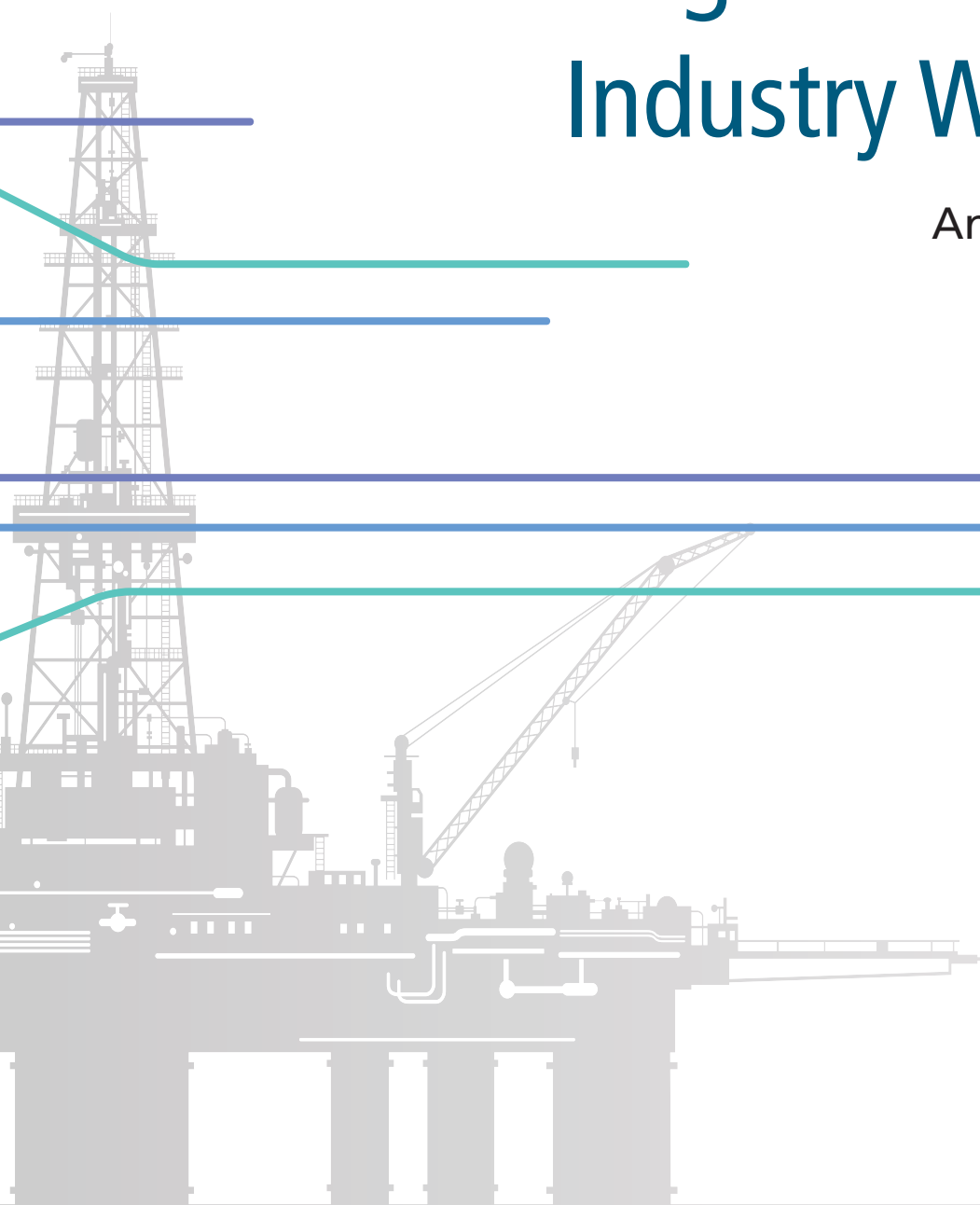


Contributing to Industry Worldwide

Annual Report **2013**

For the year ended March 31, 2013



Superior, Reliable Technology for Our Growing Industrial Automation and

Our History as a Global Company

Yokogawa's expansion outside Japan began in 1957 with the establishment of a sales office in the United States.

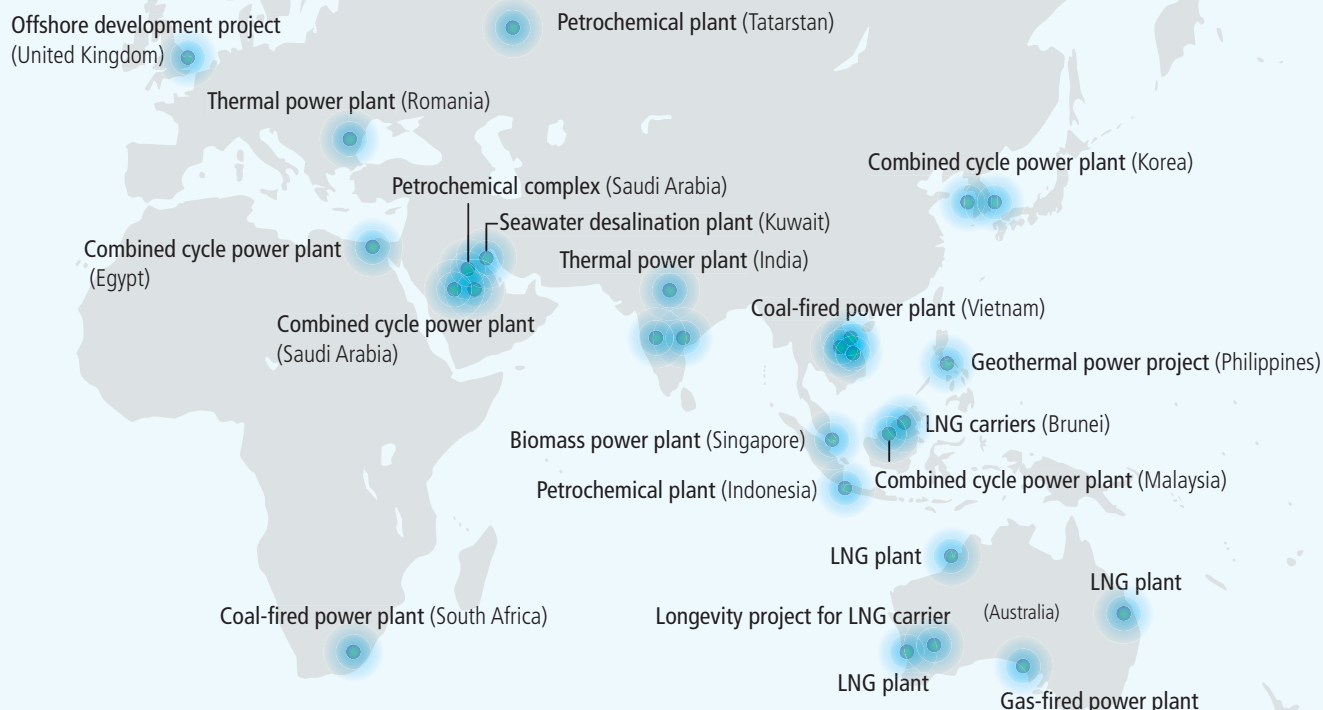
In 1975, Yokogawa released CENTUM, the world's first distributed control system (DCS), setting the Company firmly on the path of global development. The commencement in Singapore of CENTUM production marked an early milestone in Yokogawa's overseas business activities, providing further momentum. With Singapore as a foothold, the Company has worked vigorously ever since to build a robust presence throughout Asia.

In the 1980s, Yokogawa took a critical step forward with its first delivery of control products to a major global oil company in Europe. With this achievement, the Company was able to enter an elite group of suppliers who met the global oil company's stringent quality standards for control products. As a late-comer to the global market, Yokogawa took full advantage of the high quality of its products and services to establish a solid reputation with its customers. These efforts led to a steady stream of orders, allowing the Company to build a robust global business platform.

In the first decade of the 21st century, Yokogawa's launch of marketing activities in North America, the home of many of the world's major control equipment manufacturers, proved to be another watershed event. Although held in high regard among its customers for the excellent quality of its products and services, Yokogawa had to contend with poor brand recognition. To raise its profile, the Company put forward the VigilantPlant vision for realizing the ideal plant and worked to promote its image as a company that collaborates with its customers to achieve optimal plant operations. Doing so, it has successfully heightened its profile not only in North America, but around the world, and increasingly is being selected for major projects.

Since the 1970s, Yokogawa has steadily raised its visibility in the global market through the provision of high quality products and services and the pursuit of a solutions-based business approach. Today, over 60% of all sales for its industrial automation and control business are generated in markets outside Japan.

Yokogawa is now entering a new phase in its development and is poised to take a definitive leap forward. Our goal is to secure nothing less than the leading position in the global industrial automation and control market.



Completion of

24,624 projects*

High reliability

99.99999 % *

Control Business

LNG facility
(United States of America)

Combined cycle power plant
(Republic of Trinidad and Tobago)

Major projects in the past five years

Global network

54 countries 87 branches*

*As of March 31, 2013

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Yokogawa: Evolving into a
Solutions and Service Company



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Test and Measurement Business / Other Businesses

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Cautionary statement regarding forward-looking statements

Statements made in this annual report regarding Yokogawa's plans, estimates, strategies, beliefs, and other statements that are not historical facts are forward-looking statements about the future performance of Yokogawa. These statements are based on management's assumptions and beliefs in the light of currently available information. Yokogawa cautions that a number of important factors, such as general economic conditions and exchange rates, could cause actual results to differ materially from those discussed in the forward-looking statements.

Message from the Top Management



Takashi Nishijima
President and COO

Shuzo Kaihori
Chairman and CEO

In the fiscal year ended March 31, 2013 (fiscal year 2012), the Yokogawa Group continued to vigorously pursue growth centering on the industrial automation and control market outside Japan, which remains on a firm footing thanks to strong energy-related investment. At the same time, steps were taken to advance structural reforms in the test and measurement business. As a result, orders, net sales, operating income, ordinary income, and net income all increased for the fiscal year under review.

For the past three years, commencing in fiscal year 2009, the Yokogawa Group has worked steadily to implement structural reforms in its businesses. A robust business portfolio weighted toward industrial automation and control is now near fully in place. To promote growth, in November 2011 we announced the details of our Evolution 2015 mid-term business plan, under which we are currently implementing twin strategies of structural reform and growth centering on industrial automation and control. With the medium- to long-term goal of becoming the global No. 1 company in industrial automation and control, we are pushing forward with the first steps for achieving net sales of ¥400 billion, ¥40 billion in operating income, an operating income-to-sales ratio of 10%, and an EPS of ¥100 or more on a consolidated basis by fiscal year 2015.

On April 1, 2013, Shuzo Kaihori was appointed Chairman and Chief Executive Officer while Takashi Nishijima assumed the position of President and Chief Operating Officer. In the fiscal year ending March 31, 2014 (fiscal year 2013), which is the second full year under the Evolution 2015 mid-term business plan, the Company will continue to strive under this new leadership to achieve its targets and secure further growth in its businesses.

Moving forward, we will continue to place every emphasis on enhancing our corporate value to fulfill the expectations of our shareholders. As we work to achieve our established goals, we kindly request your continued support and understanding.

A handwritten signature in black ink, reading "Shuzo Kaihori".

Shuzo Kaihori
Chairman and CEO

A handwritten signature in black ink, reading "T. Nishijima".

Takashi Nishijima
President and COO



Yokogawa: Evolving into a Solutions and Service Company

TAKASHI NISHIJIMA
President and COO

Born on August 12, 1957, Mr. Nishijima graduated from the Faculty of Science of Tokyo Metropolitan University and entered Hokushin Electric Works, Ltd. (currently Yokogawa Electric Corporation) in April 1981.

Upon entering the Company, Mr. Nishijima became deeply involved as an engineer in the development of technologies and products. After going on to serve as head of several departments, including Development and Engineering Department 2 of the Field Instruments Business Division, the Field Instruments Product Marketing Department, and the Control Products Business Center, he was appointed president of Yokogawa Meters & Instruments Corporation in April 2010.

In June 2011, Mr. Nishijima was appointed as a director of the Company, and in April 2012 assumed the concurrent title of senior vice president and was made the head of the IA Platform Business Headquarters. He was appointed president and COO of the Company in April 2013.

Q1 Please tell us about your aspirations as president and COO of Yokogawa Electric Corporation.

A1 As president, I believe my mission is twofold:

1. Achieve the targets identified in our Evolution 2015 mid-term business plan
2. Channel our collective strengths toward fulfilling the mid- to long-term goal of becoming the global No.1 company in the industrial automation and control business

My first task is therefore to achieve ¥400 billion in consolidated net sales, ¥40 billion in consolidated operating income, and a consolidated operating income-to-sales ratio of 10% by fiscal year 2015. Building on the achievement of these targets, it will then be my responsibility to guide Yokogawa toward becoming the world's leading company in the industrial automation and control business. In order to do so, we recognize the need to transform into a solutions and service company. With this in mind, the entire Yokogawa Group will work in unison to provide high value-added products and solution services that meet specific customer needs. In this way, we will add maximum value for our customers and ensure that Yokogawa continues to grow and enhances its corporate value.

My assumption of the post of president has prompted me to once again reflect on the meaning and significance of the Yokogawa Philosophy. To date, Yokogawa has accumulated a robust portfolio of advanced technologies and a wealth of experience in the measurement, control, and information fields. In this context, our significance and standing as a going concern rests in our ability to create value for our customers while supporting both industry and society with products and services that draw on our aforementioned technologies and experience. This in turn will serve as a wellspring for enhancing our corporate value.

Yokogawa celebrates its 100th anniversary in 2015. While placing the utmost emphasis on teamwork and communication, I plan to take full advantage of my frontline experience in leading product development as I work to steadfastly carry out the Group's business. As we embark on our next 100 years, I am committed to retaining the trust and confidence that our customers have placed in us.



The Yokogawa 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.

Q2 Can you please provide us some details about the Company's results in fiscal year 2012?

A2 In fiscal year 2012, sales and profits were both up year on year for Yokogawa. We mainly attribute this to our business activities outside Japan, where market conditions were robust, thanks to increased investment in energy-related projects. The chief beneficiary of this was our industrial automation and control business.

Despite signs that the economy was turning around in the U.S., it was tough doing business in many other parts of the world. There was the prolonged financial instability in Europe and a slowdown in the rate of growth in emerging markets like China and India. In Japan, expectations of a full-fledged recovery began to emerge at the end of 2012 as the result of a decline in the value of the yen and recovering stock prices, but this has failed as yet to have any real impact on the overall economy. Under these circumstances, the Yokogawa Group is implementing its Evolution 2015 mid-term business plan for the period through to the end of fiscal year 2015. Based on this plan, the Company has continued to aggressively expand its operations, with a particular emphasis on the industrial automation and control business outside Japan. At the same time, we have maintained our focus on carrying out structural reforms in the test and measurement business and have successfully withdrawn from the semiconductor tester business. As a result of these and other initiatives, orders were up ¥10.4 billion from last year, totaling ¥354.5 billion, and net sales rose ¥13.2 billion over the same period, to ¥347.9 billion. From a profit perspective, operating income came to ¥18.4 billion, up ¥1.8 billion. Ordinary income improved ¥4.0 billion to ¥18.0 billion and net income surged ¥8.7 billion to ¥14.7 billion after the recording of such items as extraordinary income from the sale of idle assets.

Large fluctuations in foreign currency exchange rates also have a significant impact on our operating results. This is particularly true now that over 60% of the Group's overall sales and 66% of our mainstay industrial automation and control business's sales are generated outside Japan. Recognizing that movements in foreign currency exchange rates are beyond our control, we are working to put in place a business structure that is less susceptible to such fluctuations while steadfastly carrying out our growth strategies.

Q3 What are your thoughts on market conditions in the industrial automation and control business, and what initiatives are you planning?

A3 In Japan, we will focus on making our customers' operations safer and more productive, while providing solution services that will realize energy savings. Outside Japan, we will place a greater emphasis on energy-related applications in emerging and resource-rich countries.

In Japan, we have reorganized our sales and services organization for the industrial automation and control business. As part of this reorganization, in April we established Yokogawa Solution Service Corporation to handle everything from sales to engineering, services, and information systems. Yokogawa Solution Service Corporation provides its customers a one-stop service covering the entire plant lifecycle, with solutions for operations, safety, and maintenance. While partnering with our customers to improve the efficiency of their plant operations, we are taking full advantage of growth opportunities that allow us to build a stable earnings platform and enhance our corporate value.

We have received a succession of orders for large-scale petrochemical and LNG projects in Saudi Arabia and Australia, respectively, and have high expectations that demand for the construction of power plants will continue to rise in the emerging markets. Taking these factors into consideration, we anticipate that energy-related applications in emerging and resource-rich markets will form the bulk of our business for the foreseeable future. Looking ahead, we will continue to actively pursue business opportunities in countries and regions where we have a significant presence, including Asia, the Middle East, Russia, Africa, and South America.

In North America, it is projected that the boom in shale gas production will lead to substantial capital investment not only in the development of energy resources but also in related fields like petrochemicals and chemicals. Dramatic market growth is forecasted, and we will aggressively pursue business opportunities as they arise.

Q4 What issues do you anticipate will need to be confronted as you work toward expanding our business?

A4 We will be entering an intense expansion phase as we work to achieve the targets of our mid-term business plan. To this end, it will be critically important for us to optimize our global business operations.

Development of Yokogawa's business outside Japan has been grounded in a policy that emphasizes the localization of our operations and the nurturing of highly skilled personnel. Accordingly, in recent years our subsidiaries have taken the lead in securing large-scale orders. There have also been numerous

cases in recent years where individual subsidiaries have developed engineering methods and processes that could benefit the entire Group if they were shared. At the same time, we have been seeing strong demand in emerging and developing countries for the wealth of technologies and know-how that Japan's industries have built up over the years in such areas as plant efficiency, operating safety, and energy conservation. We want now to optimize how we do business globally by making sure that the human resources, technologies, business models, and other resources developed by each of our individual business units are shared globally.

Q5 Lastly, could you please provide us your thoughts on corporate governance and compliance?

A5 We are working to enhance our corporate governance to make sure that the Group is run soundly and profitably and does not lose the trust and confidence of its stakeholders. We have made compliance the top priority in every facet of our business activities, and are strengthening our efforts to ensure strict compliance throughout the Group.

