

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 4, 2018

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

Notice of 2018 Annual General Meeting of Shareholders

Dear Shareholder:

You are cordially invited to attend the 2018 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 26, 2018

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 2017 (April 1, 2017 to March 31, 2018)
- 2: Non-consolidated financial statements for fiscal year 2017 (April 1, 2017 to March 31, 2018)

Items to be resolved

- Item 1: Disposition of Surplus**
- Item 2: Election of Nine (9) Directors**
- Item 3: Election of One (1) Audit & Supervisory Board Member**
- Item 4: Setting Compensation Amount, etc. under the Performance-Linked Stock Compensation Plan**

[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 25, 2018, Japan time.**

[Vote via the Internet]

Access the shareholder voting site (<https://soukai.mizuho-tb.co.jp/>) 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 25, 2018, Japan time.**

For more details, please refer to the Instructions for Internet Voting on page 52.

[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. If you intend to exercise your voting rights by proxy, you must appoint as your proxy another shareholder who is entitled to exercise voting rights and will attend the General Meeting of Shareholders, pursuant to Article 19 of the Articles of Incorporation of the Company. However, a written document certifying the proxy’s authority must be submitted to the Company.
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 (<https://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%. (The Company has determined the dividend policy it will adopt beginning in the fiscal year ending March 31, 2019, by a resolution of its Board of Directors meeting held in May 2018. For more information, please refer to [Reference] below.)

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 15 yen, will be 30 yen.

Matters related to year-end dividends

- (1) Type of dividend assets
Cash
- (2) Allocation of dividend assets and total amount of allocation
15 yen per common share of the Company
Total amount of payout is 4,008,410,415 yen.
- (3) Effective date of dividend payout
June 27, 2018

[Reference]

<New dividend policy to be applied from the fiscal year ending March 31, 2019>

The distribution of earnings to shareholders is a top priority for the Company. By achieving growth in earnings, we aim to steadily and continuously increase our dividend payments. Specifically, the Company strives to ensure a consolidated dividend payout ratio of more than 30% while giving overall consideration to ensuring investment capital for maximizing business results and mid- to long-term shareholders' value and maintaining financial footing for supporting investment for growth.


The Company also aims to maintain a stable dividend based on a DOE (dividend on equity) ratio, even when business results deteriorate due to temporary factors.


Item 2: Election of Nine (9) 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 nine (9) Directors, including four (4) Outside Directors, thereby lowering the number of Directors by one (1).


