

The following is an English translation prepared for the convenience of shareholders and investors. The official text in 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 5, 2009

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

Notice of 2009 Annual General Meeting of Shareholders

Dear Shareholder:

You are cordially invited to attend the 2009 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. Date & Time: 10:00 a.m. (Japan time), Monday, June 29, 2009

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 2008 (April 1, 2008 to March 31, 2009)
- 2: Non-consolidated Financial Statements for fiscal year 2008 (April 1, 2008 to March 31, 2009)

Items to be resolved

Item 1: Dividends from Surplus for Fiscal Year 2008

Item 2: Amendment of the Articles of Incorporation

Item 3: Appointment of Ten (10) Directors

Item 4: Appointment of One (1) Corporate Auditor

Item 5: 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 Friday, June 26, 2009, Japan time.**

[Vote via the Internet]

Access the shareholder voting site (<https://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 Friday, June 26, 2009, Japan time.** For more details, please refer to the Instructions for Internet Voting on pages 69 and 70.

[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, 2008 to March 31, 2009)

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 under review. The economic downturn in the second half of the year triggered by the global financial crisis, falling investment in semiconductor manufacturing facilities as a result of a sluggish semiconductor market, and sharp appreciation of the yen since last September caused sales to plunge from the previous fiscal year. We responded with measures such as reducing expenses and capital investment in order to achieve the operating income target; however, operating income fell from the previous fiscal year because of the decrease in sales and a change in accounting policy this consolidated accounting period that shifts the loss on disposal of inventories and the loss on write-down of inventories from non-operating expenses to operating expenses.

Due to this change in accounting policy and smaller foreign exchange losses compared with the previous fiscal year, ordinary income fell less than operating income.

The increase in the consolidated net loss in FY2008 exceeded the decrease in ordinary income because of higher extraordinary losses resulting from an increase in the loss on the write-down of investments in marketable securities, restructuring loss, impairment loss for fixed assets, and higher corporate tax adjustments that were made necessary by the difficulty of forecasting future taxable income and a subsequent reversal of deferred tax assets.

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

Net sales	¥376,534 million	(-13.9%, down ¥60,913 million)
Operating income	¥4,707 million	(-82.8%, down ¥22,705 million)
Ordinary income	¥274 million	(-98.3%, down ¥16,178 million)
Net loss	¥38,446 million	(- down ¥50,114 million)

Results by individual business segment are outlined below.

Industrial Automation and Control Business

In our core industrial automation and control market, business conditions were good in the first half of the fiscal year as high oil prices and the increase in demand for energy and raw materials outside Japan drove investment in petroleum, petrochemical, natural gas, and other plants. Since the second half, however, the global financial turmoil stemming from the sub-prime loan crisis in the US, the resulting economic slowdown, and the decline in oil prices have led to the postponement of planned projects outside Japan and (with the exception of a few booming industries) lower levels of investment and production in a wide variety of industries in Japan.

In such market circumstances, we have released a new production control platform and a line of highly durable, energy-saving control/monitoring modules suitable for use under severe conditions at oil field, natural gas field, and pipeline sites. We have also strengthened our product lineup through the acquisition of Analytical Specialties, Inc., a company with a unique gas analyzer technology. In Japan, we have worked to win orders for plant upgrades and have focused on fields that are less affected by the economic downturn; these include foods, pharmaceuticals, energy saving, environmental conservation, and electric power, gas, and water services. Outside Japan, we have

fully entered the upstream market (oil and gas exploration, development, and production) and are also focusing on the power plant market, where demand has been increasing in recent years, especially in emerging nations. We have thus been able to win orders for a number of huge projects around the world. Moreover, by providing VigilantPlant Services, we are helping customers make continuous improvements throughout the lifecycle of their facilities.

Despite these development, sales, marketing, and service initiatives, sales for the industrial automation and control business declined to ¥301,152 million, a decrease of ¥21,070 million from the previous year, and operating income fell to ¥29,097 million, a decrease of ¥9,972 million from the previous year.

Test and Measurement Business

In the semiconductor test system segment of the test and measurement market, falling demand for DRAM and other semiconductor devices drove down prices and led to stagnant capital investment by semiconductor manufacturers. As a result, the market was smaller than in other years. In the measuring instrument market, the power measurement instrument segment targeting the alternative energy and energy saving fields remained steady. On the other hand, capital investment and R&D spending were down sharply with our major customers in the electronics and auto industries.

In such market circumstances, we sought to win orders by releasing new products such as cost-effective power measurement instruments and wave measurement instruments; however, due to the aforementioned sluggishness in the semiconductor market from the second half of the fiscal year, sales for the test and measurement business fell to ¥34,138 million, a decline of ¥34,633 million from the previous year, and operating loss came to ¥13,764 million, up ¥11,777 million from the previous year.

New and Other Businesses

As for our new and other businesses, the photonics business centering on 40-Gbps optical communications has grown due to the full-scale introduction of next-generation networks. In the life science business, the global market for confocal scanner units has been strong. The advanced stage business, however, has been slow due to low demand from major customers who manufacture semiconductor equipment.

In such market circumstances, we released a compact MSA-compliant 40-Gbps transponder, and started activities to expand the photonics business worldwide. We also signed an agreement with the Carl Zeiss Group, the world's largest producer of high-performance microscopes, to sell Yokogawa's confocal scanner unit in all markets outside Japan.

At the same time, orders for semiconductor equipment decreased drastically, impacting the advanced stage business, and business launching costs were incurred. As a result, sales for the new and other businesses declined to ¥41,244 million, a decrease of ¥5,211 million from the previous year, and operating loss totaled ¥10,626 million, up ¥956 million from the previous year.

b. Capital Investment

During the consolidated fiscal year under review, the Company reviewed its capital investment activities in response to worsening business conditions. As a result of freezes in some areas, total capital investment came to ¥26,813 million, ¥11,176 million less than in the previous fiscal year. Capital investments are comprised mainly of the construction of new buildings for the head office and Yokogawa Europe B.V., and construction of information infrastructure.

c. Fundraising

During the consolidated fiscal year under review, there was no fundraising by issuance of corporate bonds or new stock.

Funds on hand, long-term bank borrowings, and other funds were used for capital investments and to cover working capital needs.

(2) Financial Assets and Profits/Losses for the Last Three Years**a. The Group's Financial Assets and Profits/Losses**

(Millions of yen)

Category	FY2005	FY2006	FY2007	FY2008
Orders	400,507	456,549	455,072	374,285
Net sales	388,877	433,405	437,448	376,534
Ordinary income	26,402	29,616	16,453	274
Net income (loss)	21,559	12,563	11,667	(38,446)
Net income (loss) per share	¥87.45	¥47.79	¥44.76	¥(149.26)
Total assets	417,805	438,683	444,644	400,959
Net assets	224,566	238,902	224,844	171,008

Note: In fiscal year 2006, the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board Statement No. 5, December 9, 2005) and the "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board Guidance No. 8, December 9, 2005) were adopted.

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

(Millions of yen)

Category	FY2005	FY2006	FY2007	FY2008
Orders	231,397	247,025	236,045	182,940
Net sales	235,581	239,399	238,786	184,872
Ordinary income (loss)	20,997	14,946	(2,424)	(2,151)
Net income (loss)	13,804	5,039	(2,132)	(40,043)
Net income (loss) per share	¥55.99	¥19.17	¥(8.18)	¥(155.46)
Total assets	333,095	341,754	341,153	304,203
Net assets	209,317	208,169	186,550	139,474

Notes: In fiscal year 2006, the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board Statement No. 5, December 9, 2005) and the "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board Guidance No. 8, December 9, 2005) were adopted.

(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%	Manufacturing, sales, engineering, and services of control and measuring equipment
Yokogawa Europe B.V.	EUR17,725,000	100.0%	Manufacturing, sales, engineering, and services of control and measuring equipment
Yokogawa Engineering Asia Pte. Ltd.	SGD29,000,000	100.0%	Sales, engineering and services of control and measuring equipment
Yokogawa Middle East B.S.C. (c)	BHD2,481,000	100.0%	Sales, engineering and services of control equipment
Yokogawa Field Engineering Service Corporation	JPY300 million	100.0%	Maintenance of control and measuring equipment
Suzhou Yokogawa Meter Company	JPY4,000 million	100.0%	Manufacturing of measuring equipment
Yokogawa & Co., Ltd.	JPY90 million	50.0%	Sales of control and measuring equipment, insurance agent services
Yokogawa Denshikiki Co., Ltd	JPY300 million	78.7%	Manufacturing and sales of marine and aerospace electronics equipment and dishwashers
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 services of control and measuring equipment

Note: A capital increase of RMB66 million was implemented for Yokogawa China Co., Ltd. on December 19, 2008, bringing its total capital to RMB119 million.

(4) Challenges for the Company

In order to overcome the current severe business conditions and achieve growth and profitability from FY2011 onwards, we will strive to enhance our management efficiency. This will be done by reducing fixed costs and thoroughly reviewing our business portfolio in FY2009 and 2010.

Challenges by Business Segment

The industrial automation and control business is expected to remain stagnant for a while due to the sluggish global economy. In the medium term, however, stable growth in this market is expected as demand for energy and raw materials revives, especially in emerging nations. As environmental issues are now recognized as a common challenge, energy-saving and environmental conservation are markets with good potential.

