

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

Corporate Governance Report

Last Update: November 5, 2019

Yokogawa Electric Corporation

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Securities Code: 6841

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

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

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

1. Basic Views

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

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

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

https://www.yokogawa.com/pr/pdf/cg_guidelines-en.pdf

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

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

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

[Principle 1.4]

The Group shall strategically hold shares, provided such shares are determined to contribute to maintaining and increasing corporate value. With respect to all cross-holding shares, the Board of Directors shall uphold a policy of keeping the minimum necessary amount of cross-holding shares and decide every year if it is suitable to hold the shares by examining the purpose and economic rationale, etc. of individual shares from a medium- to long-term perspective. Any strategically held share that is deemed as no longer suitable to hold as a result of the examination shall be sold with the attempt of reducing shares held. In the examination, the shares held are classified into the following three categories, and it is determined whether holding is suitable, with transaction status, share price and dividends, and capital costs deemed as KPIs.

- a. Business partners (for the purpose of maintaining and strengthening business transaction and partner relationships)
- b. Financial institutions (for the purpose of attempting to conduct financial transactions smoothly)
- c. Others (those which do not fall under the above categories)

Specifically, it is assessed and determined for each share held through the process of a. to d. below whether holding is suitable.

- a. Examination based on quantitative assessment of share price (market value, cost and carrying amount after impairment)
- b. Examination based on quantitative assessment with ROIC, which is calculated on the basis of each of market value and cost, compared with the share price assessed in a.
(In the calculation of ROIC, after-tax gross income from sales and dividend income are used.)
- c. Examination based on qualitative assessment of purpose of holding, transaction results, estimate for future transactions, and other factors for each share held.
- d. The assessments through the examinations in a. to c. are taken into account comprehensively from perspectives of medium- to long-term economic value, business expansion and strengthening of relationships, and others.

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

Particularly in the following cases, the Company shall exercise the voting rights based on careful examination on whether or not to exercise the voting rights:

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

[Principle 1.7]

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

[Principle 2.6]

Corporate pensions of the Company and major group subsidiaries in Japan are defined-contribution pensions. The financial condition shall never be affected by future performance of management of the pensions.

The Company regularly monitors the institutions of corporate pension management with the aim of assisting stable asset building of the employees.

[Principle 3.1]

(i) The Company has disclosed its corporate goals as the corporate philosophy. The management strategy and business plan are disclosed on the Yokogawa Report, its website and others when they are formulated. The current management strategy and business plan have been disclosed as "Transformation 2020," a mid-term business plan.

The Yokogawa Philosophy:

"As a group, our goal is to contribute to society through broad-ranging activities in the areas of measurement, control and information. Individually, we aim to combine good citizenship with the courage to innovate."

Transformation 2020, a Mid-term Business Plan:

<https://www.yokogawa.com/about/company-overview/corporate-strategy/>

Yokogawa Report:

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

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

(iii) The Company positions its executive compensation plan as an important item in corporate governance, and to increase the objectivity and transparency of Director compensation, has formed a Compensation Advisory Committee, which comprises three or more Directors, based on the resolution of the Board of Directors, with the majority being Outside Directors. This committee deliberates the plans for Director compensation, and reports the result to the Board of Directors as well as decides the amount of individual payments within the limit approved by the General Meeting of Shareholders. The Board of Directors also respects this report upon determining the plan. Audit & Supervisory Board Member compensation is also determined through discussions among Audit & Supervisory Board Members within the limit approved by the General Meeting of Shareholders.

Basic Policy of the Executive Compensation Plan

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

The compensation for Directors and officers of the Company is composed of fixed and performance-linked components (annual incentives and medium- to long-term incentives), and levels of compensation are set through a comparison with companies from the same industry and of the same scale as well as in consideration of the Company's financial conditions. Part of the performance-linked compensation, the annual incentive, is calculated and paid based on an evaluation of the entire company's results and the individual's results for the individual year. Furthermore, with regard to the medium- to long-term incentives, at the 142nd Annual General Meeting of Shareholders convened on June 26, 2018, the Company introduced the performance share unit plan (the "PSU Plan"), a performance-linked stock compensation plan, under which payment of the Company's shares and cash is made in accordance with the extent to which the Company's consolidated return on equity (consolidated ROE) target and other targets have been achieved in the final fiscal year of the period covered by the mid-term business plan. The current period covered by the PSU Plan is the period covered by "Transformation 2020" ("TF2020"), a three-year mid-term business plan for fiscal year 2018 through fiscal year 2020.

Furthermore, the performance-linked compensation covers Directors and Non-Director officers and excludes Outside Directors. This is because variable compensation such as performance-linked compensation is not appropriate for Outside Directors and Audit & Supervisory Board Members, who maintain a position independent from the performance of duties, and as such only fixed compensation is paid, identically for non-executive Directors. Additionally, the retirement bonuses for directors were eliminated on the day of the 2004 Annual General Meeting of Shareholders held on June 25, 2004.

(iv) Policy and procedure for appointment and dismissal of Directors, Audit & Supervisory Board Members and officers are as follows:

Policy for nomination of Director and Audit & Supervisory Board Member candidates, and appointment of officers

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

Procedure for nomination of Director and Audit & Supervisory Board Member candidates, and appointment of officers

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

Matters with respect to nomination of Director candidates and appointment of officers are resolved by the Board of Directors on the basis of recommendation from the Nomination Advisory Committee prepared through deliberations made in accordance with the prescribed standard and procedure for new appointment or reappointment. Matters with respect to nomination of Audit & Supervisory Board Member candidates are resolved by the Board of Directors on the basis of recommendation from the Nomination Advisory Committee prepared through deliberations made in accordance with the prescribed standard and procedure for new appointment and reappointment, upon having gained the consent of the Audit & Supervisory Board.

Policy and procedure for dismissal of Directors and Audit & Supervisory Board Members

The Nomination Advisory Committee has prescribed the standard and procedure for dismissal of Directors and Audit & Supervisory Board Members. In reference to the deliberation and recommendation from the Nomination Advisory Committee based on the dismissal standard and procedure, the Board of Directors deliberates proposals of dismissal of the Directors and Audit & Supervisory Board Members.

Policies and procedures for evaluation, new appointment, reappointment, and dismissal of President and Chief Executive Officer

The Nomination Advisory Committee has also prescribed the standard and procedure for new appointment, reappointment, and dismissal of President and Chief Executive Officer. The evaluation of President and Chief Executive Officer is conducted every year and takes into account basic evaluation criteria that have a quantitative aspect including business performance. The Nomination Advisory Committee ensures objectivity, timeliness, and transparency of processes by recommendations on new appointment, reappointment and dismissal presented to the Board of Directors following deliberation based on the prescribed standard and procedure for new appointment, reappointment, and dismissal in reference to evaluation results and succession plan.

Policy and procedure for dismissal of officers

Dismissal of officers is also resolved by the Board of Directors based on the Nomination Advisory Committee's recommendation and in reference to the prescribed standard and procedure.

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

Explanation of reasons for election of Directors

Takashi Nishijima Chairman

Mr. Takashi Nishijima properly supervises management as a Director. He has been responsible for the management of the Company as President and Chief Operating Officer since 2013 and as Chairman since April 2019 after being engaged in product planning and development in the Company's industrial automation and control business and department management and serving as President of a subsidiary in the test and measurement business, and has abundant experience and track records as a corporate manager. Because he is expected to continuously contribute to improvement of corporate value and strengthening of the decision-making function and the management supervision function of the Board of Directors by utilizing his experience in management and track records, he has been elected as Director.

Hitoshi Nara President and Chief Executive Officer

Mr. Hitoshi Nara properly supervises management as a Director. He has spearheaded the execution of business as President and Chief Executive Officer since April 2019 after being engaged in operations for the sales department of the Company's industrial automation and control business, serving as President of domestic and overseas subsidiaries and working on the launch of new business, and has abundant experience and track records as a corporate manager. Because he is expected to continuously contribute to improvement of corporate value and strengthening of the decision-making function and the management supervision function of the Board of Directors by utilizing his experience in management and track records, he has been elected as Director.

Junichi Anabuki Director and Executive Vice President

Mr. Junichi Anabuki properly supervises management as a Director. He possesses many years of operational experience in the Company's accounting and treasury department, currently demonstrates his high ability and expertise in accounting & finance and corporate Administration as Head of Corporate Administration Headquarters, and has abundant experience and track records. Because he is expected to continuously contribute to improvement of corporate value and strengthening of the decision-making function and the management supervision function of the Board of Directors by utilizing his experience and wide knowledge, he has been elected as Director.

Dai Yu Director and Senior Vice President

Mr. Dai Yu joined a subsidiary of the Company in 2015 after being engaged in administrative operations for plant construction projects and corporate management at several global companies in petroleum and chemical industries, then became the general manager of subsidiary in the ASEAN and Pacific region, currently leads the solution business, one of core businesses in the industrial automation and control business, and has abundant experience and track records. Because he is expected to contribute to improvement of corporate value and strengthening of the decision-making function and the management supervision function of the Board of Directors by utilizing his wide experience and knowledge, he has been elected as Director.

