

*<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 2, 2021

### Yokogawa Electric Corporation

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<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.

In addition, we believe that solving environmental and social issues is the *raison d’être* of the Group, and we have established Yokogawa’s Purpose as “utilizing our ability to measure and connect, we fulfill our responsibilities for the future of our planet,” in which the top management itself demonstrates strong conviction and leadership to promote management that values sustainability.

In order to experience healthy and sustainable growth of the Group and 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 also essential.

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://cdn-nc.yokogawa.com/1/20520/tabs/ir\\_cg\\_guidelines-en.pdf](https://cdn-nc.yokogawa.com/1/20520/tabs/ir_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 revised in June 2021, including details for the Prime Market.

### [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.

[Supplementary Principle 2.4.1]

The Company has established its approach to ensuring diversity, its policy to develop human resources, and its policy to maintain its internal environment. These are specified in the human resources management codes within the Group Management Standards (GMS), which are positioned as the most important set of company rules for the Yokogawa Group. Regarding disclosure, the Company has made a D&I declaration, which pledges "to promote diversity and inclusion (D&I), proactively hire, develop, and promote human resources with diverse experiences, knowledge, emotions, perspectives, cultures, backgrounds, and values, to promote the creation of working environments in which anyone can work safely and securely, while being themselves, and to contribute to realizing an abundant human society for the next generation." This declaration, along with our policy and the status of activities to ensure diversity, are disclosed in the Sustainability Report issued by the Company.

Sustainability Report:

English: <https://www.yokogawa.com/about/sustainability/report/>

Manager ratio and promotion of female employees (activities to promote the active participation of female employees)

In April 2015, the Company set up a dedicated body to promote diversity. The Company has continuously worked to provide opportunities for experience and increased career awareness by creating individual development plans for each female leader candidate and by confirming progress. As a result, the female manager ratio, which was only 0.7% in 2005 (non-consolidated basis), rose by a multiple of more than ten to 8.2% in July 2021 and the growth rate has risen by a multiple of four since fiscal year 2014. Furthermore, in April 2021, the Group produced its first two female executive officers through internal promotion. The KPI for the female manager ratio in Accelerate Growth 2023 is 9.3% on a non-consolidated basis and 12.5% for the overall Group. As we head toward 2023, we have set an overall Group KPI of 20% for the female manager ratio as we aim to create an environment in which anyone can exercise their abilities.

Manager ratio and promotion of foreigners

The Company's foreign manager ratio as of March 31, 2021 was 4.5% on a non-consolidated basis and 61.2% for the overall Group. We aim to continue to increase the foreign manager ratio in Japan. Furthermore, regarding the promotion of foreigners, the ratio of foreigners being developed for promotion in our talent management system is 47.6%, as we proactively move forward with both diversity and promotions. \*The Group's overall ratio of foreign employees is 62%, with employees of more than 80 nationalities working for the Group.

#### Manager ratio and promotion of mid-career hires

The Company's mid-career hire manager ratio as of March 31, 2021 was 21.6% on a non-consolidated basis. Together with the increasing ratio of mid-career hires, the mid-career hire manager ratio is rising each year, now approaching 25.6% of the manager ratio of the Company overall. The Company endeavors to conduct fair, broad promotions without discrimination or bias. Furthermore, the Company now has six executive officers that were either invited from outside of the Company or hired as mid-career hires.

#### [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 "Accelerate Growth 2023," a mid-term business plan.

The Yokogawa Philosophy:

"As a company, our goal is to contribute to the realization of a sustainable 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."

Accelerate Growth 2023, a Mid-term Business Plan:

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

Yokogawa Report:

<https://www.yokogawa.com/about/ir/reports/annual/>

(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) At the Board of Directors meeting held on March 2, 2021, the Company resolved the policy in relation to decisions concerning the details of compensation for individual Directors. Prior to the resolution at the Board of Directors meeting, the matters to be resolved were consulted with the Compensation Advisory Committee and reported to the Board of Directors.

In addition, the Board of Directors has confirmed regarding the compensation for individual Directors for the fiscal year under review that the method of determining the details of compensation and the content of determined compensation are consistent with the policy resolved by the Board of Directors and that the reports of the Compensation Advisory Committee are respected, has also judged that such procedures are in accordance with the policy.

The contents of the policy in relation to decisions concerning the details of compensation for individual Directors are as follows.

#### (1) Basic Policy

The basic policy on compensation for Directors shall be as follows:

- (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) Policy for determining compensation, etc. for officers

The amount of compensation for Directors shall be determined individually within the limits approved at the General Meeting of Shareholders. Compensation for Audit & Supervisory Board Members shall also be determined through consultation among Audit & Supervisory Board Members within the limits approved at the General Meeting of Shareholders.

Performance-linked compensation covers directors and executive officers, excluding Outside Directors, Audit & Supervisory Board Members and non-executive Directors. This is because variable compensation such as performance-linked compensation is not appropriate for Outside Directors and Audit & Supervisory Board Members, who maintain position independent from the performance of duties, and as such only fixed compensation is paid, identically for non-executive Directors.

Furthermore, regarding medium-to long-term incentives, at the 142nd Ordinary General Meeting of Shareholders held on June 26, 2018, the Company introduced the Performance Share Unit Plan (the "PSU Plan"), a performance-based stock compensation plan under which shares and cash are paid based on the achievement of our consolidated return on equity (ROE) and other factors in the final fiscal year of the period covered by the mid-term business plan.

The levels of compensation for executives are set through a comparison with companies from the same industry and of the same scale, both domestically and internationally, based on the results of surveys conducted by external organizations, and the Company's financial conditions.

Compensation levels for each position are based on the level of 50%iles by peer companies. From the viewpoint of flexible management in response to changes in the environment and the acquisition and retention of talented management personnel, compensation levels shall generally be within the range of 25%iles to 75%iles.

Compensation for personnel hired overseas may be determined individually based on a compensation benchmark analysis that takes into account the responsibilities of each position based on executive compensation survey data in that overseas region.

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 fiscal year 2013 and as Chairman since fiscal year 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 fiscal year 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 & treasury and corporate administration department, currently demonstrates his high ability and expertise regarding management 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.

Yu Dai Director and Senior Vice President

Mr. Yu Dai properly supervises management as a Director. He experienced administrative operations for construction projects and corporate management at several global companies in petroleum and chemical industries, then became the Chief Executive of the Company's 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 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 wide experience and knowledge, he has been elected as Director.

