

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

To All Shareholders:

Securities code: 6841

June 1, 2016

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

Notice of 2016 Annual General Meeting of Shareholders

Dear Shareholder:

You are cordially invited to attend the 2016 Annual General Meeting of Shareholders of Yokogawa Electric Corporation (hereinafter the Company), which will be held as per the schedule below.

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

Sincerely,

Takashi Nishijima
President and CEO

1. Time & Date: 10:00 a.m. (Japan time), Thursday, June 23, 2016

2. Place: Conference Hall, Yokogawa Head Office, 2-9-32 Nakacho, Musashino-shi, Tokyo

3. Meeting Agenda:

Items to be reported

- 1: Business report, consolidated financial statements, and a report on the audit of the consolidated accounts by the accounting auditors and the Audit & Supervisory Board for fiscal year 2015 (April 1, 2015 to March 31, 2016)
- 2: Non-consolidated financial statements for fiscal year 2015 (April 1, 2015 to March 31, 2016)

Items to be resolved

- Item 1: Disposition of Surplus**
- Item 2: Election of Ten (10) Directors**
- Item 3: Election of Two (2) Audit & Supervisory Board Members**
- Item 4: Election of One (1) Substitute Audit & Supervisory Board Member**
- Item 5: Setting Compensation Amount for the Restricted-Share Compensation Plan and Other Revisions of Director Compensation Amount**

[Vote by mail]

Indicate “for” or “against” for each agenda item shown on the enclosed voting form and return it promptly to ensure its arrival **no later than 5:00 p.m. on Wednesday, June 22, 2016, Japan time.**

[Vote via the Internet]

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

By following the prompts on the screen, indicate “for” or “against” for each agenda item and submit this form **no later than 5:00 p.m. on Wednesday, June 22, 2016, Japan time.**

For more details, please refer to the Instructions for Internet Voting on page 48.

[Handling of multiple voting]

If you exercise your voting right both by mail and via the Internet, the voting via the Internet shall prevail regardless of the arrival date of the mailed vote. In the case of multiple voting via the Internet, the last voting shall prevail.

Notes:

1. If attending the meeting in person, please present the enclosed voting form to the reception desk upon arrival. When exercising the voting right by proxy, pursuant to the Articles of Incorporation, the authorized proxy shall be a shareholder of the Company who is entitled to exercise voting rights. The number of proxies is limited to one. A written document must be submitted to the Company to certify the proxy’s authority.
2. Revisions to or amendments, if necessary, of the Reference Materials for General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements and Consolidated Financial Statements will be posted on the Company website (<http://www.yokogawa.com/>).

Reference Materials for General Meeting of Shareholders

Item 1: Disposition of Surplus

The distribution of earnings to shareholders is a top management priority for the Company. By achieving growth in earnings, we aim to steadily increase our dividend payments.

The calculation of the dividend amount will take into consideration our business results and cash flow, the need to secure an internal reserve for mid- to long-term investment, and the overall financial health of the Company. Our target is a consolidated dividend payout ratio of 30%.

Accordingly, the Company proposes the following dividend payment. With this, the annual dividend per share for the year, including the interim dividend of 12.5 yen, will be 25 yen.


Matters related to year-end dividends


- (1) Type of dividend assets
 - Cash
- (2) Allocation of dividend assets and total amount of allocation
 - 12.5 yen per common share of the Company
 - Total amount of payout is 3,336,764,550 yen.
- (3) Effective date of dividend payout
 - June 24, 2016


Item 2: Election of Ten (10) Directors


At the conclusion of this General Meeting of Shareholders, the terms of office for nine (9) directors will expire. The Company proposes to elect a total of ten (10) directors, an increase of one outside director, for the purpose of further enhancing the function of the Board of Directors and the corporate governance of the Company. The director candidates have been nominated based on a report from the Company's Nomination Committee. Over one half of the members of this committee are outside directors.


Information on the ten (10) director candidates is provided below.

Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
1	<div><p>Shuzo Kaihori (Jan. 31, 1948)</p><div>Reelection Candidate</div></div>	<div><div>Apr. 1973</div>Joined the Company</div> <div><div>Apr. 2005</div>Vice President, Head of IA Business Headquarters</div> <div><div>Apr. 2006</div>Senior Vice President, Head of IA Business Headquarters</div> <div><div>Jun. 2006</div>Director and Senior Vice President, Head of IA Business Headquarters</div> <div><div>Apr. 2007</div>President and Chief Operating Officer</div> <div><div>Apr. 2008</div>President and Chief Executive Officer</div> <div><div>Apr. 2013</div>Chairman and Chief Executive Officer</div> <div><div>Apr. 2015</div>Chairman (present)</div> <div>121,954 shares</div>	
	<div>Significant concurrent positions</div> <div>Outside Director of HOYA CORPORATION</div> <div>President of Business Ethics Research Center</div> <div>Number of years since appointment as a director10years (at the conclusion of this AGM)</div> <div>Attendance of Board of Directors MeetingsPresent at 15 of the 15 meetings (FY2015)(100%)</div> <div>The reason for election as a director candidate</div> <div>Mr. Shuzo Kaihori properly supervises management acting as Chairman. He also adequately manages meetings of the Board of Directors serving as Chairman of the Board of Directors. Accordingly, his election as a director is being requested because we consider him qualified to further upgrade our corporate governance practices.</div>		
Note: There is no special interest between the Mr. Shuzo Kaihori and the Company.			


Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
2	 Takashi Nishijima (Aug. 12, 1957) <div>Reelection Candidate</div>	<div>Apr. 1981 Joined Hokushin Electric Works Ltd. (the present Yokogawa Electric Corporation)</div> <div>Oct. 2008 Vice President, Head of Control Products Business Center, IA Business Headquarters</div> <div>Apr. 2010 President of Yokogawa Meters & Instruments Corporation</div> <div>Jun. 2011 Director of the Company, President of Yokogawa Meters & Instruments Corporation</div> <div>Apr. 2012 Director and Senior Vice President, Head of IA Platform Business Headquarters</div> <div>Apr. 2013 President and Chief Operating Officer</div> <div>Apr. 2015 President and Chief Executive Officer (present)</div>	42,517 shares
	<div>Number of years since appointment as a director 5years (at the conclusion of this AGM)</div> <div>Attendance of Board of Directors Meetings Present at 15 of the 15 meetings (FY2015) (100%)</div> <div>The reason for election as a director candidate</div> <div>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.</div>		
Note: There is no special interest between the Mr. Takashi Nishijima and the Company.			


Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
3	<div><p>Satoru Kurosu (Dec. 25, 1960)</p><div>Reelection Candidate</div></div>	<div><div>Apr. 1983</div>Joined the Company</div> <div><div>Apr. 2006</div>Vice President, Head of Marketing Center, IA Business Headquarters</div> <div><div>Apr. 2007</div>Senior Vice President, Head of IA Business Headquarters</div> <div><div>Apr. 2009</div>Senior Vice President, Head of Global Business Headquarters</div> <div><div>Apr. 2010</div>President of Yokogawa Engineering Asia Pte. Ltd.</div> <div><div>Apr. 2011</div>Senior Vice President, Head of IA Marketing Headquarters</div> <div><div>Jun. 2011</div>Director and Senior Vice President, Head of IA Marketing Headquarters</div> <div><div>Apr. 2013</div>Director and Executive Vice President of the Company, President of Yokogawa Electric International Pte. Ltd.</div> <div><div>Apr. 2014</div>Director and Executive Vice President of the Company, Head of Solution Service Business Headquarters, President of Yokogawa Electric International Pte. Ltd.</div> <div><div>Apr. 2015</div>Director and Executive Vice President of the Company, Head of Solution Service Business Headquarters (present)</div> <div>52,536 shares</div>	
	<div>Number of years since appointment as a director 5years (at the conclusion of this AGM)</div> <div>Attendance of Board of Directors Meetings Present at 15 of the 15 meetings (FY2015) (100%)</div> <div>The reason for election as a director candidate Mr. Satoru Kurosu properly supervises management acting as a director. He also adequately performs his duties acting as Head of Solution Service 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.</div>		
Note: There is no special interest between the Mr. Satoru Kurosu and the Company.			


Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
4	 Hitoshi Nara (Jan. 23, 1963) <div>Reelection Candidate</div>	<div><div>Apr. 1985</div>Joined the Company</div> <div><div>Oct. 2001</div>Deputy Managing Director of Yokogawa Engineering Asia Pte. Ltd.</div> <div><div>Oct. 2003</div>Managing Director of Yokogawa (Thailand) Ltd.</div> <div><div>Jan. 2007</div>Head of Sales Div. I, Industrial Solutions Business Headquarters</div> <div><div>Apr. 2010</div>Senior Vice President, Head of Industrial Solutions Business Headquarters</div> <div><div>Jun. 2011</div>Director and Senior Vice President, Head of Industrial Solutions Business Headquarters</div> <div><div>Apr. 2012</div>Director and Senior Vice President, Head of Industrial Solutions Service Business Headquarters</div> <div><div>Apr. 2013</div>Director of the Company, President of Yokogawa Solution Service Corporation (present)</div> <td>18,585 shares</td>	18,585 shares
	<div>Number of years since appointment as a director 5years (at the conclusion of this AGM)</div> <div>Attendance of Board of Directors Meetings Present at 15 of the 15 meetings (FY2015) (100%)</div> <div>The reason for election as a director candidate 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 help bring about sustainable improvement in our corporate value.</div>		
Note: There is no special interest between the Mr. Hitoshi Nara and the Company.			


Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
5	 Masatoshi Nakahara (Dec. 14, 1958) <div>Reelection Candidate</div>	<div>Apr. 1981 Joined the Company</div> <div>Apr. 2007 Vice President, Head of IA Systems Business Center, Industrial Automation Business Headquarters</div> <div>Apr. 2011 President of Yokogawa Engineering Asia Pte. Ltd.</div> <div>Apr. 2013 Senior Vice President, Head of Industrial Automation Platform Business Headquarters</div> <div>Jun. 2014 Director and Senior Vice President of the Company, Head of IA Platform Business Headquarters</div> <div>Apr. 2016 Director and Executive Vice President of the Company, Head of IA Platform Business Headquarters (present)</div>	17,710 shares
	<div>Number of years since appointment as a director 2years (at the conclusion of this AGM)</div> <div>Attendance of Board of Directors Meetings Present at 14 of the 15 meetings (FY2015) (93.3%)</div> <div>The reason for election as a director candidate</div> <div>Mr. Masatoshi Nakahara properly supervises management acting as a director. He also adequately performs his duties acting as Head of IA Platform 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.</div>		
Note: There is no special interest between the Mr. Masatoshi Nakahara and the Company.			

Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
6	 Junichi Anabuki (Mar. 18, 1963) <div>Reelection Candidate</div>	Apr. 1986 Joined Fukutoku Sogo Bank, Ltd. Mar. 1992 Joined the Company Jan. 2005 General Manager, Treasury Department Apr. 2011 Vice President, Head of Accounting & Treasury Headquarters Jun. 2014 Director and Vice President of the Company, Head of Accounting & Treasury Headquarters Apr. 2016 Director and Senior Vice President of the Company, Head of Accounting & Treasury Headquarters (present)	16,839 shares
	Number of years since appointment as a director 2years (at the conclusion of this AGM) Attendance of Board of Directors Meetings Present at 15 of the 15 meetings (FY2015) (100%) The reason for election as a director candidate 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.		
Note: There is no special interest between the Mr. Junichi Anabuki and the Company.			

Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
	<div></div> <div>Mitsudo Urano (Mar. 20, 1948)</div> <div>Reelection Candidate</div> <div>Candidate of Outside Director</div> <div>Candidate of Independent Officer</div>	<div>Apr. 1971 Joined Nippon-Reizo Co., Ltd. (the present Nichirei Corporation)</div> <div>Jun. 1999 Director of Nichirei Corporation</div> <div>Jun. 2001 Representative Director and President of Nichirei Corporation</div> <div>Jun. 2007 Representative Director and Chairman of Nichirei Corporation</div> <div>Jun. 2011 Director of the Company</div> <div>Jun. 2013 Senior Adviser of Nichirei Corporation (present) Director of the Company (present)</div>	0 shares
7	<div>Significant concurrent positions</div> <div>Senior Adviser of Nichirei Corporation</div> <div>Outside Director of Resona Holdings, Inc.</div> <div>Outside Director of HOYA CORPORATION</div> <div>Outside Director of Hitachi Transport System, Ltd.</div> <div>President of Agri Future Japan</div> <div>Chairman of Nippon Omni-Management Association</div> <div>Chairman of Central Society for Promoting the Industrial Education</div> <div>Number of years since appointment as an outside director 5years (at the conclusion of this AGM)</div> <div>Attendance of Board of Directors Meetings Present at 15 of the 15 meetings (FY2015) (100%)</div> <div>The reason for election as a director candidate</div> <div>The appointment of Mr. Mitsudo Urano as an outside director is being requested so that he can contribute to the fair, objective, and transparent management of the Company based on his wide knowledge and abundant managerial experience.</div> <div>About the independent officers</div> <div>Mr. Mitsudo Urano meets the requirements of an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange, and the standards of independence in the Company. The Company nominated him as independent officers, and he is registered as such at the said exchange. Provided he is re-elected as proposed, he will continue his service for the Company as an independent officer.</div> <div>In addition, please refer to page 17 for “The Company’s Independence Standards”.</div>		
<div>Notes:</div> <div>1. There is no special interest between the Mr. Mitsudo Urano and the Company.</div> <div>2. Mr. Mitsudo Urano is a candidate to fill the outside director positions provided for in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.</div> <div>3. Liability limitation agreement with outside directors</div> <div>The Company has entered into liability limitation agreements with Mr. Mitsudo Urano, upon approval of his reelection, the Company will continue the agreement with him.</div> <div>The overview of the agreement is as follows:</div> <div>Under Articles of incorporation of the Company, and Article 427, Paragraph 1 of the Companies Act, the Company shall enter into an agreement with its outside directors, which limits their liability provided for in Article 423, Paragraph 1 to the higher of either 15 million yen or the amount stipulated in the Act.</div>			

Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
8	<div></div> <div>Noritaka Uji (Mar. 27, 1949)</div> <div>Reelection Candidate</div> <div>Candidate of Outside Director</div> <div>Candidate of Independent Officer</div>	<div>Apr. 1973 Joined Nippon Telegraph and Telephone Public Corporation (the present Nippon Telegraph and Telephone Corporation)</div> <div>Jun. 1999 Director of NTT DATA Corporation Head of New Generation Information Services Sector</div> <div>Sep. 2000 Director of NTT DATA Corporation Head of Corporate Strategy Planning Department</div> <div>Jun. 2003 Executive Vice President of NTT DATA Corporation Head of Enterprise Systems Sector and Head of Enterprise Business Sector</div> <div>Jun. 2005 Representative Director and Executive Vice President of NTT DATA Corporation</div> <div>Jun. 2007 Senior Executive Vice President of Nippon Telegraph and Telephone Corporation</div> <div>Jun. 2012 Advisor of Nippon Telegraph and Telephone Corporation (present)</div> <div>Jun. 2014 Director of the Company (present)</div>	0 shares
	<div>Significant concurrent positions</div> <div>Advisor of Nippon Telegraph and Telephone Corporation</div> <div>Outside Director of DAIICHI SANKYO COMPANY, LIMITED</div> <div>Chairman of Japan Telework Association</div> <div>Chairman of Japan Institute of Information Technology</div> <div>Number of years since appointment as an outside director 2years (at the conclusion of this AGM)</div> <div>Attendance of Board of Directors Meetings Present at 15 of the 15 meetings (FY2015) (100%)</div> <div>The reason for election as a director candidate</div> <div>The election of Mr. Noritaka Uji as an outside director is being requested so that he can contribute to the fair, objective, and transparent management of the Company based on his wide knowledge as a corporate manager and thorough expertise in technology development and IT/ICT fields.</div> <div>About the independent officers</div> <div>Mr. Noritaka Uji meets the requirements of an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange, and the standards of independence in the Company. The Company nominated him as independent officers, and he is registered as such at the said exchange. Provided he is re-elected as proposed, he will continue his service for the Company as an independent officer.</div> <div>In addition, please refer to page 17 for “The Company’s Independence Standards”.</div>		
<div>Notes:</div> <div>1. There is no special interest between the Mr. Noritaka Uji and the Company.</div> <div>2. Mr. Noritaka Uji is a candidate to fill the outside director positions provided for in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.</div> <div>3. Liability limitation agreement with outside directors</div> <div>The Company has entered into liability limitation agreements with Mr. Noritaka Uji, upon approval of his reelection, the Company will continue the agreement with him.</div> <div>The overview of the agreement is as follows:</div> <div>Under Articles of incorporation of the Company and Article 427, Paragraph 1 of the Companies Act, the Company shall enter into an agreement with its outside directors, which limits their liability provided for in Article 423, Paragraph 1 to the higher of either 15 million yen or the amount stipulated in the Act.</div>			

Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
9	<div><p>Nobuo Seki (Sep. 21, 1944)</p><div>Reelection Candidate</div><div>Candidate of Outside Director</div><div>Candidate of Independent Officer</div></div>	<p>Apr. 1970 Joined Chiyoda Chemical Engineering Company (the present Chiyoda Corporation)</p> <p>Apr. 1992 Vice President & Project General Manager of Chiyoda International Corporation in USA</p> <p>Jun. 1997 Director of Chiyoda Corporation</p> <p>Jun. 1998 Managing Director of Chiyoda Corporation</p> <p>Aug. 2000 Senior Managing Director of Chiyoda Corporation</p> <p>Apr. 2001 President and CEO of Chiyoda Corporation</p> <p>Apr. 2007 Chairman of Chiyoda Corporation</p> <p>Apr. 2009 General Corporate Advisor of Chiyoda Corporation</p> <p>Jul. 2012 Advisor of Chiyoda Corporation</p> <p>Jun. 2015 Director of the Company (present)</p>	1,000 shares
	<p>Significant concurrent positions</p> <p>Independent Outside Director of TEIJIN LIMITED</p> <p>Outside Director of KAMEDA SEIKA CO., LTD.</p> <p>Outside Director of Weathernews Inc.</p> <p>Number of years since appointment as an outside director 1year (at the conclusion of this AGM)</p> <p>Attendance of Board of Directors Meetings Present at 10 of the 11 meetings* (FY2015) (90.9%)</p> <p style="text-align: right;">*Since he assumed the position on June 24, 2015.</p> <p>The reason for election as a director candidate</p> <p>The election of Mr. Nobuo Seki as an outside director is being requested so that he can contribute to the fair, objective, and transparent management of the Company based on his wide knowledge as a corporate manager and thorough expertise in the control of energy-related facilities.</p> <p>About the independent officers</p> <p>Mr. Nobuo Seki meets the requirements of an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange, and the standards of independence in the Company. The Company nominated him as independent officers, and he is registered as such at the said exchange. Provided he is re-elected as proposed, he will continue his service for the Company as an independent officer.</p> <p>In addition, please refer to page 17 for “The Company’s Independence Standards”.</p>		
<p>Notes:</p> <p>1. There is no special interest between the Mr. Nobuo Seki and the Company.</p> <p>2. Mr. Nobuo Seki is a candidate to fill the outside director positions provided for in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.</p> <p>3. Liability limitation agreement with outside directors</p> <p>The Company has entered into liability limitation agreements with Mr. Nobuo Seki, upon approval of his reelection, the Company will continue the agreement with him.</p> <p>The overview of the agreement is as follows:</p> <p>Under Articles of incorporation of the Company and Article 427, Paragraph 1 of the Companies Act, the Company shall enter into an agreement with its outside directors, which limits their liability provided for in Article 423, Paragraph 1 to the higher of either 15 million yen or the amount stipulated in the Act.</p>			

Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
10	<div></div> <div>Shiro Sugata (Nov. 17, 1949)</div> <div>New Candidate</div> <div>Candidate of Outside Director</div> <div>Candidate of Independent Officer</div>	<div>Apr. 1972 Joined USHIO INC.</div> <div>Jun. 2000 Director and Corporate Senior Vice President</div> <div>Apr. 2001 Director and General Manager of Lamp Division II</div> <div>Apr. 2003 Director and Lamp Company President, COO</div> <div>Apr. 2004 Director and Corporate Executive Vice President</div> <div>Jun. 2004 Representative Director and Corporate Executive Vice President</div> <div>Mar. 2005 President and CEO</div> <div>Oct. 2014 Director and Corporate Advisor (present)</div>	0 shares
	<div>Significant concurrent positions</div> <div>Director and Corporate Advisor, USHIO INC.</div> <div>Vice Chairman [Executive Director], Keizai Doyukai (Japan Association of Corporate Executives)</div> <div>The reason for election as a director candidate</div> <div>The election of Mr. Shiro Sugata as an outside director is being requested so that he can contribute to the fair, objective, and transparent management of the Company based on his wide knowledge as a corporate manager and thorough expertise with respect to industrial light sources and other products with optical applications, and also with respect to industrial machinery.</div> <div>About the independent officers</div> <div>Mr. Shiro Sugata meets the requirements of an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange, and the standards of independence in the Company.</div> <div>Provided he is elected as proposed, the Company plans to report him as its such to the said exchange.</div> <div>In addition, please refer to page 17 for “The Company’s Independence Standards”.</div>		
<div>Notes:</div> <div>1. There is no special interest between the Mr. Shiro Sugata and the Company.</div> <div>2. Mr. Shiro Sugata is a candidate to fill the outside director positions provided for in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.</div> <div>3. Liability limitation agreement with outside directors</div> <div>Upon election of Mr. Shiro Sugata as proposed, the Company will enter into the liability limitation agreement with him.</div> <div>The overview of the agreement is as follows:</div> <div>Under Articles of incorporation of the Company and Article 427, Paragraph 1 of the Companies Act, the Company shall enter into an agreement with its outside directors, which limits their liability provided for in Article 423, Paragraph 1 to the higher of either 15 million yen or the amount stipulated in the Act.</div>			


Item 3: Election of Two (2) Audit & Supervisory Board Members


At the conclusion of this General Meeting of Shareholders, the term of office for three Audit & Supervisory Board Members (Messrs. Takafumi Koyanagi, Hideto Masaki, Zenichi Shishido) will expire.

The Company proposes to elect the following two (2) individuals to the Audit & Supervisory Board.

The Audit & Supervisory Board concurs with this proposal.

Information on the two (2) Audit & Supervisory Board member candidates is provided below.

Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
1	 <p>Koichi Chujo (Sep. 16, 1954)</p> <p>New Candidate</p>	<p>Apr. 1979 Joined the Company</p> <p>Apr. 2000 Head of Measuring Instruments Development Department, Test & Measurement Business Division</p> <p>Oct. 2005 Head of Core Technology Development Center, Communication & Measurement Business Headquarters</p> <p>Apr. 2009 Head of OE Test & Measurement Center, Communication & Measurement Business Headquarters</p> <p>Apr. 2010 Vice President, Head of Quality Assurance Headquarters</p> <p>Apr. 2014 Senior Consultant, Audit & Compliance Headquarters</p> <p>Apr. 2015 Senior Consultant, Audit, Compliance & Quality Assurance Headquarters (present)</p>	19,110 shares
<p>The reason for election as an Audit & Supervisory Board member candidate</p> <p>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.</p>			
<p>Note: There is no special interest between the Mr. Koichi Chujo and the Company.</p>			

Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
2	<div></div> <div>Zenichi Shishido (Apr. 20, 1956)</div> <div>Reelection Candidate</div> <div>Candidate of Outside Member, Audit & Supervisory Board</div> <div>Candidate of Independent Officer</div>	<div>Apr. 1980 Research Fellow of Faculty of Law, Tokyo University</div> <div>Apr. 1983 Assistant Professor of Faculty of Law, Seikei University</div> <div>Apr. 1985 Associate Professor of Faculty of Law, Seikei University</div> <div>Apr. 1994 Professor of Faculty of Law, Seikei University</div> <div>Jul. 2001 Registered as lawyer (Member of Dai-ichi Tokyo Bar Association)</div> <div>Apr. 2004 Professor of School of Law, Seikei University</div> <div>Apr. 2009 Professor of Graduate School of International Corporate Strategy, Hitotsubashi University (present)</div> <div>Jun. 2012 Audit & Supervisory Board Member of the Company (present)</div>	0 shares
	<div>Significant concurrent positions</div> <div>Professor of Graduate School of International Corporate Strategy, Hitotsubashi University Lawyer (Zenichi Shishido Law Firm)</div> <div>Number of years since appointment as an outside member of the audit & supervisory board (at the conclusion of this AGM)4years</div> <div>Attendance of Audit & Supervisory Board meetings (FY2015)Present at 21 of the 21 meetings (100%)</div> <div>Attendance of Board of Directors Meetings (FY2015)Present at 15 of the 15 meetings* (100%)</div> <div>The reason for election as an audit & supervisory board member candidate</div> <div>The election of Mr. Zenichi Shishido as an outside member of the audit & supervisory board is being requested so that he can contribute to the Company’s audits as an expert in business law and corporate governance with high insight based on experience in a wide range of research activities. Although he has not been directly involved with business management, we consider him capable of properly executing the duties of an outside corporate auditor because he is familiar with business law and has gained the required knowledge in his capacity as a university professor and lawyer.</div> <div>About the independent officers</div> <div>Mr. Zenichi Shishido meets the requirements of an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange, and the standards of independence in the Company.</div> <div>The Company nominated him as independent officers, and he is registered as such at the said exchange. Provided he is reelected as proposed, he will continue his service for the Company as an independent officer.</div> <div>In addition, please refer to page 17 for “The Company’s Independence Standards”.</div>		
<div>Notes:</div> <div>1. There is no special interest between the Mr. Zenichi Shishido and the Company.</div> <div>2. Mr. Zenichi Shishido is a candidate to fill the outside member of the audit & supervisory board positions provided for in Article 2, Paragraph 3, Item 8 of the Ordinance for Enforcement of the Companies Act.</div> <div>3. Liability limitation agreement with outside member of the audit & supervisory board</div> <div>The Company has entered into liability limitation agreements with Mr. Zenichi Shishido, upon approval of his reelection, the Company will continue the agreement with him.</div> <div>The overview of the agreement is as follows:</div> <div>Under Articles of incorporation of the Company and Article 427, Paragraph 1 of the Companies Act, the Company shall enter into an agreement with its outside directors, which limits their liability provided for in Article 423, Paragraph 1 to the higher of either 15 million yen or the amount stipulated in the Act.</div>			

Item 4: Election of One (1) Substitute Audit & Supervisory Board Member


To provide for a case in which the number of outside members of the Audit & Supervisory Board falls short of the number stipulated by laws and regulations, the Company proposes to elect one (1) substitute Audit & Supervisory Board member.

As a condition for Mr. Katsumi Nakashige, a candidate for substitute Audit & Supervisory Board member, he assumes the office only when the number of outside members of the Audit & Supervisory Board falls short of the number stipulated by laws and regulations, and the term of office will be the period until his predecessor's term of office expires. We have obtained his consent for the condition that he assumes the office of outside member of the Audit & Supervisory Board when an outside member of the Audit & Supervisory Board retires from the position during his or her term of office and the number of outside members of the Audit & Supervisory Board falls short of the number stipulated by laws and regulations. In addition, the decision to elect the candidate is to remain in effect until commencement of the subsequent Annual General Meeting of Shareholders.

The election may be nullified by a resolution of the Board of Directors with consent of the Audit & Supervisory Board, but only prior to the candidate assuming office.

The Audit & Supervisory Board concurs with this proposal.

Information on the one (1) substitute Audit & Supervisory Board member candidate is provided below.

Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
 <p>Katsumi Nakashige (Aug. 22, 1965)</p> <p>Candidate of Substitute Outside Member of the Audit & Supervisory Board</p>	<p>1998 Joined Yamada Hideo Law Office (the present Yamada Ozaki Law Office) (present)</p> <p>2004 Assistant Professor of Practicing-attorney- professors, Legal Training and Research Institute of the Supreme Court of Japan</p> <p>Apr. 2015 Professor, Legal Training and Research Institute of the Supreme Court of Japan (present)</p>	<p>0 shares</p>
<p>Significant concurrent positions</p> <p>Lawyer (Yamada Ozaki Law Office, Member of the Daini Tokyo Bar Association)</p> <p>Professor, Legal Training and Research Institute of the Supreme Court of Japan</p> <p>The reason for election as a substitute audit & supervisory board member candidate</p> <p>The election of Mr. Katsumi Nakashige as a substitute outside member of the Audit & Supervisory Board is being requested because we expect that he will reflect his high level of expertise and deep knowledge cultivated as a lawyer in audits of the Company. Although he has not been directly involved with business management, we consider him capable of properly executing the duties of an outside member of the Audit & Supervisory Board for the above reason.</p> <p>About the independent officers</p> <p>Mr. Katsumi Nakashige meets the requirements of an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange, and the standards of independence in the Company. When Mr. Katsumi Nakashige assumes the office of outside member of the Audit & Supervisory Board, the Company plans to report him as its such to the said exchange.</p> <p>In addition, please refer to page 17 for “The Company’s Independence Standards”.</p>		
<p>Notes:</p> <ol style="list-style-type: none"> 1. There is no special interest between the Mr. Katsumi Nakashige and the Company. 2. Mr. Katsumi Nakashige is a candidate for substitute outside member of the Audit & Supervisory Board. 3. Liability limitation agreement with outside member of the Audit & Supervisory Board. When Mr. Katsumi Nakashige assumes the office of outside member of the Audit & Supervisory Board, the Company will enter into a liability limitation agreement with him. The overview of the agreement is as follows: Under Articles of incorporation of the Company and Article 427, Paragraph 1 of the Companies Act, the Company shall enter into an agreement with its outside directors, which limits their liability provided for in Article 423, Paragraph 1 to the higher of either 15 million yen or the amount stipulated in the Act. 		

Reference

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.

Item 5: Setting Compensation Amount for the Restricted-Share Compensation Plan and Other Revisions of Director Compensation Amount

Regarding director compensation, the annual amount of up to 1,200 million yen was approved by resolution of the 2007 Annual General Meeting of Shareholders convened on June 27, 2007. (This amount includes a portion of up to 50 million yen for outside directors, and does not include employee salaries of directors who serve concurrently as employees.)

Now, to provide an incentive for directors to sustainably increase the Company's corporate value and to further promote shared value between directors and shareholders, the Company proposes the introduction of a restricted-share compensation plan as described below.

To newly provide monetary compensation receivables for granting restricted shares, the Company seeks to set the director compensation amount under the restricted-share compensation plan at up to 600 million yen for one fiscal year. However, in principle, the Company intends to provide the compensation amount as a lump sum in the first fiscal year of the three-fiscal-year period covering the mid-term business plan as an amount corresponding to compensation for the performance of duties over three fiscal years. Considering the target period of the mid-term business plan is three fiscal years, in effect the director compensation amount under the restricted-share compensation plan can be evaluated as provision of up to 200 million yen per fiscal year.

In association with this, the Company will also reduce the previously approved annual compensation amount of up to 1,200 million yen per fiscal year by 200 million yen, the amount corresponding to the effective compensation amount per fiscal year provided for the grant of restricted shares described above, to make the compensation amount under the current system up to 1,000 million yen per fiscal year.

Furthermore, a change in the breakdown of the current director compensation amount in consideration of an increase in the number of outside directors in order to strengthen the function of the Board of Directors and enhance corporate governance, whereby the amount allocated for compensation of outside directors is increased from up to 50 million yen to up to 100 million yen per fiscal year is collectively proposed for approval.

Moreover, as before, the Company requests that the amount of director compensation not include the employee salaries of directors who serve concurrently as employees.

If the proposal is approved, the revised amount of director compensation will total up to 1,600 million yen per fiscal year, an increase of 400 million yen over the current compensation amount. However, the amount of up to 600 million yen per fiscal year under discussion as the compensation amount under the restricted-share compensation plan is a compensation amount relating to monetary compensation receivables to serve as invested assets for the grant of the restricted shares as described above, and the effective amount per fiscal year corresponding to the compensation amount for the grant of the restricted shares can be evaluated as up to 200 million yen. Therefore, together with the amount of up to 1,000 million yen per fiscal year that has been requested separately, the total amount in effect is the same as the current compensation amount of up to 1,200 million yen per fiscal year. (Please see the "Reference" below.)

[Reference]

Effective Compensation Amount for Director per Fiscal Year

	Current	Proposed revision
(i) Compensation amount under the restricted-share compensation plan	-	Up to 600 million yen (up to 200 million yen per fiscal year*)
(ii) Current compensation amount for directors	Up to 1,200 million yen	Up to 1,000 million yen
Of which, outside directors	(Up to 50 million yen)	(Up to 100 million yen)
Total compensation amount [(i)+(ii)]	Up to 1,200 million yen	Up to 1,600 million yen (up to 1,200 million yen per fiscal year*)

*When the up to 600 million yen compensation amount is allocated over the period of the mid-term business plan (in principle, three fiscal years), the amount per fiscal year is up to 200 million yen.

Furthermore, since the fiscal year ending March 31, 2017, in which the restricted-share compensation plan is to be newly introduced, is the second year of the target period of the mid-term business plan, the limit for the total amount to be paid as the monetary compensation receivables for granting the restricted shares would be 400 million yen for the fiscal year ending March 31, 2017.

The Company currently has nine (9) directors (including three (3) outside directors); however, if Item 2 is approved as proposed, the number of directors will be ten (10) (including four (4) outside directors). Specific payment timing and allocation of the above-mentioned compensation to each director shall be deliberated by the Compensation Advisory Committee, which comprises three or more directors, nominated by the Board of Directors, with the majority being outside directors. The final decision shall be made by the Board of Directors, giving due respect to the opinion of the Compensation Advisory Committee.

Details of the Restricted-Share Compensation Plan

(1) Overview

Under the restricted-share compensation plan, to grant restricted shares to directors other than outside directors (hereinafter “eligible directors”), in principle, monetary compensation receivables for specific use are provided to the eligible directors in the first fiscal year of the period covered by the mid-term business plan, and the eligible directors are allowed to make an investment in kind in the Company using the monetary compensation receivables as the invested assets. In this way, the Company issues or disposes of (hereinafter “delivers”) its common shares (hereinafter the “Company shares”) to the eligible directors and allows them to hold the shares. However, the Company shall make an agreement on allotment of restricted shares as detailed in (4) below with the eligible directors (hereinafter the “allotment agreement”), under which the eligible directors shall not be able to freely transfer, etc. (defined in (4) i) below) the allotted shares (defined in (4) i) below) for a certain period stipulated in the allotment agreement (the transfer restriction period of (4) i) below). If they achieve a certain financial result during the transfer restriction period, then the transfer restriction (defined in (4) i) below) of the allotted shares shall be lifted depending on the degree of achievement, with the allotted shares for which the transfer restriction was not lifted being returned (transferred) to the Company for free. Thus, the compensation plan provides an incentive for the eligible directors to work towards achieving certain results. The transfer restriction period, the results achievement conditions of (4) ii) below and other matters regarding the overall management of the restricted-share compensation system shall be deliberated by the Compensation Advisory Committee before being decided by the Board of Directors, who shall respect the opinion of the Compensation Advisory Committee.

Furthermore, although the fiscal year ending March 31, 2017, in which the restricted-share compensation plan is to be newly introduced, is the second fiscal year of the target period of the mid-term business plan, as an exception, the Company will provide monetary compensation receivables for the granting of restricted shares to the eligible directors.

(2) Limit on compensation amount of monetary compensation receivables and maximum limit of the number of shares granted under the restricted-share compensation plan

The maximum limit of the compensation amount of the monetary compensation receivables to be provided to eligible directors shall be 600 million yen per fiscal year, and the total number of Company shares to be delivered to the eligible directors shall be up to 900,000 shares per fiscal year; provided, however, that, as described above, the Company intends to provide monetary compensation receivables under the restricted-share compensation plan to eligible directors as a lump sum in the first fiscal year of the three-fiscal-year period covering the mid-term business plan as an amount corresponding to compensation for the performance of duties over three fiscal years. Accordingly, in effect the amount can be evaluated as an allocation of up to 200 million yen and 300,000 shares per fiscal year.

(3) Payment amount per share

The amount to be paid per share shall be fair price of the Company shares on the date of payment, such as the closing price of the Company share on the Tokyo Stock Exchange on the business days preceding each date of the resolution of the Board of Directors (if no trades are made on this day, the closing price on the most recent day of trading before that).