Explanation of reasons for election of Audit & Supervisory Board Members

Koichi Chujo Audit & Supervisory Board, Standing Member

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

Kouji Maemura Audit & Supervisory Board, Standing Member

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

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

[Supplementary Principle 4.1.1]

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

[Principle 4.9]

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

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

[Supplementary Principle 4.11.1]

The Board of Directors shall be comprised so as to be well balanced in knowledge, experience, and capabilities to effectively fulfill its roles and responsibilities, and it shall be constituted in such a manner as to achieve both diversity and appropriate size.

With respect to the diversity of the Board of Directors as a whole, the Nomination Advisory Committee regularly holds discussions from the viewpoint of enhancing corporate governance and sets down experience, knowledge, attitude, etc. expected of next Directors.

At the Board of Directors, deliberation is held on the makeup of the Board of Directors, including the organizational design and scale, as well as the required knowledge, experience, and capabilities, etc. of the Directors and Audit & Supervisory Board Members, and upon realizing the effective discussion, it has been confirmed that current Board of Directors has the appropriate scale, and that its diversity is being considered. The year before last, one woman was appointed as an independent Outside Audit & Supervisory Board Member, and furthermore, one foreign national was appointed as a Director in the current fiscal year, as we also have continued to secure diversity from standpoints including gender and nationality.

[Supplementary Principle 4.11.2]

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

[Supplementary Principle 4.11.3]

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

[Status of Response to Issues Identified in Fiscal Year 2017]

In fiscal year 2017, since setting agendas that need to be deliberated from the viewpoint of Outside Directors contributes to an increase in objectivity and transparency and further improvement in corporate governance in the oversight of business execution, implementation of prior deliberation to set the agenda for Board of Directors meetings was identified as an issue. In fiscal year 2018, based on this agenda setting practice, deliberations were conducted with progress of the entire Company’s and each department’s measures toward transformation in Transformation2020, a mid-term management plan, structure of selling, general and administrative expenses of the Company, and others set as agendas. In addition, deliberations were also conducted on management issues identified at the outside officers’ meeting in 2018, which were set as an agenda. The cycle in which contents of deliberations at Board of Directors meetings are feed back to the executive side and the Board of Directors confirms the progress has been implemented.

[Method of Conducting the Evaluation of the Board of Directors in Fiscal Year 2018]

In fiscal year 2018, because three years passed from the last implementation of the evaluation of the Board of Directors using third-party organizations, the evaluation of the Board of directors was conducted under the support of J-Eurus IR, a third-party organization, to maintain objectivity of the evaluation.

In the evaluation, the said company sat in on Board of Directors meetings and inspected the minutes, and then interviewed the Chairman of the Board of Directors. After that, the said company carried out a questionnaire survey of all Directors and Audit & Supervisory Board Members and interviewed all Directors and Audit & Supervisory Board Members based on results of the survey, and then analyzed the current status of the Board of Directors, summed up the findings and reported them to the Board of Directors. The Board of Directors went through the process of discussing the evaluation results, detection of issues and action plans in light of these findings.

[Summary of the Fiscal Year 2018 Board of Directors Evaluation Results]

The summary of results of the evaluation using the third-party organization is as follows:

- A high evaluation regarding composition and general operation of the Board of Directors was received.
- Discussions that drive transformation and encourage sound risk-taking have been held. Going forward, the Board of Directors is expected to conduct discussions more focused on important points by narrowing agendas and other means.
- Outside Directors’ statements from the viewpoint of management and the external viewpoint have largely contributed to discussions. Qualifications and composition of members have been highly praised, and such high-level qualifications and composition are expected to be maintained.

As a result of discussing results of the fiscal year 2018 evaluation after confirming, based on the status of response to issues identified in fiscal year 2017, that the Board of Directors has continued to strive to improve its effectiveness, we confirmed that the Board of Directors functions effectively.

[Future Efforts for Improvement]

As a result of discussing a future improvement plan with the fiscal year 2018 Board of Directors evaluation results and discussions at the outside officers’ meeting also taken into account, we have decided to implement prior deliberations to set the agenda for Board of Directors meetings as well as to continue to set reporting on progress of measures toward transformation in Transformation 2020, a mid-term business plan, and oversee it at the Board of Directors in fiscal year 2019. Furthermore, we are also working to make effective use of time for deliberations to focus on discussions about important points, and improve the quality of discussions. In addition, to maintain the high-level qualifications and compositions of

Outside Directors as well as Outside Audit & Supervisory Board Members, the Nomination Advisory Committee is also making efforts to deepen discussions on the process of electing replacements for Outside Directors and Outside Audit & Supervisory Board Members.

Going forward, we will continue to conduct an evaluation of the current status of the Board of Directors annually and strive to improve effectiveness of the Board of Directors.

[Supplementary Principle 4.14.2]

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

(i) When Directors and Audit & Supervisory Board Members newly assume their positions, lectures and training by experts in laws and corporate governance shall be provided, and during their tenures training with respect to amendments to laws and management issues shall be provided on an ongoing basis.

(ii) In addition to the above, when independent Outside Directors and independent Outside Audit & Supervisory Board Members newly assume their positions, the Company shall provide them with briefings about the Company's businesses and conduct tours of key business sites and other locations.

(iii) Each year, the Board of Directors shall interview the persons responsible for each business concerning business strategies, progress in carrying out such strategies, and other matters.

(iv) The Company shall provide independent Outside Directors and independent Outside Audit & Supervisory Board Members with necessary information about the Company's business issues and other matters in a timely and proper manner.

[Principle 5.1]

Basic Views

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

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

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

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

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

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

2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Master Trust Bank of Japan Limited (trust account)	40,657,900	15.23
Japan Trustee Services Bank, Limited (trust account)	16,843,900	6.31
The Dai-ichi Life Insurance Company, Limited	15,697,000	5.88
Nippon Life Insurance Company	13,484,615	5.05
Retirement Benefit Trust in Mizuho Trust & Banking Co., Ltd. (Mizuho Bank, Ltd. account); Trust & Custody Services Bank, Ltd. as a Trustee of Reitrust	11,261,000	4.22
Japan Trustee Services Bank, Limited (trust account ⁹)	9,888,400	3.70
State Street Bank and Trust Company 505223	6,633,329	2.49
Yokogawa Electric Employee Shareholding Program	5,517,275	2.07
Japan Trustee Services Bank, Limited (trust account ⁷)	4,540,300	1.70
JP Morgan Chase Bank 385151	3,927,974	1.47

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

Supplementary Explanation

1. The Company holds 1,690 thousand shares of treasury stock (Percentage of the number of shares owned in the number of issued shares: 0.63%). The shareholding ratio is calculated after deducting treasury stock.			
2. Reports of possession of large volume or change reports to reports of possession of large volume were submitted as follows. However, since the Company cannot confirm the actual ownership as of the end of the fiscal year under review, the following shareholders are not included in the above status of major shareholders.			
[Name or Company Name]	[Date on which the reporting obligation arose]	[Number of Shares Owned (thousand shares)]	[Percentage (%)]
(1) Mizuho Bank, Ltd. and other two (2) companies,	October 14, 2016,	23,131	8.61
(2) FIL Investments (Japan) Limited,	February 15, 2018,	14,189	5.28
(3) Four (4) companies of Mitsubishi UFJ Financial Group,	April 9, 2018,	13,877	5.17
(4) BlackRock Japan Co., Ltd. and other seven (7) companies,	April 30, 2018,	16,870	6.28
(5) Nomura Asset Management Co., Ltd.,	December 31, 2018,	15,603	5.81
(6) Invesco Asset Management (Japan) Limited and other two (2) companies,	May 31, 2019,	19,016	7.08
(7) Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other company,	August 15, 2019,	16,537	6.16

3. Corporate Attributes

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

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

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

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

1. Organizational Composition and Operation

Organization Form	Company with <i>Kansayaku</i> Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Outside Director
Number of Directors	8
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Noritaka Uji	From another company									△			

Nobuo Seki	From another company								△			
Shiro Sugata	From another company								△			
Akira Uchida	From another company								△			

- * Categories for “Relationship with the Company”
- * ”○” when the director presently falls or has recently fallen under the category;
“△” when the director fell under the category in the past
- * “●” when a close relative of the director presently falls or has recently fallen under the category;
“▲” when a close relative of the director fell under the category in the past