In response to these circumstances, we will strengthen the foundation for this business by assigning more resources to it, achieving global cost competitiveness, and expanding the business functions outside Japan. We will also focus on increasing market share by acquiring new customers in a wider variety of industries outside Japan, growing in the fields of energy and environmental conservation by using Yokogawa's measurement, control, and information technologies, and providing solutions such as customized maintenance services. Through these activities, we aim to become the leading global IA company.

As for measuring instruments, which are part of the test and measurement businesses, we will provide value-added solutions in the emerging fields of alternative energy and energy-saving equipment, environmental conservation, and optical communications. In the semiconductor tester business, we will slash fixed costs in response to the changing market structure, and concentrate our resources in the memory tester field.

With regard to the new businesses, we will select and concentrate on specific businesses based on an assessment of market potential, profitability, and competitiveness. As for the photonics business, we will expand our business activities outside Japan in response to the rapid global expansion in next-generation networks, while at the same time improving our production capability and accelerating the reduction of production costs. And in the life science business, we will focus on special fields such as cell observation.

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 external directors who are independent from the organization. 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 external 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.

Furthermore, in order to ensure compliance, the internal audit department conducts internal audits based on an annual plan, and reports the key results to the board of directors and the corporate auditors.

(5) Principal Businesses (as of March 31, 2009)

Business segment	Main products
Industrial automation and control business	Production control systems, flowmeters, differential pressure/pressure transmitters, process analyzers, programmable controllers
Test and measurement business	Semiconductor test systems, waveform measuring instruments, optical communication devices, waveform generators, power/temperature/pressure measurement devices
New and other businesses	Optical communication modules and sub-systems, XY stages, confocal scanners, aircraft navigation-related devices, marine equipment, meteorological/hydrological measurement devices

(6) Main Offices and Factories (as of March 31, 2009)**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 (Suita-shi, Osaka) Chiba Branch (Ichihara-shi, Chiba) Chubu Branch (Nagoya-shi, Aichi) Kyushu Branch (Fukuoka-shi, Fukuoka)
Factory:	Factory at head office

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 Komine Factory (Akiruno-shi, Tokyo) Ome Factory (Ome-shi, Tokyo) Kofu Factory (Kofu-shi, Yamanashi), Kanazawa Factory (Kanazawa-shi, Ishikawa) Sagamihara Factory (Sagamihara-shi, Kanagawa) Suzhou Yokogawa Meter Company (China) Yokogawa Electric Asia Pte. Ltd. (Singapore)

(7) Employees (as of March 31, 2009)

Business segment	Number of employees
Industrial automation and control business	15,960
Test and measurement business	2,350
New and other businesses	1,937
Total	20,247

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

(8) Principal Lenders (as of March 31, 2009)

(Millions of yen)

Lenders	Loan amount
Mizuho Corporate Bank, Ltd.	30,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,725

Note: The Company concluded a syndicated loan contract led by the Mizuho Corporate Bank as a lead manager for three borrowings totaling ¥66,000 million. Of this amount, ¥8,000 million from the Mizuho Corporate Bank and ¥3,000 million from the Bank of Tokyo-Mitsubishi UFJ are included in the loan amounts mentioned above.

(9) Other Important Matters Related to the Group

On July 1, 2008, the Company transferred its IC handler business to TESEC Corporation (President: Makoto Koshimaru, Head office: Higashiyamato-shi, Tokyo).

2. Overview of the Company

(1) Shares (as of March 31, 2009)

a. Number of Authorized Shares: 600,000 thousand

b. Number of Issued Shares: 268,624 thousand

c. Number of Shareholders: 37,789

d. Major Shareholders:

Name of shareholder	Shareholder's investment in the Company	
	Number of shares (thousand shares)	Shareholding ratio (%)
The Dai-ichi Mutual Life Insurance Company	22,697	8.8
Master Trust Bank of Japan Limited (trust account)	18,003	7.0
Japan Trustee Services Bank, Limited (trust account)	14,773	5.7
Nippon Life Insurance Company	14,284	5.5
Japan Trustee Services Bank, Limited (trust account 4G)	10,047	3.9
SSB Client Omnibus OM 04	8,697	3.4
Yokogawa Electric Employee Shareholding Program	6,998	2.7
Retirement Benefit Trust in Mizuho Trust & Banking Co., Ltd. (Mizuho Corporate Bank, Ltd. account); Trust & Custody Services Bank, Ltd. as a Trustee of Retruct	6,643	2.6
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 Retruct	4,617	1.8

Note: The Company holds 11,037 thousand shares of treasury stock, but in as much as they carry no voting rights, they are excluded from the capital positions of the above major shareholders and the shareholding ratio.

(2) Company Executives

a. Directors and Corporate Auditors (as of March 31, 2009)

Status	Name	Area of responsibility or other corporate representative position
Chairman of the Board	Isao Uchida	
President and Chief Executive Officer	Shuzo Kaihori	
Director	Kazunori Yagi	Executive Vice President Management Administration Headquarters
Director	Kazuhiko Kimura	Executive Vice President ATE Business Headquarters
Director	Teruyoshi Minaki	Executive Vice President International Business Headquarters Managing Director, Yokogawa Electric International Pte. Ltd.
Director	Takashi Fujii	Senior Vice President Industrial Solutions Business Headquarters
Director	Junji Yamamoto	Senior Vice President Corporate Marketing Headquarters
Director	Masahisa Naito	Chairman & CEO of The Institute of Energy Economics, Japan
Director	Yasuro Tanahashi	
Standing Corporate Auditor	Taiki Utsumi	
Standing Corporate Auditor	Takafumi Koyanagi	
Corporate Auditor	Shigeru Hikuma	Representing Director of CRD Association, a limited liability intermediate corporation
Corporate Auditor	Teruhiko Ikeda	Chairman of Mizuho Trust & Banking Co., Ltd.
Corporate Auditor	Kouichi Iki	President of THE DAI-ICHI BUILDING CO., LTD.

Notes:

1. Directors Masahisa Naito and Yasuro Tanahashi are outside directors.
2. Corporate auditors Shigeru Hikuma, Teruhiko Ikeda, and Kouichi Iki are outside auditors.
3. Responsibilities of some directors have changed as follows, in conjunction with the reorganization that took effect on April 1, 2009, after the closing of fiscal year 2008.

Status	Name	Area of responsibility
Director	Teruyoshi Minaki	Executive Vice president IA Business Headquarters
Director	Takashi Fujii	Senior Vice President Industrial Solutions Business Headquarters
Director	Junji Yamamoto	Senior Vice President Corporate Planning Headquarters

b. Directors and Corporate Auditors Who Retired During the Fiscal Year Under Review

Name	Retirement date	Reason for retirement	Area of responsibility or other corporate representative position at the time of retirement
Yoh Narimatsu	June 26, 2008	Expiration of term of office	Director President of Quintiles Transnational Corp.
Fumio Mizoguchi	June 26, 2008	Expiration of term of office	Standing Corporate Auditor
Takahide Sakurai	June 26, 2008	Expiration of term of office	Outside Corporate Auditor Adviser to The Dai-ichi Mutual Life Insurance Company
Toru Hashimoto	June 26, 2008	Expiration of term of office	Outside Corporate Auditor Chairman of Deutsche Securities Inc.

c. Total Compensation Paid to Directors and Corporate Auditors

Directors (10): ¥664 million

Corporate Auditors (8): ¥99 million

(Inclusive of ¥54 million to two outside directors and five corporate auditors)

Notes:

1. The above numbers include one director and three corporate auditors (including two outside corporate auditors) who retired at the conclusion of the 2008 Annual General Meeting of Shareholders held on June 26, 2008.
2. The total paid to directors does not include employee salaries for directors who are concurrently employees.
3. The annual limit for directors' compensation was set at ¥1,200 million 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 auditors' compensation was set at ¥150 million by resolution of the 2004 Annual General Meeting of Shareholders convened on June 25, 2004.

d. Outside Directors and Outside Corporate Auditors

- (1) Concurrent work for other companies (if in a work execution capacity) and the Company's relation thereto
- Corporate auditor Teruhiko Ikeda is concurrently holding a position as the Chairman of Mizuho Trust & Banking Co., Ltd., with whom the Company conducts bank transactions.
- (2) Concurrent positions held by outside directors and outside corporate auditors
- Director Masahisa Naito is an outside director of Nippon Koei Co., Ltd. and Espec Corp.
 - Director Yasuro Tanahashi is an outside director of Internet Initiative Japan Inc. and Murata Manufacturing Co., Ltd.
 - Corporate auditor Shigeru Hikuma is an outside director of Jasdac Securities Exchange, Inc.
 - Corporate auditor Teruhiko Ikeda is an outside auditor of Tokyo FM Broadcasting Co., Ltd.
- (3) Major activities in the business year under review

Name	Status	Principal activities
Masahisa Naito	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 abundant experience mainly as an outside director at global companies.
Yasuro Tanahashi	Outside Director	Present at 12 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.
Shigeru Hikuma	Outside Corporate Auditor	Present at 14 of the 14 Board of Directors meetings and 16 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 9 of the 10 Board of Directors meetings and 8 of the 10 Board of Corporate Auditors meetings after his appointment as an outside corporate auditor on June 26, 2008. As necessary, provided advice with high insight based on abundant managerial experience and wide range of activities in the business world.
Kouichi Iki	Outside Corporate Auditor	Present at 10 of the 10 Board of Directors meetings and 10 of the 10 Board of Corporate Auditors meetings after his appointment as an outside corporate auditor on June 26, 2008. 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 or the amount stipulated by the Act.