(4) Overview of content to be stipulated in the allotment agreement

i) Transfer restriction period

During a predetermined period of between one and five years, set by the Company's Board of Directors (hereinafter the "transfer restriction period"), the eligible directors may not transfer, establish security rights, or perform other disposal (hereinafter the "transfer, etc.") with respect to the common shares of the Company received as an allotment under the allotment agreement (hereinafter "the allotted shares") (hereinafter the "transfer restrictions").

ii) Lifting of the transfer restriction by achievement of results

Depending on the degree of achievement criteria established in advance by the Company's Board of Directors including the degree of the Company's consolidated return on equity (ROE) or other target results set for each mid-term business plan during the transfer restriction period, (hereinafter conditions for lifting the transfer restriction based on the degree of achievement of related results shall be referred to as "results achievement conditions"), all or part of the allotted shares shall have the transfer restriction lifted at the expiration of the transfer restriction period, enabling the eligible directors to freely transfer, etc., the allotted shares that have their transfer restriction lifted.

Furthermore, the eligible directors shall return (transfer) for free the allotted shares that do not have their transfer restriction lifted at the expiration of the transfer restriction period based on the above provision.

iii) Treatment on retirement from office

Eligible directors who have retired from office as director, vice president, or employee of the Company or the Company's subsidiary before the expiration of the transfer restriction period shall return (transfer) the allotted shares to the Company for free except in cases where the Company's Board of Directors acknowledges the reason as being justified. If the reason is justified, the Company shall rationally adjust the number of the allotted shares to have their transfer restriction lifted and the timing of lifting the transfer restriction as needed.

iv) Treatment during reorganization, etc.

If, during the transfer restriction period, matters relating to a merger agreement in which the Company is the dissolving company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or some other reorganization are approved at the Company's General Meeting of Shareholders (or, in the case where the approval at the Company's General Meeting of Shareholders is not required in relation to the reorganization in question, a meeting of the Company's Board of Directors), the Company shall rationally adjust the number of the allotted shares to have their transfer restriction lifted and the timing of lifting the transfer restriction as needed, by resolution of the Company's Board of Directors.

v) Other matters to be determined by the Board of Directors

The method for expressing intentions and giving notification in the allotment agreement, the method for amending the allotment agreement, and other matters to be determined by the Board of Directors shall be laid out in the allotment agreement.

Business Report

(From April 1, 2015 to March 31, 2016)

1. Status of the Yokogawa Group

(1) Business Results

a. Analysis of Business Results

The Company's understanding regarding the economy, general market conditions, and conditions in its specific markets for the fiscal year under review (April 1, 2015 to March 31, 2016) is as follows.

During the fiscal year, although the employment outlook continued to improve in the U.S. and European markets experienced a moderate recovery, the overall global economy was characterized by a clear slowing of growth, particularly in emerging markets such as China. There were increasing signs of stagnation in resource-rich countries and other Asian markets. The Japanese economy continued its moderate recovery, benefiting from such factors as improving corporate results due mainly to the depreciation of the yen and a pick-up in capital investment by certain companies. However, the manufacturing sector was weak due to a decline in exports that was the result of slowing growth in most emerging nations. (India was one exception to this trend.)

In the energy and materials-related markets, certain companies postponed or halted their investments in resource development projects due to the continued decline in the price of crude oil and other natural resources. Other companies have benefited by being located in regions where raw materials and fuels can be imported or procured locally at a lower cost, and have thus been able to allocate more funds to investment. There is no clear trend in either direction, and the economic outlook has grown more uncertain as the result of a rapid appreciation of the yen that commenced at the beginning of the year. Nevertheless, the energy and materials-related markets saw steady investment in facility upgrades and other measures to improve efficiency as well as continued demand for operation and maintenance services.

In this business environment, the Yokogawa Group ("the Group") focused on establishing a growth platform through business structure reforms and proactive business activities based on its Transformation 2017 mid-term business plan ("TF2017"), which was formulated in May 2015.

As a result, net sales and profits for the fiscal year were up from the previous fiscal year. Net sales increased 7.939 billion yen due to the firm performance of the mainstay industrial automation and control business. Operating income rose 9.824 billion yen and was at a record high level thanks to the increase in net sales and the impact of the weak yen and the fixed cost reduction measures that were implemented in the previous fiscal year. Profit attributable to owners of parent was also at a record level due to a 12.937 billion yen increase that can be attributed to improved results in the extraordinary income/losses category and the aforementioned increase in operating income.

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

Net sales	¥413,732 million	(+2.0%, up	¥7,939 million)
Operating income	¥39,642 million	(+32.9%, up	¥9,824 million)
Ordinary income	¥40,717 million	(+22.0%, up	¥7,351 million)
Profit Attributable to Owners of Parent	¥30,161 million	(+75.1%, up	¥12,937 million)

Results by individual business segment are outlined below.

Industrial Automation and Control Business

Net sales for the industrial automation and control business segment were 366.723 billion yen, increased 8.688 billion yen year on year and setting a new record high. This was due mainly to increased investment in the resources, energy, and materials sectors for the replacement of plant equipment and other measures to improve efficiency, and increased demand for operation and maintenance services. Furthermore, operating income was 36.689 billion yen, increased by 9.599 billion yen year on year due to the increase in net sales and other factors such as the impact of the foreign exchange and the effect of measures that were implemented last fiscal year to reduce fixed costs.

Test and Measurement Business

Although net sales for the test and measurement business segment were fell 418 million yen year on year, to 23.372 billion yen, nearly unchanged from the previous fiscal year, operating income increased 764 million yen year on year, to 2.389 billion yen, this was mainly due to the effect of foreign exchange rates.

Aviation and Other Businesses

*Effective from the fiscal year 2015, the name of the reportable segment previously known as “Other Businesses” has been changed to the “Aviation and Other Businesses.”

In the aviation and other businesses segment, net sales were fell 330 million yen year on year, to 23.637 billion yen, nearly unchanged from the previous fiscal year, operating income decreased 540 million yen year on year, to 564 million yen, this was mainly due to the impact of the other businesses.

b. Capital Investment

Total capital investment during the fiscal year under review stood at 15.377 billion yen, up 1.247 billion yen from the previous fiscal year.

Capital investments were mainly for the expansion of business in markets outside Japan.

c. Fundraising

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

In July 2015, the Company raised 13.362 billion yen through disposal of treasury stock, undertaken with the aim of allocating the funds to making early repayment of the subordinated loans arranged in February 2010.

(2) Challenges for the Company

With its long-term business framework, the Group has established goals that are to be achieved within 10 years, and has specified ways to achieve them. This framework provides a vision statement on the direction in which the Company should be heading, states what the core competencies (strengths) are that will allow us to achieve this vision, and specifies target business areas.

By working to achieve the aims of this vision statement, which calls for engagement in Process co-innovation (*), Yokogawa will create new value with its customers, aiming for long-term growth and a brighter future for all.

Moreover, the Group has introduced a corporate brand slogan of “Co-innovating tomorrow,” under which it will work to optimize and streamline the flow of information and things in business and society, and to solve issues for customers and society overall.

Yokogawa will also continue working towards the goal of becoming the global No. 1 company in the industrial automation and control business.

(*) Process co-innovation

Process co-innovation is a concept for an automation business that will utilize all of Yokogawa’s measurement, control, and information technologies. According to this concept, Yokogawa will seek not only to optimize production processes but also the flow of material and information within and between companies, including their value and supply chains. This concept will encompass the entire range of Yokogawa solutions and will entail a commitment to working with clients to create new value on their behalf.

Under its TF2017 mid-term business plan, which commenced in fiscal year 2015, the Group is working to reform its business structure by focusing on customers, creating new value, and maximizing efficiency. These three years will lay the groundwork for the growth that will be needed to achieve the goals of the Company's long-term business framework. We will focus on improving profitability, and will aim to achieve a return on equity (ROE) of 11% or more and earnings per share (EPS) of 100 yen or more by fiscal year 2017, the final year of TF2017. (Results for fiscal year ended March 31, 2016: ROE 13.2%, EPS 114.01 yen)

Through its initiatives during the first year of TF2017, the Group achieved record highs in operating income, profit attributable to owners of parent, earnings per share (EPS), and return on sales (ROS). However, in view of the great changes in our business environment such as the decline in oil prices and the economic slowdown in China and other emerging markets, the Company recognizes that it must make significant progress in improving profitability in fiscal year 2016 if it is to achieve the goals of the TF2017 plan.

Therefore, in fiscal year 2016, the Company will focus on establishing a platform for further growth, and will work with a sense of urgency to reform its business structure and improve profitability, in accordance with the basic principle of acquiring funds for investment in growth by improving profitability.

For more information about its Transformation 2017 mid-term business plan ("TF2017"),
Please refer to our web site <http://www.yokogawa.co.jp/cp/corporate/cp-corp-mtbp.htm>.

In addition, in fiscal year 2016 the Group will continue working to enhance corporate governance to realize sustainable improvement in corporate value through implementation of the Yokogawa Corporate Governance Guidelines that was formulated in November 2015.

Basic Views on the Group's Corporate Governance

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 – we take this as our corporate philosophy and make every effort to realize it.

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 have 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.

In order to maximize its corporate value, the Group places a high priority on its efforts to achieve thorough compliance, manage risks, and disclose information that will ensure a constructive dialogue with shareholders and all other stakeholders.

In accordance with the above aims, the Group established the Yokogawa Corporate Governance Guidelines (hereinafter referred to as the "Guidelines") in November 2015, as a basic policy that will serve to institutionalize the Group's corporate governance efforts and lead to the continual enhancement of the Group's corporate governance.

For more information about the corporate governance of the Group,
Please refer to our web site <http://www.yokogawa.co.jp/cp/corporate/cp-corp-governance.htm>.