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

Outside Directors’ Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Noritaka Uji	○	<p>[Concurrent Positions] Outside Director of DAIICHI SANKYO COMPANY, LIMITED Outside Director of Gallery Abarth Inc. Honorary chairman of Japan Institute of Information Technology Honorary chairman of Japan Teletwork Association</p> <p>While there are transactions between the Group and Nippon Telegraph and Telephone Corporation for which Mr. Noritaka Uji served as Senior Executive Vice President, sales to this company in fiscal year 2018 is less than 1% of annual consolidated sales of the Group, and the amount paid</p>	<p>Mr. Noritaka Uji properly supervises management acting as an outside director. He was appointed as an Outside Director so that he can contribute to greater operational fairness, objectivity, and transparency with respect to supervising management of the Company based on his wide knowledge as a corporate manager, as well as his abundant experience and expertise in technology development and IT/ICT fields. In addition, he was nominated as an independent officer because he meets the requirements of an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange and the Company’s Independence Standards.</p>

		to this company in the fiscal year is less than 1% of annual consolidated sales of the Group.	
Nobuo Seki	○	<p>[Concurrent Positions] Outside Director of KAMEDA SEIKA CO., LTD.</p> <p>While there are transactions between the Group and Chiyoda Corporation for which Mr. Nobuo Seki served as President and CEO, sales to this company in fiscal year 2018 is less than 1% of annual consolidated sales of the Group.</p>	Mr. Nobuo Seki properly supervises management acting as an outside director. He was appointed as an Outside Director so that he can contribute to greater operational fairness, objectivity, and transparency with respect to supervising management of the Company based on his wide knowledge as a corporate manager, as well as his abundant experience and extensive global business expertise in the engineering business centered on the energy industry. In addition, he was nominated as an independent officer because he meets the requirements of an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange and the Company's Independence Standards.
Shiro Sugata	○	<p>[Concurrent Positions] Special Corporate Advisor, USHIO INC. Outside Director of JSR Corporation Outside Director of YAMATO HOLDINGS CO., LTD.</p> <p>While there are transactions between the Group and USHIO INC. for which Mr. Shiro Sugata served as President and CEO, the amount paid to this company in fiscal year 2018 is less than 1% of annual consolidated sales of the Group.</p>	Mr. Shiro Sugata properly supervises management acting as an outside director. He was appointed as an Outside Director so that he can contribute to greater operational fairness, objectivity, and transparency with respect to supervising the management of the Company based on his wide knowledge as a corporate manager, as well as his abundant experience and extensive global business expertise in the development and marketing of industrial instruments. In addition, he was nominated as an independent officer because he meets the requirements of an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange and the Company's Independence Standards.
Akira Uchida	○	<p>[Concurrent Positions] Outside Director, J. FRONT RETAILING Co., Ltd. Auditor, Suga Weathering Technology Foundation</p> <p>While there are transactions between the Group and Toray Industries, Inc. for which Mr. Akira Uchida served as Director, sales to this company in fiscal year 2018 is less than 1% of annual consolidated sales of the Group.</p>	Mr. Akira Uchida has abundant experience as a corporate manager in a global company in the material field. He was appointed as an Outside Director so that he can contribute to greater operational fairness, objectivity, and transparency with respect to supervision of management of the Company based on his wide knowledge as a corporate manager and wide experience in the corporate administration field centered on the Finance and Controller's Division. In addition, he was nominated as an independent officer because he meets the requirements of an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange and the Company's Independence Standards.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

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

Supplementary Explanation

< Nomination Advisory Committee and Compensation Advisory Committee >

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

With respect to subjects such as nomination of director candidates and audit & supervisory board member candidates, evaluation, appointment and dismissal of representative director and president, appointment and dismissal of officers, proposals for dismissal of directors and audit & supervisory board members, and qualities (aptitude, track record, etc.) sought after in directors, audit & supervisory board members and officers, the Nomination Advisory Committee shall provide recommendation to the Board of Directors following deliberations made in accordance with the standard and procedure prescribed to ensure optimal placement for the Group's sustainable growth and corporate governance from the perspective of all stakeholders.

The Nomination Advisory Committee shall be comprised of three or more Directors and a majority of members shall be independent Outside Directors. Currently, there are six members, comprising the Chairman, President and Chief Executive Officer, and four independent Outside Directors, and the role of chairperson is performed by the Chairman, Takashi Nishijima. The Nomination Advisory Committee makes decisions on items set forth below.

- (1) Details of the agenda item to be discussed at a meeting of the Board of Directors concerning the appointment of officers or dismissal of officers or the Representative Director
- (2) Establishment, amendment or abolition of necessary basic policies, regulations, procedures, etc. to enable a decision by the committee regarding a matter stated in item (1).
- (3) Other matters that the committee recognizes as important in relation to the appointment of candidates, dismissal of officers or removal of the Representative Director stated in item (1).

The Compensation Advisory Committee makes decisions on the items set forth below in order to ensure that the compensation system and compensation for Directors and Executive Officers promotes the appropriate challenging attitude toward the Group's growth, enables hiring and retention of excellent human talent, and fosters a perspective that is held in common with all stakeholders.

- (1) Policy in relation to decisions concerning the details of compensation, etc. for directors and executive officers
- (2) Details of compensation, etc. for each director and executive officer, individually
- (3) Establishment, amendment or abolition of necessary basic policies, regulations, procedures, etc. to enable a decision by the

committee regarding a matter stated in item (2).

(4) Other matters that the committee recognizes as important in relation to compensation, etc. pertaining to item (1) or item (2).

The Compensation Advisory Committee shall be comprised of three or more Directors and a majority of members shall be independent Outside Directors. Currently, there are six members, comprising the Chairman, President and Chief Executive Officer, and four independent Outside Directors, and the role of chairperson is performed by Outside Director and Chairman of the Board of Directors, Noritaka Uji.

[Kansayaku]

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

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

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

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

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

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

* Categories for "Relationship with the Company"

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

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

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

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

a. Executive of the Company or its subsidiary

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

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

d. *Kansayaku* of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

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

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

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

Name	Designation as Independent <i>Kansayaku</i>	Supplementary Explanation of the Relationship	Reasons of Appointment
Zenichi Shishido	○	[Concurrent Positions] Professor in Graduate School of Law, Hitotsubashi University Lawyer at Zenichi Shishido Law Firm Outside Director, Tokyo Financial Exchange Inc.	Mr. Zenichi Shishido was appointed as an outside member of the Audit & Supervisory Board so that he can contribute to the Company's audits as an expert in business law and corporate governance with his high insight based on experience in a wide range of research activities. In addition, he was nominated as an independent officer because he meets the requirements of an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange and the Company's Independence Standards.
Yasuko Takayama	○	[Concurrent Positions] Outside Director, The Chiba Bank, Ltd. Outside Audit & Supervisory Board Member, Mitsubishi Corporation Outside Director, Cosmo Energy Holdings Co., Ltd.	Ms. Yasuko Takayama has been working for a major company in the consumer market where she has gained extensive practical experience that includes handling corporate social responsibility, as well as experience acting as a full-time audit and supervisory board member, and also has a wealth of experience acting as an outside executive at various companies. Accordingly, she was appointed as an outside Audit & Supervisory Board member because we consider it appropriate to reflect such experience in audits of the Company. In addition, she was nominated as an independent officer because she meets the requirements of an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange and the Company's Independence Standards.
Makoto Ohsawa	○	[Concurrent Positions] Chief Executive Officer, FEMO Co., Ltd. Outside Director, ZENHOREN CO., LTD. Outside Director, Bank of Toyama	Mr. Makoto Ohsawa has wide knowledge based on his perspective as an experienced corporate manager and his extensive range of business activities in the economic circles. Accordingly, he was appointed as an outside Audit & Supervisory Board member to reflect such experience in audits of the Company and to further strengthen corporate governance. In

			addition, he was nominated as an independent officer because he meets the requirements of an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange and the Company's Independence Standards.
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[Independent Directors/*Kansayaku*]

Number of Independent Directors/ <i>Kansayaku</i>	7
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Matters relating to Independent Directors/*Kansayaku*

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

The Company's Independence Standards

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

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

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

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

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

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

Note 4: The Group's accounting auditor or an employee or partner of the Group's auditing firm, or a person who was served

in such a capacity within the past three years (including those who have already retired).
 Note 5: A partner, associate, or employee of that firm.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration
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Supplementary Explanation

Compensation for the Company's Directors and Audit & Supervisory Board Members is composed of base compensation, which is fixed component, and performance-linked component (annual incentives and medium- to long-term incentives), and levels of compensation are set through a comparison with companies from the same industry and of the same scale as well as in consideration of the Company's financial conditions.

The Company's basic approach to the executive compensation plan is as follows.

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

1. The ratio of performance-linked compensation in total compensation is higher.
2. The ratio of performance-linked compensation in total compensation is higher the higher the seniority of the Director, with the President and Chief Executive Officer's ratio of performance-based compensation exceeding 50%.
3. The ratio for the share compensation in total compensation is higher than the average level for companies from the same industry and of the same scale.

