

June 1, 2007

To all parties concerned:

Company Name	Fujitec Co., Ltd.
Representative	Takakazu Uchiyama President & Chief Executive Officer
Code No.	6406
Listed on	TSE 1, OSE 1
Inquiry	Yoshio Kitagawa (TEL 0749-30-7111) Executive Operating Officer, General Manager, Finance Division

Fujitec's View on Dalton Investments' Opposition to Fujitec
Countermeasures (Takeover Defenses)
for Large-scale Purchases of Fujitec Stock

On May 11, 2007 Fujitec Co., Ltd. announced its adoption of countermeasures (Takeover Defenses) for large-scale purchases of Fujitec stock. In response to this announcement, on May 23, 2007 Fujitec shareholder Dalton Investments Co., Ltd. ("Dalton") announced its opposition to Fujitec's Takeover Defenses (the "Statement of Opposition"). Based on Dalton's own views, this company stated that it opposes Fujitec's Takeover Defenses (the "Rule"). In addition, Dalton stated its intention of urging other Fujitec shareholders to oppose the Rule.

In order to secure its corporate value and its shareholders' common interests, Fujitec plans to consult the Rule with its shareholders for their approval at the next ordinary general meeting scheduled for June 27, 2007 ("Next Ordinary Meeting"). In advance of introduction of this proposal at the Next Ordinary Meeting, Fujitec hereby supplies the following information on its views on the Rule. This information includes the background for adopting the Rule and the objectives and specific contents of the Rule. It is intended to prevent misunderstandings among shareholders and, by highlighting the differences between the views of Fujitec and those appearing in the Statement of Opposition, to help Fujitec shareholders make fair decisions on this issue. On April 23, 2007 Fujitec received a management and employee

buyout (“MEBO”) proposal from JMBO Fund Limited, through its agent and fund manager Dalton Investments LLC (“Dalton LLC”) to which Dalton is an advisor. On May 9, 2007 Fujitec sent written inquiries to Dalton LLC to collect information necessary to analyze, consider and evaluate the MEBO proposal.

As was announced today, Fujitec has decided to appoint two additional External Directors subject to its shareholders’ approval at the Next Ordinary Meeting. Both candidates are completely independent of Fujitec’s management team. Upon their successful appointment, Fujitec will have three External Directors, which will account for one third of all Directors on the Board. The process for appointing new External Directors has been under way since April, with informal consent to the appointment having been given by both candidates.

Chapter 1 Legitimacy of the Rule

1. Why the Rule is needed

The Rule prescribes objective and specific procedures to be followed by a party that wishes to make a large-scale purchase of Fujitec stock. The main objectives of the Rule are: to secure information and time necessary to help shareholders decide whether or not to accept the large-scale purchase or to allow Fujitec’s Board of Directors to present an alternative proposal to shareholders; and to secure opportunities to negotiate with the proposed large-scale purchaser for the benefit of Fujitec’s shareholders.

This nature of the Rule makes adoption of it absolutely essential in order to realize corporate value and shareholders’ common interests, by preventing Fujitec’s shareholders from mistakenly accepting a takeover proposal that would be detrimental to corporate value and shareholders’ common interests because of misunderstandings that may be caused by lack of information.

In the current fiscal year Fujitec has launched a three-year medium-term plan called “Regeneration for Quality”. This is part of the measures for securing and enhancing the Fujitec group’s corporate value and shareholders’ common interests and is in line with its roadmap for long-term growth in corporate value. Under this plan, Fujitec will focus on developing core strategic products and will aim at increasing market shares and profitability in growing markets, mainly those in China and other Asian countries. The plan’s goal is to raise the operating margin to at least 8.0%,

which is more than twice the 3.9% margin for fiscal 2006, by the plan's final year (fiscal 2009 ending March 2010). By achieving this plan, Fujitec intends to further visualize its underlying corporate value and to establish a foundation for subsequent long-term, consistent growth in its corporate value. These are the circumstances under which Fujitec has decided to adopt the Rule in order to secure and enhance its corporate value and shareholders' common interests.

Fujitec will hold an information meeting on June 6, 2007 to announce its fiscal 2006 performance and explain the new three-year medium-term plan. This information will also be available to shareholders and prospective investors at the Fujitec Web site.

2. Rationality of the Rule

(1) Emphasis on shareholders' intentions

The Rule was adopted by a resolution approved by Fujitec's Board of Directors. However, this Rule will be promptly revised or terminated should a resolution to do so be passed at a general meeting of Fujitec's shareholders which may be held before the Next Ordinary Meeting. In addition, Fujitec plans to submit a proposal to approve the Rule to the Next Ordinary Meeting in order to confirm the intentions of shareholders on the Rule. Extension of the Rule's term is subject to approval by a majority of the voting rights represented by the shareholders attending the meeting. Moreover, following extension of its term, the Rule will be immediately revised or terminated should a resolution to do so be passed at any subsequent general meeting Fujitec's shareholders.