(3) Financial Assets and Profits/Losses

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

(Millions of yen)

Category	FY2012	FY2013	FY2014	FY2015
Orders	354,498	405,982	417,089	421,103
Net sales	347,899	388,463	405,792	413,732
Operating income	18,409	25,893	29,818	39,642
Ordinary income	18,002	25,679	33,366	40,717
Profit Attributable to Owners of Parent	14,688	12,341	17,223	30,161
Basic Earnings per Share	¥57.03	¥47.92	¥66.88	¥114.01
Total assets	379,931	398,920	439,957	412,772
Net assets	172,396	192,106	221,976	246,892

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

(Millions of yen)

Category	FY2012	FY2013	FY2014	FY2015
Orders	139,310	98,278	103,145	109,625
Net sales	145,259	99,366	101,986	106,341
Operating income	(5,423)	(6,593)	(7,817)	(2,228)
Ordinary income	6,394	8,922	11,535	25,016
Profit (loss)	9,280	6,216	5,168	26,531
Basic Earnings per Share	¥36.03	¥24.14	¥20.07	¥100.29
Total assets	246,314	234,647	245,369	224,886
Net assets	117,769	124,137	132,842	162,666

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

(4) Status of Parent Company and Principal Subsidiaries**a. Parent Company**

No applicable matter

b. Principal Subsidiaries

Name	Capital	Percentage owned by the Company	Principal businesses
Yokogawa Manufacturing Corporation	JPY5,010 million	100.0%	Manufacturing of control and measuring equipment
Yokogawa Electric Asia Pte. Ltd.	SGD31,020,000	100.0%	Manufacturing of control and marine and aerospace electronics equipment
Yokogawa Electric China Co., Ltd.	JPY4,000 million	100.0%	Manufacturing of control equipment
Yokogawa Electronics Manufacturing Korea Co., Ltd.	WON1,744 million	100.0%	Manufacturing of control and measuring equipment
Yokogawa Solution Service Corporation	JPY3,000 million	100.0%	Sales, engineering and maintenance services of control equipment
Yokogawa Europe B.V.	EUR17,725,000	100.0%	Sales, engineering, and maintenance services of control and measuring equipment
Yokogawa Middle East & Africa B.S.C. (c)	BHD2,481,000	100.0%	Sales, engineering and maintenance services of control equipment
Yokogawa Engineering Asia Pte. Ltd.	SGD29,000,000	100.0%	Sales, engineering and maintenance services of control equipment
Yokogawa Corporation of America (Note 1)	USD1,000	100.0%	Sales, engineering, and maintenance services of control and measuring equipment
Yokogawa China Co., Ltd.	RMB119 million	100.0%	Sales, engineering and maintenance services of control equipment
Yokogawa Meters & Instruments Corporation	JPY90 million	100.0%	Sales and maintenance services of measuring equipment
Yokogawa Denshikiki Co., Ltd	JPY300 million	100.0%	Manufacturing and sales of marine and aerospace electronics equipment

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

2: There is no specified wholly owned subsidiary at the end of the fiscal year under review.

(5) Principal Businesses (as of March 31, 2016)

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

(6) Main Offices and Factories (as of March 31, 2016)

a. The Company

Head office:	Musashino-shi, Tokyo	
Office:	Komine Office	(Akiruno-shi, Tokyo)
	Kofu office	(Kofu-shi, Yamanashi)
	Kanazawa Office	(Kanazawa-shi, Ishikawa)

b. Subsidiaries

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

(7) Employees (as of March 31, 2016)

Business segment	Number of employees	Change from the previous year
Industrial automation and control business	16,724	(869)
Test and measurement business	1,122	(49)
Aviation and other businesses	800	(37)
Total	18,646	(955)

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

(8) Principal Lenders (as of March 31, 2016)

Lenders	Loan amount
Syndicated loan	¥20,000 million

Notes: 1. Mizuho Bank, Ltd. and The Bank of Tokyo-Mitsubishi UFJ, Ltd. are lead manager for the syndicated loan.
2. The Company has a 74,100 million yen commitment line contract. The loan balance is zero as of the end of the fiscal year under review.

(9) Other Important Matters Related to the Group

On February 17, 2016, the Company agreed on a cash acquisition of KBC Advanced Technologies plc (Headquarters: Walton on Thames, Surrey, UK, CEO: Andrew Howell) (hereafter “KBC”) and the entire issued and to be issued share capital of KBC, and to commence procedures for making KBC a wholly owned subsidiary. The Company acquired the shares on April 7, 2016.

2. Overview of the Company

(1) Shares (as of March 31, 2016)

a. Number of Authorized Shares: 600,000 thousand

b. Number of Issued Shares: 268,624 thousand

c. Number of Shareholders: 22,382

d. Major Shareholders (Top 10):

Name of shareholder	Number of shares (thousand shares)	Shareholding ratio (%)
Master Trust Bank of Japan Limited (trust account)	28,265	10.6
The Dai-ichi Life Insurance Company, Limited	15,697	5.9
Japan Trustee Services Bank, Limited (trust account)	15,254	5.7
Nippon Life Insurance Company	13,484	5.1
Japan Trustee Services Bank, Limited (trust account ⁹)	13,279	5.0
Retirement Benefit Trust in Mizuho Trust & Banking Co., Ltd. (Mizuho Bank, Ltd. account); Trust & Custody Services Bank, Ltd. as a Trustee of Retruster	11,261	4.2
Yokogawa Electric Employee Shareholding Program	6,805	2.5
CBNY - ORBIS SICAV	5,672	2.1
Trust & Custody Services Bank, Ltd. (Trust Collateral Account)	3,874	1.5
The Nomura Trust and Banking Co., Ltd. (Trust Account)	3,334	1.2

Notes: 1. The Company holds 1,683 thousand shares of treasury stock.
2. The shareholding ratio is calculated after deducting treasury stock.

(2) Company Executives

a. Directors and Audit & Supervisory Board Members (as of March 31, 2016)

Position	Name	Area of responsibility and significant concurrent positions
Chairman	Shuzo Kaihori	Outside Director of HOYA CORPORATION President of Business Ethics Research Center
President and Chief Operating Officer	Takashi Nishijima	
Director	Satoru Kurosu	Executive Senior Vice President, Head of Solution Service Business Headquarters
Director	Hitoshi Nara	President of Yokogawa Solution Service Corporation
Director	Masatoshi Nakahara	Senior Vice President, Head of IA Platform Business Headquarters
Director	Junichi Anabuki	Vice President, Head of Accounting & Treasury Headquarters
Director	Mitsudo Urano	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
Director	Noritaka Uji	Advisor of Nippon Telegraph and Telephone Corporation Outside Director of DAIICHI SANKYO COMPANY, LIMITED Chairman of Japan Institute of Information Technology Chairman of Japan Telework Association
Director	Nobuo Seki	Independent Outside Director of TEIJIN LIMITED Outside Director of KAMEDA SEIKA CO., LTD. Outside Director of Weathernews Inc.
Audit & Supervisory Board, Standing Member	Takafumi Koyanagi	
Audit & Supervisory Board, Standing Member	Kiyoshi Makino	
Audit & Supervisory Board Member	Hideto Masaki	Chairman of DIAM Co., Ltd.
Audit & Supervisory Board Member	Zenichi Shishido	Professor in Graduate School of International Corporate Strategy, Hitotsubashi University Lawyer at Zenichi Shishido Law Firm
Audit & Supervisory Board Member	Izumi Yamashita	Outside Director of AEON Bank, Ltd.

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

4. There are no special relationships between the Company and the companies or organizations at which the outside directors and outside audit & supervisory board members have significant concurrent positions.
5. The responsibilities of the following directors have changed, in conjunction with the reorganization that took effect on April 1, 2016, after the closing of fiscal year 2015.

Position	Name	Area of responsibility and significant concurrent positions
Director	Masatoshi Nakahara	Executive Senior Vice President, Head of IA Platform Business Headquarters
Director	Junichi Anabuki	Senior Vice President, Head of Accounting & Treasury Headquarters

6. Director Mitsudo Urano retired as an outside director of Mitsui Fudosan Co., Ltd. on June 26, 2015.
7. Audit & Supervisory Board Member Hideto Masaki retired as an outside corporate auditor of Denyo Co., Ltd. on June 26, 2015.

b. Directors and Audit & Supervisory Board Members Who Retired during the Fiscal Year under Review

Name	Retirement date	Reason for retirement	Position and area of responsibility / significant concurrent positions at time of retirement
Yasuro Tanahashi	June 24, 2015	Expiration of term of office	Outside Director Outside Director of Internet Initiative Japan Inc. Outside Director of Murata Manufacturing Co., Ltd. Outside Director of San Holdings Corporation

c. Summary of limited liability contract

Based on Article 427, Paragraph 1 of the Companies Act, the Company enters into an agreement with Directors Mitsudo Urano, Noritaka Uji and Nobuo Seki, and Audit & Supervisory Board Members Hideto Masaki, Zenichi Shishido and Izumi Yamashita which limits their liability provided for in Article 423, Paragraph 1 to the higher of either 15 million yen or the amount stipulated by the Act.

d. Compensation to Directors and Audit & Supervisory Board Members

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

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

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

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

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

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

Classification	Number of persons paid	Amount paid
Directors (Outside Directors)	10 (4)	¥282 million (¥33 million)
Audit & Supervisory Board Members (Outside Members)	5 (3)	¥92 million (¥32 million)
Total (Outside Directors and Outside Members of Audit & Supervisory Board)	15 (7)	¥374 million (¥66 million)

