

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

To All Shareholders:

Stock code: 6841

June 2, 2015

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

Notice of 2015 Annual General Meeting of Shareholders

Dear Shareholder:

You are cordially invited to attend the 2015 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,

Takashi Nishijima
President and CEO

1. Time & Date: 10:00 a.m. (Japan time), Wednesday, June 24, 2015

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 Audit & Supervisory Board for fiscal year 2014 (April 1, 2014 to March 31, 2015)
- 2: Non-consolidated financial statements for fiscal year 2014 (April 1, 2014 to March 31, 2015)

Items to be resolved

- Item 1: Disposition of Surplus**
- Item 2: Amendment of the Articles of Incorporation**
- Item 3: Appointment of Nine (9) 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 Tuesday, June 23, 2015, 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 password found on the enclosed voting form.

By following the prompts on the screen, indicate “for” or “against” for each agenda item and submit this form **no later than 5:00 p.m. on Tuesday, June 23, 2015, Japan time.**

For more details, please refer to the Instructions for Internet Voting on page 39.

[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/>).

Reference Materials for General Meeting of Shareholders

Item 1: Disposition of Surplus

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

Accordingly, the Company proposes the following dividend payment. With this, the annual dividend per share for the year, including the interim dividend of 6 yen, will be 12 yen.

Matters related to year-end dividends

(1) Type of dividend assets

Cash

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

6 yen per common share of the Company

Total amount of payout is 1,545,215,262 yen.

(3) Effective date of dividend payout

June 25, 2015

Item 2: Amendment of the Articles of Incorporation

1. Reasons for amendments

In accordance with the “Act for Partial Revision of the Companies Act” (Act No. 90 of 2014), which went into effect on May 1, 2015, the categories of directors and audit & supervisory board members who are eligible to conclude a limited liability agreement has been changed. Accordingly, the Company proposes to amend Articles 29 and 35 of the present Articles of Incorporation and to make other necessary amendments. The agreement of all Audit & Supervisory Board Members has been obtained regarding proposing the amendment to Article 29 of the current Articles of Incorporation at this general meeting of shareholders.

2. Details of amendments

The details of the amendments are as follows:

Present Articles of Incorporation	Amended Articles of Incorporation
Articles 1 through 8 (Omitted)	Articles 1 through 8 (Current)
Article 9. <u>Denomination of Share Certificates</u> <u>All shares of the Company shall be those determined by resolution of the Board of Directors.</u>	(Deleted)
Articles 10 through 28 (Omitted)	Articles 9 through 27 (Current)
Article 29. <u>Outside Directors</u> and Limited Liability Agreement In accordance with the provisions of Article 427(1) of the Corporation Act, the Company may conclude with <u>outside directors</u> an agreement providing for the limitation of liability for damages arising out of their neglect of duty. Provided, however, that on the basis of such agreements, compensation shall be paid in an amount predetermined by the Company not less than 10 million yen, except in the event that a higher amount of compensation shall be stipulated by laws or regulations.	Article 28. <u>Directors</u> and Limited Liability Agreement In accordance with the provisions of Article 427(1) of the Corporation Act, the Company may conclude with <u>directors other than executive directors, etc.</u> , an agreement providing for the limitation of liability for damages arising out of their neglect of duty. Provided, however, that on the basis of such agreements, compensation shall be paid in an amount predetermined by the Company not less than 10 million yen, except in the event that a higher amount of compensation shall be stipulated by laws or regulations.
Articles 30 through 34 (Omitted)	Articles 29 through 33 (Current)
Article 35. <u>Outside Statutory Auditors</u> and Limited Liability Agreement In accordance with the provisions of Article 427(1) of the Corporation Act, the Company may conclude with <u>outside statutory auditors</u> an agreement providing for the limitation of liability for damages arising out of their neglect of duty. Provided, however, that on the basis of such agreements, compensation shall be paid in an amount predetermined by the Company not less than 10 million yen, except in the event that a higher amount of compensation shall be stipulated by laws or regulations.	Article 34. <u>Audit & Supervisory Board Members</u> and Limited Liability Agreement In accordance with the provisions of Article 427(1) of the Corporation Act, the Company may conclude with <u>Audit & Supervisory Board Members</u> an agreement providing for the limitation of liability for damages arising out of their neglect of duty. Provided, however, that on the basis of such agreements, compensation shall be paid in an amount predetermined by the Company not less than 10 million yen, except in the event that a higher amount of compensation shall be stipulated by laws or regulations.
Articles 36 through 38 (Omitted)	Articles 35 through 37 (Current)

Item 3: Appointment of Nine (9) Directors

At the conclusion of this General Meeting of Shareholders, the terms of office for nine (9) directors will expire. The Company proposes to appoint a total of nine (9) directors. The director candidates have been selected based on a report from the Company's Nomination and Compensation Committee. Over one half of the members of this committee are outside directors.

Information on the nine (9) director candidates is provided below.

Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
1	 Shuzo Kaihori (Jan. 31, 1948) Reappointment Candidate	Apr. 1973 Joined the Company Apr. 2005 Vice President, Head of IA Business Headquarters Apr. 2006 Senior Vice President, Head of IA Business Headquarters June 2006 Director and Senior Vice President, Head of IA Business Headquarters Apr. 2007 President and Chief Operating Officer Apr. 2008 President and Chief Executive Officer Apr. 2013 Chairman and Chief Executive Officer Apr. 2015 Chairman (present)	118,683 shares
2	 Takashi Nishijima (Aug. 12, 1957) Reappointment Candidate	Apr. 1981 Joined Hokushin Electric Works Ltd. (the present Yokogawa Electric Corporation) Oct. 2008 Vice President, Head of Control Products Business Center, IA Business Headquarters Apr. 2010 President of Yokogawa Meters & Instruments Corporation June 2011 Director of the Company, President of Yokogawa Meters & Instruments Corporation Apr. 2012 Director and Senior Vice President, Head of IA Platform Business Headquarters Apr. 2013 President and Chief Operating Officer Apr. 2015 President and Chief Executive Officer (present)	33,227 shares
3	 Satoru Kurosu (Dec. 25, 1960) Reappointment Candidate	Apr. 1983 Joined the Company Apr. 2006 Vice President, Head of Marketing Center, IA Business Headquarters Apr. 2007 Senior Vice President, Head of IA Business Headquarters Apr. 2009 Senior Vice President, Head of Global Business Headquarters Apr. 2010 President of Yokogawa Engineering Asia Pte. Ltd. Apr. 2011 Senior Vice President, Head of IA Marketing Headquarters June 2011 Director and Senior Vice President, Head of IA Marketing Headquarters Apr. 2013 Director and Executive Vice President of the Company, President of Yokogawa Electric International Pte. Ltd. Apr. 2014 Director and Executive Vice President of the Company, Head of Solution Service Business Headquarters, President of Yokogawa Electric International Pte. Ltd. Apr. 2015 Director and Executive Vice President of the Company, Head of Solution Service Business Headquarters (present)	49,439 shares

