

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:
 Sadamu Kawanaka, General Manager of Corporate Communications Department
 Telephone Number: 81-422-52-5530

September 6, 2016

Notice of Disposal of Treasury Shares as Restricted Stock Compensation

Yokogawa Electric Corporation (hereinafter the “Company”) is notifying you that, at the meeting of its Board of Directors held today, the Directors decided to dispose of treasury shares as follows (hereinafter the “Disposal of Treasury Shares”).

1. Overview of Disposal

(1) Disposal date	September 30, 2016
(2) Class and number of shares to be disposed	269,100 shares of common stock of the Company
(3) Disposal price	¥1,288 per share
(4) Total value of share disposal	346,600,800¥
(5) Method of offer or disposal	Allotment of restricted stocks
(6) Method of contribution	In-kind contribution of monetary compensation receivables
(7) Allottees and number thereof; number of shares to be allotted	Directors* 4 123,800 shares Vice Presidents 9 145,300 shares * Excluding Chairman of the Board of Directors Shuzo Kaihori who is a non-executive Director, President and Chief Executive Officer Takashi Nishijima who declined to participate in the Restricted Stock Compensation Plan, and Outside Directors.
(8) Other	The Disposal of Treasury Shares is conditioned on the Securities Registration Statement taking effect in accordance with the Financial Instruments and Exchange Act.

2. Purpose and Reasons for Disposal

At the meeting of its Board of Directors on May 24, 2016, for the purpose of providing a medium- to long-term incentive for Directors and shared value with shareholders, as a new compensation plan for Directors other than Outside Directors as well as Vice Presidents, the Directors decided to introduce a Restricted Stock Compensation Plan (hereinafter the “Compensation Plan”), and at the 2016 Annual General Meeting of Shareholders held on June 23, 2016, based on the Compensation Plan, as the monetary compensation to serve as invested assets to acquire the restricted stock (hereinafter the “Restricted Stock Compensation”), obtained approval of the ability to provide up to 600 million yen in monetary compensation for Directors other than Outside Directors.

The following presents an overview of the Company’s new executive compensation plan, which includes the Compensation Plan, and an overview of the Compensation Plan.

[Overview of the new Compensation Plan]

<1> Background behind the Introduction of the New Executive Compensation Plan

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, 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 advice produced through its deliberation.

With the promulgation of Japan's Corporate Governance Code last June, these guidelines were issued: "In order for management remuneration to operate as a healthy incentive for sustainable growth, the proportion linked to mid- to long-term results and the balance of cash and stock should be set appropriately," (Supplementary Principle 4.2.1) and "corporations should aim to further increase shared value with shareholders." Last November, through the Compensation Advisory Committee, the Company evaluated a new executive compensation plan for not only Directors, but also for Vice Presidents, and based on the preparation of the environment required to introduce a restricted stock compensation plan, including a consolidation of interpretation of Companies Act regarding the plan and amendments to tax law and the various regulations concerning disclosure, we have decided to introduce a new executive compensation plan utilizing restricted stock compensation.

<2> Overview of the new Executive Compensation Plan

Basic Approach to the Executive Compensation Plan

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

The Company's new 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 (hereinafter the "Company Shares"), linked to the Company's mid-term business plan (hereinafter the "Mid-Term Plan"), with the Company Shares distributed in lump sums corresponding to the achievement period (in principle, three years) in the first year of the Mid-Term Plan.

Furthermore, the performance-linked compensation under the new executive compensation plan has been set using the following approach. For example, in the case of the President and Chief Executive Officer, the ratio of fixed compensation and performance-linked compensation under the past plan is approximately 60:40, and under the new plan, in the event the current Mid-Term Plan "Transformation 2017" (hereafter the "TF2017") results targets are 100% achieved, the ratio for fixed compensation, annual incentives, and medium- to long-term incentives for one business year is approximately 47:35:18.