(3) Accounting Auditor

a. Designation: Deloitte Touche Tohmatsu

b. Compensation Paid to Accounting Auditor

	Payment amounts
Compensation to the accounting auditor for the year under review	¥135 million
Total amount paid in cash and other financial asset profits to the accounting auditor by the Company and subsidiaries	¥197 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 accounting audit fees for the year under review show the total.

c. Services Other than Auditing

The Company pays compensation to Deloitte Touche Thomatsu for an outsourced internal control project advisory service.

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), Suzhou Yokogawa Meter Company 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 Compliance with Laws, Ordinances, and Articles of Incorporation of Any Actions Taken by Directors in the Execution of Their Duties and Appropriateness of the Company Operation

The Board of Directors passed resolutions on the following issues on April 28, 2009:

- A system for assuring compliance of directors' performance of duties with laws, ordinances, and the Articles of Incorporation of the Company
- A required system stipulated by the Ordinance of Ministry of Justice to ensure the appropriateness of the business operation as a corporation

The Company has established its internal control system in accordance with Article 362, Paragraph 4, Item 6 of the Companies Act, and Articles 100 Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act as follows:

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

- 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 working to ensure that business ethics are upheld and embraced throughout the Group.
- The CSR and Business Ethics Department has been established to maintain, as well as identify and address problems in the Group-wide compliance system.

- Decision-making by the Board of Directors is performed based on the Rules Governing the Board of Directors and the Rules Governing Decision-Making. The Board of Directors, which includes both inside and outside directors, bears supervisory responsibility for business operations. Corporate auditors, including outside corporate auditors, audit the actions of directors based on the Auditing Standards for Corporate Auditors and the Rules Governing the Board of Corporate Auditors.

b. System for Assuring the Efficient Execution of Directors' Duties

- The Rules Governing the Board of Directors and the Rules Governing Decision-Making provide the basis for assuring the thoroughness of Board of Directors deliberations and for delegating authority to the Management Board and other decision-making bodies outside the Board of Directors.
- Companywide management objectives have been established and measures taken to achieve those objectives are reviewed. Medium-to-long-term management objectives have been set forth as the VISION-21 & ACTION-21 corporate strategy milestones, and actions to resolve issues for reforms are being pursued. Single-year management objectives are reviewed by each organization on a quarterly basis, as actions aimed at achieving annual objectives are pursued. The Board of Directors receives reports on the attainment status of these management objectives, indicates activities to eliminate or reduce obstacles to greater efficiency, and deploys mechanisms for the Company as a whole to pursue efficiency and thereby to achieve the goals. The purpose of this system is to enhance companywide efficiency in efforts to achieve objectives. 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 the 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 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' Performance of Duties with Laws, Ordinances, and the Articles of Incorporation of the Company

- The conduct to be displayed by people performing work for the Group is set forth in the Yokogawa Group Compliance Guidelines. These guidelines require upstanding behavior completely free of antisocial conduct.
- The President repeatedly communicates the importance of legal compliance, and the CSR and Business Ethics Department takes the lead in furthering compliance education.
- The Rules on Internal Reporting and Consultation provide that there is an obligation to internally report any suspicions that people performing work for the Group have or may have committed compliance violations. A system for receiving such internal reports has been established.
- The CSR and Business Ethics Department monitors the status of compliance efforts and reports important findings to the Board of Directors and the corporate auditors.

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

- The Yokogawa Group Internal Control Systems have been established to ensure the appropriateness of the Group's business activities. Groupwide rules have been established and responsible units have been designated for each of the following ten systems: Business Ethics, Decision Making, Quality Management, Labor Management,

Environment and Safety & Health Management, Information Security Management, Export Control, Financial Reporting Control, Crisis Management, and Corporate Auditing Infrastructure. Important matters are reported to the Board of Directors and the corporate auditors.

- With regard to the matter of ensuring the reliability of financial reports, in particular, controls for the performance of accounting work in each Group company have been set forth through the establishment of the Accounting and Finance Policy, the purpose of which is to ensure the appropriateness of accounting work performed within the Financial Reporting Control System. In addition, a system for evaluating and disclosing evaluation results for the system and operational status of financial reporting internal controls has been established in accordance with the internal control reporting system requirements of the Financial Instruments and Exchange Act.
- Internal audits of the effectiveness of the Yokogawa Group Internal Control Systems are performed by the Internal Audit Department in accordance with the Group Management Audit Code, and important matters are reported to the Board of Directors and the corporate auditors.
- Corporate auditors are allowed to obtain information directly or from Group company auditors for the purpose of verification to make decisions on important matters in Group companies.

f. Rules and Other Systems for Crisis Management

- The Yokogawa Group Internal Control Systems have been established to ensure the appropriateness of Group business activities. As the unit responsible for risk management, the Internal Audit Department identifies and analyzes risks, and makes recommendations on appropriate improvements. It also reports important matters to the Board of Directors and the corporate auditors.
- Responses to crisis situations are 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 human 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 head of the Audit & Compliance Headquarters, Internal Audit Department, and CSR & Business Ethics Department: 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 the Corporate Auditors to Assign Assistants to Support Roles

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

j. Matters Concerning the Independence of Above Assistants from Directors

- Personnel transfers related to the Corporate Auditor's Office require prior approvals 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

The Company is committed to contributing to industry based on an understanding of the factors that make up the Company's corporate value. This is in accordance with the corporate philosophy, which states, "As a company, our goal is to contribute to society through broad-ranging activities in the areas of measurement, control and information. Individually, we aim to combine good citizenship with the courage to innovate." Based on this philosophy, the Board of Directors believes that its business mission is the continual pursuit of sound business activities and the maximizing of corporate value from a mid- to long-term perspective. With this as its base, the Company has aimed for a healthy and profitable operation by upholding the VISION-21 & ACTION-21 corporate strategy.

Based on this corporate strategy, by having a well balanced portfolio of industrial automation and control, test and measurement, and new and other businesses, the Company can drive forward growth strategies whilst considering business risks, and develop mid- to long-term approaches to improving the corporate value.

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

It is expected that some corporate takeovers will not contribute to the corporate value of the target company or the common interests of the shareholders.

For the Company to continuously ensure and enhance its corporate value, it is essential to understand the various factors that constitute the corporate value of the Company such as its managerial resources and workforce, the trusting relationship with customers, the future and potential value of its businesses, and the general value achieved through the organic combination of these factors. Therefore, the Company believes that the party having control over decisions on the Company's financial and business policies should be a party that continuously maintains and enhances its corporate value. If a takeover were to be proposed by an outside party, after adequately ascertaining from all shareholders the various factors that compose the corporate value of the Company, it would be necessary to make a judgment on the effect that the takeover would have on the corporate value of the Company and, in turn, on the common interests of the shareholders.

In light of these circumstances, the Company has considered the need for securing sufficient time and information so that alternatives can be presented by the Board of Directors to shareholders and so that they can effectively judge whether to accept a large-scale acquisition of the Company's shares. Accordingly, the Company has come to the decision that it is necessary to establish a framework to deter acts that are against the Company's corporate value and, in turn, the common interests of its shareholders.

b. Measures to Prevent Control of the Company's Financial and Operational Decisions by Inappropriate Parties As Set out in the Basic Policy (Takeover Defense Measures)

The Company's Board of Directors resolved in a meeting on April 26, 2007 to introduce countermeasures to the large-scale acquisition of the Company's shares (Takeover Defense Measures) (hereinafter referred to as the "Plan" in this Item). The Company acquired the approval of shareholders at the 2007 Annual General Meeting of Shareholders held on June 27, 2007. Full explanation of the Plan can be found in a document titled "Introduction of Countermeasures to Large-Scale Acquisition of Yokogawa Shares (Takeover Defense Measures)" that was uploaded to our website on April 26, 2007:

(<http://www.yokogawa.com/pr/Corporate/News/2007/pr-news-2007-11-en.htm>)

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 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) Use of gratis allotment of Stock Acquisition Rights

If an Acquirer's actions are deemed to threaten to harm the Company's corporate value or the common interests of its shareholders, the Company will, upon resolution of the Company's Board of Directors, allot stock acquisition rights by means of a gratis allotment of stock acquisition rights which the Acquirer is unable to exercise (hereinafter the "Stock Acquisition Rights") to all shareholders on a certain day determined by the Company's Board of Directors. The number of Stock Acquisition Rights by gratis allotment shall be one for each share owned by the shareholder, and the number of shares to be issued upon exercise of each Stock Acquisition Right will be from 0.5 up to 1, to be determined by the Board of Directors.

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

In introducing the Plan, the Company has established an Independent Committee that will eliminate 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. The members of the Independent Committee shall be appointed from the Company's outside directors, outside corporate auditors, and outside experts. The Independent Committee for the introduction of the Plan has five independent members: two outside directors, one outside corporate auditor, and two experts.