4	 Hitoshi Nara (Jan. 23, 1963) Reappointment Candidate	Apr. 1985 Joined the Company Oct. 2001 Deputy Managing Director of Yokogawa Engineering Asia Pte. Ltd. Oct. 2003 Managing Director of Yokogawa (Thailand) Ltd. Jan. 2007 Head of Sales Div. I, Industrial Solutions Business Headquarters Apr. 2010 Senior Vice President, Head of Industrial Solutions Business Headquarters June 2011 Director and Senior Vice President, Head of Industrial Solutions Business Headquarters Apr. 2012 Director and Senior Vice President, Head of Industrial Solutions Service Business Headquarters Apr. 2013 Director of the Company, President of Yokogawa Solution Service Corporation (present)	17,448 shares
5	 Masatoshi Nakahara (Dec. 14, 1958) Reappointment Candidate	Apr. 1981 Joined the Company Apr. 2007 Vice President, Head of IA Systems Business Center, Industrial Automation Business Headquarters Apr. 2011 President of Yokogawa Engineering Asia Pte. Ltd. Apr. 2013 Senior Vice President, Head of Industrial Automation Platform Business Headquarters June 2014 Director and Senior Vice President of the Company, Head of IA Platform Business Headquarters (present)	16,573 shares
6	 Junichi Anabuki (Mar. 18, 1963) Reappointment Candidate	Apr. 1986 Joined Fukutoku Sogo Bank, Ltd. Mar. 1992 Joined the Company Jan. 2005 General Manager, Treasury Department Apr. 2011 Vice President, Head of Accounting & Treasury Headquarters June 2014 Director and Vice President of the Company, Head of Accounting & Treasury Headquarters (present)	15,702 shares
7	 Mitsudo Urano (Mar. 20, 1948) Reappointment Candidate Candidate of Outside Director Candidate of Independent Officer	Apr. 1971 Joined Nippon-Reizo Co., Ltd. (the present Nichirei Corporation) June 1999 Director of Nichirei Corporation June 2001 Representative Director and President of Nichirei Corporation June 2007 Representative Director and Chairman of Nichirei Corporation (present) June 2011 Director of the Company June 2013 Senior Adviser of Nichirei Corporation (present) Director of the Company (present) <Significant concurrent positions> Senior Adviser of Nichirei Corporation Outside Director of Mitsui Fudosan Co., Ltd. Outside Director of Resona Holdings, Inc. Outside Director of HOYA CORPORATION Outside Director of Hitachi Transport System, Ltd. President of Agri Future Japan Chairman of Nippon Omni-Management Association	0 shares

8	 Noritaka Uji (Mar. 27, 1949) Reappointment Candidate Candidate of Outside Director Candidate of Independent Officer	Apr. 1973 Joined Nippon Telegraph and Telephone Public Corporation (the present Nippon Telegraph and Telephone Corporation) June 1999 Director of NTT DATA Corporation Head of New Generation Information Services Sector Sep. 2000 Director of NTT DATA Corporation Head of Corporate Strategy Planning Department June 2003 Executive Vice President of NTT DATA Corporation Head of Enterprise Systems Sector and Head of Enterprise Business Sector June 2005 Representative Director and Executive Vice President of NTT DATA Corporation June 2007 Senior Executive Vice President of Nippon Telegraph and Telephone Corporation June 2012 Advisor of Nippon Telegraph and Telephone Corporation (present) June 2014 Director of the Company (present) <Significant concurrent positions> Advisor of Nippon Telegraph and Telephone Corporation Outside Director of DAIICHI SANKYO COMPANY, LIMITED Chairman of Japan Telework Association Chairman of Japan Institute of Information Technology	0 shares
9	 Nobuo Seki (Sep. 21, 1944) New Candidate Candidate of Outside Director Candidate of Independent Officer	Apr. 1970 Joined Chiyoda Chemical Engineering Company (the present Chiyoda Corporation) Apr. 1992 Vice President & Project General Manager of Chiyoda International Corporation in USA June 1997 Director of Chiyoda Corporation June 1998 Managing Director of Chiyoda Corporation Aug. 2000 Senior Managing Director of Chiyoda Corporation Apr. 2001 President and CEO of Chiyoda Corporation Apr. 2007 Chairman of Chiyoda Corporation Apr. 2009 General Corporate Advisor of Chiyoda Corporation July 2012 Advisor of Chiyoda Corporation <Significant concurrent positions> Independent Outside Director of TEIJIN LIMITED Outside Director of KAMEDA SEIKA CO., LTD. Outside Director of Weathernews Inc.	1,000 shares

- Notes:
1. There are no conflicts of interest between the candidates and the Company.
 2. Mitsudo Urano, Noritaka Uji, and Nobuo Seki 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.
 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 Mitsudo Urano as an outside director is being requested so that he can contribute to the fair, objective, and transparent management of the Company based on his wide knowledge and abundant managerial experience.
 - b. The appointment of Noritaka Uji as an outside director is being requested so that he can contribute to the fair, objective, and transparent management of the Company based on his wide knowledge as a corporate manager and thorough expertise in technology development.

- c. The appointment of Nobuo Seki as an outside director is being requested so that he can contribute to the fair, objective, and transparent management of the Company based on his wide knowledge as a corporate manager and thorough expertise in the control of energy-related facilities.
- (2) Number of years since appointment as an outside director
 - a. Mitsudo Urano will have served as an outside director for a period of four years as of the conclusion of this General Meeting of Shareholders.
 - b. Noritaka Uji 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 Mitsudo Urano and Noritaka Uji; 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.