As part of this initiative we have appointed outside directors and corporate auditors who are independent of the Company's internal management. These officers play the important roles of verifying the validity of our operations, objectively assessing management decisions, and ensuring transparency. To prevent ethics violations, we are strongly emphasizing training programs that aim to enhance compliance awareness. At the same time, we are seeking to promote open communications throughout the Group. Through such initiatives, we are instilling a culture that encourages proper and correct behavior.

Looking ahead, Yokogawa will continue to bolster its corporate governance and compliance policies with the aims of deepening the bonds of trust that have been placed in us by our stakeholders and maximizing our corporate value.



Consolidated 11-year Summary

Yokogawa Electric Corporation and Consolidated Subsidiaries
Years Ended March 31, 2003 to 2013

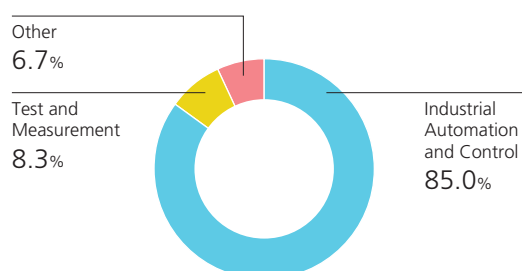
	2003/3	2004/3	2005/3	2006/3	2007/3	2008/3
For the year:						
Net sales	¥328.8	¥371.9	¥387.1	¥388.9	¥433.4	¥437.4
Cost of sales	219.0	241.4	250.0	245.9	275.9	277.4
Selling, general and administrative expenses	108.2	112.3	112.3	117.6	128.2	132.6
Operating income	1.6	18.3	24.8	25.3	29.3	27.4
Net income (loss)	(26.2)	24.3	9.4	21.6	12.6	11.7
Capital expenditures	15.3	21.4	18.7	29.5	40.3	38.0
Depreciation and amortization	14.3	13.5	14.3	15.1	16.5	23.1
Research and development costs	25.2	27.0	29.0	30.9	36.2	40.9
Cash flow from operating activities	1.8	8.3	18.3	25.6	40.5	20.8
Cash flow from investing activities	(3.1)	(10.2)	(11.2)	(11.7)	(39.0)	(51.0)
Cash flow from financing activities	3.6	(11.4)	(1.3)	(14.1)	(6.1)	23.9
At year-end:						
Total assets	364.7	397.4	400.3	417.8	438.7	444.6
Interest-bearing debt	108.7	99.6	100.3	61.3	59.6	93.0
Shareholders' equity	131.8	160.3	168.8	224.6	234.3	220.7
Financial indicators:						
Operating income ratio	0.5	4.9	6.4	6.5	6.8	6.3
Debt equity ratio (times)	0.82	0.62	0.59	0.27	0.25	0.42
ROE (Return on equity)	(17.4)	16.6	5.7	11.0	5.5	5.1
ROA (Return on assets)	(7.3)	6.4	2.3	5.3	2.9	2.6
Shareholders' equity ratio	36.1	40.3	42.2	53.7	53.4	49.6
Per share data:						
Net income (loss)	(108.39)	99.84	38.43	87.45	47.79	44.76
Cash dividends	7.50	7.50	7.50	15.00	15.00	16.00
Shareholders' equity	542.20	658.97	693.75	854.24	891.08	856.72
Stock information:						
Stock price at the end of the term (yen / US dollars)	788	1,544	1,452	2,095	1,806	998
Market capitalization (billions of yen / millions of US dollars)	200.1	392.1	368.8	562.8	485.1	268.1
Number of issued shares	253,967,991	253,967,991	253,967,991	268,624,510	268,624,510	268,624,510
Other information:						
Number of employees	18,675	18,364	18,972	17,858	19,286	20,266
Average exchange rate during the period						
US dollar	¥122.29	¥113.97	¥107.46	¥113.09	¥117.00	¥113.80
Euro	120.36	132.73	134.90	137.81	150.33	162.26

Unification of the accounting periods of non-Japan consolidated subsidiaries

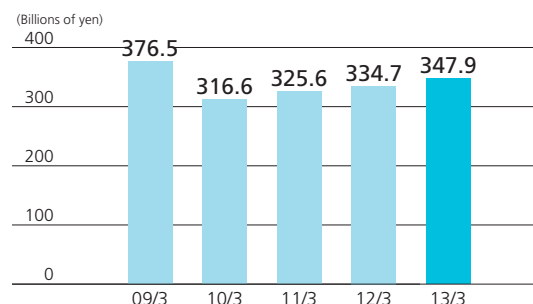
Beginning with the fiscal year ended March 31, 2007, financial statements based on the provisional settlement of accounts implemented as of the consolidated closing date are being used for Yokogawa Electric China Co., Ltd. and 10 other non-Japan subsidiaries, and the closing date for Yokogawa USA, Inc., and 47 other non-Japan subsidiaries has been changed to the consolidated closing date. Through these changes, 13 consolidated subsidiaries had a 15-month accounting period, and 46 consolidated subsidiaries had a 13-month accounting period. Due to these changes to the accounting period, compared to the usual standard, the consolidated statement of income showed a 22.1 billion yen increase in net sales, a 1.4 billion yen increase in operating income, and a 985 million yen increase in net income.

Billions of yen					Millions of US dollars
2009/3	2010/3	2011/3	2012/3	2013/3	2013/3
¥376.5	¥316.6	¥325.6	¥334.7	¥347.9	\$3,699
253.0	214.5	215.1	195.4	206.6	2,197
118.8	99.5	99.4	122.6	122.8	1,306
4.7	2.6	11.1	16.6	18.4	196
(38.4)	(14.8)	(6.7)	6.0	14.7	156
26.8	11.1	11.3	11.1	13.5	143
21.6	16.0	13.8	12.8	13.5	143
37.2	28.8	29.2	27.5	25.5	271
24.5	21.4	16.2	12.9	17.4	185
(24.1)	(13.2)	(8.0)	(7.8)	(7.5)	(80)
28.4	11.1	(25.7)	(8.0)	(8.0)	(85)
401.0	398.8	361.2	359.5	379.9	4,040
124.3	137.1	111.0	103.3	98.6	1,048
167.2	153.4	141.7	145.7	168.4	1,790
%					
1.3	0.8	3.4	5.0	5.3	
0.74	0.89	0.78	0.71	0.59	
(19.8)	(9.2)	(4.5)	4.1	9.4	
(9.1)	(3.7)	(1.8)	1.7	4.0	
41.7	38.5	39.2	40.5	44.3	
Yen					US dollars
(149.26)	(57.45)	(25.98)	23.11	57.03	0.61
16.00	2.00	0.00	5.00	10.00	0.11
649.20	595.42	550.19	565.69	653.83	6.95
394	814	634	837	946	10.06
105.8	218.7	170.3	224.8	254.1	2,702
268,624,510	268,624,510	268,624,510	268,624,510	268,624,510	—
20,247	19,574	19,334	19,437	19,685	
Yen					
¥100.66	¥92.61	¥85.13	¥78.82	¥83.33	
143.28	130.68	112.45	109.34	107.40	

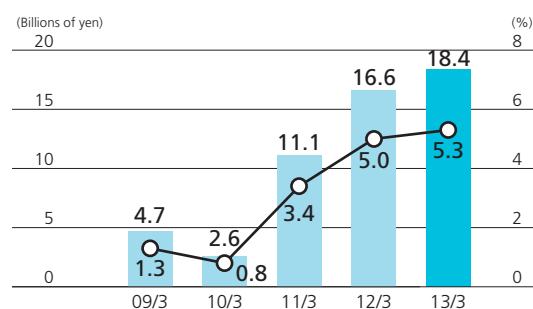
Segment sales (FY2012)



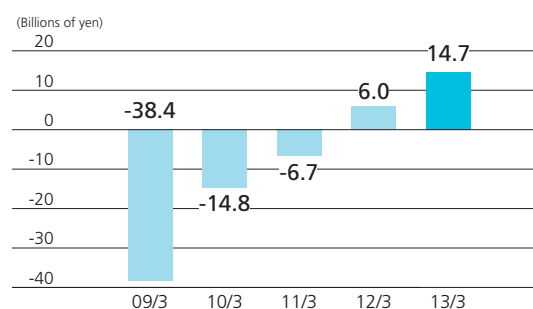
Net sales



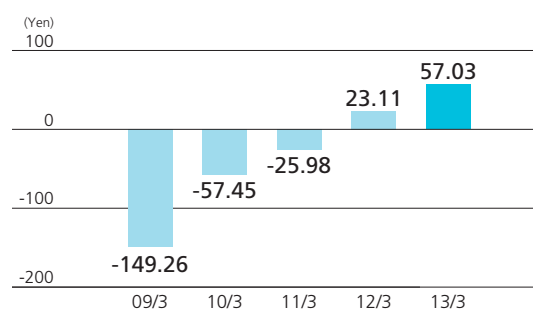
Operating income / Operating income ratio



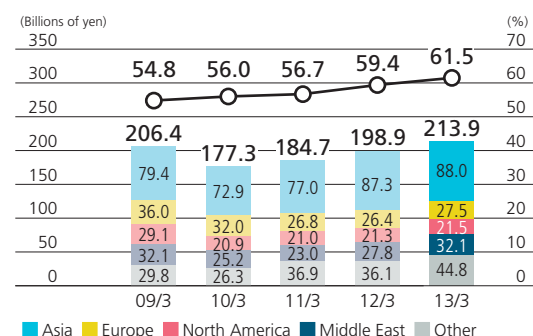
Net income (loss)



Net income (loss) per share



Sales outside Japan by geographical area / Sales ratio outside Japan



Yokogawa's Industrial Automation and Control Business — Market and Strategies



PLANTS EVERYWHERE DEPEND ON YOKOGAWA CONTROL SYSTEMS

All over the world, Yokogawa control systems are helping to keep plants operating safely and stably. The Company's CENTUM series integrated production control system boasts high reliability and an availability rate of 99.99999%, and the ProSafe-RS safety integrated system prevents accidents by bringing a process to a safe state when an abnormal condition is detected. These systems are supported by a world-class service organization. The Global Response Center in Japan takes the lead in resolving problems when they arise, and is supported by a network of 121 service offices in 54 countries.

Working in partnership with its customers, Yokogawa pledges to do its part to keep plants operating without interruption, thereby ensuring a stable supply of the products and services that people all over the world depend on.

Market Strategy outside Japan

The demand for highly reliable control systems is particularly strong for energy-related applications in emerging and resource-rich countries. In fiscal year 2012, Yokogawa received significant orders for large-scale projects that included the



CENTUM VP integrated production control system



ProSafe-RS safety instrumented system

construction of petrochemical complexes and LNG plants in Saudi Arabia and Australia. The Company also secured a succession of control system orders for major thermal electric power plants in Southeast Asia and the Middle East. Taking into consideration these trends as well as the forecasts for medium- to long-term growth, Yokogawa will be targeting these fields as it seeks to implement the growth strategies set out in the Evolution 2015 mid-term business plan. Looking ahead, we will actively promote our business in emerging and resource-rich markets in Asia, the Middle East, the CIS, Africa, and South America as well as in North America, which is currently experiencing a boom in the production of shale gas.

MAC roles

Project definition

FEED

EPC phase

Commissioning
& start-up

Lifetime support

**MAC participation
begins here.**

Participation by a conventional
control system supplier begins here.

Benefits

Reduced capital investment

Faster implementation

Fewer specification changes

Taking into account a customer's needs over the entire plant lifecycle, a MAC can propose an efficient control system configuration and engineering solution, and thereby provide an optimum integrated automation system.

Central control room at Lakeside EFW



GLOBAL
Response Center



Open 24 / 7, our Global Response Centers respond quickly whenever a customer reports an issue with a system or device.

An Interview with Satoru Kurosu

President of Yokogawa Electric International Pte. Ltd.

Q1 Recently, Yokogawa has been designated the main automation contractor (MAC) for a number of large-scale projects. What are the benefits for Yokogawa?

MACs are selected directly by a customer. They assume overall responsibility for a project's automation, including the control systems. To benefit from economies of scale, companies are building bigger and ever more complex plants. The MAC approach is effective in ensuring an optimally designed integrated system that secures safe and efficient operations. Yokogawa has a proven track record in MAC projects. As a MAC, the Company participates in each project from the initial phase and is responsible for a full range of activities, from the design of an integrated automation system to installation. Yokogawa's selection for such projects is a testament to its ability to deliver reliable products as well as its high engineering and maintenance capabilities. Deeply involved from the plant design phase, we are able to provide integrated automation systems that exactly meet our customers' requirements. This helps us to deliver significant added value. The MAC approach also significantly benefits Yokogawa by ensuring that we can support our customers throughout their plant lifecycle.

Q2 What strategies will Yokogawa adopt to capitalize on the recent aggressive expansion of shale gas production in North America?

The dramatic increase in shale gas production in North America has triggered a change in our strategy for that region.

Operating conditions in North America have substantially changed since we put in place our mid-term business plan in 2011. We are seeing the emergence of significant business opportunities driven by massive levels of capital investment in shale gas development and related downstream industries that use this resource, such as petrochemicals and chemicals. Until now, North America has been recognized as an essentially mature market. This perception has now been turned on its head with the increase in shale gas production. The procurement of low-cost sources of energy has the potential to significantly impact the capital investment trends in industries that utilize large amounts of energy. This not only applies to replacement demand, but also to the construction of new plants. In North America, where our U.S. competitors of course have a strong presence, the opportunity now exists for Yokogawa to dramatically boost its market share. As such, we have revised our strategy based on the understanding that North America is now a growth market. Moving forward, we will concentrate our investment in shale gas-related industries.



Satoru Kurosu
President of Yokogawa Electric International Pte. Ltd.

Q3 Please tell us about the global structure of the industrial automation and control business.

Beginning with the establishment of a North American sales office in 1957, Yokogawa was quick to put in place a network outside Japan and to adopt a policy of localization. These initiatives were based on the understanding that efforts to develop trust-based, close-knit relationships with customers could best be served by positioning the Company in close proximity to each area of business and providing tailor-made services.

We do business all over the world, and the control systems that we supply remain in use for many years. As such, it is imperative that we provide proper and timely maintenance and other services over the entire lifecycle of each system. In response to this need, we have established and maintain a support framework in each country and region. Today, Yokogawa boasts a robust support network of 200 sales offices and 121 service offices in 54 countries.

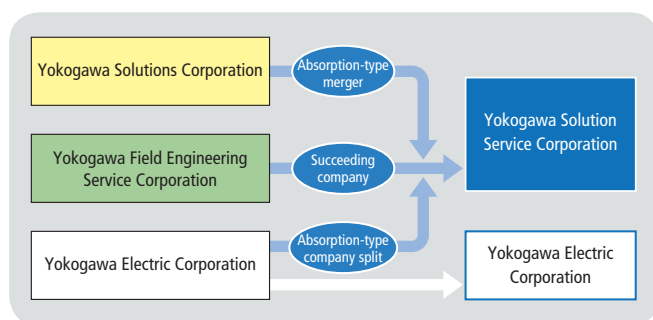
We also have a network of engineering resources that is in relatively close proximity to our customers. In addition, we have established central engineering centers in Singapore, India, and China that address the needs of an expanding number of projects. By standardizing engineering and sharing resources, they are able to achieve a high level of efficiency. Our central engineering center in Singapore has been longest in operation, and boasts a large number of competent engineers. Here, we are taking steps to promote the sharing throughout the Yokogawa Group of know-how that has been acquired all over the world. To provide individual customers the best possible service, we are globally deploying these resources. In addition, to promote best practices, our sales and service operations are sharing information on success cases.



Central engineering center

Market Strategy in Japan

With the exception of the high value-added segment, companies in the materials and processing industries, mainstay businesses for Yokogawa in Japan, are cutting back on investments in new plant facilities. Customers are now focusing on adding value at their existing facilities through such means as increasing productivity and energy efficiency, reducing costs, and improving safety. We have become acutely aware of the need to transform our business approach, and are shifting now towards a business model that focuses on resolving issues for our customers. We have reorganized our industrial automation and control business in Japan, which was spread across three companies, and have launched Yokogawa Solution Service Corporation to oversee sales, engineering, services, and information systems.



An Interview with Hitoshi Nara

President of Yokogawa Solution Service Corporation

Q1 How will customers benefit from Yokogawa's decision to engage in solution service activities through a single company?

By establishing this single contact point, we will be able to function as a "one stop shop" that provides customers optimal services for every aspect of their plant operations. The provision of such comprehensive solution services is particularly important to our customers as they need to have an integrated response to issues that are associated with a wide range of processes. In the future, we will draw on our store of data on control system applications in order to identify specific issues that can affect plant operations. By regarding every aspect of their plant operations, we can help our customers address specific issues by putting forward proposals that enhance plant productivity and safety, protect the environment, and reduce production lead time. As a part of these endeavors, we will further hone our technological capabilities while at the same time developing a more accurate overall understanding of the operations at each customer's plant. Our decision to establish this new company is a clear message to customers that Yokogawa is committed to taking bold steps to address their changing needs.

Hitoshi Nara
President of Yokogawa Solution Service Corporation

Q2 What trends do you foresee in the Japan market and what strategies have you prepared in response?

We will continue to respond to the demand for facility integration as companies downsize their plant operations, as well as the demand for the replacement of legacy systems. We are also anticipating a pickup in investment aimed at making plants more energy efficient. Measures to improve the security of the control systems at plants that are key components of our society's infrastructure have also attracted considerable attention in recent years. Because it has such a large installed base, Yokogawa is working closely with the Ministry of Economy, Trade and Industry and other organizations to bolster security measures. At the same time, the offshoring of business operations by companies provides a host of new opportunities. Working in partnership with our Group companies outside Japan, we will provide our customers the support they need to meet this challenge.

Our highly reliable products, strong project execution capability, and excellent service network help to explain why plant operations all over the world are turning to Yokogawa for a solution. As a matter of course, it is the Company's mission to ensure the safe, efficient, and uninterrupted operation of power, oil, gas, and other types of key infrastructure facilities.



