

Third-Party Evaluation of the Board of Directors

Based on the evaluations of each Director and Audit & Supervisory Board Member, each year the Board of Directors shall identify issues for further boosting the strengths and effectiveness of the Board of Directors, and use 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.

Board Evaluation Process for Fiscal Year 2021



Summary of the Fiscal Year 2021 Board of Directors Evaluation Results

It was confirmed that the Board of Directors as it stands is highly effective.

- **Roles and functions of the Board of Directors and state of its discussions**
 - Both external and internal officers have a shared awareness that the Group is facing a major strategic turning point and is in need of a transformation. Amid a drastic change in the environment with intense competition, the Board of Directors and executive team worked to address those market changes with a strong sense of crisis.
 - The Board of Directors properly performed its roles and functions based on a suitable organizational design, with its Chairman establishing agenda and facilitating discussions appropriately based on his thorough understanding of the Company's conditions and the Lead Independent Outside Director fulfilling pertinent roles.
 - Members were fully cognizant of the fact that sustainability is directly connected to the Group's corporate value, a notion developed through discussions on the long-term business framework and the mid-term business plan.
 - It was confirmed that open-minded and active discussions are held at meetings of the Board of Directors, where the atmosphere is welcoming to comments and remarks.
- **Size and composition of the Board of Directors**
 - The current size and composition of the Board of Directors is appropriate for its discussions.
 - The fact that independent Outside Directors account for a majority was highly evaluated from the perspectives of independence and objectivity.
 - The composition of Members, as to both independent Outside Directors and internal Directors, is well-balanced and appropriate.

Efforts for Future Improvement

Based on these Board of Directors evaluation results, the Board of Directors will strive to enhance its effectiveness by working on the following initiatives, so that it can achieve even more effective supervision in order to further accelerate the Company's transformation.

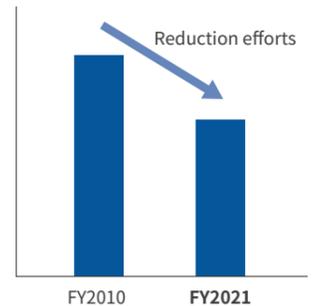
- **Further Enhancement of Supervision for Mid- to Long-Term Improvements in Corporate Value**
 - In light of the evaluation results from the previous fiscal year, the Board of Directors has worked on further strengthening discussions on the Company's general direction and mid- to long-term management strategy. Based on a shared awareness that Yokogawa Electric is facing a major strategic turning point and is in need of a transformation, the Board of Directors will review its stance toward the executive team and how it performs a supervisory function. Specifically, the Board of Directors will further enhance its efforts to prioritize matters and focus on examining important ones, and to hold multiple discussions on important matters and communicate with the executive team.
 - Fully cognizant of the fact that sustainability is directly connected to corporate value, the Board of Directors will continue deepening its discussions on sustainability and strive to enhance sustainability-related disclosures.
- **Discussions at the Nomination Advisory Committee and Enhancement of Information Sharing to the Board of Directors**
 - In addition to the conventional discussions regarding succession plans for the CEO, Directors, Audit & Supervisory Board Members and Executive Officers, discussions regarding succession plans for the Chairman of the Board of Directors, Lead Independent Outside Director, Chairperson of the Nomination Advisory Committee and Chairperson of the Compensation Advisory Committee, the tenure of Outside Directors and Outside Audit & Supervisory Board Members, and corporate organs will also be carried out at the Nomination Advisory Committee. With regard to the details of these discussions, information sharing with the Board of Directors will be further enhanced.
- **Further Improvements to Information Provided for Supervision**
 - In the previous fiscal year, an issue was raised regarding further improvements to the quality of proposal materials and explanations, which are important inputs in discussions, and regarding the need for a clear indication of the key points of discussion, to enable further improvement in the quality of discussion. The Company has handled this issue to a certain extent. Based on the recognition that it is at a major strategic turning point and a transformation is necessary, the Company will work for continuous improvement as it was found that there is room for improvement to reach a higher level of effectiveness in supervision.

