

*<TRANSLATION> The following is an English translation of a document written initially in Japanese. Should there be any inconsistency in the contents of the translation and the official Japanese version, the latter shall prevail.*

## Corporate Governance Report

Last Update: November 7, 2017

Yokogawa Electric Corporation

Takashi Nishijima, President and Chief Executive Officer

Contact: Toshitaka Kobayashi, General Manager of Investor Relations Department

Securities Code: 6841

<https://www.yokogawa.com/>

The corporate governance of Yokogawa Electric Corporation (the “Company”) is described below.

### I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

#### 1. Basic Views

The Yokogawa Electric Group (hereinafter referred to as the “Group”) has established a corporate philosophy, the Yokogawa Philosophy, and Standards of Business Conduct for the Yokogawa Group that apply to the entire Group, and strives to maintain appropriate relationships with all stakeholders as well as aims for sustainable corporate growth and increased corporate value over the medium to long term. In addition, based on the philosophy that “a company is a public entity of society,” the Group positions answering the trust of all stakeholders, including shareholders, customers, business partners, society, and employees, via sound and sustainable growth, as the basic mission of its corporate management.

In order to maximize its corporate value, the Group believes that efforts such as thorough compliance, appropriate management of risks, and information disclosure in order to ensure constructive dialogue with shareholders and other stakeholders are important.

The Group formulates and discloses these Yokogawa Corporate Governance Guidelines which serve as the basic policy for continually working on corporate governance in line with the above views.

[https://www.yokogawa.com/pr/pdf/cg\\_guidelines-en.pdf](https://www.yokogawa.com/pr/pdf/cg_guidelines-en.pdf)

#### [Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company complies with all principles of the Corporate Governance Code.

#### [Disclosure Based on the Principles of the Corporate Governance Code]

[Principle 1.4]

The Group shall strategically hold shares, provided such shares are determined to contribute to maintaining and increasing corporate value. With respect to the key cross-holding shares, each year the Board of Directors shall decide on the suitability of holding the shares by examining the purpose and economic rationale, etc. from a medium- to long-term perspective. If the suitability of holding shares is not recognized, the Group shall sell the shares while considering impact on the market and other circumstances to be taken into account on the business front.

In the fiscal year ended March 31, 2017, the Group also sold certain strategically held shares.

With respect to exercising the voting rights of strategically held shares, the Group shall make decisions based on sufficient examination, from the standpoint of increasing the corporate value of the Company and the companies that the Company has invested in over the medium to long term.

Specifically, for strategically held shares that were determined to be held in the examination process, the Group basically shall exercise the voting rights by respecting management decisions made by the management of the companies in which the Company has invested. However, in the following cases, the Company shall exercise the voting rights based on sufficient

examination on whether or not to exercise the voting rights:

- 1) Cases where any violation of law, misconduct or anti-social behavior has occurred at the companies in which the Company has invested
- 2) Cases of proposals that are considered to be likely to undermine the Company's corporate value, for organizational restructuring including merger or acquisition and business transfer, advantageous issue of shares to third parties, etc.

[Principle 1.7]

The existence or non-existence of business transactions between the Company and its Directors, Audit & Supervisory Board Members, or their close relatives, and between the Company and its key shareholders, etc., (hereinafter referred to as the "related party transactions") shall be investigated regularly and reported to the Board of Directors. In conformity with applicable laws and regulations including the Companies Act and the Financial Instruments and Exchange Act, and other applicable rules, related party transactions shall be disclosed upon resolution by the Board of Directors.

[Principle 3.1]

(i) The Company has disclosed its corporate goals as the corporate philosophy. The management strategy and business plan are disclosed on the Yokogawa Report, its website and others when they are formulated. The current management strategy and business plan have been disclosed as "Transformation 2017," a mid-term business plan.

The Yokogawa Philosophy:

"As a group, 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."

Transformation 2017, a Mid-term Business Plan:

<https://www.yokogawa.com/pr/corporate/pr-corp-mtbp-en.htm>

Yokogawa Report:

<https://www.yokogawa.com/pr/ir/reports/pr-ir-reports-annual.htm>

(ii) The basic views on corporate governance and basic policy are presented in "I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information, 1. Basic Views" of this report. In addition, the Group has established and disclosed the Yokogawa Corporate Governance Guidelines which serve as the basic policy for continually working on corporate governance.

(iii) The Company positions its executive compensation plan as an important item in corporate governance, and to increase the objectivity and transparency of Director compensation, has formed a Compensation Advisory Committee, which comprises three or more Directors, based on the resolution of the Board of Directors, with the majority being Outside Directors, and the executive compensation plan is resolved by the Board of Directors based on the Committee's report produced through its deliberation.

Basic Approach to the Executive Compensation Plan

- (1) Plan that promotes sustainable, medium- to long-term improvement in corporate value
- (2) Plan that reflects the medium- to long-term management strategy and strongly motivates the achievement of medium- to long-term management objectives
- (3) Plan that prevents bias toward short-term thinking
- (4) Plan and monetary amounts that secure and maintain excellent human resources
- (5) Plan that includes transparency, fairness, and rationality for stakeholders, decided through an appropriate process to ensure these factors

The Company's executive compensation plan is composed of fixed and performance-linked components (annual incentives and medium- to long-term incentives), and levels of compensation are set through a comparison with companies from the same industry and of the same scale both in Japan and overseas, as well as in consideration of the Company's financial conditions. Part of the performance-linked compensation, the annual incentive, is calculated and paid based on an evaluation of the entire company's results and the individual's results for the individual year. Furthermore, the medium- to long-term incentive takes the form of restricted stock compensation utilizing the Company's common shares (hereinafter the "Company Shares"), linked to the Company's mid-term business plan (hereinafter the "Mid-Term Plan"), with the Company Shares distributed in lump sums corresponding to the achievement period (in principle, three years) in the first year of the Mid-Term Plan.

Furthermore, the performance-linked compensation under the executive compensation plan covers Directors and Vice Presidents and excludes Outside Directors. This is because variable compensation such as performance-linked compensation is not appropriate for Outside Directors and Audit & Supervisory Board Members, who maintain a position independent from the performance of duties, and as such only fixed compensation is paid, identically for non-executive Directors. Additionally, the

retirement bonuses for directors were eliminated on the day of the 2004 Annual General Meeting of Shareholders held on June 25, 2004.

(iv) The policy and procedures for the appointment of Director and Audit & Supervisory Board Member candidates as well as officers are as follows:

Policy for the appointment of Director and Audit & Supervisory Board Member candidates as well as officers

The Board of Directors shall be composed so as to be well balanced in knowledge, experience, and capabilities to effectively fulfill its roles and responsibilities, and it shall be constituted in such a manner as to achieve both diversity and appropriate size. Under this premise, human resources that contribute to improvement of corporate governance are chosen as Director and Audit & Supervisory Board Member candidates. Furthermore, human resources that are familiar with the Group's business and contribute to the appropriate execution of business and supervision of highly effective management and that have experience and knowledge required for formulation of management strategies aiming at an increase in the Company's corporate value over the medium to long term and contribute to right management decisions and supervision of highly effective management are selected as Director candidates, while human resources that are familiar with the Group's business and contribute to appropriate auditing of management of the Company and Group companies and that have knowledge on accounting, finance, legal affairs and corporate management and contribute to appropriate auditing of management are selected as Audit & Supervisory Board Member candidates. Officers are appointed after confirmations of whether the candidate has sufficient experience, knowledge, etc. and whether he or she has an intention and attitude suitable for the management are made.

Procedures for the appointment of Director and Audit & Supervisory Board Member candidates as well as officers

In order to enhance the objectivity and transparency of the appointment of candidates for Directors, Audit & Supervisory Board Members and officers, the Company has established the Nomination Advisory Committee, which is a voluntary advisory body comprised of at least three (3) Directors, of whom a majority are independent Outside Directors, based on the resolution of the Board of Directors.

Matters with respect to appointment of Director candidates and officers are resolved by the Board of Directors on the basis of reports prepared upon deliberations engaged in on the basis of appointment criteria and procedures as stipulated by the Nomination Advisory Committee. Matters with respect to appointment of Audit & Supervisory Board Member candidates are resolved by the Board of Directors on the basis of reports prepared upon deliberations engaged in on the basis of appointment criteria and procedures as stipulated by the Nomination Advisory Committee, upon having gained consent of the Audit & Supervisory Board.

(v) Reasons for election of Directors and Audit & Supervisory Board Members are as follows:

Explanation of reasons for election of Directors

Shuzo Kaihori Chairman of the Board

Mr. Shuzo Kaihori properly supervises management acting as a director. He also adequately manages meetings of the Board of Directors acting as its Chairman, while endeavoring to strengthen corporate governance practices. Accordingly, his election as a director is being requested because we consider him qualified to further upgrade our corporate governance practices.

