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(URL: <https://www.yokogawa.com>) (Stock code: 6841, listed in TSE Prime Market)
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Notice Regarding Revision of Performance-Linked Stock Compensation Plan (Performance Share Unit Plan)

At the Compensation Committee held on June 18, 2024, the Company resolved to revise the Performance-Linked Stock Compensation Plan (Hereinafter referred to as the "PSU Plan".) approved at the 142 Ordinary General Meeting of Shareholders held on June 26, 2018. Details are as follows.

1. Outline of the Revision to the PSU Plan

Taking advantage of the formulation and announcement of the medium-term business plan "Transformation 2020" (Hereinafter referred to as "TF 2020".), which covers the 3 years from FY 2018 to FY 2020, the Company has introduced a PSU plan in which the Company's common stock (Hereinafter referred to as the "Company Shares".) is delivered in accordance with the degree of achievement of consolidated ROE in the final fiscal year of TF2020. The PSU plan aims to make it possible to further strengthen the sharing of value between directors and shareholders by providing directors and executive officers who do not concurrently serve as directors with timely and accurate incentives for the sustainable enhancement of the Company's corporate value over the medium to long term, and by further clarifying the link between the compensation of the target officers and the Company's business performance. In formulating the medium-term business plan "Accelerate Growth 2023" for FY 2021, the Company revised its Vision Statement, set three sustainability goals*, and reviewed its long-term management vision.

At the 148 Annual General Meeting of Shareholders held on June 18, 2024, the Company decided to transition to a company with a nominating committee, etc., and to change the target of the PSU Plan from Directors (Excluding Outside Directors.) to Vice President & Executive Officers at the newly established Compensation Committee. Furthermore, in order to encourage the achievement of the management indicators to be emphasized in the new medium-term business plan, "Growth for Sustainability 2028," announced by the Company on May 7, 2024, provide the Company with an incentive to continuously improve its corporate value, and further share value with shareholders, the Company has decided to revise the plan to a performance-linked stock compensation plan (performance share unit plan) (Hereinafter referred to as the "Plan".) in which the Company shares and cash will be delivered in accordance with the degree of achievement of the performance targets, etc., after deliberating and determining performance targets, etc. for the third fiscal year at the Compensation Committee, which will be held within three months after the start of each fiscal year.

* Net-zero emissions, Well-being, Circular economy

2. About the Plan

(1) Overview

The Plan is a performance-based stock compensation plan (performance share unit plan) whereby the Company's common stock (the "Company Shares") and money are paid as compensation for the Vice President & Executive Officers of the Company (Hereinafter referred to as the "Eligible Officers".) after the end of the performance evaluation period, in accordance with their tenure in office during the period from the beginning of each fiscal year that is the term of office of the Eligible Officers as an Vice President & Executive Officer to the end of the relevant fiscal year (Hereinafter referred to as the "Target Period".) and the level of achievement of performance targets, etc. during three consecutive fiscal years including the Target Period (Hereinafter referred to as the "performance evaluation period".).

(2) Structure

- i At a meeting of the Compensation Committee to be held within three months after the beginning of the first fiscal year of the target period, the Company shall determine (a) the target period, (b) the standard number of shares by position, (c) the payment rate, (d) the method of calculating the number of individual shares of compensation, and (e) other requirements set in advance by the Compensation Committee of the Company

for the target period, such as the position adjustment ratio (The requirements in (e) below are collectively referred to as "Other Requirements."). The Compensation Committee of the Company resolved that (a) through (e) for the current fiscal year shall be as follows.

- (a) Target period: 1 fiscal year
- (b) Standard number of shares by position = standard amount of stock-based compensation by position ÷ standard stock price*

*Average closing price of the Company's shares on the Prime Market of the Tokyo Stock Exchange during the month immediately preceding the month to which the performance evaluation period begins

- (c) Payout rate

Performance Indicators		Percentage
(1)	Average ROIC (return on invested capital) for the three years of the performance evaluation period	40%
(2)	Average annual EPS (net income per share) growth rate for the performance evaluation period (3 years)	40%
Sustainability Indicators		Composition Ratio
(3)	Reduction rate of greenhouse gas emissions (Scope 1 and 2)	5%
	Reduction in energy consumption (unit sales)	5%
(4)	Employee Engagement	10%

