

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

To All Shareholders:

Stock code: 6841

June 4, 2010

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

## **Notice of 2010 Annual General Meeting of Shareholders**

Dear Shareholder:

You are cordially invited to attend the 2010 Annual General Meeting of Shareholders of Yokogawa Electric Corporation (hereinafter the Company), which will be held as per the schedule below.

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

Sincerely,

Shuzo Kaihori  
President and CEO

**1. Time & Date: 10:00 a.m. (Japan time), Friday, June 25, 2010**

**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 2009 (April 1, 2009 to March 31, 2010)
- 2: Non-consolidated Financial Statements for fiscal year 2009 (April 1, 2009 to March 31, 2010)

#### **Items to be resolved**

- Item 1: Appropriation of Retained Earnings for Fiscal Year 2009**
- Item 2: Appointment of Eight (8) Directors**

[Vote by mail]

Indicate “for” or “against” for each agenda item shown on the enclosed voting form and return it promptly to ensure its arrival **no later than 5:00 p.m. on Thursday, June 24, 2010, Japan time.**

[Vote via the Internet]

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

By following the prompts on the screen, indicate “for” or “against” for each agenda item **no later than 5:00 p.m. on Thursday, June 24, 2010, Japan time.**

For more details, please refer to the Instructions for Internet Voting on pages 44 and 45.

[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, 2009 to March 31, 2010)

### 1. Status of the Yokogawa Group

#### (1) Business Results

##### a. Analysis of Business Results

This section reviews the performance of the Yokogawa Group for the consolidated accounting period (fiscal year) under review. Although there are differences depending on regions, the worst seems to be over for the world economy and emerging countries are starting to recover. Although power plant construction projects have been resumed in various resource-rich countries, mainly in the Middle East, Africa, and Australia, capital investment remains stagnant in Japan, Europe, and North America.

In view of the above, the Group is working hard to strengthen its structure and lower its breakeven point by improving operating efficiency and reducing fixed costs.

In the fiscal year under review, net sales decreased significantly from the previous fiscal year due to stagnant capital investment and appreciation of the Japanese yen. Although the Group reduced fixed costs to compensate for reduced revenues, operating income was down from the previous fiscal year. Ordinary income was also down due to the decline in operating income, while non-operating expenses decreased owing to falling foreign exchange losses. The net loss for the fiscal year under review was less than in the previous year, when results were impacted by a reversal of deferred tax assets.

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

Net sales	¥316,606 million	(-15.9%,	down	¥59,928 million)
Operating income	¥2,619 million	(-44.4%,	down	¥2,087 million)
Ordinary income	¥239 million	(-13.1%,	down	¥35 million)
Net loss	¥14,799 million	( -	down	¥23,647 million)

Results by individual business segment are outlined below.

At the beginning of the fiscal year under review, the Group's business segmentation was revised. Formerly, these segments were Industrial Automation and Control, Test and Measurement, and New and Other Businesses. Under the new arrangement, the segments are as follows: Industrial Automation and Control, Test and Measurement, and Other Businesses. For further information, see "(5) Principal Businesses" on page 8. The comparative figures for the previous fiscal year are provided based on the new segmentation.

#### **Industrial Automation and Control Business**

In our core industrial automation and control market, there was an upsurge of activity in the construction of new petrochemical, electric power, and seawater desalination plants in Australia and other countries in the Middle East and Africa, while demand remained stagnant in Europe and North America. In Japan, water supply and treatment, electric power, and other infrastructure sectors held steady, but corporate capital investment as a whole was stagnant throughout the year due to the uncertain business outlook.

Given these circumstances, we focused on the oil and natural gas upstream market, which includes exploration, development, and production. Investment remains active in this market because of the need to satisfy future energy demand. We also strengthened our sales and engineering functions for the growing power market in emerging countries. In Japan, we accelerated our roll-out of the VigilantPlant campaign, which formerly had focused on non-Japan markets relating to the industrial automation and control business. Seminars and exhibitions were hosted at major industrial complexes all over Japan to boost awareness of Yokogawa's VigilantPlant offering among our Japanese customers. Also, in view of the passing of legislation such as Japan's revised Energy Saving Act and the efforts that have been undertaken at COP15 and other global venues to help prevent global warming, we have established a Green Factory Solutions Business Headquarters and concentrated our environment-related resources and know-how within this organization. This organization will help expand our environment business both in and outside Japan.

We proactively responded to changes in the market, but due to the weak economy in developed countries and this year's stronger yen exchange rate, sales for the industrial automation and control business declined to 256.781 billion yen, a decrease of 44.371 billion yen from the previous year, and operating income fell to 19.942 billion yen, a decrease of 9.155 billion yen from the previous year.

#### **Test and Measurement Business**

Regarding the semiconductor tester market for our test and measurement business, memory manufacturers resumed making limited investments in semiconductor manufacturing facilities during the second half of the year. However, customers remained reluctant to invest in test systems and demand did not fully recover. In the market for measuring instruments, the demand for power measuring instruments expanded in the booming energy-saving and new energy markets. For the measuring instruments market as a whole, however, demand languished due to the impact of drastic curbs on capital investment among our major customers, including electrical equipment manufacturers, telecommunication companies, and auto manufacturers. In the life science business, orders for magnetoencephalograph systems increased, and our confocal scanners for observing live cells sold well in and outside Japan. But in the photonics business, demand lagged as communication carriers delayed investments in next-generation networks. Due to these factors, we focused on developing next-generation memory testers in the belief that demand for such systems would be strong. Moreover, in the measuring instruments business, we strengthened our sales and promotion of solutions targeting the energy-saving and new energy markets and the markets in emerging countries.

However, due to sluggish demand for semiconductor test systems and measuring instruments, sales in the test and measurement business were 31.481 billion yen, a decrease of 10.347 billion yen from the previous fiscal year. The operating loss was 18.955 billion yen, which was 6.144 billion yen less than in the previous year. This can be attributed to reduced fixed costs mainly in research and development.

#### **Other Businesses**

With our Other Businesses segment, net sales were 28.344 billion yen, down 5.210 billion yen from the previous fiscal year. Operating income was 1.632 billion yen, up 924 million yen from the previous year.