1 Annual Incentive

Part of the performance-linked compensation, the annual incentive, is calculated and paid based on an evaluation of the entire company's results and the individual's results for the individual year. As 100% at the time of achievement of performance objectives, the amount paid is designed to vary in the range of 0% to 200%.

Based on the idea that performance objectives that lead to an evaluation of the entire company's results for the individual year in the annual incentive are significant indicators for the Group to measure sustained growth, the performance objectives have been set for "consolidated sales" and "consolidated return on sales (ROS)."

Performance objectives and results in the fiscal year ended March 31, 2018, one of determinant factors for performance-linked compensation, are as follows:

	[Performance objectives set for the fiscal year ended Mach 31, 2018]	[Results in the fiscal year ended March 31, 2018]
Consolidated sales	¥400 billion	¥406.6 billion
Consolidated return on sales	9.0%	8.0%

* At the time of achievement for the business performance targets, the ratio of the base compensation and the annual incentive is designed to be 1:0.5 on average, though the ratio varies according to the position. This ratio may vary in the range of 1:0 to 1:1, depending on the extent to which performance objectives are achieved.

2 Mid- to Long-Term Incentive

With regard to medium- to long-term incentives, part of the performance-linked compensation, at the 142nd Annual General Meeting of Shareholders convened on June 26, 2018, the Company introduced the performance share unit plan (the "PSU Plan"), a performance-linked stock compensation plan, under which payment of the Company's shares and cash is made in accordance with the extent to which the Company's consolidated return on equity (consolidated ROE) target and other targets have been achieved in the final fiscal year of the period covered by the mid-term business plan. The current period covered by the PSU Plan is the period covered by "Transformation 2020" ("TF2020"), a three-year mid-term business plan for fiscal year 2018 through fiscal year 2020.

After the end of the period of TF2020, on the premise of performance objectives and other requirements established beforehand by the Company's Board of Directors in TF2020, the Company will decide on the amount of compensation based on the medium- to long-term incentives for each respective Directors and officers who are eligible for the payment calculated by multiplying base amounts of stock compensation determined for each position of the eligible Directors and officers by coefficients established beforehand by the Company's Board of Directors in accordance with the conditions for achievement of performance objectives (the "Payment Rate"), and deliver Company shares equivalent to the value for the amount corresponding to 60% of the compensation amount and pay cash equivalent to the value for the amount corresponding to 40%. The Payment Rate is as follows and designed to vary in the range of 0% to 100% in accordance with the extent to which performance objectives are achieved.

In addition, the amount of medium- to long-term incentives paid is designed so that 0.5 medium- to long-term incentive is added to 1 base amount compensation in principle when the Payment Rate is 100%.

Actual ROE	Payment Rate
Less than 8%	0%
From 8% to less than 11%	$(\text{Actual ROE} \times 100 - 8) / 3 \times 25\%$
From 11% to less than 14%	$(50 + (\text{Actual ROE} \times 100 - 11) / 3 \times 50)\%$
14% or higher	100%

The Company considers that performance objectives in medium- to long-term incentives are based on the linkage with the mid-term business plan. Among several business objectives set in TF2020, the Company has currently chosen “return on equity (ROE),” an indicator showing efficiency of management, for the performance objective based on the idea that it is a significant indicator in an increase in both corporate value and shareholder value.

As aforementioned, the PSU Plan are made generally upon conclusion of a target period, largely in accordance with the conditions for achievement of performance objectives. Accordingly, at this point in time, which is during the period of TF2020, the Company will not determine whether or not to deliver the Company’s shares or make payment of cash, nor will the Company determine the number of the Company’s shares to deliver or the amount of cash to pay in the event of any delivery or payment thereof.

Furthermore, under the PSU Plan, the Company has established clawback provisions enabling it to demand uncompensated refund of all or part of compensation paid as the compensation amount pertaining to the PSU Plan, if a situation arises involving substantial amounting improprieties or significant losses.

* In the fiscal year of payment of the medium- to long-term incentives, the ratio of the base compensation to the annual incentive and the medium- to long-term incentives in the event of achievement of respective performance objectives for those incentives is designed to be 1:0.5:0.5 on average, though the ratio varies according to the position. This ratio may vary in the range of 1:0:0 to 1:1:0.5, depending on the extent to which respective performance objectives for the annual incentive and the medium- to long-term incentives are achieved.

Recipients of Stock Options	-
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Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors’ Remuneration	No Individual Disclosure
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Supplementary Explanation

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

(i) Method for determining executive compensation and others
 The Company positions its executive compensation plan as an important item in corporate governance, and to increase the objectivity and transparency of Director compensation, has formed a Compensation Advisory Committee, which comprises three or more Directors, based on the resolution of the Board of Directors, with the majority being Outside Directors. This

committee deliberates the plans for Director compensation, and reports the result to the Board of Directors as well as decides the amount of individual payments within the limit approved by the General Meeting of Shareholders (*1). The Board of Directors also respects this report upon determining the plan. Audit & Supervisory Board Member compensation is also determined through discussions among Audit & Supervisory Board Members within the limit approved by the General Meeting of Shareholders (*2).

(*1) The annual limit for Director compensation was set at 1,600 million yen by resolution of the 2018 Annual General Meeting of Shareholders convened on June 26, 2018. This does not include employee salaries. The number of the Company's Directors is no more than 15 in accordance with the provision of the Articles of Incorporation.

(*2) 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. The number of the Company's Audit & Supervisory Board members is no more than 5 in accordance with the provision of the Articles of Incorporation.

(ii) Position, authority and activities of the Compensation Advisory Committee

The Compensation Advisory Committee makes decisions on the items set forth below in order to ensure that the compensation system and compensation for Directors and Executive Officers promotes the appropriate challenging attitude toward the Group's growth, enables hiring and retention of excellent human talent, and fosters a perspective that is held in common with all stakeholders.

- (1) Policy in relation to decisions concerning the details of compensation, etc. for directors and executive officers
- (2) Details of compensation, etc. for each director and executive officer, individually
- (3) Establishment, amendment or abolition of necessary basic policies, regulations, procedures, etc. to enable a decision by the committee regarding a matter stated in item (2).
- (4) Other matters that the committee recognizes as important in relation to compensation, etc. pertaining to item (1) or item (2).

The Compensation Advisory Committee is currently comprised of six (6) members, which consist of the Chairman, President and Chief Executive Officer, and four (4) Outside Directors, and is chaired by Mr. Noritaka Uji, the Outside Director and Chairman of the Board of Directors.

In the fiscal year ended March 31, 2019, the committee conducted a total of four (4) deliberations, examined appropriateness of performance indicators and formulas for the amounts of performance-linked compensation paid in July 2018 and July 2019 and of the total compensation amount in fiscal year 2019, confirmed the basic policy on executive compensation, and conducted other activities.

(iii) Approach to executive compensation

(1) Basic policy of the Executive Compensation Plan

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

(2) Composition of executive compensation

Compensation for the Company's Directors and officers is composed of (a) base compensation, which is fixed component, and (b) performance-linked component ((b)-1 annual incentives and (b)-2 medium- to long-term incentives), and levels of compensation are set through a comparison with companies from the same industry and of the same scale as well as in consideration of the Company's financial conditions.

The specific composition of compensation for executives and officers shall be as follows in accordance with the executive categories.

[Executive categories] : [(a)Basic compensation] : [(b) performance-linked compensation] : [Remarks]
: [(b)-1 Annual Incentive] : [(b)-2 Mid- to Long-Term Incentive] :

Directors (excluding Outside Directors and Non-executive Directors) : ○ : ○ : ○ : Executive compensation and employee salaries

Outside Directors and Non-executive Directors : ○ : — : — : Executive compensation

Audit & Supervisory Board Members : ○ : — : — : Executive compensation

Outside Audit & Supervisory Board Members : ○ : — : — : Executive compensation

Non-Director officers

: ○ : ○ : ○ : Employee salaries

(Note) The performance-linked compensation covers Directors and Non-Director officers and excludes Outside Directors. This is because variable compensation such as performance-linked compensation is not appropriate for Outside Directors and Audit & Supervisory Board Members, who maintain a position independent from the performance of duties, and as such only fixed compensation is paid, identically for non-executive Directors

(a) Base compensation

With regard to base compensation, the amount is determined in accordance with the role and position as Directors and officers and paid.

(b) Performance-linked compensation

Please refer to [Incentives].

The total amount of compensation and others paid to Directors and Audit & Supervisory Board Members in the fiscal year ended March 31, 2019 as follows:

[Total amount of compensation and others] [Base compensation] [Performance-linked compensation]

Directors (6 persons)	¥142 million	¥85 million	¥56 million
Outside Directors (4 persons)	¥52 million	¥52 million	
Audit & Supervisory Board Members (2 persons)	¥52 million	¥52 million	
Outside Audit & Supervisory Board Members (4 persons)	¥34 million	¥34 million	

1. The above numbers include one Audit & Supervisory Board Member who retired during the fiscal year under review.
2. The total paid to Directors does not include employee salaries for Directors who are concurrently employees.
3. Performance-linked compensation is comprised of annual incentives and medium- to long-term incentives. For medium- to long-term incentives, the amount of compensation corresponding to the fiscal year under review is recorded as reserve.