Explanation of reasons for election of Audit & Supervisory Board Members

Kouji Maemura Audit & Supervisory Board, Standing Member

Mr. Kouji Maemura is well-versed with respect to the Company's organization and business, and also has experience playing a leadership role in carrying out the Group's managerial reforms, in addition to the possession of his many years of practical experience in the Company's business management and operation of business divisions, as well as experience acting as a full-time audit and supervisory board member. He has been elected as an Audit & Supervisory Board member because he is expected to continuously execute effective auditing that reflects such knowledge and experience.

Hajime Watanabe Audit & Supervisory Board, Standing Member

Mr. Hajime Watanabe is well-versed in the Group's business through his many years of experience in the management of the accounting and treasury department and overseas subsidiaries, and the operation of the business divisions. Most recently, he has been serving as head of the Company's Audit, Compliance and Quality Assurance Headquarters. He has been elected as an Audit & Supervisory Board member because he is expected to execute effective auditing that reflects such knowledge and experience.

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 3.1.3]

The Company's sustainability initiatives, management resources including human capital and intellectual capital, and response to the TCFD (Task Force on Climate-related Financial Disclosures) are regularly reported to and supervised by the Board of Directors. They are disclosed in the Yokogawa Report (Integrated Report), Yokogawa Sustainability Report, etc.

Yokogawa Report:

<https://www.yokogawa.com/about/ir/reports/annual/>

Sustainability Report:

<https://www.yokogawa.com/about/sustainability/report/>

[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 4.10.1]

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.

< Nomination Advisory Committee >

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 seven members, comprising the Chairman, President and Chief Executive Officer, and five 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 removal of 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).

#### < Compensation Advisory Committee >

The Compensation Advisory Committee makes recommendations and 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 seven members, comprising the Chairman, President and Chief Executive Officer, and five independent Outside Directors, and the role of chairperson is performed by Outside Director, Noritaka Uji. An independent Outside Director shall be the chairperson of the Compensation Advisory Committee, further ensuring the objectivity and transparency.

#### [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. In fiscal year 2018, one woman was appointed as an independent Outside Audit & Supervisory Board Member, and one foreign national was appointed as a Director in fiscal year 2019. In fiscal year 2021, one woman was appointed as an independent Outside Director, thus continuing to ensure diversity from standpoints including gender and nationality.

The main expertise and experience of the Company's Independent Officers are disclosed in the Notice of General Meeting of Shareholders and the Yokogawa Report (Integrated Report). In addition, four Outside Directors currently have management experience at other companies.

Notification of General Shareholder Meeting:

<https://www.yokogawa.com/about/ir/reports/meeting/>

Yokogawa Report:

<https://www.yokogawa.com/about/ir/reports/annual/>

#### [Supplementary Principle 4.11.2]

Concurrent positions of Director and Audit & Supervisory Board Member are as follows:

Takashi Nishijima Chairman  
Outside Director of Hitachi Transport System, Ltd.

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.

[Method and Procedures used for Fiscal Year 2020 Board of Directors Evaluation]

In fiscal year 2020, the Board of Directors conducted a self-evaluation of the Board of Directors.

- This was conducted by means of a questionnaire survey of all Directors and Audit & Supervisory Board Members.
  - The content of the questionnaire was prepared mainly by the Chairman of the Board of Directors.
  - Question items are included every year for items requiring fixed point observation, as well as items to be checked regarding the implementation status of the action plan from the previous fiscal year, and items to be discussed by the Board of Directors.
- As in the previous fiscal year, the text box for additional comments was made larger to encourage respondents to describe their opinions more freely and from a broader perspective, thereby enabling new issues to be detected.

- After analyzing and summarizing the results derived from those responses, reports were submitted to the Board of Directors.

The Board of Directors then discussed the contents of the reports and confirmed the evaluation results.

- Based on the findings, the Board of Directors held discussions to identify issues to further enhance the function of the Board of Directors, then implemented action plans for improvement through its resolution.

[Summary of the Fiscal Year 2020 Board of Directors Evaluation Results]

The summary of the evaluation results is as follows:

- Composition of the Board of Directors
  - The size (number of members) continued to be appropriate.
  - Overall, the Board is well-balanced in terms of experience, skills, diversity, and the proportion of external and internal members.
- Operation of the Board of Directors
  - Not only Directors but also Audit & Supervisory Board Members actively expressed their opinions, resulting in highly effective discussions.
  - During the fiscal year, meetings of the Board of Directors were sometimes held online as to prevent the spread of COVID-19, but they functioned effectively.
- Contribution of the Board of Directors to the long-term business framework and the mid-term business plan
  - By monitoring the state of progress in “Transformation 2020” (“TF2020”), a mid-term business plan, the Board was able to point out various issues and gave helpful guidance to management.
  - The revision to the long-term business framework and the formulation of the next mid-term business plan were two of the most important themes considered by the Board of Directors during the fiscal year. In addition to management giving reports from the consideration stage onward at meetings of the Board of Directors or when opportunities became available, as appropriate, the Board of Directors took sufficient time to deliberate the contents, and by intensifying these discussions it contributed to enhanced quality.

Based on the above, it was confirmed that the effectiveness of the Board of Directors has been ensured.

[Future Efforts for Improvement]

- Further strengthening of discussions on the Company’s general direction and mid- to long-term management strategy  
The impact of COVID-19 has led to changes in society, and the Board of Directors must discuss and indicate the general direction that the Company should take over the medium to long term in a post-coronavirus world. In addition, when a new



mid-term business plan is launched, the Board of Directors monitors the strategies of various organizations, and their execution. Be aware of the need to raise effectiveness further, going forward the Board of Directors will place more the emphasis on this monitoring function.

• Further improvement of the quality of discussion

- An issue has been raised, especially among independent officers, regarding further improvements to the quality of proposal materials and explanations, which are important inputs in discussions, and regarding the need for clear indication of the key points of discussion. In response to this, the Chairman of the Board of Directors, who is also an Outside Director, will check the content of materials and explanations beforehand and order them to be revised as necessary. Also, the President and Chief Executive Officer will continue to be involved, such as by playing a central role in improving the content of proposals from management.

[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 play the central role in the handling of dialogue. However, based on the wishes of a shareholder or other stakeholder and the matter of main interest in a meeting, the department will positively consider whether the President and Chief Executive Officer or other member of management, or an Outside Director or Audit & Supervisory Board Member can participate in the meeting to achieve a quick response if needed.

