Name of Listed Company: Yokogawa Electric Corporation
(URL: http://www.yokogawa.com) (Stock code: 6841, listed in TSE 1st section)
Name and Position of the Representative:
Shuzo Kaihori, President and Chief Executive Officer
Name and Position of the Person in Charge:
Hikaru Kikkawa, General Manager of Public Relations and Investor Relations
Telephone Number: 81-422-52-5530

June 17, 2011

Our Opinion on ISS Proxy Advisory Services' Recommendation to Vote against Agenda Items 1 and 3 at 2011 Annual General Meeting of Shareholders

Yokogawa Electric Corporation (the Company) has recently been informed by certain of its shareholders and investors that ISS Proxy Advisory Services (ISS) has recommended they vote against the following two resolutions that are on the agenda for the June 24 annual general meeting of shareholders:
Item 1: Reduction of Capital Surplus and Retained Earnings Reserve and Disposition of Other Reserve
Item 3: Renewal of Countermeasures to Large-scale Acquisition of Yokogawa Electric Shares (Takeover Defense Measures)

The Company understands that ISS's recommendation is based on the following:
Item 1: The Company has not provided a satisfactory explanation of why it will reduce the capital surplus and retained earnings reserve even though it maintains a positive balance in its retained earnings. Shareholders thus cannot judge whether this proposal is to their benefit.
Item 3: It is questionable whether Nobuo Katsumata (Chairman of Marubeni Corporation), who is a candidate for outside director and for a position on the Independent Committee, is independent from the Company's management and an appropriate member of the Committee as the Yokogawa Group and the Marubeni Group are business partners.

The following is the Company's response to the ISS comments:

(1) Item 1: Reduction of Capital Surplus and Retained Earnings Reserve and Disposition of Other Reserve
ISS cited a positive retained earnings figure on the balance sheet as a reason for recommending against Item 1, but they were referring only to our consolidated business results. The Company's non-consolidated retained earnings brought forward as of March 31, 2011 is a negative figure, as was disclosed to the Tokyo Stock Exchange on May 13. Hence the Company proposes Item 1 to offset this and increase the amount that can be paid out for dividends, which the Company hopes to resume in fiscal year 2012 or soon thereafter.

Accordingly, Item 1 involves a transfer of funds within the net assets category that affects neither the Company's total net assets nor its business results, and thus does not negatively impact our shareholders and investors in any way.

(2) Item 3: Renewal of Countermeasures to Large-scale Acquisition of Yokogawa Electric Shares (Takeover Defense Measures)
Although the Yokogawa Group and the Marubeni Group do a certain amount of business with each other (see below), the amounts involved are small and in no way does this detract from Mr. Katsumata's ability on the Independent Committee to make decisions regarding the Takeover Defense Measures that are independent of the views of the Company's management.

Yokogawa Group's sales from the Marubeni Group in fiscal year 2010: JPY125 million
Yokogawa Group's consolidated sales in fiscal year 2010: JPY 325,620 million
Ratio of sales from Marubeni to consolidated sales: 0.038%