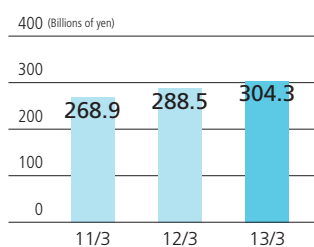
Our Business Segments

Industrial Automation and Control Business

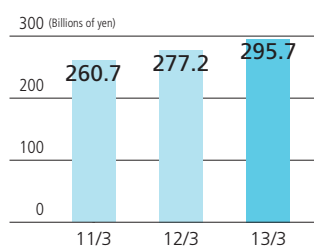
Main products, solutions

- Production control systems
- Production management systems
- Asset management systems
- Differential pressure/pressure transmitters
- Flowmeters
- Programmable controllers
- Safety instrumented systems
- Quality management systems
- Energy management systems
- Analyzers
- Recorders

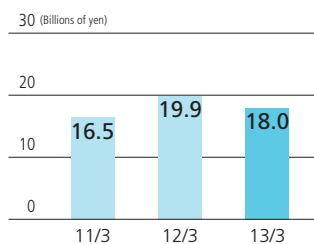
Orders



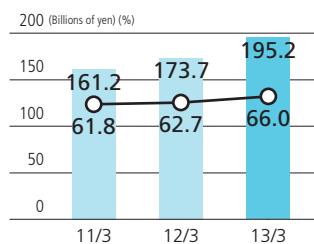
Net sales



Operating income



Non-Japan net sales Non-Japan net sales ratio



Yokogawa, a pioneering developer of the distributed control systems that are used to monitor and control processes in a broad range of production facilities, is well regarded in the global marketplace as a leading control company. Based on its VigilantPlant vision for realizing the ideal plant, Yokogawa offers highly reliable products and services such as the VigilantPlant Services™ solutions suite that enhance productivity, make maximum use of assets, ensure safety, and optimize operations over the entire plant lifecycle. These solutions play a vital supporting role in the oil, chemical, natural gas, electric power, iron and steel, pulp and paper, pharmaceutical, food, and other industries.

Yokogawa also provides solutions based on its measurement, control, and information technologies that are helping to make more efficient use of renewable energy sources, and is devising new ways in which next-generation energy sources can be utilized to achieve a more sustainable society.

• Production control systems

Yokogawa delivers highly reliable production control systems for the monitoring and control of plant operations, safety instrumented systems that are integrated with production control systems to enhance plant safety, and network-based control systems that are reliable and suitable for a versatile range of applications.

• Field instruments / analyzers / recorders

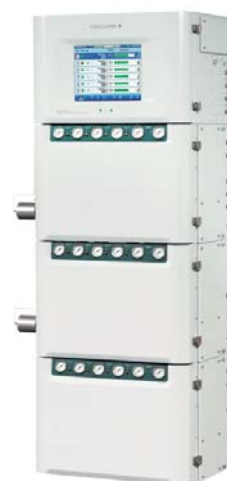
Yokogawa's lineup of measurement solutions for production



CENTUM VP
Integrated Production Control System



ProSafe-RS
Safety Instrumented System



GC8000
Process Gas Chromatograph



FLXA21
Modular 2-wire Liquid Analyzer



GX and GP series
SMARTDAC+ Paperless Recorders



DPharp EJX
Differential Pressure /
Pressure Transmitter

sites includes transmitters and flowmeters that measure the pressure, temperature, and flow rates of liquids and gases, gas chromatographs that measure the concentrations of components in processes, pH meters and other analyzers, paperless recorders that electronically store measurement data, and temperature controllers.

• Energy-saving solutions / alternative energy solutions

Yokogawa offers solutions that optimize energy usage throughout plants by visualizing energy consumption and identifying where energy is being wasted. The Company also offers solutions that support the effective use of renewable energy and is developing systems that will allow for the efficient utilization of next-generation energy sources such as solar thermal energy, ocean thermal energy, and marine biomass.

Fiscal Year 2012 in Review

Although business conditions remained challenging in Japan, energy-related demand was strong in certain emerging countries and in resource-rich markets such as North America, where the rush was on to develop that region's shale gas resources.

Under these market circumstances, the Yokogawa Group made steady progress in implementing its growth strategy for the industrial automation and control business based on the Evolution 2015 mid-term business plan, and expanded its business, primarily in energy-related markets. As a result, net sales were up year on year. At the same time, operating income was down from the previous year, when results were buoyed by strong post-quake reconstruction demand. An additional contributing factor was an increase in orders for large-scale projects that tend to use fewer in-house products and thus have lower profit margins.

Fiscal Year 2013 Outlook and Business Strategy

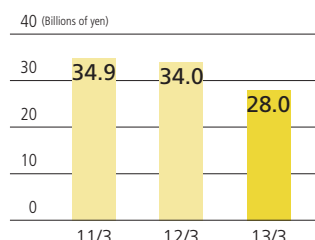
Driven by factors such as strong demand for energy in emerging countries and the active development of shale gas resources in North America, robust growth is anticipated primarily in energy-related market sectors such as electric power, natural gas, oil, and renewable energy. As such, Yokogawa forecasts year-on-year growth in orders, net sales, and operating income.

Test and Measurement Business

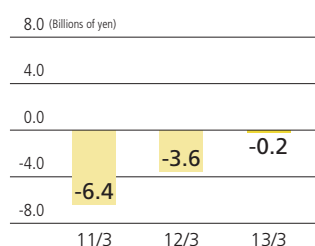
Main products, solutions

- Waveform measuring instruments
- Optical communication measuring instruments
- Signal generators
- Measuring instruments for electric power, temperature, and pressure
- High-throughput cytological discovery systems
- Confocal scanner units

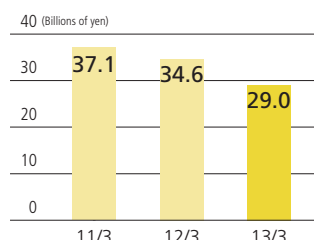
Orders



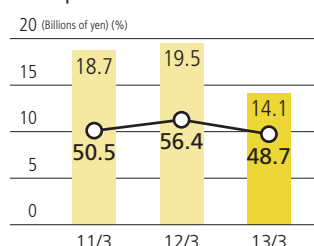
Operating loss



Net sales



Non-Japan net sales Non-Japan net sales ratio



AQ6370C
Optical Spectrum Analyzer



CSU-W1
Confocal Scanner Unit



WT3000
Precision Power Analyzer



CellVoyager CV7000
High-throughput Cytological Discovery System

Yokogawa meets the needs of its customers with an extensive lineup of measuring instruments that are essential for the development and production of electrical equipment, electronics, automobiles, and other products, and backs them up with a robust service network that provides instrument calibration and other services. To create superior products with unique functionality, Yokogawa develops key components in-house.

The Company is also developing new markets with the provision of life science equipment such as confocal scanners unit for live cell imaging and drug discovery support systems that automate the testing of compounds.

Fiscal Year 2012 in Review

Net sales declined from the previous fiscal year on account of weaker demand in the measuring instruments business, the

withdrawal from the photonics business, and the termination of the semiconductor tester business. However, operating losses narrowed, due mainly to the implementation of structural reforms that reduced fixed costs and R&D spending.

Fiscal Year 2013 Outlook and Business Strategy

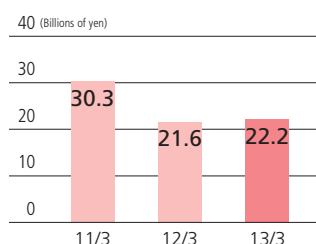
Although the test and measurement business continues to face lingering uncertainties about the recovery of markets in China and Europe, net sales are expected to be up from the previous fiscal year, due in part to the launch of new products. Thanks to its complete withdrawal from the semiconductor tester business and other positive developments, the Company looks to return to profitability and post operating income.

Other Businesses

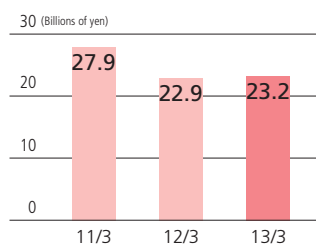
Main products, solutions

- Aviation equipment
- Marine equipment
- Hydrological and meteorological equipment

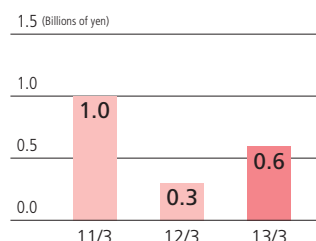
Orders



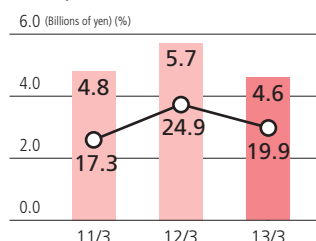
Net sales



Operating income



Non-Japan net sales Non-Japan net sales ratio



Yokogawa also engages in other businesses that involve the provision of aviation equipment, marine equipment, and hydrological and meteorological equipment. Yokogawa supplies multifunctional flat-panel cockpit displays for use in various types of aircraft, including wide-body passenger jets manufactured by Airbus. Gyrocompasses, autopilots, and other types of marine equipment made by the Company are utilized in ships of all types, from cruise liners to freighters. Rain gauges, hydrostatic level gauges, and other similar types of equipment are supplied to the Japan Meteorological Agency and local government authorities.

Fiscal Year 2012 in Review

In the other businesses segment, both net sales and operating income increased from the previous fiscal year. This reflects the robust demand in the commercial aircraft market, which more than made up for persistently tough conditions in marine-related markets.

Fiscal Year 2013 Outlook and Business Strategy

Yokogawa aims to expand the aircraft cockpit flat-panel display business by targeting the commercial aircraft market, which continues to enjoy strong prospects for growth.



Flat Panel Displays for Aviation Use



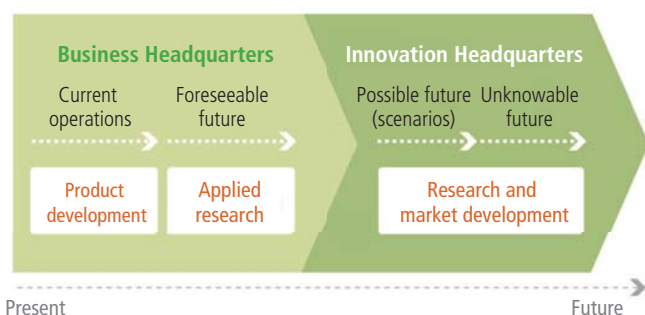
Gyrocompasses

Research and Development / Intellectual Property

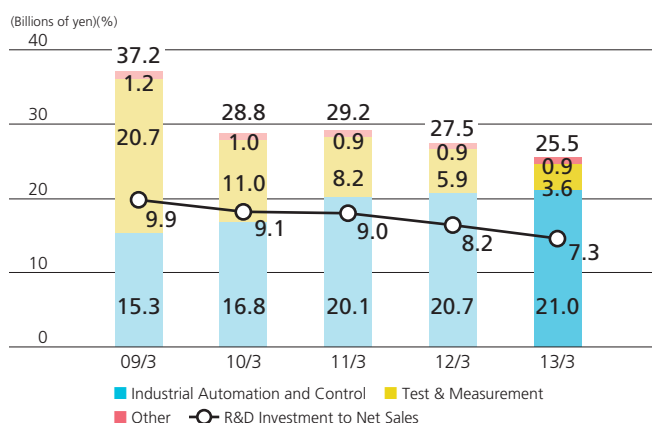
Research and Development

In broad terms, Yokogawa has adopted a two-tiered approach toward R&D. In tier one, the individual business headquarters lead product development and advanced development activities that are aimed at meeting customer needs in the near-term and relatively foreseeable future. In tier two, the Innovation Headquarters heads up research and market development activities with a longer-term perspective and greater uncertainty that are directed toward the generation of new business opportunities.

Research at the Innovation Headquarters is unified under three functions: long-term marketing that explores the distant and as yet unknowable future, research and development of core technologies, and market development. The aim of the Headquarters is to foster innovation through new value propositions and the creation of new markets and businesses.



Segment R&D investment / R&D investment to net sales



Intellectual Property Strategy

Yokogawa views the intellectual property generated from its R&D activities as a resource for creating corporate value. In the creation, nurturing, and leverage of intellectual property, our strategy is to vigilantly protect our intellectual property rights and thus increase the global competitiveness of the Group's technologies.

Protection of Intellectual Property and Involvement in Open International Standards

Amid intense global competition, Yokogawa uses open

innovation to rapidly secure solid positions in markets around the world. Based on its intellectual property strategy, Yokogawa establishes and exercises intellectual property rights on its proprietary technologies. International standards are an important aspect of our business, and Yokogawa participates as a member of international standard-setting organizations such as the International Electrotechnical Commission (IEC) and the International Organization for Standardization (ISO).

Intellectual property rights owned by the Company

(As of March 31, 2013)

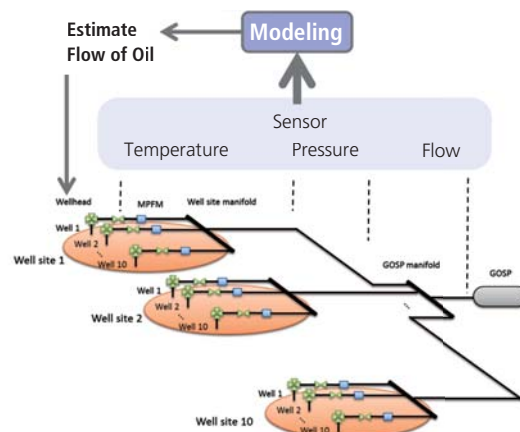
	In Japan			Outside Japan			Total
	Registered	Patent pending	Subtotal	Registered	Patent pending	Subtotal	
Patent	2,005	1,156	3,161	626	515	1,141	4,302
Design	115	17	132	28	19	47	179
Trademark	507	3	510	526	164	690	1,200
Total	2,627	1,176	3,803	1,180	698	1,878	5,681

R&D Example

Software-based Sensing at Oil Recovery Sites

One of our R&D initiatives addresses the intricate problem of how to continuously monitor the flow of oil from wells, which is difficult to do directly. Solving this problem would improve the oil recovery rate. To estimate the flow of oil, gas, and water from wells, Yokogawa is researching the online simulation of an entire pipeline network that utilizes real-time measurement data from temperature, pressure, and flow sensors in the field.

As this example shows, we are researching ways in which data and advanced tools can be used to visualize the actual conditions in a process.



Fiscal Year 2012 in Review (by topic)

Management

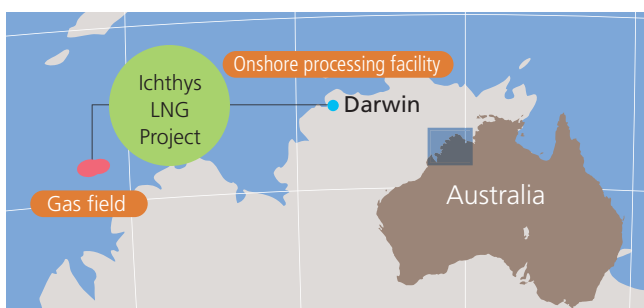
- April • Yokogawa India Ltd. celebrated 25th anniversary
- May • Yokogawa announced decision to withdraw from semiconductor tester business
 - Yokogawa concluded high-throughput cytological discovery system marketing alliance with Wako Pure Chemical Industries, Ltd.
- June • Yokogawa held Annual General Meeting of Shareholders

April – June

Orders

May • Provisional order for supply of control systems to Ichthys LNG Project in Australia

Yokogawa Australia Pty. Ltd. received a provisional order to supply control systems for the Ichthys LNG project that is being carried out offshore and onshore of northwestern Australia by a joint venture between INPEX and Total. The size of this order is expected to set a new record for the Group.



New Products / Pilot Plant Projects

- April • Release of enhanced version of DPharp EJA series pressure / differential pressure transmitters
- May • Release of CSU-W1 confocal scanner unit



Awards

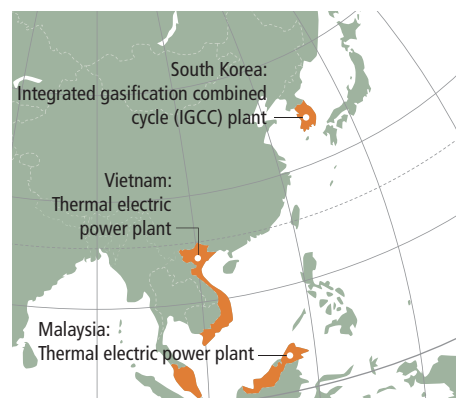
- June • Yokogawa received Sasaki Award from Japan Technical Association of the Pulp and Paper Industry for development of optical caliper sensor

- July • Yokogawa announced plan to reorganize sales and services for Japan industrial automation and control business
- August • Yokogawa concluded exclusive agreement with Olympus America, Inc. for North American distribution of Yokogawa confocal microscopy systems

July – September

July-September • Firm orders for power plant control systems

Yokogawa received a series of orders to provide control systems for thermal power plants that are being built in Malaysia and Vietnam to keep up with rising demand for electric power. In South Korea, our control systems were selected for the country's first integrated gasification combined cycle (IGCC) power plant.



- July • Yokogawa selected by Okinawa Prefecture to participate in experimental deep seawater power generation project

The ocean thermal energy conversion (OTEC) plant



- August • Yokogawa received order from Japan's Ministry of Economy, Trade and Industry for project demonstrating energy-savings achieved by optimizing plant operations

- September • CENTUM registered as essential historical material for science and technology by National Museum of Nature and Science, in recognition of its significance as world's first distributed control system

- November** • Yokogawa Europe B.V. celebrated 30th anniversary
- Yokogawa Electric CIS Ltd. held ceremony marking 20th anniversary of establishment of Yokogawa's representative office in Russia
- December** • Yokogawa Electric China celebrated 10th anniversary

October – November

October • Selection as control system vendor for Rabigh II project, following on from phase one of project

Yokogawa Saudi Arabia was selected as the control system supplier for phase II of the Rabigh project, which is building one of the largest oil refineries and petrochemical complexes in the world. The complex is being jointly developed by Saudi Aramco and Sumitomo Chemical.

November • Orders to supply control systems for Wheatstone LNG Project in Australia

Yokogawa Australia won a bid to supply Bechtel Corporation, one of the world's leading engineering, project management, and construction (EPC) companies, with the control systems for Chevron's Wheatstone LNG Project in Western Australia.

