed Professor at Graduate School of International Management Studies, Aoyama Gakuin University (current position)

Tetsuo Kitagawa does not have any special interests in the Company.

7. Tomomi Yano

Born in 1945

President of Japan CO-OP Insurance Consumers' Co-operative Federation

[Career Summary]

- Apr. 1969 Joined Ministry of Health and Welfare (now Ministry of Health, Labour and Welfare)
- Aug. 1981 Appointed General Manager of Planning and Promotion Dept., Federation of Employees' Pension Funds
- July 1992 Appointed Director, Planning Division Pharmaceutical Bureau
- Sept. 1994 Appointed Director, General Coordination Division Minister's Secretariat
- June 1995 Appointed Councilor for Pension, Minister's Secretariat
- July 1996 Appointed Director-General, Pension Bureau
- Feb. 2001 Appointed Senior Managing Director of Federation of Employees' Pension Funds (now Pension Fund Association)
- Aug. 2008 Appointed Director of Japanese Consumers' Co-operative Union
- Oct. 2008 Appointed President of Japan CO-OP Insurance Consumers' Co-operative Federation (current position)

Tomomi Yano does not have any special interests in the Company.

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Instructions for Internet Voting

I. Vote via the Internet

1. Conditions regarding Internet voting

If you choose to vote over the Internet, please note the following:

- 1) You may vote over the Internet only through a site specifically designated for this purpose by the Company (see URL below). When voting, you must provide both the code number and the password shown on the voting form.
- 2) The code number and password that have been assigned to you will be valid for this General Meeting only. A new code number and password will be issued for the next General Meeting.
- 3) If you duplicate your vote—i.e., if you vote your shares both by mail and over the Internet—we will consider the Internet vote to be the valid one.
- 4) If you vote more than once over the Internet, we will consider the final vote to be the valid one.
- 5) All costs of Internet voting (ISP connection charges, telecommunication fees, etc.) must be borne by shareholders.

2. Specific steps for Internet voting

- 1) Access our website at <https://www.it-soukai.com/>. On each day during the voting period, this site will not be accessible between the hours of 3 a.m. and 5 a.m. (Japan time).
- 2) Enter the code number and password, and click the Login button. Your voting code number and password are found in the upper right-hand corner of the voting form.
- 3) Vote your shares by following the prompts on the screen.

3. Computing environment

You will need a personal computer that meets the following requirements:

- Operating system: Windows®
You will not be able to access the voting site from a mobile phone, PDA, or game console.
- Browser: Internet Explorer, version 5.5 or higher
- Internet: access provided through a contract with an Internet service provider
- Screen resolution: greater than 1024 X 768 recommended

Microsoft Windows is a general or registered trademark of Microsoft Corporation in the U.S. and other countries.

4. Security

All voting information is securely protected by 128bit SSL encryption from tampering or eavesdropping, so shareholders should feel at ease about using the Internet for voting. The code number and password that have been provided on your voting form are important means of authenticating your identity as a shareholder. Please make sure that this information does not fall into the hands of other people. You will never receive a call from the Company inquiring about your password.

5. Inquiries

- 1) All inquiries regarding how to vote through the Internet by using PCs may be addressed to the following:
Stock Transfer Agency Dept., Mizuho Trust & Banking Co., Ltd.
Internet Help Phone Line: 0120-768-524 (toll free / for use by Japan residents)
(Between 9:00 a.m. and 9:00 p.m., Japan time, except Saturdays, Sundays, and holidays)
- 2) Other inquiries such as address change may be addressed to the following:
Stock Transfer Agency Dept., Mizuho Trust & Banking Co., Ltd.
Tel: 0120-288-324 (toll free / for use by Japan residents)
(Between 9:00 a.m. and 5:00 p.m., Japan time, except Saturdays, Sundays, and holidays)

II. Electronic Voting Platform

Regarding the exercise of voting rights at the Company's General Meeting of Shareholders, nominee shareholders such as trust and custody banks (including standing proxies) may, as an alternative to the Internet voting described above, use the electronic voting rights execution platform established by the Tokyo Stock Exchange and organized by the Investor Communications Japan (ICJ) Inc., provided that application for the use of this electronic voting platform is made in advance.