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 nine (9) 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	 <p>Takashi Nishijima (Aug. 12, 1957)</p> <p>Reelection Candidate</p>	<p>Apr. 1981 Joined Hokushin Electric Works Ltd. (the present Yokogawa Electric Corporation)</p> <p>Oct. 2008 Vice President, Head of Control Products Business Center, IA Business Headquarters</p> <p>Apr. 2010 President of Yokogawa Meters & Instruments Corporation (the present Yokogawa Test & Measurement Corporation)</p> <p>Jun. 2011 Director of the Company, President of Yokogawa Meters & Instruments Corporation (the present Yokogawa Test & Measurement Corporation)</p> <p>Apr. 2012 Director and Senior Vice President, Head of IA Platform Business Headquarters</p> <p>Apr. 2013 President and Chief Operating Officer</p> <p>Apr. 2015 President and Chief Executive Officer (present)</p>	58,162 shares
<p>Number of years since appointment as a Director 7years (at the conclusion of this AGM)</p> <p>Attendance of Board of Directors Meetings Present at 15 of the 15 meetings (FY2017) (100%)</p> <p>The reason for election as a Director candidate</p> <p>Mr. Takashi Nishijima properly supervises management as President and Chief Executive Officer. Furthermore, as President and Chief Executive Officer of the Company, he also serves as Chairman of the Company's Management Board, providing appropriate guidance for management, and is expected to contribute to all stakeholders. His election as a Director is therefore being requested.</p> <p>In addition, please refer to page 15 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. 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
2	 <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>	93,987 shares
<p>Number of years since appointment as a Director 7years (at the conclusion of this AGM)</p> <p>Attendance of Board of Directors Meetings Present at 15 of the 15 meetings (FY2017) (100%)</p> <p>The reason for election as a Director candidate</p> <p>Mr. Satoru Kurosu properly supervises management as a Director. He also adequately performs his duties as Head of Premium Solutions and Services Business Headquarters, which handles the advanced solutions business that constitutes the core of the Group's businesses. Accordingly, his election as a Director is being requested because we consider him qualified to lead the building of the solutions business, and he is expected to contribute to all stakeholders.</p> <p>In addition, please refer to page 15 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
3	 Hitoshi Nara (Jan. 23, 1963) <div>Reelection Candidate</div>	<div><div>Apr. 1985</div><div>Joined the Company</div></div> <div><div>Oct. 2001</div><div>Deputy Managing Director of Yokogawa Engineering Asia Pte. Ltd.</div></div> <div><div>Oct. 2003</div><div>Managing Director of Yokogawa (Thailand) Ltd.</div></div> <div><div>Jan. 2007</div><div>Head of Sales Div. I, Industrial Solutions Business Headquarters</div></div> <div><div>Apr. 2010</div><div>Senior Vice President, Head of Industrial Solutions Business Headquarters</div></div> <div><div>Jun. 2011</div><div>Director and Senior Vice President, Head of Industrial Solutions Business Headquarters</div></div> <div><div>Apr. 2012</div><div>Director and Senior Vice President, Head of Industrial Solutions Service Business Headquarters</div></div> <div><div>Apr. 2013</div><div>Director of the Company, President of Yokogawa Solution Service Corporation</div></div> <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</div></div> <div><div>Apr. 2018</div><div>Director and Executive Vice President of the company, Head of Life Innovation Business Headquarters (present)</div></div>	50,196 shares
	<div>Number of years since appointment as a Director 7years (at the conclusion of this AGM)</div> <div>Attendance of Board of Directors Meetings Present at 15 of the 15 meetings (FY2017) (100%)</div> <div>The reason for election as a Director candidate</div> <div>Mr. Hitoshi Nara properly supervises management as a Director. He also adequately performs his duties as President of Yokogawa Solution Service Corporation and has led the development of a new business model within the Group. From fiscal year 2018, he has been leading the Life Innovation Business Headquarters, and is expected to contribute to all stakeholders. His election as a Director is therefore being requested.</div> <div>In addition, please refer to page 15 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. 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
4	<div><p>Masatoshi Nakahara (Dec. 14, 1958)</p><div>Reelection Candidate</div></div>	<div><div>Apr. 1981</div>Joined the Company</div> <div><div>Apr. 2007</div>Vice President, Head of IA Systems Business Center, Industrial Automation Business Headquarters</div> <div><div>Apr. 2011</div>President of Yokogawa Engineering Asia Pte. Ltd.</div> <div><div>Apr. 2013</div>Senior Vice President of the Company, Head of Industrial Automation Platform Business Headquarters</div> <div><div>Jun. 2014</div>Director and Senior Vice President, Head of IA Platform Business Headquarters</div> <div><div>Apr. 2016</div>Director and Executive Vice President, Head of IA Platform Business Headquarters</div> <div><div>Apr. 2017</div>Director and Executive Vice President, Head of IA Systems and Services Business Headquarters (present)</div> <td>55,720 shares</td>	55,720 shares
	<div>Number of years since appointment as a Director 4years (at the conclusion of this AGM)</div> <div>Attendance of Board of Directors Meetings Present at 15 of the 15 meetings (FY2017) (100%)</div> <div>The reason for election as a Director candidate</div> <div>Mr. Masatoshi Nakahara properly supervises management as a Director. He also adequately performs his duties as Head of IA Systems and Services Business Headquarters. He is expected to contribute to all stakeholders through improvement of corporate value by planning and executing the system products strategy. Accordingly, his election as a Director is being requested.</div> <div>In addition, please refer to page 15 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
5	<div><p>Junichi Anabuki (Mar. 18, 1963)</p><div>Reelection Candidate</div></div>	<div><div>Apr. 1986</div><div>Joined Fukutoku Sogo Bank, Ltd.</div><div>Mar. 1992</div><div>Joined the Company</div><div>Jan. 2005</div><div>General Manager, Treasury Department</div><div>Apr. 2011</div><div>Vice President, Head of Accounting & Treasury Headquarters</div><div>Jun. 2014</div><div>Director and Vice President of the Company, Head of Accounting & Treasury Headquarters</div><div>Apr. 2016</div><div>Director and Senior Vice President of the Company, Head of Accounting & Treasury Headquarters</div><div>Apr. 2018</div><div>Director and Senior Vice President of the Company, Head of Corporate Administration Headquarters (present)</div></div>	44,749 shares
	<div>Number of years since appointment as a Director 4years (at the conclusion of this AGM)</div> <div>Attendance of Board of Directors Meetings Present at 15 of the 15 meetings (FY2017) (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 15 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
6	<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</div></div>	0 shares
	<div>Significant concurrent positions</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>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 7years (at the conclusion of this AGM)</div> <div>Attendance of Board of Directors Meetings Present at 15 of the 15 meetings (FY2017) (100%)</div> <div>The reason for election as a Director candidate</div> <div>Mr. Mitsudo Urano properly supervises management 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 corporate manager, and through his expertise in corporate governance.</div> <div>In addition, please refer to page 15 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 16 for “The Company’s Independence Standards.”</div>		
<div>Notes:</div> <div><div>1.</div><div>There is no special interest between the Mr. Mitsudo Urano and the Company.</div></div> <div><div>2.</div><div>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> <div><div>3.</div><div>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></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
7	<div></div> <div>Noritaka Uji (Mar. 27, 1949)</div> <div>Reelection Candidate</div> <div>Candidate of Outside Director</div> <div>Candidate of Independent Officer</div>	<div><div>Apr. 1973</div><div>Joined Nippon Telegraph and Telephone Public Corporation (the present Nippon Telegraph and Telephone Corporation)</div></div> <div><div>Jun. 1999</div><div>Director of NTT DATA Corporation Head of New Generation Information Services Sector</div></div> <div><div>Sep. 2000</div><div>Director of NTT DATA Corporation Head of Corporate Strategy Planning Department</div></div> <div><div>Jun. 2003</div><div>Executive Vice President of NTT DATA Corporation Head of Enterprise Systems Sector and Head of Enterprise Business Sector</div></div> <div><div>Jun. 2005</div><div>Representative Director and Executive Vice President of NTT DATA Corporation</div></div> <div><div>Jun. 2007</div><div>Senior Executive Vice President of Nippon Telegraph and Telephone Corporation</div></div> <div><div>Jun. 2012</div><div>Advisor of Nippon Telegraph and Telephone Corporation</div></div> <div><div>Jun. 2014</div><div>Director of the Company (present)</div></div>	0 shares
	<div>Significant concurrent positions</div> <div>Outside Director of DAIICHI SANKYO COMPANY, LIMITED</div> <div>Outside Director of Gallery Abarth Inc.</div> <div>Chairman of Japan Institute of Information Technology</div> <div>Honorary chairman of Japan Telework Association</div> <div>Number of years since appointment as an Outside Director 4years (at the conclusion of this AGM)</div> <div>Attendance of Board of Directors Meetings Present at 15 of the 15 meetings (FY2017) (100%)</div> <div>The reason for election as a Director candidate</div> <div>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 manger, as well as his abundant experience and extensive expertise in technology development and IT/ICT fields.</div> <div>In addition, please refer to page15 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. Noritaka Uji meets the requirements of an independent officer pursuant to Article 436, Paragraph 2 of the Securities Listing Regulations of the Tokyo Stock Exchange, and the standards of independence in the Company. The Company nominated him as independent officers, and he is registered as such at the said exchange. Provided he is re-elected as proposed, he will continue his service for the Company as an independent officer.</div> <div>In addition, please refer to page 16 for “The Company’s Independence Standards.”</div>		
<div>Notes:</div> <div>1. There is no special interest between the Mr. Noritaka Uji and the Company.</div> <div>2. Mr. Noritaka Uji is a candidate to fill the Outside Director positions provided for in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.</div> <div>3. Liability limitation agreement with Outside Directors</div> <div>The Company has entered into liability limitation agreements with Mr. Noritaka Uji, upon approval of his reelection, the Company will continue the agreement with him.</div> <div>The overview of the agreement is as follows:</div> <div>Under Articles of incorporation of the Company and Article 427, Paragraph 1 of the Companies Act, the Company shall enter into an agreement with its Outside Directors, which limits their liability provided for in Article 423, Paragraph 1 to the higher of either 15 million yen or the amount stipulated in the Act.</div>			

Candidate number	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
8	<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>Chairman of Project Management Association of Japan</div> <div>Number of years since appointment as an Outside Director 3year (at the conclusion of this AGM)</div> <div>Attendance of Board of Directors Meetings Present at 15 of the 15 meetings (FY2017) (100%)</div> <div>The reason for election as a Director candidate</div> <div>Mr. Nobuo Seki properly supervises management 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 supervising management of the Company based on his wide knowledge as a corporate manager, his abundant experience in the engineering business centered on the energy industry, and his extensive expertise in global business.</div> <div>In addition, please refer to page 15 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 16 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
9	<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</div><div>Joined USHIO INC.</div><div>Jan. 1993</div><div>President of BLV Licht- und Vakuumtechnik GmbH</div><div>Jun. 2000</div><div>Director and Corporate Senior Vice President of USHIO INC.</div><div>Apr. 2001</div><div>Director and General Manager of Lamp Division II</div><div>Apr. 2003</div><div>Director and Lamp Company President, COO</div><div>Apr. 2004</div><div>Director and Corporate Executive Vice President</div><div>Jun. 2004</div><div>Representative Director and Corporate Executive Vice President</div><div>Mar. 2005</div><div>President and CEO</div><div>Oct. 2014</div><div>Director and Corporate Advisor</div><div>Jun. 2016</div><div>Corporate Advisor of USHIO INC. Director of the Company (present)</div><div>Jul. 2017</div><div>Special Corporate Advisor of USHIO INC. (present)</div></div>	0 shares
	<div>Significant concurrent positions</div> <div>Special Corporate Advisor, USHIO INC. Outside Director of JSR Corporation</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 (FY2017) (100%)</div> <div>The reason for election as a Director candidate</div> <div>Mr. Shiro Sugata properly supervises management 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 supervising the management of the Company based on his wide knowledge as a corporate manager, his abundant experience in the development and marketing of industrial instruments, and his extensive expertise in global business.</div> <div>In addition, please refer to page 15 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. 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.</div> <div>In addition, please refer to page16 for “The Company’s Independence Standards.”</div>		
<div>Notes:</div> <div>1. There is no special interest between the Mr. Shiro Sugata and the Company.</div> <div>2. Mr. Shiro Sugata is a candidate to fill the Outside Director positions provided for in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.</div> <div>3. Liability limitation agreement with Outside Directors</div> <div>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.</div> <div>The overview of the agreement is as follows:</div> <div>Under Articles of incorporation of the Company and Article 427, Paragraph 1 of the Companies Act, the Company shall enter into an agreement with its Outside Directors, which limits their liability provided for in Article 423, Paragraph 1 to the higher of either 15 million yen or the amount stipulated in the Act.</div>			


Item 3: Election of One (1) Audit & Supervisory Board Member

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

The Company proposes to elect the following one (1) individual to the Audit & Supervisory Board, 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 one (1) Audit & Supervisory Board Member candidate is provided below.