## b. Capital Investment

During the consolidated fiscal year under review, the Company greatly constricted its capital investment activities in response to worsening business conditions. As a result, total capital investment came to 11,125 million yen, 15,688 million yen less than in the previous fiscal year. Capital investments were mainly for the construction of information infrastructure.

## c. Fundraising

During the consolidated fiscal year under review, 25.0 billion yen was raised through a subordinated loan from financial institutions that was effected on February 26, 2010. These funds are to be allocated as investment capital for our industrial automation and control business and for the repayment of long-term loans payable due in the next fiscal year.

## (2) Financial Assets and Profits/Losses

### a. The Group's Financial Assets and Profits/Losses

(Millions of yen)

Category	FY2006	FY2007	FY2008	FY2009
Orders	456,549	455,072	374,285	315,247
Net sales	433,405	437,448	376,534	316,606
Ordinary income	29,616	16,453	274	239
Net income (loss)	12,563	11,667	(38,446)	(14,799)
Net income (loss) per share	¥47.79	¥44.76	¥(149.26)	¥(57.45)
Total assets	438,683	444,644	400,959	398,792
Net assets	238,902	224,844	171,008	157,360

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

(Millions of yen)

Category	FY2006	FY2007	FY2008	FY2009
Orders	247,025	236,045	182,940	155,382
Net sales	239,399	238,786	184,872	156,948
Ordinary income (loss)	14,946	(2,424)	(2,151)	(15,974)
Net income (loss)	5,039	(2,132)	(40,043)	(25,849)
Net income (loss) per share	¥19.17	¥(8.18)	¥(155.46)	¥(100.36)
Total assets	341,754	341,153	304,203	293,130
Net assets	208,169	186,550	139,474	113,937

### (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 maintenance services of control and measuring equipment
Yokogawa Europe B.V.	EUR17,725,000	100.0%	Manufacturing, sales, engineering, and maintenance services of control and measuring equipment
Yokogawa Engineering Asia Pte. Ltd.	SGD29,000,000	100.0%	Sales, engineering and maintenance services of control and measuring equipment
Yokogawa Middle East B.S.C. (c)	BHD2,481,000	100.0%	Sales, engineering and maintenance services of control and measuring equipment
Yokogawa Field Engineering Service Corporation	JPY300 million	100.0%	Maintenance services of control and measuring equipment
Yokogawa Electric China Co., Ltd.	JPY4,000 million	100.0%	Manufacturing of control and measuring equipment
Yokogawa Denshikiki Co., Ltd	JPY300 million	78.7%	Manufacturing and sales of marine and aerospace electronics equipment
Yokogawa Electric Asia Pte. Ltd.	SGD31,020,000	100.0%	Manufacturing of control equipment
Yokogawa China Co., Ltd.	RMB119 million	100.0%	Sales, engineering and maintenance services of control and measuring equipment

#### **(4) Challenges for the Company**

The Yokogawa Group regards fiscal years 2009 and 2010 as a period during which structural reforms will be undertaken to overcome the present severe challenges in our business environment. Through various measures we will review our business portfolio, and we will improve operating efficiency by reducing fixed costs, thereby ensuring a return to profitability and growth in fiscal year 2011 and beyond. In fiscal year 2009, we exceeded our target for the reduction of fixed costs. And through the review of our business portfolio, we encouraged the withdrawal from and downscaling of unprofitable operations, and the concentration of resources on the industrial automation and control business.

We will continue to execute these thorough measures in fiscal year 2010, the final year of the structural reforms that will strengthen the Group as a whole.

#### **Challenges by business segment**

In the industrial automation and control business, it is expected that the demand for energy and materials will recover in the mid- to long-term, mainly in emerging countries, and that the market will expand steadily. The Group will seek to develop potential new markets by providing solutions that reduce energy consumption and protect the environment, thereby helping to address a number of pressing issues that present a common challenge for all mankind.

We will strengthen the foundation of this business by allocating more resources to it, achieving global cost competitiveness, and globally optimizing our business functions. We will also increase market share by acquiring new customers in a wider variety of industries outside Japan, pursuing opportunities to use Yokogawa's measurement, control, and information technologies in the energy saving and environmental conservation fields, and by providing solution-based maintenance services. Through these activities, we aim to become the world's leading IA company.

In the test and measurement segment's measuring instruments business, we will seek to expand our activities in the growing markets of emerging countries by reviewing all work processes to find ways to make and implement decisions more rapidly and by strengthening our cost competitiveness. We will create a solution-type business to meet the latest needs for advanced measurement solutions in such applications as secondary battery assessment and spectroscopic measurement. In the semiconductor tester business, we will concentrate resources on memory testers. In the life science business, we will focus on live cell observation, biomagnetic measurement, and new drug discovery support. In the photonics business, we will aim to become profitable soon by continuing to carry out a number of structural reforms.

#### **Challenges in enhancing corporate governance**

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

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

The Group's compliance principles are set out in the Standards of Business Conduct for the Yokogawa Group. The directors will take the initiative to promote the observation and awareness of business ethics throughout the Group. We have also established an internal control system for the

Yokogawa Group to ensure the reliability of financial statements, the validity of the decision-making process, and proper and efficient execution of operations.

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

**(5) Principal Businesses (as of March 31, 2010)**

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

**(6) Main Offices and Factories (as of March 31, 2010)**

**a. The Company**

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

**b. Subsidiaries**

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

**(7) Employees (as of March 31, 2010)**

Business segment	Number of employees
Industrial automation and control business	15,995
Test and measurement business	2,469
Other businesses	1,110
Total	19,574

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

**(8) Principal Lenders (as of March 31, 2010)**

Lenders	Loan amount
Syndicated loan (Note 1)	¥66,000 million
Subordinated loan (Note 2)	¥25,000 million
Mizuho Corporate Bank, Ltd.	¥22,000 million
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥3,979 million

Notes: 1. Mizuho Corporate Bank is lead manager for the syndicated loan.  
2. The subordinated loan consists of borrowings from six financial institutions.  
3. Although the Company has a 40,000 million yen syndicated commitment line contract, the loan balance is zero as of the end of the fiscal year under review.