- (d) Number of Individual Compensation Shares = Basic Number of Shares by Position × Payment Rate × Tenure Period Ratio (*1) × Position Adjustment Ratio (*2)

*1: Total number of months in office during the Target Period ÷ Total number of months in the Target Period

*2: If there is a change in position, adjustment is made so that the number of Individual Compensation Shares corresponding to that position is granted

- ii The Eligible Officers will acquire the right to receive delivery of Company shares and payment of money on the vesting date by following the procedures prescribed by the Company from the end of the last fiscal year of the performance evaluation period until the day on which the financial statements for the relevant fiscal year are reported to the annual general meeting of shareholders pursuant to Article 439 of the Companies Act (Hereinafter referred to as the "vesting date").
- iii The Company will deliver Company shares equivalent to 60% of the Number of Individual Compensation Shares to each Eligible Officers for which the rights have been vested. Delivery of Company shares by the Company will be made by issuing new shares or disposing of treasury shares by the Company, and the Company will grant monetary compensation claims in the amount obtained by multiplying the number of Company shares to be acquired by each Eligible Officers equivalent to 60% of the Number of Individual Compensation Shares by the amount to be paid per share (Hereinafter referred to as the "Amount of Monetary Receivables to Be Paid".) to each Eligible Officers, and each Eligible Officers will receive delivery of Company shares by making a contribution in kind of the monetary compensation claims. The amount to be paid in per share of the Company's shares set forth above shall be a price that is not particularly favorable to the Eligible Persons who subscribe for the Company's shares, based on the closing price of the Company's common shares on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of resolution of the Board of Directors concerning the issuance or disposition of the Company's shares (If no transaction has been effected on the same day, the closing price on the most recent transaction day that precedes it).

In addition, from the perspective of securing funds for tax payment, the Company will pay to each Eligible Officers whose rights have been vested the amount obtained by multiplying the number of the Company's shares to be acquired by each Eligible Officers, which corresponds to 40% of the Number of Individual Compensation Shares, by the amount to be paid in per share (Hereinafter referred to as the "Amount of Compensation").

- iv Notwithstanding the provisions of (iii) above, if the Eligible Officer is a non-resident at the time of delivery of the Company's shares, the total of the Amount of the Paid-in Monetary Claim and the Amount of the Remuneration to be Paid in, which is calculated on the assumption that the shares will be delivered in the same manner as a resident, will be paid in cash to the Eligible Officers.

- v The specific delivery, timing of payment, and distribution of the Company's shares and money to be delivered and paid to each Eligible Officers pursuant to the provisions of (ii) through (iv) above will be determined by the Compensation Committee.

(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 PSU Plan, if a situation arises involving substantial accounting improprieties or significant losses.

The Board of Directors stipulates specifics of the PSU Plan in regulations pertaining to the PSU 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.

(Reference) Overview of each indicator of the payment rate during the relevant period for the current fiscal year

➤ Average consolidated financial ROIC (return on invested capital)

Formula	
Consolidated Financial ROIC = {Operating Income x (1- Income Tax Contribution Ratio: 25% *)} ÷ (Interest-bearing Debt + Minority Interests + Equity) *For the Income Tax Contribution Ratio, a fixed value of 25% is adopted to equalize the tax rate.	
Target Value	
3-year average of consolidated financial ROIC for the performance evaluation period (3 years): 11% (Lower limit 7% - Upper limit 15%)	
Consolidated financial ROIC (x%)	Payout rate (y%)
Less than 7%	0%
7% to less than 11%	$y=12.5x-37.5$
11% to less than 15%	$y=25x-175$
15% or more	200%

➤ Earnings per share (EPS) Average annual growth rate

Target value	
EPS Average annual growth rate for the performance evaluation period (3 years): 6% (Lower limit 3% - Upper limit 9%)	
Average annual EPS growth rate (x%)	Payout rate (y%)
Less than 3%	0%
3% to less than 6%	$y=16.67x$
6% to less than 9%	$y=33.33x-100$
9% or more	200%

➤ Environmental Indicator

(A)Greenhouse gas emissions (Scope 1, 2)

Calculation method	
Targets are set for each fiscal year on the assumption that emissions are reduced equally every fiscal year, based on the actual figures for fiscal 2019.	
Target value	
Achieved 100% reduction in emissions in fiscal 2030	
3-year average of the degree of achievement of the reduction target for each fiscal year	Payment rate
Less than 0%	0%
0% to 200%	0% to 200% depending on the average

