

Name of Listed Company: Yokogawa Electric Corporation
(URL: <http://www.yokogawa.com>) (Stock code: 6841, listed on TSE 1st section)
Name and Position of the Representative:
Takashi Nishijima, President and Chief Executive Officer
Name and Position of the Person in Charge:
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May 24, 2016

Notice regarding introduction of a Restricted Stock Compensation Plan

Yokogawa Electric Corporation (the "Company") is notifying you that, at the meeting of its Board of Directors held on May 24, 2016, the Directors reviewed the executive compensation plan of the Company and decided to submit a proposal regarding the introduction of a restricted stock compensation plan (the "Compensation Plan") to 2016 Annual General Meeting of Shareholders scheduled for June 23, 2016 (the "General Meeting of Shareholders").

1. Purpose of introduction of the Compensation Plan

Regarding director compensation, the annual amount of up to 1,200 million yen was approved by resolution of the 2007 Annual General Meeting of Shareholders convened on June 27, 2007. (This amount includes a portion of up to 50 million yen for outside directors, and does not include employee salaries of directors who serve concurrently as employees.)

Now, to provide an incentive for directors to sustainably increase the Company's corporate value and to further promote shared value between directors and shareholders, pursuant to Article 361, Paragraph 1, Item 1 of the Companies Act, the Company proposes the introduction of a restricted-share compensation plan as described below.

2. Overview of the Compensation Plan

(1) Overview of Compensation Plan

Under the restricted-share compensation plan, to grant restricted shares to directors other than outside directors (hereinafter "eligible directors"), in principle, monetary compensation receivables for specific use are provided to the eligible directors in the first fiscal year of the period covered by the mid-term business plan, and the eligible directors are allowed to make an investment in kind in the Company using the monetary compensation receivables as the invested assets. In this way, the Company issues or disposes of (hereinafter "delivers") its common shares (hereinafter the "Company shares") to the eligible directors and allows them to hold the shares. However, the Company shall make an agreement on allotment of restricted shares with the eligible directors (hereinafter the "allotment agreement"), under which the eligible directors shall not be able to freely transfer, etc. The allotted shares for a certain period stipulated in the allotment agreement. If they achieve a certain financial result during the transfer restriction period, then the transfer restriction of the allotted shares shall be lifted depending on the degree of achievement, with the allotted shares for which the transfer restriction was not lifted being returned (transferred) to the Company for free. Thus, the compensation plan provides an incentive for the eligible directors to work towards achieving certain results. The transfer restriction period, the results achievement conditions and other matters regarding the overall management of the restricted-share compensation system shall be deliberated by the Compensation Committee, which comprises three or more directors, nominated by the Board of Directors, with the majority being independent outside directors. The final decision shall be made by the Board of Directors, giving due respect to the opinion of the Compensation Committee.

(2) Revisions of Director Compensation Amount

To newly issue monetary compensation receivables for granting restricted shares to eligible directors, the Company seeks to establish an amount of up to 600 million yen for one fiscal year to be allocated for compensation related the restricted-share compensation plan and separate from the above-mentioned compensation amount. And the total number of Company shares to be delivered to the eligible directors shall be up to 900,000 shares per fiscal year. However, in principle, the Company intends to provide the restricted-share compensation amount as a lump sum in the first fiscal year of the three-fiscal-year period covering the mid-term business plan as an amount corresponding to compensation for the performance of duties over three fiscal years. As the target period of the mid-term business plan is three fiscal years, in effect the amount can be evaluated as an allocation of up to 200 million yen per fiscal year.

In association with this, the Company will also reduce the previously approved annual compensation amount of up to 1,200 million yen per fiscal year by 200 million yen, the amount corresponding to the compensation amount per fiscal year for the grant of restricted shares described above, to make the allocated amount up to 1,000 million yen per fiscal year.

Furthermore, a change in the breakdown of the current director compensation amount in consideration of an increase in the number of outside directors in order to strengthen the function of the Board of Directors and enhance corporate governance, whereby the amount allocated for compensation of outside directors is increased from up to 50 million yen to up to 100 million yen per fiscal year is collectively proposed for approval.

Moreover, as before, the Company requests that the amount of director compensation not include the employee salaries of directors who serve concurrently as employees.

(3) Basic policy of revisions

If the proposal is approved, the revised amount of director compensation will total up to 1,600 million yen per fiscal year, an increase of 400 million yen over the current compensation amount. However, the amount of up to 600 million yen per fiscal year under discussion as the compensation amount relating to the restricted-share compensation plan is a compensation amount relating to monetary compensation receivables to serve as invested assets for the grant of the restricted shares as described above, and the effective amount per fiscal year corresponding to the compensation amount for the grant of the restricted shares can be evaluated as up to 200 million yen as described above. Therefore, together with the amount of up to 1,000 million yen per fiscal year that has been requested separately, the total amount in effect is the same as the current compensation amount of up to 1,200 million yen per fiscal year. (Please see the “Reference” below).

[Reference]

<Effective Amount for Director Compensation per Fiscal Year>

		Current	Proposed revision
(i) Compensation amount related to restricted-share compensation plan		-	Up to 600 million yen (up to 200 million yen per fiscal year*)
(ii) Current compensation amount for directors		Up to 1,200 million yen	Up to 1,000 million yen
	Of which, outside directors	(Up to 50 million yen)	(Up to 100 million yen)
Total compensation amount [(i)+(ii)]		Up to 1,200 million yen	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.

Furthermore, since this fiscal year ending March 31, 2017, when the restricted-share compensation plan is to be newly introduced, is the second year of the target period of the mid-term business plan, the limit for the total amount to be paid as the monetary compensation receivables for granting the restricted shares would be 400 million yen for this fiscal year ending March 31, 2017.

3. Application of the Compensation Plan to Executive Officers

Subject to approval at the General Meeting of Shareholders for the introduction of the Compensation Plan for the Eligible Board Members, the Company also plans to introduce the same plan for executive officers of the Company.

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