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

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

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

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

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

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

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

[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
Shuzo Kaihoru	Advisor	External activities, etc.	Part-time, without compensation	March 31, 2013	One-year renewal (maximum of two years)

Number of retired presidents/CEOs holding
advisory positions (sodanyaku, komon, etc.)

1

Others

The Company abolished the Senior Advisor, Advisor (“Komon” in Japanese), and Honorary Corporate Associate positions on June 26, 2018. With the goals of representing the Company in activities as officers of external organizations, or, conducting external activities recognized as making particularly large contributions to the Company’s business activities, the name and title of advisor (“Advisor” in Japanese) can be given, and delegation agreements concluded on an individual basis following a resolution by the Board of Directors. Furthermore, the purpose of this delegation is not for advisors to provide advice, etc. to management.

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

(1) Overview of corporate governance system

Under the company structure as a company with Audit & Supervisory Board, the Company shall invite independent outside directors and independent outside audit & supervisory board members who are independent of the current management to enhance the function of the Board of Directors, which supervises the execution of duties by directors, and the Audit & Supervisory Board, which supervises the Board of Directors. In addition, the Company shall establish both the Nomination Advisory Committee and the Compensation Advisory Committee as voluntary advisory bodies to give opinions in response to consultations from the Board of Directors regarding nominating directors and determining compensation thereof, thereby supporting the function of the Board of Directors and the Audit & Supervisory Board and thus further strengthening corporate governance. In addition, audit & supervisory board members, including independent outside audit & supervisory board members, shall work to enhance the management audit function by strictly auditing the legality and rationality of the work carried out by directors and the validity of their decision making processes.

Board of Directors

In line with the provisions of the Articles of Incorporation, the number of directors shall be no more than 15, and at least one-third of the directors shall be independent outside directors. In order to practice management backed by the trust of shareholders, the term of office for the directors of the Company is set as one (1) year.

The Board of Directors shall be composed so as to be well balanced in knowledge, experience, and capabilities to effectively fulfill its roles and responsibilities, and it shall be constituted in such a manner as to achieve both diversity and appropriate size.

The Board of Directors, of which a meeting is held once a month in principle, is comprised of eight (8) Directors including four (4) independent Outside Directors, aiming to achieve sustainable growth and an increase in corporate value of the Group over the medium to long term as a decision-making body. To achieve these goals, the Board of Directors improves profit-earning capability and capital efficiency, and determines the general direction of the Group, including corporate strategies. Also, in addition to monitoring and supervising the execution of business by management, including Directors and officers, the Board of Directors develops provisions related to the execution of duties by Directors, and establishes a framework to take supervision responsibility related to the execution of business.

A non-executive Director shall, in principle, act as the Chairman of the Board of Directors in order to separate the execution and supervision of business, and the Chairman of the Board of Directors shall strive to conduct the meeting of the Board of

Directors in a way which creates a place for holding free and open discussions and concrete debates. Currently, Mr. Noritaka Uji, Outside Director, chairs the Board of Directors.

Based on the evaluations of each director and audit & supervisory board member, each year the Board of Directors shall identify issues for further boosting the strengths and effectiveness of the Board of Directors. In addition to analysis and evaluations in order to clarify the points that should be emphasized when working on each issue and striving to enhance corporate governance, the overview of the outcomes shall be disclosed in a timely and proper manner. The Board of Directors shall use third-party evaluation organizations as appropriate in order to receive support with analysis and evaluation thereof, as well as resolving issues from these analyses and evaluations.

In fiscal year 2018, the meeting of the Board of Directors was held 15 times, and the attendance rate of Outside Directors was 100% and that of Outside Audit & Supervisory Board was 97.8%.

Audit & Supervisory Board

In line with the provisions in the Articles of Incorporation, the number of audit & supervisory board members shall be no more than 5, and at least one-half of the audit & supervisory board members shall be independent outside audit & supervisory board members. The Audit & Supervisory Board shall be comprised entirely of all the audit & supervisory board members. Based on its resolution, the Audit & Supervisory Board shall appoint at least 1 standing member of the Audit & Supervisory Board.

The Audit & Supervisory Board shall be composed so as to be well balanced in knowledge, experience, and capabilities to effectively fulfill its roles and responsibilities, and it shall be constituted in such a manner as to achieve both diversity and appropriate size. It is particularly prescribed that the Audit & Supervisory Board shall appoint at least 1 audit & supervisory board member with sufficient knowledge of finance and accounting.

The Audit & Supervisory Board is comprised of five (5) members in total, which consist of two (2) standing members and three (3) outside members, and its meeting is held once a month in principle. In order to ensure the Group's sustainable growth and corporate soundness, the Audit & Supervisory Board shall make appropriate decisions and express its opinions from an independent and objective standpoint. Also, based on laws and regulations as well as the Auditing Standards for Audit & Supervisory Board Members and the Rules Governing the Audit & Supervisory Board, the Audit & Supervisory Board shall receive reports from each audit & supervisory board member on important matters related to audits, deliberate, and pass resolutions as necessary. Audit & supervisory board members perform audit & supervisory board member audits in accordance with the annual audit plan that specifies priority audit items. Audit & supervisory board members attend meetings of the Board of Directors and the Management Board and other important meetings, and hold regular meetings with departments that are in charge of internal audits, legal affairs and business ethics which promotes the compliance framework, and exchange and share information about the activities of each, as well as proactively offer opinions. In addition, the Audit & Supervisory Board members deepen mutual cooperation with the accounting auditor and exchange information with the accounting auditor regularly and as needed to improve the quality of audits by both sides and make the audits more efficient.

In fiscal year 2018, the meeting of the Audit & Supervisory Board was held 18 times, and the attendance rate of Outside Audit & Supervisory Board Members was 98.1%.

Nomination Advisory Committee and Compensation Advisory Committee

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

With respect to subjects such as nomination of director candidates and audit & supervisory board member candidates, evaluation, appointment and dismissal of representative director and president, appointment and dismissal of officers, proposals for dismissal of directors and audit & supervisory board members, the Nomination Advisory Committee shall provide recommendation to the Board of Directors following deliberations made in accordance with the standard and procedure prescribed to ensure optimal placement for the Group's sustainable growth and corporate governance from the perspective of all stakeholders.

The Nomination Advisory Committee shall be comprised of three or more Directors and a majority of members shall be independent Outside Directors. Currently, there are six members, comprising the Chairman, President and Chief Executive Officer, and four independent Outside Directors, and the role of chairperson is performed by the Chairman, Takashi Nishijima. The Nomination Advisory Committee makes decisions on items set forth below.

- (1) Details of the agenda item to be discussed at a meeting of the Board of Directors concerning the appointment of officers or dismissal of officers or the Representative Director
- (2) Establishment, amendment or abolition of necessary basic policies, regulations, procedures, etc. to enable a decision by the committee regarding a matter stated in item (1).
- (3) Other matters that the committee recognizes as important in relation to the appointment of candidates, dismissal of officers or removal of the Representative Director stated in item (1).

The Compensation Advisory Committee makes decisions on the items set forth below in order to ensure that the compensation system and compensation for Directors and Executive Officers promotes the appropriate challenging attitude toward the Group's growth, enables hiring and retention of excellent human talent, and fosters a perspective that is held in common with all stakeholders.

- (1) Policy in relation to decisions concerning the details of compensation, etc. for directors and executive officers
- (2) Details of compensation, etc. for each director and executive officer, individually
- (3) Establishment, amendment or abolition of necessary basic policies, regulations, procedures, etc. to enable a decision by the committee regarding a matter stated in item (2).
- (4) Other matters that the committee recognizes as important in relation to compensation, etc. pertaining to item (1) or item (2).

The Compensation Advisory Committee shall be comprised of three or more Directors and a majority of members shall be independent Outside Directors. Currently, there are six members, comprising the Chairman, President and Chief Executive Officer, and four independent Outside Directors, and the role of chairperson is performed by Outside Director and chairman of the Board of Directors, Noritaka Uji.

Management Board

The Board of Directors delegates decision-making related to the execution of business to the Management Board to promote swift decision-making. The Management Board, of which a meeting is held once a month in principle, is comprised of the President and Chief Executive Officer, officers and standing members of Audit & Supervisory Board. In addition, matters for resolution to be made by the Management Board and other matters shall be reported to the Board of Directors.

Internal audits

The Company has established the Audit & Compliance Headquarters (11 persons who work there on a full time basis) as the department in charge of internal audits. The Audit & Compliance Headquarters conducts regular internal audits based on an annual plan, and reports the key results to the Board of Directors and Audit & Supervisory Board Members.