(B)Energy consumption (unit sales)

Calculation method	
Based on the results of fiscal 2023, we set a target of 5% reduction from the previous year each fiscal year, and calculate the 3-year average of the reduction rate against the target.	
Target value	
30% reduction in fiscal 2030 (average annual reduction of 5%)	
3-year average reduction rate from the previous year (x%)	Payment rate (y%)
Less than 0%	0%
0% to less than 10%	$y=20x$
10% or more	200%

Environmental index payment rate

Calculation formula
$(\text{Index A payment rate} + \text{Index B payment rate}) \div 2$

➤ Employee engagement

Evaluation method	
Calculate biennial Global Employee Engagement Survey (GEES) or pulse survey scores	
Target value	
GEES or Pulse Survey Score 82 for the last year of the performance evaluation period	
GEES or Pulse Survey Score (x%) for the last year of the performance evaluation period	Pay rate (y%)
< 79.5	0%
≥ 79.5 but < 82	$y=20x-1,540$
≥ 82 but < 84.5	$y=40x-3,180$
> 84.5	200%

(Reference) The Company's Views on the Officer Remuneration System

The Company regards the Officer Remuneration System as an important matter for corporate governance. The Compensation Committee, which consists of at least three Directors, the majority of whom are Independent Outside Directors, determines the Officer Remuneration System.

An overview of the Company's Officer Remuneration System, including the recent revision to the PSU Plan, is as follows.

■ Details and method of the policy on determining the amount of Remuneration, etc. for Officers and the calculation method thereof

Policy in relation to decisions concerning the details of compensation, etc. for officers

At the Compensation Committee meeting held on June 18, 2024, the Company resolved the policy for determining the content of individual remuneration for Directors and Vice President & Executive Officers.

In addition, the Compensation Committee has confirmed regarding the compensation for individual Directors and Vice President & Executive Officers for the fiscal year under review that the method of determining the details of compensation and the content of determined compensation are consistent with the policy resolved by the Compensation Committee, has also judged that such procedures are in accordance with the policy.

The contents of the policy in relation to decisions concerning the details of compensation for individual Directors and Vice President & Executive Officers are as follows.

(1) Basic policy

The basic policy on compensation for Directors and Vice President & Executive Officers shall be as follows:

- (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

(2) Policy for determining compensation, etc. for officers

- 1) Compensation, etc. for Directors and Vice President & Executive Officers

The Compensation Committee establishes the system and the policy for determining the remuneration of directors and vice president & executive officers, and determines the content of remuneration for each director and vice president & executive officer in accordance with the system and policy.

2) Composition of the Compensation Committee

The Compensation Committee shall compose of three or more Directors appointed by the Board of Directors, the majority of whom are Independent Outside Directors. The Chairperson shall be selected from Independent Outside Directors by the Board of Directors.

(3) Composition of officers' compensation

Directors shall be paid a fixed remuneration of basic compensation. This is because variable compensation such as performance-linked compensation is not appropriate for Directors who maintain position independent from the performance of duties, and as such only fixed compensation is paid, identically for non-executive Directors. However, Vice President & Executive Officers who also serve as Directors shall be paid as Vice President & Executive Officers.

Executive Officers' compensation compose of (a) basic compensation, which is fixed compensation, and (b) performance-linked compensation ((b)-1 annual incentive and (b)-2 medium- to long-term incentive).

The levels of compensation for executive are set through a comparison with companies from the same industry and of the same scale, both domestically and internationally, based on the results of surveys conducted by external organizations, and the Company's financial conditions.

Compensation levels for each position are based on the level of 50%iles by peer companies. From the viewpoint of flexible management in response to changes in the environment and the acquisition and retention of talented management personnel, compensation levels shall generally be within the range of 25%iles to 75%iles.

Compensation for personnel hired overseas may be determined individually based on a compensation benchmark analysis that takes into account the responsibilities of each position based on executive compensation survey data in that overseas region.

The specific composition of compensation for executives and officers shall be as follows in accordance with the executive categories.

Executive categories	(a) Basic compensation	(b) performance-linked compensation (b)-2 including non-monetary compensation)	
		(b)-1 Annual Incentive	(b)-2 Mid- to Long-Term Incentive
Director	○	—	—
Director Concurrent Executive Officer	○	○	○
Vice President & Executive Officer	○	○	○

(a) Basic compensation

Basic compensation shall be fixed monthly compensation and shall be determined based on the criteria established by the Compensation Committee in accordance with the roles and positions of Directors and Vice President & Executive Officers.