	Name Date of birth	Brief history, position and area of responsibility, and significant concurrent positions	Number of Company shares owned by the candidate
	 <p>Makoto Ohsawa (Feb. 20, 1959)</p> <p>New Candidate</p> <p>Candidate of Outside Member, Audit & Supervisory Board</p> <p>Candidate of Independent Officer</p>	<p>Apr. 1981 Joined Bank of Japan</p> <p>May 1990 Seconded Asian Department, International Monetary Fund</p> <p>May 1997 Deputy Chief, London Representative Office, Bank of Japan</p> <p>June 1999 Director, Financial Markets Department</p> <p>June 2003 General Manager, Naha Branch (Okinawa)</p> <p>Sep. 2006 Joined PwC (Advisory)</p> <p>Sep. 2008 Partner in charge of Business Recovery, Financial, Healthcare and Hospitality Industries and Family Businesses</p> <p>Feb. 2012 Chief Executive Officer, FEMO Co., Ltd. (present)</p>	0 shares
	<p>Significant concurrent positions</p> <p>Chief Executive Officer, FEMO Co., Ltd.</p> <p>Outside Director, ZENHOREN CO., LTD.</p> <p>Outside Director, Kimitsu-Jyutaku Co., Ltd.</p> <p>Outside Director, Bank of Toyama</p> <p>The reason for election as an Audit & Supervisory Board Member candidate</p> <p>Mr. Makoto Ohsawa has wide knowledge based on his perspective as an experienced corporate manager and his extensive range of business activities in the economic circles. Accordingly, we consider it appropriate to reflect such experience in audits for the Company, and request his election as an outside member of the Audit & Supervisory Board to further strengthen corporate governance.</p> <p>In addition, please refer to page 15 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. Makoto Ohsawa 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 he is elected as proposed, the Company plans to report him status as an independent officer to the said exchange.</p> <p>In addition, please refer to page16 for "The Company's Independence Standards."</p>		
Notes:	<ol style="list-style-type: none"> There is no special interest between the Mr. Makoto Ohsawa and the Company. Mr. Makoto Ohsawa 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. Liability limitation agreement with outside member of the audit & supervisory board 		

Upon election of Mr. Makoto Ohsawa as proposed, the Company will enter into the liability limitation agreement with him.

The overview of the agreement is as follows:

Under Articles of incorporation of the Company and Article 427, Paragraph 1 of the Companies Act, the Company shall enter into an agreement with its Outside Directors, which limits their liability provided for in Article 423, Paragraph 1 to the higher of either 15 million yen or the amount stipulated in the Act.

Reference

The 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 (hereinafter referred to as "Executives" in these standards).

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

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

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

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

Item 4: Setting Compensation Amount, etc. under the Performance-Linked Stock Compensation Plan

The 140th Annual General Meeting of Shareholders convened on June 23, 2016 set amount of compensation of the Directors no more than 1,000 million yen per fiscal year. (This amount includes a portion of up to 100 million yen for Outside Directors per fiscal year, and does not include employee salaries of Directors who serve concurrently as employees.) In addition, the General Meeting of Shareholders approved director compensation related to the restricted stock compensation plan (hereinafter “Restricted Stock Compensation Plan”) of no more than 600 million yen per fiscal year (not including employee salaries of Directors who serve concurrently as employees). Furthermore, under the Restricted Stock Compensation Plan, common shares of the Company (hereinafter “Company Shares”) up to a value of 600 million yen will be delivered as compensation for performance of duties over the three fiscal years comprising the period covered by the mid-term business plan, and in effect this corresponds to a payment of 200 million yen per fiscal year.

Now, the Company seeks to introduce a performance share unit plan (hereinafter the “performance share unit plan”) as a new performance-linked stock compensation plan to replace the Restricted Stock Compensation Plan, as described below. The goal is to further cement the shared value between Directors and shareholders by providing a timely and appropriate incentive for Directors other than outside Directors (hereinafter “Eligible Director(s)”) to sustainably increase the Company’s corporate value, and more adequately establishes a link between the compensation of the Eligible Directors and the Company’s performance.

Specifically, in place of the compensation amount of no more than 600 million yen per fiscal year (not including employee salaries of Directors who serve concurrently as employees) under the current Restricted Stock Compensation Plan, the Company seeks to set a compensation amount of up to 600 million yen per fiscal year (not including employee salaries of Directors who serve concurrently as employees) as the compensation amount related to the performance share unit plan. However, compensation of Directors pertaining to the performance share unit plan, as described below, can essentially be evaluated as an allocation of no more than 200 million yen per fiscal year, which will be provided as a lump sum payment subsequent to the end of the third fiscal year as consideration for the performance of duties of the Eligible Directors for the three (3) fiscal year target period of the mid-term business plan.

Furthermore, the amount of compensation of the Directors will remain unchanged at no more than 1,000 million yen per fiscal year. (This amount includes a portion of up to 100 million yen for outside Directors per fiscal year, and does not include employee salaries of Directors who serve concurrently as employees.)

Accordingly, if this proposal is approved, the amount corresponding to Director compensation pertaining to the aforementioned performance share unit plan per fiscal year can be evaluated as being no more than 200 million yen. As such, even when combined with the amount of compensation currently earmarked separately for the Company’s Directors, no more than 1,000 million yen per fiscal year, the current compensation amount of no more than 1,200 million yen per fiscal year remains essentially unchanged. (Please see the “Reference” below.)

Approval of the proposal as proposed will abolish the Restricted Stock Compensation Plan. Therefore, if the proposal is approved, restricted shares will no longer be granted to Directors based on the Restricted Stock Compensation Plan.

The Company currently has ten (10) Directors (including four (4) Outside Directors); however, if Item 2 is approved as proposed, the number of Directors will be nine (9) (including four (4) Outside Directors) and Eligible Directors will be five (5).

[Reference]	
Effective Amount for Director Compensation per Fiscal Year	
Current	
(i) Compensation amount related to restricted stock compensation plan	Up to 600 million yen (up to 200 million yen per fiscal year*)
(iii) Current compensation amount (excl. "i") (Of which, outside directors)	Up to 1,000 million yen (Up to 100 million yen)
Total compensation amount [(i)+(iii)]	Up to 1,600 million yen (up to 1,200 million yen per fiscal year*)
* When the up to 600 million yen compensation amount is allocated over the period of the mid-term business plan (in principle, three fiscal years), the amount per fiscal year is up to 200 million yen.	

➡

Proposed revision	
(i) Compensation amount related to restricted stock compensation plan	Discontinued
(ii) Compensation amount related to Performance Share Unit Plan	Up to 600 million yen (up to 200 million yen per fiscal year*)
(iii) Compensation amount after revision (excl. "ii") (Of which, outside directors)	Up to 1,000 million yen (Up to 100 million yen)
Total compensation amount [(ii)+(iii)]	Up to 1,600 million yen (up to 1,200 million yen per fiscal year*)

Details of the Performance Share Unit Plan

(1) Overview

The performance share unit plan is a performance-linked stock compensation plan, under which the Company delivers Company Shares and also makes payment of cash to the Eligible Directors, at an amount of compensation of the Eligible Directors associated with the performance share unit plan during the period covered under mid-term business plan (hereinafter the "Target Period"). The payment is made in accordance with the extent to which consolidated return on equity (consolidated ROE; hereinafter "actual ROE") targets have been achieved (hereinafter the "Conditions for Achievement of Performance Objectives") in the final fiscal year of the Target Period.