Notes: 1. The above numbers include one outside director who retired during the fiscal year under review.
2. The total paid to directors does not include employee salaries for directors who are concurrently employees.
3. The annual limit for director compensation was set at 1,200 million yen by resolution of the 2007 Annual General Meeting of Shareholders convened on June 27, 2007. This does not include employee salaries.
4. The annual compensation limit for Audit & Supervisory Board members was set at 150 million yen by resolution of the 2004 Annual General Meeting of Shareholders convened on June 25, 2004.

e. Matters regarding Outside Directors and Outside Members of Audit & Supervisory Board

- i. Significant concurrent positions of other organizations and the Company's relation thereto
As described in “(2) Company Executives, a. Directors and Audit & Supervisory Board Members (as of March 31, 2016)” on page 29.
- ii. Major activities in the business year under review

Name / Position	Attendance	Principal activities
Mitsudo Urano Outside Director	Board of Directors Meetings Present at 15 of the 15 meetings	As necessary, provided advice with high insight based on his wide knowledge and abundant managerial experience.
Noritaka Uji Outside Director	Board of Directors Meetings Present at 15 of the 15 meetings	As necessary, provided advice with high insight based on his wide knowledge as a corporate manager and thorough expertise in technology development.
Nobuo Seki *1 Outside Director	Board of Directors Meetings Present at 10 of the 11 meetings	As necessary, provided advice based on his wide knowledge as a corporate manager and thorough expertise in the control of energy-related facilities.
Hideto Masaki Outside Member, Audit & Supervisory Board	Board of Directors Meetings Present at 15 of the 15 meetings Audit & Supervisory Board meetings Present at 21 of the 21 meetings	As necessary, provided advice with high insight based on abundant managerial experience and ability to evaluate corporate value.
Zenichi Shishido Outside Member, Audit & Supervisory Board	Board of Directors Meetings Present at 15 of the 15 meetings Audit & Supervisory Board meetings Present at 21 of the 21 meetings	As necessary, provided advice based on experience in a wide range of research activities as an expert in business law and corporate governance.
Izumi Yamashita Outside Member, Audit & Supervisory Board	Board of Directors Meetings Present at 14 of the 15 meetings Audit & Supervisory Board meetings Present at 20 of the 21 meetings	As necessary, provided advice with high insight based on abundant managerial experience in a wide range of business activities.

- *1 For Outside Director Nobuo Seki, we have described his attendance of the Board of Directors meetings convened since he assumed the position on June 24, 2015.

(3) Accounting Auditor

a. Designation: Deloitte Touche Tohmatsu LLC

b. Compensation Paid to Accounting Auditor

	Payment amounts
Compensation to the accounting auditor for the year under review	¥93 million
Total amount paid in cash and other financial asset profits to the accounting auditor by the Company and subsidiaries	¥143 million

- Notes: 1. In the audit contracts between the Company and its accounting auditor, the fees for audits conducted under the Companies Act and under the Financial Instruments and Exchange Law are not clearly differentiated. As they cannot be effectively separated, the amounts of compensation paid to the accounting auditor for the year under review show the total amounts.
2. Pursuant to Article 399, Paragraphs 1 and 2 of the Companies Act, the Audit & Supervisory Board has provided its consent regarding compensation paid to the accounting auditor upon having performed verification necessary with respect to determining appropriateness regarding matters such as content of the accounting auditor's audit plan, its performance of accounting audit duties, and the basis for estimating compensation paid for the audit.
3. All companies outside Japan that are principal subsidiaries of the Company are audited by accounting auditors other than the Company's accounting auditor.

c. Policy on Decision to Dismiss or Not Reappoint Accounting Auditor

In the event that any of the items set forth in Article 340, Paragraph 1 of the Companies Act apply to the accounting auditor, the Company's Audit & Supervisory Board shall dismiss the accounting auditor upon gaining unanimous consent of all Audit & Supervisory Board members.

Moreover, in the event that it has been deemed difficult for the accounting auditor to perform duties appropriately, the Company's Audit & Supervisory Board shall determine the content of a proposal for the dismissal or non-reappointment of the accounting auditor, and then the Company's Board of Directors shall accordingly submit such proposal to the General Meeting of Shareholders on the basis of the Audit & Supervisory Board's decision.

3. System for Assuring the Appropriateness of Company Operations, and Operational Status of the System

(1) System for Assuring the Appropriateness of Company Operations

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

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

a. System for Assuring Compliance of Directors 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

- As the unit responsible for risk management, the department in charge of internal audits identifies and analyzes risks of all Group companies, and makes recommendations on appropriate improvements. It also reports important matters to the Board of Directors and the Audit & Supervisory Board members.
- Crisis situations are to be responded to as set forth in the Group Policy for Crisis Management. As the head of the Crisis Management Office, the President controls the communication of information and issuance of instructions during times of crisis 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

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) Operational Status of the System for Assuring the Appropriateness of Company Operations

An overview is provided as follows on the operational status of the Yokogawa Group Internal Control System for the fiscal year under review, such that has been implemented on the basis of 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.

a. Formulation of the Yokogawa Corporate Governance Guidelines

- The Company has established the Yokogawa Corporate Governance Guidelines in November 2015, as a basic policy that will serve to institutionalize the Company's corporate governance efforts and lead to the continual enhancement of the corporate governance.

b. Evaluation of Board of Directors Conducted by External Organization

- An external organization has conducted an evaluation of the Board of Directors, which involved objectively analyzing and assessing the effectiveness of the Board of Directors with the aim of ensuring that duties of the Board of Directors are more appropriately and efficiently performed going forward.

c. Engagement in Compliance Activities

- The Company has been developing workplace-based systems for promoting compliance worldwide with the aims of creating a corporate culture where misconduct does not occur and systems that prevent unethical conduct. Campaigns geared to instilling awareness of compliance and causing such awareness to take hold have been carried out in Japan by compliance facilitators who also act as workplace advisors, and overseas by compliance managers. Moreover, the Company has been facilitating information sharing and also overseeing progress made with respect to compliance activities by having compliance coordinators of respective organizational units and representatives of compliance facilitators and compliance managers take part in Compliance Committee meetings held periodically.
- The Global Compliance Awareness Survey is administered on a yearly basis so that the Company can gain an understanding of circumstances surrounding efforts to instill awareness of compliance issues, and also to facilitate efforts to promote such initiatives. Results of the survey are made available and shared within the Group, and are also analyzed on the basis of individual workplaces and employment positions, and then put to use in formulating compliance measures in the subsequent fiscal year.
- The Company has been taking steps to bring about more extensive awareness and elevated consciousness of compliance issues, by implementing annual compliance training, e-learning support and other such initiatives directed at all Company employees as part of its awareness-building program.

d. Creation and Operation of Risk Management Systems

- Respective organizational units of the Yokogawa Group have been developing their risk management systems with the aim of gaining greater control over potential developments that could impede progress toward achieving business objectives. On the basis of risk management initiatives undertaken autonomously by respective organizational units, managers gain an exhaustive understanding of risks facing the Group in terms of both business activities and internal controls, and then address any such issues.

- As the unit responsible for risk management, the department in charge of internal audits compiles information on risks deemed significant in respective organizational units of the Yokogawa Group and evaluates the severity of such risks with respect to the extent of their potential adverse impact and the likelihood of any such risk materializing. When evaluating the potential effects of a risk, the Company considers the likely impact in financial and human terms, as well as with respect to society and the environment.
 - In fiscal year 2015, high-priority risks were identified from the perspective of their degree of severity, encompassing categories such as crisis management risk, information security risk, country risk and international taxation risk, and circumstances involving managing such risks were reported to management on a quarterly basis.
- e. **Audits Performed by Department in Charge of Internal Audits and Audit & Supervisory Board Members**
- In the course of performing quarterly audits, the department in charge of internal audits verifies that respective responsible sections of internal control systems clarify individual priority benchmarks, and then that stages of the plan-do-check-act (PDCA) cycle are being performed in step with circumstances prevailing with respect to achieving those benchmarks.
 - The Audit & Supervisory Board has been performing Audit & Supervisory Board member audits involving priority audit items for the period under review, on the basis of year-long activities that have been designated with respect to as “verifying progress achieved with key initiatives for realizing objectives of the Transformation 2017 mid-term business plan” and “measures for enhancing corporate governance.”

4. 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.

