

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

To All Shareholders:

Securities code: 6841

June 5, 2017

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

Notice of 2017 Annual General Meeting of Shareholders

Dear Shareholder:

You are cordially invited to attend the 2017 Annual General Meeting of Shareholders of Yokogawa Electric Corporation (hereinafter the Company), which will be held as per the schedule below.

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

Sincerely,

Takashi Nishijima
President and CEO

1. Time & Date: 10:00 a.m. (Japan time), Tuesday, June 27, 2017

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

3. Meeting Agenda:

Items to be reported

- 1: Business report, consolidated financial statements, and a report on the audit of the consolidated accounts by the accounting auditors and the Audit & Supervisory Board for fiscal year 2016 (April 1, 2016 to March 31, 2017)
- 2: Non-consolidated financial statements for fiscal year 2016 (April 1, 2016 to March 31, 2017)

Items to be resolved

Item 1: Disposition of Surplus

Item 2: Election of Ten (10) Directors

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

[Vote by mail]

Indicate “for” or “against” for each agenda item shown on the enclosed voting form and return it promptly to ensure its arrival **no later than 5:00 p.m. on Monday, June 26, 2017, Japan time.**

[Vote via the Internet]

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

By following the prompts on the screen, indicate “for” or “against” for each agenda item and submit this form **no later than 5:00 p.m. on Monday, June 26, 2017, Japan time.**

For more details, please refer to the Instructions for Internet Voting on page 45.

[Handling of multiple voting]

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

Notes:

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

Reference Materials for General Meeting of Shareholders

Item 1: Disposition of Surplus

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

When calculating the dividend amount, the Company's basic policy of profit distribution is to take into consideration the business results and cash flow, the need to secure an internal reserve for mid-to long-term investment, and the overall financial health of the Company while striving to improve the dividend level with the target of a consolidated dividend payout ratio of 30%.

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

Matters related to year-end dividends

(1) Type of dividend assets

Cash

(2) Allocation of dividend assets and total amount of allocation

12.5 yen per common share of the Company

Total amount of payout is 3,340,098,587 yen.

(3) Effective date of dividend payout


June 28, 2017


Item 2: Election of Ten (10) Directors


At the conclusion of this General Meeting of Shareholders, the terms of office for ten (10) directors will expire. The Company proposes to elect a total of ten (10) directors.


The director candidates have been nominated upon referencing a report of the Company's Nomination Advisory Committee, over half of whose members are outside directors, and based on "The policy and procedures for the appointment of Director and Audit & Supervisory Board Member candidates as well as officers," stipulated by the Company.


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


Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
1	<div><p>Shuzo Kaihori (Jan. 31, 1948)</p><div>Reelection Candidate</div></div>	<div><div>Apr. 1973</div>Joined the Company</div> <div><div>Apr. 2005</div>Vice President, Head of IA Business Headquarters</div> <div><div>Apr. 2006</div>Senior Vice President, Head of IA Business Headquarters</div> <div><div>Jun. 2006</div>Director and Senior Vice President, Head of IA Business Headquarters</div> <div><div>Apr. 2007</div>President and Chief Operating Officer</div> <div><div>Apr. 2008</div>President and Chief Executive Officer</div> <div><div>Apr. 2013</div>Chairman and Chief Executive Officer</div> <div><div>Apr. 2015</div>Chairman</div> <div><div>Jun. 2016</div>Director, Chairman of the Board of Directors (present)</div> <div>125,302 shares</div>	
	<div>Significant concurrent positions</div> <div>Outside Director of HOYA CORPORATION</div> <div>President of Business Ethics Research Center</div> <div>Number of years since appointment as a director 11years (at the conclusion of this AGM)</div> <div>Attendance of Board of Directors Meetings Present at 15 of the 15 meetings (FY2016) (100%)</div> <div>The reason for election as a director candidate</div> <div>Mr. Shuzo Kaihori properly supervises management acting as a director. He also adequately manages meetings of the Board of Directors acting as its Chairman, while endeavoring to strengthen corporate governance practices. Accordingly, his election as a director is being requested because we consider him qualified to further upgrade our corporate governance practices.</div> <div>In addition, please refer to page 16 for “The policy and procedures for the appointment of Director and Audit & Supervisory Board Member candidates as well as officers.”</div>		
Note: There is no special interest between the Mr. Shuzo Kaihori and the Company.			


Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
2	 Takashi Nishijima (Aug. 12, 1957) <div>Reelection Candidate</div>	<div>Apr. 1981 Joined Hokushin Electric Works Ltd. (the present Yokogawa Electric Corporation)</div> <div>Oct. 2008 Vice President, Head of Control Products Business Center, IA Business Headquarters</div> <div>Apr. 2010 President of Yokogawa Meters & Instruments Corporation</div> <div>Jun. 2011 Director of the Company, President of Yokogawa Meters & Instruments Corporation</div> <div>Apr. 2012 Director and Senior Vice President, Head of IA Platform Business Headquarters</div> <div>Apr. 2013 President and Chief Operating Officer</div> <div>Apr. 2015 President and Chief Executive Officer (present)</div>	51,574 shares
	<div>Number of years since appointment as a director 6years (at the conclusion of this AGM)</div> <div>Attendance of Board of Directors Meetings Present at 15 of the 15 meetings (FY2016) (100%)</div> <div>The reason for election as a director candidate</div> <div>Mr. Takashi Nishijima properly supervises management acting as President and Chief Executive Officer. He also adequately provides guidance serving as Chairman of the Company’s Management Board. Accordingly, his election as a director is being requested because we consider him qualified to take the lead in achieving the goals set out in the long-term business framework.</div> <div>In addition, please refer to page 16 for “The policy and procedures for the appointment of Director and Audit & Supervisory Board Member candidates as well as officers.”</div>		
Note: There is no special interest between the Mr. Takashi Nishijima and the Company.			


Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
3	 <p>Satoru Kurosu (Dec. 25, 1960)</p> <p>Reelection Candidate</p>	<p>Apr. 1983 Joined the Company</p> <p>Apr. 2006 Vice President, Head of Marketing Center, IA Business Headquarters</p> <p>Apr. 2007 Senior Vice President, Head of IA Business Headquarters</p> <p>Apr. 2009 Senior Vice President, Head of Global Business Headquarters</p> <p>Apr. 2010 President of Yokogawa Engineering Asia Pte. Ltd.</p> <p>Apr. 2011 Senior Vice President of the Company, Head of IA Marketing Headquarters</p> <p>Jun. 2011 Director and Senior Vice President, Head of IA Marketing Headquarters</p> <p>Apr. 2013 Director and Executive Vice President, President of Yokogawa Electric International Pte. Ltd.</p> <p>Apr. 2014 Director and Executive Vice President, Head of Solution Service Business Headquarters, President of Yokogawa Electric International Pte. Ltd.</p> <p>Apr. 2015 Director and Executive Vice President, Head of Solution Service Business Headquarters</p> <p>Apr. 2017 Director and Executive Vice President, Head of Premium Solutions and Services Business Headquarters (present)</p>	91,718 shares
<p>Number of years since appointment as a director 6years (at the conclusion of this AGM)</p> <p>Attendance of Board of Directors Meetings Present at 15 of the 15 meetings (FY2016) (100%)</p> <p>The reason for election as a director candidate</p> <p>Mr. Satoru Kurosu properly supervises management acting as a director. He also adequately performs his duties acting as Head of Premium Solutions and Services Business Headquarters which handles solutions business which constitutes the core of the mid-term business plan. Accordingly, his election as a director is being requested because we consider him qualified to act as leader in building the solutions business.</p> <p>In addition, please refer to page 16 for “The policy and procedures for the appointment of Director and Audit & Supervisory Board Member candidates as well as officers.”</p>			
Note: There is no special interest between the Mr. Satoru Kurosu and the Company.			


Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
4	<div><p>Hitoshi Nara (Jan. 23, 1963)</p><div>Reelection Candidate</div></div>	<div><div>Apr. 1985</div><div>Joined the Company</div><div>Oct. 2001</div><div>Deputy Managing Director of Yokogawa Engineering Asia Pte. Ltd.</div><div>Oct. 2003</div><div>Managing Director of Yokogawa (Thailand) Ltd.</div><div>Jan. 2007</div><div>Head of Sales Div. I, Industrial Solutions Business Headquarters</div><div>Apr. 2010</div><div>Senior Vice President, Head of Industrial Solutions Business Headquarters</div><div>Jun. 2011</div><div>Director and Senior Vice President, Head of Industrial Solutions Business Headquarters</div><div>Apr. 2012</div><div>Director and Senior Vice President, Head of Industrial Solutions Service Business Headquarters</div><div>Apr. 2013</div><div>Director of the Company, President of Yokogawa Solution Service Corporation</div><div>Apr. 2017</div><div>Director and Executive Vice President of the company, Chief Executive for Japan and Korea, and President of Yokogawa Solution Service Corporation (present)</div></div>	45,663 shares
	<div><div>Number of years since appointment as a director</div><div>6years</div><div>(at the conclusion of this AGM)</div></div> <div><div>Attendance of Board of Directors Meetings</div><div>Present at 15 of the 15 meetings</div><div>(FY2016)</div><div>(100%)</div></div> <div><div>The reason for election as a director candidate</div><div>Mr. Hitoshi Nara properly supervises management acting as a director. He also adequately performs his duties acting as President of Yokogawa Solution Service Corporation. Accordingly, his election as a director is being requested because we consider him qualified to act as leader in developing the solutions business across a wide range of industrial sectors.</div><div>In addition, please refer to page 16 for “The policy and procedures for the appointment of Director and Audit & Supervisory Board Member candidates as well as officers.”</div></div>		
Note: There is no special interest between the Mr. Hitoshi Nara and the Company.			


Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
5	 Masatoshi Nakahara (Dec. 14, 1958) <div>Reelection Candidate</div>	<div>Apr. 1981 Joined the Company</div> <div>Apr. 2007 Vice President, Head of IA Systems Business Center, Industrial Automation Business Headquarters</div> <div>Apr. 2011 President of Yokogawa Engineering Asia Pte. Ltd.</div> <div>Apr. 2013 Senior Vice President of the Company, Head of Industrial Automation Platform Business Headquarters</div> <div>Jun. 2014 Director and Senior Vice President, Head of IA Platform Business Headquarters</div> <div>Apr. 2016 Director and Executive Vice President, Head of IA Platform Business Headquarters</div> <div>Apr. 2017 Director and Executive Vice President, Head of IA Systems and Services Business Headquarters (present)</div>	54,887 shares
	<div>Number of years since appointment as a director 3years (at the conclusion of this AGM)</div> <div>Attendance of Board of Directors Meetings Present at 15 of the 15 meetings (FY2016) (100%)</div> <div>The reason for election as a director candidate</div> <div>Mr. Masatoshi Nakahara properly supervises management acting as a director. He also adequately performs his duties acting as Head of IA Systems and Services Business Headquarters. Accordingly, his election as a director is being requested because we consider him qualified to help bring about sustainable improvement in our corporate value.</div> <div>In addition, please refer to page 16 for “The policy and procedures for the appointment of Director and Audit & Supervisory Board Member candidates as well as officers.”</div>		
Note: There is no special interest between the Mr. Masatoshi Nakahara and the Company.			

Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
6	 Junichi Anabuki (Mar. 18, 1963) <div>Reelection Candidate</div>	<div><div>Apr. 1986</div>Joined Fukutoku Sogo Bank, Ltd.</div> <div><div>Mar. 1992</div>Joined the Company</div> <div><div>Jan. 2005</div>General Manager, Treasury Department</div> <div><div>Apr. 2011</div>Vice President, Head of Accounting & Treasury Headquarters</div> <div><div>Jun. 2014</div>Director and Vice President of the Company, Head of Accounting & Treasury Headquarters</div> <div><div>Apr. 2016</div>Director and Senior Vice President of the Company, Head of Accounting & Treasury Headquarters (present)</div> <td>43,916 shares</td>	43,916 shares
	<div>Number of years since appointment as a director 3years (at the conclusion of this AGM)</div> <div>Attendance of Board of Directors Meetings Present at 15 of the 15 meetings (FY2016) (100%)</div> <div>The reason for election as a director candidate</div> <div>Mr. Junichi Anabuki properly supervises management acting as a director. He also adequately performs his duties acting as Head of Accounting & Treasury Headquarters. Accordingly, his election as a director is being requested because we consider him qualified to help bring about sustainable improvement in our corporate value.</div> <div>In addition, please refer to page 16 for “The policy and procedures for the appointment of Director and Audit & Supervisory Board Member candidates as well as officers.”</div>		
Note: There is no special interest between the Mr. Junichi Anabuki and the Company.			

Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
7	<div><p>Mitsudo Urano (Mar. 20, 1948)</p><div>Reelection Candidate</div><div>Candidate of Outside Director</div><div>Candidate of Independent Officer</div></div>	<div><div>Apr. 1971</div><div>Joined Nippon-Reizo Co., Ltd. (the present Nichirei Corporation)</div><div>Jun. 1999</div><div>Director of Nichirei Corporation</div><div>Jun. 2001</div><div>Representative Director and President of Nichirei Corporation</div><div>Jun. 2007</div><div>Representative Director and Chairman of Nichirei Corporation</div><div>Jun. 2011</div><div>Director of the Company (present)</div><div>Jun. 2013</div><div>Senior Adviser of Nichirei Corporation (present)</div></div>	0 shares
	<div>Significant concurrent positions</div> <div>Senior Adviser of Nichirei Corporation</div> <div>Outside Director of Resona Holdings, Inc.</div> <div>Outside Director of HOYA CORPORATION</div> <div>Outside Director of Hitachi Transport System, Ltd.</div> <div>President of Agri Future Japan</div> <div>Chairman of Nippon Omni-Management Association</div> <div>Chairman of Central Society for Promoting the Industrial Education</div> <div>Number of years since appointment as an outside director 6years (at the conclusion of this AGM)</div> <div>Attendance of Board of Directors Meetings Present at 15 of the 15 meetings (FY2016) (100%)</div> <div>The reason for election as a director candidate</div> <div>Mr. Mitsudo Urano properly supervises management acting as an outside director. His election as an outside director is being requested so that he can contribute to greater operational fairness, objectivity, and transparency with respect to management of the Company based on his wide knowledge and abundant experience as a manager, and through his expertise in corporate governance.</div> <div>In addition, please refer to page 16 for “The policy and procedures for the appointment of Director and Audit & Supervisory Board Member candidates as well as officers.”</div> <div>About the independent officers</div> <div>Mr. Mitsudo Urano meets the requirements of an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange, and the standards of independence in the Company. The Company nominated him as independent officers, and he is registered as such at the said exchange. Provided he is re-elected as proposed, he will continue his service for the Company as an independent officer.</div> <div>In addition, please refer to page 17 for “The Company’s Independence Standards”.</div>		
<div>Notes:</div> <div>1. There is no special interest between the Mr. Mitsudo Urano and the Company.</div> <div>2. Mr. Mitsudo Urano is a candidate to fill the outside director positions provided for in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.</div> <div>3. Liability limitation agreement with outside directors</div> <div>The Company has entered into liability limitation agreements with Mr. Mitsudo Urano, upon approval of his reelection, the Company will continue the agreement with him.</div> <div>The overview of the agreement is as follows:</div> <div>Under Articles of incorporation of the Company, and Article 427, Paragraph 1 of the Companies Act, the Company shall enter into an agreement with its outside directors, which limits their liability provided for in Article 423, Paragraph 1 to the higher of either 15 million yen or the amount stipulated in the Act.</div>			

Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
8	 Noritaka Uji (Mar. 27, 1949) Reelection Candidate <div>Candidate of Outside Director</div> <div>Candidate of Independent Officer</div>	<div>Apr. 1973 Joined Nippon Telegraph and Telephone Public Corporation (the present Nippon Telegraph and Telephone Corporation)</div> <div>Jun. 1999 Director of NTT DATA Corporation Head of New Generation Information Services Sector</div> <div>Sep. 2000 Director of NTT DATA Corporation Head of Corporate Strategy Planning Department</div> <div>Jun. 2003 Executive Vice President of NTT DATA Corporation Head of Enterprise Systems Sector and Head of Enterprise Business Sector</div> <div>Jun. 2005 Representative Director and Executive Vice President of NTT DATA Corporation</div> <div>Jun. 2007 Senior Executive Vice President of Nippon Telegraph and Telephone Corporation</div> <div>Jun. 2012 Advisor of Nippon Telegraph and Telephone Corporation (present)</div> <div>Jun. 2014 Director of the Company (present)</div>	0 shares
	<p>Significant concurrent positions</p> <p>Advisor of Nippon Telegraph and Telephone Corporation Outside Director of DAIICHI SANKYO COMPANY, LIMITED Chairman of Japan Telemarketing Association Chairman of Japan Institute of Information Technology</p> <p>Number of years since appointment as an outside director 3years (at the conclusion of this AGM)</p> <p>Attendance of Board of Directors Meetings Present at 15 of the 15 meetings (FY2016) (100%)</p> <p>The reason for election as a director candidate</p> <p>Mr. Noritaka Uji properly supervises management acting as an outside director. His election as an outside director is being requested so that he can contribute to greater operational fairness, objectivity, and transparency with respect to management of the Company based on his wide knowledge as a corporate manager, as well as his abundant experience and extensive expertise in technology development and IT/ICT fields.</p> <p>In addition, please refer to page 16 for “The policy and procedures for the appointment of Director and Audit & Supervisory Board Member candidates as well as officers.”</p> <p>About the independent officers</p> <p>Mr. Noritaka Uji meets the requirements of an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange, and the standards of independence in the Company. The Company nominated him as independent officers, and he is registered as such at the said exchange. Provided he is re-elected as proposed, he will continue his service for the Company as an independent officer.</p> <p>In addition, please refer to page 17 for “The Company’s Independence Standards”.</p>		
<p>Notes:</p> <div><div>1. There is no special interest between the Mr. Noritaka Uji and the Company.</div><div>2. Mr. Noritaka Uji is a candidate to fill the outside director positions provided for in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.</div><div>3. Liability limitation agreement with outside directors</div></div> <p>The Company has entered into liability limitation agreements with Mr. Noritaka Uji, upon approval of his reelection, the Company will continue the agreement with him.</p> <p>The overview of the agreement is as follows:</p> <p>Under Articles of incorporation of the Company and Article 427, Paragraph 1 of the Companies Act, the Company shall enter into an agreement with its outside directors, which limits their liability provided for in Article 423, Paragraph 1 to the higher of either 15 million yen or the amount stipulated in the Act.</p>			

Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
9	<div></div> <div>Nobuo Seki (Sep. 21, 1944)</div> <div>Reelection Candidate</div> <div>Candidate of Outside Director</div> <div>Candidate of Independent Officer</div>	<div>Apr. 1970 Joined Chiyoda Chemical Engineering Company (the present Chiyoda Corporation)</div> <div>Apr. 1992 Vice President & Project General Manager of Chiyoda International Corporation in USA</div> <div>Jun. 1997 Director of Chiyoda Corporation</div> <div>Jun. 1998 Managing Director of Chiyoda Corporation</div> <div>Aug. 2000 Senior Managing Director of Chiyoda Corporation</div> <div>Apr. 2001 President and CEO of Chiyoda Corporation</div> <div>Apr. 2007 Chairman of Chiyoda Corporation</div> <div>Apr. 2009 General Corporate Advisor of Chiyoda Corporation</div> <div>Jul. 2012 Advisor of Chiyoda Corporation</div> <div>Jun. 2015 Director of the Company (present)</div>	1,000 shares
	<div>Significant concurrent positions</div> <div>Independent Outside Director of TEIJIN LIMITED</div> <div>Outside Director of KAMEDA SEIKA CO., LTD.</div> <div>Outside Director of Weathernews Inc.</div> <div>Number of years since appointment as an outside director 2year (at the conclusion of this AGM)</div> <div>Attendance of Board of Directors Meetings Present at 15 of the 15 meetings (FY2016) (100%)</div> <div>The reason for election as a director candidate</div> <div>Mr. Nobuo Seki properly supervises management acting as an outside director. His election as an outside director is being requested so that he can contribute to greater operational fairness, objectivity, and transparency with respect to management of the Company based on his wide knowledge as a corporate manger, as well as his abundant experience and extensive global business expertise in the engineering business centered on the energy industry.</div> <div>In addition, please refer to page 16 for “The policy and procedures for the appointment of Director and Audit & Supervisory Board Member candidates as well as officers.”</div> <div>About the independent officers</div> <div>Mr. Nobuo Seki meets the requirements of an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange, and the standards of independence in the Company. The Company nominated him as independent officers, and he is registered as such at the said exchange. Provided he is re-elected as proposed, he will continue his service for the Company as an independent officer.</div> <div>In addition, please refer to page 17 for “The Company’s Independence Standards”.</div>		
<div>Notes:</div> <div>1. There is no special interest between the Mr. Nobuo Seki and the Company.</div> <div>2. Mr. Nobuo Seki is a candidate to fill the outside director positions provided for in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.</div> <div>3. Liability limitation agreement with outside directors</div> <div>The Company has entered into liability limitation agreements with Mr. Nobuo Seki, upon approval of his reelection, the Company will continue the agreement with him.</div> <div>The overview of the agreement is as follows:</div> <div>Under Articles of incorporation of the Company and Article 427, Paragraph 1 of the Companies Act, the Company shall enter into an agreement with its outside directors, which limits their liability provided for in Article 423, Paragraph 1 to the higher of either 15 million yen or the amount stipulated in the Act.</div>			

Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
10	<div><p>Shiro Sugata (Nov. 17, 1949)</p><div>Reelection Candidate</div><div>Candidate of Outside Director</div><div>Candidate of Independent Officer</div></div>	<div><div>Apr. 1972 Jan. 1993 Jun. 2000</div><div>Joined USHIO INC. President of BLV Licht- und Vakuumtechnik GmbH Director and Corporate Senior Vice President of USHIO INC.</div></div> <div><div>Apr. 2001 Apr. 2003 Apr. 2004 Jun. 2004</div><div>Director and General Manager of Lamp Division II Director and Lamp Company President, COO Director and Corporate Executive Vice President Representative Director and Corporate Executive Vice President</div></div> <div><div>Mar. 2005 Oct. 2014 Jun. 2016</div><div>President and CEO Director and Corporate Advisor Corporate Advisor of USHIO INC. (present) Director of the Company (present)</div></div>	0 shares
	<p>Significant concurrent positions Corporate Advisor, USHIO INC. Outside Director of JSR Corporation</p> <p>Number of years since appointment as an outside director 1year (at the conclusion of this AGM)</p> <p>Attendance of Board of Directors Meetings Present at 11 of the 11 meetings* (FY2016) (100%)</p> <p>*Since he assumed the position on June 23, 2016.</p> <p>The reason for election as a director candidate Mr. Shiro Sugata properly supervises management acting as an outside director. His election as an outside director is being requested so that he can contribute to greater operational fairness, objectivity, and transparency with respect to management of the Company based on his wide knowledge as a corporate manger, as well as his abundant experience and extensive global business expertise in the development and marketing of industrial instruments. In addition, please refer to page 16 for “The policy and procedures for the appointment of Director and Audit & Supervisory Board Member candidates as well as officers.”</p> <p>About the independent officers Mr. Shiro Sugata meets the requirements of an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange, and the standards of independence in the Company. The Company nominated him as independent officers, and he is registered as such at the said exchange. Provided he is re-elected as proposed, he will continue his service for the Company as an independent officer. In addition, please refer to page 17 for “The Company’s Independence Standards.”</p>		
<p>Notes:</p> <div><div>1.</div><div>There is no special interest between the Mr. Shiro Sugata and the Company.</div></div> <div><div>2.</div><div>Mr. Shiro Sugata is a candidate to fill the outside director positions provided for in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.</div></div> <div><div>3.</div><div>Liability limitation agreement with outside directors The Company has entered into liability limitation agreements with Mr. Shiro Sugata, upon approval of his reelection, the Company will continue the agreement with him. The overview of the agreement is as follows: Under Articles of incorporation of the Company and Article 427, Paragraph 1 of the Companies Act, the Company shall enter into an agreement with its outside directors, which limits their liability provided for in Article 423, Paragraph 1 to the higher of either 15 million yen or the amount stipulated in the Act.</div></div>			

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

At the conclusion of this General Meeting of Shareholders, the term of office for one (1) Audit & Supervisory Board Member (Mr. Kiyoshi Makino) will expire.


The Company proposes to elect the following two (2) individuals to the Audit & Supervisory Board, an increase of one outside member of Audit & Supervisory Board, for the purpose of further enhancing the function of the Audit & Supervisory Board and the corporate governance of the Company.

Audit & Supervisory Board member candidates have been nominated upon referencing a report of the Company's Nomination Advisory Committee, over half of whose members are outside directors, and based on "The policy and procedures for the appointment of Director and Audit & Supervisory Board Member candidates as well as officers," stipulated by the Company.

In addition, the Audit & Supervisory Board concurs with this proposal.

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

Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
1	 <p>Kouji Maemura (May 21, 1956)</p> <p>New Candidate</p>	<p>Apr. 1980 Joined the Company</p> <p>Oct. 1999 Head of Business Process Innovation Department</p> <p>Apr. 2003 Head of Human resources & General Affairs Division, Management Administration Headquarters</p> <p>Apr. 2006 Director and Executive Vice President of Kokusai Chart Corporation, Head of FC Division</p> <p>Oct. 2007 Director of Yokogawa Digital Computer Corporation, Head of Management Administration Division</p> <p>Jan. 2009 Business Process Innovation Headquarters of the Company</p> <p>Apr. 2010 Head of HR Administration Department, Human Resources Headquarters</p> <p>Apr. 2011 Vice President, Head of Corporate Marketing Headquarters</p> <p>Apr. 2015 Vice President, Head of Human Resources Headquarters</p> <p>Apr. 2017 Corporate Administration Headquarters (present)</p>	31,311 shares
<p>The reason for election as an Audit & Supervisory Board member candidate</p> <p>Mr. Kouji Maemura is well-versed with respect to the Group's organization and business, and also has experience playing a leadership role in carrying out the Group's managerial reforms. His election as an Audit & Supervisory Board member is being requested because we consider it appropriate to reflect his knowledge and experience in audits of the Company.</p> <p>In addition, please refer to page 16 for "The policy and procedures for the appointment of Director and Audit & Supervisory Board Member candidates as well as officers."</p>			
<p>Note: There is no special interest between the Mr. Kouji Maemura and the Company.</p>			

Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
2	<div><p>Yasuko Takayama (Mar. 8, 1958)</p><div>New Candidate</div><div>Candidate of Outside Member, Audit & Supervisory Board</div><div>Candidate of Independent Officer</div></div>	<div><div>Apr. 1980</div>Joined Shiseido Co., Ltd.</div> <div><div>Apr. 2005</div>General Manager, Website Planning Group, Consumer Information Center</div> <div><div>Apr. 2006</div>General Manager, Consumer Information Center</div> <div><div>Oct. 2008</div>General Manager, Consumer Relations Department</div> <div><div>Apr. 2009</div>General Manager, Social Affairs and Consumer Relations Department</div> <div><div>Apr. 2010</div>General Manager, Corporate Social Responsibility Department</div> <div><div>Jun. 2011</div>Full-time Audit & Supervisory Board Member</div> <div><div>Jun. 2015</div>Advisor (present)</div>	0 shares
	<p>Significant concurrent positions</p> <p>Advisor, Shiseido Co., Ltd</p> <p>Outside Director, The Chiba Bank, Ltd.</p> <p>Outside Director, Nippon Soda Co., Ltd.</p> <p>Outside Audit & Supervisory Board Member, Mitsubishi Corporation</p> <p>The reason for election as an audit & supervisory board member candidate</p> <p>Ms. Yasuko Takayama has been working for a major company in the consumer market where she has gained extensive practical experience that includes handling corporate social responsibility, as well as experience acting as a full-time audit and supervisory board member, and also has a wealth of experience acting as an outside executive at various companies. Accordingly, her election as an outside Audit & Supervisory Board member is being requested because we consider it appropriate to reflect such experience in audits of the Company.</p> <p>In addition, please refer to page 16 for “The policy and procedures for the appointment of Director and Audit & Supervisory Board Member candidates as well as officers.”</p> <p>About the independent officers</p> <p>Ms. Yasuko Takayama meets the requirements of an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange, and the standards of independence in the Company.</p> <p>Provided she is elected as proposed, the Company plans to report her status as an independent officer to the said exchange.</p> <p>In addition, please refer to page 17 for “The Company’s Independence Standards.”</p>		
<p>Notes:</p> <div><div>1.</div>There is no special interest between the Ms. Yasuko Takayama and the Company.</div> <div><div>2.</div>Ms. Yasuko Takayama is a candidate to fill the outside member of the audit & supervisory board positions provided for in Article 2, Paragraph 3, Item 8 of the Ordinance for Enforcement of the Companies Act.</div> <div><div>3.</div>Liability limitation agreement with outside member of the audit & supervisory board</div> <div>Upon election of Ms. Yasuko Takayama as proposed, the Company will enter into the liability limitation agreement with her.</div> <div>The overview of the agreement is as follows:</div> <div>Under Articles of incorporation of the Company and Article 427, Paragraph 1 of the Companies Act, the Company shall enter into an agreement with its outside directors, which limits their liability provided for in Article 423, Paragraph 1 to the higher of either 15 million yen or the amount stipulated in the Act.</div>			