The initial Target Period is the period covered by the mid-term business plan Transformation 2020, from fiscal year 2018 to fiscal year 2020; which is to say from the fiscal year ending March 31, 2019 to the fiscal year ending March 31, 2021. Whenever the Company draws up a new mid-term business plan subsequent to the conclusion of the Target Period under Transformation 2020, the Company will make payment of compensation associated with the performance share unit plan within the scope approved by the General Meeting of Shareholders, with the Target Period to be deemed that of the Target Period associated with said mid-term business plan. In the event that the Target Period of a mid-term business plan exceeds three years, the maximum compensation associated with the performance share unit plan to be paid upon conclusion of the Target Period will amount to no more than 600 million yen, with the actual compensation amount per fiscal year accordingly decreased. In contrast, in the event that the Target Period of a mid-term business plan is less than three years, then the maximum amount shall be the amount obtained by multiplying the product of 600 million yen divided by three, by the number of years of the Target Period of the mid-term business plan.

As aforementioned, the performance share unit plan differs from the current Restricted Stock Compensation Plan in that delivery of Company Shares and payment of cash are made to the Eligible Directors generally upon conclusion of a Target Period, largely in accordance with the Conditions for Achievement of Performance Objectives. Accordingly, at the point in time when the performance share unit plan is introduced, the Company will not determine whether or not to deliver Company Shares or make payment of cash to the respective Eligible Directors, nor will the Company determine the number of Company Shares to deliver or the amount of cash to pay in the event of any delivery or payment thereof.

(2) Structure

- i) At a meeting of the Board of Directors held within three months subsequent to the start of the initial fiscal year of a Target Period, the Company will make decisions on matters that include: (a) the Target Period, (b) base amounts of stock compensation determined for each position of the Eligible Directors (hereinafter "Base Amounts of Stock Compensation per Position"), (c) coefficients established beforehand by the Board of Directors in accordance with the Conditions for Achievement of Performance Objectives (hereinafter "Payment Rate"), and (d) means of

handling matters if an Eligible Director retires or undergoes a change in position during a Target Period, and other requirements established beforehand by the Board of Directors pertaining to a respective mid-term business plan (hereinafter collectively referred to as “Other Requirements”).

ii) The Company shall determine a base of compensation for each Eligible Director (hereinafter the “Individual Base Compensation Amount”), calculated by multiplying the base amount of stock compensation per position by the Payment Rate, in accordance with the conditions for business objectives achievement premised on Other Requirements, pursuant to resolutions of a meeting of the Board of Directors held within two months from the date on which the first Annual General Meeting of Shareholders is held subsequent to the conclusion of a Target Period.

iii) The Company shall deliver, to respective Eligible Directors, a certain number of Company Shares equivalent to the number obtained by dividing the monetary amount corresponding to 60% of the Individual Base Compensation Amount by the pay-in amount per share (however, the portion of the number of shares less than 100 will be discarded). When the Company delivers the Company Shares, it will do so through a share issuance or through a disposal of treasury shares. Under such circumstances the Company will grant monetary compensation claims of the amount calculated by multiplying the number of shares to be delivered to the Eligible Directors by the pay-in amount per share (hereinafter the “Amount of Monetary receivables Corresponding to Payment Amount”) and the Eligible Directors receive delivery of this in the form of property contributed in kind. The aforementioned pay-in amount per share will be the fair Company Share price on the date of payment, such as the closing share price on the Tokyo Stock Exchange on the last business day prior to the date on which the Company held the meeting of the Board of Directors where the allotment of shares was decided (if no trades are made on that day then the price will be the closing share price on the most recent trading day prior to that date).

Moreover, the Company shall pay cash to the respective Eligible Directors of an amount corresponding to 40% of the Individual Base Compensation Amount (hereinafter the “Compensation Amount Paid Monetarily”), considering income taxes and other such obligations incurred by the Eligible Directors.

iv) The maximum monetary amount of the combined total Amount of Monetary Receivables Corresponding to Payment Amount and total Compensation Amount Paid Monetarily (hereinafter the “PSU Compensation Amount”) granted to the Eligible Directors will be no more than 600 million yen per fiscal year, and the total number of Company Shares delivered to the Eligible Directors will be no more than 900 thousand shares per fiscal year. However, as detailed above, the Company intends to provide compensation pertaining to the performance share unit plan, to Eligible Directors, as a lump-sum payment upon conclusion of the third fiscal year as consideration for their performance of duties during the Target Period of a mid-term business plan (generally three fiscal years). The PSU Compensation Amount will essentially amount to no more than 200 million yen per fiscal year, and the number of shares to be delivered will be no more than 300 thousand shares.

Furthermore, if there are concerns that the total Individual Base Compensation Amount will exceed 600 million yen, the amount will be reduced to an amount up to the maximum on a pro-rata basis or using other means. Also, if there are concerns that the total number of Company Shares of which the Eligible Directors receive delivery will exceed 900 thousand shares by delivering the number of Company Shares set forth in aforementioned item (iii), the amount will be reduced to a range that does not exceed that maximum using a pro-rata basis or other means.

v) Irrespective of aforementioned item (iii), in cases where an Eligible Director is a non-resident, the Company will make payment to such Eligible Directors a monetary amount equal to the combined amount of the Amount of Monetary Receivables Corresponding to Payment Amount, which is calculated in a manner similar to instances involving delivery of Company Shares to resident Eligible Directors, and the Compensation Amount Paid Monetarily.

vi) The Board of Directors will make decisions on the specific delivery and payment dates for, and relevant distribution of, Company Shares and monetary sums that are to be delivered and paid to respective Eligible Directors on the basis of the aforementioned item (ii) or (v).

(3) Clawback provisions, etc.

The Company has established clawback provisions enabling it to demand uncompensated refund of monetary amounts corresponding to full or partial numbers of Company Shares delivered or cash paid to an Eligible Director as compensation pertaining to the performance share unit plan, if a situation arises involving substantial accounting improprieties or significant losses.

The Board of Directors stipulates specifics of the performance share unit plan in regulations pertaining to the performance share unit plan, upon having been deliberated on by the Compensation Advisory Committee, with respect to matters that include trigger clauses of clawback provisions and other specific details, handling of organizational restructuring, etc. (handling of Base Amounts of Stock Compensation Per Position in the event of a share split or share consolidation), Other Requirements, and requirements for situations where aforementioned item (v), (2) applies.

Business Report

(From April 1, 2017 to March 31, 2018)

1. Status of the Yokogawa Group

(1) Business Results

a. Analysis of Business Results

The Yokogawa Group's (hereinafter referred to as "the "Group") understanding regarding the conditions in its specific markets for the fiscal year under review (April 1, 2017 to March 31, 2018) 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.

Amid these circumstances, the Group worked on "expanding orders and sales," "promoting policies for improving profitability" through improving the production and engineering costs and reducing selling, general and administrative expenses, and "executing strategic investment" aimed at achieving dramatic growth for the future based on the mid-term business plan Transformation 2017 ("TF2017"), which ended in the fiscal year under review.