Upon appointment of Nobuo Seki as proposed, the Company will enter into the same liability limitation agreement with him.
4. Mitsudo Urano and Noritaka Uji meet the requirements of an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange, and the standards of independence in the Company.

The Company appointed them as independent officers, and they are registered as such at the said exchange. Provided they are re-elected as proposed, they will continue their service for the Company as independent officers. Also, Nobuo Seki meets the requirements of an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange, and the standards of independence in the Company. Provided he is elected as proposed, the Company plans to report him as its such to the said exchange.
5. The Company's Independence Standards

As a company with an Audit & Supervisory Board, the Company has invited Outside Directors and Outside Audit & Supervisory Board Members who are independent of the current management to enhance the Board of Directors and the Audit & Supervisory Board. In order to increase the transparency of appointments of Outside Directors and Outside Audit & Supervisory Board Members, the independence standards for Outside Directors and Outside Audit & Supervisory Board Members were established as follows at the Board of Directors' meeting held on March 24, 2015.

Any of the following will disqualify an individual from serving as an independent officer of the Company:

 - (1) Is an executive of the Company or its consolidated subsidiaries (hereinafter referred to as "the Group") or has served as such within the last 10 years (Note 1)
 - (2) Is a current major shareholder of the Company (ratio of voting rights: 10% or higher) or has been such a shareholder within the last five years (Note 2)
 - (3) Is an executive of a corporation in which the Company is currently a major shareholder
 - (4) Is an executive of a major business partner of the Group, which may be defined as any company that has made or received payments exceeding 2% of the consolidated total sales in the most recent fiscal year or in any of the preceding three fiscal years
 - (5) Is an executive of a public interest incorporated foundation, public interest incorporated association, non-profit corporation or other body that has received an annual average of 10 million yen or more in donations or subsidies from the Group during the previous three years, or donations or subsidies that have covered more than 30% of the organization's operating costs during that period, whichever amount is higher
 - (6) Is an executive of a corporation that has appointed a Director from the Group
 - (7) Is an executive of a major lender for the Group or has served in such a role during the preceding three years (Note 3)
 - (8) Is the Group's accounting auditor or is involved in the Group's auditing firm, etc., or has served in such a capacity during the preceding three years (Note 4)
 - (9) Is a lawyer, certified accountant, certified tax accountant, or other consultant who does not fall under (8) above and has received an annual average of 10 million yen or more in compensation (other than that for duties as an officer) during the preceding three years

- (10) Is with a law firm, auditing firm, tax accounting firm, or consulting firm that does not fall under (8) above and for which the Group is a major business partner (billings to the Group account for over 2% of average annual revenues over the past three fiscal years) (Note 5)
- (11) Is a relative of a person who falls under any of (1) to (10) above [except (5)] (spouse, relative within the second degree of kinship, or family member who is living in the same household with the person)
- (12) Has served for over eight years as an independent officer

Note 1: An executive director, officer or some other person who serves in an executive capacity (referred to as “executives” in these standards).

Note 2: The Company’s major shareholder at present or in the last five years. In cases where the major shareholder is a corporation, an executive of that major shareholder or its parent company or principal subsidiary.

Note 3: A provider of loans whose total outstanding amount exceeds 2% of the Company’s consolidated total assets. Applies to executives of the lending institution and all fellow institutions in a consolidated financial group.

Note 4: The Group’s accounting auditor or an employee or partner of the Group’s auditing firm, or a person who was served in such a capacity within the past three years (including those who have already retired).

Note 5: A partner, associate, or employee of that firm.

Business Report

(From April 1, 2014 to March 31, 2015)

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.

Global economic growth remained low due to rising uncertainty about the future brought about by factors such as the slowdown of emerging economies, a plunge in oil prices, and increased political instability in certain regions. On the positive side, certain leading developed economies such as the U.S. are now on the recovery path. In Japan, the corporate sector reported stronger results thanks to the weaker yen and the booming stock market, both of which were triggered by bold fiscal and monetary policies, but the overall economy grew at just a modest rate.

Under these circumstances, the Group continued to strive for global growth by focusing on the industrial automation and control business and targeting principally the energy and materials related markets, as called for in its Evolution 2015 mid-term business plan. As a result of these efforts – and due in part to the weaker yen – net sales, operating income, and ordinary income were up year-on-year.

Because the Group was faced with an urgent need to strengthen its global competitiveness, management decided to undertake a thorough review of the current organization and instituted a voluntary retirement program for which it has posted a 15.9 billion yen business structure improvement expense. Net income was still up from a year ago due in part to factors such as a 9.4 billion yen gain on the sale of leasehold rights and buildings.

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

Net sales	¥405,792 million	(+4.5%,	up	¥17,329 million)
Operating income	¥29,818 million	(+15.2%,	up	¥3,925 million)
Ordinary income	¥33,366 million	(+29.9%,	up	¥7,686 million)
Net income	¥17,223 million	(+39.6%,	up	¥4,881 million)

Results by individual business segment are outlined below.

Industrial Automation and Control Business

Net sales for the industrial automation and control business were 358.035 billion yen, up 21.705 billion yen year on year, and operating income was 27.089 billion yen, up 2.864 billion yen. This increase was mainly thanks to robust energy-related markets and the further weakening of the yen.

Test and Measurement Business

Primarily due to the effects of the withdrawal from and sale of businesses before the end of the previous fiscal year, net sales for the test and measurement business fell 4.014 billion yen year on year, to 23.79 billion yen, and operating income increased 606 million yen, to 1.625 billion yen.

Other Businesses

In our other businesses segment, net sales were 23.967 billion yen, down 361 million yen from a year earlier, and operating income was 1.104 billion yen, up 453 million yen.

b. Capital Investment

Total capital investment during the fiscal year under review stood at 14.129 billion yen, up 122 million yen from the previous fiscal year.