<Members of Independent Committee>

Outside director: Masahisa Naito (Chairman & CEO of the Institute of Energy Economics, Japan)

Outside director: Yasuro Tanahashi (Senior Adviser to NS Solutions Corporation)

Outside corporate auditor:

Shigeru Hikuma (Representing Director of CRD Association)

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)

(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 the holding ratio of share certificates, etc. of a holder amounting to 20% or more of the share certificates, etc. issued by the Company; or

(ii) A tender offer that would result in the ownership ratio of share certificates, etc. of share certificates, etc. relating to the tender offer and the owning ratio of share certificates, etc. of a person having a special relationship totaling at least 20% of the share certificates, etc. issued by the Company.

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

Excluding for Acquisitions determined by the Company's Board of Directors to be friendly Acquisitions, the Company will promptly send any Acquirer conducting an Acquisition described above in 2 (a) an undertaking written in Japanese and in the form prescribed by the Company pledging that the Acquirer will upon the Acquisition comply with the procedures established in the Plan (hereinafter the "Acquisition Statement") and an inquiry about information prepared in the form prescribed by the Company and in Japanese that is necessary to review details of acquisition by the Acquirer (hereinafter the "Essential Information").

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

In case the Independent Committee evaluates that the Acquisition Statement and the Essential Information provided is inadequate, it may fix the Acquirer a deadline for response, and request by itself or through the Company's Board of Directors that the Acquirer provide additional Essential Information. In such case, the Acquirer should provide the additional Essential Information within the relevant time limit.

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 2009. 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 Independent Committee will strictly monitor any arbitrary triggering 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 (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 appointed at a General Meeting of Shareholders of the Company, and the Plan may be abolished by the Board of Directors comprised of directors appointed under the new shareholder composition.

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

Note: The Company's Board of Directors resolved in a meeting on April 28, 2009 to reintroduce the basic policy regarding the control of companies and to carry out this policy by implementing certain measures. Also, as the Plan will expire at the conclusion of the 133rd Annual General Meeting of Shareholders to be held on June 29, 2009, the Company has made necessary changes and plans to submit a proposal at this meeting for the acceptance of these revisions and the continuance of the Plan.

CONSOLIDATED BALANCE SHEET

As of March 31, 2009

	Millions of yen
ASSETS	
Current assets	
Cash and deposits	¥56,987
Notes and accounts receivable-trade	110,387
Merchandise and finished goods	20,842
Work in process	11,583
Raw materials and supplies	12,281
Deferred tax assets	3,280
Other	11,999
Allowance for doubtful accounts	(2,931)
Total current assets	224,431
Noncurrent assets	
Property, plant and equipment	
Buildings and structures	57,405
Machinery, equipment and vehicles	14,925
Tools, furniture and fixtures	7,436
Land	18,828
Lease assets	464
Construction in progress	2,654
Total property, plant and equipment	101,715
Intangible assets	29,713
Investments and other assets	
Investments securities	31,111
Long-term loans receivable	79
Deferred tax assets	2,908
Other	11,581
Allowance for doubtful accounts	(580)
Total investments and other assets	45,099
Total noncurrent assets	176,528
Total assets	¥400,959

CONSOLIDATED BALANCE SHEET

(continued)

	Millions of yen
LIABILITIES	
Current liabilities	
Notes and accounts payable-trade	¥28,886
Short-term loans payable	12,686
Income taxes payable	1,892
Provision for bonuses	8,841
Accounts payable-other	14,657
Other	46,163
Total current liabilities	113,126
Noncurrent liabilities	
Long-term loans payable	101,597
Deferred tax liabilities	1,584
Provision for retirement benefits	3,192
Provision for directors' retirement benefits	188
Long-term accounts payable-other	9,427
Other	833
Total noncurrent liabilities	116,824
Total liabilities	229,950
NET ASSETS	
Shareholders' equity	
Capital stock	43,401
Capital surplus	50,345
Retained earnings	97,134
Treasury stock	(10,978)
Total shareholders' equity	179,902
Valuation and translation adjustments	
Valuation difference on available-for-sale securities	17
Pension liability adjustments	(384)
Foreign currency translation adjustment	(12,311)
Total valuation and translation adjustments	(12,678)
Minority interests	3,783
Total net assets	171,008
Total liabilities, net assets	¥400,959

CONSOLIDATED STATEMENT OF INCOME

For the year ended March 31, 2009

		Millions of yen
Net sales		¥376,534
Cost of sales		253,005
Gross profit		123,528
Selling, general, and administrative expenses		118,821
Operating income		4,707
Non-operating income		
Interest income	209	
Dividend income	1,745	
Equity in earnings of affiliates	567	
Miscellaneous income	723	3,245
Non-operating expenses		
Interest expenses	1,595	
Foreign exchange losses	3,452	
Miscellaneous losses	2,629	7,678
Ordinary income		274
Extraordinary income		
Gain on sale of noncurrent assets	54	
Gain on sale of investment securities	1,428	
Gain on abolishment of retirement benefit system	646	
State subsidy	500	
Other	640	3,270
Extraordinary losses		
Loss on sale of noncurrent assets	22	
Loss on retirement of noncurrent assets	689	
Impairment loss	1,846	
Loss on valuation of investment securities	4,871	
Restructuring loss	2,521	
Impairment loss on software for sale	701	
Other	2,292	12,945
Loss before income taxes and minority interests		(9,400)
Income taxes-current		3,189
Refund of income taxes		(90)
Income taxes-deferred		25,611
Minority interests in income		335
Net loss		¥(38,446)

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31, 2009

	Millions of yen
Shareholders' equity	
Capital stock	
Balance at the end of previous period	¥43,401
Balance at the end of current period	43,401
Capital surplus	
Balance at the end of previous period	50,355
Changes of items during the period	
Disposal of treasury stock	(9)
Total changes of items during the period	(9)
Balance at the end of current period	50,345
Retained earnings	
Balance at the end of previous period	139,952
Effect of changes in accounting policies applied to foreign subsidiaries	102
Changes of items during the period	
Dividends from surplus	(4,121)
Net loss	(38,446)
Other	(351)
Total changes of items during the period	(42,919)
Balance at the end of current period	97,134
Treasury stock	
Balance at the end of previous period	(10,990)
Changes of items during the period	
Purchase of treasury stock	(10)
Disposal of treasury stock	17
Other	4
Total changes of items during the period	11
Balance at the end of current period	¥(10,978)

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(continued)

	Millions of yen
Total shareholders' equity	
Balance at the end of previous period	¥222,718
Effect of changes in accounting policies applied to foreign subsidiaries	102
Changes of items during the period	
Dividends from surplus	(4,121)
Net loss	(38,446)
Purchase of treasury stock	(10)
Disposal of treasury stock	7
Other	(346)
Total changes of items during the period	(42,917)
Balance at the end of current period	179,902
Valuation and translation adjustments	
Valuation difference on available-for-sale securities	
Balance at the end of previous period	2,991
Changes of items during the period	
Net changes of items other than shareholders' equity	(2,973)
Total changes of items during the period	(2,973)
Balance at the end of current period	17
Deferred gains or losses on hedges	
Balance at the end of previous period	1
Changes of items during the period	
Net changes of items other than shareholders' equity	(1)
Total changes of items during the period	(1)
Balance at the end of current period	-
Pension liability adjustment	
Balance at the end of previous period	-
Changes of items during the period	
Net changes of items other than shareholders' equity	(384)
Total changes of items during the period	(384)
Balance at the end of current period	(384)

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(continued)

	Millions of yen
Foreign currency translation adjustment	
Balance at the end of previous period	(5,036)
Changes of items during the period	
Net changes of items other than shareholders' equity	(7,275)
Total changes of items during the period	(7,275)
Balance at the end of current period	¥(12,311)
Total valuation and translation adjustments	
Balance at the end of previous period	¥(2,044)
Changes of items during the period	
Net changes of items other than shareholders' equity	(10,633)
Total changes of items during the period	(10,633)
Balance at the end of current period	(12,678)
Minority interests	
Balance at the end of previous period	4,170
Changes of items during the period	
Net changes of items other than shareholders' equity	(386)
Total changes of items during the period	(386)
Balance at the end of current period	3,783
Total net assets	
Balance at the end of previous period	224,844
Effect of changes in accounting policies applied to foreign subsidiaries	102
Changes of items during the period	
Dividends from surplus	(4,121)
Net loss	(38,446)
Purchase of treasury stock	(10)
Disposal of treasury stock	7
Other	(346)
Net changes of items other than shareholders' equity	(11,020)
Total changes of items during the period	(53,938)
Balance at the end of current period	¥171,008