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)	49,413,100	18.51
The Dai-ichi Life Insurance Company, Limited	15,697,000	5.88
Custody Bank of Japan, Ltd. (trust account)	15,689,400	5.88
Nippon Life Insurance Company	13,484,615	5.05
Custody Bank of Japan, Ltd. (trust account 9)	10,020,400	3.75
Retirement Benefit Trust in Mizuho Trust & Banking Co., Ltd. (Mizuho Bank, Ltd. account); Custody Bank of Japan, Ltd. as a Trustee of Retruster	9,212,000	3.45
State Street Bank and Trust Company 505223	7,837,518	2.94
Yokogawa Electric Employee Shareholding Program	5,399,254	2.02
Custody Bank of Japan, Ltd. (trust account 7)	5,304,800	1.99
The Bank of New York Mellon (International) Limited 131800	4,482,344	1.68

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

### Supplementary Explanation

1. The Company holds 1,693 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) Four (4) companies of Mitsubishi UFJ Financial Group,	April 9, 2018,	13,877	5.17
(2) BlackRock Japan Co., Ltd. and other seven (7) companies,	April 30, 2018,	16,870	6.28
(3) Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other company,	August 15, 2019,	16,537	6.16
(4) Invesco Asset Management (Japan) Limited and other two (2) companies,	January 31, 2020,	15,120	5.63
(5) Nomura Securities Co., Ltd. and other one (1) company,	July 15, 2020,	17,287	6.44
(6) MFS Investment Management K.K. and other one (1) company,	July 15, 2020,	13,731	5.11
(7) FIL Investments (Japan) Limited	August 31, 2020,	11,108	4.14
(8) Mizuho Bank, Ltd. and other one (1) company,	February 26, 2021,	17,493	6.51

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March

Type of Business	Electric Appliances
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

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

-

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

-

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

### 1. Organizational Composition and Operation

Organization Form	Company with <i>Kansayaku</i> Board
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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	Company Chairperson
Number of Directors	9
Number of Outside Directors	5
Number of Independent Directors	5

#### 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									△			
Kuniko Urano	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                      Honorary chairman of Japan Telemarketing Association                      Honorary chairman of Japan Institute of Information Technology</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 2020 is less than 1% of annual consolidated sales of the Group, and the amount paid to this company in the fiscal year is less than 1% of annual consolidated sales of the Group.</p>	<p>Mr. Noritaka Uji properly supervises management 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 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>
Nobuo Seki	○	<p>[Concurrent Positions]                      Outside Director of KAMEDA SEIKA CO., LTD.</p>	<p>Mr. Nobuo Seki properly supervises management as an Outside Director. He was appointed as an Outside Director so that he can achieve greater operational fairness, objectivity,</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 2020 is less than 1% of annual consolidated sales of the Group.</p>	<p>and transparency with respect to supervising management of the Company based on his wide knowledge as a corporate manager, his abundant experience in the engineering business centered on the energy industry, and his extensive expertise in global business. 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>
Shiro Sugata	○	<p>[Concurrent Positions] 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 2020 is less than 1% of annual consolidated sales of the Group.</p>	<p>Mr. Shiro Sugata properly supervises management as an Outside Director. He was appointed as an Outside Director so that he can achieve greater operational fairness, objectivity, and transparency with respect to supervising the management of the Company based on his wide knowledge as a corporate manager, his abundant experience in the development and marketing of industrial instruments, and his extensive expertise in global business. 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>
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 2020 is less than 1% of annual consolidated sales of the Group.</p>	<p>Mr. Akira Uchida properly supervises management as an Outside Director. He was appointed as an Outside Director so that he can achieve 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.</p>
Kuniko Urano	○	<p>[Concurrent Positions] Outside Director, MORINAGA &amp; CO., LTD.</p> <p>While there are transactions between the Group and Qualica Inc. for which Ms. Kuniko Urano served as Director, sales to this company in fiscal year 2020 is less than 1% of annual</p>	<p>Ms. Kuniko Urano has extensive practical experience as a manager of production, personnel/education, public relations/CSR, etc., and abundant experience as a corporate manager in a major manufacturing industry. She was appointed as an Outside Director so that she can contribute to greater operational fairness, objectivity, and transparency with respect to supervising management of the Company based on her such experiences. In addition, she was nominated as an independent officer because she meets the requirements of an independent</p>

		consolidated sales of the Group.	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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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	7	7
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	5	5
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 seven members, comprising the Chairman, President and Chief Executive Officer, and five 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 removal of 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 Company's Nomination Advisory Committee mainly discusses the nomination of director and audit & supervisory board member candidates and appointment of officers.

An inside director chairs the Nomination Advisory Committee as the Committee examines not only recruitment from outside the Company but also promotion/appointment within the Company.

Moreover, outside directors comprise a majority of the Nomination Advisory Committee members, ensuring highly objective and transparent discussions.

The Compensation Advisory Committee makes recommendations and 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 seven members, comprising the Chairman, President and Chief Executive Officer, and five independent Outside Directors, and the role of chairperson is performed by Outside Director, Noritaka Uji. An independent Outside Director shall be the chairperson of the Compensation Advisory Committee, further ensuring the objectivity and transparency.

#### [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
Yasuko Takayama	From another company										△			
Makoto Ohsawa	From another company													
Masaru Ono	Lawyer										○			

\* 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
Yasuko Takayama	○	<p>[Concurrent Positions]            Outside Director, The Chiba Bank, Ltd.            Outside Audit &amp; Supervisory Board Member, Mitsubishi Corporation            Outside Director (Audit and Supervisory Committee Member), Cosmo Energy Holdings Co., Ltd.</p> <p>While there are transactions between the Group and Shiseido Co., Ltd. for which Ms. Yasuko Takayama served as executive, the amount paid to this company in fiscal year 2020 is less than 1% of annual consolidated sales of the Group.</p>	<p>Ms. Yasuko Takayama worked for a major company in the consumer market where she gained extensive practical experience, including responsibility for CSR, and acting as a full-time audit and supervisory board member. She also has a wealth of experience as an outside executive at various companies. Accordingly, she was appointed as an Outside Audit &amp; Supervisory Board Member because she is expected to execute effective auditing that reflects such experience. 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.</p>
Makoto Ohsawa	○	<p>[Concurrent Positions]            Chief Executive Officer, FEMO Co., Ltd.            Outside Director, ZENHOREN CO., LTD.            Outside Director, Bank of Toyama</p>	<p>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 &amp; Supervisory Board member to reflect such experience in audits of the Company and to</p>



			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.
Masaru Ono		<p>[Concurrent positions]          Lawyer at Nishimura &amp; Asahi          Outside Director, Daido Life Insurance Company          Managing Director, Securitization Forum of Japan          Visiting Professor, University of Tokyo</p> <p>While there are transactions between the Group and Nishimura &amp; Asahi Law Firm for which Mr. Masaru Ono served as Lawyer, the amount paid to this company in fiscal year 2020 is less than 1% of annual consolidated sales of the Group.</p>	Mr. Masaru Ono is a lawyer with wide knowledge of the corporate legal affairs and finance fields. Accordingly, he was appointed as an Outside Audit & Supervisory Board Member because he is expected to execute effective auditing that reflects such extensive knowledge from his extensive range of business activities in economic and educational circles. 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.