Takashi Nishijima President and Chief Executive Officer

Mr. Takashi Nishijima properly supervises management acting as President and Chief Executive Officer. He also adequately provides guidance serving as Chairman of the Company's Management Board. Accordingly, his election as a director is being requested because we consider him qualified to take the lead in achieving the goals set out in the long-term business framework.

Satoru Kurosu Director and Executive Vice President

Mr. Satoru Kurosu properly supervises management acting as a director. He also adequately performs his duties acting as Head of Premium Solutions and Services Business Headquarters which handles solutions business which constitutes the core of the mid-term business plan. Accordingly, his election as a director is being requested because we consider him qualified to act as leader in building the solutions business.

Hitoshi Nara Director and Executive Vice President

Mr. Hitoshi Nara properly supervises management acting as a director. He also adequately performs his duties acting as President of Yokogawa Solution Service Corporation. Accordingly, his election as a director is being requested because we consider him qualified to act as leader in developing the solutions business across a wide range of industrial sectors.

Masatoshi Nakahara Director and Executive Vice President

Mr. Masatoshi Nakahara properly supervises management acting as a director. He also adequately performs his duties acting as Head of IA Systems and Services Business Headquarters. Accordingly, his election as a director is being requested because we consider him qualified to help bring about sustainable improvement in our corporate value.

Junichi Anabuki     Director and Senior Vice President

Mr. Junichi Anabuki properly supervises management acting as a director. He also adequately performs his duties acting as Head of Accounting & Treasury Headquarters. Accordingly, his election as a director is being requested because we consider him qualified to help bring about sustainable improvement in our corporate value.

Explanation of reasons for election of Audit & Supervisory Board Members

Koichi Chujo     Audit & Supervisory Board, Standing Member

Mr. Koichi Chujo is well-versed in the Group's business through his experiences of engaging in the test and measurement business, serving as the Head of Quality Assurance Headquarters and conducting internal audits at the Audit & Compliance Headquarters. His election as an Audit & Supervisory Board member is being requested because we consider it appropriate to reflect his knowledge and experience in audits of the Company.

Kouji Maemura     Audit & Supervisory Board, Standing Member

Mr. Kouji Maemura is well-versed with respect to the Group's organization and business, and also has experience playing a leadership role in carrying out the Group's managerial reforms. His election as an Audit & Supervisory Board member is being requested because we consider it appropriate to reflect his knowledge and experience in audits of the Company.

Please refer to "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management, 1. Organizational Composition and Operation, [Directors], Outside Directors' Relationship with the Company (2)" of this report for reasons for election of Outside Directors, and "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management, 1. Organizational Composition and Operation, [Kansayaku], Outside Kansayaku's Relationship with the Company (2)" of this report for reasons for election of Outside Audit & Supervisory Board Members.

[Supplementary Principle 4.1.1]

The Board of Directors is to base its decisions on the Decision Making Code and on the Rules Governing the Board of Directors. All the Directors, including independent outside members, bear supervisory responsibility for the execution of business as the members constituting the Board of Directors. Decisions concerning statutory matters and important matters for the Group's execution of business that are matters which have a serious impact on the Group's management or matters other than those specified to be decided by the Board of Directors in the above code and rules, such as important strategic matters related to the Group, are delegated to the Management Board, which consists of the President and Chief Executive Officer and Chief Executive Officer, and Standing Members of the Audit & Supervisory Board. Decisions concerning other matters related to management and execution of business are delegated to the President and Chief Executive Officer. The President and Chief Executive Officer may further delegate the authority delegated by the Board of Directors to officers. Matters for resolution to be made by the Management Board and other matters shall be reported to the Board of Directors in line with the above rules. The Board of Directors supervises decision-making and execution of business by the Management Board and each Director and officer through the report, etc.

[Principle 4.8]

At least one-third of Directors of the Company shall be independent Outside Directors. Currently there are ten (10) Directors, four (4) of which are independent Outside Directors. The Company has four (4) independent Outside Directors who has important knowledge and experience on management and technologies to increase the corporate value over the medium to long term by reforming its business structure from offering of products to a solution provider.

[Principle 4.9]

The Company developed the Company's Independence Standards and has presented the standards in the Yokogawa Corporate Governance Guidelines and "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management, 1. Organizational Composition and Operation, [Independent Directors/Kansayaku], Matters relating to Independent Directors/Kansayaku" of this report.

The Company's independent Outside Directors meet these independence standards, have deep insights as corporate managers and abundant experience in markets different from those for the Company, and state their opinions from a multidimensional perspective at the Board of Directors meetings and other opportunities.

[Supplementary Principle 4.11.1]

The Board of Directors shall be comprised so as to be well balanced in knowledge, experience, and capabilities to effectively fulfill its roles and responsibilities, and it shall be constituted in such a manner as to achieve both diversity and appropriate size. With respect to the diversity of the Board of Directors as a whole, the Nomination Advisory Committee regularly holds

discussions from the viewpoint of enhancing corporate governance and sets down experience, knowledge, attitude, etc. expected of next Directors.

The Company currently aims to increase the corporate value over the medium to long term by reforming its business structure from offering of products to a solution provider in business-to-business (BtoB) businesses, and believes that the Board of Directors is comprised of human resources inside and outside the Company which have diverse knowledge, experience, and capabilities contributing to realization of this aim.

With regard to the size of the Board of Directors, the Company considers that the current structure consisting of ten (10) members including four (4) independent Outside Directors is appropriate in achieving effective discussions as the Board of Directors.

[Supplementary Principle 4.11.2]

Concurrent positions of Directors and Audit & Supervisory Board Members are as follows:

Shuzo Kaihori Chairman of the Board  
Outside Director of HOYA CORPORATION

Please refer to Supplementary Explanation of the Relationship in “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management, 1. Organizational Composition and Operation, [Directors], Outside Directors’ Relationship with the Company (2)” of this report for significant concurrent positions of Outside Directors, and Supplementary Explanation of the Relationship in “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management, 1. Organizational Composition and Operation, [Kansayaku], Outside Kansayaku’s Relationship with the Company (2)” of this report for significant concurrent positions of Outside Audit & Supervisory Board Members.

[Supplementary Principle 4.11.3]

Based on the evaluations of each Director and Audit & Supervisory Board Member, the Board of Directors shall regularly identify issues for further boosting the strengths and effectiveness of the Board of Directors, and make analysis and evaluations in order to clarify the points that should be emphasized when working on each issue. To make evaluations, the Board of Directors has used third-party evaluation organizations as appropriate. The outcomes of evaluations shall be disclosed in a timely and proper manner.

In fiscal year 2016, the Board of Directors of the Company conducted an evaluation of the Board of Directors by sending a questionnaire to each Director and Audit & Supervisory Board Member. The Chairman of the Board of Directors compiled the questionnaire responses, and the Board of Directors conducted discussions based on these results and the status concerning the addressing of issues raised by the evaluation conducted in the previous fiscal year in order to conduct analysis and evaluation regarding the effectiveness of the Board of Directors. The Board of Directors confirmed that the structure to fulfill the supervisory function for management has been established in terms of the size, composition, operation, qualifications of each member, status of committees, and other factors, and that very open and vibrant discussions were held at the Board of Directors meetings. As for measures taken to address the issues raised in the previous fiscal year, in addressing the need to further concentrate discussions on the essential matters that need to be discussed by the Board of Directors, the Board of Directors revised how time was allocated at meetings, and it is taking steps to improve the situation by strengthening discussions relating to management strategy. In addressing calls to strengthen succession plans, the Board of Directors commenced a corporate manager candidate evaluation development program, and interlocking such activities with the activities of the Nomination Advisory Committee, the Board of Directors confirmed that such initiatives were strengthening on a Group-wide basis. Consequently, the Company has considered that the Board of Directors functions effectively.

The issues raised from the evaluation conducted for this fiscal year were strengthening discussions related to medium- to long-term management strategy and diversity on the Board of Directors. As part of the initiatives to address issues, in addition to the Board of Directors continuing measures to respond to issues raised in the previous fiscal year, Directors, including the Outside Directors, are participating, from the examination stage, in discussions to formulate the next long-term management vision and mid-term business plan. Moreover, on the subject of diversity in the Board of Directors, the Board of Directors is discussing the issue from a broad range of perspectives, including experience, knowledge, and attitudes, taking into consideration the Company’s organizational design. In addition, this year, the Company invited a woman with knowledge of the consumer business, with abundant practical experience that includes handling corporate social responsibility, etc., and with experience working as a full-time audit & supervisory board member at another company, to serve as Outside Audit & Supervisory Board Member.