**(9) Other Important Matters Related to the Group**

No applicable matters

## 2. Overview of the Company

### (1) Shares (as of March 31, 2010)

**a. Number of Authorized Shares:** 600,000 thousand

**b. Number of Issued Shares:** 268,624 thousand

**c. Number of Shareholders:** 33,800

### d. Major Shareholders (Top 10):

Name of shareholder	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)	17,147	6.7
Nippon Life Insurance Company	14,284	5.5
Japan Trustee Services Bank, Limited (trust account)	13,589	5.3
Yokogawa Electric Employee Shareholding Program	8,252	3.2
Retirement Benefit Trust in Mizuho Trust & Banking Co., Ltd. (Mizuho Corporate Bank, Ltd. account); Trust & Custody Services Bank, Ltd. as a Trustee of Retruster	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 Retruster	4,617	1.8
State Street Bank and Trust Company 505225	4,131	1.6
Japan Trustee Services Bank, Limited (trust account 9)	4,052	1.6

Notes: 1. The Company holds 11,055 thousand shares of treasury stock, but they are excluded from the capital positions of the above major shareholders.  
 2. The shareholding ratio is calculated after deducting treasury stock.  
 3. The Dai-ichi Mutual Life Insurance Company changed its name to The Dai-ichi Life Insurance Company Limited on April 1, 2010.

**(2) Company Executives****a. Directors and Corporate Auditors (as of March 31, 2010)**

Status	Name	Area of responsibility and significant concurrent positions
Chairman of the Board	Isao Uchida	
President and Chief Executive Officer	Shuzo Kaihori	
Director	Kazunori Yagi	Executive Vice President Management Administration Headquarters
Director	Kazuhiko Kimura	Executive Vice President ATE Business Headquarters
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
Director	Masahisa Naito	Chairman & CEO of The Institute of Energy Economics, Japan Outside Director of Nippon Koei Co., Ltd. Outside Director of ESPEC Corporation
Director	Yasuro Tanahashi	Outside Director of Internet Initiative Japan Inc. Outside Director of Murata Manufacturing Co., Ltd.
Director	Nobuo Katsumata	Chairman of Marubeni Corporation Outside Director of Sapporo Holdings Limited
Standing Corporate Auditor	Takafumi Koyanagi	
Standing Corporate Auditor	Kiyoshi Makino	
Corporate Auditor	Shigeru Hikuma	Representing President of CRD Association, a general incorporated association Outside Corporate Auditor of Asahi Glass Co., Ltd.

Corporate Auditor	Teruhiko Ikeda	Chairman of Mizuho Trust & Banking Co., Ltd. Outside Corporate Auditor of TOKYO FM Broadcasting Co., Ltd.
Corporate Auditor	Kouichi Iki	Chairman of DIAM Co., Ltd.

- Notes:
1. Masahisa Naito, Yasuro Tanahashi and Nobuo Katsumata are outside directors.
  2. Shigeru Hikuma, Teruhiko Ikeda, and Kouichi Iki are outside corporate auditors.
  3. Directors Masahisa Naito, Yasuro Tanahashi and Nobuo Katsumata and Corporate Auditor Shigeru Hikuma are registered at the Tokyo Stock Exchange as independent officers pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of said Exchange.
  4. The responsibilities of the following director have changed, in conjunction with the reorganization that took effect on April 1, 2010, after the closing of fiscal year 2009.

Status	Name	Area of responsibility and significant concurrent positions
Director	Takashi Fujii	Senior Vice President Aerospace Products Business Headquarters

5. Director Kazuhiko Kimura resigned on April 19, 2010, after the closing of fiscal year 2009.

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

Name	Retirement date	Reason for retirement	Position and area of responsibility / significant concurrent positions at time of retirement
Taiki Utsumi	June 29, 2009	Expiration of term of office	Standing Corporate Auditor

### c. Total Compensation Paid to Directors and Corporate Auditors

Classification	Number of persons paid	Amount paid
Directors (Outside Directors )	10 (3)	¥338 million (¥29 million)
Corporate Auditors (Outside Corporate Auditors)	6 (3)	¥89 million (¥32 million)
Total (Outside Directors and Outside Corporate Auditors)	16 (6)	¥428 million (¥62 million)

- Notes:
1. The above numbers include one corporate auditor who retired at the conclusion of the 2009 Annual General Meeting of Shareholders held on June 29, 2009.
  2. The total paid to directors does not include employee salaries for directors who are concurrently employees.
  3. The annual limit for director compensation was set at 1,200 million yen by resolution of the 2007 Annual General Meeting of Shareholders convened on June 27, 2007. This does not include employee salaries.
  4. The annual limit for corporate auditor compensation was set at 150 million yen by resolution of the 2004 Annual General Meeting of Shareholders convened on June 25, 2004.

### d. Matters regarding Outside Directors and Outside Corporate Auditors

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

(3) Major activities in the business year under review

Name	Status	Principal activities
Masahisa Naito	Outside Director	Present at 14 of the 14 Board of Directors meetings convened in the year. As necessary, provided advice with high insight based on abundant experience mainly as an outside director at global companies.
Yasuro Tanahashi	Outside Director	Present at 13 of the 14 Board of Directors meetings convened in the year. As necessary, provided advice based on his managerial experience, wide knowledge of Japan's key industries and broad outlook gained from abundant experience in establishing and developing new businesses.
Nobuo Katsumata	Outside Director	Present at 8 of the 10 Board of Directors meetings convened since assuming the position on June 29, 2009. As necessary, provided advice with high insight based on managerial experience mainly at general trading companies with global operations, and abundant experience in corporate restructuring.
Shigeru Hikuma	Outside Corporate Auditor	Present at 13 of the 14 Board of Directors meetings and 15 of the 16 Board of Corporate Auditors meetings convened in the year. As necessary, provided advice with high insight based on deep knowledge of corporate finance, discernment, and abundant experience.
Teruhiko Ikeda	Outside Corporate Auditor	Present at 12 of the 14 Board of Directors meetings and 15 of the 16 Board of Corporate Auditors meetings convened in the year. As necessary, provided advice with high insight based on abundant managerial experience and wide range of activities in the business world.
Kouichi Iki	Outside Corporate Auditor	Present at 12 of the 14 Board of Directors meetings and 13 of the 16 Board of Corporate Auditors meetings convened in the year. As necessary, provided advice with high insight based on abundant managerial experience and deep knowledge of human resources management.