January

- Yokogawa announced appointment of president and chairman, effective April 1
 - Yokogawa and McAfee entered partnership to enhance security of industrial control systems
- February** • Yokogawa and Sotetica Visual MESA entered comprehensive partnership for energy management solutions business

January – March

January

- Yokogawa received control systems order for offshore gas production platform in North Sea's Cygnus gas field
- Yokogawa received control systems order for geothermal power plant in the Philippines

March • Control systems order for first export-approved LNG plant in the U.S.

Yokogawa Corporation of America received an order to provide control systems for new liquefaction trains that Cheniere Energy Partners is building at its Sabine Pass LNG terminal in Louisiana. This bidirectional facility will be capable of both liquefying gas for export and regasifying imported LNG. This is the first facility in the U.S. to receive the federal government's approval for the export of domestically produced gas to countries that do not have free trade agreements with the U.S.

- October** • Release of GX and GP series paperless recorders, the first components of the SMARTDAC+™ next-generation data acquisition and control system
- Release of DLM4000 series of mixed signal oscilloscopes



January

- Release of WT310 and WT330 series digital power meters



- October** • Yokogawa received 2012 Good Design Award for ergonomically designed plant operation graphical user interface



January

- Yokogawa selected as Sector Mover in Sustainability Yearbook 2013, a CSR rating publication published by RobecoSAM



The Yokogawa Philosophy, which states, “As a company, our goal is to contribute to society through broad-ranging activities in the areas of measurement, control, and information,” provides the underlying basis for our efforts to fulfill our corporate social responsibility (CSR). Yokogawa has established a department at its head office that oversees CSR activities throughout the Yokogawa Group. At the same time, Group companies around the world are promoting CSR initiatives that take into consideration the unique attributes of each country and region. Through these means, we are making every effort to contribute to the sustainable development of local communities. The Company has also established the Yokogawa Group Compliance Guidelines, which provide employees with a roadmap for conduct in such areas as human rights, legal compliance, and occupational safety and health.

Contributing to Society through Our Business

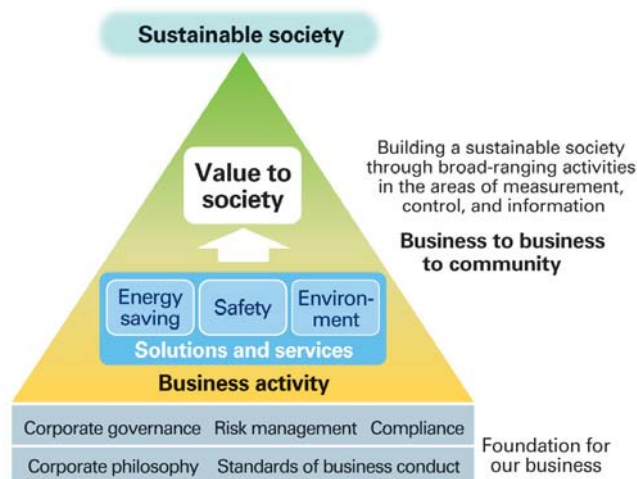
Guided by the Yokogawa Philosophy, we have developed outstanding technologies and gained a wealth of experience over the years in the areas of measurement, control, and information. In addition to providing environmental, energy conservation, and safety solutions that help society confront a host of issues such as global warming and the depletion of natural resources, we deliver products and services that draw on our measurement, control, and information technologies to support endeavors that include the life science field's drug discovery process. In this manner, and based on its concept of “B to B to C” (business to business to community), Yokogawa is placing every emphasis on contributing to the sustainable development of society.

Corporate Responsibility

The Standards of Business Conduct for the Yokogawa Group call for the realization of the Yokogawa Philosophy, enhancement of customer satisfaction, observance of laws and regulations, respect for human rights, and maintenance of the order and safety of communities and society. In addition, Yokogawa has been participating in the United Nations Global Compact since January 2009. The Company draws on the Compact's ten principles relating to human rights, labor, the environment, and anti-corruption as guideposts for its global activities. Furthermore, it strives to ensure that its global network of Group companies and suppliers shares the same commitment to these principles.

Please refer to Yokogawa Electric Corporation's CSR website for further information on this topic.

CSR website URL
<http://www.yokogawa.com/csr/>



Yokogawa supports the United Nations Global Compact and all members of the Yokogawa Group share the values expressed in the 10 principles. We respect the ISO 26000 standard as we engage in the CSR activities.

Highlight

Yokogawa selected by RobecoSAM for inclusion in the Sustainability Yearbook 2013 and awarded the title of Sector Mover

Yokogawa has been selected as a Sector Mover in the electronic equipment sector by RobecoSAM AG, which provides a range of services including the gathering and analysis of company data for the Dow Jones Sustainability Index (DJSI), a global socially responsible investment (SRI) index. RobecoSAM invited 3,000 companies to participate in its 2013 Corporate Sustainability Assessment. Following an assessment based on economic, environmental, and social criteria, 464 companies in 58 sectors were declared eligible for inclusion in its Sustainability Yearbook 2013. A total of 34 Japanese companies including Yokogawa were selected this year. To become eligible for selection as Sector Mover, a company's sustainability score had to put it in the top bracket of its industry sector. Yokogawa was selected from among that top group of companies for designation as Sector Mover because it achieved the largest year-on-year improvement in its sustainability performance.



ROBECOSAM
 Sustainability Award
 Sector Mover 2013

Environmental Management

At Yokogawa, we take seriously our responsibility to protect the environment. As one approach to environmental management, we are working to reduce the environmental impact of our manufacturing and office operations. While actively engaged in such endeavors, we are also helping our customers by developing environmentally friendly products and providing tools that they can utilize to analyze and reduce the environmental impact of their own business activities.

Framework for the Promotion of Environmental Conservation

As part of our environmental management organization, the Yokogawa Group Green Implementation Committee guides environmental conservation activities throughout the Group, including the strengthening of measures to prevent global warming.

Efforts to Reduce Our Environmental Impact

Yokogawa Group companies in Japan have been working to reduce their CO₂ emissions, with phased targets for fiscal years 2010-2014, 2015-2019, and 2020. Measures to reduce CO₂ emissions include the consumption of green electricity, installation of inverter lighting, and the use of highly efficient air conditioning systems. Our offices and manufacturing plants have also been reducing their CO₂ emissions by using the Yokogawa InfoEnergy system to better visualize all their energy data and identify energy waste.



Helping Our Customers Reduce Their Environmental Footprint

Yokogawa has set design and assessment standards for the development and manufacture of environmentally friendly products. In addition, we use lifecycle assessment (LCA) standards to evaluate energy consumption throughout the product lifecycle, from materials and parts production to assembly, distribution, use, and disposal, as well as to evaluate emissions of CO₂, NO_x, and SO_x at each stage. We then disclose the results of these assessments. Products that have cleared these standards are considered to be highly



environmentally friendly, and help our customers reduce their environmental impact.

We also provide solutions to our customers that can have a direct impact on their costs and environmental performance by improving operational efficiency and reducing the amount of energy consumed by equipment and facilities. Amid growing global energy demand, our energy saving technologies have attracted the attention of companies in both emerging and industrialized nations.

Highlight

Yokogawa participates in energy & environment delegation to the Republic of South Africa

A delegation of representatives from Yokogawa and other Japanese companies that belong to the regional waste to energy sub-working group of the Japanese Business Alliance for Smart Energy Worldwide has visited the Republic of South Africa to seek out new business opportunities in the energy and environment fields. Yokogawa's representatives used this opportunity to make presentations on themes that included Japanese waste to energy technologies and the capabilities of Yokogawa's instrumentation in controlling waste to energy processes, improving the environmental performance of power plants, and optimizing the operation of water supply and wastewater treatment facilities. Looking ahead, Yokogawa will continue to put forward advanced technology solutions in South Africa, an influential nation on the African continent.

Human Resources

As a company that is actively accelerating the development of its business outside Japan, Yokogawa recognizes the crucial role that globally capable personnel will play in ensuring sustained growth. With this in mind, the Company is strengthening its development and training programs. In addition to recruiting and training personnel in growth markets who exhibit the requisite high levels of expertise, we are giving high-quality specialists the opportunity to gain experience and acquire new skills by dispatching them to other countries. Drawing on the personnel in its product development, engineering, sales, and administration departments, the Company will work to develop employees who have the capabilities needed to globalize its sales, product development, production, and service operations.

Localizing Operations to Strengthen Our Competitiveness

As globalization continues to gather momentum, the ability to grasp subtle regional differences in customer needs and reflect that understanding in the product development and design processes in a timely manner becomes increasingly important to the Yokogawa Group. To meet this need, it is critical that we recruit development engineers and sales staff locally. Yokogawa also recognizes the need to delegate authority to these personnel as they have the knowledge of actual conditions needed to build optimal system solutions for their customers. The Company is actively hiring engineers and sales staff in growth markets. At the same time, Yokogawa Group engineers from over 10 countries are working at Yokogawa's head office on a regular basis. This initiative aims to promote the Groupwide sharing of information on the latest developments at customer plants and R&D topics in each country. This in turn enables the timely development of unique and innovative products.

Example of a Career Development and Training Program that is Contributing to a Country's Development

Yokogawa has established a prominent position in the Middle East control systems market, and investment remains active in that region. In Saudi Arabia, a key market in the Middle East, there is an acknowledged dearth of qualified engineers. As a prime example of cooperation between industry and academia, Yokogawa is working with the King Fahd University of Petroleum & Minerals (KFUPM) to benefit Saudi society by providing development and training programs for both students and employees. This includes a one-year training program for university graduates that gives Yokogawa access to a pool of outstanding personnel.

Through development and training programs that are grounded in the Yokogawa corporate culture, we are helping new employees gain a full understanding of the Company's operations and ethos. These efforts are in turn contributing to an extremely low attrition rate.

Highlight

Initiatives to promote globalization at Yokogawa's headquarters

Each year since 2010, Yokogawa has been recruiting two to three foreign graduates of Japanese university undergraduate and graduate programs to work at its corporate headquarters in Japan. At the same time, the headquarters has been actively welcoming employees from Group companies outside Japan. Presently some 50 people from other countries are working there and, moving forward, the plan is to have foreign nationals make up between 5-10% of the headquarters workforce. By giving employees of different nationalities the opportunity to work alongside each other, the Company aims to broaden their perspective and promote a broad exchange of expertise.



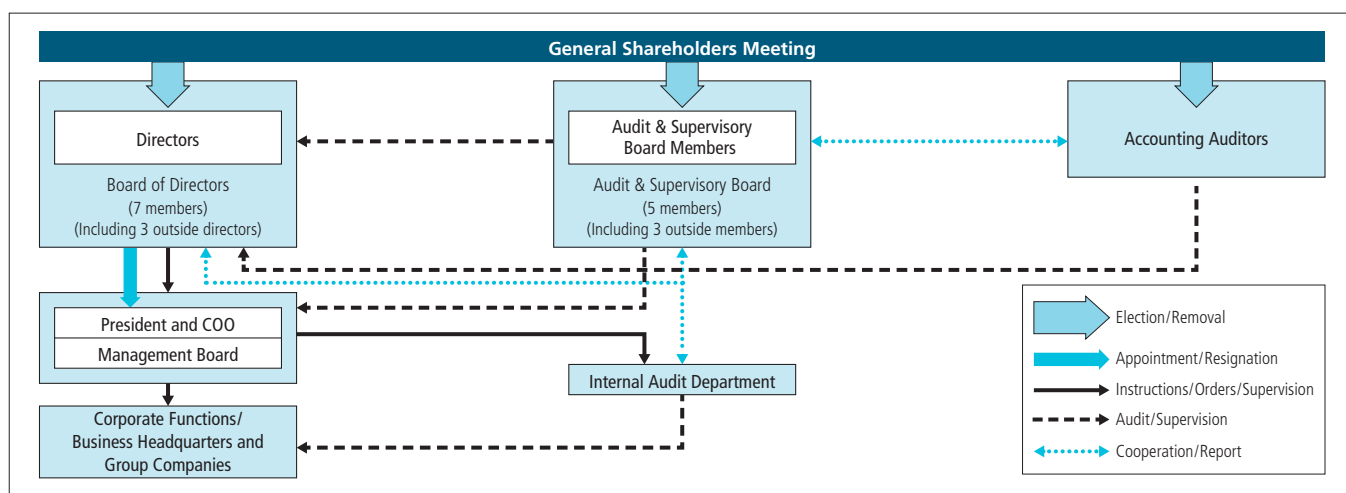
Corporate Governance

Basic Policy on Corporate Governance

Yokogawa recognizes that the basic mission of corporate management is to secure sound and sustainable growth, and to earn the trust of its shareholders and other stakeholders. Accordingly, the Company is implementing measures to enhance corporate governance in order to achieve a sound and profitably run organization. The Company has a Board of Directors and employs a corporate auditing

system that is overseen by an Audit & Supervisory Board. We are enhancing this system by utilizing directors and Audit & Supervisory Board members who come from outside Yokogawa and are thus independent of the organization. Through these means, we are bolstering the effectiveness of our corporate governance.

Corporate governance structure



Decision Making, Business Execution, and Audits

Speedy decision making and transparency are ensured through deliberations between directors who are well versed in the Company's business and outside directors who maintain a high degree of independence. Through audits by the Audit & Supervisory Board, the legality, efficiency, and rationality of the directors' activities and the appropriateness of their decisions are rigorously examined.

Board of Directors

The Board of Directors comprises seven directors, three of whom are independent outside directors. The Board of Directors makes decisions for the Company. Accordingly, it develops management policies and strategies, while monitoring and supervising business execution. The Board of Directors has a maximum of 15 members, as outlined in the Company's Articles of Incorporation. Also, in order to help ensure that the Company is managed in such a way that we maintain the trust of our shareholders, the term of office for directors is set at one year.

Audit & Supervisory Board

The Audit & Supervisory Board has five members, three of whom are from outside Yokogawa. It carries out auditing in

accordance with an annual plan that specifies priority audit items. Members also attend the meetings of the Board of Directors and the Management Board, and hold regular meetings with departments that are involved with internal auditing, business ethics, and / or legal affairs. These meetings focus on the status of audits, compliance-related education, and the status of the internal reporting system. In addition, the Audit & Supervisory Board engages in a regular exchange of opinions with the Chairman of the Board of Directors, the president, and the accounting auditors.

Management Board

To expedite the decision-making process of the Board of Directors, decisions regarding business execution are delegated to the Management Board. The Management Board is comprised of the president, officers, subsidiary heads who report directly to the president, and standing members of the Audit & Supervisory Board. Details on their decisions are reported to the Board of Directors.

Accounting Auditors

The Company has concluded an agreement with Deloitte Touche Tohmatsu LLC, an independent auditing company,

for accounting auditing services pursuant to the Companies Act and the Financial Instruments and Exchange Act. Remuneration for their services in fiscal year 2012 was as follows:

- Payments by the Company: 113 million yen
- Total amount paid in cash and other financial asset profits to the accounting auditor by the company and subsidiaries: 138 million yen

Compensation to Directors and Audit & Supervisory Board Members

In order to improve objectivity and transparency when deciding the allocation of compensation for directors within the limits resolved and approved at the shareholders meeting, the Company established a Compensation Committee that is comprised of four directors, three of whom are outside directors as determined by the Board of Directors. The allocation of compensation for directors is decided through deliberation by the Compensation Committee.

The compensation for directors other than the outside directors is set at a level that allows for the effective execution of their main duties, which are comprised of executive management functions as well as functions involving the supervision and monitoring of officers and other employees. Furthermore, this level of compensation is linked to performance, comprised of a fixed component and a performance-linked (bonus) component according to each role.

In consideration of the duties they perform, outside directors only receive fixed compensation.

Compensation for Audit & Supervisory Board members is decided by mutual consultation among its members and set within the limits approved at the shareholders meeting. In consideration of the duties they perform, Audit & Supervisory Board members (including outside members) only receive fixed compensation.

Total amount of compensation paid to directors and corporate auditors in fiscal year 2012

	Total compensation (Millions of yen)	Compensation breakdown (Millions of yen)				Recipients
		Fixed compensation	Stock options	Performance-linked compensation	Retirement benefit	
Directors (excluding outside directors)	117	84	—	33	—	4
Outside Directors	32	32	—	—	—	3
Audit & Supervisory Board Members (excluding outside members)	58	58	—	—	—	2
Outside Members, Audit & Supervisory Board	32	32	—	—	—	5

Notes: 1. The above numbers include two directors who retired during fiscal year 2012.
2. The total paid to directors does not include employee salaries for directors who are concurrently employees.

Major Activities of Outside Directors and Outside Members of Audit & Supervisory Board in Fiscal Year 2012

• Yasuro Tanahashi - Outside Director

Present at 12 of the 14 Board of Directors meetings convened in the year. As necessary, provided advice based on his managerial experience, wide knowledge of Japan's key industries, and broad outlook gained from abundant experience in establishing and developing new businesses.

• Nobuo Katsumata - Outside Director

Present at 13 of the 14 Board of Directors meetings convened in the year. As necessary, provided advice with keen insight based on his managerial experience mainly at general trading companies with global operations, and his abundant experience in corporate restructuring.

• Mitsudo Urano - Outside Director

Present at 10 of the 14 Board of Directors meetings convened in the year. As necessary, provided advice with keen insight based on his managerial experience primarily in manufacturing and abundant experience in matters such as management information systems.

• Teruhiko Ikeda - Outside Member, Audit & Supervisory Board

Present at 12 of the 14 Board of Directors meetings and 15 of the 17 Audit & Supervisory Board meetings convened in the year. As necessary, provided advice with high insight based on his abundant managerial experience and wide range of activities in the business world.

*He retired from his position on the Company's Audit & Supervisory Board on June 26, 2013.

• Hideto Masaki - Outside Member, Audit & Supervisory Board

Present at 9 of the 10 Board of Directors meetings and 9 of the 10 Audit & Supervisory Board meetings convened since his appointment on June 27, 2012. As necessary, provided advice with keen insight based on his abundant managerial experience and deep knowledge of corporate value evaluation.

• Zenichi Shishido - Outside Member, Audit & Supervisory Board

Present at 10 of the 10 Board of Directors meetings and 10 of the 10 Audit & Supervisory Board meetings convened since his appointment on June 27, 2012. As necessary, provided advice with keen insight based on legal management and a broad knowledge of corporate governance.