The Group's net sales for the fiscal year under review increased by 15.156 billion yen, owing to sales recovery in foreign subsidiaries and the effect of yen depreciation. Also, although we recorded 2.1 billion yen in allowance for doubtful accounts for certain notes and accounts receivable - trade whose collection has been delayed, operating income increased 1.114 billion yen due to the impact of increased revenues, etc. On the other hand, the profit attributable to owners of parent decreased 4.298 billion yen year on year due to the recording of impairment loss including goodwill, etc., despite the recording of extraordinary income primarily from sales of investment securities.

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

Net sales	¥406.590 billion	(	3.9%,	up	¥15.156 billion)
Operating profit	¥32.696 billion	(	3.5%,	up	¥1.114 billion)
Ordinary profit	¥33.333 billion	(	1.0%,	up	¥0.344 billion)
Profit Attributable to Owners of Parent	¥21.449 billion	(	-16.7%,	down	¥4.298 billion)

Results by individual segment are outlined below.

Industrial Automation and Control Business

Net sales for the industrial automation and control business segment increased by 15.243 billion yen year on year to 363.290 billion yen due to the demand recovery in capital investment in overseas, an increase in the replacement of plant equipment and higher demand for operation and maintenance services, as well as the depreciation of the yen and our initiatives in the solution businesses in Japan. On the other hand, partly due to recording an allowance for doubtful accounts of 2.1 billion yen for certain notes and accounts receivable - trade whose collection has been delayed, operating income remained about level year on year, at 30.389 billion yen (down 221 million yen).

Test and Measurement Business

In the test and measurement business segment, net sales were about level year on year, at 22.260 billion yen (up 17 million yen), but operating income greatly increased 1.635 billion yen year on year, to 2.533 billion yen, mainly due to improvements in the gross profit margin ratio.

Aviation and Other Businesses

In the aviation and other businesses segment, net sales were about level year on year, at 21.039 billion yen (down 104 million yen), but the segment recorded an operating loss of 225 million yen (against operating income of 73 million yen in the previous fiscal year) due to changes in sales composition.

b. Capital Investment

Total capital investment during the fiscal year under review stood at 13.230 billion yen, down 938 million 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 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, 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

In 2015, the Group established a long-term business framework that defines its goals for the next 10 years and describes what will be needed to accomplish them. The framework includes a vision statement on the direction that Yokogawa will take, defines Yokogawa's core competencies for achieving that vision, and specifies target businesses.

Subsequent to the establishment of that framework, there have been some notable shifts on the public policy front that include the adoption in September 2015 of the Sustainable Development Goals (SDGs) by the United Nations and the adoption in December of that year of the Paris Agreement at the 21st Conference of Parties to the United Nations Framework Convention on Climate Change (COP21). In light of these changes, we have established sustainability goals (Three goals) and indicated the direction that it will take to achieve these goals. Moreover, in reviewing the direction it will take under the long-term business framework, we have clarified the ideals that it will strive for in the next 10 years and beyond.

[Sustainability goals: Three goals]

To make the world a better place for future generations by 2050, we will (i) achieve net-zero emissions, (ii) transition to a circular economy, and (iii) ensure the well-being of all.

[Long-term business framework]

<Vision statement>

“Through “Process Co-Innovation,” (*) we create new value with our clients for a brighter future.”

Under this vision, we aim to both maximize customers' economic value and solve social problems, while creating social and environmental value through our customers' businesses.

<Core competencies>

Three core competencies need to be strengthened, including the capability to co-create value by uncovering and resolving clients' potential issues.

There are three core fundamental competencies, including the capability to create extremely reliable products and solutions to support industries and society.

<Businesses focus areas>

We continue to focus on the industries related to resources, energy, and materials. Also, under Transformation 2020, a new mid-term business plan, we will seek to focus on new businesses in the pharmaceutical and food industries that support people's health and enrich lives. As one long-term initiative, the company will focus on the bioeconomy field.

(*) 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.

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.

For more information about the Group's sustainability initiatives,
please refer to our web site <https://www.yokogawa.com/about/sustainability/>

[Mid-term business plan]

Based on the sustainability goals and long-term business framework, the Group formulated Transformation 2020 (“TF2020”), a new mid-term business plan for initiatives that will improve profitability and take the company’s transformation to a new level. Implementation of the plan will commence in fiscal year 2018.

(1) Key strategies of TF2020

TF2020 includes the following text that explains the ideal that we are striving to achieve: “A company that seeks to build a sustainable society by using its core measurement, control, and information technologies and pursuing digital technology innovation and co-innovation with its customers that revolutionizes productivity in a wide range of business processes.” To achieve this, we will implement the following key strategies to achieve three separate transformations.

< Key strategies >

(a) Transformation of existing businesses

Develop even closer relationships with customers so that we can work together to achieve major advances in productivity.

● Expand the OPEX(*) business

We will focus on expanding the OPEX business, which focuses on solving issues to improve productivity at existing plants and on the operational maintenance of these facilities. We will continue with the efforts to establish and globally expand the solutions business that it pursued under TF2017.

(*) OPEX is an abbreviation for Operating Expenditure

● Further strengthen focus industries

In the chemical industry, we already have a large share of the Japan market, and it will continue its efforts to expand this business in other markets while it works to develop the renewable energy market, which has high potential for growth and presents solutions to pressing environmental issues.

● Transform the measurement business

Secure healthy profits by focusing on competitive products, and take on new growth markets.

● Transform the aviation and other businesses

Grow these businesses by leveraging both proprietary technologies and our customer base.

(b) Creation of new businesses and transformation of the company’s business model

Create sustainable value through innovation.

● Establish new businesses for the pharmaceutical and food industries

Under the TF2017 plan that was formulated to achieve the goals of the long-term business framework, we identified industries that support people’s health and enrich lives as a business field where it would scale up its efforts. Under TF2020, we will focus on the pharmaceutical and food industries, which are expected to grow and are areas where it can leverage its strengths. Here, the company will strive to establish service businesses that improve productivity across the entire value chain, including R&D, product development, manufacturing, and logistics.

- Transform the company's business model

We will transform its business model from the simple selling of products and services to a performance-based business that can reduce customers' initial investments and a recurring business that emphasizes the offering of services. In doing so, we will increase the added value of its IIoT-based products and solutions that help customers improve productivity, leading to the creation of growth opportunities.

- (c) Improvement of productivity through Group-wide optimization

Rapidly improve efficiency throughout the Group

- Continuously strengthen cost competitiveness

We will strengthen cost competitiveness by establishing a mechanism for the continuous conduct of Group-wide cost reduction activities and by utilizing technology solutions such as robotic process automation (RPA).

- Strengthen the capabilities of personnel

We will enable its employees to continue learning and improve their capabilities by arranging for the provision of development and training programs through an in-house university. Focusing on the latest in-demand knowledge and skills, the programs will help employees understand global changes, stay abreast of the latest technology trends, and enable the personal transformation needed to handle operations that add higher value.

< Digital transformation >

As a basis for the three transformations, the Group will seek to improve productivity both for itself and its customers by developing architecture that makes full use of digital technology. The Group will help its customers achieve a transformation in their productivity by enhancing the value added by the company's AI, IIoT, and cloud-based products and other solutions, thereby leading to new opportunities for growth. And to establish a firm foundation for continued growth, the Group will make increased use of RPA, digital marketing, and mobile work solutions as well as network and security technologies. The company will make the aggressive investments needed to make this happen.