Approach to the Performance-Linked Compensation under the New Executive Compensation Plan

1. Compared to the current compensation plan, the ratio of performance-linked compensation in total compensation is higher.
2. The ratio of performance-linked compensation in total compensation is higher the higher the seniority of the Director, with the President and Chief Executive Officer's ratio of performance-based compensation exceeding 50%.

3. The ratio for the newly introduced share compensation in total compensation for Directors is higher than the average level for companies from the same industry and of the same scale both in Japan and overseas.
4. In the event all of results targets are achieved, the ratio of the annual incentive and the annualized medium- to long-term incentive will be 2:1.

Furthermore, the performance-linked compensation including the Compensation Plan covers Directors and Vice Presidents and excludes Outside Directors. This is because variable compensation such as 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.

<3> Executive Compensation System Linked to Mid-Term Plan

The Company is challenging itself with the three-year Mid-Term Plan TF2017 from fiscal year 2015 through fiscal year 2017. Under the vision statement, through “engagement in Process co-innovation, Yokogawa will create new value with its customers, aiming for long-term growth and a brighter future for all,” preparing the groundwork for growth by 2017 by reforming its business structure, and aiming for further growth development from 2018 to become a high-revenue company. The Company’s new executive compensation plan is designed as an incentive for Company Executives to implement the thorough reforms necessary as reform leaders to prepare the groundwork for growth through the business structure reforms in TF2017.

<4> Overview of Restricted Stock Compensation

The medium- to long-term incentive, “restricted stock compensation” is compensation in the form of the Company Shares focused on achieving the management targets in the Mid-Term Plan and further promoting shared value with shareholders. The number of the Company Shares allotted to the Company Executives is calculated by dividing the monetary value of compensation established for each position by the generally accepted share price, such as the closing price for the Company Shares the day prior to the allotment.

In the present share compensation, consolidated ROE in the final year of TF2017 is set as the results target, and a lump sum of the Company Shares is distributed to four Directors and nine Vice Presidents.

The Company will conclude “Restricted Stock Allotment Agreements” (see **3. Overview of the Restricted Stock Allotment Agreement**) with the Directors and Vice presidents in question, defining details ahead of time in the agreements including the attributable period for share distribution, the transfer restriction period, conditions to lift the transfer restriction, treatment on retirement from office, and account management utilizing a securities company, thus ensuring the objectivity and effectiveness of the plan.

Furthermore, results targets for medium- to long-term incentives in the performance-linked compensation will be set during the creation of each Mid-Term Plan based on the “[Basic Approach to the Executive Compensation Plan]” listed in “<2> Overview of the new Executive Compensation Plan.”

[Overview of the Compensation Plan]

(1) Overview of Compensation Plan

Under the restricted stock compensation plan, to grant restricted stock 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 with the eligible directors on allotment of restricted stock as described in “**3. Overview of the Restricted Stock Allotment Agreement**” (hereinafter the “allotment agreement”), under which the eligible directors shall not be able to freely transfer, etc. The allotted stock for a certain period stipulated in the allotment agreement. If they achieve a certain financial result during the attributable period for distribution, 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. When it is necessary to decide on matters relating to “(1) Transfer restriction period,” “(3) Conditions to lift transfer restrictions by achievement of results,” and other overall operation of the Compensation Plan such as would be mentioned in “(4) Treatment of the retirement of Directors or Vice Presidents covered by the Restricted Stock Allotment Agreement due to expiration of term of office, reaching retirement age, or another valid reason for retirement in attributable period for distribution,” these matters will be deliberated by the Compensation Advisory Committee and decided by the Board of Directors while respecting the opinions of the aforementioned committee. Note that although this fiscal year ending March 31, 2017 in which the Compensation Plan is introduced is the second year of the target period of TF2017, the monetary compensation receivables for allotment of restricted stocks shall be distributed to the eligible directors under exceptional measures.