Capital investments were mainly for the construction of a new office building in the headquarters campus and for the expansion of business in markets outside Japan.

c. Fundraising

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

(2) Financial Assets and Profits/Losses

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

(Millions of yen)

Category	FY2011	FY2012	FY2013	FY2014
Orders	344,066	354,498	405,982	417,089
Net sales	334,668	347,899	388,463	405,792
Operating income	16,601	18,409	25,893	29,818
Ordinary income	14,037	18,002	25,679	33,366
Net income (loss)	5,952	14,688	12,341	17,223
Net income (loss) per share	¥23.11	¥57.03	¥47.92	¥66.88
Total assets	359,500	379,931	398,920	439,957
Net assets	149,574	172,396	192,106	221,976

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

(Millions of yen)

Category	FY2011	FY2012	FY2013	FY2014
Orders	150,270	139,310	98,278	103,145
Net sales	151,070	145,259	99,366	101,986
Operating income	(3,280)	(5,423)	(6,593)	(7,817)
Ordinary income	8,292	6,394	8,922	11,535
Net income (loss)	6,301	9,280	6,216	5,168
Net income (loss) per share	¥24.47	¥36.03	¥24.14	¥20.07
Total assets	246,966	246,314	234,647	245,369
Net assets	108,078	117,769	124,137	132,842

Note: The Company carried out an absorption-type split and merger in which Yokogawa Solution Service Corporation took over the business operations of the former Industrial Solutions Service Business Headquarters on April 1, 2013. Therefore, the financial assets and profits/losses for FY2013 and later do not include the said business operations.

(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 Electric Asia Pte. Ltd.	SGD31,020,000	100.0%	Manufacturing of control and measuring equipment
Yokogawa Electric China Co., Ltd.	JPY4,000 million	100.0%	Manufacturing of control equipment
Yokogawa Solution Service Corporation	JPY3,000 million	100.0%	Sales, engineering and maintenance services of control equipment
Yokogawa Electric International Pte. Ltd.	SGD36,000,000	100.0%	Sales, engineering, and maintenance services of control equipment
Yokogawa Europe B.V.	EUR17,725,000	100.0%	Sales, engineering, and maintenance services of control and measuring equipment
Yokogawa Corporation of America (Note)	USD1,000	100.0%	Sales, engineering, and maintenance services of control and measuring equipment
Yokogawa Middle East & Africa B.S.C. (c)	BHD2,481,000	100.0%	Sales, engineering and maintenance services of control equipment
Yokogawa China Co., Ltd.	RMB119 million	100.0%	Sales, engineering and maintenance services of control equipment
Yokogawa Meters & Instruments Corporation	JPY90 million	100.0%	Sales and maintenance services of measuring equipment
Yokogawa Denshikiki Co., Ltd	JPY300 million	97.5%	Manufacturing and sales of marine and aerospace electronics equipment

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

(4) Challenges for the Company

To become the global No. 1 company in the industrial automation and control business, the Group has been implementing the Evolution 2015 growth strategies centering on the industrial automation and control business segment. Yokogawa has also put itself in a stronger position by undertaking measures such as the globalization of headquarters functions and the restructuring of production systems. In addition, Yokogawa has accelerated its transformation into a global solutions and service company and taken on the challenge of immediately improving profitability in fiscal year 2014.

However, considering the changes that have taken place in the Company and its business environment, Yokogawa will need to change its approach if it is to achieve higher growth. Accordingly, the Group has just drawn up and started implementation of Transformation 2017 (“TF2017”), a new mid-term business plan for fiscal years 2015 to 2017 that aims to reform our business structure by focusing on customers, creating new value, and maximizing efficiency. These three years will lay the groundwork for the growth that will be needed to achieve the goals of the Company’s long-term business framework.

As a result of the measures that have been undertaken to date, Yokogawa has already achieved the sales target for fiscal year 2015 and generated record high operating income in the fiscal year under review, and is in a stronger financial position. However, the current level of profitability is not yet satisfactory and needs to be raised.

In addition, as industries change and restructure worldwide in response to the IT revolution, we are seeing changes in our business environment and emerging new opportunities. Accordingly, we have drawn up and have begun implementation of the TF2017 mid-term business plan to strengthen investment for growth and make the business reforms needed to boost profitability. TF2017 addresses the challenges that we currently face and lays the groundwork for Yokogawa to reach a new growth stage.

To enhance objectivity and transparency in corporate management, Yokogawa will comply with Japan’s Corporate Governance Code, which comes into effect in June 2015. We will make a prompt, appropriate, and detailed disclosure of all compliance measures.

The section below, “Measures for enhancing corporate governance,” explains what Yokogawa currently is doing to ensure compliance with the code. We will take steps to enhance this.

Measures for enhancing corporate governance (as of March 31, 2015)

Our Group will place a high 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 independent outside 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 the Audit & Supervisory Board that includes outside members.

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 members of the Audit & Supervisory Board.

(5) Principal Businesses (as of March 31, 2015)

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

(6) Main Offices and Factories (as of March 31, 2015)

a. The Company

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

b. Subsidiaries

Sales companies:	Yokogawa Solution Service Corporation	
	Sales Division at head office	(Musashino-shi, Tokyo)
	Kansai Branch	(Osaka-shi, Osaka)
	Chubu Branch	(Nagoya-shi, Aichi)
	Yokogawa Corporation of America	(United States)
	Yokogawa Europe B.V.	(Netherlands)
	Yokogawa Electric International Pte. Ltd.	(Singapore)
	Yokogawa Middle East & Africa B.S.C. (c)	(Bahrain)
	Yokogawa China Co., Ltd.	(China)
Factories:	Yokogawa Manufacturing Corporation	
	Kofu Factory	(Kofu-shi, Yamanashi)
	Komine Factory	(Akiruno-shi, Tokyo)
	Ome Factory	(Ome-shi, Tokyo)
	Yokogawa Electric Asia Pte. Ltd.	(Singapore)
	Yokogawa Electric China Co., Ltd.	(China)

(7) Employees (as of March 31, 2015)

Business segment	Number of employees	Change from the previous year
Industrial automation and control business	17,593	(76)
Test and measurement business	1,171	(157)
Other businesses	837	(3)
Total	19,601	(236)

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

(8) Principal Lenders (as of March 31, 2015)

Lenders	Loan amount
Syndicated loan (Note 1)	¥30,000 million
Subordinated loan (Note 2)	¥25,000 million

Notes: 1. Mizuho Bank, Ltd. is lead manager for the syndicated loan.
2. The subordinated loan consists of borrowings from six financial institutions.
3. The Company has a 50,000 million yen 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, 2015)

a. Number of Authorized Shares: 600,000 thousand

b. Number of Issued Shares: 268,624 thousand

c. Number of Shareholders: 24,226

d. Major Shareholders (Top 10):