- (2) TF2020 capital policies and financial strategies

Under TF2020, on the premise of sustainably maintaining an optimal capital structure (*), we will prioritize the allocation of the cash that it generates through the three key transformations to investments that maximize its corporate value over the mid- to long-term. We will also actively seek to improve its payment of dividends.

Through its business strategies, capital investments for growth, and improvement of dividend payments set out in TF 2020, we will aim to maximize shareholder value by ensuring that total shareholder return (TSR) always exceeds shareholders' cost of equity.

(*) With an optimal capital structure, shareholder capital is at the level needed to maintain an A rating and there is adequate capacity for undertaking the investments needed to achieve growth.

- (a) Capital investments for growth (strategic investments)

Assuming that it maintains an optimal capital structure, we will set aside 70 billion yen for capital investments over the three-year period of the TF2020 plan. We will mainly invest in the key transformation areas (1) and (2) discussed above and in digital transformation. It will also examine possibilities for M&A and alliances whenever necessary to acquire technologies, sales channels, products/services, customers, human resources, know-how, etc.

- (b) Dividend policy (basic policy on allocation of profits)

We will also actively improve dividend payments based on the following new dividend policy:

The distribution of earnings to shareholders is a top priority for us. By improving profitability, we aim to secure the funds needed to continue increasing its dividend payments. Specifically, we will strive to exceed a 30% consolidated dividend payout ratio while ensuring it retains the financial base required to make the investments needed to maximize business performance, deliver value to shareholders over the mid- to long-term, and ensure continued growth. We also aim to maintain a stable dividend based on the dividend ratio on equity (DOE), even when business performance deteriorates due to temporary factors.

For more information about its Transformation 2020 mid-term business plan (“TF2020”), Please refer to our web site <https://www.yokogawa.com/pr/corporate/pr-corp-mtbp-en.htm>.

c. Business Environment and Target Management Indicators

The Company’s operating environment is changing dramatically, due to a number of factors including a change in the positioning of petroleum among energy resources, innovations in digital technologies, as well as an increase in needs addressing social issue solutions such as environmental issues and demographic changes.

The Group regards these changes in the business environment as opportunities for new transformation and growth that will enable it to realize continuous increases in profitability. To realize these opportunities, we consider it important to leverage the strong and diverse customer base and problem-solving capabilities that we have built up to create growth opportunities and establish a growth foundation centered mainly in Asia, including Japan, where we have a large number of systems installed. We have begun the challenge of moving on to the next transformation under the TF2020 mid-term business plan.

Under a basic policy that emphasizes the maximization of corporate and shareholder value over the mid- to long-term, we will use earnings per share (EPS) growth, organic free cash flow(*) generation and improvement of return on equity (ROE) as target indexes.

We will target EPS growth of 7 to 9% per year or higher, the generation of 85 billion yen or more of organic free cash flow (cumulative over the three-year period of the plan), and ROE of 10% or higher by fiscal year 2020. Each surpasses the market expectations for profit growth, cash flow creation, and capital efficiency. (This will be real growth, excluding specialty items such as the fiscal year 2017 impairment of goodwill, the recording of allowance for doubtful accounts, and the sale of assets.)

Index	Target value
Growth in orders received / net sales	3-5% /year
Growth in earnings per share (EPS)	7-9%/year
Return on sales (ROS)	10% or more (fiscal year 2020)
Return on equity (ROE)	10% or more (fiscal year 2020)
Organic free cash flow*	85 billion yen or more (cumulative over three years)

Note: Organic free cash flow = free cash flow + strategic investment (70 billion yen over the three-year period)

d. Challenges for the Company

In fiscal year 2015, the Group drew up the Transformation 2017 (“TF2017”) mid-term business plan. Under TF2017, the Group targeted three transformations: (i) focusing on customers, (ii) creating new value, and (iii) becoming a highly efficient global company, in order to build the foundation for mid- to long-term growth. The Group’s aims in doing so were to expand and grow its business by leveraging the solid global customer base that it has built up over the years, and to improve

profitability. Although the Group succeeded in adding more value in those industry sectors where it excels and in improving its balance sheet, more needs to be done to improve profitability.

In this dramatically changing business environment, it will not be enough to merely continue with the TF2017 transformations that seek to increase our corporate value over the mid- to long-term: we need to fundamentally transform the structure of its businesses. Under TF2020, we will seek to enhance its corporate value. Making full use of digital technology, we will also seek to grow these existing businesses and improve their profitability, create new businesses and establish new frontiers for growth, and take measures to dramatically improve the productivity of those organizations that support our business activities.

(3) Financial Assets and Profits/Losses

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

(Millions of yen)

Category	FY2014	FY2015	FY2016*	FY2017
Orders	417,089	421,103	390,660	400,317
Net sales	405,792	413,732	391,433	406,590
Operating income	29,818	39,639	31,582	32,696
Ordinary income	33,366	40,714	32,988	33,333
Profit Attributable to Owners of Parent	17,223	30,164	25,748	21,449
Basic Earnings per Share	¥66.88	¥114.03	¥96.40	¥80.27
Total assets	439,957	413,061	440,695	448,809
Net assets	221,976	246,895	262,503	278,673

Note: In FY2017, the Company has finalized tentative accounting treatment for business combinations, which has accordingly been applied to figures related to FY2016.

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

(Millions of yen)

Category	FY2014	FY2015	FY2016	FY2017
Orders	103,145	109,625	96,672	100,671
Net sales	101,986	106,341	97,683	104,385
Operating income	(7,817)	(2,228)	(5,916)	(1,986)
Ordinary income	11,535	25,016	14,459	18,521
Profit (loss)	5,168	26,531	16,202	8,696
Basic Earnings per Share	¥20.07	¥100.29	¥60.66	¥32.54
Total assets	245,369	224,886	249,793	246,751
Net assets	132,842	162,666	173,353	176,205

(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
KBC Advanced Technologies Limited	GBP2,145,000	100.0%	Sales of control 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 Test & Measurement 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 124,327,000 U.S. dollars in the legal capital surplus of Yokogawa Corporation of America.

2: On October 1, 2017, Yokogawa Meters & Instruments Corporation is 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, 2018)

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, 2018)

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 Test & Measurement Corporation	(Musashino-shi, Tokyo)
	Yokogawa Denshikiki Co., Ltd	(Shibuya-ku, Tokyo)
	Yokogawa Europe B.V.	(Netherlands)
	KBC Advanced Technologies Limited	(United Kingdom)
	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, 2018)

Business segment	Number of employees	Change from the previous year
Industrial automation and control business	16,771	20
Test and measurement business	770	(32)
Aviation and other businesses	749	(27)
Total	18,290	(39)

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

(8) Principal Lenders (as of March 31, 2018)

Lenders	Loan amount
Syndicated loan	¥24.4 billion

Notes: 1. Mizuho Bank, Ltd. and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (the present MUFG Bank, 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

No applicable matters

2. Overview of the Company

(1) Shares (as of March 31, 2018)

a. Number of Authorized Shares: 600,000 thousand

b. Number of Issued Shares: 268,624 thousand

c. Number of Shareholders: 15,413

d. Major Shareholders (Top 10):

Name of shareholder	Number of shares (thousand shares)	Shareholding ratio (%)
Master Trust Bank of Japan Limited (trust account)	34,466	12.9
The Dai-ichi Life Insurance Company, Limited	15,697	5.9
Japan Trustee Services Bank, Limited (trust account)	15,288	5.7
Nippon Life Insurance Company	13,484	5.0
Japan Trustee Services Bank, Limited (trust account) ⁹⁾	11,518	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	7,023	2.6
Yokogawa Electric Employee Shareholding Program	6,072	2.3
828035 Pictet and Cie (Europe) SA, Luxembourg REF: UCIT	5,480	2.1
State Street Bank West Client – Treaty 505234	4,388	1.6