[Supplementary Principle 4.14.2]

The Company shall provide Directors and Audit & Supervisory Board Members with necessary training and information as appropriate to allow them to fulfill their roles and responsibilities.

- (i) When Directors and Audit & Supervisory Board Members newly assume their positions, lectures and training by experts in laws and corporate governance shall be provided, and during their tenures training with respect to amendments to laws and management issues shall be provided on an ongoing basis.
- (ii) In addition to the above, when independent Outside Directors and independent Outside Audit & Supervisory Board Members newly assume their positions, the Company shall provide them with briefings about the Company's businesses and conduct tours of key business sites and other locations.
- (iii) Each year, the Board of Directors shall interview the persons responsible for each business concerning business strategies, progress in carrying out such strategies, and other matters.
- (iv) The Company shall provide independent Outside Directors and independent Outside Audit & Supervisory Board Members with necessary information about the Company's business issues and other matters in a timely and proper manner.

[Principle 5.1]

Basic Views

In conformity with the Standards of Business Conduct and the Disclosure Policy, in order to contribute to sustainable growth and increased corporate value over the medium to long term, the Company will promote constructive dialogue with shareholders and investors.

The responsible officer for dialogue with shareholders and investors will be the officer responsible for IR, who will ensure that information sharing between departments that assist in such dialogue and other types of cooperation take place.

The department in charge of IR, which is under the oversight of the responsible officer, will be the contact for dialogue and handle the dialogue quickly, having Directors and other members of management become involved in dialogue as necessary as a fundamental rule, depending on purposes of the meeting, etc.

The Company will strive to promote an understanding of the Company, placing utmost importance on dialogue through in-person meetings. However, depending on the needs of overseas shareholders and others, the Company will also engage in dialogue through means, including telephone and e-mail. When making dialogue, the Company will ensure to prevent leakage of insider information.

In order to encourage constructive dialogue with shareholders and others, when meeting with a shareholder for the first time, for example, we will try to enhance the content of the meeting by providing explanations not only about financial information, but also about non-financial information. In addition, we will strive to deepen shareholders' and investors' understanding of the Company by holding financial results briefings, business briefings, factory tours, and other events.

The responsible officer and the department in charge of IR will regularly hold meetings with the president and, as necessary, share the details of meetings with related departments, and regularly provide reports to the Board of Directors, etc., thereby leading to improvements targeting effective dialogue.

## 2. Capital Structure

Foreign Shareholding Ratio	More than 30%
----------------------------	---------------

### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Master Trust Bank of Japan Limited (trust account)	33,197,400	12.36
The Dai-ichi Life Insurance Company, Limited	15,697,000	5.84
Japan Trustee Services Bank, Limited (trust account)	15,160,100	5.64
Nippon Life Insurance Company	13,484,615	5.02
Japan Trustee Services Bank, Limited (trust account <sup>9</sup> )	11,638,100	4.33
Retirement Benefit Trust in Mizuho Trust & Banking Co., Ltd. (Mizuho Bank, Ltd. account); Trust &	11,261,000	4.19

Custody Services Bank, Ltd. as a Trustee of Retruster		
State Street Bank and Trust Company 505223	7,349,799	2.74
Yokogawa Electric Employee Shareholding Program	6,453,281	2.40
PICTET AND CIE (EUROPE) SA, LUXEMBOURG REF: UCITS	6,067,900	2.26
Japan Trustee Services Bank, Limited (trust account7)	4,032,600	1.50

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

### Supplementary Explanation

1. The Company holds 1,395 thousand shares of treasury stock (Percentage of the number of shares owned in the number of issued shares: 0.52%).			
2. Reports of possession of large volume or change reports to reports of possession of large volume were submitted as follows. However, since the Company cannot confirm the actual ownership as of the end of the fiscal year under review, the following shareholders are not included in the above status of major shareholders.			
[Name or Company Name] [Date on which the reporting obligation arose] [Number of Shares Owned (thousand shares)] [Percentage (%)]			
(1) Sumitomo Mitsui Trust Bank, Limited and other two (2) companies, February 13, 2015,	19,023	7.08	
(2) Four (4) companies of Mitsubishi UFJ Financial Group, October 10, 2016,	11,553	4.30	
(3) Mizuho Bank, Ltd. and other two (2) companies, October 14, 2016,	23,131	8.61	
(4) FIL Investments (Japan) Limited, March 15, 2017,	13,731	5.11	
(5) BlackRock Japan Co., Ltd. and other six (6) companies, March 15, 2017	13,977	5.20	
(6) Nomura Securities Co., Ltd. and other two (2) companies, June 30, 2017	13,440	5.00	

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Electric Appliances
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

-
---

## 5. Other Special Circumstances which may have Material Impact on Corporate Governance

-
---

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with <i>Kansayaku</i> Board
-------------------	-------------------------------------

#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Other Director
Number of Directors	10
Number of Outside Directors	4
Number of Independent Directors	4

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Mitsudo Urano	From another company											
Noritaka Uji	From another company											
Nobuo Seki	From another company											
Shiro Sugata	From another company											

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof



- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

#### Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Mitsudo Urano	○	[Concurrent Positions] Senior Adviser of Nichirei Corporation 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 Chairman of Central Society for Promoting the Industrial Education	Mr. Mitsudo Urano properly supervises management acting as an outside director. He was appointed as an Outside Director so that he can contribute to greater operational fairness, objectivity, and transparency with respect to management of the Company based on his wide knowledge and abundant experience as a manager, and through his expertise in corporate governance.. In addition, he was nominated as an independent officer because he 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 Company's Independence Standards.
Noritaka Uji	○	[Concurrent Positions] Outside Director of DAIICHI SANKYO COMPANY, LIMITED Chairman of Japan Telework Association Chairman of Japan Institute of Information Technology	Mr. Noritaka Uji properly supervises management acting as an outside director. He was appointed as an Outside Director so that he can contribute to greater operational fairness, objectivity, and transparency with respect to management of the Company based on his wide knowledge as a corporate manager , as well as his abundant experience and expertise in technology development and IT/ICT fields. In addition, he was nominated as an independent officer because he 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 Company's Independence Standards.
Nobuo Seki	○	[Concurrent Positions] Independent Outside Director of TEIJIN LIMITED	Mr. Nobuo Seki properly supervises management acting as an outside director. He was appointed as an Outside Director so that he can contribute to greater operational

		Outside Director of KAMEDA SEIKA CO., LTD. Outside Director of Weathernews Inc.	fairness, objectivity, and transparency with respect to management of the Company based on his wide knowledge as a corporate manager, as well as his abundant experience and extensive global business expertise in the engineering business centered on the energy industry. In addition, he was nominated as an independent officer because he 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 Company's Independence Standards.
Shiro Sugata	○	[Concurrent Positions] Special Advisor of USHIO INC. Outside Director of JSR Corporation	Mr. Shiro Sugata properly supervises management acting as an outside director. He was appointed as an Outside Director so that he can contribute to greater operational fairness, objectivity, and transparency with respect to management of the Company based on his wide knowledge as a corporate manager, as well as his abundant experience and extensive global business expertise in the development and marketing of industrial instruments. In addition, he was nominated as an independent officer because he 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 Company's Independence Standards.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee

Established

#### Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination Advisory Committee	Compensation Advisory Committee
All Committee Members	6	6
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	Inside Director	Inside Director

#### Supplementary Explanation

< Nomination Advisory Committee and Compensation Advisory Committee >

The Company has established both the Nomination Advisory Committee and the Compensation Advisory Committee as voluntary advisory bodies to give opinions in response to consultations from the Board of Directors regarding nominating Directors and determining compensation.

With respect to the appointment of Director and Audit & Supervisory Board Member candidates, the selection of officers and the next representative director and president as well as the qualities (attributes, track record, etc.) sought after in Directors, the Nomination Advisory Committee shall give advice so as to ensure that, from the perspective of all stakeholders, suitable personnel is in place to contribute to the Group's sustainable growth as well as its corporate governance.

The Compensation Advisory Committee shall give advice so that the compensation system and compensation for Directors and officers encourage appropriate challenges targeting the Group's growth, help to hire and retain excellent human resources, and which are suitable from the perspective of all stakeholders

#### [Kansayaku]

Establishment of <i>Kansayaku</i> Board	Established
Maximum Number of <i>Kansayaku</i> Stipulated in Articles of Incorporation	5
Number of <i>Kansayaku</i>	5

#### Cooperation among *Kansayaku*, Accounting Auditors and Internal Audit Departments

The Company's Audit & Supervisory Board performs audit & supervisory board member audits in accordance with the annual audit plan that specifies priority audit items. Audit & supervisory board members hold regular meetings with departments that are in charge of internal audits and business ethics which promotes the compliance framework, and endeavor to exchange information about implementation of internal audits, implementation of education on compliance and operation of the internal reporting system. Audit & supervisory board members also hold regular meetings with the accounting auditor, and endeavor to exchange information related to the status of financial results and other matters.