(2) Upper limits of compensation amount of monetary compensation receivables and number of shares to be allotted for Compensation Plan

The upper limit for compensation amount of monetary compensation receivables distributed to the eligible directors shall be no greater than ¥600 million for one fiscal year (excluding the employee salaries of directors who also serve concurrently as employees), and the total number of the Company Shares that can be delivered to eligible directors shall be no greater than 900,000 shares for one fiscal year; provided, however, that in practice, the compensation amount for the monetary compensation receivables for the Compensation Plan for each fiscal year shall be no more than ¥200 million and the number of shares will be no more than 300,000 shares because, as described above, the amount equivalent to the consideration for the execution of duties for the three fiscal years is only planned to be distributed in lump sum to eligible directors in the initial year of the three fiscal years making up the period of the mid-term business plan.

(3) Payment amount per share as Restricted Stock Compensation in the Compensation Plan

The payment amount per share as Restricted Stock Compensation in the Compensation Plan shall be the fair price of the Company Shares on the payment date, such as the closing price of the Company Share on the Tokyo Stock Exchange on the business day prior to the day of the relevant resolution at the meeting of the Board of Directors (if no trading was conducted on the aforesaid date, then the closing price of the trading day directly preceding this). On this occasion, the closing price of the Company Shares on the Tokyo Stock Exchange on September 5, 2016 (the business day prior to the date of the relevant resolution relating to the allotted shares) was ¥1,288.

(4) Compensation on this occasion

The Company will also introduce the Compensation Plan for Vice Presidents. In principle, under the Compensation Plan, the commensurate amount of the Company Shares for the applicable period in the first fiscal year of the Company’s Mid-Term Plan will be distributed in a lump amount. However, on this occasion, as TF2017 has already entered the second fiscal year, the applicable period shall be two years, and an amount of ¥346,600,800 of monetary compensation receivables and 269,100 shares of common stock corresponding to the two-year period (fiscal years 2016 and 2017; April 1, 2016 to March 31, 2018) shall be allotted to four Directors and nine Vice Presidents.

The Disposal of Treasury Shares shall be implemented with the monetary compensation receivables that are distributed as the above-mentioned restricted stock compensation as invested assets and the payment to the disposal of treasury shares will be made using the method of in-kind contribution whereby the above-mentioned monetary compensation receivables are invested assets.

3. Overview of the Restricted Stock Allotment Agreement

The Company will conclude individual Restricted Stock Allotment Agreements with the four Directors and nine Vice Presidents, an overview of which is as follows.

(1) Transfer restriction period: September 30, 2016 (Fri) through July 25, 2018 (Wed)

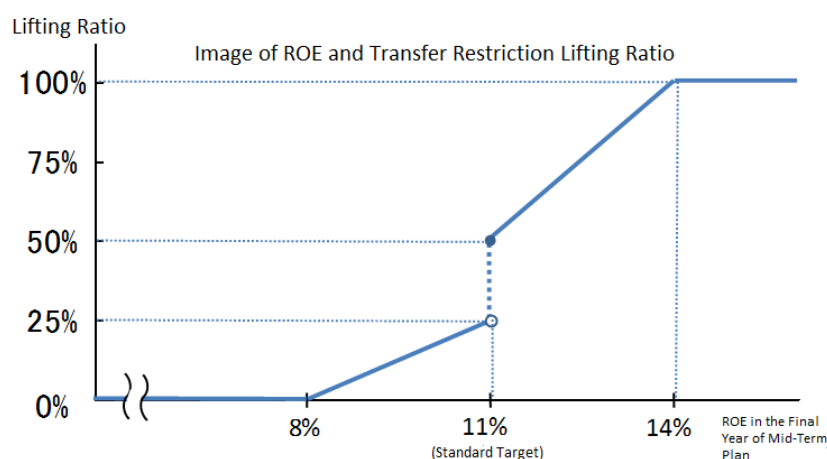
(2) Recipient qualification

Eligible directors and Vice Presidents must have held a post of either Director, Vice President or employee of the Company or a subsidiary continuously during the attributable period for distribution (fiscal years 2016 and 2017; April 1, 2016 to March 31, 2018).