(4) Summary of limited liability contract

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

### (3) Accounting Auditor

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

Note: Deloitte Touche Tohmatsu became Deloitte Touche Tohmatsu LLC on July 1, 2009 as a result of a change in audit corporation classification.

#### b. Compensation Paid to Accounting Auditor

	Payment amounts
Compensation to the accounting auditor for the year under review	¥114 million
Total amount paid in cash and other financial asset profits to the accounting auditor by the Company and subsidiaries	¥164 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. 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.

#### d. Auditing of Principal Consolidated Subsidiaries

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

### (4) System for Assuring the Appropriateness of Company Operations

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

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

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

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

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

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

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

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

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

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

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

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

- Corporate auditors are allowed to obtain information directly or by contacting Group company auditors for the purpose of verifying decisions on important Group company matters.

**f. Rules and Other Systems for Crisis Management**

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

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

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

**h. Other Systems for Ensuring Effective Auditing by Corporate Auditors**

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

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

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

**j. Matters concerning Independence of Assistants from Directors**

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

## **(5) Basic Policy regarding Control over the Company**

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

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

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

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

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

#### **(1) Corporate Philosophy and Long-term Corporate Strategy**

The Yokogawa Group aims to contribute to industry and society based on a corporate philosophy that incorporates the following mission statements: "As a company, our goal is to contribute to society through broad-ranging activities in the areas of measurement, control, and information." "Individually, we aim to combine good citizenship with the courage to innovate." Based on this philosophy, the Yokogawa Group believes that its business mission is to steadfastly pursue its business activities based on a mid- to long-term perspective, and to maximize its corporate value. The Company therefore aims for sound and profitable management along the lines set out in its VISION-21 & ACTION-21 long-term corporate strategy. The Yokogawa Group aims for sound and profitable management and improvement of its corporate value by significantly improving business efficiency through truly consolidated management and by providing Customer Centric Solutions with Leading Edge Technology as One Global YOKOGAWA.

#### **(2) Challenges in enhancing corporate governance**

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

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

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

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

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

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

Full explanation of the Plan can be found in a document titled "Renewal of Countermeasures to Large-scale Acquisition of Yokogawa Electric Shares (Takeover Defense Measures)" that was uploaded to our website on April 28, 2009:

(<http://www.yokogawa.com/pr/pdf/20090428-en.pdf>)

The following provides a summary of the Plan:

1. Plan outline

(A) Establishment of procedures for triggering the Plan

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

(B) Implementation of gratis allotment of Stock Acquisition Rights

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

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

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

<Members of Independent Committee>

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

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

Outside director: Nobuo Katsumata (Chairman of Marubeni Corporation)

- Outside expert: Takaaki Wakasugi (Professor of Finance, School of Business Administration at Tokyo Keizai University)
- Outside expert: Naoto Nakamura (Partner at Nakamura, Tsunoda & Matsumoto Law Office)
- Outside expert: Tetsuo Kitagawa (Professor of Aoyama Business School [Graduate School of International Management])

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

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

2. Procedures for triggering the Plan

(A) Targeted acquisitions

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

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

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

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

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

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

If the Independent Committee deems that the Acquisition Statement and the Essential Information provided by the Acquirer are sufficient for reviewing the details of the Acquisition, or if the Information Provision Period has expired, it will issue a notice informing the Acquirer that information provision has been completed (the "Completion

Notice”). The Company will promptly notify its shareholders that the Completion Notice has been delivered to the Acquirer.

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

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

Upon receiving the information from the Acquirer and the Board of Directors, the Independent Committee will consider the Acquirer’s Acquisition terms, collect additional information on the business plans and other information and materials from the Acquirer and the Board of Directors, compare the information from both parties, and consider any alternative proposal presented by the Board of Directors for a maximum period of 60 days from such receipt.

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

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

3. Rationale of the Plan

(A) Fully satisfying the requirements of the Guidelines for Takeover Defense Measures

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

(B) Respecting shareholders’ intent (Sunset Clause)

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

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

The Company has established an Independent Committee that will prevent arbitrary decisions by directors, and objectively carry out substantive decisions in the interests of the shareholders in the event of the triggering, abolition, or other operation of the Plan.

If an Acquisition of shares in the Company were to actually occur, the Independent Committee would, in accordance with the Rules of the Independent Committee under the Plan, make recommendations to the Board of Directors as to whether or not the Acquisition would have a detrimental effect on the corporate value of the Company and the common interests of shareholders. The Board of Directors would then, as an organ pursuant to the Companies Act, give maximum consideration to those determinations and pass a resolution regarding the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights. In this way, the Independent Committee will strictly monitor any arbitrary triggering of the Plan by directors and disclose outlines of its decisions to the shareholders, and will ensure a structure under which the Plan is only operated in a transparent way in order to contribute to the corporate value of the Company and the common interests of its shareholders.

(D) Establishment of reasonable, objective requirements

The Plan is established so that it will not be triggered unless reasonable objective requirements have been satisfied, and ensures a structure to eliminate arbitrary triggering by the Company's Board of Directors.

(E) Obtaining the advice of third-party experts

The Independent Committee may obtain advice from independent third parties (including financial advisors, certified public accountants, lawyers, consultants, and other experts) at the cost of the Company. This is a mechanism to even more securely enhance the objectivity and fairness of the decisions made by the Independent Committee.

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

The Plan is designed in a way so that it may be abolished at any time by a Board of Directors comprised of persons elected at a General Meeting of Shareholders of the Company, and the Plan may be abolished by the Board of Directors comprised of directors elected after the takeover, under the new shareholder composition. Therefore, the Plan is not a dead-hand takeover defense measure (a takeover defense measure in which, even if a majority of the members of the Board of Directors are replaced, the triggering of the measure cannot be stopped). Also, as the term of office for the Company's directors is one year and the Company has not adopted the practice of having a staggered board, the Plan is not a slow-hand takeover defense measure either (a takeover defense measure in which triggering takes more time to stop due to the fact that the directors cannot be replaced all at once).