Appointment of Outside <i>Kansayaku</i>	Appointed
Number of Outside <i>Kansayaku</i>	3
Number of Independent <i>Kansayaku</i>	3

#### Outside *Kansayaku*'s Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Zenichi Shishido	Academic													
Izumi Yamashita	From another company													
Yasuko Takayama	From another company													

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

- c. Non-executive director or executive of a parent company of the Company
- d. *Kansayaku* of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a *kansayaku*
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the *kansayaku* himself/herself only)
- k. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the *kansayaku* himself/herself only)
- m. Others

---

Outside *Kansayaku*'s Relationship with the Company (2)

---

Name	Designation as Independent <i>Kansayaku</i>	Supplementary Explanation of the Relationship	Reasons of Appointment
Zenichi Shishido	○	[Concurrent Positions] Professor in Graduate School of International Corporate Strategy, Hitotsubashi University Lawyer at Zenichi Shishido Law Firm	Mr. Zenichi Shishido was appointed as an outside member of the Audit & Supervisory Board so that he can contribute to the Company's audits as an expert in business law and corporate governance with his high insight based on experience in a wide range of research activities. In addition, he was nominated as an independent officer because he 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 Company's Independence Standards.
Izumi Yamashita	○	[Concurrent Positions] Outside Director of AEON Bank, Ltd. Outside Director of Sumitomo Forestry Co., Ltd.	Mr. Izumi Yamashita was appointed as an outside member of the Audit & Supervisory Board so that he can contribute to the Company's audits with his high insight based on abundant managerial experience in a wide range of business activities. In addition, he was nominated as an independent officer because he 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 Company's Independence Standards.
Yasuko Takayama	○	[Concurrent Positions] Outside Director, The Chiba Bank, Ltd. Outside Director, Nippon Soda Co., Ltd. Outside Audit & Supervisory Board Member, Mitsubishi Corporation	Ms. Yasuko Takayama has been working for a major company in the consumer market where she has gained extensive practical experience that includes handling corporate social responsibility, as well as experience acting as a full-time audit and supervisory board member, and also has a wealth of experience acting as an outside executive at various companies. Accordingly, her election as an outside Audit

			& Supervisory Board member is being requested because we consider it appropriate to reflect such experience in audits of the Company.
--	--	--	---

### [Independent Directors/*Kansayaku*]

Number of Independent Directors/ <i>Kansayaku</i>	7
---	---

#### Matters relating to Independent Directors/*Kansayaku*

The Company has established the independence standards for Outside Directors and Outside Audit & Supervisory Board Members as follows:

##### 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.

## [Incentives]

### Incentive Policies for Directors

### Performance-linked Remuneration, Other

#### Supplementary Explanation

The Company's executive compensation plan is composed of fixed and performance-linked components (annual incentives and medium- to long-term incentives), and levels of compensation are set through a comparison with companies from the same industry and of the same scale both in Japan and overseas, as well as in consideration of the Company's financial conditions. Part of the performance-linked compensation, the annual incentive, is calculated and paid based on an evaluation of the entire company's results and the individual's results for the individual year. Furthermore, the medium- to long-term incentive takes the form of restricted stock compensation utilizing the Company's common shares (hereinafter the "Company Shares"), linked to the Company's mid-term business plan (hereinafter the "Mid-Term Plan"), with the Company Shares distributed in lump sums corresponding to the achievement period (in principle, three years) in the first year of the Mid-Term Plan.

Furthermore, the performance-linked compensation including the Compensation Plan covers Directors and Vice Presidents and excludes Outside Directors. This is because variable compensation such as performance-linked compensation is not appropriate for Outside Directors and Audit & Supervisory Board Members, who maintain a position independent from the performance of duties, and as such only fixed compensation is paid, identically for non-executive Directors.

The current Mid-Term Plan "Transformation 2017" (hereinafter "TF2017") was already in its second year when the restricted stock compensation plan was approved, and we have distributed the entirety of the Company Shares corresponding to two business years, matching the two-year achievement period. Furthermore, the performance-linked compensation under the executive compensation plan has been set using the following approach.

In the case of the President and Chief Executive Officer, the ratio of fixed compensation and performance-linked compensation under the current plan is approximately 60:40, and under the new plan, in the event the TF2017 results targets are 100% achieved, the ratio for fixed compensation, annual incentives, and medium- to long-term incentives for one business year is approximately 47:35:18.

#### Approach to the Performance-Linked Compensation under the Executive Compensation Plan

1. Compared to the current compensation plan, the ratio of performance-linked compensation in total compensation is higher.
2. The ratio of performance-linked compensation in total compensation is higher the higher the seniority of the Director, with the President and Chief Executive Officer's ratio of performance-based compensation exceeding 50%.
3. The ratio for the newly introduced share compensation in total compensation for Directors is higher than the average level for companies from the same industry and of the same scale both in Japan and overseas.
4. In the event all of results targets are achieved, the ratio of the annual incentive and the annualized medium- to long-term incentive will be 2:1.

The medium- to long-term incentive, "restricted stock compensation" is compensation in the form of the Company Shares focused on achieving the management targets in the Mid-Term Plan and further promoting shared value with shareholders. The number of the Company Shares allotted to the Company Executives is calculated by dividing the monetary value of compensation established for each position by the generally accepted share price, such as the closing price for the Company Shares the day prior to the allotment.

In the present share compensation, consolidated ROE in the final year of TF2017 is set as the results target, and a lump sum of the Company Shares was distributed to four Directors and nine Vice Presidents in September 2016.

The Company will conclude "Restricted Stock Allotment Agreements" with the Directors and Vice presidents in question, defining details ahead of time in the agreements including the attributable period for share distribution, the transfer restriction period, conditions to lift the transfer restriction, treatment on retirement from office, and account management utilizing a securities company, thus ensuring the objectivity and effectiveness of the plan.

#### Conditions to lift transfer restrictions by achievement of results

Where the consolidated return on equity (ROE, hereinafter the "Actual ROE") listed in the annual securities report for the period ending at the end of TF2017 (fiscal year 2017, ending March 31, 2018) matches the values listed in the "Actual ROE" fields, the number of shares produced by multiplying the number of allotted shares by the ratio in the "Lifting Ratio" field corresponding to the value in the "Actual ROE" field will be applied (however, where shares less than one unit are produced as a result of the calculation, they will be dropped.)

Actual ROE	Lifting Ratio
Up to 8%	0%
From but not including 8% up to but not including 11%	$(\text{Actual ROE} \times 100 - 8) / 3 \times 25\%$
From 11% up to but not including 14%	$(50 + (\text{Actual ROE} \times 100 - 11) / 3 \times 50)\%$
From 14%	100%

Recipients of Stock Options	
-----------------------------	--

Supplementary Explanation
---------------------------

-
---

## [Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
--	--------------------------

Supplementary Explanation
---------------------------

-
---

Policy on Determining Remuneration Amounts and Calculation Methods	Established
--	-------------

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
--

The Company positions its executive compensation plan as an important item in corporate governance, and to increase the objectivity and transparency of Director compensation, has formed a Compensation Advisory Committee, which comprises three or more Directors, based on the resolution of the Board of Directors, with the majority being Outside Directors, and the decision on executive compensation plan is made within the limits approved at the shareholders meeting based on the Committee's report produced through its deliberation.

### Basic Approach to the Executive Compensation Plan

- (1) Plan that promotes sustainable, medium- to long-term improvement in corporate value
- (2) Plan that reflects the medium- to long-term management strategy and strongly motivates the achievement of medium- to long-term management objectives
- (3) Plan that prevents bias toward short-term thinking
- (4) Plan and monetary amounts that secure and maintain excellent human resources
- (5) Plan that includes transparency, fairness, and rationality for stakeholders, decided through an appropriate process to ensure these factors

The total amount of compensation and others paid to Directors and Audit & Supervisory Board Members in the fiscal year ended March 31, 2017 as follows:

	[Total amount of compensation and others]	[Base compensation]	[Bonus]
Directors (6 persons)	¥187 million	¥129 million	¥57 million
Outside Directors (4 persons)	¥44 million	¥44 million	
Audit & Supervisory Board Members (3 persons)	¥55 million	¥55 million	
Outside Audit & Supervisory Board Members (3 persons)	¥25 million	¥25 million	

1. The above numbers include one Audit & Supervisory Board Member and one Outside Audit & Supervisory Board Member 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 one (1) billion yen by resolution of the 2016 Annual General Meeting of Shareholders convened on June 23, 2016. This amount includes a portion of up to 100 million yen for Outside Directors, and does not include employee salaries. The annual limit for Directors eligible for the restricted-share compensation plan was set at

600 million yen by resolution of the Annual General Meeting of Shareholders.