(b) Performance-linked compensation

Performance-linked compensation shall be determined by the Compensation Committee in order to raise awareness of the improvement of business performance in each fiscal year and the enhancement of corporate value in the medium term, and shall be paid in an amount or number calculated according to the degree of achievement of the target value (KPI).

The concept of performance-linked compensation is as follows.

1. Increase the ratio of performance-linked compensation to total compensation.
2. The higher the position, the higher the ratio of performance-linked compensation to total compensation.
3. Share-based compensation as a percentage of total compensation shall be at least equal to companies from the same industry or of the same scale.

(b)-1 Annual Incentives

Annual incentives in performance-linked compensation shall be calculated by the Compensation Committee on the basis of the company-wide performance evaluation and individual performance

evaluation for a single fiscal year, and shall be paid once a year. The amount to be paid shall be designed to vary from 0% to 200% to a value of 100% when the performance target is achieved.

* The ratio of the basic compensation and the annual incentives when the performance target is achieved is designed so that the higher the position is, the higher the ratio of the annual incentive is set. From 1 to 0.75 for the representative executive officer, the lower the position is, the lower the ratio of annual incentives is set. The overall average is generally 1 to 0.5. This ratio may vary from 1 to 0 to 1 to 1, depending on the degree to which performance targets are achieved.

Figure 1 (image)

Basic compensation 1	Annual Incentive 0.5 (0~1)
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(b)-2 Medium-to long-term incentives

The Performance Share Unit Plan (the "PSU Plan"), a performance-based stock compensation plan, will be applied to medium- to long-term incentives of performance-based compensation. The PSU Plan provides Company shares and money in accordance with the level of achievement of the Company's performance indicators and sustainability indicators for a period determined by the Compensation Committee.

The performance indicators in medium-to long-term incentives are based on links with the medium-term business plan, and based on the belief that they are important indicators in terms of enhancing corporate value and shareholder value, return on invested capital (consolidated financial ROIC) and net income per share (EPS) growth rate are used.

Sustainability indicators consist of environmental indicators consisting of total greenhouse gas emissions (Scope 1 and 2) and the rate of reduction in unit energy consumption, as well as employee engagement scores.

During the period determined by the Compensation Committee, based on the performance targets and other requirements set by the Compensation Committee in advance, the number of shares obtained by dividing the standard amount of stock-based compensation set by the Compensation Committee for each position of Vice President & Executive Officers to be paid by the average closing price of the Company's shares for the month immediately preceding the applicable period shall be allotted, and at the end of the applicable period, the number of shares to be individually compensated through medium- to long-term incentives for each Vice President & Executive Officer to be paid shall be determined by multiplying the number of shares by a coefficient set in advance by the Compensation Committee in accordance with the conditions for achieving the performance targets (the "Payment Rate"), and the amount equivalent to 60% of the number of shares to be paid shall be the Company's shares, and the amount equivalent to 40% shall be the money calculated by using the closing price of the Company's shares in the ordinary trading on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the day of resolution of the Board of Directors. The Payment Rate is designed to vary from 0% to 200% depending on the degree of achievement of performance targets.

The PSU Plan establishes a clawback provision under which, in the event of material fraud accounting or a large loss, all or a portion of the compensation paid as compensation related to the PSU Plan can be requested for reimbursement free of charge.

* The ratio of annual incentives and medium- to long-term incentives to basic compensation when the performance targets for each of the annual incentive and the medium-to long-term incentive are achieved in the fiscal year in which the medium-to long-term incentive is paid shall be set as the higher the position, the higher the ratio to the basic compensation shall be set, and as the position falls from 1 to 0.75 to 0.375 for the representative executive officer, the overall average shall be approximately 1 to 0.5 to 0.25. This ratio may vary from 1:0:0 to 1:1:0.5, depending on the degree of achievement of the performance objectives for each of the annual incentives and the medium-to long-term incentives. However, the ratio for medium- to long-term incentives varies depending on the stock price.

Figure 2 (image)

Basic compensation 1	Annual Incentive 0.5 (0~1)	Mid- to Long-Term Incentive 0.25 (0~0.5)
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