## CONSOLIDATED BALANCE SHEETS

As of March 31, 2010

	Millions of yen
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and deposits	77,921
Notes and accounts receivable-trade	111,505
Merchandise and finished goods	15,802
Work in process	9,839
Raw materials and supplies	9,042
Deferred tax assets	3,269
Other	10,245
Allowance for doubtful accounts	(3,276)
Total current assets	234,350
<b>Noncurrent assets</b>	
Property, plant and equipment	
Buildings and structures	52,843
Machinery, equipment and vehicles	9,110
Tools, furniture and fixtures	5,394
Land	18,645
Lease assets	455
Construction in progress	1,974
Total property, plant and equipment	88,423
Intangible assets	30,137
Investments and other assets	
Investment securities	34,178
Long-term loans receivable	99
Deferred tax assets	2,317
Other	9,898
Allowance for doubtful accounts	(613)
Total investments and other assets	45,881
Total noncurrent assets	164,442
<b>Total assets</b>	<b>398,792</b>

## CONSOLIDATED BALANCE SHEETS

(continued)

	Millions of yen
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Notes and accounts payable-trade	28,942
Short-term loans payable	32,214
Income taxes payable	2,296
Provision for bonuses	10,407
Accounts payable-other	10,251
Other	40,315
Total current liabilities	124,426
<b>Noncurrent liabilities</b>	
Long-term loans payable	104,851
Deferred tax liabilities	1,809
Provision for retirement benefits	2,855
Provision for directors' retirement benefits	209
Long-term accounts payable-other	4,840
Other	2,438
Total noncurrent liabilities	117,005
<b>Total liabilities</b>	241,431
<b>NET ASSETS</b>	
<b>Shareholders' equity</b>	
Capital stock	43,401
Capital surplus	50,345
Retained earnings	80,303
Treasury stock	(10,991)
Total shareholders' equity	163,058
<b>Valuation and translation adjustments</b>	
Valuation difference on available-for-sale securities	2,450
Deferred gains or losses on hedges	82
Pension liability adjustment	(369)
Foreign currency translation adjustment	(11,859)
Total valuation and translation adjustments	(9,696)
<b>Minority interests</b>	3,998
<b>Total net assets</b>	157,360
<b>Total liabilities, net assets</b>	398,792

## CONSOLIDATED STATEMENTS OF INCOME

For the year ended March 31, 2010

		Millions of yen
<b>Net sales</b>		316,606
<b>Cost of sales</b>		214,474
Gross profit		102,132
<b>Selling, general and administrative expenses</b>		99,512
Operating income		2,619
<b>Non-operating income</b>		
Interest income	272	
Dividend income	1,591	
Equity in earnings of affiliates	507	
Other	702	3,074
<b>Non-operating expenses</b>		
Interest expenses	2,117	
Foreign exchange losses	385	
Other	2,951	5,454
Ordinary income		239
<b>Extraordinary income</b>		
Gain on sale of noncurrent assets	199	
Gain on sale of investment securities	2	
State subsidy	346	
Gain on prior period adjustment	239	
Other	162	950
<b>Extraordinary losses</b>		
Loss on sale of noncurrent assets	36	
Loss on retirement of noncurrent assets	796	
Impairment loss	6,159	
Loss on valuation of investment securities	220	
Restructuring loss	1,551	
Business structure improvement expense	1,085	
Impairment loss on software for sale	562	
Other	1,471	11,883
<b>Loss before income taxes and minority interests</b>		(10,693)
Income taxes-current		3,095
Income taxes-deferred		484
Minority interests in income		525
<b>Net loss</b>		(14,799)

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2010

	Millions of yen
<b>Shareholders' equity</b>	
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	50,345
Changes of items during the period	
Disposal of treasury stock	(0)
Total changes of items during the period	(0)
Balance at the end of current period	50,345
Retained earnings	
Balance at the end of previous period	97,134
Changes of items during the period	
Dividends from surplus	(2,060)
Net loss	(14,799)
Other	28
Total changes of items during the period	(16,831)
Balance at the end of current period	80,303
Treasury stock	
Balance at the end of previous period	(10,978)
Changes of items during the period	
Purchase of treasury stock	(14)
Disposal of treasury stock	2
Total changes of items during the period	(12)
Balance at the end of current period	(10,991)
Total shareholders' equity	
Balance at the end of previous period	179,902
Changes of items during the period	
Dividends from surplus	(2,060)
Net loss	(14,799)
Purchase of treasury stock	(14)
Disposal of treasury stock	1
Other	28
Total changes of items during the period	(16,844)
Balance at the end of current period	163,058

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(continued)

	Millions of yen
<b>Valuation and translation adjustments</b>	
Valuation difference on available-for-sale securities	
Balance at the end of previous period	17
Changes of items during the period	
Net changes of items other than shareholders' equity	2,432
Total changes of items during the period	2,432
Balance at the end of current period	2,450
Deferred gains or losses on hedges	
Balance at the end of previous period	—
Changes of items during the period	
Net changes of items other than shareholders' equity	82
Total changes of items during the period	82
Balance at the end of current period	82
Pension liability adjustment	
Balance at the end of previous period	(384)
Changes of items during the period	
Net changes of items other than shareholders' equity	14
Total changes of items during the period	14
Balance at the end of current period	(369)
Foreign currency translation adjustment	
Balance at the end of previous period	(12,311)
Changes of items during the period	
Net changes of items other than shareholders' equity	451
Total changes of items during the period	451
Balance at the end of current period	(11,859)
Total valuation and translation adjustments	
Balance at the end of previous period	(12,678)
Changes of items during the period	
Net changes of items other than shareholders' equity	2,981
Total changes of items during the period	2,981
Balance at the end of current period	(9,696)

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(continued)