NON-CONSOLIDATED BALANCE SHEET

As of March 31, 2009

	Millions of yen
ASSETS	
Current assets	
Cash and time deposits	¥35,547
Notes receivable-trade	515
Accounts receivable-trade	50,752
Merchandise and finished goods	7,101
Work in process	2,899
Raw materials and supplies	2,608
Advance payments-trade	475
Prepaid expenses	1,080
Short-term loans receivable	30,647
Accounts receivable-other	5,217
Other	412
Allowance for doubtful accounts	(22)
Total current assets	137,236
Noncurrent assets	
Property, plant and equipment	
Buildings	35,026
Structures	1,398
Machinery and equipment	6,246
Vehicles	2
Tools, furniture, and fixtures	3,791
Land	11,531
Lease assets	62
Construction in progress	1,874
Total property, plant and equipment	59,933
Intangible assets	
Goodwill	504
Patent right	60
Leasehold right	652
Software	8,227
Software in progress	16,332
Other	62
Total intangible assets	25,839
Investments and other assets	
Investments in securities	25,723
Securities of subsidiaries and affiliates	31,562
Investments in capital	5
Investments in capital of subsidiaries and affiliates	13,003
Long-term loans receivable from employees	10
Long-term loans receivable from subsidiaries and affiliates	7,117
Long-term prepaid expenses	442
Lease and guarantee deposits	1,260
Long-term financial assets	6,718
Other	702
Allowance for doubtful accounts	(5,352)
Total investments and other assets	81,193
Total noncurrent assets	166,966
Total assets	¥304,203

NON-CONSOLIDATED BALANCE SHEET

(continued)

	Millions of yen
LIABILITIES	
Current liabilities	
Notes payable-trade	¥221
Accounts payable-trade	17,805
Short-term loans payable	2,913
Current portion of long-term loans payable	176
Commercial paper	10,000
Accounts payable-other	11,452
Accrued expenses	3,617
Income taxes payable	215
Advances received	834
Deposit received	447
Provision for bonuses	3,422
Other	2,220
Total current liabilities	53,326
Noncurrent liabilities	
Long-term loans payable	101,526
Long-term accounts payable-other	5,952
Other	3,923
Total noncurrent liabilities	111,402
Total liabilities	164,728
NET ASSETS	
Shareholders' equity	
Capital stock	43,401
Capital surplus	50,152
Legal capital surplus	46,350
Other capital surplus	3,802
Earned surpluses	56,897
Legal retained earnings	5,372
Other retained earnings	51,524
Reserve for retirement allowance	1,255
Reserve for dividends	1,235
Reserve for advanced depreciation of noncurrent assets	1,485
General reserve	11,783
Retained earnings brought forward	35,765
Treasury stock	(10,978)
Total shareholders' equity	139,472
Valuation and translation adjustments	
Valuation difference on available-for-sales securities	2
Total valuation and translation adjustments	2
Total net assets	139,474
Total liabilities and net assets	¥304,203

NON-CONSOLIDATED STATEMENT OF INCOME

For the year ended March 31, 2009

		Millions of yen
Net sales		
Net sales of finished goods		¥184,872
Cost of sales		
Beginning finished goods	5,241	
Cost of goods products manufactured	138,099	
Transfers from other accounts	1,043	
Total	144,384	
Transfers to other accounts	486	
Ending finished goods	5,934	137,962
Gross profit		46,910
Selling, general, and administrative expenses		58,487
Operating loss		(11,577)
Non-operating income		
Interest income	231	
Interest on securities	8	
Dividend income	13,039	
Rent receivable	1,604	
Miscellaneous income	390	15,273
Non-operating expenses		
Interest expenses	1,148	
Contribution	105	
Rent payable	1,448	
Damages	159	
Foreign exchange losses	1,238	
Foreign withholding taxes	529	
Miscellaneous losses	1,217	5,847
Ordinary loss		(2,151)
Extraordinary income		
Gain on sale of noncurrent assets	7	
Gain on sale of investment securities	1,570	
State subsidy	500	
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	415	
Other	225	2,718
Extraordinary losses		
Loss on retirement of noncurrent assets	419	
Impairment loss	1,025	
Compensation for impairment loss on affiliated companies' production facilities	626	
Loss on valuation of investment securities	4,809	
Valuation loss on affiliate companies' stock	1,463	
Restructuring loss	2,329	
Impairment loss on software for sale	701	
Other	747	12,123
Loss before income taxes		(11,555)
Income taxes-current	46	
Income taxes-deferred	28,441	28,487
Net loss		¥(40,043)

NON- CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31, 2009

	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	3,812
Changes of items during the period	
Disposal of treasury stock	(9)
Total changes of items during the period	<u>(9)</u>
Balance at the end of current period	<u>3,802</u>
Total capital surplus	
Balance at the end of previous period	50,162
Changes of items during the period	
Disposal of treasury stock	(9)
Total changes of items during the period	<u>(9)</u>
Balance at the end of current period	<u>50,152</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
Balance at the end of current period	<u>1,255</u>
Reserve for dividends	
Balance at the end of previous period	1,235
Balance at the end of current period	<u>1,235</u>
Reserve for special depreciation	
Balance at the end of previous period	0
Changes of items during the period	
Reversal of reserve for special depreciation	(0)
Total changes of items during the period	<u>(0)</u>
Balance at the end of current period	<u>¥-</u>

NON- CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(continued)

	Millions of yen
Reserve for advanced depreciation of noncurrent assets	
Balance at the end of previous period	¥1,556
Changes of items during the period	
Reversal of reserve for advanced depreciation of noncurrent assets	(70)
Total changes of items during the period	(70)
Balance at the end of current period	1,485
General reserves	
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	79,858
Changes of items during the period	
Reversal of reserve for special depreciation	0
Reversal of reserve for advanced depreciation of noncurrent assets	70
Dividends from surplus	(4,121)
Net loss	(40,043)
Total changes of items during the period	(44,093)
Balance at the end of current period	35,765
Total retained earnings	
Balance at the end of previous period	101,061
Changes of items during the period	
Dividends from surplus	(4,121)
Net loss	(40,043)
Total changes of items during the period	(44,164)
Balance at the end of current period	56,897
Treasury stock	
Balance at the end of previous period	(10,985)
Changes of items during the period	
Purchase of treasury stock	(10)
Disposal of treasury stock	17
Total changes of items during the period	6
Balance at the end of current period	(10,978)
Total shareholders' equity	
Balance at the end of previous period	183,639
Changes of items during the period	
Dividends from surplus	(4,121)
Net loss	(40,043)
Purchase of treasury stock	(10)
Disposal of treasury stock	7
Total changes of items during the period	(44,167)
Balance at the end of current period	¥139,472

NON- CONSOLIDATED STATEMENT 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	¥2,908
Changes of items during the period	
Net changes of items other than shareholders' equity	(2,905)
Total changes of items during the period	(2,905)
Balance at the end of current period	2
Deferred gains or losses on hedge	
Balance at the end of previous period	2
Changes of items during the period	
Net changes of items other than shareholders' equity	(2)
Total changes of items during the period	(2)
Balance at the end of current period	-
Total valuation and translation adjustments	
Balance at the end of previous period	2,910
Changes of items during the period	
Net changes of items other than shareholders' equity	(2,908)
Total changes of items during the period	(2,908)
Balance at the end of current period	2
Total net assets	
Balance at the end of previous period	186,550
Changes of items during the period	
Dividends from surplus	(4,121)
Net loss	(40,043)
Purchase of treasury stock	(10)
Disposal of treasury stock	7
Net changes of items other than shareholders' equity	(2,908)
Total changes of items during the period	(47,075)
Balance at the end of current period	¥139,474

Independent Auditor's Report

May 12, 2009

To the Board of Directors of
Yokogawa Electric Corporation

Deloitte Touche Tohmatsu

Designated and Engagement Partner	Certified Public Accountant	Kunihiko Sugahara
Designated and Engagement Partner	Certified Public Accountant	Ichiro Ebihara
Designated and Engagement Partner	Certified Public Accountant	Masako Watanabe

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 133rd fiscal year beginning on April 1, 2008 and ending on March 31, 2009, 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.

Independent Auditor's Report

May 12, 2009

To the Board of Directors of
Yokogawa Electric Corporation

Deloitte Touche Tohmatsu

Designated and Engagement Partner	Certified Public Accountant	Kunihiko Sugahara
Designated and Engagement Partner	Certified Public Accountant	Ichiro Ebihara
Designated and Engagement Partner	Certified Public Accountant	Masako Watanabe

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, 2008 and ending on March 31, 2009, 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.

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 133rd fiscal year that began on April 1, 2008 and ended on March 31, 2009.

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 also monitored and verified conditions with regard to systems for ensuring the performance of directors' duties is in compliance with the laws of Japan and the Company's Articles of Incorporation, and monitored and verified, as necessities for ensuring the propriety of the activities of corporations, both the content of Board of Directors resolutions concerning the implementation of systems set forth in Articles 100, Paragraph 1 and Paragraph 3 of the Ordinance for Enforcement of the Companies Act and the systems (internal control) that have been implemented based on those resolutions.

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, 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 (ii) 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 (ii) 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 Financial Statements and Detailed Statements

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

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

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

May 21, 2009

Board of Corporate Auditors, Yokogawa Electric Corporation

Standing Corporate Auditor	Taiki Utsumi
Standing Corporate Auditor	Takafumi Koyanagi
Outside Corporate Auditor	Shigeru Hikuma
Outside Corporate Auditor	Teruhiko Ikeda
Outside Corporate Auditor	Kouichi Iki

Reference Materials for General Meeting of Shareholders

Agenda items and reference materials

Item 1: Dividends from Surplus for Fiscal Year 2008

The Company aims to establish a stable base to pursue business activities and recognizes the continuous distribution of returns to shareholders as one of its most important policies. Given such factors as the need to accumulate internal reserves to invest in new businesses for mid- and long-term growth and development in emerging markets, and to strengthen its fiscal position, the Company intends to pay out 30% of consolidated net income to its shareholders.