Name of shareholder	Number of shares (thousand shares)	Shareholding ratio (%)
Master Trust Bank of Japan Limited (trust account)	28,989	11.3
The Dai-ichi Life Insurance Company, Limited	15,697	6.1
Nippon Life Insurance Company	13,484	5.2
Japan Trustee Services Bank, Limited (trust account)	12,110	4.7
Retirement Benefit Trust in Mizuho Trust & Banking Co., Ltd. (Mizuho Bank, Ltd. account); Trust & Custody Services Bank, Ltd. as a Trustee of Retruct	11,261	4.4
Japan Trustee Services Bank, Limited (trust account9)	11,022	4.3
Yokogawa Electric Employee Shareholding Program	7,929	3.1
JUNIPER	3,681	1.4
BNYML - Non Treaty Account	3,674	1.4
BNP PARIBAS Securities (Japan) Limited	3,636	1.4

Notes: 1. The Company holds 11,088 thousand shares of treasury stock, but they are excluded from the capital positions of the above major shareholders.
2. The shareholding ratio is calculated after deducting treasury stock.

(2) Company Executives

a. Directors and Audit & Supervisory Board Members (as of March 31, 2015)

Position	Name	Area of responsibility and significant concurrent positions
Chairman and Chief Executive Officer	Shuzo Kaihori	
President and Chief Operating Officer	Takashi Nishijima	
Director	Satoru Kurosu	Executive Senior Vice President, Head of Solution Service Business Headquarters President of Yokogawa Electric International Pte. Ltd.
Director	Hitoshi Nara	President of Yokogawa Solution Service Corporation
Director	Masatoshi Nakahara	Senior Vice President, Head of IA Platform Business Headquarters
Director	Junichi Anabuki	Vice President, Head of Accounting & Treasury Headquarters
Director	Yasuro Tanahashi	Outside Director of Internet Initiative Japan Inc. Outside Director of Murata Manufacturing Co., Ltd. Outside Director of San Holdings Corporation
Director	Mitsudo Urano	Senior Adviser of Nichirei Corporation Outside Director of Mitsui Fudosan Co., Ltd. Outside Director of Resona Holdings, Inc. Outside Director of HOYA CORPORATION Outside Director of Hitachi Transport System, Ltd. President of Agri Future Japan Chairman of Nippon Omni-Management Association
Director	Noritaka Uji	Advisor of Nippon Telegraph and Telephone Corporation Outside Director of DAIICHI SANKYO COMPANY, LIMITED Chairman of Japan Telework Association Chairman of Japan Institute of Information Technology
Audit & Supervisory Board, Standing Member	Takafumi Koyanagi	
Audit & Supervisory Board, Standing Member	Kiyoshi Makino	
Audit & Supervisory Board Member	Hideto Masaki	Chairman of DIAM Co., Ltd. Outside Corporate Auditor of Denyo Co., Ltd.
Audit & Supervisory Board Member	Zenichi Shishido	Professor in Graduate School of International Corporate Strategy, Hitotsubashi University Lawyer at Zenichi Shishido Law Firm
Audit & Supervisory Board Member	Izumi Yamashita	

Notes: 1. Yasuro Tanahashi, Mitsudo Urano and Noritaka Uji are outside directors.
2. Hideto Masaki, Zenichi Shishido and Izumi Yamashita are outside members of the Audit & Supervisory Board.
3. Directors Yasuro Tanahashi, Mitsudo Urano and Noritaka Uji, and Audit & Supervisory Board Members Zenichi Shishido and Izumi Yamashita are highly independent. Because there is no risk of a conflict of interest between them and general shareholders, the Company appointed them as independent officers pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange, and they are registered as such at the said Exchange.

4. There are no special relationships between the Company and the companies or organizations at which the outside directors and outside audit & supervisory board members have significant concurrent positions.
5. The responsibilities of the following directors have changed, in conjunction with the reorganization that took effect on April 1, 2015, after the closing of fiscal year 2014.

Position	Name	Area of responsibility and significant concurrent positions
Chairman	Shuzo Kaihori	
Director	Satoru Kurosu	Executive Senior Vice President, Head of Solution Service Business Headquarters

6. Director Mitsudo Urano retired as President of the Central Society for Promoting the Industrial Education on June 11, 2014. In addition, he retired as an outside corporate auditor of JX Holdings, Inc. on June 26, 2014.
7. Audit & Supervisory Board Member Hideto Masaki retired as a director of The Dai-ichi Life Insurance Company, Limited on June 24, 2014.

b. Directors and Audit & Supervisory Board Members 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
Nobuo Katsumata	June 25, 2014	Expiration of term of office	Outside Director Senior Adviser of Marubeni Corporation Outside Director of Hitachi, Ltd.

c. Compensation to Directors and Audit & Supervisory Board Members

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

In order to improve objectivity and transparency when deciding the allocation of compensation, etc. for directors within the limits resolved and approved at the shareholders meeting, the Company, upon a resolution of the Company's Board of Directors, established a Nomination and Compensation Committee that is to be comprised of three or more directors, over half of whom shall be outside directors. The allocation of compensation for directors shall be decided through deliberation by the Nomination and Compensation Committee.

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

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

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

ii. Total Compensation Paid to Directors and Audit & Supervisory Board Members

Classification	Number of persons paid	Amount paid
Directors (Outside Directors)	10 (4)	¥201 million (¥32 million)
Audit & Supervisory Board Members (Outside Members)	5 (3)	¥89 million (¥29 million)
Total (Outside Directors and Outside Members of Audit & Supervisory Board)	15 (7)	¥291 million (¥62 million)

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

- i. Significant concurrent positions of other organizations and the Company's relation thereto
As described in “(2) Company Executives, a. Directors and Audit & Supervisory Board Members (as of March 31, 2015)” on page 18.
- ii. Major activities in the business year under review