Initiatives Related to Cross-Shareholdings

Method of Verifying Shareholding Policy and Rationality (Reduction Efforts)

The Group shall strategically hold shares of other companies' stock, provided the shares that are held are determined to contribute to maintaining and increasing corporate value. Regarding all crossholding shares, the Board of Directors shall uphold a policy of keeping the minimum necessary amount of cross-holding shares and decide every year if the holding of the shares is appropriate by individually examining the purpose and economic rationale, etc. for holding each stock from medium- and long-term perspectives. Any strategically held shares that are deemed to be no longer appropriate to hold as a result of the examination shall be sold with the goal of reducing the number of shares held. In the examination, the stocks held are classified into the following three categories, and transaction status, share price and dividends, and capital costs are designated to be the KPIs in the determination of the appropriateness of the holding of the stock.

- Business partners (for the purpose of maintaining and strengthening business transaction and partner relationships)
 - Financial institutions (for the purpose of conducting financial transactions smoothly)
 - Others (those which do not fall under the above categories)
- Specifically, the appropriateness of holding each stock is individually assessed and determined through the process of a to d below.
- Quantitative assessment of share price (market value, cost and carrying amount after impairment)
 - Quantitative assessment of ROIC, which is calculated on the basis of market value and cost, compared with the share price assessed in a. (After-tax gross income from sales and dividend income are used in the calculation of ROIC.)
 - Qualitative assessment of the purpose of holding, transaction results, an estimate of future transactions, and other factors for each share held.
 - Assessments a. to c. are comprehensively evaluated from perspectives including medium- to long-term economic value, business expansion, and the strengthening of relationships.



Voting Rights

The Group shall make decisions regarding the exercise of the voting rights of strategically held shares based on a 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.

In the following cases in particular, the Company shall exercise its voting rights based on a careful examination of whether or not the voting rights should be exercised:

- Cases where any violation of law, misconduct or anti-social behavior has occurred at the companies in which the Company has invested
- Proposals that are considered to be likely to undermine the Company's corporate value, for organizational restructuring including mergers, acquisitions or business transfers, the advantageous issuing of shares to third parties, etc.

Summary of Board of Directors/ Audit & Supervisory Board / Management Board

Board of Directors Fiscal Year 2021: Held 15 times

In principle, the Board of Directors meets once a month. The Board of Directors is a decision-making body for management, aiming to achieve sustainable growth and increase the corporate value of the Group over the medium to long term. 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 Directors' execution of duties, and establishes a framework for taking responsibility for the supervision of the execution of business.

Examples of Agenda Items Discussed by the Board of Directors in Fiscal Year 2021

- Strategies and progress of each business under the mid-term business plan
- Sustainability strategy
- The talent strategy
- Compliance with the revised Corporate Governance Code
- Third-party evaluation of the Board of Directors
- Activities of Nomination Advisory Committee and Compensation Advisory Committee

Audit & Supervisory Board Fiscal Year 2021: Held 17 times

In principle, the Audit & Supervisory Board meets once a month. In order to ensure the sustainable growth and corporate soundness of the Group, the Audit & Supervisory Board shall make appropriate decisions and express its opinions from an independent and objective standpoint. Also, based on laws, regulations, the Auditing Standards for Audit & Supervisory Board Members and the Rules Governing the Audit & Supervisory Board, the Audit & Supervisory Board shall receive reports from each Audit & Supervisory Board Member on important matters related to audits, deliberate, and pass

resolutions as necessary. In addition, the Audit & Supervisory Board Members deepen their cooperation with the accounting auditor and exchange information with the accounting auditor regularly and as needed to improve the quality and efficiency of each of their audits.

<Activities of Audit & Supervisory Board Members>

Priority audit items for Fiscal Year 2021

- Establishment of new organizational structure and progress of the mid-term business plan AG2023
- Evaluating strategic investments
- Establishment and operation of Yokogawa's Internal Control System
- Status of business management in light of new ways of working
- Responding to risks in a challenging business environment

Audit activity results in Fiscal Year 2021

- Audits of group subsidiaries and head office divisions
- Attending important meetings, auditing business execution and viewing important documents
- Meeting with Directors, Executive Officers and other key employees
- Cooperation with accounting auditors and internal audit departments
- Cooperation with Outside Directors and Group Full-time Corporate Auditors

Management Board Fiscal Year 2021: Held 12 times

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 meets once a month in principle and comprises the President and CEO, officers, and standing Members of the Audit & Supervisory Board. In addition, matters regarding the resolution of the Management Board and other matters shall be reported to the Board of Directors.

For more Specific and detailed information about Corporate Governance, please refer to our web site.

Japanese <https://www.yokogawa.co.jp/about/ir/governance-ja/>

English <https://www.yokogawa.com/about/ir/governance/>