Notes: 1. The Company holds 1,397 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, 2018)

Position	Name	Area of responsibility and significant concurrent positions
Director	Shuzo Kaihori	Chairman of the Board of Directors Outside Director of HOYA CORPORATION
President and Chief Operating Officer	Takashi Nishijima	
Director	Satoru Kurosu	Executive Vice President, Head of Premium Solutions & Service 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 Service 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. Chairman of Nippon Omni-Management Association Chairman of Central Society for Promoting the Industrial Education
Director	Noritaka Uji	Outside Director of DAIICHI SANKYO COMPANY, LIMITED Outside Director of Gallery Abarth Inc. Chairman of Japan Institute of Information Technology Honorary 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. Chairman of Project Management Association of Japan
Director	Shiro Sugata	Special Advisor of USHIO INC. Outside Director of JSR Corporation
Audit & Supervisory Board, Standing Member	Koichi Chujo	
Audit & Supervisory Board, Standing Member	Kouji Maemura	
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.
Audit & Supervisory Board Member	Yasuko Takayama	Outside Director, The Chiba Bank, Ltd. Outside Director, Nippon Soda Co., Ltd. Outside Audit & Supervisory Board Member, Mitsubishi Corporation

Notes: 1. Mitsudo Urano, Noritaka Uji, Nobuo Seki and Shiro Sugata are Outside Directors.
2. Zenichi Shishido, Izumi Yamashita and Yasuko Takayama 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, Izumi Yamashita and Yasuko Takayama 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. The positions, areas of responsibility and significant concurrent positions of the following Directors and Audit & Supervisory Board Members have changed after the closing of fiscal year 2017.

Position	Name	Area of responsibility and significant concurrent positions	Date of change
Director	Hitoshi Nara	Executive Vice President, Head of Life Innovation Business Headquarters	April 1, 2018
Director	Junichi Anabuki	Senior Vice President, Head of Corporate Administration Headquarters	April 1, 2018
Audit & Supervisory Board Member	Zenichi Shishido	Professor in Graduate School of International Corporate Strategy, Hitotsubashi University Professor in Graduate School of Law, Hitotsubashi University Lawyer at Zenichi Shishido Law Firm	April 1, 2018
Audit & Supervisory Board Member	Izumi Yamashita	Outside Director of AEON Bank, Ltd. Outside Director of Sumitomo Forestry Co., Ltd. President of Data driven Regional Education Association for Marketing	April 2, 2018

7. Director Mitsudo Urano retired from Senior Adviser of Nichirei Corporation on March 31, 2018 and from President of Agri Future Japan on March 29, 2018, respectively.

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
Kiyoshi Makino	June 27, 2017	Expiration of term of office	Audit & Supervisory Board, Standing Member

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, Izumi

Yamashita and Yasuko Takayama 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)	¥225 million (¥48 million)
Audit & Supervisory Board Members (Outside Members)	6 (3)	¥80 million (¥31 million)
Total (Outside Directors and Outside Members of Audit & Supervisory Board)	16 (7)	¥306 million (¥79 million)

Notes: 1. The above numbers include one Audit & Supervisory Board Member who retired during the fiscal year under review.
2. The total paid to Directors does not include employee salaries for Directors who are concurrently employees.
3. 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, 2018)” on page33.
- 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 primarily based on his wide knowledge and abundant experience as a corporate manager, and through his expertise in corporate governance.
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 primarily based on his wide knowledge as a corporate manager, his abundant experience in the engineering business centered on the energy industry, and his extensive expertise in global business.
Shiro Sugata Outside Director	Board of Directors meetings Present at 15 of the 15 meetings	As necessary, provided advice primarily based on his wide knowledge as a corporate manager, his abundant experience in the development and marketing of industrial instruments, and his extensive expertise in global business.
Zenichi Shishido Outside member, Audit & Supervisory Board	Board of Directors meetings Present at 15 of the 15 meetings Audit & Supervisory Board meetings Present at 19 of the 19 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 18 of the 19 meetings	As necessary, provided advice with high insight based on abundant managerial experience in a wide range of business activities.
Yasuko Takayama *1 Outside member, Audit & Supervisory Board	Board of Directors meetings Present at 11 of the 11 meetings Audit & Supervisory Board meetings Present at 13 of the 13 meetings	As necessary, provided advice primarily based on her extensive practical experience, including handling corporate social responsibility, gained when working for a major company in the consumer market, as well as a wealth of experience as a full-time Audit & Supervisory Board Member and as an outside executive at various companies.

*1 For outside Audit & Supervisory Board Member Yasuko Takayama, we have described her attendance of the Board of Directors meetings and Audit & Supervisory Board meetings convened since she assumed the position on June 27, 2017.

(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	¥107 million
Total amount paid in cash and other financial asset profits to the accounting auditor by the Company and subsidiaries	¥157 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 referred to as 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

- Risk Management Policy has been set forth for the purpose of establishing fundamental matters relating to the Group's risk management and promoting efficient and effective performance of such activities. Based on this policy, the Risk Management Committee shall decide the specific significant risks which shall be managed preferentially as the Group and decide the monitoring method for its risks and report them to the Board of Directors. The President shall be responsible for supervising all matters in relation to risk management as the Chairperson of Risk Management Committee.
- Respective organizational units of the Group shall perform the identification and assessment of risks followed by the preparation and implementation of the

countermeasures against risks. The department in charge of internal audit evaluates the effectiveness of the Group risk management process and reports important findings to the Board of Directors and the Audit & Supervisory Board Members.

- Crisis situations are to be responded to as set forth in the Group 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
 - The Company and Group companies shall not treat reporting persons disadvantageously for making reports.

- j. **Matters concerning Procedures for Advance Payment or Redemption of Expenses Occurring from Execution of Duties by Audit & Supervisory Board Members of the Company, and Policies Relating to Handling of Other Expenses or Obligations Occurring from said Execution of Duties**
 - For audit expenses and other expenses occurring from the execution of duties by Audit & Supervisory Board Members of the Company, appropriate amounts are budgeted to ensure the effectiveness of auditing.
- 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. **Strengthening Execution of Duties and Supervisory Function of the Directors**
 - The Nomination Advisory Committee, which comprises three or more Directors, with the majority being independent outside Directors, deliberates the appointment and dismissal of Directors and Audit & Supervisory Board Members in accordance with the criteria and procedures determined in advance, then reports their deliberations to the Board of Directors, which makes a resolution. In fiscal year 2017, the basic evaluation criteria and procedure for reelection of the President and the Chairman and CEO of the Company were drafted. The criteria have a quantitative aspect, which is deliberated together with the existing criteria to further enhance the objectivity and transparency of the appointment and dismissal procedure for the President and the Chairman and CEO.
 - Based on the result of the Board of Directors' self-evaluation for fiscal year 2016 and considering that it was the final fiscal year of the current mid-term business plan (TF2017), in fiscal year 2017 the Group held multiple discussions focused on the key themes of the next mid-term business plan and the long-term business vision. The discussions were held from various perspectives, both in and outside the Board of Directors meeting for drafting and including members of the Management Board and others. As a result, it was resolved by the Board of Directors to partially revise the long-term business vision and to adopt the next mid-term business plan (TF2020) starting from fiscal year 2018.
- b. **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.