The Company proposes the following dividend payment. With this, the annual dividend per share for the year, including the interim dividend of ¥8, will be ¥16.

- (1) Type of dividend asset
Cash
- (2) Allocation of dividend assets and total amount of allocation
¥8 per common share
Total amount of payout is ¥2,060,694,608
- (3) Effective date of dividend payout
June 30, 2009

Item 2: Amendment of the Articles of Incorporation

1. Reasons for amendments

- (1) With the enforcement of the Act for Partial Revision of the Act on Book-Entry Transfer of Corporate Bonds, etc. for Streamlining Settlement Concerning Share Trading, etc. (Act No. 88 of 2004; hereinafter, “Act for Streamlining Settlement of Stocks, etc.”) on January 5, 2009, all share certificates of listed companies were dematerialized on the same date. Accordingly, Article 7 (Issuance of Share Certificates) of the Company’s Articles of Incorporation is deemed to have been abolished by resolution; therefore, the said article shall be deleted.
- (2) With the repeal of the Act on Custody and Transfer of Share Certificate, etc. (Act No. 30 of 1984) pursuant to Article 2 of the Supplementary Provisions of the Act for Streamlining Settlement of Stocks, etc., the phrases “beneficial shareholders” in Article 11 (Rights for Shares Less Than One Unit) and “Register of Beneficial Shareholders” in Paragraph 3 of Article 13 (Administrator of the Register of Shareholders) of the Company’s Articles of Incorporation have become invalid and therefore shall be deleted.
- (3) Because the description concerning the Register of Lost Share Certificates in Paragraph 3 of Article 13 of the Company’s Articles of Incorporation will lose its effect on January 6, 2010, supplementary provisions concerning the said register will be newly established.
- (4) Changes other than the above will be made as necessary, such as the changing of article numbers.

2. Details of amendments

The details of the amendments are as follows:

Present Articles of Incorporation	Amended Articles of Incorporation
<p>Articles 1 through 6 (Omitted)</p> <p><u>Article 7. Issuance of Share Certificates</u> <u>The Company will issue share certificates for the shares of the Company</u></p> <p>Article <u>8</u>. (Omitted)</p> <p><u>Article 9. Number of Shares Per Unit and Non-Issuance of Share Certificates Representing Shares Less Than One Unit</u> <u>1. The number of shares per unit of the Company shall be 100 shares.</u> <u>2. Notwithstanding the provisions of Article 7, the Company shall not issue any share certificates for shares less than one unit (the “Shares Less Than One Unit”), unless otherwise stipulated in the Share Handling Regulations.</u></p> <p>Article <u>10</u>. (Omitted)</p> <p>Article <u>11. Rights for Shares Less Than One Unit</u> Shareholders of the Company <u>(including beneficial shareholders; hereinafter the same)</u> may not exercise any rights for Shares Less Than One Unit held by them, except for the following rights: (1) rights provided for in each item of Article 189(2) of the Corporation Act; (2) rights to make a request in accordance with Article 166(1) of the Corporation Act; (3) rights to receive an allotment of offered shares or stock acquisition rights pro rata to the number of shares held by a shareholder; and (4) rights to make a request provided for in Article 12 of these Articles of Incorporation.</p> <p>Article <u>12</u>. (Omitted)</p> <p><u>Article 13. Administrator of the Register of Shareholders</u> 1. The Company may put in place an administrator of the Register of Shareholders for its shares. 2. The administrator of the Register of Shareholders and the place of its business shall be selected by resolution of the Board of Directors and the Company shall give public notice thereof.</p>	<p>Articles 1 through 6 (Current)</p> <p><u>(Deleted)</u></p> <p>Article <u>7</u>. (Current)</p> <p>Article <u>8. Number of Shares Per Unit</u> The number of shares per unit of the Company shall be 100 shares. <u>(Deleted)</u></p> <p>Article <u>9</u>. (Current)</p> <p>Article <u>10. Rights for Shares Less Than One Unit</u> Shareholders of the Company may not exercise any rights for Shares Less Than One Unit held by them, except for the following rights: (1) rights provided for in each item of Article 189(2) of the Corporation Act; (2) rights to make a request in accordance with Article 166(1) of the Corporation Act; (3) rights to receive an allotment of offered shares or stock acquisition rights pro rata to the number of shares held by a shareholder; and (4) rights to make a request provided for in Article 12 of these Articles of Incorporation.</p> <p>Article <u>11</u>. (Current)</p> <p>Article <u>12. Administrator of the Register of Shareholders</u> 1. The Company may put in place an administrator of the Register of Shareholders for its shares. 2. The administrator of the Register of Shareholders and the place of its business shall be selected by resolution of the Board of Directors and the Company shall give public notice thereof.</p>

Present Articles of Incorporation	Amended Articles of Incorporation
<p>3. If the Company selects an administrator of the Register of Shareholders according to the preceding paragraph, preparation and maintenance of and any other business relating to the Register of Shareholders (<u>including the Register of Beneficial Shareholders; hereinafter the same</u>), the Register of Stock Acquisition Rights <u>and the Register of Lost Share Certificates</u> of the Company shall be handled by the administrator of the Register of Shareholders.</p> <p>Articles <u>14</u> through <u>39</u> (Omitted)</p> <p>(New)</p>	<p>3. If the Company selects an administrator of the Register of Shareholders according to the preceding paragraph, preparation and maintenance of and any other business relating to the Register of Shareholders <u>and</u> the Register of Stock Acquisition Rights of the Company shall be handled by the administrator of the Register of Shareholders.</p> <p>Articles <u>13</u> through <u>38</u> (Current)</p> <p><u>Supplementary Provisions</u></p> <p><u>Article 1</u> <u>The Company shall delegate the administrator of the Register of Shareholders to prepare, maintain and carry out any other business relating to the Register of Lost Share Certificates of the Company, and the Company does not handle these matters.</u></p> <p><u>Article 2</u> <u>Articles 1 and 2 of the Supplementary Provisions will remain effective until January 5, 2010 and the Company will delete these Articles on January 6, 2010.</u></p>

Item 3: Appointment of Ten (10) Directors

At the conclusion of this General Meeting of Shareholders, the terms of office for nine (9) directors shall expire. It is proposed to appoint nine (9) directors.

Appointment of Nobuo Katsumata as a new outside director is being proposed to further enhance the corporate governance of the Company.

Information on the ten (10) director candidates is provided below.

Candidate number	Name Date of birth	Brief history, position and responsibility in the Company (including name of company and position if candidate is a representative of another company)	Number of Company shares owned by the candidate
1	Isao Uchida (Sep. 27, 1936)	Apr. 1960 Joined the Company June 1989 Director and President of Yokogawa Corporation of America June 1995 Senior Director and Head of Manufacturing Business Div. in charge of Kofu Plant July 1997 Executive Director and Head of Sales Operations Mar. 1999 Executive Director and Head of Industrial Automation Systems Business in charge of North American Operations June 1999 President and Chief Executive Officer Apr. 2007 Chairman and Chief Executive Officer Apr. 2008 Chairman of the Board (present)	112,188 shares
2	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)	43,269 shares
3	Kazunori Yagi (Apr. 1, 1949)	Apr. 1972 Joined the Company Oct. 1999 Vice President of Finance & Planning in charge of Corporate Marketing Apr. 2001 Senior Vice President of Finance & Business Planning Div. June 2001 Director and Senior Vice President of Finance & Business Planning Div. June 2002 Director and Executive Vice President of Finance & Business Planning Div. June 2005 Director and Executive Vice President of Management Administration Headquarters (present)	58,963 shares

4	Kazuhiko Kimura (Apr. 27, 1957)	Apr. 1980 Apr. 2000 June 2001 June 2002 Apr. 2004 Apr. 2005 Oct. 2007	Joined the Company Vice President of Sourcing & Manufacturing Business Div. in charge of Aerospace Equipment Business Director and Vice President of Sourcing & Manufacturing Business Div. Director and Senior Vice President of Sourcing & Manufacturing Business Div. Director and Executive Vice President of Industrial Solutions Business Headquarters Director and Executive Vice President of Industrial Solutions Business Headquarters Director and Executive Vice President of ATE Business Headquarters (present)	23,291 shares
5	Teruyoshi Minaki (Jan. 5, 1948)	Apr. 1971 Oct. 1999 June 2002 Apr. 2004 Apr. 2005 Apr. 2009	Joined the Company Vice President, Industrial Automation Business, Field Equipment Business Div. in charge of Analytical Products Director and Senior Vice President of International Business Headquarters Director and Executive Vice President of IA Business Headquarters Director and Executive Vice President of International Business Headquarters, Managing Director of Yokogawa Electric International Pte. Ltd. Director and Executive Vice President of IA Business Headquarters (present)	36,173 shares
6	Takashi Fujii (Aug. 6, 1955)	Apr. 1978 Apr. 2003 Jan. 2005 June 2005 Oct. 2007 Apr. 2009	Joined the Company Vice President of Business Div. I of ATE Business Headquarters Senior Vice President, Semiconductor Test Solution Business Div., ATE Business Headquarters Director and Senior Vice President of ATE Business Headquarters Director and Senior Vice President of Industrial Solutions Business Headquarters Director and Senior Vice President of Industrial Solutions Business Headquarters (present)	19,868 shares
7	Junji Yamamoto (Mar. 8, 1958)	Apr. 1980 Apr. 2005 Apr. 2006 June 2006 Apr. 2009	Joined the Company Vice President, Head of Corporate Planning Department, Corporate Marketing Headquarters Senior Vice President of Corporate Marketing Headquarters Director and Senior Vice President of Corporate Marketing Headquarters Director and Senior Vice President of Corporate Planning Headquarters (present)	18,155 shares