**[Independent Directors/*Kansayaku*]**

Number of Independent Directors/ <i>Kansayaku</i>	8
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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 internal Directors and executive officers consists of basic compensation, which is fixed component, and performance-linked component (annual incentives and medium-to long-term incentives).

Performance-linked compensation covers directors and executive officers, excluding Outside Directors, Audit & Supervisory Board Members and non-executive Directors. This is because variable compensation such as performance-linked compensation is not appropriate for Outside Directors and Audit & Supervisory Board Members, who maintain position independent from the performance of duties, and as such only fixed compensation is paid, identically for non-executive Directors.

The levels of compensation for executive are set through a comparison with companies from the same industry and of the same scale, both domestically and internationally, based on the results of surveys conducted by external organizations, and the Company's financial conditions.

Compensation levels for each position are based on the level of 50%iles by peer companies. From the viewpoint of flexible management in response to changes in the environment and the acquisition and retention of talented management personnel, compensation levels shall generally be within the range of 25%iles to 75%iles.

Compensation for personnel hired overseas may be determined individually based on a compensation benchmark analysis that takes into account the responsibilities of each position based on executive compensation survey data in that overseas region.

Performance-linked compensation shall be determined by the Compensation Advisory Committee in order to raise awareness of the improvement of business performance in each fiscal year and the enhancement of corporate value in the medium term, and shall be paid in an amount or number calculated according to the degree of achievement of the target value (KPI).

The concept of performance-linked compensation is as follows.

1. Increase the ratio of performance-linked compensation to total compensation.
2. The higher the position, the higher the ratio of performance-linked compensation to total compensation, and the ratio for representative director is set at 60%.
3. Share-based compensation as a percentage of total compensation shall be at least equal to companies from the same industry or of the same scale.

#### 1 Annual incentives

Annual incentives in performance-linked compensation shall be calculated by the Compensation Advisory Committee on the basis of the company-wide performance evaluation and individual performance evaluation for a single fiscal year, and shall be

paid once a year. The amount to be paid shall be designed to vary from 0% to 200% to a value of 100% when the performance target is achieved.

※The ratio of the basic compensation and the annual incentives when the performance target is achieved is designed so that the higher the position is, the higher the ratio of the annual incentive is set. From 1 to 0.75 for the representative director, the lower the position is, the lower the ratio of annual incentives is set. The overall average including Executive Officers is generally 1 to 0.5. This ratio may vary from 1 to 0 to 1 to 1, depending on the degree to which performance targets are achieved.

## 2 Medium-to long-term incentives

Regarding 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-based 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 (ROE) target and other targets have been achieved in the final fiscal year of the period covered by the medium-term business plan.

Subject to performance targets and other requirements established in advance by the Board of Directors during the period covered by the Medium-Term Business Plan, the Company determines the amount of compensation based on medium-to long-term incentives for each eligible director and executive officer by multiplying the base amount of stock compensation established by the Compensation Advisory Committee for each director and executive officer to which the compensation will be paid by a coefficient established in advance by the Board of Directors in accordance with the conditions for achieving performance targets (the "payment rate"). An amount equal to 60% of the amount of compensation shall be paid in the form of shares of the Company in an amount equal to 40% in monetary terms. The payout rate is designed to vary from 0% to 100% depending on the degree of achievement of the performance target.

Performance targets in medium-to long-term incentives are based on links with the medium-term business plan, and are considered to be important indicators in terms of both corporate value and shareholder value. Accordingly, the Company shall use return on equity (ROE), which is an indicator of management efficiency.

The PSU Plan establishes a clawback provision under which, in the event of material fraud accounting or a large loss, all or a portion of the compensation paid as compensation related to the PSU Plan can be requested for reimbursement free of charge.

※The ratio of annual incentives and medium- to long-term incentives to basic compensation when the performance targets for each of the annual incentive and the medium-to long-term incentive are achieved in the fiscal year in which the medium-to long-term incentive is paid shall be set as the higher the position, the higher the ratio to the basic compensation shall be set, and as the position falls from 1 to 0.75 for the representative director, the overall average including the executive officer shall be approximately 1 to 0.5 to 0.5. This ratio may vary from 1:0:0 to 1:1:0.5, depending on the degree of achievement of the performance objectives for each of the annual incentives and the medium-to long-term incentives.

Notes: 1. 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, 2019, one of determinant factors for performance-linked compensation, are as follows:

	[Performance objectives set for the fiscal year ended Mach 31, 2020]	[Results in the fiscal year ended March 31, 2020]
Consolidated sales	¥420.0 billion	¥404.4 billion
Consolidated return on sales	9.5%	8.8%

Notes: 2. The Company considers that performance objectives in medium-to long-term incentive 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.

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%

\* Regarding medium- to long-term incentives under the PSU Plan for the mid-term business plan "Transformation 2020," which covers the period from fiscal year 2018 to fiscal year 2020, as the actual ROE for the fiscal year ended March 31, 2021, which is the final fiscal year of the period covered by the mid-term business plan "Transformation 2020," was 6.5%, the payment rate was 0%.

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) Policy in relation to decisions concerning the details of compensation, etc. for officers  
At the Board of Directors meeting held on March 2, 2021, the Company resolved the policy in relation to decisions concerning the details of compensation for individual Directors. Prior to the resolution at the Board of Directors meeting, the matters to be resolved were consulted with the Compensation Advisory Committee and reported to the Board of Directors.  
In addition, the Board of Directors has confirmed regarding the compensation for individual Directors for the fiscal year under review that the method of determining the details of compensation and the content of determined compensation are consistent with the policy resolved by the Board of Directors and that the reports of the Compensation Advisory Committee are respected, has also judged that such procedures are in accordance with the policy.