	Millions of yen
<b>Minority interests</b>	
Balance at the end of previous period	3,783
Changes of items during the period	
Net changes of items other than shareholders' equity	214
Total changes of items during the period	214
Balance at the end of current period	3,998
<b>Total net assets</b>	
Balance at the end of previous period	171,008
Changes of items during the period	
Dividends from surplus	(2,060)
Net loss	(14,799)
Purchase of treasury stock	(14)
Disposal of treasury stock	1
Other	28
Net changes of items other than shareholders' equity	3,196
Total changes of items during the period	(13,648)
Balance at the end of current period	157,360

## NON-CONSOLIDATED BALANCE SHEETS

As of March 31, 2010

	Millions of yen
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and time deposits	44,206
Notes and accounts receivable-trade	1,819
Accounts receivable-trade	55,294
Merchandise and finished goods	4,387
Work in process	2,215
Raw materials and supplies	1,865
Advance payments-trade	710
Prepaid expenses	1,211
Short-term loans receivable	17,064
Accounts receivable-other	5,076
Other	343
Allowance for doubtful accounts	(23)
Total current assets	134,172
<b>Noncurrent assets</b>	
Property, plant and equipment	
Buildings	30,911
Structures	1,254
Machinery and equipment	1,857
Tools, furniture, and fixtures	2,596
Land	11,241
Construction in progress	2,136
Other	60
Total property, plant and equipment	50,058
Intangible assets	
Goodwill	355
Patent right	44
Leasehold right	602
Software	7,889
Software in progress	17,533
Other	59
Total intangible assets	26,485
Investments and other assets	
Investment securities	28,250
Stocks of subsidiaries and affiliates	29,504
Investment in capital of subsidiaries and affiliates	12,958
Long-term loans receivable from subsidiaries and affiliates	9,266
Long-term prepaid expenses	307
Lease and guarantee deposits	1,092
Long-term financial assets	5,770
Other	608
Allowance for doubtful accounts	(5,344)
Total investments and other assets	82,414
Total noncurrent assets	158,958
<b>Total assets</b>	<b>293,130</b>

## NON-CONSOLIDATED BALANCE SHEETS

(continued)

	Millions of yen
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Notes payable-trade	192
Accounts payable-trade	17,388
Short-term loans payable	648
Current portion of long-term loans payable	24,176
Accounts payable-other	10,090
Accrued expenses	3,821
Income taxes payable	172
Advances received	760
Deposit received	387
Unearned revenue	573
Provision for bonuses	4,911
Other	3,304
Total current liabilities	66,427
<b>Noncurrent liabilities</b>	
Long-term loans payable	104,846
Long-term accounts payable-other	2,921
Long-term deferred tax liabilities	1,319
Other	3,679
Total noncurrent liabilities	112,766
<b>Total liabilities</b>	179,193
<b>NET ASSETS</b>	
<b>Shareholders' equity</b>	
Capital stock	43,401
Capital surplus	50,151
Legal capital surplus	46,350
Other capital surplus	3,801
Retained earnings	28,986
Legal retained earnings	5,372
Other retained earnings	23,614
Reserve for retirement allowance	1,255
Reserve for dividends	1,235
Reserve for advanced depreciation of noncurrent assets	1,418
General reserve	11,783
Retained earnings brought forward	7,922
Treasury stock	(10,991)
Total shareholders' equity	111,548
<b>Valuation and translation adjustments</b>	
Valuation difference on available-for-sale securities	2,389
Total valuation and translation adjustments	2,389
<b>Total net assets</b>	113,937
<b>Total liabilities, net assets</b>	293,130

## NON-CONSOLIDATED STATEMENTS OF INCOME

For the year ended March 31, 2010

		Millions of yen
<b>Net sales</b>		
Net sales of finished goods		156,948
<b>Cost of sales</b>		
Beginning finished goods	5,934	
Cost of products manufactured	121,315	
Transfers from other accounts	2,443	
Total	129,693	
Transfers to other accounts	754	
Ending finished goods	3,291	125,647
<b>Gross profit</b>		31,301
<b>Selling, general and administrative expenses</b>		47,596
Operating loss		(16,294)
<b>Non-operating income</b>		
Interest income	273	
Dividend income	4,405	
Rent receivable	1,445	
Other	335	6,460
<b>Non-operating expenses</b>		
Interest expenses	1,686	
Contribution	76	
Rent payable	1,342	
Compensation for damages	440	
Foreign exchange losses	614	
Foreign withholding taxes	277	
Other	1,702	6,140
Ordinary loss		(15,974)
<b>Extraordinary income</b>		
Gain on sale of noncurrent assets	165	
Gain on sale of investment securities	59	
State subsidy	333	
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	9	
Gain on prior period adjustment	94	
Other	90	752
<b>Extraordinary losses</b>		
Loss on sale of noncurrent assets	27	
Loss on retirement of noncurrent assets	534	
Impairment loss	5,747	
Compensation for impairment loss on affiliated companies' production facilities	102	
Loss on sale of stocks of subsidiaries and affiliates	1,926	
Loss on valuation of stock of subsidiaries and affiliates	44	
Loss on valuation of investment securities	199	
Restructuring loss	842	
Impairment loss on software for sale	562	
Other	625	10,613
<b>Loss before income taxes and minority interests</b>		(25,835)
Income taxes-current	61	
Income taxes-deferred	(46)	14
<b>Net loss</b>		(25,849)

## NON- CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2010

	Millions of yen
<b>Shareholders' equity</b>	
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	3,802
Changes of items during the period	
Disposal of treasury stock	(0)
Total changes of items during the period	<u>(0)</u>
Balance at the end of current period	<u>3,801</u>
Total capital surplus	
Balance at the end of previous period	50,152
Changes of items during the period	
Disposal of treasury stock	(0)
Total changes of items during the period	<u>(0)</u>
Balance at the end of current period	<u>50,151</u>
Retained earnings	
Legal retained earnings	
Balance at the end of previous period	5,372
Balance at the end of current period	<u>5,372</u>
Other retained earnings reserve	
Reserve for retirement allowance	
Balance at the end of previous period	1,255
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	1,485
Changes of items during the period	
Reversal of reserve for advanced depreciation of noncurrent assets	(67)
Total changes of items during the period	<u>(67)</u>
Balance at the end of current period	<u>1,418</u>