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.

### **[Supporting System for Outside Directors and/or *Kansayaku*]**

By finalizing the Board of Directors and the Audit & Supervisory Board meeting annual schedule in advance (January in the previous fiscal year), a framework that makes it possible for Outside Directors and Outside Audit & Supervisory Board Members to attend Board of Directors and Audit & Supervisory Board meetings as much as possible is developed.

A framework that makes it possible to adopt written resolution has been in place in preparation for convening of Extraordinary General Meetings of Shareholders.

In principle, Board of Directors meeting materials are distributed in advance to ensure adequate time to study matters. Also, with respect to particularly important matters for resolution, advanced briefings shall be provided prior to the Board of Directors meeting, and adequate time for discussion shall be ensured at the Board of Directors meeting held prior to the Board of Directors meeting where the resolution is adopted.

To Outside Directors and Outside Audit & Supervisory Board Members, materials for the Management Board are also distributed, and statutory disclosure materials including securities reports, business reports and summary of financial results, non-statutory disclosure materials including the Yokogawa Reports, reports to shareholders and press releases, and information including in-house newsletters, articles in the media, reports issued by securities analysts are provided.

The Board of Directors Office has been in place with two (2) dedicated staff members assigned. This office and the Secretaries Department support activities of Outside Directors.

The Audit & Supervisory Board Member Office has been in place with two (2) dedicated staff members who are independent of Directors assigned. This office supports activities of Outside Audit & Supervisory Board Members.

## **2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)**

### **(1) Overview of current corporate governance system**

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, audit & supervisory board members, including independent outside audit & supervisory board members, shall work to enhance the management audit function by strictly auditing the legality and rationality of the work carried out by directors and the validity of their decision making processes.

The Group formulates the Yokogawa Corporate Governance Guidelines, which serve as the basic policy for continually working on corporate governance. Every year the Board of Directors conducts an evaluation of the Board of Directors, which involves objective analyzing and assessing the effectiveness of the Board of Directors with the aim of ensuring that duties of directors are more appropriately and efficiently performed going forward.

The Board of Directors is comprised of ten (10) Directors including four (4) Outside Directors. The Audit & Supervisory Board is comprised of five (5) members in total, which consist of two (2) standing members and three (3) outside members.

#### **Board of Directors**

The Board of Directors, of which a meeting is held once a month in principle, is comprised of ten (10) Directors including four (4) independent Outside Directors, aiming to achieve sustainable growth and an increase in corporate value of the Group over the medium to long term as a decision-making body. To achieve these goals, the Board of Directors improves profit-earning capability and capital efficiency, and determines the general direction of the Group, including corporate strategies. Also, in addition to monitoring and supervising the execution of business by management, including Directors and officers, the Board of Directors develops provisions related to the execution of duties by Directors, and establishes a framework to take supervision responsibility related to the execution of business. The provision that the number of Directors shall be no more than 15 has been set forth in the Articles of Incorporation. In order to practice management backed by the trust of shareholders, a Director's tenure in office shall be one (1) year.

#### **Audit & Supervisory Board**

The Audit & Supervisory Board, of which a meeting is held once a month in principle, is comprised of five (5) members in total, which consist of two (2) standing members and three (3) outside members. Audit & supervisory board members perform audit &



supervisory board member audits in accordance with the annual audit plan that specifies priority audit items. Audit & supervisory board members attend meetings of the Board of Directors and the Management Board and other important meetings, and hold regular meetings with departments that are in charge of internal audits, legal affairs and business ethics which promotes the compliance framework, and exchange and share information about the activities of each, as well as proactively offer opinions. In addition, the Audit & Supervisory Board members deepen mutual cooperation with the accounting auditor and exchange information with the accounting auditor regularly and as needed to improve the quality of audits by both sides and make the audits more efficient.

#### Management Board

The Board of Directors delegates decision-making related to the execution of business to the Management Board to promote swift decision-making. The Management Board, of which a meeting is held once a month in principle, is comprised of the President, officers and standing members of Audit & Supervisory Board. All the contents of its resolutions are reported to the Board of Directors.

#### Nomination Advisory Committee and Compensation Advisory Committee

The Company has established both the Nomination Advisory Committee and the Compensation Advisory Committee as voluntary advisory bodies to give opinions in response to consultations from the Board of Directors regarding nominating Directors and determining compensation.

With respect to the appointment of Director and Audit & Supervisory Board Member candidates, the selection of officers and the next representative director and president as well as the qualities (attributes, track record, etc.) sought after in Directors, the Nomination Advisory Committee shall give advice so as to ensure that, from the perspective of all stakeholders, suitable personnel is in place to contribute to the Group's sustainable growth as well as its corporate governance.

The Compensation Advisory Committee shall give advice so that the compensation system and compensation for Directors and officers encourage appropriate challenges targeting the Group's growth, help to hire and retain excellent human resources, and which are suitable from the perspective of all stakeholders

#### Accounting auditor

The Company has entered into audit contracts with Deloitte Touche Tohmatsu LLC for accounting audits conducted under the Companies Act and under the Financial Instruments and Exchange Act. In the fiscal year ended March 31, 2017 (FY16), details of certified accountants who executed accounting audit services and others are as follows:

Certified accountants who executed accounting audit services: Toshiyuki Otaka, Hiroyuki Kobayashi and Takayuki Owada

Composition of assistants for accounting audit services: seven (7) certified accountants and 13 other people

The amount of compensation paid to the accounting auditor in the fiscal year ended March 31, 2016 (FY15) is as follows:

[1] [Details of compensation paid to auditing certified accountants]

Filing company: 95 million yen

Consolidated subsidiaries: 49 million yen

[2] [Details of other significant compensation]

(Previous fiscal year)

Certain consolidated subsidiaries of the Company paid compensation based on audit attestation services and other serves to Deloitte Touche Tohmatsu member firms that belong to the same network as the Company's auditing certified accountants, etc.

(Fiscal year under review)

Certain consolidated subsidiaries of the Company paid compensation based on audit attestation services and other serves to Deloitte Touche Tohmatsu member firms that belong to the same network as the Company's auditing certified accountants, etc.

[3] [Details of services other than audit provided by auditing certified accountants, etc. to the filing company]

(Previous fiscal year)

The content of services other than audit is procedure work agreed on tax examination of India.

(Fiscal year under review)

The content of services other than audit is advisory fees on IFRS 15.

[4] [Policy for determining audit fees]

The Company determines days required for audits, details of work and other matters through discussions with the auditor.

#### (2) Conclusion of liability limitation agreements

Establishment of provisions concerning liability limitation agreements with Directors other than executive directions, etc. and Audit & Supervisory Board Members in the Articles of Incorporation so that Outside Directors and Outside Audit & Supervisory Board Members can fulfill the expected roles was approved by shareholders. The Company has entered into liability limitation agreements with Mr. Mitsudo Urano, Mr. Noritaka Uji, Mr. Nobuo Seki, Mr. Shiro Sugata, Mr. Zenichi Shishido, Mr. Izumi Yamashita and Ms. Yasuko Takayama, which limit their liability to the higher of either 15 million yen or the amount stipulated in the Act.

### 3. Reasons for Adoption of Current Corporate Governance System

The Group has established a corporate philosophy (the Yokogawa Philosophy) and Standards of Business Conduct for the Yokogawa Group (hereinafter referred to as the “Standards of Business Conduct”) that apply to the entire Group, and based on these principles strives to maintain appropriate relationships with all stakeholders, aims for sustainable corporate growth, and seeks to increase its corporate value over the medium to long term. In addition, based on the philosophy that “a company is a public entity of society,” the Group positions answering the trust of all stakeholders, including shareholders, customers, business partners, society, and employees, via sound and sustainable growth, as the basic mission of its corporate management.

Under the company structure as a company with Audit & Supervisory Board, the Company shall invite independent Outside Directors and independent Outside Audit & Supervisory Board Members who are independent of the current management to enhance the function of the Board of Directors, which supervises the execution of duties by Directors, and the Audit & Supervisory Board, which supervises the Board of Directors. In addition, the Company shall establish both the Nomination Advisory Committee and the Compensation Advisory Committee as voluntary advisory bodies to give opinions in response to consultations from the Board of Directors regarding nominating Directors and determining compensation thereof, thereby supporting the function of the Board of Directors and the Audit & Supervisory Board and thus further strengthening corporate governance.