The contents of the policy in relation to decisions concerning the details of compensation for individual Directors are as follows.

(1) Basic policy  
The basic policy on compensation for Directors shall be as follows:

- (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) Policy for determining compensation, etc. for officers  
1) Compensation for Directors  
The amount of compensation for Directors shall be determined individually within the limits approved at the General Meeting of Shareholders (\*1). Compensation for Audit & Supervisory Board Members shall also be determined through consultation among Audit & Supervisory Board Members within the limits approved at the General Meeting of Shareholders (\*2).

(\*1) At the 142nd Ordinary General Meeting of Shareholders held on June 26, 2018, the maximum amount of compensation for Directors was resolved to be 1.6 billion yen per business year (excluding salaries for employees).  
(\*2) At the 128th ordinary general meeting of shareholders held on June 25, 2004, the maximum amount of compensation for Corporate Auditors was resolved to be no more than 150 million yen per fiscal year.

2) Composition, roles and responsibilities of the Compensation Advisory Committee

The Compensation Advisory Committee, composed of at least three directors, the majority of whom are Outside Directors, shall be established as an advisory body to the Board of Directors with the aim of enhancing objectivity and transparency in the process of determining compensation for Directors and Executive Officers.

i ) Members of the Compensation Advisory Committee

It composes of three or more directors, the majority of whom are outside directors.

ii ) Roles and Responsibilities of the Compensation Advisory Committee

The Compensation Advisory Committee, in consultation with the Board of Directors, deliberates on the compensation system and decision-making policies for Directors and Executive Officers, and reports to the Board of Directors. In addition, the Compensation Advisory Committee, in accordance with the compensation system, determines the details of compensation for individual Directors and Executive Officers.

iii ) Measures to ensure that such powers are properly exercised

In the Compensation Advisory Committee, which consists of a majority of independent Outside Directors, the Chairman is elected mutually by the committee members, and the amount of individual compensation is determined based on the compensation system approved by the Board of Directors, thereby securing the decision that conforms to the aforementioned purpose.

Note: As described above, in order to increase the objectivity and transparency of the decision-making process for executive compensation, the Board of Directors entrusts the Compensation Advisory Committee to determine the details of compensation for individual Directors and Executive Officers. The composition of the Compensation Advisory Committee for the fiscal year under review is as follows.

Noritaka Uji	Outside Director (Chairman)
Nobuo Seki	Outside Director
Shiro Sugata	Outside Director
Akira Uchida	Outside Director
Kuniko Urano	Outside Director
Takashi Nishijima	Chairman
Hitoshi Nara	President and Chief Executive Officer

(3) Composition of officers' compensation

Compensation for internal Directors and executive officers consists of (a) basic compensation, which is fixed component, and (b) performance-linked component ((b)-1 annual incentives and (b)-2 medium-to long-term incentives).

Performance-linked compensation covers directors and executive officers, excluding Outside Directors, Audit & Supervisory Board Members and non-executive Directors. This is because variable compensation such as performance-linked compensation is not appropriate for Outside Directors and Audit & Supervisory Board Members, who maintain position independent from the performance of duties, and as such only fixed compensation is paid, identically for non-executive Directors.

The levels of compensation for executive are set through a comparison with companies from the same industry and of the same scale, both domestically and internationally, based on the results of surveys conducted by external organizations, and the Company's financial conditions.

Compensation levels for each position are based on the level of 50%iles by peer companies. From the viewpoint of flexible management in response to changes in the environment and the acquisition and retention of talented management personnel, compensation levels shall generally be within the range of 25%iles to 75%iles.

Compensation for personnel hired overseas may be determined individually based on a compensation benchmark analysis that takes into account the responsibilities of each position based on executive compensation survey data in that overseas region.

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

[Executive categories] : [(a) Base compensation] : [(b) performance-linked compensation] : [Remarks]  
 : (b)-2 including non-monetary compensation :  
 : [(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

(a) Basic compensation

Basic compensation shall be fixed monthly compensation and shall be determined based on the criteria established by the Compensation Advisory Committee in accordance with the roles and positions of Directors and Executive Officers.

(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, 2021 as follows:

	[Total amount of compensation and others]	[Basic compensation]	[Performance-linked compensation]
Directors (4 persons)	¥134 million	¥119 million	¥15 million
Outside Directors (4 persons)	¥54 million	¥54 million	
Audit & Supervisory Board Members (3 persons)	¥55 million	¥55 million	
Outside Audit & Supervisory Board Members (4 persons)	¥34 million	¥34 million	

Notes:

1. The above numbers include one Audit & Supervisory Board Member and one Outside Members of Audit & Supervisory Board who retired during the fiscal year under review.
2. The total paid to Directors does not include employee salaries for Directors who are concurrently employees.
3. The retirement bonuses for Directors were eliminated on the day of the 2004 Annual General Meeting of Shareholders held on June 25, 2004.
4. Performance-linked compensation is comprised of annual incentives and medium- to long-term incentives. For medium- to long-term incentives, the amount of reversal recognized by the previous fiscal year is included.

**[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

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

0

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 nine (9) Directors including five (5) 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, considering its initiatives for sustainability as an important management issue, the Board of Directors shall determine the general direction of the Group, including corporate strategies, while improving profit-earning capability and capital efficiency. Also, in addition to monitoring and supervising the execution of business by management, including directors and officers, the Board of Directors shall develop provisions related to the execution of duties by directors, and establish 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 constructive debates based on the knowledge

and experience of each member. In addition, the Chairman of the Board of Directors plays the leading role in developing the environment to improve the quality of discussions through various measures, such as selecting agenda items and organizing the contents thereof, and striving to improve materials and explanations that form the basis for discussions. In preparation for improving the quality and volume of materials, the Chairman gave guidance to the head of each organization regarding Board of Directors agenda items and reports. The President and Chief Executive Officer will continue to be involved, such as by playing a central role in improving the content of proposals from management.

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 2020, the meeting of the Board of Directors was held 14 times, and the attendance rate of Outside Directors was 100% and that of Outside Audit & Supervisory Board was 100%.

#### 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 one (1) audit & supervisory board member with considerable 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 2020, the meeting of the Audit & Supervisory Board was held 15 times, and the attendance rate of Outside Audit & Supervisory Board Members was 100%.