Name / Position	Attendance	Principal activities
Yasuro Tanahashi Outside Director	Board of Directors Meetings Present at 15 of the 16 meetings	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.
Mitsudo Urano Outside Director	Board of Directors Meetings Present at 15 of the 16 meetings	As necessary, provided advice with high insight based on his wide knowledge and abundant managerial experience.
Noritaka Uji *1 Outside Director	Board of Directors Meetings Present at 10 of the 12 meetings	As necessary, provided advice with high insight based on his wide knowledge as a corporate manager and thorough expertise in technology development.
Hideto Masaki Outside Member, Audit & Supervisory Board	Board of Directors Meetings Present at 16 of the 16 meetings Audit & Supervisory Board meetings Present at 20 of the 20 meetings	As necessary, provided advice with high insight based on abundant managerial experience and ability to evaluate corporate value.
Zenichi Shishido Outside Member, Audit & Supervisory Board	Board of Directors Meetings Present at 16 of the 16 meetings Audit & Supervisory Board meetings Present at 20 of the 20 meetings	As necessary, provided advice based on experience in a wide range of research activities as an expert in business law and corporate governance.
Izumi Yamashita *2 Outside Member, Audit & Supervisory Board	Board of Directors Meetings Present at 12 of the 12 meetings Audit & Supervisory Board meetings Present at 14 of the 14 meetings	As necessary, provided advice with high insight based on abundant managerial experience in a wide range of business activities.

*1 For Outside Director Noritaka Uji, we have described his attendance of the Board of Directors meetings convened since he assumed the position on June 25, 2014.

*2 For Outside Audit & Supervisory Board Member Izumi Yamashita, we have described his attendance of the Board of Directors meetings and the Audit & Supervisory Board meetings convened since he assumed the position on June 25, 2014.

iii. 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 members of the Audit & Supervisory Board which limits their liability provided for in Article 423, Paragraph 1 to the higher of either 15 million yen or the amount stipulated by the Act.

(3) Accounting Auditor

a. Designation: Deloitte Touche Tohmatsu LLC

b. Compensation Paid to Accounting Auditor

	Payment amounts
Compensation to the accounting auditor for the year under review	¥90 million
Total amount paid in cash and other financial asset profits to the accounting auditor by the Company and subsidiaries	¥140 million

Notes: 1. In the audit contracts between the Company and its accounting auditor, the fees for audits conducted under the Companies Act and under the Financial Instruments and Exchange Law are not clearly differentiated. As they cannot be effectively separated, the amounts of compensation paid to the accounting auditor for the year under review show the total amounts.

2. All companies outside Japan that are principal subsidiaries of the Company are audited by accounting auditors other than the Company's accounting auditor.

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 Audit & Supervisory Board, 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.

Note: In accordance with the enforcement of the "Act for Partial Revision of the Companies Act" (Act No. 90 of 2014) on May 1, 2015, the decision-making body for a resolution to dismiss or not reappoint the Accounting Auditor has been changed from the Board of Directors to the Audit & Supervisory Board. The above is a description of the policy during the fiscal year under review.

(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. All members of the Audit & Supervisory Board, including its outside members, audit the actions of the directors based on the Auditing Standards for Audit & Supervisory Board Members and the Rules Governing the Audit & Supervisory Board.

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 Audit & Supervisory Board members.

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 Audit & Supervisory Board members.

- 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 Audit & Supervisory Board members.
- Audit & Supervisory Board members 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 Audit & Supervisory Board members.
- 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 Audit & Supervisory Board Members, and Other Systems for Reporting to Audit & Supervisory Board Members

- Directors and employees shall report the following matters to the Audit & Supervisory Board members:
 - (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 Audit & Supervisory Board Members

- 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 Audit & Supervisory Board Members to Assign Assistants to Support Roles

- An Audit & Supervisory Board Member 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 Audit & Supervisory Board Member Office require prior approval from the Audit & Supervisory Board members.
- Assessment of the assistants working in the Audit & Supervisory Board Member Office is conducted by Audit & Supervisory Board members who have been designated by the Audit & Supervisory Board.

(5) Basic Policy regarding Control over the Company

a. Details of the Basic Policy

The Company believes that parties making decisions regarding its financial and business policies above all else must be capable of protecting and enhancing the corporate value of the Company and the common interests of the shareholders.

The Yokogawa Group sets forth the following corporate philosophy: “As a company, our goal is to contribute to society through broad-ranging activities in the areas of measurement, control, and information. Individually, we aim to combine good citizenship with the courage to innovate.” Accordingly, we believe that acting on the basis of this philosophy, and thereby helping to protect the environment and achieve a sustainable society, will protect and enhance the corporate value of the Company and the common interests of its shareholders, by engaging in sound and profitable management practices that allow us to steadfastly pursue our business activities and maximize corporate value, while taking the customer perspective in providing solutions and services that add value.

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

However, there are a number of situations when a large-scale takeover attempt would contribute to neither the corporate value of the Company nor the common interests of the shareholders, such as when: (i) sufficient time and information have not been 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 of the Company and the common interests of the Company’s shareholders.

The Company believes that any party attempting a large-scale acquisition in the above manner would be unsuitable with respect to making decisions on the Company’s financial and business policies.

b. Measures to Realize the Basic Policy

In order to realize the basic policy described above, the Company will act on the basis of its corporate philosophy in helping to protect the environment and achieve a sustainable society by engaging in sound and profitable management practices that allow it to steadfastly pursue its business activities and maximize its corporate value, and by taking the customer perspective to provide solutions and services that add value, while also striving to reinforce its corporate governance practices as set forth below.

Our Group will place a high 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 Group’s business as well as independent outside 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 the Audit & Supervisory Board that includes outside members of the Audit & Supervisory Board.

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 Audit & Supervisory Board member.

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

On the basis of the aforementioned basic policy, the Company obtained shareholder approval with respect to the resolution, "Introduction of Countermeasures to the Large-scale Acquisition of the Company's Shares (Takeover Defense Measures)" at its 2007 Annual General Meeting of Shareholders held on June 27, 2007. Following that, the continuation of these measures was approved and resolved at the Company's 2009 Annual General Meeting of Shareholders held on June 29, 2009, and subsequently the Company obtained shareholder approval with respect to the resolution, "Renewal of Countermeasures to Large-scale Acquisition of Yokogawa Electric Shares (Takeover Defense Measures)" (hereinafter referred to as the "Plan" in this Item) at its 2011 Annual General Meeting of Shareholders held on June 24, 2011.

After reviewing the matter of the Plan then set to expire at the conclusion of the 2014 Annual General Meeting of Shareholders held on June 25, 2014, the Company deemed its renewal unnecessary given the prevailing business environment, and on May 13, 2014, the Company's Board of Directors accordingly resolved that the Plan would not be renewed upon its expiration.