Reference

The policy and procedures for the appointment of Director and Audit & Supervisory Board Member candidates as well as officers

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

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

Under this premise, the Company appoints as candidates for Director and Audit & Supervisory Board Member those human resources who, in addition to contributing to improvement of corporate governance, also meet the respective criteria that follow.

■ Director candidates

- Human resources that are familiar with the Group's business and contribute to the appropriate execution of business and supervision of highly effective management.
- Human resources 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 that contribute to right management decisions and supervision of highly effective management.

■ Audit & Supervisory Board Member candidates

- Human resources that are familiar with the Group's business and contribute to appropriate auditing of management of the Company and Group companies.
- Human resources that have abundant experience as corporate managers, have expertise in areas such as accounting, finance, legal affairs, and corporate management, and contribute to appropriate auditing of management.

With respect to officers, they are appointed after it is confirmed that each candidate has sufficient experience, knowledge, etc. and that he or she has the intentions and attitude suitable for management.

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

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

Matters with respect to appointment of Director candidates and officers are resolved on the basis of reports prepared upon deliberations engaged in on the basis of appointment criteria and procedures as stipulated by the Nomination Advisory Committee.

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

Reference

The Company's Independence Standards

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

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

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

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

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

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

Note 4: The Group's accounting auditor or an employee or partner of the Group's auditing firm, or a person who was served in such a capacity within the past three years (including those who have already retired).

Note 5: A partner, associate, or employee of that firm.

Business Report

(From April 1, 2016 to March 31, 2017)

1. Status of the Yokogawa Group

(1) Business Results

a. Analysis of Business Results

The Yokogawa Group's ("the Group") understanding regarding the conditions in its specific markets for the fiscal year under review (April 1, 2016 to March 31, 2017) is as follows.

Although, amid a moderate recovery trend in the global economy, crude oil prices may be bottoming out and signs of improvement are also continuing in the supply-demand balance of such trade, market conditions in the energy and materials-related sectors remained challenging with a broad scope of the market experiencing such trends, as a continuation of postponements or cancellations of investments in resource development projects. Against this backdrop, while investments by countries such as Japan that import resources and by industries that benefit from lower costs for raw materials and fuels were comparatively firm, a cautious investment stance has been observed in other industries due to the uncertain business outlook. Under such circumstances, the economic situation of overall market showed little improvement.

Amid these continued harsh circumstances, the Group, in line with its mid-term business plan Transformation 2017 ("TF2017"), proactively strove toward "creating new value" in its business activities, particularly with respect to post-merger integration (PMI) efforts with UK-based firm KBC Advanced Technologies plc (KBC), which was acquired in April, 2016, while striving to accelerate transformation by "maximizing efficiency" through cost-reductions and other initiatives.

Despite strong real growth in the Japanese market, net sales for the fiscal year under review were down 22.298 billion yen from the previous fiscal year, due mainly to the effects of the appreciation of the yen and reduced investments in resource development projects outside Japan. Despite cost reduction efforts, operating income fell 8.031 billion yen year on year due to the appreciation of the yen and the decline in sales, as well as an increase in one-time costs and the amortization of goodwill following the acquisition of KBC and others. Moreover, there was a 4.404 billion yen year on year decrease in the profit attributable to owners of parent that can be explained mainly by the aforementioned decrease in operating income.

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

Net sales	¥391.433 billion	(-5.4%, down ¥22.298 billion)
Operating profit	¥31.608 billion	(-20.3%, down ¥8.031 billion)
Ordinary profit	¥33.014 billion	(-18.9%, down ¥7.699 billion)
Profit Attributable to Owners of Parent	¥25.759 billion	(-14.6%, down ¥4.404 billion)

Results by individual segment are outlined below.

Industrial Automation and Control Business

Net sales for the industrial automation and control business segment as a whole fell 18.676 billion yen year on year due to the appreciation of the yen in markets outside Japan and the sluggish investments in resource development projects. This was despite the continued strength in Japan, as seen in increased investment in the replacement of plant equipment and increased demand for operation and maintenance services, as well as our initiatives in solution businesses. Operating income also fell, decreasing 6.049 billion yen year on year due to the appreciation of the yen, decline in net sales, and the increase in one-time costs and the amortization of goodwill following the acquisition of KBC.

Test and Measurement Business

In the test and measurement business segment, net sales decreased 1.129 billion yen year on year, to 22.242 billion yen, and operating income decreased 1.491 billion yen year on year, to 898 million yen, mainly due to effects of the strong yen.

Aviation and Other Businesses

In the aviation and other businesses segment, net sales fell 2.493 billion yen year on year, to 21.144 billion yen, and operating income decreased 490 million yen year on year, to 73 million yen, mainly due to the effect of the market deterioration in the marine equipment business.

b. Capital Investment

Total capital investment during the fiscal year under review stood at 14.168 billion yen, down 1.208 billion yen from the previous fiscal year.

c. Fundraising

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

(2) Challenges for the Company

a. Basic Management Policy

Corporate Philosophy

As a company, our goal is to contribute to society through broad-ranging activities in the areas of measurement, control, and information. Individually, we aim to combine good citizenship with the courage to innovate – we take this as our corporate philosophy and make every effort to realize it.

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

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

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

For more information about the corporate governance of the Group,
Please refer to our web site <https://www.yokogawa.com/pr/ir/governance/index.htm>

b. Mid-to Long-term Management Strategy

With its long-term business framework, the Group has established goals that are to be achieved within 10 years in fiscal year 2015, and has specified ways to achieve them. This framework provides a vision statement on the direction in which the Company should be heading, states what the core competencies (strengths) are that will allow us to achieve this vision, and specifies target business areas.

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

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

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

(*) Process co-innovation

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

Under its TF2017 mid-term business plan, which commenced in fiscal year 2015, the Group is working to reform its business structure by focusing on customers, creating new value, and maximizing efficiency. These three years will lay the groundwork for the growth that will be needed to achieve the goals of the Company’s long-term business framework. We will focus on improving profitability, and will aim to achieve a return on equity (ROE) of 11% or more and earnings per share (EPS) of 100 yen or more by fiscal year 2017, the final year of TF2017. (Results for fiscal year ended March 31, 2017: ROE 10.4%, EPS 96.44 yen)

For more information about its Transformation 2017 mid-term business plan (“TF2017”),
Please refer to our web site <https://www.yokogawa.com/pr/corporate/pr-corp-mtbp-en.htm>.

In addition, in fiscal year 2017 the Group will continue working to enhance corporate governance to realize sustainable improvement in corporate value through implementation of the Yokogawa Corporate Governance Guidelines.

c. Business Environment and Target Management Indicators

The business environment surrounding the Group has been one beset by a market landscape that has been more severe than previously anticipated when the Company drew up its TF2017 mid-term business plan. For instance, in the energy and materials-related markets, both major markets, there have been sweeping moves by customers taking actions that include postponing or halting their investments in resource development projects. Amid such circumstances, there have been upbeat developments such as an improving balance in the supply and demand of crude oil underpinned by modest recovery in business conditions overseas, thereby leading to a situation where signs of positive changes are beginning to emerge with respect to some customers who previously had been taking a cautious approach regarding investment.

In fiscal year 2017, we expect to achieve year on year increases for both net sales and operating income and other earnings metrics. However, although we were striving to achieve all of the management targets initially set forth in TF2017, the challenging circumstances that we are now facing has made this extremely difficult to achieve. With respect to our target management indicators for fiscal year 2017, the final year of TF2017, amid such circumstances, we have scaled down our numerical targets for net sales and operating income, and have set targets of return on equity (ROE) of 10.1%, and earnings per share (EPS) of 101 yen.

d. Challenges for the Company

Amid a market structure that is drastically changing partially in terms of customer investment trends, we will take steps to increase orders and sales. This will involve maximizing effects of our KBC acquisition and making the most of the Group's accumulated problem-solving capabilities. At the same time, in the Japanese market we will also work toward extending our reach across industrial sectors and drawing on successes in efforts to expand overseas. In global markets we will enhance our marketing activities targeting the chemical industry.

Furthermore, given the currently severe market environment we find ourselves facing a scenario of mounting pressure for lower prices in conjunction with an intensifying competitive landscape. Amid this situation, we aim to transform ourselves into a highly efficient global company, and accordingly will further promote measures geared to heightening profitability largely by improving production and engineering costs and reducing SG&A expenses.