## NON- CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(continued)

	Millions of yen
General reserve	
Balance at the end of previous period	11,783
Balance at the end of current period	<u>11,783</u>
Retained earnings brought forward	
Balance at the end of previous period	35,765
Changes of items during the period	
Reversal of reserve for advanced depreciation of noncurrent assets	67
Dividends from surplus	(2,060)
Net loss	(25,849)
Total changes of items during the period	<u>(27,842)</u>
Balance at the end of current period	<u>7,922</u>
Total retained earnings	
Balance at the end of previous period	56,897
Changes of items during the period	
Dividends from surplus	(2,060)
Net loss	(25,849)
Total changes of items during the period	<u>(27,910)</u>
Balance at the end of current period	<u>28,986</u>
Treasury stock	
Balance at the end of previous period	(10,978)
Changes of items during the period	
Purchase of treasury stock	(14)
Disposal of treasury stock	2
Total changes of items during the period	<u>(12)</u>
Balance at the end of current period	<u>(10,991)</u>
Total shareholders' equity	
Balance at the end of previous period	139,472
Changes of items during the period	
Dividends from surplus	(2,060)
Net loss	(25,849)
Purchase of treasury stock	(14)
Disposal of treasury stock	1
Total changes of items during the period	<u>(27,923)</u>
Balance at the end of current period	<u>111,548</u>

## NON- CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(continued)

	Millions of yen
<b>Valuation and translation adjustments</b>	
Valuation difference on available-for-sale securities	
Balance at the end of previous period	2
Changes of items during the period	
Net changes of items other than shareholders' equity	2,386
Total changes of items during the period	2,386
Balance at the end of current period	2,389
Total valuation and translation adjustments	
Balance at the end of previous period	2
Changes of items during the period	
Net changes of items other than shareholders' equity	2,386
Total changes of items during the period	2,386
Balance at the end of current period	2,389
<b>Total net assets</b>	
Balance at the end of previous period	139,474
Changes of items during the period	
Dividends from surplus	(2,060)
Net loss	(25,849)
Purchase of treasury stock	(14)
Disposal of treasury stock	1
Net changes of items other than shareholders' equity	2,386
Total changes of items during the period	(25,537)
Balance at the end of current period	113,937

## **Independent Auditor's Report**

May 10, 2010

To the Board of Directors of  
Yokogawa Electric Corporation

### **Deloitte Touche Tohmatsu LLC**

Designated Limited and Engagement Partner	Certified Public Accountant	Kunihiko Sugahara
Designated Limited and Engagement Partner	Certified Public Accountant	Ichiro Ebihara
Designated Limited 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, 2009 and ending on March 31, 2010, in accordance with Article 444, Paragraph 4, of the Companies Act. Responsibility for preparation of these financial statements lies with the Company's management. Our responsibility is to express an opinion on these financial statements from an independent perspective.

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

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

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

## Independent Auditor's Report

May 10, 2010

To the Board of Directors of  
Yokogawa Electric Corporation

### **Deloitte Touche Tohmatsu LLC**

Designated Limited and Engagement Partner	Certified Public Accountant	Kunihiko Sugahara
Designated Limited and Engagement Partner	Certified Public Accountant	Ichiro Ebihara
Designated Limited 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 134th fiscal year beginning on April 1, 2009 and ending on March 31, 2010, in accordance with Article 436, Paragraph 2, Item 1 of the Companies Act. Responsibility for preparation of these financial statements and attached detailed statements lies with the Company's management. Our responsibility is to express an opinion on these financial statements and attached detailed statements from an independent perspective.

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

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

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

## **Audit Report**

We have prepared this audit report based on a consideration of the corporate auditors' reports on the directors' performance of their duties during the 134th fiscal year that began on April 1, 2009 and ended on March 31, 2010.

### **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 LLC, and sought further explanation as necessary.

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

The corporate auditors have monitored the activities of the independent auditors to determine whether they have maintained an independent position and properly performed audits, received audit status reports from the independent auditors, and sought further explanation when warranted. They also received notification from the independent auditors that they were preparing systems for ensuring the performance of job duties (items provided in Article 131 of the Corporate Calculation Regulations) in accordance with the Audit Quality Management Standards (October 28, 2005

Business Accounting Deliberation Council), and sought further explanation when warranted. Through the activities mentioned above, the corporate auditors have examined the non-consolidated financial statements (Balance Sheet, Statement of Income, Statement of Changes in net assets, and notes to the accounting statements), detailed statements for the business year under review, and consolidated financial statements (consolidated Balance Sheet, Statement of Income, Statement of Changes in net assets, and notes to the accounting statements).

## **2. Audit Results**

### **(1) Business Report and Other Results**

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

### **(2) Audit Results for Financial Statements and Detailed Statements**

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

May 20, 2010

Board of Corporate Auditors, Yokogawa Electric Corporation

Standing Corporate Auditor Takafumi Koyanagi

Standing Corporate Auditor Kiyoshi Makino

Outside Corporate Auditor Shigeru Hikuma

Outside Corporate Auditor Teruhiko Ikeda

Outside Corporate Auditor Kouichi Iki

## Reference Materials for General Meeting of Shareholders

### Item 1: Appropriation of Retained Earnings for Fiscal Year 2009

The Company recognizes that, along with establishing a stable management foundation, the continued distribution of earnings to shareholders is one of its most important policies. With the objective of business investment for long-term growth, and taking under consideration the need to secure an internal reserve and strengthen our financial standing, we have set the consolidated dividend payout ratio at 30%.

Taking into consideration the performance, business environment, and financial standing of the Yokogawa Group in the fiscal year under review, the Company proposes that the reserve for retirement allowance and the reserve for dividends be transferred to retained earnings brought forward.