Accounting auditor

The Company has entered into audit contracts with Deloitte Touche Tohmatsu LLC for accounting audits conducted under the Companies Act and under the Financial Instruments and Exchange Act. In the fiscal year ended March 31, 2019 (FY18), details of certified accountants who executed accounting audit services and others are as follows:

Certified accountants who executed accounting audit services: Toshiyuki Otaka, Takayuki Owada and Shinji Hatano

Composition of assistants for accounting audit services: 13 certified accountants, three (3) persons who passed the certified public accountant examination, etc. and 13 other people

The amount of compensation paid to the accounting auditor in the fiscal year ended March 31, 2019 (FY18) is as follows:

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

Filing company: 100 million yen

Consolidated subsidiaries: 50 million yen

[2] [Details of other significant compensation]

(Previous fiscal year)

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

(Fiscal year under review)

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

[3] [Policy for determining audit fees]

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

(2) Conclusion of liability limitation agreements

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

3. Reasons for Adoption of Current Corporate Governance System

Based on the Basic Views on Corporate Governance, the Group has invited independent Outside Directors and independent Outside Audit & Supervisory Board Members who are independent of the current management, under the company structure as a company with Audit & Supervisory Board, to enhance the function of the Board of Directors, which supervises the execution of duties by Directors, and the Audit & Supervisory Board, which supervises the Board of Directors. In addition, the Group has established both the Nomination Advisory Committee and the Compensation Advisory Committee as voluntary advisory bodies to give opinions in response to consultations from the Board of Directors regarding nominating Directors and determining compensation thereof. The Group has adopted the current system to further strengthen corporate governance by supporting the functions of the Board of Directors and the Audit & Supervisory Board through these efforts.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Early Notification of General Shareholder Meeting	In principle, the notice of the General Meeting of Shareholders is sent out three (3) weeks before the date of the General Meeting of Shareholders. The notice of 2019 General Meeting of Shareholders was sent out on June 3, 2019.
Scheduling AGMs Avoiding the Peak Day	The 2019 Annual General Meeting of Shareholders was convened on June 25, 2019, Thursday, which is two (2) days earlier than the day on which many companies hold their general meetings of shareholders.
Allowing Electronic Exercise of Voting Rights	From the 2004 Annual General Meeting of Shareholders, the Company has allowed electronic exercise of voting rights.
Participation in Electronic Voting Platform	From the 2006 Annual General Meeting of Shareholders, the Company has participated in an electronic voting rights exercise platform for institutional investors (ICJ).
Providing Convocation Notice in English	The English version of the notice for the 2019 Annual General Meeting of Shareholders was submitted at the same time of submission of the Japanese version to the Tokyo Stock Exchange and also posted on its website. In addition, the Company conducted shareholder identification research and sent the English version of the notice of the General Meeting of Shareholders to overseas beneficial shareholders via email.
Other	<p>The Company's basic policy is to hold "open General Meetings of Shareholders." The Japanese version and the English version of notices of general meetings of shareholders, notices of resolutions and results of exercise of voting rights have been posted on its website. From the standpoint of timely disclosure, the Japanese and English versions of the notices of Annual General Meetings of Shareholders will be posted on the Company's website from May 29, three business days prior to the day they are mailed. In addition, the Company has integrated the notice of Annual General Meeting of Shareholders and shareholders news to provide understandable, easy-to-read, and enhanced information to shareholders from this Annual General Meeting of Shareholders.</p> <p>Explanatory materials used on the date of the General Meeting of Shareholders are swiftly posted on the website.</p> <p>Consolidated statements of changes in net assets and notes to consolidated financial statements, and non-consolidated statements of changes in net assets and notes to non-consolidated financial statements of submitted documents of the notice of the 2019 Annual General Meeting of Shareholders have been posted on the Company's website (https://www.yokogawa.co.jp/) online.</p>

2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	The Company has prepared the Disclosure Policy and Summary Report on the Timely Disclosure System and posted them on its website. https://www.yokogawa.com/pr/ir/management/pr-ir-mg-disclosure.htm
Regular Investor Briefings for Individual Investors	The Company regularly sends information via email to individual investors. In addition, the Company has set up webpages for individual investors on its website so that such investors can develop a deep understanding of the Company. Furthermore, the Company regularly holds a briefing for individual investors. (To individual investors) https://www.yokogawa.co.jp/cp/ir/kojin/cp-ir-kojin-about.htm
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds a financial results briefing for approximately 100 securities analysts and institutional investors each time quarterly financial results are announced. Every year, at the financial results briefings for the second and fourth quarters, the President and Chief Executive Officer explains the Company's management policy and other matters. In addition, at the financial results briefing for the second quarter, directors in charge present status of business operation and others as required with the aim of promoting understanding about the Company's business. Details of the briefing have been disclosed in the form of slides with notes, Q&A (excerpt), etc. on the Company's website. In addition, the Company holds factory tours for analysts and institutional investors. From the previous fiscal year, the Company has held the financial results briefings for the first and the third quarter by tele-conference. Furthermore, in March 2019, the Company held a factory tour of a pharmaceutical plant, which has introduced YOKOGAWA products, and the manufacturing premise of Yokogawa Electric China Co., Ltd. in China.
Regular Investor Briefings for Overseas Investors	The President and Chief Executive Officer and a responsible person in the department in charge of IR regularly visit Europe, North America, Asia and other regions and continue dialogues with shareholders and investors. In addition, the Company regularly participates in conferences hosted by brokerage firms in Japan, explains the management policy to overseas investors and seeks an understanding of the Company via Q&A.
Posting of IR Materials on Website	The following information has been posted on the Company's website. https://www.yokogawa.com/pr/ir/index.htm (Information for investors posted on the website) Summary of financial results, securities reports, materials for briefings for analysts, materials for the mid-term business plan, distributed Q&A (excerpt) of briefings for analysts, Fact Book, Investors' Guide, disclosure materials for the Tokyo Stock Exchange, notices of annual general meetings of shareholders, notices of resolutions, results of exercise of voting rights, explanatory materials for general meetings of shareholders, corporate governance reports, the Share Handling Regulations, the Articles of Incorporation, explanatory materials for individual investors, the Yokogawa Report (integrated thinking type report), etc. In the Yokogawa Report for this fiscal year, we have enhanced non-financial information such as Yokogawa's business model and governance, which are sources of competitiveness and profitability, based on the guidance for collaborative value creation established by the Ministry of Economy, Trade and Industry, in addition to the progress explanation of the Mid-term business plan by top management.
Establishment of Department and/or Manager in Charge of IR	Person in charge of IR (person responsible for handling information): Director Executive Vice President, Corporate Administration Headquarters, Junichi Anabuki Person in charge of IR-related administrative circular: Department Manager Treasury and Investor Relations Department, Hirohiko Nakatani Department in charge of IR: Treasury and Investor Relations Department, IR Sec. (7 dedicated staff members including four female staff members)
Other	-

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>Basic attitude to stakeholders such as customers, shareholders, community and society, suppliers and vendors, competitors, politicians and governmental agencies, and employees has been stipulated in the Yokogawa Group Code of Conduct and disclosed on the following website of the Company.</p> <p>In recent years, over and above ensuring compliance with laws and regulations and rules, companies are urged to address compliance in a wider scope, for example, by respecting international guidelines, such as the United Nations Global Compact, and by respecting human rights. In these circumstances, the Group reviewed the configuration and the content of the Yokogawa Group Code of Conduct in July 2019.</p> <p>https://www.yokogawa.com/about/company-overview/our-brand-and-identity/#Yokogawa-Group-Code-of-Conduct</p>
Implementation of Environmental Activities, CSR Activities etc.	<p>The Company has set up a department in charge of environment and a department in charge of CSR, and proactively develops environmental conservation and sustainability/CSR activities.</p> <p>Against the backdrop of large changes in the form of the increased need to solve global issues, such as the adoption of the Sustainable Development Goals (SDGs) at the United Nations and the adoption of the Paris Agreement at the United Nations Framework Convention on Climate Change (COP21), the Group has established, for the benefit of future generations, the “Three goals” as sustainability goals for the overall Group toward the vision of a sustainable low-carbon, recycling-based society by 2050.</p> <p>The Group has established medium-term KPI to achieve the Three goals and is promoting them through inclusion in its business plans. Specifically, we have set aggressive goals for 2030 and focus themes compatible with SDGs in three areas: our response to climate change (net-zero emissions), an affluent lifestyle for all people (well-being), and resource recycling and streamlining (circular economy). We work to create economic value for our customers through our business activities and to resolve social issues together with our customers. Moreover, we have established and promote medium-term KPI in line with the Paris Agreements 2°C goal to reduce greenhouse gases. In addition, in March 2019, we expressed our support for the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).</p> <p>Furthermore, as our basic stance on CSR, we have pledged our support for the UN Global Compact and are working to boost our initiatives in the areas of human rights, labor, the environment, and corruption prevention.</p> <p>We are monitoring the policies, contents of activities, and progress of these sustainability and CSR activities at the Board of Directors meetings.</p> <p>We disclose the details of these efforts as Sustainability report on the following website of the Company.</p> <p>https://www.yokogawa.com/about/sustainability/</p>
Development of Policies on Information Provision to Stakeholders	<p>In accordance with the Yokogawa Group Code of Conduct, the Company has established the Disclosure Policy to stakeholders and disclosed the policy as well as the Summary Report on the Timely Disclosure System on the following website of the Company.</p> <p>https://www.yokogawa.com/about/ir/management/disclosure/</p>
Other	<p><Efforts to promote the active participation of female employees></p> <p>Based on the human resources strategy of its mid-term business plan, the Company will aggressively promote the active participation of female employees as part of the promotion of diversity, under which human resources with a wide variety of experience, knowledge, senses, viewpoints, cultures and values are proactively hired, cultivated and utilized, for the purpose of strengthening its business competitiveness including the creation of new value.</p> <p>The Company has set up a dedicated body to promotion of the diversity since April 2015.</p>