#### 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 seven members, comprising the Chairman, President and Chief Executive Officer, and five 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 recommendations and 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, Noritaka Uji. Moreover, the role of chairperson is performed by Outside Director in order to ensure highly objective and transparent discussions.

#### 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 (14 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, 2021 (FY20), details of certified accountants who executed accounting audit services and others are as follows:

Certified accountants who executed accounting audit services: Hiroyuki Motegi and Shinji Hatano

Composition of assistants for accounting audit services: 14 certified accountants, six (6) 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, 2020 (FY19) is as follows:

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

Filing company: 142 million yen

Consolidated subsidiaries: 29 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 services 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 services 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, Ms. Yasuko Takayama, Mr. Makoto

Ohsawa and Mr. Masaru Ono which limit their liability to the higher of either 15 million yen or the amount stipulated in the Act.

(3) Outline, etc. of the contents of directors and officers liability insurance agreement

The Company has concluded a directors and officers liability insurance agreement provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. This insurance agreement applies to Directors, Audit & Supervisory Board Members and executive officers (including those who have already retired) of the Company and its subsidiaries, and those insured individuals do not bear insurance premiums. This insurance agreement covers the insured's losses and such costs as dispute expenses incurred from claims by shareholders and third parties, etc. for damages arising from acts carried out by the insured as an officer of the Company (including negligence). However, in order to ensure that appropriateness of the insureds' execution of duties would not be impaired, this agreement does not apply to damages and other losses arising from criminal acts such as bribery and illegal acts intentionally committed by officers.

### 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 2021 General Meeting of Shareholders was sent out on June 1, 2021.
Scheduling AGMs Avoiding the Peak Day	The 2021 Annual General Meeting of Shareholders was convened on June 23, 2021, Wednesday, which is six (6) days earlier than the day on which many companies are to 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 2020 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	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 27, three business days prior to the day they are mailed. In the Notice of 2021 Annual General Meeting of Shareholders, the Company included a skill matrix "Expertise and Experience of Independent Officers" for Outside Directors and Outside Audit & Supervisory Board Members. In addition, the Company integrates the notice of Annual General Meeting of Shareholders and shareholders news to provide understandable, easy-to-read, and enhanced information to shareholders. Explanatory materials used on the date of the General Meeting of Shareholders are swiftly posted on the website. From 2021, a video is also posted (Japanese site only).

	<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 2020 Annual General Meeting of Shareholders have been posted on the Company's website (<a href="https://www.yokogawa.co.jp/">https://www.yokogawa.co.jp/</a>) online.</p>
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## 2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	The Company has prepared the Disclosure Policy and Summary Report on the Timely Disclosure System and posted them on its website. <a href="https://www.yokogawa.com/about/ir/management/disclosure/">https://www.yokogawa.com/about/ir/management/disclosure/</a>
Regular Investor Briefings for Individual Investors	The Company regularly sends information via email to individual investors. In addition, the Company has set up webpages for individual investors on its website so that such investors can develop a deep understanding of the Company. Furthermore, the Company regularly holds a briefing for individual investors. (To individual investors) <a href="https://www.yokogawa.co.jp/about/ir/kojin/">https://www.yokogawa.co.jp/about/ir/kojin/</a>
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds a financial results briefing for approximately 100 securities analysts and institutional investors each time quarterly financial results are announced. 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 Presentation Materials of Financial Results, etc. with scripts that include questions and answers on the Company's website. Moreover, financial results briefings for the fourth quarter were distributed with audio files. In addition, the Company holds factory tours for analysts and institutional investors. Since 2019, the Company has held the financial results briefings for the first and the third quarter by tele-conference, but from the viewpoint of preventing the spread of the COVID-19, currently we hold all financial results briefings by tele-conference. For the second quarter of fiscal year 2021, in addition to holding the usual tele-conference, materials and videos (videos in Japanese only) were simultaneously distributed via Webcast. 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. In December 2019, the Company gave a briefing to deepen understanding of YOKOGAWA's sustainability initiatives that contribute to making the world a better place for future generations. This was followed by similar briefings in December 2020, on industrial automation to industrial autonomy (IA2IA), and in March 2021 on initiatives related to the field of bioeconomy. <a href="https://www.yokogawa.com/about/ir/reports/business-briefing/">https://www.yokogawa.com/about/ir/reports/business-briefing/</a>
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. ※Currently, we engage in remote dialogue from the viewpoint of preventing the spread of the COVID-19.
Posting of IR Materials on Website	The following information has been posted on the Company's website. <a href="https://www.yokogawa.com/about/ir/">https://www.yokogawa.com/about/ir/</a> (Information for investors posted on the website) Summary of financial results, securities reports, materials for briefings for analysts (with script including Q&A), materials for the mid-term business plan (with script including Q&A), 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 Report), etc. In the 2021 Yokogawa Report, referring to the Guidance for Collaborative Value Creation of the Ministry of Economy, Trade and Industry (METI), the Company aimed to deepen

	the readers' understanding of the long-term business framework and the new mid-term business plan "Accelerate Growth 2023," as well as to share the will and desires of top management toward achieving the planned targets. In addition, original content has been included to enhance the report, encompassing topics ranging from businesses to corporate governance, such as system of systems, biotechnology, response to climate change (Task Force on Climate-related Financial Disclosures), digital transformation (DX) strategy, opportunities and risks, initiatives to realize management that leverages diversity, and contributions to ensure the effectiveness of the Board of Directors. The skill matrix "Expertise and Experience of Independent Officers" for Outside Directors and Outside Audit & Supervisory Board Members is also included.
Establishment of Department and/or Manager in Charge of IR	Vice President, Head of Accounting & Treasury Headquarters: Michiko Nakajima Person in charge of IR-related administrative circular: Department Manager Investor Relations Department, Hirohiko Nakatani Department in charge of IR: Investor Relations Department, IR Sec. (eight dedicated staff members including five 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.  <a href="https://www.yokogawa.com/about/company-overview/our-brand-and-identity/#Yokogawa-Group-Code-of-Conduct">https://www.yokogawa.com/about/company-overview/our-brand-and-identity/#Yokogawa-Group-Code-of-Conduct</a></p> <p>With the growing interest in recent years in environment, society and governance (ESG) and the Sustainable Development Goals (SDGs), companies are being called on to play a greater role in responding to human rights issues.</p> <p>All of our business activities for value co-creation are based on respect for human rights. The Company established the Yokogawa Group Human Rights Policy which is based on the United Nations Guiding Principles on Business and Human Rights, in September 2020, in order to reaffirm to society our abiding commitment to respect human rights, and fulfill its responsibility.  <a href="https://www.yokogawa.com/about/sustainability/humanrights/">https://www.yokogawa.com/about/sustainability/humanrights/</a></p>
Implementation of Environmental Activities, CSR Activities etc.	<p>The Company has set up a department in charge of environment and a department in charge of CSR, and proactively develops environmental conservation and 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 KPIs with the aim of expanding its contribution to society and achieving growth for the business, beginning with the Three goals, which it is promoting by including them in its business plans. Specifically, we have set aggressive goals for 2030 and focus themes compatible with SDGs in three areas: our response to</p>