Even subsequent to the Plan's expiration, the Company remains committed to taking appropriate measures in accordance with relevant laws and regulations, such that include requiring any party proposing a large-scale acquisition of the Company's shares to disclose sufficient information necessary for enabling shareholders to make an informed judgment on the advantages and disadvantages of the prospective acquisition, while also disclosing the Board of Directors' views on any such proposal taking steps to ensure that shareholders are afforded sufficient time to consider the acquisition.

d. Board of Directors' Decision regarding Measures to Realize the Basic Policy

The Company believes that promoting the measures of aforementioned Items b. and c., which act as measures for realizing the previously detailed basic policy, will enable the Company to protect and enhance the corporate value of the Company and the common interests of its shareholders, while at the same time impeding any attempts involving large-scale acquisition that would benefit neither the corporate value of the Company nor the common interests of its shareholders. Moreover, the Company will take appropriate measures should a party attempting to make a large-scale acquisition emerge, including steps to ensure that the shareholders are afforded sufficient time and information necessary for them to properly judge the advantages and disadvantages of the prospective acquisition. Accordingly, measures under the aforementioned Items b. and c. adhere to the basic policy, and have been deemed as not having been set forth with the intention of maintaining the status of the Company's executives.

CONSOLIDATED BALANCE SHEETS

As of March 31, 2015

	Millions of yen
ASSETS	
Current assets	
Cash and deposits	76,093
Notes and accounts receivable-trade	143,133
Merchandise and finished goods	14,856
Work in process	7,513
Raw materials and supplies	10,889
Deferred tax assets	4,525
Other	15,685
Allowance for doubtful accounts	(2,202)
Total current assets	270,495
Noncurrent assets	
Property, plant and equipment	
Buildings and structures	50,809
Machinery, equipment and vehicles	7,731
Tools, furniture and fixtures	6,713
Land	16,830
Lease assets	262
Construction in progress	1,906
Total property, plant and equipment	84,252
Intangible assets	
Software	17,491
Other	8,671
Total Intangible assets	26,163
Investments and other assets	
Investment securities	50,082
Deferred tax assets	2,248
Other	6,853
Allowance for doubtful accounts	(138)
Total investments and other assets	59,046
Total noncurrent assets	169,461
Total assets	439,957

CONSOLIDATED BALANCE SHEETS

(continued)

	Millions of yen
LIABILITIES	
Current liabilities	
Notes and accounts payable-trade	34,994
Short-term loans payable	24,373
Accounts payable-other	26,148
Income taxes payable	4,930
Advances received	33,047
Provision for bonuses	15,311
Other	25,766
Total current liabilities	164,573
Noncurrent liabilities	
Long-term loans payable	40,898
Deferred tax liabilities	5,682
Net defined benefit liability	4,100
Other	2,726
Total noncurrent liabilities	53,407
Total liabilities	217,981
NET ASSETS	
Shareholders' equity	
Capital stock	43,401
Capital surplus	50,344
Retained earnings	114,638
Treasury stock	(11,019)
Total shareholders' equity	197,364
Total other comprehensive income	
Valuation difference on available-for-sale securities	15,325
Deferred gains or losses on hedges	660
Foreign currency translation adjustment	3,516
Remeasurements of defined benefit plans	(1,323)
Total other comprehensive income	18,178
Minority interests	6,433
Total net assets	221,976
Total liabilities, net assets	439,957

CONSOLIDATED STATEMENTS OF INCOME

For the year ended March 31, 2015

		Millions of yen
Net sales		405,792
Cost of sales		236,578
Gross profit		169,214
Selling, general and administrative expenses		139,395
Operating income		29,818
Non-operating income		
Interest income	534	
Dividend income	1,685	
Foreign exchange gains	2,123	
Equity in earnings of affiliates	366	
Miscellaneous income	1,797	6,506
Non-operating expenses		
Interest expenses	1,833	
Miscellaneous expenses	1,126	2,959
Ordinary income		33,366
Extraordinary income		
Gain on sale of leasehold rights and buildings	9,416	
Gain on sale of noncurrent assets	44	
Gain on sale of investment securities	784	
Gain on change in equity	311	10,558
Extraordinary losses		
Loss on sale of noncurrent assets	53	
Loss on retirement of noncurrent assets	493	
Business structure improvement expense	15,951	16,497
Income before income taxes and minority interests		27,426
Income taxes-current	9,121	
Income taxes-deferred	(684)	8,436
Income before minority interest		18,990
Minority interests in income		1,766
Net income		17,223

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2015

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	43,401	50,344	100,470	(11,015)	183,201
Changes of items during the period					
Dividends from surplus			(3,090)		(3,090)
Net income (loss)			17,223		17,223
Purchase of treasury stock				(4)	(4)
Disposal of treasury stock		0		0	0
Other			34		34
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	0	14,167	(4)	14,163
Balance at the end of current period	43,401	50,344	114,638	(11,019)	197,364

Millions of yen

	Total other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Pension liability adjustment	Total other comprehensive income		
Balance at the beginning of current period	8,590	(80)	(3,945)	(511)	4,054	4,851	192,106
Changes of items during the period							
Dividends from surplus							(3,090)
Net income (loss)							17,223
Purchase of treasury stock							(4)
Disposal of treasury stock							0
Other							34
Net changes of items other than shareholders' equity	6,734	740	7,461	(812)	14,124	1,582	15,706
Total changes of items during the period	6,734	740	7,461	(812)	14,124	1,582	29,869
Balance at the end of current period	15,325	660	3,516	(1,323)	18,178	6,433	221,976