8	Masahisa Naito (Feb. 20, 1938)	Apr. 1961 June 1991 June 1993 Apr. 1998 Apr. 2000 June 2003	Joined Ministry of International Trade and Industry Director-General of Ministers' Secretariat Director-General of Industrial Policy Bureau Executive Vice President of Itochu Corporation Vice Chairman of Itochu Corporation Chairman & CEO of the Institute of Energy Economics, Japan and Director of the Company (present)	2,000 shares
9	Yasuro Tanahashi (Jan. 4, 1941)	Apr. 1963 June 1995 Apr. 1997 Apr. 2000 Apr. 2003 June 2007	Joined Fuji Iron & Steel Co., Ltd. (present Nippon Steel Corporation) Director and General Manager of Electronics and Information Systems Division of Nippon Steel Corporation Managing Director of Nippon Steel Corporation (in charge of new businesses overall) Representative Director and President of Nippon Steel Information and Communication Systems Inc. (present NS Solutions Corporation) Representative Director and Chairman of NS Solutions Corporation Senior Adviser of NS Solutions Corporation and Director of the Company (present)	0 share
10	Nobuo Katsumata (Dec. 5, 1942)	Apr. 1966 June 1996 Apr. 1999 Apr. 2001 Apr. 2003 Apr. 2008	Joined Marubeni-Iida Co., Ltd. (present Marubeni Corporation) Director of Marubeni Corporation Corporate Vice President of Marubeni Corporation Senior Vice President of Marubeni Corporation President and CEO of Marubeni Corporation Chairman of Marubeni Corporation (present)	0 share

(Notes)

1. There are no conflicts of interest between the candidates and the Company.
2. Nobuo Katsumata is a new candidate.
3. Masahisa Naito, Yasuro Tanahashi, and Nobuo Katsumata 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. Information pertaining to the candidates for outside directors is given below.
 - (1) Reasons for the appointment of the outside director candidates
 - a. Appointment of Masahisa Naito as an outside director is being requested so that he can contribute to the management of the Company the abundant experience that he has accumulated as an outside director and in other positions primarily at global companies.
 - b. Appointment of Yasuro Tanahashi as an outside director is being requested so that he can contribute to the management of the Company his wide knowledge as a manager regarding Japan's key industries and broad outlook gained from his abundant experience in establishing and developing new businesses.
 - c. Appointment of Nobuo Katsumata as an outside director is being requested so that he can contribute to the management of the Company his wide knowledge as a manager at a global company and broad outlook gained from his abundant experience in reforming business structure.

- (2) Number of years since appointment as an outside director
- Masahisa Naito will have served as an outside director for a period of six years as of the conclusion of this General Meeting of Shareholders.
 - Yasuro Tanahashi will have served as an outside director for a period of two years as of the conclusion of this General Meeting of Shareholders.
 - Appointment of Nobuo Katsumata as a new outside director is being proposed at this General Meeting of Shareholders.
- (3) Liability limitation agreement with outside directors
Upon appointment of Masahisa Naito, Yasuro Tanahashi, and Nobuo Katsumata as proposed, the Company will enter into a liability limitation agreement with them. The overview of this 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 or the amount stipulated in the Act.

Item 4: Appointment of One (1) Corporate Auditor

At the conclusion of this General Meeting of Shareholders, the term of office for one (1) corporate auditor (Taiki Utsumi) shall expire. Therefore, it is proposed to appoint one (1) corporate auditor.

The Board of Corporate Auditors concurs with this proposal. Information on the one (1) corporate auditor candidate is provided below.

Name Date of birth	Brief history, position and responsibility in the Company (including name of company and position if candidate is a representative of another company)	Number of Company shares owned by the candidate
Kiyoshi Makino (Sep. 26, 1947)	Apr. 1971 Joined the Company Oct. 1999 Vice President of Components Business Division June 2001 Director of Ando Electric Co., Ltd. Apr. 2003 President and CEO of Ando Electric Co., Ltd. Apr. 2005 Chairman of Yokogawa Corporation of America Oct. 2006 Vice President of ATE Business Headquarters of the Company (in charge of sales operations) Apr. 2009 Retired as Vice President of the Company Internal Audit Department (present)	21,296 shares

(Note)

- There are no conflicts of interest between the auditor candidate and the Company.

Item 5: Renewal of Countermeasures to Large-scale Acquisition of Yokogawa Electric Shares (Takeover Defense Measures)

As approved at the 131st ordinary general meeting of shareholders held on June 27, 2007, 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 and is henceforth referred to as the “Former Plan.” The Board of Directors resolved at its meeting held on April 28, 2009, 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 Former Plan (the revised version is henceforth referred to as the “Plan”), subject to the approval of the shareholders at the Annual General Meeting of Shareholders upon the expiration of the Former Plan.

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

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.

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

(i) 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.

In fiscal year 2006 the Company designated fiscal year 2010 as its Second Milestone and embarked on growth activities. 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.

(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 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 Renewing the Plan

Based on the VISION-21 & ACTION-21 long-term corporate strategy, the Yokogawa Group aims for sound and profitable management and strives to enhance its corporate value. The Yokogawa Group faces an increasingly challenging business environment as the global economy and financial markets continue to drastically change and enterprises reduce investments in facilities. Management understands that, in order to continue the Company's development and enhance its corporate value in this environment, it is essential to review its business portfolio, improve its business structure, and increase operational efficiency, thereby reducing fixed costs and lowering the break-even point. With this understanding, the Company considers fiscal years 2009 and 2010 as a time for improving its business structure and strengthening corporate quality. The Company will respond to the rapid changes in the business environment by promptly and thoroughly implementing various measures to reduce fixed costs and review the business portfolio. To set the stage for fiscal year 2011 and beyond, it will strive to give its development activities a more profitable structure. In light of the basic policy regarding control of the Company, the Company management believes it requires a mechanism that will allow the Company to pursue its structural reforms by deterring any acquisitions by inappropriate acquirers in fiscal years 2009 and 2010.

II. Details of Proposal

(1) Procedures for Renewal of the Plan

In light of the importance of the renewal 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 renewal of the Plan at the Annual General Meeting of Shareholders. Renewal of the Plan is subject to this proposal receiving a majority of the votes cast by the shareholders attending the Annual General Meeting of Shareholders.

(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 with the party effecting or proposing the Acquisition (the "Acquirer"). These would

include presentations to the shareholders by the Board of Directors on alternative schemes and counterproposals as well as requests for the Acquirer to provide information on itself and the Acquisition that would secure sufficient time to gather information and give the Acquisition full consideration. 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*) (Note 3) amounting to 20% or more of the share certificates, etc. (*kabuken tou*) (Note 4) issued by the Company; or
- (ii) A tender offer (*koukai kaitsuke*) (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 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 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 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 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 Board of Directors or the Independent Committee considers reasonably necessary.

(C) Independent Committee consideration after delivery of Completion Notice

(i) Request to the 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 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 Board of Directors and the company valuation conducted by the 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 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 Board of Directors, compare them, and consider any alternative proposal presented by the 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 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 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 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 (Note 12).

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 Exercise Period Commencement Date (defined below in II.(3)(F)) 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, the Independent Committee will recommend the non-implementation of the gratis allotment of Stock Acquisition Rights to the 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 the first paragraph of (i) are subsequently satisfied, the Independent Committee may make a separate decision including a recommendation to implement the gratis allotment of Stock Acquisition Rights, and advise the Board of Directors.

(iii) Information Disclosure

If the Independent Committee passes a resolution set out in (i) and (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 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 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 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 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 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 Board of Directors will promptly disclose the summary of the resolution and other information that the Board of Directors deems appropriate.

The 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 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 Exercise Period Commencement Date (defined in II.(3)(F) below) in case of either (1) or (2) of II.(2)(D)(i) 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 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 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 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 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 13)
- (II) Joint Holders of Specified Large Holders;
- (III) Specific Large Acquirers; (Note 14)
- (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 Board of Directors; or
- (VI) Any Affiliated Party (Note 15) 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 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 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 Board of Directors, acquire all of the Stock Acquisition Rights for no compensation.
- (ii) On a day determined by the 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 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 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 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 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 renewal at the Annual General Meeting of Shareholders. The Plan will remain in effect until the conclusion of the annual general meeting of shareholders for the fiscal year ending March 2011 (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 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 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.

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 Item 5.

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 Board of Directors to fall under this provision). This definition is applied throughout Item 5.

Note 4: Defined in Article 27-23(1) of the Financial Instruments and Exchange Law. The same is applied unless otherwise provided for in Item 5.

Note 5: Defined in Article 27-2(6) of the Financial Instruments and Exchange Law. The same is applied throughout Item 5.

Note 6: Defined in Article 27-2(8) of the Financial Instruments and Exchange Law. The same is applied throughout Item 5.