Thus, the fate and contents of the Rule depend on the intentions of shareholders as expressed at shareholders meetings. The Rule is so structured that it will ensure that the intentions of shareholders will be respected.

Fujitec has already shortened the terms of its Directors to one year with the approval at a general shareholders' meeting. Consequently, if the term of the Rule is extended at the Next Ordinary Meeting, the shareholders will be able to express their intentions on this Rule through annual appointment of Directors.

As described above, the Rule is structured such that it will reflect the intentions of shareholders both directly through resolutions at shareholders' meetings and indirectly through appointment of Directors.

(2) Reasonable, objective conditions for initiating defensive measures and prevention of arbitrary decisions by Board of Directors

The Rule will not, in principle, allow Fujitec's Board of Directors to initiate defensive measures against a proposed large-scale purchase if the large-scale purchaser has complied with the procedures stipulated by the Rule. As an exception, even if the large-scale purchaser has complied with the procedures stipulated by the Rule, defensive measures can be taken if the certain reasonable, objective prescribed conditions are met. These conditions are designed to find out whether a proposed purchase is detrimental to the preservation and enhancement of corporate value and shareholders' common interests and whether use of the defensive measures is justified.

For making decisions on activation of the Rule and other measures, Fujitec has established an Independent Committee consisting of three external expert members who have no relationship with Fujitec's senior operating officers. Fujitec's Board of Directors must give most serious consideration to decisions and recommendations made by the Independent Committee.

Thus, the Rule has a secure system to prevent Fujitec's Board of Directors from arbitrarily initiating the Rule, both in the way the system is designed and in the way the system is operated.

Moreover, as described above, Fujitec plans to increase the number of External Directors from one to three subject to the approval of shareholders at the Next Ordinary Meeting. This will result in a total of three External Directors out of all nine Directors on the Board following such increase, further enhancing the rationality and objectivity of decisions to be reached by the Board.

(3) Restrictive scope of application and no excessive burden on or serious damage to large-scale purchasers

The information items requested by the Rule from proposed purchasers are limited to those that are necessary and reasonable to help shareholders decide if the proposed purchase would be beneficial to corporate value and shareholders' common interests. The Rule also provides the Board of Directors with a review period following receipt of sufficient information.

This period is 90 days (or 60 days for proposed all-cash (yen-denominated) purchases of all Fujitec shares), a standard review period that is provided in most other takeover defenses of Japanese companies.

Thus, the extent of information required from the purchaser and the waiting period before a large-scale purchase can be made are both within necessary and reasonable bounds. The Rule will therefore not impose an excessive burden on the purchaser.

3. Compliance with the three principles established by the “Policy Concerning Takeover Defenses for Preserving and Enhancing Corporate Value and Shareholders’ Common Interests” (“Takeover Defenses Policy”) issued by the Ministry of Economy, Trade and Industry (“METI”) and the Ministry of Justice.

As described above, the Rule: (1) has been adopted in order to preserve and enhance corporate value and shareholders’ common interests; (2) emphasizes the intentions of shareholders in making decisions on its contents and fate; and (3) is reasonable in that it will not impose excessive burdens on proposed purchases, because it will apply only to the extent necessary to preserve Fujitec’s corporate value and shareholders’ common interests and will prevent arbitrary decisions from being made by the Board of Directors.

Therefore, the Rule meets the three principles ((1) the principle of preservation and enhancement of corporate value and shareholders’ common interests; (2) the principle of prior disclosure and intentions of shareholders; (3) the principle of necessity and reasonableness) established by the Takeover Defenses Policy issued on May 27, 2005 by the METI and the Ministry of Justice.

Chapter 2 Fujitec’s View on Dalton’s Statement of Opposition to the Rule

1. No restriction on shareholder rights

As described in Chapter 1, Section 2 (3), the Rule will require proposed purchasers to supply sufficient information for Fujitec’s shareholders to make proper decisions on whether or not to accept the proposed purchase. The Rule will not block large-scale purchases that would contribute to Fujitec’s corporate value and shareholder’s common interests, nor will it

deprive shareholders of the right to decide whether or not to sell their shares to the large-scale purchaser.

The Rule is, as described above, intended to realize corporate value and shareholders' common interests, by preventing Fujitec's shareholders from mistakenly accepting a takeover proposal that would be detrimental to corporate value and shareholders' common interests because of misunderstandings that may be caused by lack of information. In achieving this goal, the Rule will thoroughly ensure that opportunities for unrestricted sale of Fujitec shares will ultimately be given to shareholders.

In its Statement of Opposition, Dalton argues that the adoption of the Rules is unreasonable on the grounds that "shareholders have an unrestricted right to buy and sell publicly traded shares that have no restrictions on transfers."