## III. Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	In principle, the notice of the General Meeting of Shareholders is sent out three (3) weeks before the date of the General Meeting of Shareholders. The notice of 2017 General Meeting of Shareholders was sent out on June 2, 2017.
Scheduling AGMs Avoiding the Peak Day	The 2017 Annual General Meeting of Shareholders was convened on June 27, 2017, Thursday, which is two (2) days earlier than the day on which many companies hold their general meetings of shareholders.
Allowing Electronic Exercise of Voting Rights	From the 2004 Annual General Meeting of Shareholders, the Company has allowed electronic exercise of voting rights.
Participation in Electronic Voting Platform	From the 2006 Annual General Meeting of Shareholders, the Company has participated in an electronic voting rights exercise platform for institutional investors (ICJ).
Providing Convocation Notice in English	The English version of the notice for the 2017 Annual General Meeting of Shareholders in English was submitted at the same time of submission of the Japanese version to the Tokyo Stock Exchange and also posted on its website. In addition, the Company conducted shareholder identification research and sent the English version of the notice of the General Meeting of Shareholders to overseas beneficial shareholders via email.
Other	<p>The Company’s basic policy is to hold “open General Meetings of Shareholders.”</p> <p>The Japanese version and the English version of notices of general meetings of shareholders, notices of resolutions and results of exercise of voting rights have been posted on its website.</p> <p>Explanatory materials used on the date of the General Meeting of Shareholders are swiftly posted on the website.</p> <p>Consolidated statements of changes in net assets and notes to consolidated financial statements, and non-consolidated statements of changes in net assets and notes to non-consolidated financial statements of submitted documents of the notice of the 2017 Annual General Meeting of Shareholders have been posted on the Company’s website (<a href="http://www.yokogawa.co.jp/">http://www.yokogawa.co.jp/</a>) online.</p> <p>In addition, at the 2017 Annual General Meeting of Shareholders, the Company adopted “Smart Shoshu” a smartphone-friendly notice of the General Meeting of Shareholders through which investors can view the main content of the notice on their personal computers or smartphone.</p>

## 2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	The Company has prepared the Disclosure Policy and Summary Report on the Timely Disclosure System and posted them on its website. <a href="https://www.yokogawa.com/pr/ir/management/pr-ir-mg-disclosure.htm">https://www.yokogawa.com/pr/ir/management/pr-ir-mg-disclosure.htm</a>
Regular Investor Briefings for Individual Investors	The Company regularly sends information via email to individual investors. In addition, the Company has set up webpages for individual investors on its website so that such investors can develop a deep understanding of the Company. Furthermore, the Company regularly holds a briefing for individual investors. (To individual investors) <a href="http://www.yokogawa.co.jp/cp/ir/kojin/cp-ir-kojin-about.htm">http://www.yokogawa.co.jp/cp/ir/kojin/cp-ir-kojin-about.htm</a>
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds a financial results briefing for approximately 100 securities analysts and institutional investors each time quarterly financial results are announced. At the financial results briefing for the second quarter, directors in charge explained businesses to promote an understanding of the Company's businesses. In addition, at the financial results briefings for the second and fourth quarters, the President and Chief Operating Officer explained the Company's management policy and other matters. Details of the briefing have been disclosed in the form of audio files, etc. on the Company's website. In addition, the Company holds factory tours for analysts and institutional investors. This fiscal year, the Company introduced the integrated thinking type report "the Yokogawa Report" at the financial results briefing for the first quarter.
Regular Investor Briefings for Overseas Investors	The President and Chief Operating Officer and a responsible person in the department in charge of IR regularly visit Europe, North America, Asia and other regions and continue dialogues with shareholders and investors. In addition, the Company regularly participates in conferences hosted by brokerage firms in Japan, explains the management policy to overseas investors and seeks an understanding of the Company via Q&A. Furthermore, this fiscal year, the Company held a briefing in the overseas base (Asia) in August.
Posting of IR Materials on Website	The following information has been posted on the Company's website. <a href="https://www.yokogawa.com/pr/ir/index.htm">https://www.yokogawa.com/pr/ir/index.htm</a> (Information for investors posted on the website) Summary of financial results, securities reports, materials for briefings for analysts, materials for the mid-term business plan, distributed audio files of briefings for analysts, Q&A (excerpt), Fact Book, Investors' Guide, disclosure materials for the Tokyo Stock Exchange, notices of annual general meetings of shareholders, notices of resolutions, results of exercise of voting rights, explanatory materials for general meetings of shareholders, corporate governance reports, the Share Handling Regulations, the Articles of Incorporation, explanatory materials for individual investors, the Yokogawa Report (integrated thinking type report), etc.
Establishment of Department and/or Manager in Charge of IR	Person in charge of IR (person responsible for handling information): Vice President, Corporate Administration Headquarters, Hajime Watanabe Person in charge of IR-related administrative circular: General Manager of Investor Relations Department, Toshitaka Kobayashi Department in charge of IR: Investor Relations Department (6 dedicated staff members including one female staff member)
Other	-

## 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
--	----------------------------

Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>Basic attitude to stakeholders such as customers, shareholders, community and society, suppliers and vendors, competitors, politicians and governmental agencies, and employees has been stipulated in the Standards of Business Conduct for the Yokogawa Group and disclosed on the following website of the Company.</p> <p><a href="https://www.yokogawa.com/pr/corporate/brand_philosophy/index.htm">https://www.yokogawa.com/pr/corporate/brand_philosophy/index.htm</a></p>
Implementation of Environmental Activities, CSR Activities etc.	<p>The Company has set up a department in charge of environment and a department in charge of CSR, and proactively develops environmental conservation and CSR activities.</p> <p>In regard to environmental conservation activities, the Company strives to reduce environmental burden and conserve the environment through two streams of activity: contribution through customers and activities at each place of business.</p> <p>In regard to CSR activities, the Board of Directors monitors CSR policies and the content of CSR activities, and while promoting efforts to solve social issues through business operations, the Company is also pressing ahead with activities to contribute to each local region.</p> <p>Activity reports have been disclosed as Sustainability reports on the following website of the Company.</p> <p><a href="https://www.yokogawa.com/about/sustainability/">https://www.yokogawa.com/about/sustainability/</a></p>
Development of Policies on Information Provision to Stakeholders	<p>In accordance with the Standards of Business Conduct for the Yokogawa Group, the Company has established the Disclosure Policy to stakeholders and disclosed the policy as well as the Summary Report on the Timely Disclosure System on the following website of the Company.</p> <p><a href="https://www.yokogawa.com/pr/ir/management/pr-ir-mg-disclosure.htm">https://www.yokogawa.com/pr/ir/management/pr-ir-mg-disclosure.htm</a></p>
Other	<p>&lt;Efforts to promote the active participation of female employees&gt;</p> <p>Based on the human resources strategy of its Transformation 2017 mid-term business plan, the Company will aggressively promote the active participation of female employees as part of the promotion of diversity, under which human resources with a wide variety of experience, knowledge, senses, viewpoints, cultures and values are proactively hired, cultivated and utilized, for the purpose of strengthening its business competitiveness including the creation of new value.</p> <p>The Company has set up a dedicated body to promotion of the diversity since April 2015. While aiming to double the percentage of women in managers compared with the percentage in fiscal 2014 to 5%, the Company prepares a cultivation plan for each leader candidate and proactively develops leaders. In addition, the Company holds career development trainings for female employees and trainings and seminars to raise awareness of managers.</p> <p>Furthermore, the Company is working to reform systems and culture with emphasis on reform of ways of working, including introduction of the homeworking system and paid leave system by the hour in April 2016, in order to create the environment that makes it easy for diverse employees to work and allows them to challenge and grow.</p> <p>In July 2016, the Company received the highest level of accreditation of the certification mark “ERUBOSHI,” (“L Star”: L stands for Lady, Labour, and Laudable) from the Minister of Health, Labour and Welfare as an excellent company regarding the status of women’s participation and advancement.</p> <p>In the long term, the Company sets out to achieve the percentage of women in recruits at 30%, aiming to improve the male-female ratio.</p> <p>&lt;Efforts for health and productivity management&gt;</p> <p>The company is moving forward with various initiatives under its policy relating to maintaining and improving the health of employees, including working styles that allow flexibility in work locations and times, creating employee-friendly office environments, management of working hours, and health development programs.</p> <p>In September 2016, the Company established Health Declaration as a basic policy for health and productivity management with the aim to further accelerate various initiatives related to employee health from the perspective of health and productivity management.</p>