	<p>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.  <a href="https://www.yokogawa.com/about/sustainability/">https://www.yokogawa.com/about/sustainability/</a></p>
Development of Policies on Information Provision to Stakeholders	<p>In accordance with the 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.  <a href="https://www.yokogawa.com/about/ir/management/disclosure/">https://www.yokogawa.com/about/ir/management/disclosure/</a></p>
Other	<p>&lt;Efforts to promote the active participation of female employees&gt;</p> <p>Based on the human resources strategy of its 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. 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. We are working to achieve the group-wide target of 9.3% of our managers being women on a non-consolidated basis and 12.5% globally by fiscal year 2023. As of March 31, 2021, the ratios were 7.7% on a non-consolidated basis and 11.7% globally.</p> <p>In the hiring activities, our target is for at least 30% of the new graduates we hire to be women, and the long term target is to optimize the ratio of male and female employees. In April 2021, 52.5% of the new graduates joining the company were women.</p> <p>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.</p> <p>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. In addition, in fiscal year 2020, we acquired Platinum Kurumin certification as a company that supports childcare.</p> <p>&lt;Efforts for health and productivity management&gt;</p> <p>The company is moving forward with various initiatives under its policy relating to maintaining and improving the health of employees, including working styles that allow flexibility in work locations and times, creating employee-friendly office environments, management of working hours, and health development programs.</p>

	<p>In September 2016, the Company established Health Declaration as a basic policy for health and productivity management with the aim to further accelerate various initiatives related to employee health from the perspective of health and productivity management.</p> <p><b>Health Declaration</b> Yokogawa aims to be a company that supports its employees in their efforts to improve their physical and mental health, encourages the development of lively and stimulating workplaces, and contributes to society.</p> <p>In addition, the Company was certified in 2017 through 2019 as one of the recognized organizations under the Certified Health &amp; Productivity Management Outstanding Organizations Recognition Program (White 500) of the Ministry of Economy, Trade and Industry (METI). Going forward, we will continue to enhance the effectiveness of our business activities by coordinating each and every activity and strengthening cooperation between departments in charge and Group companies. In addition, the Company aims to improve employee satisfaction, raising productivity and enhancing corporate value throughout the Group.</p> <p>* “Health and productivity management” is a registered trademark of Workshop for the Management of Health on Company and Employee.</p> <p>&lt;Diversity&gt; Following the election of Ms. Yasuko Takayama as the first female Audit &amp; Supervisory Board Member at the 141st Annual General Meeting of Shareholders in June 2017, Mr. Dai Yu was elected as Director at the 143rd Annual General Meeting of Shareholders in June 2019, becoming the first foreign national to serve in this position. At the 145th Annual General Meeting of Shareholders in June 2021, Ms. Kuniko Urano was elected as the first female Director.</p>
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## 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 6, 2021)

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 2020. Based on this determination, the Basic Policy of Yokogawa Group Internal Control System for fiscal year 2021 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 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.
- Hotlines to facilitate internal reporting and consultation related to compliance problems are prescribed in the "Yokogawa Group Compliance Management Code" and the "Rules on Internal Reporting and Consultation," and are operated appropriately. Information on these hotlines is disseminated throughout the Group.
- 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 has established the Group Management Standards (GMS), which is the top set of rules for the Yokogawa Group, in order to clarify roles and responsibilities in each operational process toward realization of the internal control system based on autonomous control activities. The Company 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 carry out timely and appropriate reporting to the Company regarding matters relating to the execution of duties by their respective Directors and others.
- The persons responsible for the internal control system based on the GMS have auditing functions of the system, 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. Of the internal control system, particularly important systems in terms of appropriateness of business activities are summed up in the following systems: business ethics,



decision making, operating management, crisis management, and corporate auditing infrastructure to establish the overall responsibility structure of the Yokogawa Group's internal control system.

· In particular, to ensure the reliability of financial reports, the Accounting Management System based on the Group Accounting Code has been formulated to establish 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.

· 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 top management including the Chairman of the Board of Directors, the Representative Director, the officer responsible for accounting and finance, responsible persons in the administration departments of the Corporate Function including the department in charge of internal audits and compliance, and the accounting auditor. In addition, opportunities and environments conducive to interviews with other Directors and important employees are provided as required.

· In order to enable audits to be conducted efficiently, opportunities are provided for the accounting auditor and the internal audit department to hold discussions and exchange opinions. Moreover, in order to ensure that audits are effective, opportunities to exchange information and to work with Outside Directors, etc. are also provided.

· 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://cdn-nc.yokogawa.com/1/20567/tabs/ir\\_20140513-en.pdf](https://cdn-nc.yokogawa.com/1/20567/tabs/ir_20140513-en.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>

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.

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.