The Company prepares a cultivation plan for each leader candidate and proactively develops leaders. In addition, the Company holds career development trainings for female employees and seminars to raise awareness of managers. The female manager rate reached 5.1% (the Company) on July 1, 2018, and we thus achieved the 5% target (double the percentage in fiscal year 2014) set out in Transformation 2017, the previous mid-term business plan. We will continue to carry out initiatives that will increase the female manager rate to 7% (the Company) and 12% (the Group), which is our target for fiscal year 2020.

In its recruiting activities, the Company aims to recruit 30% women, and our long-term aim is to optimize the gender composition. Moreover, 34.5% of recent graduate hires in 2018 were women.

Furthermore, the Company is working to reform systems and culture with emphasis on reform of ways of working, including introduction of the telecommuting systems and paid leave system by the hour, in order to create the environment that makes it easy for diverse employees to work and allows them to challenge and grow.

In July 2016, the Company received the highest level of accreditation of the certification mark “ERUBOSHI,” (“L Star”: L stands for Lady, Labor, and Laudable) from the Minister of Health, Labor and Welfare as an excellent company regarding the status of women’s participation and advancement.

<Efforts for health and productivity management>

The company is moving forward with various initiatives under its policy relating to maintaining and improving the health of employees, including working styles that allow flexibility in work locations and times, creating employee-friendly office environments, management of working hours, and health development programs.

In September 2016, the Company established Health Declaration as a basic policy for health and productivity management with the aim to further accelerate various initiatives related to employee health from the perspective of health and productivity management.

Health Declaration

Yokogawa aims to be a company that supports its employees in their efforts to improve their physical and mental health, encourages the development of lively and stimulating workplaces, and contributes to society.

In addition, the Company was consecutively certified for the third consecutive year (2017 to 2019) as one of the recognized organizations under the Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500) of the Ministry of Economy, Trade and Industry (METI).

Looking forward, while continuing to adjust the system for promoting health and productivity management and striving to improve through quantitative and qualitative evaluation, the Company is working to realize such aims as improving productivity throughout the entire Group, improving employee motivation, and reducing medical treatment expenses by broadening of these activities across each of the Group companies.

* “Health and productivity management” is a registered trademark of Workshop for the Management of Health on Company and Employee.

<Diversity>

Following the election of Ms. Yasuko Takayama as the first female Audit & Supervisory Board Member at the 141st Annual General Meeting of Shareholders in June 2017, Mr. Dai Yu was elected as foreign national Director for the first time at the 143rd Annual General Meeting of Shareholders in June 2019.

IV. Matters Related to the Internal Control System

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

(Last updated in April 9, 2019)

The Yokogawa Group Internal Control System acts as a system for ensuring that Directors comply with laws, ordinances, and the Articles of Incorporation of the Company. It also acts as a stipulated system required for ensuring the appropriateness of operations of other corporations as well as the operations of the corporate group comprising the Company and its subsidiaries. Accordingly, the Company has established the Yokogawa Group Internal Control System pursuant to the Companies Act and the Ordinance for Enforcement of the Companies Act, as follows.

The Board of Directors confirms the status of enhancement and operation of the Yokogawa Group Internal Control System annually. The Board of Directors determined that each structure and each matter set forth in the basic policy of the system were also effective in fiscal year 2018. Based on this determination, the Basic Policy of Yokogawa Group Internal Control System for fiscal year 2019 was resolved as follows:

The Basic Policy of YOKOGAWA Group Internal Control System

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 Yokogawa Group Code of Conduct, 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 Management Code. Directors including outside Directors who make up the Board appropriately supervise the execution of business by other directors. 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. The Company's Audit & Supervisory Board periodically visits Group companies to conduct auditing activities.

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

· The Rules Governing the Board of Directors, the Rules on the Control of Communications and Documentation, and the Rules on the Control of Documentation are specified, and rules and control systems concerning meeting minutes and other information that should be preserved are established.

· The Group Information Security Management Code and the Code of Conduct for the Prevention of Insider Trading, and rules and control systems concerning information confidentiality categories are established. In addition, people performing work for the Group are requested to sign confidentiality agreements.

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

· Risk Management Code has been set forth for the purpose of establishing a basis for the effective and efficient conduct of enterprise risk management by the Yokogawa Group. Based on this policy, Risk Management Committee shall decide the significant risks which shall be managed preferentially as Yokogawa Group and decide the monitoring method for its risks and report them to the Board of Directors. The president shall bear the responsibility for supervising all matters in relation to the risk management as the chairperson of Risk Management Committee.

· Respective organizational units of the Yokogawa Group shall perform the identification and assessment of risks followed by the preparation and implementation of the countermeasures against risks. The department in charge of internal audit shall evaluate the effectiveness of Yokogawa Group risk management process and reports important findings to the Board of Directors and the Audit & Supervisory Board members.

· Crisis situations are to be responded to as set forth in the Group Crisis Management Code. 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 Management 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, determines what activities are to be eliminated, decides how efficiency can be improved by overcoming obstacles, creates mechanisms that make it possible for the Company as a whole to pursue efficiency and achieve its goals, and maintains a management information system for the purpose of identifying, reporting, and acting on information regarding the achievement of management objectives, in real time.

· Enhancing the effectiveness of the Board of Directors, a Board of Directors office has been set up, and assistants, including those who will work there on a full time basis, are to be assigned.

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, which define upstanding behavior without any involvement with antisocial forces.

· 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 ongoing compliance education.

· The Rules on Internal Reporting and Consultation which require employees to internally report any suspicions of compliance violations are disseminated to employees of the Group, and a system for receiving such internal reports is 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 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, operating 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, the Group Accounting Code 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 is established in accordance with the internal control reporting system requirements of the Financial Instruments and Exchange Act.

· The Global Management Standard that is the highest rule of the Yokogawa Group aims to realize an internal control system based on autonomous control activities by clearly defining roles and the division of responsibilities in each business process.

· In accordance with the Group Internal 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.

· The system shall enable Audit & Supervisory Board members to obtain information directly or by contacting Group company auditors for the purpose of verifying decisions on important Group company matters.

g. Matters concerning Requests by Audit & Supervisory Board Members of the Company to Assign Assistants to Support Roles

· An Audit & Supervisory Board Member Office has been set up, and assistants, including those who will work there on a full time basis, are to be assigned.

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

· Personnel transfers related to the Audit & Supervisory Board Member Office require prior approval from the Audit & Supervisory Board members.

· Assessment of the assistants working in the Audit & Supervisory Board Member Office is conducted by Audit & Supervisory Board members who have been designated by the Audit & Supervisory Board.

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

· Directors and employees of the Company, as well as Directors, etc., Audit & Supervisory Board members and employees, etc., of all Group companies, shall report the following matters to the Audit & Supervisory Board members:

(a) Violations of laws, ordinances, and the Articles of Incorporation

(b) Important matters concerning the internal audit situation and risk management

(c) Matters that could cause significant losses to the Company

(d) Important matters concerning decision making

- (e) Important matters concerning the management situation
- (f) Matters concerning information reported via the internal reporting system
- (g) Other important matters related to compliance
 - The Company and all Group companies ensure that reporting persons are not treated disadvantageously for making reports.
- j. Matters concerning Procedures for Advance Payment or Redemption of Expenses Occurring from Execution of Duties by Audit & Supervisory Board Members of the Company, and Policies Relating to Handling of Other Expenses or Obligations Occurring from said Execution of Duties
 - For audit expenses and other expenses occurring from the execution of duties by Audit & Supervisory Board members of the Company, appropriate amounts are budgeted to ensure the effectiveness of auditing. However, appropriate expenses spent in emergencies or on a temporary basis will be reimbursed regardless of whether they are budgeted.
- 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 Chairman, 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.