Moreover, premised on our basic principle of acquiring funds for investment in growth by improving profitability, we will redouble efforts to bring about transformation with respect to creating new value. To that end, we will implement strategic investment geared to developing and cultivating businesses with the aim of achieving dramatic growth into the future. More specifically, we will allocate resources with a focus on top-priority initiatives, such that include making investment to accelerate efforts in our advanced solutions business, building platforms for the Industrial Internet of Things (IIoT), deploying co-innovation initiatives, increasing product sales in the industrial automation and control business, and investing in information that supports the business strategy. In so doing, we aim to build business foundations geared to achieving sustainable growth.

(3) Financial Assets and Profits/Losses

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

(Millions of yen)

Category	FY2013	FY2014	FY2015	FY2016
Orders	405,982	417,089	421,103	390,660
Net sales	388,463	405,792	413,732	391,433
Operating income	25,893	29,818	39,639	31,608
Ordinary income	25,679	33,366	40,714	33,014
Profit Attributable to Owners of Parent	12,341	17,223	30,164	25,759
Basic Earnings per Share	¥47.92	¥66.88	¥114.03	¥96.44
Total assets	398,920	439,957	413,061	440,498
Net assets	192,106	221,976	246,895	262,515

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

(Millions of yen)

Category	FY2013	FY2014	FY2015	FY2016
Orders	98,278	103,145	109,625	96,672
Net sales	99,366	101,986	106,341	97,683
Operating income	(6,593)	(7,817)	(2,228)	(5,916)
Ordinary income	8,922	11,535	25,016	14,459
Profit (loss)	6,216	5,168	26,531	16,202
Basic Earnings per Share	¥24.14	¥20.07	¥100.29	¥60.66
Total assets	234,647	245,369	224,886	249,793
Net assets	124,137	132,842	162,666	173,353

Note: In FY2016, the Company has finalized tentative accounting treatment for business combinations, which has accordingly been applied to figures related to FY2015.

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

No applicable matter

b. Principal Subsidiaries

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

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

2: On October 1, 2017, Yokogawa Meters & Instruments Corporation is to be renamed “Yokogawa Test & Measurement Corporation.”

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

(5) Principal Businesses (as of March 31, 2017)

Business segment	Main Solutions and products
Industrial automation and control business	Solutions for every phase of the plant lifecycle, maximizing value for our customers by linking plant operations and corporate management, Software packages that enhance productivity, Production control systems, flowmeters, differential pressure/pressure transmitters, process analyzers, programmable controllers, industrial recorders
Test and measurement business	Waveform measuring instruments, optical communication devices, waveform generators, power/temperature/pressure measurement devices, confocal scanners
Aviation and other businesses	Aircraft navigation-related devices, marine equipment, meteorological/hydrological measurement devices

(6) Main Offices and Factories (as of March 31, 2017)

a. The Company

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

b. Subsidiaries

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

(7) Employees (as of March 31, 2017)

Business segment	Number of employees	Change from the previous year
Industrial automation and control business	16,751	27
Test and measurement business	802	(320)
Aviation and other businesses	776	(24)
Total	18,329	(317)

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

(8) Principal Lenders (as of March 31, 2017)

Lenders	Loan amount
Syndicated loan	¥34.4 billion

Notes: 1. Mizuho Bank, Ltd. and The Bank of Tokyo-Mitsubishi UFJ, Ltd. are lead manager for the syndicated loan.
2. The Company has a 45.0 billion yen commitment line contract. The loan balance is zero as of the end of the fiscal year under review.

(9) Other Important Matters Related to the Group

On April 7, 2016, the Company acquired all shares of KBC Advanced Technologies plc (head office: Walton on Thames, Surrey, UK, CEO: Andrew Howell) and made the company into a wholly owned subsidiary (present name: KBC Advanced Technologies Limited.)

2. Overview of the Company

(1) Shares (as of March 31, 2017)

a. Number of Authorized Shares: 600,000 thousand

b. Number of Issued Shares: 268,624 thousand

c. Number of Shareholders: 17,718

d. Major Shareholders (Top 10):

Name of shareholder	Number of shares (thousand shares)	Shareholding ratio (%)
Master Trust Bank of Japan Limited (trust account)	32,181	12.0
Japan Trustee Services Bank, Limited (trust account)	15,960	6.0
The Dai-ichi Life Insurance Company, Limited	15,697	5.9
Nippon Life Insurance Company	13,484	5.0
Japan Trustee Services Bank, Limited (trust account9)	11,536	4.3
Retirement Benefit Trust in Mizuho Trust & Banking Co., Ltd. (Mizuho Bank, Ltd. account); Trust & Custody Services Bank, Ltd. as a Trustee of Retruster	11,261	4.2
State Street Bank and Trust Company 505223	7,479	2.8
Yokogawa Electric Employee Shareholding Program	6,616	2.5
Japan Trustee Services Bank, Limited (trust account5)	3,983	1.5
Trust & Custody Services Bank, Ltd. (Trust Collateral Account)	3,785	1.4

Notes: 1. The Company holds 1,416 thousand shares of treasury stock.
2. The shareholding ratio is calculated after deducting treasury stock.

(2) Company Executives

a. Directors and Audit & Supervisory Board Members (as of March 31, 2017)

Position	Name	Area of responsibility and significant concurrent positions
Director	Shuzo Kaihori	Chairman of the Board of Directors Outside Director of HOYA CORPORATION President of Business Ethics Research Center
President and Chief Operating Officer	Takashi Nishijima	
Director	Satoru Kurosu	Executive Senior Vice President, Head of Solution Service Business Headquarters
Director	Hitoshi Nara	President of Yokogawa Solution Service Corporation
Director	Masatoshi Nakahara	Executive Senior Vice President, Head of IA Platform Business Headquarters
Director	Junichi Anabuki	Senior Vice President, Head of Accounting & Treasury Headquarters
Director	Mitsudo Urano	Senior Adviser of Nichirei Corporation Outside Director of Resona Holdings, Inc. Outside Director of HOYA CORPORATION Outside Director of Hitachi Transport System, Ltd. President of Agri Future Japan Chairman of Nippon Omni-Management Association Chairman of Central Society for Promoting the Industrial Education
Director	Noritaka Uji	Advisor of Nippon Telegraph and Telephone Corporation Outside Director of DAIICHI SANKYO COMPANY, LIMITED Chairman of Japan Institute of Information Technology Chairman of Japan Telework Association
Director	Nobuo Seki	Independent Outside Director of TEIJIN LIMITED Outside Director of KAMEDA SEIKA CO., LTD. Outside Director of Weathernews Inc.
Director	Shiro Sugata	Corporate Advisor of USHIO INC. Outside Director of JSR Corporation Vice Chairman [Executive Director] of Keizai Doyukai
Audit & Supervisory Board, Standing Member	Kiyoshi Makino	
Audit & Supervisory Board, Standing Member	Koichi Chujo	
Audit & Supervisory Board Member	Zenichi Shishido	Professor in Graduate School of International Corporate Strategy, Hitotsubashi University Lawyer at Zenichi Shishido Law Firm
Audit & Supervisory Board Member	Izumi Yamashita	Outside Director of AEON Bank, Ltd. Outside Director of Sumitomo Forestry Co., Ltd.

- Notes: 1. Mitsudo Urano, Noritaka Uji, Nobuo Seki and Shiro Sugata are outside directors.
2. Zenichi Shishido and Izumi Yamashita are outside members of the Audit & Supervisory Board.
3. Audit & Supervisory Board member Izumi Yamashita has considerable expertise regarding finance and accounting, having been engaged in work pertaining to finance over many years at entities that include Bank of Japan, JAPAN POST Co., Ltd., and JAPAN POST INSURANCE Co., Ltd.
4. Directors Mitsudo Urano, Noritaka Uji, Nobuo Seki and Shiro Sugata, and Audit & Supervisory Board Members Zenichi Shishido and Izumi Yamashita are highly independent.

Because there is no risk of a conflict of interest between them and general shareholders, the Company appointed them as independent officers pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange, and they are registered as such at the said Exchange.

5. There are no special relationships between the Company and the companies or organizations at which the outside directors and outside audit & supervisory board members have significant concurrent positions.

6. Changes in positions of directors during the fiscal year under review are as follows.

Name	Before change	After change	Date of change
Shuzo Kaihori	Chairman	Director	June 23, 2016

7. The responsibilities of the following directors have changed, in conjunction with the reorganization that took effect on April 1, 2017, after the closing of fiscal year 2016.

Position	Name	Area of responsibility and significant concurrent positions
Director	Satoru Kurosu	Executive Vice President, Head of Premium Solutions and Services Business Headquarters
Director	Hitoshi Nara	Executive Vice President, Chief Executive for Japan and Korea, and President of Yokogawa Solution Service Corporation
Director	Masatoshi Nakahara	Executive Vice President, Head of IA Systems and Services Business Headquarters

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

Name	Retirement date	Reason for retirement	Position and area of responsibility / significant concurrent positions at time of retirement
Takafumi Koyanagi	June 23, 2016	Expiration of term of office	Audit & Supervisory Board, Standing Member
Hideto Masaki	June 23, 2016	Expiration of term of office	Outside Member of Audit & Supervisory Board Chairman of DIAM Co., Ltd.

c. Summary of limited liability contract

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

d. Compensation to Directors and Audit & Supervisory Board Members

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

The Company positions its executive compensation plan as an important item in corporate governance, and to increase the objectivity and transparency of director compensation, has formed a "Compensation Advisory Committee," a voluntary advisory body which comprises three or more directors, based on the resolution of the Board of Directors, with the majority being

outside directors, and the decision on executive compensation plan is made based on the content of the Committee's report produced through its deliberation.