c. 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 2017, high-priority risks were identified from the perspective of their degree of severity, encompassing categories such as business risk, information security risk, and crisis management risk. Progress made with respect to initiatives taken was also confirmed in accordance with respective risk monitoring methods, and such details were reported to the Board of Directors and others.

d. 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 on the basis of year-long activities involving priority audit item for the period under review “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 FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS

As of March 31, 2018

	Millions of yen
ASSETS	
Current assets	
Cash and deposits	78,264
Notes and accounts receivable-trade	153,646
Merchandise and finished goods	12,475
Work in process	8,573
Raw materials and supplies	11,206
Deferred tax assets	7,579
Other	15,706
Allowance for doubtful accounts	(3,534)
Total current assets	283,917
Non-current assets	
Property, plant and equipment	
Buildings and structures, net	45,730
Machinery, equipment and vehicles, net	7,000
Tools, furniture and fixtures, net	5,729
Land	15,811
Leased assets, net	318
Construction in progress	2,141
Total property, plant and equipment	76,731
Intangible assets	
Software	17,780
Goodwill	8,124
Other	11,567
Total Intangible assets	37,472
Investments and other assets	
Investment securities	43,692
Deferred tax assets	1,910
Other	7,823
Allowance for doubtful accounts	(2,737)
Total investments and other assets	50,687
Total non-current assets	164,891
Total assets	448,809

CONSOLIDATED BALANCE SHEETS

(continued)

	Millions of yen
LIABILITIES	
Current liabilities	
Notes and accounts payable-trade	25,466
Electronically recorded obligations	10,569
Short-term loans payable	1,539
Accounts payable-other	12,058
Income taxes payable	4,947
Advances received	32,173
Provision for bonuses	14,791
Provision for loss on construction contracts	5,881
Other	21,982
Total current liabilities	129,411
Non-current liabilities	
Long-term loans payable	28,936
Deferred tax liabilities	6,612
Net defined benefit liability	3,586
Other	1,588
Total non-current liabilities	40,725
Total liabilities	170,136
NET ASSETS	
Shareholders' equity	
Capital stock	43,401
Capital surplus	54,560
Retained earnings	173,002
Treasury shares	(1,393)
Total shareholders' equity	269,570
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	11,873
Deferred gains or losses on hedges	(29)
Foreign currency translation adjustment	(8,426)
Remeasurements of defined benefit plans	(1,112)
Total accumulated other comprehensive income	2,305
Non-controlling interests	6,796
Total net assets	278,673
Total liabilities and net assets	448,809

CONSOLIDATED STATEMENTS OF INCOME

For the year ended March 31, 2018

Millions of yen		
Net sales		406,590
Cost of sales		231,262
Gross profit		175,328
Selling, general and administrative expenses		142,631
Operating income		32,696
Non-operating income		
Interest income	575	
Dividend income	1,757	
Share of profit of entities accounted for using equity method	869	
Miscellaneous income	922	4,125
Non-operating expenses		
Interest expenses	312	
Commission fee	188	
Foreign exchange losses	1,913	
Miscellaneous loss	1,074	3,488
Ordinary income		33,333
Extraordinary income		
Gain on sale of non-current assets	2,085	
Gain on sale of investment securities	3,731	5,816
Extraordinary losses		
Loss on sale of non-current assets	6	
Loss on retirement of non-current assets	213	
Impairment loss	9,199	
Loss on sales of investment securities	39	
Loss on valuation of investment securities	86	
Loss on withdraw from employees' pension fund	223	9,768
Profit before income taxes		29,381
Income taxes-current	10,737	
Income taxes-deferred	(4,103)	6,633
Profit		22,747
Profit attributable to non-controlling interests		1,297
Profit attributable to owners of parent		21,449

NON-CONSOLIDATED FINANCIAL STATEMENTS
NON-CONSOLIDATED BALANCE SHEETS

As of March 31, 2018

	Millions of yen
ASSETS	
Current assets	
Cash and deposits	20,031
Notes receivable-trade	1,271
Accounts receivable-trade	22,034
Merchandise and finished goods	1,114
Work in process	2,036
Raw materials and supplies	1,448
Prepaid expenses	1,151
Deferred tax assets	2,117
Short-term loans receivable	29,046
Accounts receivable-other	8,089
Other	152
Allowance for doubtful accounts	(8)
Total current assets	89,863
Noncurrent assets	
Property, plant and equipment	
Buildings, net	26,393
Structures, net	806
Machinery and equipment, net	388
Tools, furniture and fixtures, net	2,200
Land	11,330
Construction in progress	1,521
Other	259
Total property, plant and equipment	42,899
Intangible assets	
Software	15,099
Software in progress	2,702
Leasehold right	794
Other	630
Total intangible assets	19,226
Investments and other assets	
Investment securities	35,375
Stocks of subsidiaries and affiliates	41,921
Investment in capital of subsidiaries and affiliates	14,553
Long-term loans receivable from subsidiaries and affiliates	2,192
Lease and guarantee deposits	215
Long-term financial assets	2,190
Other	596
Allowance for doubtful accounts	(2,283)
Total investments and other assets	94,761
Total noncurrent assets	156,888
Total assets	246,751

NON-CONSOLIDATED BALANCE SHEETS

(continued)

	Millions of yen
LIABILITIES	
Current liabilities	
Electronically recorded obligations	2,417
Accounts payable-trade	7,240
Short-term loans payable	10,121
Current portion of long-term loans payable	176
Accounts payable-other	7,000
Accrued expenses	1,418
Income taxes payable	418
Deposit received	220
Provision for bonuses	4,108
Other	3,808
Total current liabilities	36,930
Noncurrent liabilities	
Long-term loans payable	28,936
Long-term deferred tax liabilities	4,043
Other	635
Total noncurrent liabilities	33,615
Total liabilities	70,545
NET ASSETS	
Shareholders' equity	
Capital stock	43,401
Capital surplus	54,514
Legal capital surplus	36,350
Other capital surplus	18,164
Retained earnings	67,867
Other retained earnings	67,867
Reserve for advanced depreciation of noncurrent assets	1,227
Retained earnings brought forward	66,640
Treasury stock	(1,393)
Total shareholders' equity	164,389
Valuation and translation adjustments	
Valuation difference on available-for-sale securities	11,816
Total valuation and translation adjustments	11,816
Total net assets	176,205
Total liabilities, net assets	246,751

NON-CONSOLIDATED STATEMENTS OF INCOME

For the year ended March 31, 2018

Millions of yen		
Net sales		104,385
Cost of sales		54,079
Gross profit		50,306
Selling, general and administrative expenses		52,292
Operating loss		(1,986)
Non-operating income		
Dividend income	21,365	
Rent receivable	2,109	
Miscellaneous income	331	23,806
Non-operating expenses		
Interest expenses	302	
Rent payable	2,039	
Foreign exchange losses	467	
Commission fee	115	
Miscellaneous loss	372	3,298
Ordinary income		18,521
Extraordinary income		
Gain on sale of noncurrent assets	0	
Gain on sale of investment securities	3,564	3,565
Extraordinary losses		
Loss on sale of noncurrent assets	0	
Loss on retirement of noncurrent assets	127	
Loss on sales of investment securities	35	
Loss on valuation of investment securities	65	
Loss on valuation of investments in capital of subsidiaries and associates	16,549	16,777
Profit before income taxes		5,309
Income taxes-current	(809)	
Income taxes-deferred	(2,578)	(3,387)
Profit		8,696

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.

<https://soukai.mizuho-tb.co.jp/>

- (2) The deadline for voting is 5:00 p.m. on Monday, June 25, 2018, 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.