The Tokyo Stock Exchange requests listed companies to secure at least one independent officer (an outside director or an outside member of an audit & supervisory board with no conflicts of interest involving general shareholders). The Company has three outside directors and one outside member of the Audit & Supervisory Board who are registered with the Tokyo Stock Exchange as independent officers.

Takeover Defense Measures

The Company believes that it is essential for both a party attempting a large-scale acquisition and the Board of Directors to provide the Company's shareholders with sufficient information necessary to make an appropriate judgment of the advantages and disadvantages of the acquisition.

To fulfill the need for a plan to protect against large-scale acquisitions that do not comply with this process, a resolution entitled "Renewal of Countermeasures to Large-scale Acquisition of Yokogawa Electric Shares (Takeover Defense Measures)" was submitted to the 2011 Annual General Meeting of Shareholders on June 24, 2011. The resolution was approved and is valid for three years.

For further details, please refer to the Company press release at: <http://www.yokogawa.com/pr/ir/pdf/2011/20110513TakeoverDefense-en.pdf>

Internal Control Systems

Yokogawa has set forth its basic compliance policies in the Standards of Business Conduct for the Yokogawa Group, and directors take the lead in working to see that business ethics are upheld and embraced throughout the Group. In addition, the Yokogawa Group Internal Control Systems, which are intended in part to ensure the reliability of financial statements and the propriety of decision making, guarantee the appropriateness and efficiency of Group operations.

Risk Management

The Yokogawa Group Internal Control Systems were established in part to make sure that rules and other risk management systems are enforced. As the unit responsible for risk management, the department responsible for internal auditing reports important matters to the Board of Directors and Audit & Supervisory Board. Responses to crisis situations involving events with a potentially material impact on the Group's management are 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, and works to ensure safety and minimize economic losses.

The Group's policies on the handling and protection of confidential information are set forth in the Confidentiality Code.

Compliance

A department in charge of business ethics has been established within Yokogawa, and its roles include the

identification and resolution of issues pertaining to the compliance system. The Company is strongly promoting compliance management. It aims to be a healthy and open business entity with both a culture that encourages and enforces proper ethical conduct and a system for preventing misconduct and scandals before they occur.

As part of our compliance activities, we have established the Standards of Business Conduct for the Yokogawa Group, which covers the Yokogawa Philosophy and employee code of conduct, and the Yokogawa Group Compliance Guidelines, which include supplementary Anti-bribery Guidelines that set out how employees should respond to a variety of issues encountered on the job. A Compliance Week is also held and training is provided to enhance employee awareness.

In addition, to rapidly identify and address compliance issues, we have established compliance hotlines, which we actively encourage our employees to use. Moreover, each year we carry out surveys to clarify how employees perceive compliance issues. We analyze the survey data by workplace and function, and use the results when formulating compliance measures in the subsequent fiscal year.

FY2012 IR activity report

- May 11, 2012: Announcement of FY2011 financial results
- May 14: FY2011 financial results presentation meeting
- Jun. 5: Overseas IR activities
- Jun. 27: Annual General Meeting of Shareholders; issuance of report to shareholders
- Aug. 6: Issuance of the Annual Report 2012
- Aug. 10: Announcement of FY2012 first quarter financial results; presentation
- Nov. 6: Announcement of FY2012 second quarter financial results
- Nov. 7: FY2012 second quarter financial results presentation
- Dec. 6: Issuance of interim report to shareholders
- Dec. 7: Payment of interim dividend
- February 8, 2013: Announcement of FY2012 third quarter financial results; presentation
- Late February – Early March
Participation in conferences with three securities firms (Mizuho, Daiwa, and CLSA)

Directors, Audit & Supervisory Board Members, and Officers

As of June 26, 2013

Directors



SHUZO KAIHORI

Representative Director
Chairman and Chief Executive Officer

- 1973 Joined the Company
- 2005 Vice President, Head of Industrial Automation Business Headquarters
- 2006 Senior Vice President, Head of Industrial Automation Business Headquarters
- 2006 Director and Senior Vice President, Head of Industrial Automation Business Headquarters
- 2007 President and Chief Operating Officer
- 2013 Chairman and Chief Executive Officer



TAKASHI NISHIJIMA

Representative Director
President and Chief Operating Officer

- 1981 Joined the Company
- 2001 Head of Development and Engineering Dept. 2, Field Instruments Business Division
- 2005 Head of Field Instruments Product Marketing Dept., Industrial Automation Business Headquarters
- 2008 Head of Control Products Business Center, Industrial Automation Business Headquarters
- 2010 President of Yokogawa Meters & Instruments Corporation
- 2012 Director and Senior Vice President, Head of IA Platform Business Headquarters
- 2013 President and Chief Operating Officer



SATORU KUROSU

Director
Executive Vice President

- 1983 Joined the Company
- 2006 Vice President, Head of Marketing Center, Industrial Automation Business Headquarters
- 2007 Senior Vice President, Head of Industrial Automation Business Headquarters
- 2009 Senior Vice President, Head of Global Business Headquarters
- 2010 President, Yokogawa Engineering Asia Pte. Ltd.
- 2011 Director and Senior Vice President, Head of IA Marketing Headquarters
- 2013 President, Yokogawa Electric International Pte. Ltd.



HITOSHI NARA

Director

- 1985 Joined the Company
- 2001 Deputy Managing Director, Yokogawa Engineering Asia Pte. Ltd.
- 2003 Managing Director, Yokogawa (Thailand) Ltd.
- 2007 Head of Sales Div. I, Industrial Solutions Business Headquarters
- 2010 Senior Vice President, Head of Industrial Solutions Business Headquarters
- 2012 Director and Senior Vice President, Head of Industrial Solutions Service Business Headquarters
- 2013 President, Yokogawa Solution Service Corporation

Audit & Supervisory Board Members



TAKAFUMI KOYANAGI

Member, Audit & Supervisory Board

- 1971 Joined the Company
- 2003 Vice President, Head of Business and Sales Planning, Industrial Solutions Business Headquarters
- 2005 Senior Vice President, Head of Solution Sales No. 2 / Industrial Solutions Business Headquarters, in charge of China business
Deputy President of Yokogawa Electric International Pte. Ltd.
- 2007 Senior Vice President, Head of Audit & Compliance Headquarters
- 2008 Member, Audit & Supervisory Board



KIYOSHI MAKINO

Member, Audit & Supervisory Board

- 1971 Joined the Company
- 1999 Vice President, Head of Components Business Division
- 2001 Director of Ando Electric Co., Ltd.
- 2003 President and CEO of Ando Electric Co., Ltd.
- 2005 Chairman of Yokogawa Corporation of America
- 2006 Vice President of ATE Business Headquarters (in charge of sales operations)
- 2009 Member, Audit & Supervisory Board

Note: Yasuro Tanahashi, Nobuo Katsumata, and Mitsudo Urano (Outside Directors) as well as Zenichi Shishido (Outside Member, Audit & Supervisory Board) are independent officers as defined by the regulations of the Tokyo Stock Exchange.



YASURO TANAHASHI

Outside Director

- 1963 Joined Fuji Iron & Steel Co., Ltd. (present Nippon Steel & Sumitomo Metal Corporation)
- 1995 Director and General Manager of Electronics and Information Systems Division of Nippon Steel Corporation
- 2000 Representative Director and President of Nippon Steel Information and Communication Systems Inc. (present NS Solutions Corporation)
- 2003 Representative Director and Chairman of NS Solutions Corporation
- 2007 Senior Advisor of NS Solutions Corporation (present)
Outside Director of Yokogawa Electric Corporation



NOBUO KATSUMATA

Outside Director

- 1966 Joined Marubeni-Iida Co., Ltd. (present Marubeni Corporation)
- 1996 Director of Marubeni Corporation
- 1999 Corporate Vice President of Marubeni Corporation
- 2001 Senior Vice President of Marubeni Corporation
- 2003 President and CEO of Marubeni Corporation
- 2008 Chairman of Marubeni Corporation
- 2009 Outside Director of Yokogawa Electric Corporation
- 2013 Director and Senior Advisor of Marubeni Corporation (present)



MITSUDO URANO

Outside Director

- 1971 Joined Nippon Reizo Co., Ltd. (present Nichirei Corporation)
- 1999 Director of Nichirei Corporation
- 2001 Representative Director and President of Nichirei Corporation
- 2007 Representative Director and Chairman of Nichirei Corporation
- 2011 Outside Director of Yokogawa Electric Corporation
- 2013 Senior Advisor of Nichirei Corporation (present)



HIDETO MASAKI

Outside Member, Audit & Supervisory Board

- 1973 Joined The Dai-ichi Mutual Life Insurance Company (present The Dai-ichi Life Insurance Company, Limited)
- 1999 Managing Executive Officer of Dai-ichi Life Asset Management Co., Ltd. (present DIAM Co., Ltd.)
- 2001 Director, Chief General Manager of Securities Investment of The Dai-ichi Mutual Life Insurance Company
- 2010 Representative Director, Deputy President of The Dai-ichi Life Insurance Company, Limited (present)
- 2012 Outside Member, Audit & Supervisory Board, Yokogawa Electric Corporation



ZENICHI SHISHIDO

Outside Member, Audit & Supervisory Board

- 1980 Research Fellow of Faculty of Law, Tokyo University
- 1985 Associate Professor of Faculty of Law, Seikei University
- 1994 Professor of Faculty of Law, Seikei University
- 2001 Registered as lawyer (Member of Dai-ichi Tokyo Bar Association)
- 2004 Professor of School of Law, Seikei University
- 2009 Professor of Graduate School of International Corporate Strategy, Hitotsubashi University (present)
- 2012 Outside Member, Audit & Supervisory Board, Yokogawa Electric Corporation

Officers

Senior vice president

TAKASHI FUJII

TOSHIAKI SHIRAI

SHUHEI SAKUNO

HIROSHI SUZUKI

MASATOSHI NAKAHARA

Vice president

MASAHARU YAMAZAKI

KOICHI CHUJO

NOBUAKI KONISHI

JUN-ICHI ANABUKI

YASUNORI KAWATA

CHIAKI ITO

YOSHITOSHI MANABE

Analysis of Fiscal Year 2012 Results

In the fiscal year ended March 31, 2013 (fiscal year 2012), consolidated net sales amounted to ¥347.9 billion, up ¥13.2 billion year on year. This was mainly due to an ¥18.5 billion increase in sales for the industrial automation and control business thanks to expansion of the Group's energy-related business primarily in emerging and resource-rich countries. Operating income increased ¥1.8 billion to ¥18.4 billion and can be attributed to the increase in sales and the continued implementation of initiatives to strengthen the Group's corporate structure. Ordinary income was also up, rising by ¥4.0 billion to ¥18.0 billion, due to such factors as the higher operating income and foreign exchange gains. The Group recorded net income of ¥14.7 billion, up ¥8.7 billion from the previous fiscal year, as the result of factors such as the recording of extraordinary income from the sale of idle assets.

Sales in markets other than Japan rose year on year due to an upswing in energy-related investments mainly in emerging markets and resource-rich countries. As a result, the percentage of total net sales generated outside Japan continued to increase. Markets where sales grew substantially include the Middle East and Australia.

Analysis of Capital and Assets

1.

Fund Raising and Liquidity Management

The Group's raising of funds through short- and long-term loans is based on the principles of security, ensuring the

efficiency of fund usage, and limiting fund raising. The Group also ensures the security of its finances and the efficiency of its fund raising through a ¥50 billion committed line of credit. As of the end of fiscal year 2012, the committed line of credit was unused.

In fiscal year 2012, the Group took funds that had been raised through loans as well as cash flows from operating activities and allocated them to working capital and capital expenditure. Maturing long-term loans totaling ¥3.9 billion were repaid using cash equivalents on hand and by taking out new long-term loans.

2.

Condition of Assets, Liabilities, and Net Assets

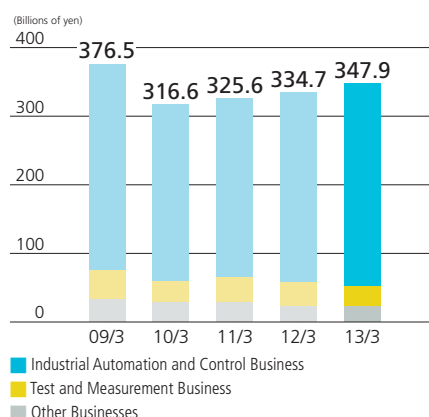
Total assets as of the end of fiscal year 2012 were ¥379.9 billion, up ¥20.4 billion from the end of the previous fiscal year. This largely reflected increases in cash and cash equivalents, trade notes and accounts receivables, and investment securities, respectively.

Total liabilities were ¥207.5 billion, down ¥2.4 billion from the end of the previous fiscal year. While other current liabilities climbed, this overall decline was primarily attributable to decrease in short-term loans payable and long-term debt and decrease in the provision for bonuses.

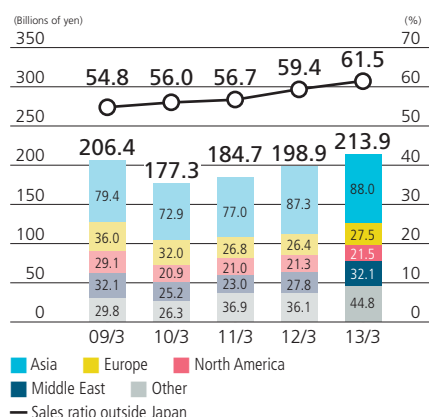
Net assets stood at ¥172.4 billion, up ¥22.8 billion from the end of the previous fiscal year. This was mainly due to increases in retained earnings, net unrealized gain on available-for-sale securities, and foreign currency translation adjustments, respectively.

As a result, the shareholders' equity ratio rose 3.8 percentage points from the previous fiscal year-end, to 44.3%.

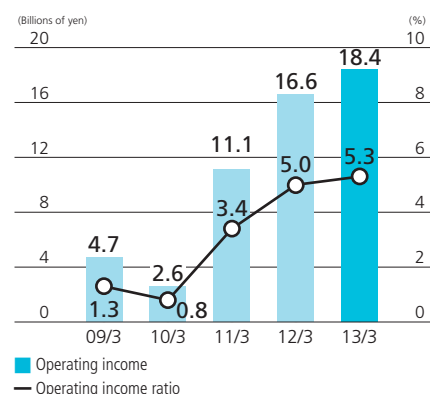
Net sales



Sales outside Japan by geographic area / Sales ratio outside Japan



Operating income / Operating income ratio



3.

Cash Flows

Net cash provided by operating activities in fiscal year 2012 totaled ¥17.4 billion. Following income of ¥20.5 billion before income taxes and minority interests, this is a consequence of positive factors such as ¥13.5 billion of depreciation and amortization and a decrease of ¥3.1 billion in inventory, and negative factors such as a decrease of ¥2.6 billion in the provision for bonuses, a loss of ¥4.0 billion on the sale of noncurrent assets, a decrease of ¥5.2 billion in trade payables, and an outflow of ¥5.8 billion for corporate income taxes and other items. Net cash used in investing activities was ¥7.5 billion, a year-on-year decrease of ¥0.3 billion. This reflects a substantial streamlining of Group investments, and is the consequence of proceeds primarily from the sale of property, plant and equipment that offset R&D investments the Group made in growth fields. As a result, net free cash flow provided ¥9.9 billion, up ¥4.9 billion from the previous fiscal year. Moreover, net cash used in financing activities totaled ¥8.0 billion due primarily to the repayment of long-term borrowings.

Risks Relating to the Group's Business

As described in the Group's statutory annual financial report filed as stipulated by the Financial Instruments and Exchange Act, the risks described below may impact its business and accounting conditions, and therefore could have a significant effect on investor decision making. These risks include forward-looking statements that are based on judgments made by the Group at the end of fiscal year

2012. Further, the risks include items that will not necessarily affect investment decisions. However, based on an awareness of these risks, the Group maintains the necessary risk management structure and works to avoid risk occurrence as well as to minimize the impact of a risk should it occur.

1.

Risks Relating to the Business Environment

a. Economic conditions

The Group mainly conducts its business activities in Japan, Asia, Europe, North America, and the Middle East. Economic trends in these markets could adversely affect its business results and financial condition.

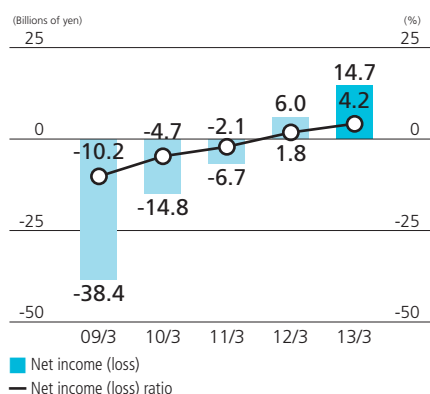
b. International factors

The Group's sales and production operations are truly international in scope, as is indicated by the fact that sales generated in all markets other than Japan currently account for approximately 60% of consolidated sales. Therefore, factors in these markets such as economic trends; exchange rate fluctuations; changes to laws and regulations relating to investment, trade, competition, taxation, or foreign exchange; differences in commercial practices or labor standards that may have cultural or religious origins; terrorist attacks, wars, natural disasters, or other unanticipated incidents; or political, social, or other elements could adversely affect its business results and financial condition.