[Basic Approach to the Executive Compensation Plan]

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

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

In September 2016, a total amount of 346 million yen in treasury shares was awarded as restricted stock compensation. Furthermore, the Company will lift the restriction on transfer of treasury shares awarded after the transfer restriction period has elapsed in July 2018, in accordance with the extent to which results targets are achieved during the fiscal year ending March 31, 2018.

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

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

Classification	Number of persons paid	Amount paid
Directors (Outside Directors)	10 (4)	¥231 million (¥44 million)
Audit & Supervisory Board Members (Outside Members)	6 (3)	¥80 million (¥25 million)
Total (Outside Directors and Outside Members of Audit & Supervisory Board)	16 (7)	¥312 million (¥69 million)

- Notes:
1. The above numbers include two Audit & Supervisory Board Members who retired during the fiscal year under review.
 2. The total paid to directors does not include employee salaries for directors who are concurrently employees.
 3. The annual limit for director compensation was set at 1,600 million yen by resolution of the 2016 Annual General Meeting of Shareholders convened on June 23, 2016. This does not include employee salaries.

4. The annual compensation limit for Audit & Supervisory Board members was set at 150 million yen by resolution of the 2004 Annual General Meeting of Shareholders convened on June 25, 2004.

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

- i. Significant concurrent positions of other organizations and the Company's relation thereto
As described in "(2) Company Executives, a. Directors and Audit & Supervisory Board Members (as of March 31, 2017)" on page 27.
- ii. Major activities in the business year under review

Name / Position	Attendance	Principal activities
Mitsudo Urano Outside Director	Board of Directors Meetings Present at 15 of the 15 meetings	As necessary, provided advice with high insight based on his wide knowledge and abundant managerial experience.
Noritaka Uji Outside Director	Board of Directors Meetings Present at 15 of the 15 meetings	As necessary, provided advice with high insight based on his wide knowledge as a corporate manager and thorough expertise in technology development and IT/ICT fields.
Nobuo Seki Outside Director	Board of Directors Meetings Present at 15 of the 15 meetings	As necessary, provided advice based on his wide knowledge as a corporate manager and thorough expertise in the control of energy-related facilities.
Shiro Sugata *1 Outside Director	Board of Directors Meetings Present at 11 of the 11 meetings	As necessary, provided advice based on his wide knowledge as a corporate manager and thorough expertise with respect to industrial light sources and other products with optical applications, and also with respect to industrial machinery.
Zenichi Shishido Outside Member, Audit & Supervisory Board	Board of Directors Meetings Present at 15 of the 15 meetings Audit & Supervisory Board meetings Present at 23 of the 23 meetings	As necessary, provided advice based on experience in a wide range of research activities as an expert in business law and corporate governance.
Izumi Yamashita Outside Member, Audit & Supervisory Board	Board of Directors Meetings Present at 15 of the 15 meetings Audit & Supervisory Board meetings Present at 23 of the 23 meetings	As necessary, provided advice with high insight based on abundant managerial experience in a wide range of business activities.

*1 For Outside Director Shiro Sugata, we have described his attendance of the Board of Directors meetings convened since he assumed the position on June 23, 2016.

(3) Accounting Auditor

a. Designation: Deloitte Touche Tohmatsu LLC

b. Compensation Paid to Accounting Auditor

	Payment amounts
Compensation to the accounting auditor for the year under review	¥95 million
Total amount paid in cash and other financial asset profits to the accounting auditor by the Company and subsidiaries	¥149 million

Notes: 1. In the audit contracts between the Company and its accounting auditor, the fees for audits conducted under the Companies Act and under the Financial Instruments and Exchange Law are not clearly differentiated. As they cannot be effectively separated, the amounts of compensation paid to the accounting auditor for the year under review show the total amounts.

2. Pursuant to Article 399, Paragraphs 1 and 2 of the Companies Act, the Audit & Supervisory Board has provided its consent regarding compensation paid to the accounting auditor upon having performed verification necessary with respect to determining appropriateness regarding matters such as content of the accounting auditor's audit plan, its performance of accounting audit duties, and the basis for estimating compensation paid for the audit.
3. All companies outside Japan that are principal subsidiaries of the Company are audited by accounting auditors other than the Company's accounting auditor.

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

In the event that any of the items set forth in Article 340, Paragraph 1 of the Companies Act apply to the accounting auditor, pursuant to the provisions of Article 340, Paragraph 2 of the Companies Act, the Company's Audit & Supervisory Board shall dismiss the accounting auditor upon gaining unanimous consent of all Audit & Supervisory Board members.

Moreover, in the event that it has been deemed difficult for the accounting auditor to perform duties appropriately, pursuant to the provisions of Article 344 of the Companies Act, the Company's Audit & Supervisory Board shall determine the content of a proposal for the dismissal or non-reappointment of the accounting auditor, and then the Company's Board of Directors shall accordingly submit such proposal to the General Meeting of Shareholders on the basis of the Audit & Supervisory Board's decision.

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

(1) System for Assuring the Appropriateness of Company Operations

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.

a. System for Assuring Compliance of Directors of the Company and its Subsidiaries with Laws, Ordinances, and the Company's Articles of Incorporation

- Compliance principles have been set forth in the Standards of Business Conduct for the Yokogawa Group, and directors of the Company, and directors of all Group companies and equivalent bodies (hereinafter, the “directors and others”), take the lead in ensuring that business ethics are upheld and embraced throughout the Group.
- A department has been established that is in charge of matters pertaining to business ethics. This includes the identification and resolution of problems with the Groupwide compliance system.
- The Board of Directors is to base its decisions on the Rules Governing the Board of Directors and on the Decision Making Code. The Board, which includes both inside and outside directors, bears supervisory responsibility for business operations. All members of the Audit & Supervisory Board, including its outside members, audit the actions of the directors based on the Auditing Standards for Audit & Supervisory Board Members and the Rules Governing the Audit & Supervisory Board.
- Decision making at the Boards of Directors of all Group companies and equivalent decision-making bodies is carried out based on rules formulated at all Group companies in accordance with the Company's rules. All Group companies are subject to auditing by the Company's Audit & Supervisory Board, and they are also visited for periodic auditing activities.

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

- Rules and control systems concerning meeting minutes and other information that should be preserved have been established in accordance with the Rules Governing the Board of Directors, the Rules on the Control of Communications and Documentation, and the Rules on the Control of Documentation.
- Rules and control systems concerning information confidentiality categories have been established in accordance with the Confidentiality Code and the Regulations Concerning the Prevention of Insider Trading. In addition, people performing work for the Group are requested to sign confidentiality agreements.

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

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

- d. System for Assuring Efficient Execution of Duties of Directors of the Company and its Subsidiaries**
- The Rules Governing the Board of Directors and the Decision Making Code provide the basis for ensuring that the Board of Directors thoroughly deliberates matters and delegates authority to the Management Board and other decision-making bodies.
 - Companywide management objectives have been established, and the measures taken to achieve those objectives are reviewed. To ensure that the annual management objectives are achieved, they are reviewed by each organization on a quarterly basis. The Board of Directors receives reports on the attainment of these objectives and determines what activities are to be eliminated, decides how efficiency can be improved by overcoming obstacles, and deploys mechanisms that make it possible for the Company as a whole to pursue efficiency and achieve its goals. This system aims to achieve the Company's objectives by enhancing efficiency throughout the organization. A management information system is maintained for the purpose of identifying, reporting, and acting on information regarding the achievement of management objectives, in real time.
 - A Board of Directors Office has been established to provide support for enhancing effectiveness of the Board of Directors, and assistants including those who will work there on a full time basis are to be assigned to that office.
- e. System for Assuring Compliance of Employees of the Company and its Subsidiaries with Laws, Ordinances, and the Company's Articles of Incorporation**
- Employees of the Group are to conduct themselves as set forth in the Yokogawa Group Compliance Guidelines. These guidelines require upstanding behavior and complete obedience of the rules of society.
 - The President continuously reminds all employees of the importance of legal compliance, and the department in charge of business ethics takes the lead in providing compliance education.
 - The Rules on Internal Reporting and Consultation require employees to internally report any suspicions of compliance violations by people performing work for the Group. A system for receiving such internal reports has been established.
 - The department in charge of business ethics monitors the status of compliance efforts and reports important findings to the Board of Directors and the Audit & Supervisory Board members.
- f. System for Ensuring Appropriateness of Business Activities Carried out by the Group (the Company and Its Subsidiaries)**
- The Company, based on the rules on management of affiliates, provides guidance and management to all Group companies in accordance with the basic policy of the internal control system resolved at the Company's Board of Directors, regarding such matters as the maintenance of an optimal internal control system to match the respective functions and systems of all Group companies. All Group companies, based on the rules on management of affiliates, carry out timely and appropriate reporting to the Company regarding matters relating to the execution of duties by the their respective directors and others.
 - Groupwide rules have been established and responsible units have been designated for each of the following systems: business ethics, decision making, operations management, crisis management, and corporate auditing infrastructure. The persons responsible for each of the systems have system auditing functions, and work to ensure the effectiveness and efficiency of the systems of all Group companies (maintenance improvement). Important matters are reported to the Board of Directors and the Audit & Supervisory Board members.