	<p><b>Health Declaration</b></p> <p>Yokogawa aims to be a company that supports its employees in their efforts to improve their physical and mental health, encourages the development of lively and stimulating workplaces, and contributes to society.</p> <p>In addition, the Company was certified as one of the recognized organizations under the 2017 Certified Health and Productivity Management Organization Recognition Program (White 500) of the Ministry of Economy, Trade and Industry (METI) in February 2017. Looking forward, while continuing to adjust the system for promoting health and productivity management and striving to improve through quantitative and qualitative evaluation, the Company is working to realize such aims as improving productivity throughout the entire Group, improving employee motivation, and reducing medical treatment expenses by broadening of these activities across each of the Group companies.</p> <p>* “Health and productivity management” is a registered trademark of Workshop for the Management of Health on Company and Employee.</p>
--	---

## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development

(Last updated in April 11, 2017)

The Group’s compliance principles are set up 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. In addition, pursuant to Article 362, Paragraph 4, Item 6 of the Companies Act, and Article 100, Paragraph 1 and 3 of the Ordinance for Enforcement of the Companies Act, the Company has established the Yokogawa Group Internal Control System to ensure the reliability of financial statements and the validity of the decision-making process. As 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 and the operations of the corporate group comprising the Company and its subsidiaries, the Company has the internal control system to ensure proper and efficient execution of the Group’s operations in place as follows.

a. System for Assuring Compliance of Directors of the Company and its Subsidiaries 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 , and the Boards of Directors of all Group companies and equivalent bodies (hereinafter, the “Board of Directors and others”), take 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.
- Decision making at the Boards of Directors of all Group companies and equivalent decision-making bodies is carried out based on rules formulated at all Group companies in accordance with the Company’s rules. All Group companies are subject to auditing by the Company’s Audit & Supervisory Board, and they are also visited for periodic auditing activities.

b. System for Storing and Controlling Information concerning Execution of Duties by the Company’s Directors

- 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.

c. Rules and Other Systems for Crisis Management of the Company and its Subsidiaries

- Risk Management Policy has been set forth for the purpose of establishing a basis for the effective and efficient conduct of enterprise risk management by the Yokogawa Group. Based on this policy, Risk Management Committee shall decide the significant risks which shall be managed preferentially as Yokogawa Group and decide the monitoring method for its risks and report them to the Board of Directors.

The president shall be responsible for supervising all matters in relation to the risk management as the chairperson of Risk Management Committee.

- Respective organizational units of the Yokogawa Group shall perform the identification and assessment of risks followed by the preparation and implementation of the countermeasures against risks. The department in charge of internal audit shall evaluate the effectiveness of Yokogawa Group risk management process and reports important findings 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 at all Group companies, and works to ensure safety and minimize economic losses.

d. System for Assuring Efficient Execution of Duties of Directors of the Company and its Subsidiaries

- 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.

e. System for Assuring Compliance of Employees of the Company and its Subsidiaries 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.

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

- The Company, based on the rules on management of affiliates, provides guidance and management to all Group companies in accordance with the basic policy of the internal control system resolved at the Company's Board of Directors, regarding such matters as the maintenance of an optimal internal control system to match the respective functions and systems of all Group companies. All Group companies, based on the rules on management of affiliates, carry out timely and appropriate reporting to the Company regarding matters relating to the execution of duties by the their respective Directors and others.

- 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. The persons responsible for each of the systems have system auditing functions, and work to ensure the effectiveness and efficiency of the systems of all Group companies (maintenance improvement). 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.

g. Matters concerning Requests by Audit & Supervisory Board Members of the Company 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.

h. Matters concerning Independence of Assistants from Directors of the Company and Ensuring the Effectiveness of Instructions from Audit & Supervisory Board Members of the Company to Assistants

- 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.

i. System for Directors and Employees to Report to Audit & Supervisory Board Members of the Company, and System for Ensuring Reporting Persons Are Not Treated Disadvantageously for Making Reports

- Directors and employees of the Company, as well as Directors, etc., Audit & Supervisory Board members and employees, etc., of all Group companies, 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

- The Company and all Group companies ensure that reporting persons are not treated disadvantageously for making reports.

j. Matters concerning Procedures for Advance Payment or Redemption of Expenses Occurring from Execution of Duties by Audit & Supervisory Board Members of the Company, and Policies Relating to Handling of Other Expenses or Obligations Occurring from said Execution of Duties

- For audit expenses and other expenses occurring from the execution of duties by Audit & Supervisory Board members of the Company, appropriate amounts are budgeted to ensure the effectiveness of auditing.

k. Other Systems for Ensuring Effective Auditing by Audit & Supervisory Board Members of the Company

- Views are periodically exchanged among Chairman of the Board of Directors, the President, the department in charge of internal audits, the department in charge of business ethics, the department in charge of legal affairs, and the accounting auditor. Opportunities are provided for interviews with Directors and important employees.

- As necessary, outside specialists can be appointed. At present, the Audit & Supervisory Board has contracts in place with lawyers and advisers.

## 2. Basic Views on Eliminating Anti-Social Forces

<Basic views on eliminating anti-social forces>

The Company's basic policy is to have absolutely no relationships with anti-social forces which threaten the order and safety of civil society. This involves taking a resolute stance against any inappropriate and unlawful demands from anti-social forces. If anti-social forces approach the Company, the organization shall stand up as one to handle the issue and thereby contribute to maintaining the order and safety of society.

Development of the internal system

1. To prevent involvement by anti-social forces in management activities and damage from such forces, the Company has set forth handling of these situations in the Standards of Business Conduct for the Yokogawa Group and the Yokogawa Group Compliance Guidelines.

2. The Company has set up a department controlling handling of anti-social forces in the General Affairs Department and assigned a person responsible for prevention against inappropriate demands in that department. The General Affairs Department has established an internal system to handle the matters in collaboration with external specialized organizations and developed the handling manual. The Company also collects information about anti-social forces from external specialized organizations

regularly and provides information and trainings and conducts educational activities for related departments when necessary based on the information collected.



## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
------------------------------------	-------------

#### Supplementary Explanation

As timely disclosed at the Tokyo Stock Exchange, the Company resolved at the Board of Directors meeting held on May 13, 2014 that “Renewal of Countermeasures to Large-scale Acquisition of Yokogawa Electric Shares (Takeover Defense Measures),” which was set to expire at the conclusion of the 2014 Annual General Meeting of Shareholders, would not be renewed.

For details, please see “Non-renewal of Countermeasures to Large-scale Acquisitions of Yokogawa Electric Shares (Takeover Defense Measures)” IR information as of May 13, 2014 posted on the Company’s website (<http://www.yokogawa.co.jp/cp/ir/pdf/2014/20140513.pdf>).

The basic policy on the role of parties making decisions regarding the company’s financial and business policies is as follows:

<Basic Policy regarding Control over the Company>

#### (1) 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.

#### (2) 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.

**(3) 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.

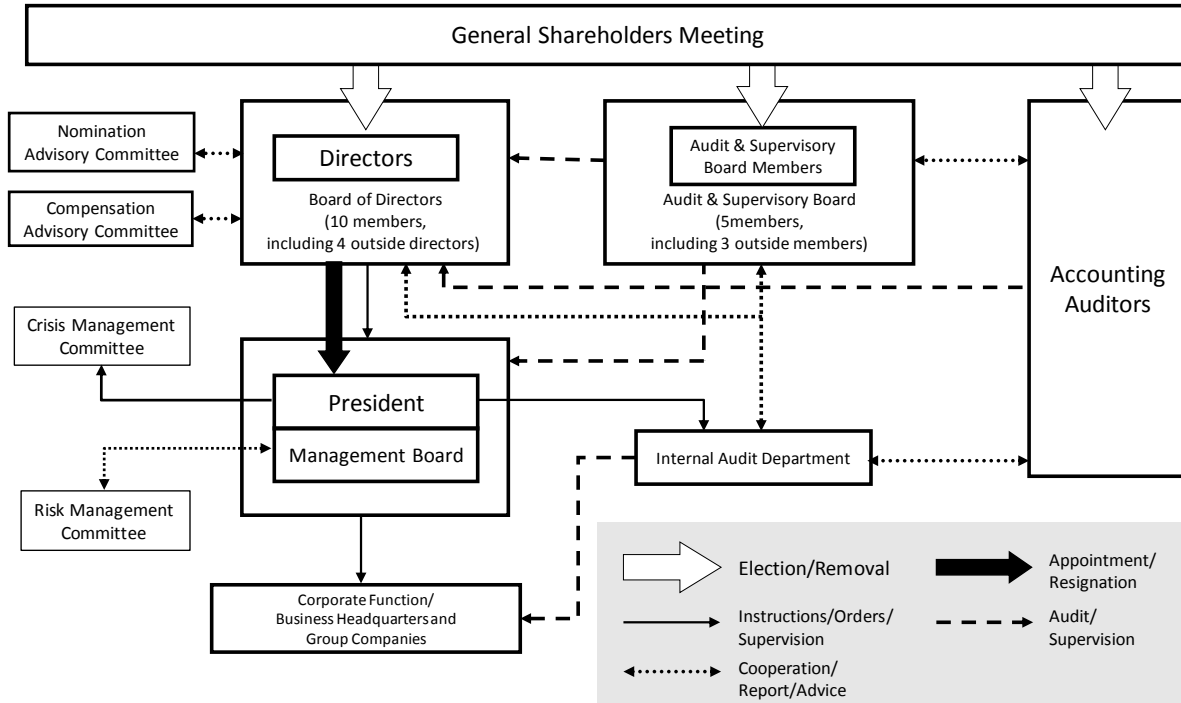
**(4) Board of Directors' Decision regarding Measures to Realize the Basic Policy**

The Company believes that promoting the measures of aforementioned Items (2) and (3), 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 (2) and (3) 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.