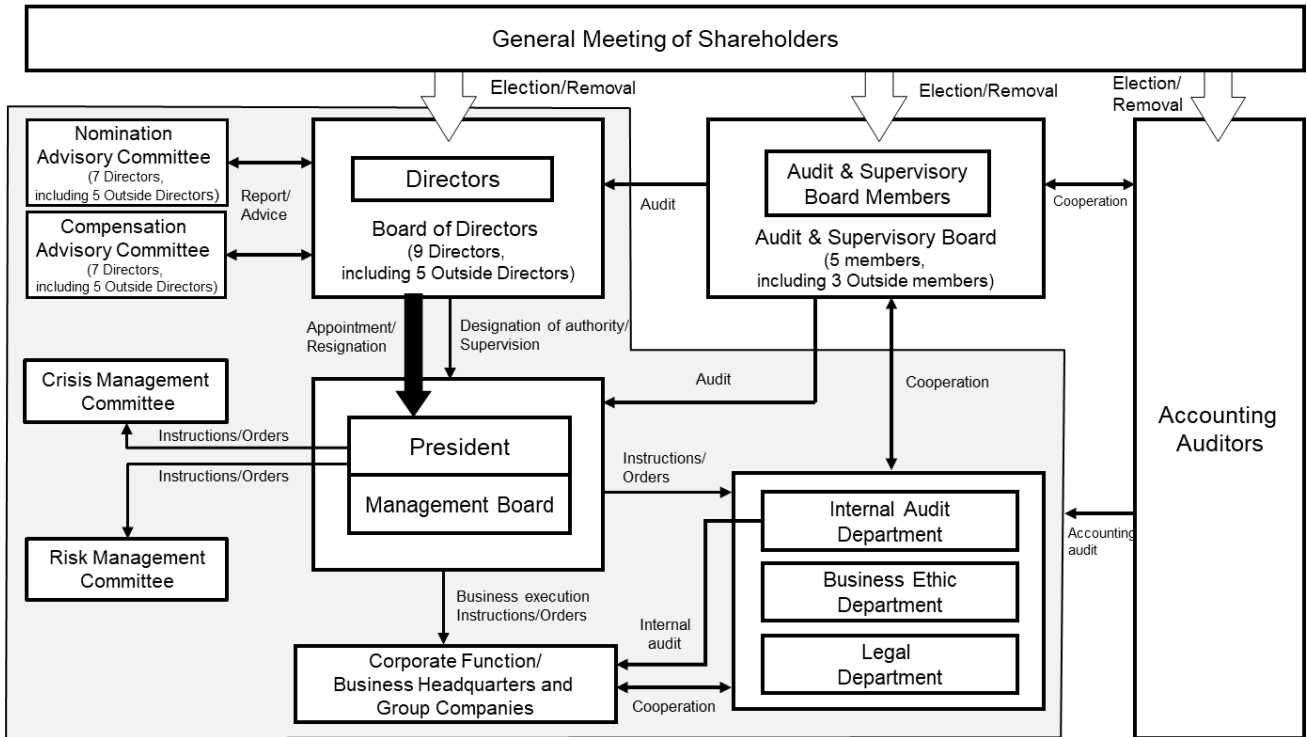
However, there are a number of situations when a large-scale takeover attempt would contribute to neither the corporate value of the Company nor the common interests of the shareholders, such as when: (i) sufficient time and information have not been provided for the Company or its shareholders to consider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

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# <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.

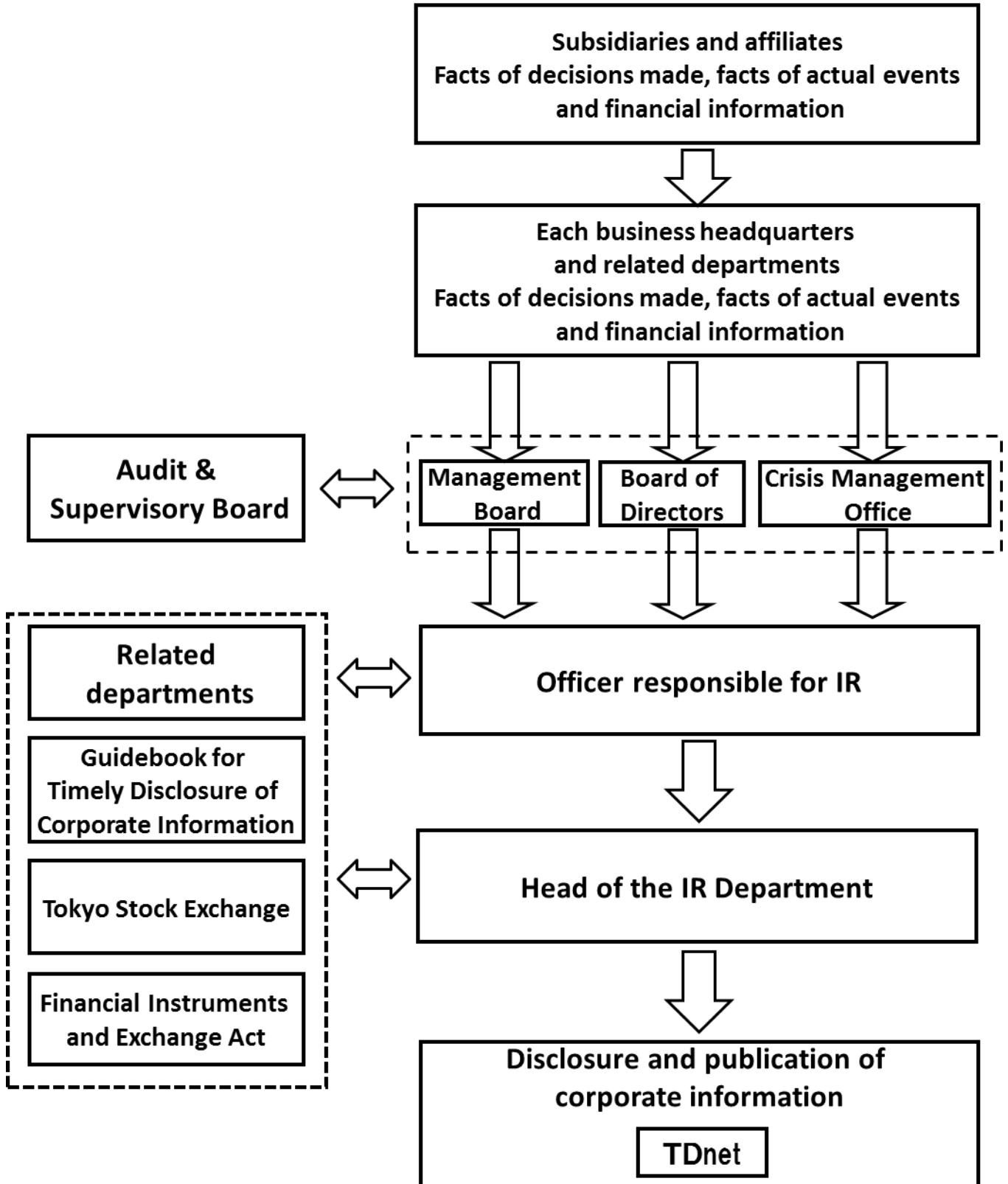
#### (Public disclosure)

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.