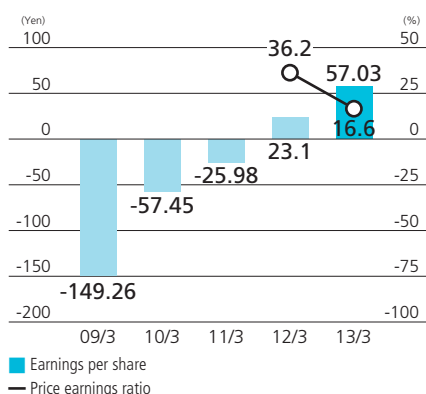
c. Laws and regulations

The Group observes the laws and regulations of each country in which it operates. Changes in laws and regulations or

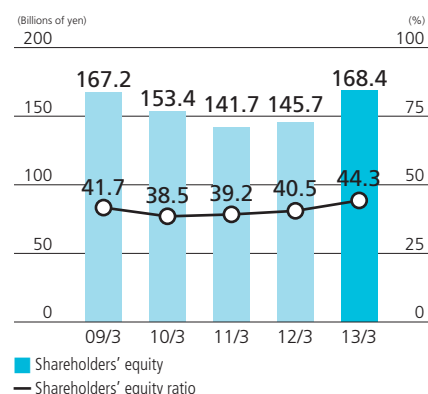
Net income (loss) / Net income (loss) ratio



Earnings per share / Price earnings ratio



Shareholders' equity / Shareholders' equity ratio



the enactment of new laws that cannot be anticipated could adversely affect its business results and financial condition. In addition, any increase in costs required to achieve compliance with environmental protection-related legislation could adversely affect its business results and financial condition. Moreover, such legislation could impact its overall business activities, including R&D and production.

d. Fluctuations in currency exchange rates and interest rates

The Group carries out measures to ameliorate the risk of exchange rate fluctuations. However, due to their impact on the prices and costs of products and services with transactions denominated in foreign currencies, fluctuations in currency exchange rates may adversely affect its business results and financial condition. The Group also carries out measures to ameliorate the risk of interest rate fluctuations. However, fluctuations in interest rates could still adversely affect its business results and financial condition.

e. Changes in the value of assets owned

Changes in the value of shares, etc., owned by the Group could adversely affect its business results and financial condition. In addition, regarding the fixed assets owned by the Group, a decrease in asset value accompanying a decline in their market value or a fall in profitability could adversely affect its business results and financial condition.

2.

Risks Relating to Business Activities

a. Industrial automation and control business

The industrial automation and control business is mainly expected to grow outside Japan in the medium to long term due to increased demand for energy, particularly in newly emerging nations, and due to the upswing in shale gas development in North America. To increase its share of the global market and bolster sales and income, the Group has focused its resources on this business and strengthened systems related to R&D, production, sales, engineering, and service. As a result, the percentage of net sales on a consolidated basis accounted for by the industrial automation and control business has grown in recent years. Consequently, trends related to the demand for plant construction and upgrades, which affect orders and sales in this business, could adversely affect its business results and financial condition.

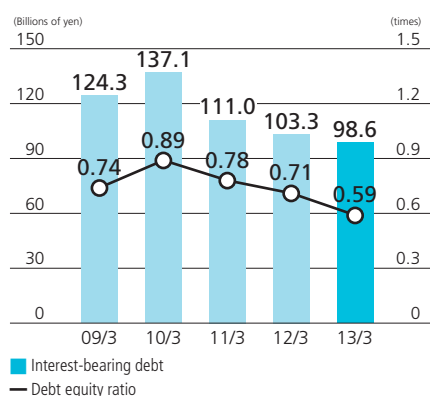
b. Test and measurement business

The Group has focused its resources on strengthening its sales network outside Japan and on the planning and development of electric power-related environmental solutions and optical telecommunications products for emerging markets. If the implementation of these initiatives does not proceed as planned due to a deterioration in economic or market conditions, the Group's business results and financial condition could be impacted.

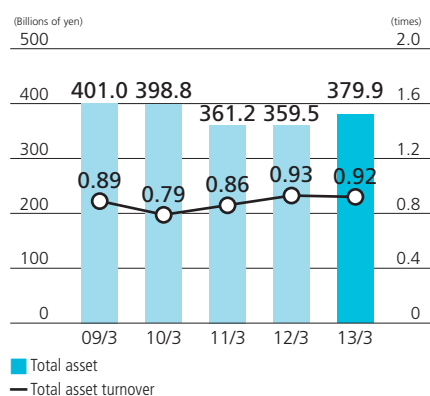
c. Securing and training human resources

The Group's growth is supported by its talented and capable personnel. The technical personnel that support its

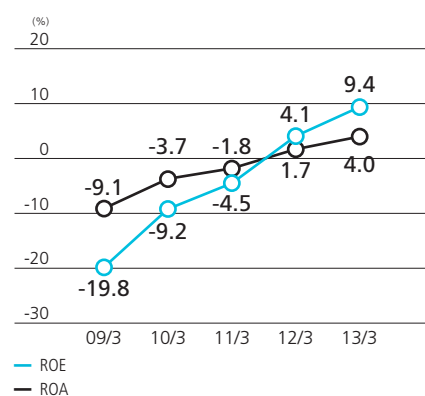
Interest-bearing debt / Debt equity ratio



Total asset / Total asset turnover



ROE / ROA



leading-edge technology in the fields of measurement, control, and information, and who assure high levels of product quality, are particularly important. Further, in the industrial automation and control business, the need to secure and train personnel with the project management and engineering capabilities required to work in the international market is an ongoing issue. If the Group is unable to address this issue satisfactorily, this could adversely affect its business results and financial condition.

d. Product quality

The Group provides its customers highly reliable products and services based on technologies and expertise that have been built up over many years and a rigorous quality control system. If by any chance a defect should occur in one of its products or services, and if this defect causes any damage, then this could adversely affect the Group's business results and financial condition, and could also impact its overall business activities.

e. R&D activities

The Group has positioned the development of new technologies as one of its most important management issues, and is continuously carrying out R&D in its core technology areas of measurement, control, and information. However, if R&D investments do not match planned future market needs, this could adversely affect its business results and financial condition.

3.

Other Risks

a. Intellectual property

In order to maintain its competitive advantages, the Group accumulates differentiated technologies and expertise relating to the products and services that it develops, and strives to protect these intellectual property assets. However, if the intellectual property is infringed upon by a third party and therefore the Group is unable to make an expected profit, it could adversely affect its business results and financial condition. Moreover, the Group has established systems and conducts training to ensure that it does not infringe upon the intellectual property rights of other companies.

However, if due to a difference in viewpoint or some other reason the Group infringes on the intellectual property rights of another company, there is a risk that it will be subsequently disadvantaged by its inability to use important technology and/or may be held liable for compensation, which could adversely affect its business results and financial condition.

b. Information security

Through its business activities, the Group acquires personal or otherwise confidential information on its customers and trading partners. It therefore establishes systems to manage this information and provides employees training on information security. However, in the event that information is leaked or abused due to some unforeseen circumstance, there is a risk the Group will be held liable for compensation or the corporate image will be drastically tarnished, which could adversely affect its business results and financial condition.

c. Natural disasters, etc.

A natural disaster such as an earthquake, fire, or flood; the outbreak of war; a terrorist attack; an attack via a computer virus; or a disruption in the supply chain caused by any of the aforementioned factors that makes it difficult to procure electronic parts or other materials could impact the Group's overall business activities, including its production activities. In addition, while the Group has appropriate measures in place for responding to the outbreak of diseases such as new influenza strains, these diseases could have an impact on its overall business results and financial condition.

Consolidated Balance Sheet

Yokogawa Electric Corporation and its Consolidated Subsidiaries

March 31, 2013

	Millions of yen		Thousands of US dollars (Note 1)
	2013	2012	2013
ASSETS			
Current Assets:			
Cash and cash equivalents (Notes 7 and 13)	¥ 58,826	¥ 53,430	\$ 625,478
Receivables (Notes 4 and 13)			
Trade notes and accounts	120,679	110,541	1,283,141
Other	5,174	4,734	55,013
Less: Allowance for doubtful accounts	(3,829)	(3,247)	(40,709)
Net receivables	122,024	112,028	1,297,445
Inventories (Note 5)	34,798	35,359	369,991
Deferred tax assets (Note 10)	2,607	3,087	27,715
Other	8,435	7,398	89,685
Total current assets	226,690	211,302	2,410,314
Property, Plant and Equipment (Note 6):			
Land	16,176	16,682	171,991
Buildings and structures—net	47,836	46,167	508,625
Machinery, equipment and vehicles—net	7,297	6,644	77,589
Tools, furniture and fixtures—net	7,213	7,001	76,688
Construction in progress	1,135	1,175	12,071
Lease assets—net (Note 12)	151	492	1,605
Total property, plant and equipment	79,808	78,161	848,569
Investments and Other Assets:			
Investment securities (Notes 3, 7 and 13)	29,911	26,355	318,029
Investments in and advances to unconsolidated subsidiaries and affiliated companies	5,963	5,495	63,401
Goodwill	1,604	1,695	17,058
Software	20,796	23,349	221,114
Other Intangible assets	4,686	3,214	49,824
Deferred tax assets (Note 10)	2,692	1,960	28,628
Other	8,329	8,534	88,555
Less: Allowance for doubtful accounts	(547)	(564)	(5,811)
Total investments and other assets	73,434	70,038	780,798
Total Assets	¥379,932	¥359,501	\$4,039,681

See notes to consolidated financial statements.

	Millions of yen		Thousands of US dollars (Note 1)
	2013	2012	2013
LIABILITIES AND EQUITY			
Current Liabilities:			
Short-term loans payable (Notes 7, 13 and 15)	¥ 7,946	¥ 10,688	\$ 84,482
Current portion of long-term debt (Notes 7 and 13)	26,379	4,050	280,482
Payables (Notes 7 and 13)			
Trade notes and accounts	29,240	30,659	310,902
Other	8,980	8,070	95,482
Income taxes payable (Notes 10 and 13)	3,133	3,308	33,312
Accrued expenses	26,999	29,748	287,073
Other (Note 10)	32,294	28,094	343,363
Total current liabilities	134,971	114,617	1,435,096
Long-term Liabilities:			
Long-term debt (Notes 7, 13 and 15)	64,441	88,883	685,173
Liability for retirement benefits (Note 8)	2,873	2,441	30,544
Other (Note 10)	5,251	3,986	55,838
Total long-term liabilities	72,565	95,310	771,555
Equity (Notes 9 and 17):			
Common stock, authorized, 600,000,000 shares; issued, 268,624,510 shares in 2013 and 2012	43,401	43,401	461,468
Capital surplus	50,345	50,345	535,293
Retained earnings	90,961	79,002	967,151
Treasury stock, 11,080,045 shares in 2013 and 11,078,187 shares in 2012	(11,007)	(11,006)	(117,036)
Accumulated other comprehensive income			
Net unrealized gain on available-for-sale securities	5,576	2,483	59,289
Deferred gain on derivatives under hedge accounting	116	9	1,237
Adjustment relating to pension liability	(838)	(678)	(8,905)
Foreign currency translation adjustments	(10,164)	(17,865)	(108,069)
Total	(5,310)	(16,051)	(56,448)
Minority interests	4,006	3,883	42,602
Total equity	172,396	149,574	1,833,030
Total Liabilities and Equity	¥379,932	¥359,501	\$4,039,681

Consolidated Statement of Income

Yokogawa Electric Corporation and its Consolidated Subsidiaries

Year Ended March 31, 2013

	Millions of yen		Thousands of US dollars (Note 1)
	2013	2012	2013
Net Sales	¥347,900	¥334,669	\$3,699,094
Cost of Sales (Note 11)	206,645	195,431	2,197,177
Gross profit	141,255	139,238	1,501,917
Selling, General and Administrative Expenses (Note 11)	122,845	122,636	1,306,170
Operating income	18,410	16,602	195,747
Other Income (Expenses):			
Interest and dividend income	1,991	1,954	21,173
Interest expense	(2,210)	(2,653)	(23,494)
Loss on valuation of investment securities (Note 3)	(21)		(221)
Net gain on sale of investment securities and investment in affiliated companies (Note 3)	109	754	1,158
Compensation received	759		8,069
Foreign exchange gain (loss)—net	372	(413)	3,957
Net gain on disposal of property, plant and equipment	3,756	226	39,934
Loss on impairment of long-lived assets (Note 6)	(1,350)	(465)	(14,359)
Equity in earnings of affiliates	247	179	2,623
State subsidy		334	
Restructuring costs (Note 6)		(3,212)	
Other	(1,567)	(1,633)	(16,656)
Other income (expenses)—net	2,086	(4,929)	22,184
Income before Income Taxes and Minority Interests	20,496	11,673	217,931
Income Taxes (Note 10):			
Current	4,854	5,218	51,619
Deferred	108	(81)	1,145
Total income taxes	4,962	5,137	52,764
Net Income before Minority Interests	15,534	6,536	165,167
Minority Interests in Net Income	846	584	8,991
Net Income	¥ 14,688	¥ 5,952	\$ 156,176
			US dollars (Note 1)
			Yen
Per Share of Common Stock (Note 17):			
Basic net income	¥ 57.03	¥ 23.11	\$ 0.61
Cash dividends applicable to the year	¥ 10	¥ 5	\$ 0.11

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Yokogawa Electric Corporation and its Consolidated Subsidiaries

Year Ended March 31, 2013

	Millions of yen		Thousands of US dollars (Note 1)
	2013	2012	2013
Net Income before Minority Interests	¥15,534	¥ 6,536	\$165,167
Other Comprehensive Income (Note 16):			
Net unrealized gain on available-for-sale securities	3,100	341	32,962
Deferred gain on derivatives under hedge accounting	107	146	1,141
Adjustment relating to pension liability	(160)	(303)	(1,698)
Foreign currency translation adjustments	8,147	(2,120)	86,620
Share of other comprehensive income (loss) in affiliates	30	(4)	320
Total other comprehensive income (loss)	11,224	(1,940)	119,345
Comprehensive Income	¥26,758	¥ 4,596	\$284,512
Total Comprehensive Income Attributable to (Note 16):			
Owners of the parent	¥25,430	¥ 3,954	\$270,388
Minority interests	1,328	642	14,124

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Yokogawa Electric Corporation and its Consolidated Subsidiaries

Year Ended March 31, 2013

	Millions of yen											
						Accumulated other comprehensive income						
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Adjustment relating to pension liability	Foreign currency translation adjustments	Total	Minority interests	Total equity
Balance, April 1, 2011	257,553,187	¥43,401	¥50,345	¥73,011	¥(11,001)	¥2,146	¥(137)	¥(375)	¥(15,687)	¥(14,053)	¥3,530	¥145,233
Net income				5,952								5,952
Purchase of treasury stock	(7,508)				(5)							(5)
Disposal of treasury stock	644		(0)		0							0
Other				39								39
Net change in the year						337	146	(303)	(2,178)	(1,998)	353	(1,645)
Balance, March 31, 2012	257,546,323	43,401	50,345	79,002	(11,006)	2,483	9	(678)	(17,865)	(16,051)	3,883	149,574
Net income				14,688								14,688
Cash dividends, ¥10 per share				(2,575)								(2,575)
Purchase of treasury stock	(2,068)				(1)							(1)
Disposal of treasury stock	210		(0)		0							0
Other				(154)								(154)
Net change in the year						3,093	107	(160)	7,701	10,741	123	10,864
Balance, March 31, 2013	257,544,465	¥43,401	¥50,345	¥90,961	¥(11,007)	¥5,576	¥116	¥(838)	¥(10,164)	¥(5,310)	¥4,006	¥172,396

	Thousands of US dollars (Note 1)										
	Accumulated other comprehensive income										
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Adjustment relating to pension liability	Foreign currency translation adjustments	Total	Minority interests	Total equity
Balance, April 1, 2012	\$461,468	\$535,293	\$840,003	\$(117,020)	\$26,404	\$96	\$(7,207)	\$(189,953)	\$(170,660)	\$41,284	\$1,590,368
Net income			156,176								156,176
Cash dividends, ¥10 per share			(27,384)								(27,384)
Purchase of treasury stock				(19)							(19)
Disposal of treasury stock		(0)		3							3
Other			(1,644)								(1,644)
Net change in the year					32,885	1,141	(1,698)	81,884	114,212	1,318	115,530
Balance, March 31, 2013	\$461,468	\$535,293	\$967,151	\$(117,036)	\$59,289	\$1,237	\$(8,905)	\$(108,069)	\$(56,448)	\$42,602	\$1,833,030

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Yokogawa Electric Corporation and its Consolidated Subsidiaries

Year Ended March 31, 2013

	Millions of yen		Thousands of US dollars (Note 1)
	2013	2012	2013
Operating Activities:			
Income before income taxes and minority interests	¥20,496	¥ 11,673	\$217,931
Adjustments for:			
Income taxes paid	(5,754)	(3,946)	(61,176)
Depreciation and amortization	13,496	12,756	143,498
Equity in earnings of affiliates	(247)	(179)	(2,623)
Loss on impairment of long-lived assets	1,350	465	14,359
Net gain on disposal of property, plant and equipment	(3,756)	(226)	(39,934)
Net gain on sale of investment securities and investment in affiliated companies	(109)	(754)	(1,158)
Restructuring costs		3,212	
Payment for special retirement benefit		(3,370)	
Changes in assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable	1,578	(7,641)	16,778
Decrease (increase) in inventories	3,104	(211)	33,006
(Decrease) increase in trade notes and accounts payable	(5,227)	2,750	(55,576)
Increase in allowance for doubtful accounts	81	341	859
Other assets and liabilities	(2,574)	474	(27,371)
Other—net	(5,005)	(2,447)	(53,229)
Total adjustments	(3,063)	1,224	(32,567)
Net cash provided by operating activities	17,433	12,897	185,364
Investing Activities:			
Purchase of property, plant and equipment	(7,344)	(6,799)	(78,086)
Proceeds from sale of property, plant and equipment	4,397	1,232	46,748
Acquisition of intangible assets	(5,169)	(4,655)	(54,961)
Proceeds from sale of investment securities	531	1,031	5,646
Payments for purchase of shares of subsidiaries	(580)		(6,170)
Other—net	663	1,349	7,053
Net cash used in investing activities	(7,502)	(7,842)	(79,770)
Financing Activities:			
Net (decrease) increase in short-term loans payable	(3,174)	4,529	(33,750)
Proceeds from long-term debt	2,000	35,920	21,265
Repayments of long-term debt	(3,919)	(48,119)	(41,674)
Purchase of treasury stock	(1)	(5)	(19)
Cash dividends paid to minority shareholders	(355)	(276)	(3,775)
Cash dividends paid	(2,451)	(4)	(26,065)
Other—net	(134)	0	(1,408)
Net cash used in financing activities	(8,034)	(7,955)	(85,426)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	3,537	(1,005)	37,616
Net Increase (Decrease) in Cash and Cash Equivalents	5,434	(3,905)	57,784
Decrease in Cash and Cash Equivalents Resulting from Change in Scope of Consolidation	(38)	(0)	(408)
Cash and Cash Equivalents, Beginning of Year	53,430	57,335	568,102
Cash and Cash Equivalents, End of Year	¥58,826	¥ 53,430	\$625,478

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Yokogawa Electric Corporation and its Consolidated Subsidiaries

Year Ended March 31, 2013

1.