However, Dalton's argument would practically mean that no publicly traded company may adopt an takeover defenses. This view is not consistent with the following view adopted by the aforementioned Takeover Defenses Policy: in light of the reason for a company's existence, it is legal and reasonable to adopt a takeover defenses that aims at preserving and enhancing corporate value and shareholders' common interests by restricting acquisition of its control by a specific shareholder. In addition, as described above, the Rule will not directly restrict trading of Fujitec shares by specific shareholders but will simply request information necessary to trade shares.

2. No harm to corporate value

As described in Chapter 1, Section 2 (2), the Rule provides a mechanism to prevent arbitrary initiation of defensive measures under the Rule by Fujitec's Board of Directors.

Therefore, unlike what is claimed by Dalton in its Statement of Opposition, the adoption of the Rule will not result in allowing any Director to arbitrarily block a large-scale purchase for personal reasons irrespective of whether or not the purchase would enhance corporate value.

Dalton has provided a comparison of TOPIX and Fujitec's share price before and after the announcement of the Rule. On May 10, the eve of the announcement, TOPIX closed at 1,736.99, whereas the May 22 close was 1,731.54, showing a decline of 0.3%. Fujitec stock closed at ¥865 on May

10 and declined to ¥840 on May 22, a difference of 2.9%. Dalton has pointed out that Fujitec stock fell 2.6% more than TOPIX.

However, Fujitec believes that share price fluctuations are not a result of a single factor but of many various factors. Under Japan's regulatory environment, we have seen many companies experiencing significant increases in share price over the year following their adoption of takeover defenses. Fujitec is confident that adoption of takeover defenses does not lower the value of the company's stock from a medium-term perspective. In addition, research conducted overseas has produced statistical results demonstrating a tendency that companies with takeover defenses are likely to command a higher premium in the event of their acquisition by others. Fujitec will strive to increase shareholder value in line with its operating results by actively promoting disclosure and investor relations activities that will provide shareholders and a broad spectrum of investors with information. Fujitec believes that the primary objective of adopting takeover defenses governed by a certain set of rules should be to prevent damage to the company's corporate value. Fujitec thus understands that these defenses must be designed to eliminate the possibility of damage to corporate value, and is confident that this is the way its Rule has been designed. For these reasons, Fujitec considers that Dalton's view that "adoption of this plan will be detrimental to corporate value" is based on an inaccurate understanding of the Rule.

3. Compliance with the spirit of amendments to the Securities and Exchange Law

The Rule is consistent with the spirit of amendments to the Securities and Exchange Law ("SEL"). This Rule is absolutely essential to providing information and time that will be reasonably required for shareholders to make appropriate decisions.

Amendments to the SEL made in 2006 include: provisions which expand information disclosure; those which grant the target company a right to submit questions to the party proposing a takeover; and those which allow extension of a tender offer period upon request of the target company. However, the restrictions imposed by the SEL represent a minimum level of restrictions required to protect investors. In addition, the amended SEL has no original legislative intent to deny or displace any systems involving takeover defenses. Furthermore, the amended law does not intend to thoroughly secure the intended benefits of takeover defenses. For instance,

even if the target company exercises its right to submit questions, the tender offeror may practically refuse to answer or reserve answering if the tender offeror finds it unnecessary to respond to the questions.

In this regard, Dalton mentions the Tokyo District Court's decision on provisional disposition of the dispute between Yumeshin Holdings Co., Ltd. and Japan Engineering Consultants Co., Ltd. However, this decision is not actually meant to determine the legitimacy of a poison-pill defense plan. The decision does mention that if the TOB system under the SEL is amended after the above decision has been made, then there will be a scope for considering whether or not it is appropriate for a Board of Directors to establish rules on information provision and review period in the company's takeover defenses. However, no clear judgment is made as to the legitimacy of establishing rules on information provision and review period in takeover defenses.

For these reasons, Fujitec believes that the Rule is absolutely necessary to prevent Fujitec's shareholders from suffering losses. The Rules does so by substantially securing time and information required for shareholders to consider selling their stock, while keeping in line with the spirit of the SEL.

Therefore, the Rule is consistent with the spirit of the SEL.

4. No arbitrary conditions for initiation

For Fujitec's view on this issue, please refer to Chapter 1, Section 2 (2).

Chapter 3 Conclusion

The Rule constitutes procedures to realize Fujitec's corporate value and shareholders' common interests. Under the Rule, these value and interests will be sought by sorting out large-scale purchasers with no intention to enhance these value and interests, through the procedures starting with a request for information necessary for shareholders to make appropriate decisions.

Fujitec is determined to promote active information disclosure and investor relations activities that will provide shareholders and a broad spectrum of investors not only with accurate data on it but also with its future business potential, with the view to enhance its corporate value and shareholders' common interests.

Fujitec shareholders are requested to express their intentions by appropriately exercising their voting rights at the Next Ordinary Meeting based on an adequate understanding of Fujitec's view on this issue.