Accordingly, the Company proposes the following:

#### 1. Matters related to dividends

##### (1) Type of dividend asset

Cash

##### (2) Allocation of dividend assets and total amount of allocation

2 yen per common share

Total amount of payout is 515,138,210 yen

##### (3) Effective date of dividend payout

June 28, 2010

#### 2. Other items related to the appropriation of retained earnings

##### (1) Retained earnings to be increased and total amount of increase

Retained earnings brought forward 2,490,300,000 yen

##### (2) Retained earnings to be decreased and total amount of decrease

Reserve for retirement allowance 1,255,300,000 yen

Reserve for dividends 1,235,000,000 yen

## Item 2: Appointment of Eight (8) Directors

At the conclusion of this General Meeting of Shareholders, the terms of office for nine (9) directors will expire. Taking the current management situation into consideration, it is proposed to reduce the number of directors by one (1) and appoint eight (8) directors. Information on the eight (8) director candidates is provided below.

Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
1	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 June 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)	116,239 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)	61,797 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. July 2002 Director and Executive Vice President of Finance & Business Planning Div. June 2005 Director and Executive Vice President of Management Administration Headquarters (present)	64,240 shares

4	Teruyoshi Minaki (Jan. 5, 1948)	<p>Apr. 1971    Joined the Company</p> <p>Oct. 1999    Vice President, Industrial Automation Business, Field Equipment Business Div. in charge of Analytical Products</p> <p>June 2002    Director and Vice President of International Business Headquarters</p> <p>July 2002    Director and Senior Vice President of International Business Headquarters</p> <p>Apr. 2004    Director and Executive Vice President of IA Business Headquarters</p> <p>Apr. 2005    Director and Executive Vice President of International Business Headquarters, Managing Director of Yokogawa Electric International Pte. Ltd.</p> <p>Apr. 2009    Director and Executive Vice President of IA Business Headquarters (present)</p>	47,873 shares
5	Junji Yamamoto (Mar. 8, 1958)	<p>Apr. 1980    Joined the Company</p> <p>Apr. 2005    Vice President, Head of Corporate Planning Department, Corporate Marketing Headquarters</p> <p>Apr. 2006    Senior Vice President of Corporate Marketing Headquarters</p> <p>June 2006    Director and Senior Vice President of Corporate Marketing Headquarters</p> <p>Apr. 2009    Director and Senior Vice President of Corporate Planning Headquarters (present)</p>	25,192 shares
6	Masahisa Naito (Feb. 20, 1938)	<p>Apr. 1961    Joined Ministry of International Trade and Industry</p> <p>June 1991    Director-General of Ministers' Secretariat</p> <p>June 1993    Director-General of Industrial Policy Bureau</p> <p>Apr. 1998    Executive Vice President of Itochu Corporation</p> <p>Apr. 2000    Vice Chairman of Itochu Corporation</p> <p>June 2003    Chairman &amp; CEO of the Institute of Energy Economics, Japan and Director of the Company (present)</p> <p>&lt;Significant concurrent positions&gt;</p> <p>Chairman &amp; CEO of The Institute of Energy Economics, Japan</p> <p>Outside Director of Nippon Koei Co., Ltd.</p> <p>Outside Director of ESPEC Corporation</p>	2,000 shares

7	Yasuro Tanahashi (Jan. 4, 1941)	<p>Apr. 1963 Joined Fuji Iron &amp; Steel Co., Ltd. (present Nippon Steel Corporation)</p> <p>June 1995 Director and General Manager of Electronics and Information Systems Division of Nippon Steel Corporation</p> <p>Apr. 1997 Managing Director of Nippon Steel Corporation (in charge of new businesses overall)</p> <p>Apr. 2000 Representative Director and President of Nippon Steel Information and Communication Systems Inc. (present NS Solutions Corporation)</p> <p>Apr. 2003 Representative Director and Chairman of NS Solutions Corporation</p> <p>June 2007 Senior Adviser of NS Solutions Corporation and Director of the Company (present)</p> <p>&lt;Significant concurrent positions&gt; Outside Director of Internet Initiative Japan Inc. Outside Director of Murata Manufacturing Co., Ltd.</p>	0 share
8	Nobuo Katsumata (Dec. 5, 1942)	<p>Apr. 1966 Joined Marubeni-Iida Co., Ltd. (present Marubeni Corporation)</p> <p>June 1996 Director of Marubeni Corporation</p> <p>Apr. 1999 Corporate Vice President of Marubeni Corporation</p> <p>Apr. 2001 Senior Vice President of Marubeni Corporation</p> <p>Apr. 2003 President and CEO of Marubeni Corporation</p> <p>Apr. 2008 Chairman of Marubeni Corporation (present)</p> <p>&lt;Significant concurrent positions&gt; Chairman of Marubeni Corporation Outside Director of Sapporo Holdings Limited</p>	0 share

- Notes:
1. There are no conflicts of interest between the candidates and the Company.
  2. 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. Said three directors are registered at the Tokyo Stock Exchange as independent officers pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of said Exchange and, if they are elected as proposed, they will continue their service for the Company as independent officers.
  3. Information pertaining to the candidates for outside directors is given below.
    - (1) Reasons for the appointment of the outside director candidates
      - a. The appointment of Masahisa Naito as an outside director is being requested so that he can contribute to the fair, objective, and transparent management of the Company based on the abundant experience that he has accumulated as an outside director and in other positions primarily at global companies.
      - b. The appointment of Yasuro Tanahashi as an outside director is being requested so that he can contribute to the fair, objective, and transparent management of the Company based on wide knowledge gained as a manager in Japan's key industries and a broad outlook from abundant experience in establishing and developing new businesses.
      - c. The appointment of Nobuo Katsumata as an outside director is being requested so that he can contribute to the fair, objective, and transparent management of the Company the wide knowledge he has acquired at general trading companies that do business globally and his broad outlook based on abundant experience in business restructuring.

- (2) Number of years since appointment as an outside director
- a. Masahisa Naito will have served as an outside director for a period of seven years as of the conclusion of this General Meeting of Shareholders.
  - b. Yasuro Tanahashi will have served as an outside director for a period of three years as of the conclusion of this General Meeting of Shareholders.
  - c. Nobuo Katsumata will have served as an outside director for a period of one year as of the conclusion of this General Meeting of Shareholders.

(3) Liability limitation agreement with outside directors

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

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

# 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<sup>®</sup>  
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.