Basis of Presentation of the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of the International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued in Japan in order to present them in a form which is more familiar to readers outside Japan. Certain comparative figures of the previous year

have been reclassified to conform with the classification used in 2013.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yokogawa Electric Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into US dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥94.05 to \$1, the approximate rate of exchange at March 31, 2013. Such translations should not be construed as representations that the Japanese yen amounts could be converted into US dollars at that or any other rate.

2.

Summary of Significant Accounting Policies

a. Consolidation—The consolidated financial statements as of March 31, 2013 include the accounts of the Company and its 83 significant (85 in 2012) subsidiaries (together, the "Group").

Under the control and influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 1 (1 in 2012) unconsolidated subsidiary and 3 (2 in 2012) affiliated companies are accounted for by the equity method. Investment in the remaining affiliated company is stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of up to 20 years.

All significant intercompany balances and transactions have been eliminated on consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Unification of Accounting Policies Applied to Foreign

Subsidiaries for the Consolidated Financial Statements—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No.18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No.18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: a) amortization of goodwill; b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; c) expensing capitalized development costs of R&D; d) cancellation of the fair value model accounting for property, plant and

equipment and investment properties and incorporation of cost model accounting; and e) exclusion of any minority interests from net income.

c. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and are exposed to insignificant risk of changes in value. Specifically, cash equivalents represent time deposits which mature within three months of the date of placement.

d. Inventories—Inventories are stated at the lower of cost, mainly determined by the specific identification method for finished goods and work in process, and by the average method for merchandise, raw materials and supplies, or the net selling value.

e. Investment Securities—Investment securities are classified and accounted for, depending on management's intent, as follows:

- i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and
- ii) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported under accumulated other comprehensive income in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. Property, Plant and Equipment—Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation of property, plant and equipment is mainly calculated by the straight-line method over their estimated useful lives.

The estimated useful lives range principally from 3 to 50 years for buildings, and from 4 to 10 years for machinery and equipment. The estimated useful lives for leased assets are the terms of the respective leases.

g. Long-lived Assets—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the

sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Retirement and Pension Plans—The Company and most of its consolidated subsidiaries have defined contribution plans, and some other consolidated subsidiaries have defined benefit plans for employees. Under a defined benefit plan, liability for retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of plan assets less unrecognized actuarial gain (loss) and unrecognized prior service costs. Unrecognized actuarial gain (loss) is amortized on a straight-line basis over the expected average remaining years of service from the following year in which they arise. Unrecognized prior service costs are charged to expense on a straight-line basis over the average remaining years of service of the employees.

i. Research and Development Costs—Research and development costs are charged to income as incurred.

j. Bonuses to Directors and Audit & Supervisory Board Members—Bonuses to directors and Audit & Supervisory Board members are accrued at the end of the year to which such bonuses are attributable.

k. Construction Contracts—Construction revenue and construction costs are recognized based on the percentage-of-completion method if the outcome of the construction contract can be estimated reliably.

When total contract revenue, total contract costs and costs incurred at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably.

If the outcome of a project cannot be reliably estimated, the completed-contract method shall be applied.

When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

l. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

The Group files its tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned subsidiaries in Japan.

m. Foreign Currency Transactions—Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Japanese yen at the exchange rate as of that date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

n. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated subsidiaries outside Japan are translated into Japanese yen at the prevailing exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as “Foreign currency translation adjustments” under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated subsidiaries outside Japan are translated into yen at the average exchange rate.

o. Derivatives and Hedging Activities—The Company and certain consolidated subsidiaries use a variety of derivative financial instruments, including foreign currency forward contracts, currency options, and interest rate swaps, as a means of hedging foreign currency and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) All derivatives other than those which qualify for hedge accounting: these are measured at fair value, and gains or losses are recognized in the consolidated statement of income. b) Derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of high correlation between the hedging instruments and the hedged items, gains or losses are deferred until maturity of the hedged transactions. These amounts are shown as “Deferred gain on derivative under hedge accounting” under accumulated other comprehensive income in a separate component of equity.

Foreign currency forward contracts are utilized to hedge the foreign currency risk of trade receivables denominated in foreign currencies. If the forward contracts qualify for hedge accounting, these trade receivables are translated at the contracted rates. Interest rate swaps are utilized to hedge the interest rate risk of long-term debt. Those interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

p. Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

3.

Investment Securities

Investment securities as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Current:			
Government and municipal bonds	¥ 0	¥ 0	\$ 0
Non-current:			
Equity securities and other	29,911	26,355	318,029

The cost and aggregate fair values of investment securities at March 31, 2013 and 2012 were as follows:

March 31, 2013	Millions of yen			
	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥11,384	¥6,848	¥143	¥18,089
Other	9		1	8
Held-to-maturity	0			0

March 31, 2012				
Securities classified as:				
Available-for-sale:				
Equity securities	¥11,391	¥3,532	¥455	¥14,468
Other	9		2	7
Held-to-maturity	0			0

March 31, 2013	Thousands of US dollars			
	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	\$121,044	\$72,809	\$1,517	\$192,336
Other	95		8	87
Held-to-maturity	0			0

The information for available-for-sale securities sold during the years ended March 31, 2013 and 2012 was as follows:

	Millions of yen		
	Proceeds	Realized gain	Realized loss
2013			
Available-for-sale:			
Equity securities	¥189	¥81	
	Millions of yen		
	Proceeds	Realized gain	Realized loss
2012			
Available-for-sale:			
Equity securities	¥ 37	¥ 1	¥156
	Thousands of US dollars		
	Proceeds	Realized gain	Realized loss
2013			
Available-for-sale:			
Equity securities	\$2,011	\$865	

The impairment losses on available-for-sale securities for the years ended March 31, 2013 and 2012 were ¥21 million (US\$221 thousand) and nil, respectively.

4.

Transfer of Receivables

The Company and certain consolidated subsidiaries transferred their trade notes and accounts receivable-trade before maturity based on an asset transfer agreement. The balance of those receivables that were outstanding whose settlement date had not been reached as of March 31, 2013 and 2012 was as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Notes and accounts receivable-trade	¥13,189	¥14,849	\$140,235
(with recourse, included in above)	(609)	(1,536)	(6,477)

5.

Inventories

Inventories at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Merchandise and finished goods	¥15,860	¥14,699	\$168,635
Work in process	7,525	7,994	80,010
Raw materials and supplies	11,413	12,666	121,346
Total	¥34,798	¥35,359	\$369,991

6.

Long-lived Assets

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2013 and 2012. As a result, impairment losses of ¥1,350 million (US\$14,359 thousand) and ¥1,416 million, were recognized for 2013 and 2012, respectively. The main components of the impairment losses on long-lived assets for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Buildings and structures	¥1,223	¥ 671	\$13,000
Machinery, equipment and vehicles	53	394	566
Tools, furniture and fixtures	45	28	478
Other	29	323	315
Total	¥1,350	¥1,416	\$14,359

The recoverable amount of assets was measured principally at their net selling price determined by quotations from third parties.

For the year ended March 31 2013, of the ¥1,350 million (US\$14,359 thousand) impairment loss, ¥1,065 million (US\$11,324 thousand) is attributed to the impairment loss of buildings and structures.

For the year ended March 31 2012, of the ¥1,416 million impairment loss, ¥951 million which is associated with the impairment loss of the discontinued operation of the test and measurement business is included in restructuring costs in the consolidated statement of income.

7.

Short-term Loans and Long-term Debt

Short-term bank loans at March 31, 2013 and 2012 consisted of bank overdrafts. The annual average interest rates on the short-term bank loans were 2.219% and 1.963% for the years ended March 31, 2013 and 2012, respectively.

Long-term debt as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Loans from banks and other financial institutions	¥90,653	¥92,573	\$963,879
Obligations under finance leases	167	360	1,776
	90,820	92,933	965,655
Less: Current portion	26,379	4,050	280,482
	¥64,441	¥88,883	\$685,173

Annual maturities of long-term loans from banks and other financial institutions, excluding finance leases at March 31, 2013 were as follows:

Year ending March 31	Millions of yen	Thousands of US dollars
2014	¥26,310	\$279,747
2015	12,223	129,962
2016	21,222	225,648
2017	4,722	50,208
2018	134	1,421
2019 and thereafter	26,042	276,893
Total	¥90,653	\$963,879

The annual average interest rate on long-term loans (excluding current portion) from banks was 2.350% for the year ended March 31, 2013.

Collateral and secured debt at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Collateral:			
Deposits	¥ 13	¥ 13	\$ 133
Investment securities	5	4	55
Assets in consolidated subsidiaries outside Japan*	5,223	4,890	55,538
Total	¥5,241	¥4,907	\$55,726

*"Assets in consolidated subsidiaries outside Japan" represent the aggregate amount of accounts receivable and other assets of such subsidiaries.

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Secured debt:			
Trade notes and accounts payable	¥21	¥10	\$227

The Group's interest-bearing debt includes financial covenants which require the Company to maintain certain levels of equity and operating income on a consolidated basis.

8.

Retirement and Pension Plans

The Company and most of its consolidated subsidiaries have defined contribution plans, while some other subsidiaries have defined benefit plans. In certain circumstances, additional payments are made upon the retirement of employees.

The (liability) asset for employees' retirement benefits at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Projected benefit obligation	¥(8,175)	¥(6,285)	\$(86,917)
Fair value of plan assets	4,954	3,624	52,673
Unfunded projected benefit	(3,221)	(2,661)	(34,244)
Unrecognized actuarial gain	325	198	3,461
Unrecognized prior service cost	23	22	239
Net liability	¥(2,873)	¥(2,441)	\$(30,544)

The components of net periodic benefit costs for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Service cost	¥ 718	¥ 637	\$ 7,635
Interest cost	183	186	1,950
Expected return on plan assets	(181)	(166)	(1,920)
Amortization of actuarial gain	79	29	844
Amortization of prior service cost	1	1	13
Additional retirement benefit and other	218	970	2,301
Contribution to defined contribution plan	5,308	5,652	56,436
Change from defined benefits plan to defined contribution plan	52		556
Net periodic benefit costs	¥6,378	¥7,309	\$67,815

Assumptions used for the years ended March 31, 2013 and 2012 were as follows:

	2013	2012
Discount rate	2.0-3.9%	2.0-5.0%
Expected rate of return on plan assets	0.0-7.0%	0.0-7.0%
Amortization of prior service cost	Mainly 10 years	Mainly 10 years
Amortization of actuarial gain	Mainly 10 years	Mainly 10 years

9.

Equity

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10.

Income Taxes

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Deferred tax assets:	¥ 382	¥ 335	\$ 4,061
Provision for retirement benefits	40,905	38,984	434,930
Tax loss carryforwards	2,545	2,565	27,062
Impairment loss on investment securities	3,292	4,063	35,003
Provision for bonuses	2,593	3,814	27,565
Write-down of inventories			
Accrued expenses resulting from transfer of pension plan		421	
Impairment loss on investments in consolidated subsidiaries	3,093	1,737	32,892
Other	7,653	8,288	81,376
Less: Valuation allowance	(54,608)	(54,964)	(580,631)
Total	¥ 5,855	¥ 5,243	\$ 62,258
Deferred tax liabilities:			
Property, plant and equipment	¥ (810)	¥(833)	\$(8,609)
Undistributed earnings of consolidated subsidiaries outside Japan	(211)	(193)	(2,248)
Net realized gain on available-for-sale securities	(1,045)	(563)	(11,114)
Other	(661)	(172)	(7,028)
Total	¥ (2,727)	¥ (1,761)	\$ (28,999)
Net deferred tax assets	¥ 3,128	¥ 3,482	\$ 33,259

Net deferred tax assets are included in the following accounts in the accompanying consolidated balance sheet:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Current assets—Deferred tax assets	¥ 2,607	¥ 3,087	\$ 27,715
Investments and other assets—Deferred tax assets	2,692	1,960	28,628
Current liabilities—Other	(122)	(59)	(1,299)
Long-term liabilities—Other	(2,049)	(1,506)	(21,785)
Net deferred tax assets	¥ 3,128	¥ 3,482	\$ 33,259

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2013 and 2012 was as follows:

	2013	2012
Normal effective statutory tax rate	38.0%	40.7%
Permanent differences		
Expenses not deductible for income tax purposes	2.9	7.0
Dividend income and other non-taxable income	(1.3)	(1.7)
Equity in earnings of affiliates	(0.5)	(0.6)
Changes in valuation allowance	5.7	39.4
Lower income tax rates applicable to certain consolidated subsidiaries outside Japan	(18.2)	(30.5)
Effect of consolidated tax return in Japan	1.8	(12.1)
Refund	(1.3)	(0.4)
Other—net	(0.4)	2.2
Actual effective tax rate	26.7%	44.0%

11.

Research and Development Costs

Research and development costs were ¥25,477 million (US\$270,891 thousand) and ¥27,472 million for the years ended March 31, 2013 and 2012, respectively and were included in the cost of sales and selling, general and administrative expenses in the consolidated statement of income.

12.

Leases

The Group leases certain machinery, equipment and vehicles, tools, furniture and fixtures and other assets.

The minimum rental commitments under non-cancelable operating leases at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Due within one year	¥1,942	¥1,469	\$20,644
Due after one year	3,916	3,293	41,638
	¥5,858	¥4,762	\$62,282

13.

Financial Instruments and Related Disclosures

1. Information regarding financial instruments

a) Group policy on financial instruments

Based on the Group's capital expenditure program for the industrial automation and control business and the test and measurement business, the Group uses financial instruments such as bank loans to get necessary funding. Cash surpluses are invested in low risk financial assets. Short-term bank loans are used to fund ongoing operations. Derivatives are used to manage exposure to financial risks as described in Note 14 and are not used for speculative purposes.

b) Nature of the financial instruments and risk management

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Those securities are mainly issued by the Group's customers and suppliers, and are managed by monitoring market value and financial position of issuers on a regular basis.

Investment securities are exposed to the risk of market price fluctuations. The Group reviews its holdings of these securities, whose issuers are mainly its customers and suppliers, by regularly checking their market value and the financial position of the issuers.

Payment terms of payables such as trade notes and trade accounts are less than one year.

Long-term debts are used for capital expenditures and investments. In order to manage exposure to market risks from fluctuations in interest rates, the Group principally uses fixed rate contracts; otherwise, interest swap contracts are used for variable rate loans.

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by foreign currency forward contracts and range forward options.

Basic policies on derivative transactions are set out in the Group's internal guidelines. The guidelines prescribe a control policy, designate authorized departments, specify the purpose of the transactions, define the basis for selecting financial institutions, and specify the reporting route.

The fair value of financial instruments is based on the quoted price in an active market. If the quoted price is not available, other valid valuation techniques are used.

2. Fair value of financial instruments

The carrying amounts in the consolidated balance sheet, fair value, and unrealized gain (loss) as of March 31, 2013 and 2012 were as follows.

In addition, financial instruments whose fair value is extremely difficult to measure are not included. Please refer to item of Note 13 (2) b on Financial instruments whose fair value cannot be reliably determined.

	Millions of yen		
	2013		
	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and cash equivalents	¥ 58,826	¥ 58,826	
(2) Receivables—trade notes and trade accounts	120,679		
Less: Allowance for doubtful accounts	(3,829)		
	116,850	116,850	
(3) Investment securities	18,097	18,097	
Total	¥193,773	¥193,773	
(1) Short-term loans payable	¥ 7,946	¥ 7,946	
(2) Payables—trade notes and trade accounts	29,240	29,240	
(3) Payables—other	8,980	8,980	
(4) Income taxes payable	3,133	3,133	
(5) Long-term debt	90,820	91,310	¥490
Total	¥140,119	¥140,609	¥490
Derivatives	¥ (184)	¥ (184)	

	Millions of yen		
	2012		
	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and cash equivalents	¥ 53,430	¥ 53,430	
(2) Receivables—trade notes and trade accounts	110,541		
Less: Allowance for doubtful accounts	(3,247)		
	107,294	¥107,294	
(3) Investment securities	14,475	14,475	
Total	¥175,199	¥175,199	
(1) Short-term loans payable	¥ 10,688	¥ 10,688	
(2) Payables—trade notes and trade accounts	30,659	30,659	
(3) Payables—other	8,070	8,070	
(4) Income taxes payable	3,308	3,308	
(5) Long-term debt	92,933	93,389	¥456
Total	¥145,658	¥146,114	¥456
Derivatives	¥ (213)	¥ (213)	

	Thousands of US dollars		
	2013		
	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and cash equivalents	\$ 625,478	\$ 625,478	
(2) Receivables—trade notes and trade accounts	1,283,141		
Less: Allowance for doubtful accounts	(40,709)		
	1,242,432	1,242,432	
(3) Investment securities	192,423	192,423	
Total	\$2,060,333	\$2,060,333	
(1) Short-term loans payable	\$ 84,482	\$ 84,482	
(2) Payables—trade notes and trade accounts	310,902	310,902	
(3) Payables—other	95,482	95,482	
(4) Income taxes payable	33,312	33,312	
(5) Long-term debt	965,655	970,871	\$5,216
Total	\$1,489,833	\$1,495,049	\$5,216
Derivatives	\$ (1,961)	\$ (1,961)	

Notes: (a) Fair value measurement of financial instruments

Cash and cash equivalents, trade notes and accounts receivable:

The carrying values of cash and cash equivalents, trade notes and accounts receivable less an allowance for doubtful accounts, approximate fair value because of their short maturities.

Investment securities:

The fair value of equity instruments is measured at the quoted equity market price, and the fair value of debt instruments is measured at the quoted price obtained from the respective financial institution. Information on the fair value of each class of investment securities is included in Note 3.

Short-term loans payable, trade notes and accounts payable, other payable and income taxes payable:

The carrying values of short-term loans payable, trade notes and accounts payable, other payable and income taxes payable approximate fair value because of their short maturities.

Long-term debt:

The fair value of long-term debt is determined by discounting cash flows related to the debt at the Group's assumed corporate borrowing rate. Long-term debt is included in the following accounts in the accompanying consolidated balance sheet: current portion of long-term debt and long-term debt.