## **2. Other Matters Concerning to Corporate Governance System**

--

## <Corporate Governance Structure>



## Summary Report on the Timely Disclosure System

Yokogawa Electric Corporation

Code Number: 6841 First Section of the TSE

The status of the Company's internal system for timely disclosure of corporate information is as follows:

### 1. Policy for timely disclosure

To provide appropriate investment information to investors, the Company discloses information in a timely manner with transparency, fairness and consistency regarded as a fundamental rule. Specifically, the Company discloses information based on the Timely Disclosure Rules of the Tokyo Stock Exchange and other important information swiftly. The Company also proactively discloses information useful to make the Company understood, other than important facts.

### 2. Department in charge of timely disclosure

With respect to timely disclosure of corporate information, the Company collects information and determines the importance under the following system, with the IR Department at head office serving as the contact.

#### (Collection of corporate information)

The Company's system enables important facts that occurred and matters resolved in the Company and subsidiaries to be immediately reported to the Board of Directors, the Management Board and the Crisis Management Committee in accordance with laws and regulations as well as with the Rules Governing the Board of Directors, the Decision Making Code, the Group Policy for Crisis Management and other internal regulations.

#### (Judgment of timely disclosure)

Information is aggregated by the officer in charge of IR (person responsible for handling information who has been registered with the Tokyo Stock Exchange), who is a member of the Board of Directors, the Management Board and the Crisis Management Committee. The officer in charge of IR passes along information to the head of the IR Department at head office, which is the department in charge of timely disclosure, holds consultations with related departments, and judges whether or not timely disclosure is required, in accordance with the Timely Disclosure Rules of the Tokyo Stock Exchange and the Financial Instruments and Exchange Act.

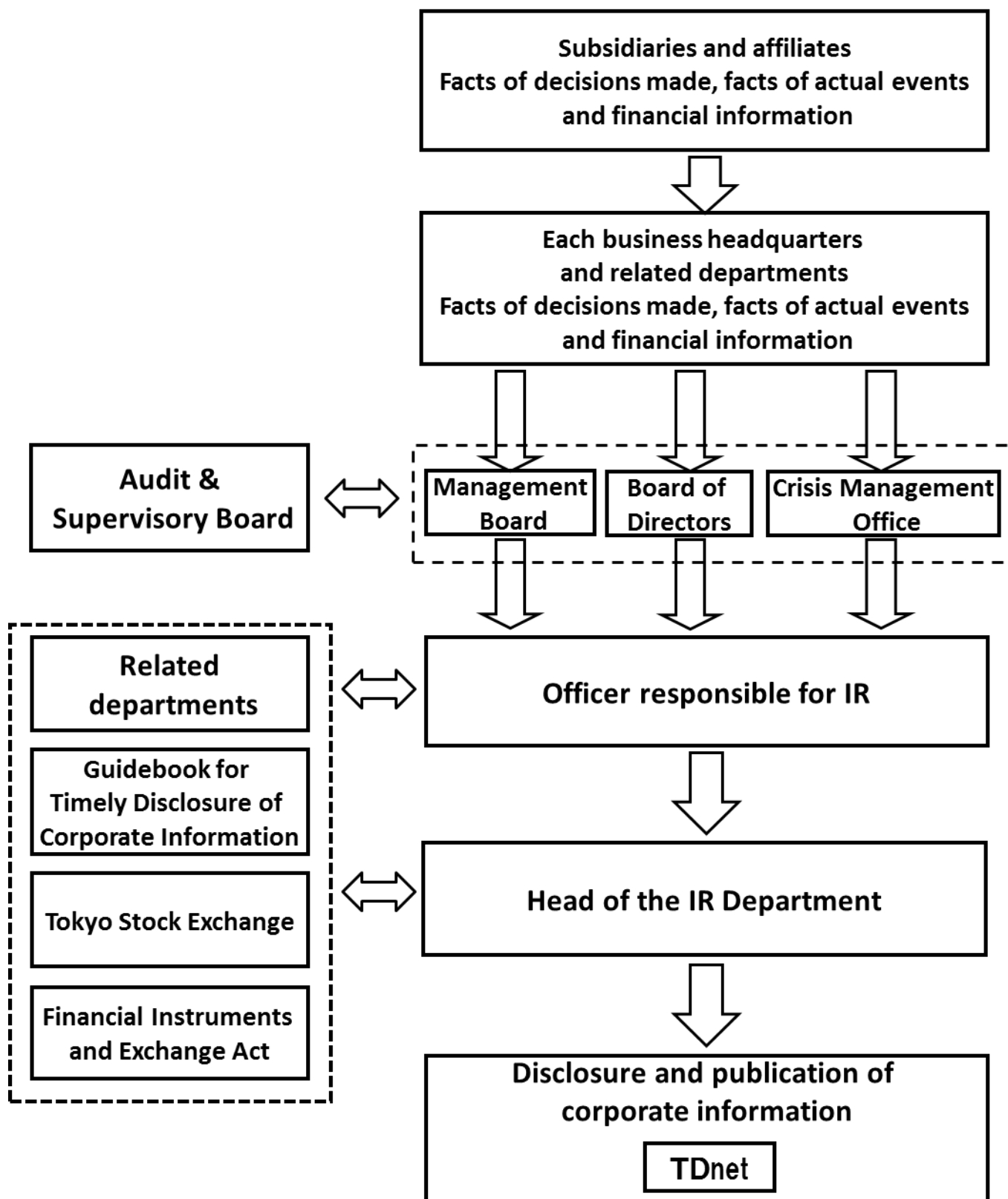
#### (Public disclosure)

Disclosure of corporate information is made by the IR Department at head office swiftly in accordance with the Timely Disclosure Rules of the Tokyo Stock Exchange.

End

## Reference

### Schematic of the internal system for timely disclosure



## <Disclosure Policy>

### Our position on information disclosure

Yokogawa Electric Corporation (Yokogawa) announces the following basic disclosure policy from the Standards of Business Conduct for the Yokogawa Group: “We provide accurate and ample information to customers so that they can use our products and services in safety and with satisfaction. We openly and accurately disclose corporate and management information to our shareholders. We maintain a sound and clear relationship with our shareholders.” Our principle of disclosure is to practice timely, transparent, fair, and continuous disclosure so that every stakeholder including shareholders and investors can easily and accurately understand important information relating to Yokogawa.

To prevent insider trading, we have established the “Regulations on Prevention of Insider Trading” as an internal regulation and have tried to manage insider information appropriately.

### Standards for Information Disclosure

Yokogawa discloses information in accordance with the Financial Instruments and Exchange Act, other relevant legislation, and the Timely Disclosure Regulations (hereinafter referred to as “the regulations”) enacted by the Tokyo Stock Exchange (TSE). Yokogawa will also positively disclose any other information that is considered to have an impact on the investment decisions of investors.

### Information Disclosure Method

Disclosure of information falling under the regulations is made through the Timely Disclosure System of the TSE (TDnet) immediately following the presentation of that information to the TSE. Information disclosed is also promptly disclosed on our website. Regarding the disclosure of information not required by the regulations, Yokogawa fully respects and observes the need for timely disclosure, and makes every effort to assure accurate and fair disclosure to investors by appropriate methods.

### Future Prospects

Any statements made on this website that are not based on historical fact are forward-looking statements based on certain assumptions. Projections may differ from actual financial results due to uncertainties involving such factors as economic conditions, the demand for our products and services, and changes in taxation and other regulations. The reader is therefore advised to not rely exclusively on these projections when evaluating our performance and determining our value as a going concern.

### Silence Period

In order to prevent the release of any information that may affect our stock price while our financial results are being prepared, we have established a silence period from the day after the closing day of the respective financial period until the announcement of financial results is made. If it appears likely that the financial results will vary substantially from the latest projections, we will in accordance with the regulations issue a revised projection by way of TDnet and announce this with a press release and a statement on our website.