CONSOLIDATED BALANCE SHEETS

As of March 31, 2016

	Millions of yen
ASSETS	
Current assets	
Cash and deposits	65,306
Notes and accounts receivable-trade	136,933
Merchandise and finished goods	15,216
Work in process	8,113
Raw materials and supplies	10,389
Deferred tax assets	3,722
Other	15,649
Allowance for doubtful accounts	(2,316)
Total current assets	253,014
Non-current assets	
Property, plant and equipment	
Buildings and structures, net	48,603
Machinery, equipment and vehicles, net	6,934
Tools, furniture and fixtures, net	6,090
Land	16,295
Leased assets, net	431
Construction in progress	2,013
Total property, plant and equipment	80,368
Intangible assets	
Software	18,887
Goodwill	4,181
Other	5,543
Total Intangible assets	28,612
Investments and other assets	
Investment securities	42,718
Deferred tax assets	2,427
Other	5,828
Allowance for doubtful accounts	(197)
Total investments and other assets	50,777
Total non-current assets	159,757
Total assets	412,772

CONSOLIDATED BALANCE SHEETS

(continued)

	Millions of yen
LIABILITIES	
Current liabilities	
Notes and accounts payable-trade	34,566
Short-term loans payable	9,353
Accounts payable-other	10,939
Income taxes payable	4,204
Advances received	31,898
Provision for bonuses	16,947
Provision for loss on construction contracts	4,371
Other	21,318
Total current liabilities	133,599
Non-current liabilities	
Long-term loans payable	21,175
Deferred tax liabilities	3,947
Net defined benefit liability	4,090
Other	3,067
Total non-current liabilities	32,280
Total liabilities	165,879
NET ASSETS	
Shareholders' equity	
Capital stock	43,401
Capital surplus	54,473
Retained earnings	139,919
Treasury shares	(1,673)
Total shareholders' equity	236,120
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	9,803
Deferred gains or losses on hedges	(122)
Foreign currency translation adjustment	(3,942)
Remeasurements of defined benefit plans	(1,413)
Total accumulated other comprehensive income	4,323
Non-controlling interests	6,448
Total net assets	246,892
Total liabilities and net assets	412,772

CONSOLIDATED STATEMENTS OF INCOME

For the year ended March 31, 2016

		Millions of yen
Net sales		413,732
Cost of sales		236,943
Gross profit		176,789
Selling, general and administrative expenses		137,146
Operating income		39,642
Non-operating income		
Interest income	616	
Dividend income	1,729	
Share of profit of entities accounted for using equity method	687	
Miscellaneous income	785	3,819
Non-operating expenses		
Interest expenses	927	
Commission fee	469	
Foreign exchange losses	307	
Miscellaneous expenses	1,040	2,744
Ordinary income		40,717
Extraordinary income		
Gain on sale of non-current assets	817	
Gain on sale of investment securities	831	1,649
Extraordinary losses		
Loss on sale of non-current assets	17	
Loss on retirement of non-current assets	412	430
Profit before income taxes		41,936
Income taxes-current	9,428	
Income taxes-deferred	1,035	10,463
Profit		31,472
Profit attributable to non-controlling interests		1,311
Profit attributable to owners of parent		30,161

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2016

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	43,401	50,344	114,638	(11,019)	197,364
Changes of items during the period					
Dividends from surplus			(4,879)		(4,879)
Profit (loss) attributable to owners of parent			30,161		30,161
Purchase of treasury stock				(4)	(4)
Disposal of treasury stock		4,266		9,350	13,616
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(136)			(136)
Other			(0)		(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	4,129	25,280	9,345	38,755
Balance at the end of current period	43,401	54,473	139,919	(1,673)	236,120

Millions of yen

	Total other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Pension liability adjustment	Total other comprehensive income		
Balance at the beginning of current period	15,325	660	3,516	(1,323)	18,178	6,433	221,976
Changes of items during the period							
Dividends from surplus							(4,879)
Profit (loss) attributable to owners of parent							30,161
Purchase of treasury stock							(4)
Disposal of treasury stock							13,616
Change in treasury shares of parent arising from transactions with non-controlling shareholders							(136)
Other							(0)
Net changes of items other than shareholders' equity	(5,522)	(782)	(7,459)	(90)	(13,854)	15	(13,839)
Total changes of items during the period	(5,522)	(782)	(7,459)	(90)	(13,854)	15	24,916
Balance at the end of current period	9,803	(122)	(3,942)	(1,413)	4,323	6,448	246,892

NON-CONSOLIDATED BALANCE SHEETS

As of March 31, 2016

	Millions of yen
ASSETS	
Current assets	
Cash and deposits	15,946
Notes receivable-trade	333
Accounts receivable-trade	20,229
Merchandise and finished goods	860
Work in process	1,523
Raw materials and supplies	1,601
Prepaid expenses	1,278
Short-term loans receivable	25,647
Accounts receivable-other	7,838
Other	1,102
Allowance for doubtful accounts	(1)
Total current assets	76,360
Noncurrent assets	
Property, plant and equipment	
Buildings, net	26,790
Structures, net	906
Machinery and equipment, net	451
Tools, furniture and fixtures, net	2,763
Land	11,345
Construction in progress	534
Other	385
Total property, plant and equipment	43,177
Intangible assets	
Software	17,813
Software in progress	2,829
Leasehold right	672
Other	425
Total intangible assets	21,741
Investments and other assets	
Investment securities	34,610
Stocks of subsidiaries and affiliates	28,034
Investment in capital of subsidiaries and affiliates	17,498
Long-term loans receivable from subsidiaries and affiliates	4,430
Lease and guarantee deposits	165
Long-term financial assets	2,785
Other	579
Allowance for doubtful accounts	(4,495)
Total investments and other assets	83,608
Total noncurrent assets	148,526
Total assets	224,886

NON-CONSOLIDATED BALANCE SHEETS

(continued)

	Millions of yen
LIABILITIES	
Current liabilities	
Notes payable-trade	152
Accounts payable-trade	7,967
Short-term loans payable	4,847
Current portion of long-term loans payable	4,676
Accounts payable-other	9,022
Accrued expenses	1,717
Income taxes payable	293
Deposit received	272
Provision for bonuses	6,150
Other	1,841
Total current liabilities	36,940
Noncurrent liabilities	
Long-term loans payable	20,784
Long-term deferred tax liabilities	3,498
Other	997
Total noncurrent liabilities	25,279
Total liabilities	62,220
NET ASSETS	
Shareholders' equity	
Capital stock	43,401
Capital surplus	54,417
Legal capital surplus	36,350
Other capital surplus	18,066
Retained earnings	56,994
Other retained earnings	56,994
Reserve for advanced depreciation of noncurrent assets	1,295
Retained earnings brought forward	55,698
Treasury stock	(1,673)
Total shareholders' equity	153,138
Valuation and translation adjustments	
Valuation difference on available-for-sale securities	9,527
Total valuation and translation adjustments	9,527
Total net assets	162,666
Total liabilities, net assets	224,886

NON-CONSOLIDATED STATEMENTS OF INCOME

For the year ended March 31, 2016

Millions of yen		
Net sales		106,341
Cost of sales		53,518
Gross profit		52,822
Selling, general and administrative expenses		55,051
Operating loss		(2,228)
Non-operating income		
Dividend income	29,096	
Rent receivable	1,862	
Miscellaneous income	366	31,326
Non-operating expenses		
Interest expenses	778	
Rent payable	1,734	
Foreign exchange losses	699	
Miscellaneous expenses	867	4,081
Ordinary income		25,016
Extraordinary income		
Gain on sale of noncurrent assets	751	
Gain on sale of investment securities	750	
Gain on sale of subsidiaries and affiliate's stock	232	1,734
Extraordinary losses		
Loss on sale of noncurrent assets	5	
Loss on retirement of noncurrent assets	340	345
Profit before income taxes		26,450
Income taxes-current	(81)	
Income taxes-deferred	(45)	(126)
Profit		26,531

NON- CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2016

Millions of yen

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings reserve		Total retained earnings
					Reserve for advanced depreciation of noncurrent assets	Retained earnings brought forward	
Balance at the beginning of current period	43,401	36,350	13,800	50,151	1,292	34,049	35,341
Changes of items during the period							
Dividends from surplus						(4,879)	(4,879)
Reversal of reserve for advanced depreciation of noncurrent assets					3	(3)	—
Profit (loss)						26,531	26,531
Purchase of treasury stock							
Disposal of treasury stock			4,266	4,266			
Net changes of items other than shareholders' equity							
Total changes of items during the period	—	—	4,266	4,266	3	21,648	21,652
Balance at the end of current period	43,401	36,350	18,066	54,417	1,295	55,698	56,994

Millions of yen

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	(11,019)	117,874	14,967	14,967	132,842
Changes of items during the period					
Dividends from surplus		(4,879)			(4,879)
Reversal of reserve for advanced depreciation of noncurrent assets					—
Profit (loss)		26,531			26,531
Purchase of treasury stock	(4)	(4)			(4)
Disposal of treasury stock	9,350	13,616			13,616
Net changes of items other than shareholders' equity			(5,439)	(5,439)	(5,439)
Total changes of items during the period	9,345	35,263	(5,439)	(5,439)	29,824
Balance at the end of current period	(1,673)	153,138	9,527	9,527	162,666

Instructions for Internet Voting

I. Conditions regarding Internet Voting

1. Conditions regarding Internet Voting

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

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

- (2) The deadline for voting is 5:00 p.m. on Wednesday, June 22, 2016, Japan time. You need to complete your vote by that time. Please vote ahead of time.
- (3) If you vote both by mail and via the Internet, the vote via the Internet shall prevail. In the case of multiple voting via the Internet, the last one shall prevail.
- (4) Your password (including the one you changed) will be valid for this General Meeting only. A new password will be issued for the next General Meeting.
- (5) The Company is not responsible for any expenses related to Shareholders' Internet access.

(Notes)

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

2. Inquiries

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

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

II. Electronic Voting Platform

Regarding the exercise of voting rights at the Company's General Meeting of Shareholders, nominee shareholders such as trust and custody banks (including standing proxies) may, as an alternative to the Internet voting described above, use the electronic voting rights execution platform established by the Tokyo Stock Exchange and organized by the Investor Communications Japan (ICJ) Inc., provided that application for the use of this electronic voting platform is made in advance.