2. Basic Views on Eliminating Anti-Social Forces

<Basic views on eliminating anti-social forces>

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

Development of the internal system

1. To prevent involvement by anti-social forces in management activities and damage from such forces, the Company has set forth its Group's stance and handling of these situations in the Yokogawa Group Code of Conduct and the Yokogawa Group Compliance Guidelines.
2. The Company has set up a department controlling handling of anti-social forces in the General Affairs Department and assigned a person responsible for prevention against inappropriate demands in that department. The General Affairs Department has established an internal system to handle the matters in collaboration with external specialized organizations and developed the handling manual. The Company also collects information about anti-social forces from external specialized organizations regularly and provides information and trainings and conducts educational activities for related departments when necessary based on the information collected.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

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

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

The basic policy on the role of parties making decisions regarding the company’s financial and business policies is as follows: <Basic Policy regarding Control over the Company>

(1) The Company’s Approach to Improving Corporate Value

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.

(2) Initiatives for Large-scale Acquisition of the Company’s Shares

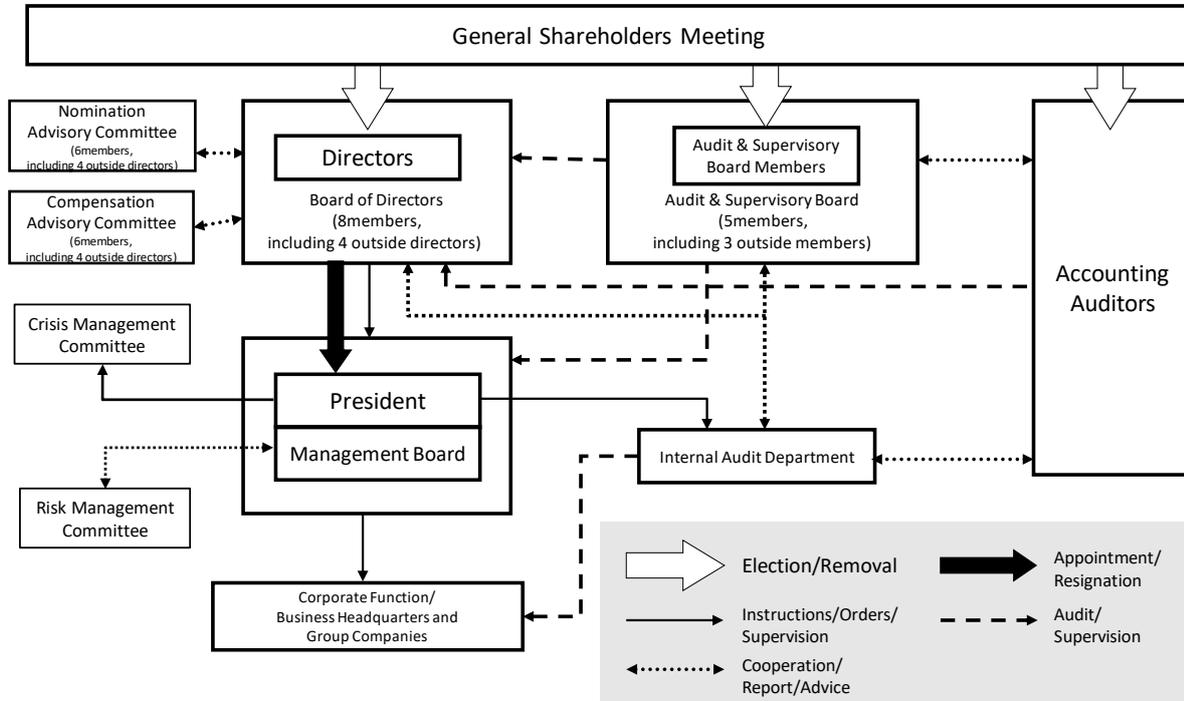
While acknowledging the fact that we are a public company whose shares are freely traded, the Company believes that a decision on whether to allow a party to carry out a large-scale acquisition of its shares should ultimately be left to its shareholders. As such, in the event of a large-scale acquisition 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. 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.

2. Other Matters Concerning to Corporate Governance System

<Corporate Governance Structure>



Summary Report on the Timely Disclosure System

Yokogawa Electric Corporation

Code Number: 6841 First Section of the TSE

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

1. Policy for timely disclosure

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

2. Department in charge of timely disclosure

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

(Collection of corporate information)

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

(Judgment of timely disclosure)

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

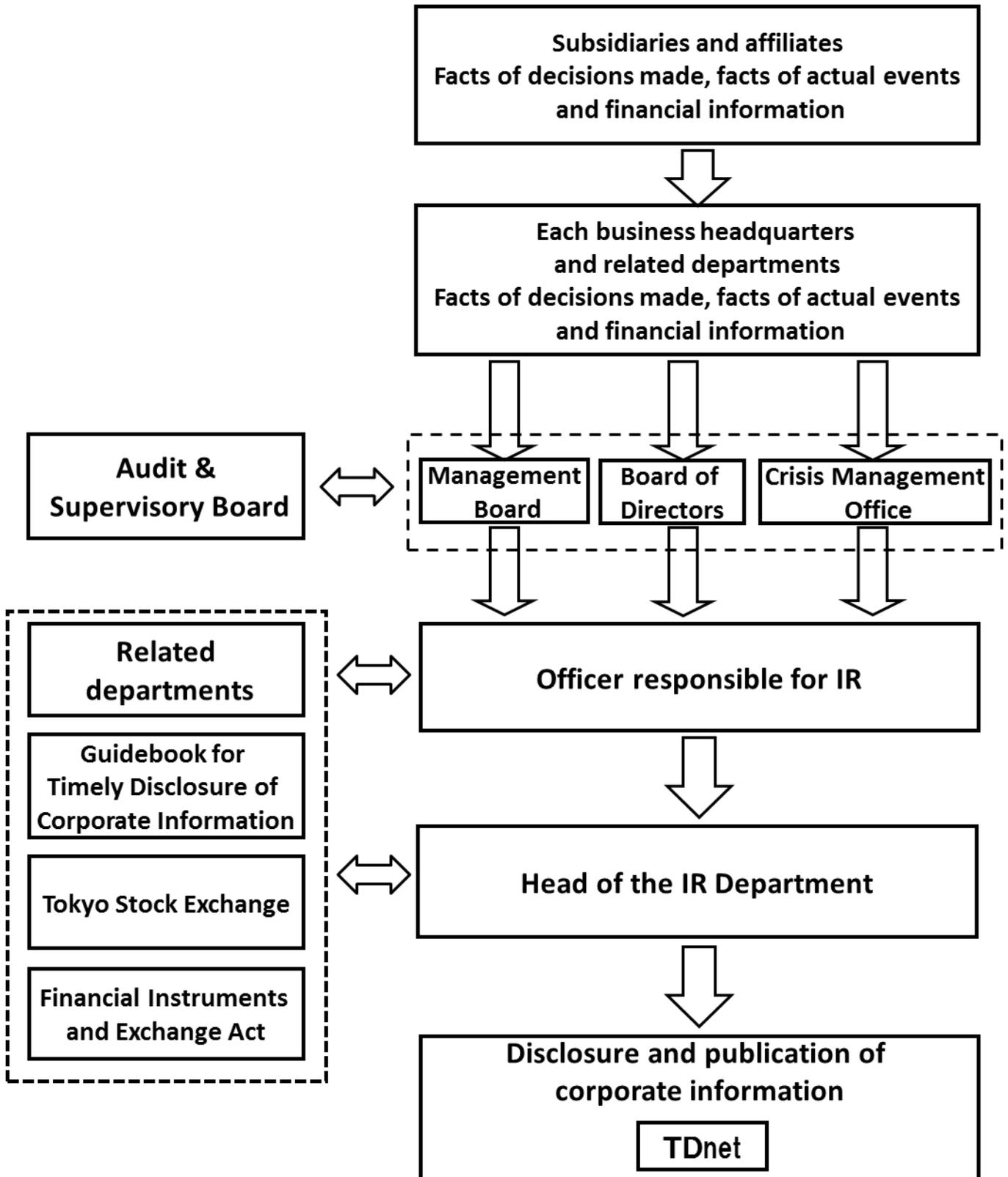
(Public disclosure)

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

End

Reference

Schematic of the internal system for timely disclosure



<Disclosure Policy>

Our position on information disclosure

Yokogawa Electric Corporation (Yokogawa) announces the following basic disclosure policy from the Yokogawa Group Code of Conduct: “We accurately and appropriately provide essential information to ensure the safe and satisfactory use of our products and services by our customers. We actively disclose necessary information to shareholders in a timely and appropriate manner and aim for highly transparent management that wins the trust of the market.” Our principle of disclosure is to practice timely, transparent, fair, and continuous disclosure so that every stakeholder including shareholders and investors can easily and accurately understand important information relating to Yokogawa.

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

Standards for Information Disclosure

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

Information Disclosure Method

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

Future Prospects

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

Silence Period

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