- To ensure the reliability of financial reports, an Accounting and Finance Policy has been formulated that establishes controls for the correct performance of accounting work by each Group company. In addition, a system for evaluating these financial reporting controls and disclosing the evaluation results has been established in accordance with the internal control reporting system requirements of the Financial Instruments and Exchange Act.
 - In accordance with the Group Management Audit Code, the department that is in charge of internal audits shall audit the effectiveness of the Yokogawa Group's internal control systems and report on important matters to the Board of Directors and the Audit & Supervisory Board members.
 - Audit & Supervisory Board members are allowed to obtain information directly or by contacting Group company auditors for the purpose of verifying decisions on important Group company matters.
- g. Matters concerning Requests by Audit & Supervisory Board Members of the Company to Assign Assistants to Support Roles**
- An Audit & Supervisory Board Member Office has been set up, and assistants, including those who will work there on a full time basis, are to be assigned.
- h. Matters concerning Independence of Assistants from Directors of the Company and Ensuring the Effectiveness of Instructions from Audit & Supervisory Board Members of the Company to Assistants**
- Personnel transfers related to the Audit & Supervisory Board Member Office require prior approval from the Audit & Supervisory Board members.
 - Assessment of the assistants working in the Audit & Supervisory Board Member Office is conducted by Audit & Supervisory Board members who have been designated by the Audit & Supervisory Board.
- i. System for Directors and Employees to Report to Audit & Supervisory Board Members of the Company, and System for Ensuring Reporting Persons Are Not Treated Disadvantageously for Making Reports**
- Directors and employees of the Company, as well as directors, etc., Audit & Supervisory Board members and employees, etc., of all Group companies, shall report the following matters to the Audit & Supervisory Board members:
 - (a) Violations of laws, ordinances, and the Articles of Incorporation
 - (b) Important matters concerning the internal audit situation and risk management
 - (c) Matters that could cause significant losses to the Company
 - (d) Important matters concerning decision making
 - (e) Important matters concerning the management situation
 - (f) Matters concerning information reported via the internal reporting system
 - (g) Other important matters related to compliance
- j. Matters concerning Procedures for Advance Payment or Redemption of Expenses Occurring from Execution of Duties by Audit & Supervisory Board Members of the Company, and Policies Relating to Handling of Other Expenses or Obligations Occurring from said Execution of Duties**
- For audit expenses and other expenses occurring from the execution of duties by Audit & Supervisory Board members of the Company, appropriate amounts are budgeted to ensure the effectiveness of auditing.
- k. Other Systems for Ensuring Effective Auditing by Audit & Supervisory Board Members of the Company**
- Views are periodically exchanged among Chairman of the Board of Directors, the President, the department in charge of internal audits, the department in charge of business

ethics, the department in charge of legal affairs, and the accounting auditor. Opportunities are provided for interviews with directors and important employees.

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

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

An overview is provided as follows on the operational status of the Yokogawa Group Internal Control System for the fiscal year under review, such that has been implemented on the basis of systems that ensure directors comply with laws, ordinances, and the Articles of Incorporation of the Company, as well as a system required by a Ministry of Justice ordinance that ensures the appropriateness of corporate operations and the operations of the corporate group comprising the Company and its subsidiaries.

a. Establishment of the Board of Directors Office

- Two full-time staff members were assigned to the Board of Directors Office which was established in April 2016 with the aim of providing support for director's activities and strengthening functions of the Board of Directors. In fiscal year 2016, the office provided support for introducing the restricted stock compensation plan and other assistance that included establishing and implementing plan-do-check-act (PDCA) cycle in order to improve meetings of the Board of Directors.

b. Evaluation of Board of Directors Based on the Self-evaluation of the Board of Directors

- The Board of Directors has conducted a self-evaluation of the Board of Directors, which involved analyzing and assessing the effectiveness of the Board of Directors with the aim of ensuring that duties of directors are more appropriately and efficiently performed going forward.

c. Engagement in Compliance Activities

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

and overseas. These points of contact enable the Company to take swift action with respect to discovering compliance-related problems in the early stages, and preventing misconduct before it occurs.

d. Creation and Operation of Risk Management Systems

- The Company promotes risk management initiatives that function smoothly and effectively, and has accordingly established Rules on Risk Management stipulating basic matters regarding management of risks facing the Yokogawa Group, such as basic policy and systems involving risk management.
- The risk management initiatives undertaken autonomously by respective organizational units of the Yokogawa Group in part involve pinpointing risks, evaluating the severity of such risks with respect to the extent of their potential adverse impact along with the likelihood of any such risk materializing, and then drawing up and implementing measures to address such risks.
- Respective organizational units of the Yokogawa Group compiled information on risks deemed significant, grouped such risks from a perspective encompassing categories such as “business opportunities” and “compliance and crisis situations.” Moreover, the Risk Management Committee identified high-priority risks, determined methods for monitoring such risks, and reported such matters to the Board of Directors.
- In fiscal year 2016, high-priority risks were identified from the perspective of their degree of severity, encompassing categories such as external environment risk, information security risk, international taxation risk, and crisis management risk. Progress made with respect to initiatives taken in accordance with respective risk monitoring methods were also verified, and such details were reported to the Board of Directors and others.

e. Audits Performed by Department in Charge of Internal Audits and Audit & Supervisory Board Members

- In the course of performing quarterly audits, the department in charge of internal audits verifies that respective responsible sections of internal control systems clarify individual priority benchmarks, and then that stages of the plan-do-check-act (PDCA) cycle are being performed in step with circumstances prevailing with respect to achieving those benchmarks.
- The Audit & Supervisory Board has been performing Audit & Supervisory Board member audits involving priority audit items for the period under review, on the basis of year-long activities that have been designated with respect to “verifying progress achieved with key initiatives for realizing objectives of the Transformation 2017 mid-term business plan” and “continuously enhancing corporate governance as a corporate group.”
- The Audit & Supervisory Board members exchange opinions regularly and as necessary with the Chairman of the Board of Directors, the President, and also with the department in charge of internal audits, the department in charge of business ethics, the department in charge of legal affairs, and the accounting auditor. They also conduct interviews of directors and important employees, as necessary.
- The Audit & Supervisory Board has extended contracts entered into with lawyers and advisers.

4. Basic Policy regarding Control over the Company

(1) Details of the Basic Policy

The Company believes that parties making decisions regarding its financial and business policies above all else must be capable of protecting and enhancing the corporate value of the Company and the common interests of the shareholders.

The Yokogawa Group sets forth the following corporate philosophy: “As a company, our goal is to contribute to society through broad-ranging activities in the areas of measurement, control, and information. Individually, we aim to combine good citizenship with the courage to innovate.” Accordingly, we believe that acting on the basis of this philosophy, and thereby helping to protect the environment and achieve a sustainable society, will protect and enhance the corporate value of the Company and the common interests of its shareholders, by engaging in sound and profitable management practices that allow us to steadfastly pursue our business activities and maximize corporate value, while taking the customer perspective in providing solutions and services that add value.

Moreover, while acknowledging the fact that we are a public company whose shares are freely traded, the Company believes that a decision on whether to allow a party to carry out a large-scale acquisition of its shares should ultimately be left to its shareholders. As such, in the event of a large-scale acquisition of the Company’s shares, we will not categorically rule out the acquisition if it improves the corporate value of the Company or if it is in the common interests of the shareholders.

However, there are a number of situations when a large-scale takeover attempt would contribute to neither the corporate value of the Company nor the common interests of the shareholders, such as when: (i) sufficient time and information have not been provided for the Company or its shareholders to consider the proposal or an alternative proposal regarding the acquisition, (ii) the purpose of the share acquisition and the administrative policy to be followed after the acquisition are likely to harm the corporate value and the common interests of the Company’s shareholders, (iii) shareholders are effectively forced to sell their shares, and (iv) the acquisition terms are considered insufficient or inappropriate in light of the corporate value of the Company and the common interests of the Company’s shareholders.

The Company believes that any party attempting a large-scale acquisition in the above manner would be unsuitable with respect to making decisions on the Company’s financial and business policies.

(2) Measures to Realize the Basic Policy

In order to realize the basic policy described above, the Company will act on the basis of its corporate philosophy in helping to protect the environment and achieve a sustainable society by engaging in sound and profitable management practices that allow it to steadfastly pursue its business activities and maximize its corporate value, and by taking the customer perspective to provide solutions and services that add value, while also striving to reinforce its corporate governance practices as set forth below.

Our Group will place a high priority on enhancing its corporate governance to realize healthy and sustainable growth. It will be a basic mission of corporate management to secure healthy and profitable operation and to earn the trust of all stakeholders, including shareholders.

At meetings of the Board of Directors, we will strive for quick and transparent decision-making by directors who are familiar with Yokogawa Group’s business as well as independent outside directors. In addition, we will improve our management audit function by strictly checking and verifying the legality and efficiency of the work carried out by directors and the validity of their decision making processes. This will be done by the Audit & Supervisory Board that includes outside members of the Audit & Supervisory Board.

The Group's compliance principles are set out in the Standards of Business Conduct for the Yokogawa Group. The directors will take the initiative to promote the observation and awareness of business ethics throughout the Group. We have also established an internal control system for the Yokogawa Group to ensure the reliability of financial statements, the validity of the decision-making process, and proper and efficient execution of operations.

To ensure the effectiveness of the Yokogawa Group's internal control system, the department responsible for this function will conduct regular internal audits based on an annual plan, and report the key results to the Board of Directors and the Audit & Supervisory Board member.