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 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 Item 5.

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 Board of Directors). The same is applied throughout Item 5.

- 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: Although the Company did not assert in the Former Plan that approval at a general meeting of shareholders may be required in order to trigger the takeover defense measures, the Company has determined to expressly state that if the Independent Committee deems it reasonable to obtain approval at a general meeting of shareholders with regard to the gratis allotment of Stock Acquisition Rights under the Plan, the Company may seek approval at the general meeting of shareholders taking into consideration the Takeover Defense Measures in Light of Recent Environmental Changes released on June 30, 2008 by the Corporate Value Study Group established under the Ministry of Economy, Trade and Industry, stating that it is necessary to know the shareholders' intent when the Company makes a substantial judgment whether the acquisition proposal will harm the common interests of shareholders.
- Note 13: "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 Board of Directors); provided, however, that a party that the 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 Item 5.
- Note 14: "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 Board of Directors); provided, however, that a party that the 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 Acquirer. The same is applied throughout Item 5.
- Note 15: 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 Board of Directors), or a party deemed by the 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).

(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. As set out in this document, the Company considers that the Plan is reasonable. The expected impact on shareholders and investors is described below. After considering the Plan’s impact and other factors described below, the shareholders will be asked to give their approval of Item 5.

1. Revisions to the Former Plan

(i) Revision of conditions for triggering takeover defense measures

Although the Board of Directors believes that stakeholders such as employees and business partners are essential to maintain and develop the Company’s corporate value, overemphasis on protection of stakeholders may in certain cases be used by incumbent managers as a justification for measures that protect their own interests. Therefore, the Company has deleted the triggering requirement regarding “acquisitions that materially threaten to harm the corporate value of the Company and, in turn, the common interests of shareholders by destroying tangible and intangible management resources such as personnel networks with employees and business partners and global service networks.”

(ii) Information Provision Period

In order to speed up the provision of information by a party conducting a large-scale acquisition of the Company’s shares, the Company has added text specifying that a deadline for the provision of information by the party may be set by the Independent Committee, and that this Information Provision Period be up to 90 days (60 days as a general rule).

(iii) Stricter rules regarding the time period allowed for provision of information by the Board of Directors to the Independent Committee and the time period allowed for consideration of information by the Independent Committee

If the current management were allowed an excessively long period of time to provide information to the Independent Committee, and if the deliberations and decisions of the Independent Committee could be extended, this would not only disrupt the market but lead to a suspension of business activities. The Company, therefore, has set a maximum period of 60 days for the provision of information by the Board of Directors to the Independent Committee, and a maximum period of 60 days for the consideration of that information by the Independent Committee, and has determined not to permit any extension or deferral of a decision. Under the Plan, a decision on whether to trigger the takeover defense measures will be made no later than 120 days after information has been provided by the acquirer.

(iv) Appointment of Independent Committee members who are Outside Directors or have experience in investment business

The Company intends to enhance the function of the Independent Committee by appointing all three Outside Directors as appointed subject to the Item 3 to the members of the Independent Committee under the Plan. The Company considers it beneficial for the Independent Committee to know the actual state of affairs of institutional investors and funds in order to make appropriate decisions. As such, it intends to appoint to the members of the Independent Committee a new member who has experience in the investment business. (See Attachment 3 for the names and career summaries of the candidates 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 Renewal of the Plan," the Plan will take effect when it is approved by the shareholders at the Annual General Meeting of Shareholders, for which the Effective Period will be the period of two years until the conclusion of the annual general meeting of shareholders for the fiscal year ending March 2011, as mentioned in II.(4) "Effective Period of the Plan." In addition, as the term of office for Directors is one year, 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, abolition, 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 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 Board of Directors.

(5) 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.

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

As stated above 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 Renewing the Plan

At the time of renewing 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 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 4(B) 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 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 (4)(C) 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, even if the Company cancels the gratis allotment or acquires without compensation those Stock Acquisition Rights that had been allotted at no cost, 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 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 Applicable 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 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 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 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.

--- End ---

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 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 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 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 Board of Directors may determine), and the period will be a period of one to three months long as determined by the 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:
- (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 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 Board of Directors); provided, however, that the party is recognized by the 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 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 Board of Directors); provided, however, that the party is recognized by the 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 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 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 Board of Directors), or a party deemed by the Board of Directors to act in concert with such given party. “Control” means a situation where one company “controls determinations of financial and business policies” of another company or the like (defined in Article 3 of the Enforcement 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 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 Board of Directors);
 - (c) a party that the 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 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 Board of Directors may determine that acquisition and holding of share certificates, etc., of the Company by a party determined by the Board of Directors as falling under parties set forth in (1)(i) through (vi) above is not contrary to the Company’s corporate value or the common interests of shareholders, and if the 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 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 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 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 parties set forth in (1)(i) through (vi) above, nor is a party that has any intention to exercise the Stock Acquisition Rights on behalf of any parties set forth in (1)(i) through (vi) above, and the fact that 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 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 a party not being able to exercise Stock Acquisition Rights in accordance with the provisions of Item 4(1) above), then the 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 parties set forth in Item 4(1)(i) through (vi) above;
- (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 a party not able to exercise Stock Acquisition Rights in accordance with the provisions of Item 4(1) above.

7. Acquisition of Stock Acquisition Rights by the Company

- (1) At any time prior to the Exercise Period Commencement Date, if the 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 Board of Directors, acquire all of the Stock Acquisition Rights for no compensation.
- (2) On a date specified by the Board of Directors, the Company may acquire all of the Stock Acquisition Rights that have not been exercised before the date specified by the Board of Directors and which are held by parties other than parties not able to exercise Stock Acquisition Rights in accordance with the provisions of Item 4(1) above. 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 Board of Directors recognizes the existence of a party other than parties not able to exercise Stock Acquisition Rights in accordance with the provisions of Item 4(1) above who hold the Stock Acquisition Rights, the Company may, on a date determined by the 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.

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 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 came into effect on April 16,

2009. 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 April 16, 2009, the Board of Directors may do so to a reasonable extent and as appropriate, taking into consideration the purposes of such enactment, amendment, or abolishment.

--- End ---

Outline of the Rules of the Independent Committee

1. The Independent Committee will be established by resolution of the 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 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 Board of Directors and containing a provision obligating them to carefully exercise their managerial duties, or some similar provision.
6. The term of office of members of the Independent Committee will be until the conclusion of the annual general meeting of shareholders for the fiscal year ending March 2011.
7. The Independent Committee will make decisions on the matters listed below and submit recommendations to the Board of Directors containing the details of and reasons for the decision. Respecting such recommendations of the Independent Committee to the maximum extent, the 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 after the Independent Committee makes its recommendations, the 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 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 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 Board of Directors
- (d) Request and consider alternative proposals from the 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 Board of Directors determines may be carried out by the

Independent Committee

8. Except when Acquisitions are determined by the 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 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 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 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 Board of Directors, and consider any alternative proposal from the Board of Directors within a set period of time after receiving the information from the Acquirer and the 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 Candidates of the Independent Committee

The following six candidates are the proposed initial members of the Independent Committee at the time of renewing the Plan:

1. Masahisa Naito

Born on February 20, 1938

Chairman and CEO of the Institute of Energy Economics, Japan

[Career Summary]

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

Masahisa Naito is a candidate for Outside Director who satisfies the requirements of an Outside Director set out in Article 2.3 (7) of the Enforcement Regulations of the Companies Act and is scheduled to be reappointed as an Outside Director after being approved at the Annual General Meeting of Shareholders. He does not have any special interests in the Company.

2. Yasuro Tanahashi

Born on January 4, 1941

Senior Advisor to 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 (current position)
June 2007	Appointed Outside Director of Yokogawa Electric Corporation (current position)

Yasuro Tanahashi is a candidate for Outside Director who satisfies the requirements of an Outside Director set out in Article 2.3 (7) of the Enforcement Regulations of the Companies Act and is scheduled to be reappointed as an Outside Director after he is elected as such at the Annual General Meeting of Shareholders. He does not have any special interests in the Company.

3. Nobuo Katsumata

Born on December 5, 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 Sapporo Holdings Ltd. (current position)

Nobuo Katsumata is a candidate for Outside Director set out in Article 2.3 (7) of the Enforcement Regulations of the Companies Act and is scheduled to be appointed as an Outside Director after he is elected as such at the Annual General Meeting of Shareholders. He does not have any special interests in the Company.

4. Takaaki Wakasugi

Born on March 11, 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 2005	Appointed Outside Director of Ricoh Company, Ltd. (current position)
June 2006	Appointed Outside Statutory Auditor of JFE Holdings, Inc. (current position)
June 2007	Appointed Outside Corporate Auditor of NTT DOCOMO Inc. (current position)

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

5. Naoto Nakamura

Born on January 25, 1960

Partner at Nakamura, Tsunoda and Matsumoto

[Career Summary]

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

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

6. Tetsuo Kitagawa

Born on May 9, 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 MDAM Asset Management Co., 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.

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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

When you use your personal computer, please make sure the following:

- PCs: Windows®
You will not be able to access the voting site from a mobile phone, PDA, or game console.
- Browsers: Internet Explorer, version 5.5 or higher
- Internet environment: access to the Internet, 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.