NON-CONSOLIDATED BALANCE SHEETS

As of March 31, 2015

	Millions of yen
ASSETS	
Current assets	
Cash and deposits	25,996
Notes receivable-trade	480
Accounts receivable-trade	20,302
Merchandise and finished goods	866
Work in process	1,120
Raw materials and supplies	1,441
Prepaid expenses	1,479
Short-term loans receivable	27,103
Accounts receivable-other	8,112
Other	577
Allowance for doubtful accounts	(8)
Total current assets	87,471
Noncurrent assets	
Property, plant and equipment	
Buildings	27,297
Structures	667
Machinery and equipment	406
Tools, furniture and fixtures	3,321
Land	11,679
Construction in progress	588
Other	213
Total property, plant and equipment	44,173
Intangible assets	
Software	16,184
Software in progress	4,298
Leasehold right	672
Other	263
Total intangible assets	21,418
Investments and other assets	
Investment securities	42,522
Stocks of subsidiaries and affiliates	27,780
Investment in capital of subsidiaries and affiliates	17,498
Long-term loans receivable from subsidiaries and affiliates	4,797
Lease and guarantee deposits	368
Long-term financial assets	3,374
Other	494
Allowance for doubtful accounts	(4,530)
Total investments and other assets	92,305
Total noncurrent assets	157,898
Total assets	245,369

NON-CONSOLIDATED BALANCE SHEETS

(continued)

	Millions of yen
LIABILITIES	
Current liabilities	
Notes payable-trade	137
Accounts payable-trade	7,976
Short-term loans payable	8,000
Current portion of long-term loans payable	21,176
Accounts payable-other	20,116
Accrued expenses	1,605
Income taxes payable	198
Deposit received	917
Provision for bonuses	3,896
Other	2,043
Total current liabilities	66,068
Noncurrent liabilities	
Long-term loans payable	40,460
Long-term deferred tax liabilities	5,243
Other	755
Total noncurrent liabilities	46,459
Total liabilities	112,527
NET ASSETS	
Shareholders' equity	
Capital stock	43,401
Capital surplus	50,151
Legal capital surplus	36,350
Other capital surplus	13,800
Retained earnings	35,341
Other retained earnings	35,341
Reserve for advanced depreciation of noncurrent assets	1,292
Retained earnings brought forward	34,049
Treasury stock	(11,019)
Total shareholders' equity	117,874
Valuation and translation adjustments	
Valuation difference on available-for-sale securities	14,967
Total valuation and translation adjustments	14,967
Total net assets	132,842
Total liabilities, net assets	245,369

NON-CONSOLIDATED STATEMENTS OF INCOME

For the year ended March 31, 2015

		Millions of yen
Net sales		101,986
Cost of sales		54,476
Gross profit		47,509
Selling, general and administrative expenses		55,326
Operating loss		(7,817)
Non-operating income		
Dividend income	20,228	
Rent receivable	2,001	
Foreign exchange gains	866	
Miscellaneous income	340	23,438
Non-operating expenses		
Interest expenses	1,668	
Rent payable	1,878	
Miscellaneous expenses	538	4,085
Ordinary income		11,535
Extraordinary income		
Gain on sale of leasehold rights and buildings	9,257	
Gain on sale of noncurrent assets	5	
Gain on sale of investment securities	13	1,0251
Gain on sale of subsidiaries and affiliate's stock	974	
Extraordinary losses		
Loss on sale of noncurrent assets	43	
Loss on retirement of noncurrent assets	322	
Business structure improvement expense	16,635	17,001
Income before income taxes		4,785
Income taxes-current	(257)	
Income taxes-deferred	(125)	(382)
Net income		5,168

NON- CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2015

Millions of yen

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings reserve Reserve for advanced depreciation of noncurrent assets	Retained earnings brought forward	Total retained earnings
Balance at the beginning of current period	43,401	36,350	13,800	50,151	1,339	31,924	33,264
Changes of items during the period							
Dividends from surplus						(3,090)	(3,090)
Reversal of reserve for advanced depreciation of noncurrent assets					(47)	47	—
Net income (loss)						5,168	5,168
Purchase of treasury stock							
Disposal of treasury stock			0	0			
Net changes of items other than shareholders' equity							
Total changes of items during the period	—	—	0	0	(47)	2,125	2,077
Balance at the end of current period	43,401	36,350	13,800	50,151	1,292	34,049	35,341

Millions of yen

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	(11,015)	115,801	8,336	8,336	124,137
Changes of items during the period					
Dividends from surplus		(3,090)			(3,090)
Reversal of reserve for advanced depreciation of noncurrent assets					—
Net income (loss)		5,168			5,168
Purchase of treasury stock	(4)	(4)			(4)
Disposal of treasury stock	0	0			0
Net changes of items other than shareholders' equity			6,630	6,630	6,630
Total changes of items during the period	(4)	2,073	6,630	6,630	8,704
Balance at the end of current period	(11,019)	117,874	14,967	14,967	132,842

Instructions for Internet Voting

I. Conditions regarding Internet Voting

1. Conditions regarding Internet Voting

- (1) You may vote via the Internet through the shareholder voting site (see the URL below) designated by the Company instead of voting by mail. If you choose to vote via the Internet, login with the voting code and the password shown on the right side of the enclosed voting form, and cast your vote by following the prompts on the screen. Please note that you need to change the password the first time you login to ensure security.

<http://www.it-soukai.com>

- (2) The deadline for voting is 5:00 p.m. on Tuesday, June 23, 2015, Japan time. You need to complete your vote by that time. Please vote ahead of time.
- (3) If you vote both by mail and via the Internet, the vote via the Internet shall prevail. In the case of multiple voting via the Internet, the last one shall prevail.
- (4) Your password (including the one you changed) will be valid for this General Meeting only. A new password will be issued for the next General Meeting.
- (5) The Company is not responsible for any expenses related to Shareholders' Internet access.

(Notes)

- The password is a means of authenticating the identity of a voter as a shareholder. You will never receive a call from the Company inquiring about your password.
- The password will be locked and suspended if you enter the wrong password a certain number of times. If it becomes locked, please follow the prompts on the screen.
- We conducted an operation check of the shareholder voting site with general Internet access devices, but the site may not be usable on some devices.

2. Inquiries

If you have any concerns about Internet voting, please contact the Stock Transfer Agency Dept., Mizuho Trust & Banking Co., Ltd., our shareholder register manager (see below).

- (1) All inquiries regarding how to vote via the shareholder voting site may be addressed to the following:
Toll free (calls from within Japan) 0120-768-524
(Between 9:00 a.m. and 9:00 p.m., Japan time, on weekdays)
- (2) Other inquiries regarding stock-related administrative work may be addressed to the following:
Toll free (calls from within Japan) 0120-288-324
(Between 9:00 a.m. and 5:00 p.m., Japan time, on weekdays)

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.