(3) Conditions to lift transfer restrictions by achievement of results

Where the consolidated return on equity (ROE, hereinafter the “Actual ROE”) listed in the annual securities report for the period ending at the end of TF2017 (fiscal year 2017, ending March 31, 2018) matches the values listed in the “Actual ROE” fields, the number of shares produced by multiplying the number of allotted shares by the ratio in the “Lifting Ratio” field corresponding to the value in the “Actual ROE” field will be applied (however, where shares less than one unit are produced as a result of the calculation, they will be dropped.)

Actual ROE	Lifting Ratio
Up to 8%	0%
From but not including 8% up to but not including 11%	$(\text{Actual ROE} \times 100 - 8) / 3 \times 25\%$
From 11% up to but not including 14%	$50 + (\text{Actual ROE} \times 100 - 11) / 3 \times 50\%$
From 14%	100%



(4) Treatment of the retirement of Directors or Vice Presidents covered by the Restricted Stock Allotment Agreement due to expiration of term of office, reaching retirement age, or another valid reason for retirement in attributable period for distribution

(i) Leaving office or retirement due to death

Following the death of the Directors or Vice Presidents in question, the transfer restrictions of the allotted shares will be promptly lifted. The lifting conditions will be decided by the Compensation Advisory Committee, and will in principle be the number of shares obtained by multiplying the number of shares calculated based on the projected achievement results targets in (3) above at that point in time by the length of time served by the pertinent Director or Vice President during the attributable period for distribution (months) divided by 24 (shares less than one unit will be dropped).

(ii) Leaving office or retirement for reasons other than death

The lifting period shall come after the completion of the transfer restriction period. The lifting conditions will be decided by the Compensation Advisory Committee, and will in principle be the number of shares obtained by multiplying the number of shares calculated based on (2) above by the length of time served

by the pertinent Director or Vice President during the attributable period for distribution (months) divided by 24 (shares less than one unit will be dropped).

(5) Free acquisition by the Company

For shares for which the transfer restrictions have not been lifted for reasons such as (2), (3) or (4), after the point the transfer restrictions have been lifted, the Company can acquire the shares in question at no cost.

(6) Management of Shares

To ensure the execution of the transfer restrictions, during the transfer restriction period, the allotted shares will be managed in a dedicated account opened by the directors or vice presidents at Nomura Securities Co., Ltd.

(7) Treatment during Reorganization, etc.

If, during the transfer restriction period, matters relating to a merger agreement in which the Company is the dissolving company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or some other reorganization are approved at the Company's General Meeting of Shareholders (or, in the case where the approval at the Company's General Meeting of Shareholders is not required in relation to the reorganization in question, a meeting of the Company's Board of Directors), based on the resolution of the Board of Directors, the number of shares held by the Directors and Vice Presidents will be multiplied by the number resulting when the number of months from the starting month of the attributable period for distribution (April 2016) through the month including the date of the approval in question is divided by 24 (however, where shares less than one unit are produced as a result of the calculation, they will be dropped), and immediately prior to the business day prior to the date the reorganization takes place, the transfer restriction on these shares will be lifted.

4. Basis of Calculation and Specific Details for the Payment Amount

To eliminate any arbitrariness in the disposal price, the closing price for common shares of the Company on September 5, 2016 (the business day prior to the day of resolution at the meeting of the Board of Directors) on the Tokyo Stock Exchange First Section of ¥1,288 is used as the disposal price. As this is the market price the day prior to the day of resolution of the Board of Directors, we believe it is valid. Furthermore, as this price has a deviation of -2.58% (rounded up to the nearest hundredth percent, same in the deviation calculations below) from the average closing price of ¥1,322 (fractional yen dropped, same in the average closing prices below) for the most recent one-month period for the Company's common share on the Tokyo Stock Exchange First Section (August 6, 2016 through September 5, 2016), a 3.13% deviation from the average closing price of ¥1,248 for the most recent three-month period (June 6, 2016 through September 5, 2016), and a 6.09% deviation from the average closing price of ¥1,214 for the most recent six-month period (March 6, 2016 through September 5, 2016), we do not believe this represents a particularly favorable price.

Reference Restricted Stock (RS) Management Flow in the Restricted Stock System

