

Name of Listed Company: Yokogawa Electric Corporation

(URL: <http://www.yokogawa.com>) (Stock code: 6841, listed in TSE 1st section)

Name and Position of the Representative:

Takashi Nishijima, President and Chief Executive Officer

Name and Position of the Person in Charge:

Sadamu Kawanaka, General Manager of Corporate Communications Dept.

Telephone Number: 81-422-52-5530

August 7, 2015

**Notice Regarding a Simple Share Exchange That Will Make Yokogawa Denshikiki Corporation a Wholly-owned Subsidiary of Yokogawa Electric**

Yokogawa Electric Corporation ("the Company") is notifying you that its Board of Directors has met today and approved a resolution to engage in a share exchange with Yokogawa Denshikiki Corporation ("Yokogawa Denshikiki") that will make it a wholly-owned subsidiary of the Company. Also on this date, the two companies have concluded a share exchange agreement that will take effect on October 1.

As this is a simplified share exchange procedure, the disclosure of certain information has been omitted.

**1. Purpose of the Share Exchange**

The Company has decided to carry out this share exchange to establish a more flexible and efficient management structure for the Yokogawa Group.

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**2. Overview of the Share Exchange**

**(1) Share exchange schedule**

August 5, 2015: Resolution approved by Yokogawa Denshikiki's Board of Directors

August 7, 2015: Resolution approved by the Company's Board of Directors

August 7, 2015: Conclusion of the share exchange agreement

October 1, 2015 (planned): Share exchange takes effect

**(2) Share exchange method**

Through this share exchange, the Company will acquire all of Yokogawa Denshikiki's shares and become its parent company. Yokogawa Denshikiki will be the Company's wholly-owned subsidiary

(3) Allocation of shares

| Name of company                                | Yokogawa Electric Corporation<br>(Parent company)                                               | Yokogawa Denshikiki<br>Corporation<br>(wholly-owned subsidiary) |
|------------------------------------------------|-------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|
| Allocation of shares<br>(share exchange ratio) | 1                                                                                               | 8                                                               |
| Number of shares                               | Common stock: 208,528 (The issued shares will be allocated from the company's treasury shares.) |                                                                 |

For each Yokogawa Denshikiki share, the Company will issue 8 shares. However, no shares will be issued for the 1,001,934 Yokogawa Denshikiki shares that are already held by the Company.

(4) Handling of the wholly-owned subsidiary's stock acquisition rights and bonds with stock acquisition rights

Not applicable

3. Share Exchange Ratio

The Company and Yokogawa Denshikiki have agreed to use the above share exchange ratio, which is based on the calculations of Experts Link, an independent third-party institution. Experts Link calculated the share exchange ratio for the Company's common stock using the average market price method. For Yokogawa Denshikiki, Experts Link used the net asset method and the discounted cash flow method (the "DCF method"), which take future business activities into consideration.

For the implementation of this share exchange, each of these companies' Board of Directors has resolved to use the above share exchange ratio, which they understand is based on the above calculations and takes into consideration factors such as each company's financial status, future prospects, stock price movements, and asset status.

In accordance with the share exchange agreement, the Company and Yokogawa Denshikiki will consult with each other and make changes to the share exchange ratio if this is warranted by any material changes in the conditions that are the basis for its calculation.

#### 4. Parties to the Share Exchange (March 31, 2015)

|                                           | Parent company                                                                                                                                             | Wholly-owned subsidiary                                                                              |
|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| Company Name                              | Yokogawa Electric Corporation                                                                                                                              | Yokogawa Denshikiki Corporation                                                                      |
| Head Office                               | 2-9-32 Nakacho, Musashino-shi, Tokyo                                                                                                                       | 500, Soya, Hadano-shi, Kanagawa                                                                      |
| Representative                            | Takashi Nishijima,<br>President and Chief Executive Officer                                                                                                | Takashi Fujii,<br>President                                                                          |
| Businesses                                | Manufacture, sales, engineering, maintenance, of control, measurement, aviation, and marine equipment, etc.                                                | Aviation equipment, marine equipment, industrial environmental equipment, aircraft engine components |
| Capital                                   | 43,401.05 million yen                                                                                                                                      | 300 million yen                                                                                      |
| Date Established                          | December 1, 1920                                                                                                                                           | October 1, 1960                                                                                      |
| Number of Shares Issued and Outstanding   | 268,624,510                                                                                                                                                | 1,028,000                                                                                            |
| Fiscal Year End                           | March 31                                                                                                                                                   | March 31                                                                                             |
| Major Shareholders and Shareholding Ratio | The Master Trust Bank of Japan, Ltd. (trust account), 10.79%<br>The Dai-Ichi Life Insurance Company, Limited, 5.84%<br>Nippon Life Insurance Company 5.02% | Yokogawa Electric Corporation 97.46%                                                                 |
| Financials                                |                                                                                                                                                            |                                                                                                      |
|                                           | FY2014 as of March 31, 2015 (consolidated)                                                                                                                 | FY2014 As of March 31, 2015                                                                          |
| Net Assets                                | 221,976 million yen                                                                                                                                        | 4,543 million yen                                                                                    |
| Total Assets                              | 439,957 million yen                                                                                                                                        | 12,462 million yen                                                                                   |
| Net Assets per Share                      | 836.94 yen                                                                                                                                                 | 4,419.5 yen                                                                                          |
| Sales                                     | 405,792 million yen                                                                                                                                        | 17,076 million yen                                                                                   |
| Operating Income                          | 29,818 million yen                                                                                                                                         | 1,498 million yen                                                                                    |
| Ordinary Income                           | 33,366 million yen                                                                                                                                         | 1,553 million yen                                                                                    |
| Net Income                                | 17,223 million yen                                                                                                                                         | 863 million yen                                                                                      |
| Net Income per Share                      | 66.88 yen                                                                                                                                                  | 840.18 yen                                                                                           |

#### 5. Status after the Share Exchange

For the Company and Yokogawa Denshikiki, there will be no changes to company names, head office locations, names and titles of representatives, business, capital, or fiscal year end dates.

#### 6. Impact of This Share Exchange on the Group's Consolidated Business Results

This share exchange will have a negligible impact on our financial results for the fiscal year ending March 31, 2016.

(Reference: FY2015 Forecast)

|                      | Net Sales   |     | Operating Income |      | Ordinary Income |      | Profit Attributable<br>to Owners of<br>Parent |      | Earnings<br>per Share |
|----------------------|-------------|-----|------------------|------|-----------------|------|-----------------------------------------------|------|-----------------------|
| FY2015<br>(forecast) | Million yen | %   | Million yen      | %    | Million yen     | %    | Million yen                                   | %    | Yen                   |
|                      | 427,000     | 5.2 | 36,000           | 20.7 | 34,000          | 1.9  | 23,000                                        | 33.5 | 86.98                 |
| FY2014<br>(results)  | Million yen | %   | Million yen      | %    | Million yen     | %    | Million yen                                   | %    | Yen                   |
|                      | 405,792     | 4.5 | 29,818           | 15.2 | 33,366          | 29.9 | 17,223                                        | 39.6 | 66.88                 |