(3) Measures Set out in the Basic Policy to Prevent Inappropriate Parties from Affecting the Company's Financial and Operational Decisions

On the basis of the aforementioned basic policy, the Company obtained shareholder approval with respect to the resolution, "Introduction of Countermeasures to the Large-scale Acquisition of the Company's Shares (Takeover Defense Measures)" at its 2007 Annual General Meeting of Shareholders held on June 27, 2007. Following that, the continuation of these measures was approved and resolved at the Company's 2009 Annual General Meeting of Shareholders held on June 29, 2009, and subsequently the Company obtained shareholder approval with respect to the resolution, "Renewal of Countermeasures to Large-scale Acquisition of Yokogawa Electric Shares (Takeover Defense Measures)" (hereinafter referred to as the "Plan" in this Item) at its 2011 Annual General Meeting of Shareholders held on June 24, 2011.

After reviewing the matter of the Plan then set to expire at the conclusion of the 2014 Annual General Meeting of Shareholders held on June 25, 2014, the Company deemed its renewal unnecessary given the prevailing business environment, and on May 13, 2014, the Company's Board of Directors accordingly resolved that the Plan would not be renewed upon its expiration.

Even subsequent to the Plan's expiration, the Company remains committed to taking appropriate measures in accordance with relevant laws and regulations, such that include requiring any party proposing a large-scale acquisition of the Company's shares to disclose sufficient information necessary for enabling shareholders to make an informed judgment on the advantages and disadvantages of the prospective acquisition, while also disclosing the Board of Directors' views on any such proposal taking steps to ensure that shareholders are afforded sufficient time to consider the acquisition.

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

The Company believes that promoting the measures of aforementioned Items (2) and (3), which act as measures for realizing the previously detailed basic policy, will enable the Company to protect and enhance the corporate value of the Company and the common interests of its shareholders, while at the same time impeding any attempts involving large-scale acquisition that would benefit neither the corporate value of the Company nor the common interests of its shareholders. Moreover, the Company will take appropriate measures should a party attempting to make a large-scale acquisition emerge, including steps to ensure that the shareholders are afforded sufficient time and information necessary for them to properly judge the advantages and disadvantages of the prospective acquisition. Accordingly, measures under the aforementioned Items (2) and (3) adhere to the basic policy, and have been deemed as not having been set forth with the intention of maintaining the status of the Company's executives.

CONSOLIDATED BALANCE SHEETS

As of March 31, 2017

	Millions of yen
ASSETS	
Current assets	
Cash and deposits	74,746
Notes and accounts receivable-trade	141,288
Merchandise and finished goods	11,738
Work in process	8,218
Raw materials and supplies	10,773
Deferred tax assets	3,377
Other	16,286
Allowance for doubtful accounts	(2,622)
Total current assets	263,807
Non-current assets	
Property, plant and equipment	
Buildings and structures, net	47,248
Machinery, equipment and vehicles, net	6,935
Tools, furniture and fixtures, net	5,880
Land	16,235
Leased assets, net	411
Construction in progress	2,119
Total property, plant and equipment	78,830
Intangible assets	
Software	18,428
Goodwill	16,842
Other	13,144
Total Intangible assets	48,414
Investments and other assets	
Investment securities	41,848
Deferred tax assets	2,133
Other	5,659
Allowance for doubtful accounts	(194)
Total investments and other assets	49,446
Total non-current assets	176,691
Total assets	440,498

CONSOLIDATED BALANCE SHEETS

(continued)

	Millions of yen
LIABILITIES	
Current liabilities	
Notes and accounts payable-trade	31,363
Short-term loans payable	15,536
Accounts payable-other	11,340
Income taxes payable	4,872
Advances received	31,637
Provision for bonuses	14,625
Provision for loss on construction contracts	4,417
Other	23,116
Total current liabilities	136,909
Non-current liabilities	
Long-term loans payable	29,024
Deferred tax liabilities	5,763
Net defined benefit liability	3,924
Other	2,360
Total non-current liabilities	41,073
Total liabilities	177,983
NET ASSETS	
Shareholders' equity	
Capital stock	43,401
Capital surplus	54,494
Retained earnings	158,911
Treasury shares	(1,409)
Total shareholders' equity	255,397
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	10,450
Deferred gains or losses on hedges	2
Foreign currency translation adjustment	(8,286)
Remeasurements of defined benefit plans	(1,156)
Total accumulated other comprehensive income	1,010
Non-controlling interests	6,107
Total net assets	262,515
Total liabilities and net assets	440,498

CONSOLIDATED STATEMENTS OF INCOME

For the year ended March 31, 2017

		Millions of yen
Net sales		391,433
Cost of sales		222,322
Gross profit		169,111
Selling, general and administrative expenses		137,502
Operating income		31,608
Non-operating income		
Interest income	557	
Dividend income	1,693	
Share of profit of entities accounted for using equity method	580	
Miscellaneous income	1,180	4,011
Non-operating expenses		
Interest expenses	522	
Commission fee	360	
Foreign exchange losses	286	
Miscellaneous loss	1,435	2,604
Ordinary income		33,014
Extraordinary income		
Gain on sale of non-current assets	31	
Gain on sale of investment securities	1,803	
Gain on sales of shares of subsidiaries and associates	929	
Gain on step acquisitions	648	3,412
Extraordinary losses		
Loss on sale of non-current assets	7	
Loss on retirement of non-current assets	253	
Loss on sales of investment securities	8	
Restructuring loss	634	903
Profit before income taxes		35,523
Income taxes-current	8,923	
Income taxes-deferred	45	8,969
Profit		26,553
Profit attributable to non-controlling interests		794
Profit attributable to owners of parent		25,759

NON-CONSOLIDATED BALANCE SHEETS

As of March 31, 2017

	Millions of yen
ASSETS	
Current assets	
Cash and deposits	16,180
Notes receivable-trade	934
Accounts receivable-trade	19,202
Merchandise and finished goods	905
Work in process	1,905
Raw materials and supplies	1,572
Prepaid expenses	1,274
Short-term loans receivable	26,416
Accounts receivable-other	7,888
Other	1,345
Allowance for doubtful accounts	(3)
Total current assets	77,620
Noncurrent assets	
Property, plant and equipment	
Buildings, net	26,727
Structures, net	812
Machinery and equipment, net	369
Tools, furniture and fixtures, net	2,339
Land	11,330
Construction in progress	998
Other	376
Total property, plant and equipment	42,956
Intangible assets	
Software	15,534
Software in progress	4,026
Leasehold right	794
Other	407
Total intangible assets	20,763
Investments and other assets	
Investment securities	33,805
Stocks of subsidiaries and affiliates	55,895
Investment in capital of subsidiaries and affiliates	15,711
Long-term loans receivable from subsidiaries and affiliates	4,380
Lease and guarantee deposits	142
Long-term financial assets	2,308
Other	678
Allowance for doubtful accounts	(4,471)
Total investments and other assets	108,452
Total noncurrent assets	172,172
Total assets	249,793

NON-CONSOLIDATED BALANCE SHEETS

(continued)

	Millions of yen
LIABILITIES	
Current liabilities	
Notes payable-trade	277
Accounts payable-trade	7,561
Short-term loans payable	7,291
Current portion of long-term loans payable	10,088
Accounts payable-other	8,461
Accrued expenses	1,498
Income taxes payable	499
Deposit received	321
Provision for bonuses	4,104
Other	2,668
Total current liabilities	42,772
Noncurrent liabilities	
Long-term loans payable	29,112
Long-term deferred tax liabilities	3,706
Other	847
Total noncurrent liabilities	33,667
Total liabilities	76,440
NET ASSETS	
Shareholders' equity	
Capital stock	43,401
Capital surplus	54,496
Legal capital surplus	36,350
Other capital surplus	18,145
Retained earnings	66,519
Other retained earnings	66,519
Reserve for advanced depreciation of noncurrent assets	1,262
Retained earnings brought forward	65,256
Treasury stock	(1,409)
Total shareholders' equity	163,007
Valuation and translation adjustments	
Valuation difference on available-for-sale securities	10,346
Total valuation and translation adjustments	10,346
Total net assets	173,353
Total liabilities, net assets	249,793

NON-CONSOLIDATED STATEMENTS OF INCOME

For the year ended March 31, 2017

Millions of yen		
Net sales		97,683
Cost of sales		51,162
Gross profit		46,520
Selling, general and administrative expenses		52,437
Operating loss		(5,916)
Non-operating income		
Dividend income	20,876	
Rent receivable	1,992	
Gain on valuation of foreign exchanges	211	
Miscellaneous income	292	23,372
Non-operating expenses		
Interest expenses	376	
Rent payable	1,838	
Commission fee	301	
Miscellaneous loss	478	2,995
Ordinary income		14,459
Extraordinary income		
Gain on sale of noncurrent assets	0	
Gain on sale of investment securities	1,471	
Gain on sale of subsidiaries and affiliate's stock	1,369	2,841
Extraordinary losses		
Loss on sale of noncurrent assets	3	
Loss on retirement of noncurrent assets	167	
Loss on sales of investment securities	8	
Loss on valuation of investments in capital of subsidiaries and associates	1,786	1,966
Profit before income taxes		15,335
Income taxes-current	(852)	
Income taxes-deferred	(14)	(867)
Profit		16,202

Instructions for Internet Voting

I. Conditions regarding Internet Voting

1. Conditions regarding Internet Voting

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

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

- (2) The deadline for voting is 5:00 p.m. on Monday, June 26, 2017, Japan time. You need to complete your vote by that time. Please vote ahead of time.
- (3) If you vote both by mail and via the Internet, the vote via the Internet shall prevail. In the case of multiple voting via the Internet, the last one shall prevail.
- (4) Your password (including the one you changed) will be valid for this General Meeting only. A new password will be issued for the next General Meeting.
- (5) The Company is not responsible for any expenses related to Shareholders' Internet access.

(Notes)

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

2. Inquiries

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

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

II. Electronic Voting Platform

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