Derivatives

Information on the fair value of derivatives is included in Note 14.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying amount		
	Millions of yen		Thousands of US dollars
	March 31, 2013	March 31, 2012	March 31, 2013
Unlisted equity securities	¥17,777	¥17,375	\$189,007

Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen		Thousands of US dollars	
	Due in one year or less	Due after one year through five years	Due in one year or less	Due after one year through five years
March 31, 2013				
Cash and cash equivalents	¥ 58,826		\$ 625,478	
Receivables—trade notes and accounts	120,569	¥110	1,281,967	\$1,174
Investment securities				
Held-to-maturity securities	0		0	
Total	¥179,395	¥110	\$1,907,445	\$1,174

14.

Derivatives

Derivative transactions are used to manage foreign exchange risk and the risk of market rate fluctuations that occur in the normal course of business. The Group does not use derivatives for speculative purposes or for highly leveraged transactions.

(1) Derivative transactions to which hedge accounting was not applied at March 31, 2013 and 2012

	Millions of yen			
	2013			
	Contract amount		Fair value	Unrealized gain (loss)
	Total	Due over one year		
Forward exchange contracts				
Selling contracts				
US dollar	¥ 7,124		¥(151)	¥(151)
Other	126		0	0
Buying contracts				
US dollar	1,693		32	32
Other	1,094		(24)	(24)
Currency options				
Selling contracts				
CALL				
US dollar	4,608			
(option premium)	(—)			
Buying contracts				
PUT				
US dollar	2,304		(20)	(20)
(option premium)	(—)			
Currency swaps	8,351	8,351	(177)	(177)
Total	¥25,300	¥8,351	¥(340)	¥(340)

		Millions of yen			
		2012			
		Contract amount		Unrealized gain (loss)	
		Total	Due over one year		Fair value
Forward exchange contracts					
Selling contracts					
US dollar		¥ 5,258		¥(110)	¥(110)
Other		212		(5)	(5)
Buying contracts					
US dollar		856		(50)	(49)
Other		1,616		2	1
Currency options					
Selling contracts					
CALL					
US dollar		3,288			
(Option premium)		(—)			
Buying contracts					
PUT					
US dollar		2,038		(63)	(63)
(Option premium)		(—)			
Currency swaps					
		1,467	¥775	25	25
Total		¥14,735	¥775	¥(201)	¥(201)

		Thousands of US dollars			
		2013			
		Contract amount			
		Total	Due over one year	Fair value	Unrealized gain (loss)
Forward exchange contracts					
Selling contracts					
	US dollar	\$ 75,749		\$(1,607)	\$(1,607)
	Other	1,337		5	5
Buying contracts					
	US dollar	17,997		341	341
	Other	11,636		(254)	(254)
Currency options					
Selling contracts					
CALL					
	US dollar	49,000			
	(Option premium)	(—)			
Buying contracts					
PUT					
	US dollar	24,500		(220)	(220)
	(Option premium)	(—)			
Currency swaps		88,793	88,793	(1,880)	(1,880)
Total		\$269,012	\$88,793	\$(3,615)	\$(3,615)

(2) Derivative transactions to which hedge accounting was applied at March 31, 2013 and 2012

		Millions of yen		
		2013		
		Contract amount		
	Hedged item	Total	Due over one year	Fair value
Forward exchange contracts				
Buying contracts				
US dollar	Payables	¥ 4,642		¥156
Interest rate swaps				
Pay fixed/Receive floating	Long-term debt	¥55,000	¥29,000	Note b

		Millions of yen		
		2012		
		Contract amount		
	Hedged item	Total	Due over one year	Fair value
Forward exchange contracts				
Buying contracts				
US dollar	Payables	¥ 1,843		¥(12)
Interest rate swaps				
Pay fixed/Receive floating	Long-term debt	¥54,000	¥54,000	Note b

		Thousands of US dollars		
		2013		
		Contract amount		
	Hedged item	Total	Due over one year	Fair value
Forward exchange contracts				
Buying contracts				
US dollar	Payables	\$ 49,354		\$1,654
Interest rate swaps				
Pay fixed/Receive floating	Long-term debt	\$584,795	\$308,347	Note b

Notes: (a) The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

(b) The fair value of such interest rate swaps is included in that of hedged items disclosed in Note 13.

The fair value of derivative transactions is measured at the quoted price obtained from the respective financial institution. The contract or notional amounts of the derivatives shown in the above table do not represent the amounts exchanged by the parties and are not a measure of the Group's exposure to credit or market risk.

Currency options are zero cost options.

15.

Commitment Line Agreements

The Company has commitment line agreements with financial institutions in order to obtain funds for stable and efficient operation.

The commitment line of credit as of March 31, 2013 and 2012 was as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Total commitment line of credit	¥50,000	¥40,000	\$531,632
Outstanding borrowings		(904)	
Unused credit line	¥50,000	¥39,096	\$531,632

16.

Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of US dollars
	2013	2012	2013
Net unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 3,670	¥ 206	\$ 39,026
Reclassification adjustments to profit or loss	(88)	156	(937)
Amount before income tax effect	3,582	362	38,089
Income tax effect	(482)	(21)	(5,127)
Total	¥ 3,100	¥ 341	\$ 32,962
Deferred gain on derivatives under hedge accounting:			
Gains arising during the year	¥ 69	¥ 66	\$ 735
Reclassification adjustments to profit or loss	74	130	784
Amount before income tax effect	143	196	1,519
Income tax effect	(36)	(50)	(378)
Total	¥ 107	¥ 146	\$ 1,141
Adjustment relating to pension liability:			
Adjustments arising during the year	¥(318)	¥ (498)	\$(3,372)
Reclassification adjustments to profit or loss	68	25	719
Amount before income tax effect	(250)	(473)	(2,653)
Income tax effect	90	170	955
Total	¥ (160)	¥ (303)	\$ (1,698)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 8,159	¥(2,189)	\$ 86,742
Amount before income tax effect	8,159	(2,189)	86,742
Income tax effect	(12)	69	(122)
Total	¥ 8,147	¥(2,120)	\$ 86,620
Share of other comprehensive income in affiliates:			
Gains (Losses) arising during the year	¥30	¥(4)	\$320
Total	¥30	¥(4)	\$320
Total other comprehensive income	¥11,224	¥(1,940)	\$119,345

17.

Per Share Information

Basic net income per share (EPS) for the years ended March 31, 2013 and 2012 was as follows:

	Millions of yen	Thousands of shares	Yen	US dollars
	Net income	Weighted average shares	EPS	
2013				
Basic EPS				
Net income attributable to common shareholders	¥14,688	257,545	¥57.03	\$0.61
2012				
Basic EPS				
Net income attributable to common shareholders	¥ 5,952	257,550	¥23.11	\$0.28

Diluted net income per share is not disclosed because there were no dilutive securities in the years ended March 31, 2013 and 2012.

18.

Subsequent Events

Appropriations of Retained Earnings

The Board of Directors proposed the following appropriation of retained earnings, at March 31, 2013, which is subject to approval at a general meeting of the shareholders of the Company to be held on June 26, 2013:

	Millions of yen	Thousands of US dollars
Year-end cash dividend, ¥5 (US\$0.05) per share	¥1,288	\$13,692

19.

Segment Information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Group operates in three business segments: industrial automation and control, test and measurement, and other businesses.

The industrial automation and control business offers comprehensive solutions including field instruments such as flowmeters, differential pressure/pressure transmitters, and process analyzers; control systems and programmable controllers; various types of software that enhance productivity; and services that minimize plant lifecycle costs.

The test and measurement business offers waveform measuring instruments, optical communications measuring instruments, signal generators, and electric voltage, current, and power measuring instruments; LCD drivers; and confocal scanners for observation of live cells.

The other businesses segment mainly offers cockpit flat-panel displays, engine meters, and other instruments for aviation use; marine navigation equipment such as gyrocompasses and autopilot systems; and meteorological/hydrological monitoring system equipment.

2. Accounting methods for each reportable segment's sales, income (loss), assets, and other items

The accounting policies for each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

The income or loss for each reportable segment corresponds to the operating income or loss in the consolidated statement of income.

The assets of a reportable segment consist of "Receivables-trade notes and trade accounts, inventory, property, plant and equipment, and intangible assets."

3. Information about sales and operating income (loss), assets and other items

	Millions of yen				
	2013				
	Reportable segment				Consolidated
	Industrial automation and control	Test and measurement	Other	Eliminations/Corporate	
Sales to customers	¥295,696	¥28,977	¥23,227		¥347,900
Intersegment sales	1,042	6,039	738	(7,819)	
Total sales	296,738	35,016	23,965	(7,819)	347,900
Segment income (loss)	18,011	(226)	625		18,410
Segment assets	208,431	25,050	28,773	117	262,371
Depreciation and amortization	11,476	1,314	706		13,496
Impairment loss	966	305	79		1,350
Increase in property, plant and equipment and intangible assets	11,224	1,408	837		13,469
Amortization of goodwill	126				126
Goodwill	1,604				1,604

	Millions of yen				
	2012				
	Reportable segment				Consolidated
	Industrial automation and control	Test and measurement	Other	Eliminations/Corporate	
Sales to customers	¥277,185	¥34,580	¥22,904		¥334,669
Intersegment sales	1,949	6,377	485	¥(8,811)	
Total sales	279,134	40,957	23,389	(8,811)	334,669
Segment income (loss)	19,896	(3,572)	278		16,602
Segment assets	195,762	32,825	23,611	121	252,319
Depreciation and amortization	10,535	1,417	804		12,756
Impairment loss	261	1,047	108		1,416
Increase in property, plant and equipment and intangible assets	8,814	1,034	1,295		11,143
Amortization of goodwill	123				123
Goodwill	1,695				1,695

	Thousands of US dollars				
	2013				
	Reportable segment				Consolidated
	Industrial automation and control	Test and measurement	Other	Eliminations/Corporate	
Sales to customers	\$3,144,030	\$308,102	\$246,962		\$3,699,094
Intersegment sales	11,081	64,209	7,845	(83,135)	
Total sales	3,155,111	372,311	254,807	(83,135)	3,699,094
Segment income (loss)	191,506	(2,399)	6,640		195,747
Segment assets	2,216,173	266,343	305,937	1,244	2,789,697
Depreciation and amortization	122,020	13,971	7,507		143,498
Impairment loss	10,269	3,243	847		14,359
Increase in property, plant and equipment and intangible assets	119,342	14,967	8,897		143,206
Amortization of goodwill	1,335				1,335
Goodwill	17,058				17,058

Note: An impairment loss for the year ended March 31, 2012 of ¥951 million on the assets of the test and measurement business segment is included as a restructuring cost in the consolidated statement of income.

4. Information about geographical areas

a. Sales

	Millions of yen						
	2013						
	Japan	Asia	Europe	North America	Middle East	Other	Total
Sales	¥133,997	¥87,992	¥27,522	¥21,500	¥32,142	¥44,747	¥347,900

	Millions of yen						
	2012						
	Japan	Asia	Europe	North America	Middle East	Other	Total
Sales	¥135,786	¥87,288	¥26,366	¥21,276	¥27,815	¥36,138	¥334,669

	Thousands of US dollars						
	2013						
	Japan	Asia	Europe	North America	Middle East	Other	Total
Sales	\$1,424,745	\$935,585	\$292,629	\$228,605	\$341,750	\$475,780	\$3,699,094

Note: Sales are categorized in each country or area based on the location of customers.

b. Property, Plant and Equipment

	Millions of yen						
	2013						
	Japan	Asia	Europe	North America	Middle East	Other	Total
	¥55,451	¥13,844	¥6,345	¥2,327	¥1,352	¥489	¥79,808

	Millions of yen						
	2012						
	Japan	Asia	Europe	North America	Middle East	Other	Total
	¥58,097	¥10,687	¥5,866	¥2,002	¥1,070	¥439	¥78,161

	Thousands of US dollars						
	2013						
	Japan	Asia	Europe	North America	Middle East	Other	Total
	\$589,591	\$147,198	\$67,464	\$24,742	\$14,375	\$5,199	\$848,569

5. Information about major customers

No customer accounts for 10% or more of total sales of the Group.



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Yokogawa Electric Corporation:

We have audited the accompanying consolidated balance sheet of Yokogawa Electric Corporation and its consolidated subsidiaries as of March 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yokogawa Electric Corporation and its consolidated subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 26, 2013

Member of
Deloitte Touche Tohmatsu Limited

Subsidiaries and Affiliates

North America

United States

Yokogawa Corporation of America
Yokogawa USA, Inc.
Yokogawa Nuclear Solutions, LLC
Sotetica Visual Mesa, LLC

Canada

Yokogawa Canada, Inc.

Mexico

Yokogawa de Mexico, S.A. de C.V.
Yokogawa Engineering Services de Mexico,
S.A. de C.V.

South America

Brazil

Yokogawa America do Sul Ltda.
Yokogawa Service Ltda.

Europe

Netherlands

Yokogawa Europe B.V.
Yokogawa Europe Solutions B.V.
Yokogawa Europe Branches B.V.

Austria

Yokogawa GesmbH, Central East Europe

Belgium

Yokogawa Belgium N.V./S.A.

France

Yokogawa France S.A.S.

Germany

Yokogawa Deutschland GmbH
Rota Yokogawa GmbH & Co. KG

Hungary

Yokogawa Hungaria Kft.

Italy

Yokogawa Italia S.r.l.

Spain

Yokogawa Iberia S.A.

Sweden

Yokogawa Measurement Technologies AB

United Kingdom

Yokogawa United Kingdom Limited
Yokogawa Marex Limited

Russia

Yokogawa Electric CIS Ltd.
Yokogawa Electric Sakhalin Ltd.

Kazakhstan

Yokogawa Electric Kazakhstan Ltd.

Ukraine

Yokogawa Electric Ukraine Ltd.

Middle East

Bahrain

Yokogawa Middle East & Africa B.S.C. (c)
Yokogawa Engineering Bahrain SPC

Saudi Arabia

Yokogawa Saudi Arabia Ltd.
Yokogawa Services Saudi Arabia Ltd.

United Arab Emirates

Yokogawa Engineering Middle East & Africa FZE

Africa

South Africa

Yokogawa South Africa (Pty) Ltd.
Yokogawa Anglophone Africa Regions (Pty) Ltd.

Nigeria

Yokogawa Services Solutions Nigeria Ltd.
Yokogawa Nigeria Ltd.

Oceania

Australia

Yokogawa Australia Pty. Ltd.

New Zealand

Yokogawa New Zealand Ltd.

Asia

Singapore

Yokogawa Electric International Pte. Ltd.
Yokogawa Engineering Asia Pte. Ltd.
Yokogawa Electric Asia Pte. Ltd.
Plant Electrical Instrumentation Pte. Ltd.

Indonesia

P.T. Yokogawa Indonesia
P.T. Yokogawa Manufacturing Batam

Malaysia

Yokogawa Electric (Malaysia) Sdn. Bhd.
Yokogawa Kontrol (Malaysia) Sdn. Bhd.
Yokogawa Industrial Safety Systems Sdn. Bhd.

Philippines

Yokogawa Philippines Inc.

Thailand

Yokogawa (Thailand) Ltd.

Vietnam

Yokogawa Vietnam Company Ltd.

India

Yokogawa India Ltd.
Yokogawa IA Technologies India Private Limited

China

Yokogawa China Co., Ltd.
Yokogawa Electric China Co., Ltd.
Yokogawa Sichuan Instrument Co., Ltd.
Suzhou Yokogawa Meter Company
Yokogawa Shanghai Instrumentation Co., Ltd.
Yokogawa Shanghai Trading Co., Ltd.
Yokogawa Process Control (Shanghai) Co., Ltd.
Yokogawa Information Systems (Dalian)
Corporation
Yokoshin Software Engineering (WUXI) Co., Ltd.

Korea

Yokogawa Electric Korea Co., Ltd.
Yokogawa Electronics Manufacturing Korea
Co., Ltd.

Taiwan

Yokogawa Taiwan Corporation

Subsidiaries and affiliates in Japan

Yokogawa Solution Service Corporation
Yokogawa Meters & Instruments Corporation
Omega Simulation Co., Ltd.
YDC Corporation
Yokogawa & Co., Ltd.
Yokogawa Denshikiki Co., Ltd.
Yokogawa Digital Computer Corporation
Yokogawa Foundry Corporation
Yokogawa Manufacturing Corporation
Yokogawa Medical Solutions Corporation
Yokogawa Pionics Co., Ltd.
Yokogawa Rental & Lease Corporation

Corporate History

1915–

1915

Tamisuke Yokogawa, Doctor of Architectural Engineering, established an electric meter research institute in Shibuya, Tokyo, with Ichiro Yokogawa and Shin Aoki

1917

First to produce and sell electric meters in Japan

1920

Incorporated as Yokogawa Electric Works Ltd.

1930–

1933

Started research and manufacture of aircraft instruments and flow, temperature, and pressure controllers

1955

Signed a technical assistance agreement for industrial instruments with Foxboro, USA

1957

Established Yokogawa Electric Works, Inc. as North American sales office

1960–

1964

Made a full-scale entry into the industrial analyzer market

1974

Established Yokogawa Electric Singapore Pte. Ltd. as Singapore plant Established Yokogawa Electric (Europe) B. V. as European sales office

1975

Released CENTUM, the world's first distributed process control system

Corporate Data / Investor Information

As of March 31, 2013

● Corporate Data

Corporate Name:

Yokogawa Electric Corporation

Headquarters:

2-9-32 Nakacho, Musashino-shi, Tokyo
180-8750, Japan

Founded:

September 1, 1915

Incorporated:

December 1, 1920

Paid-in Capital:

43,401 million yen*

Number of Employees:

19,685 (consolidated)*

4,298 (non-consolidated)*

Subsidiaries and Affiliates:

69 subsidiaries and 2 affiliates outside Japan*

15 subsidiaries and 1 affiliate in Japan*

*As of March 31, 2013

● Investor Information

As of March 31, 2013

Number of Shares Authorized:

600,000,000

Number of Shares of

Common Stock Issued:

268,624,510

Number of Shareholders:

28,775

Stock Exchange Listing:

Tokyo Stock Exchange

Administrator of the Register of Shareholders:

Mizuho Trust & Banking Co., Ltd.
1-2-1 Yaesu, Chuo-ku, Tokyo 103-8670,
Japan

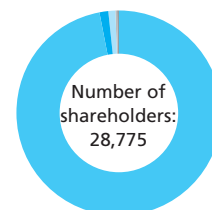
Annual Shareholders Meeting:

The annual general meeting of shareholders of the Company is held in June.

Accounting Auditors:

Deloitte Touche Tohmatsu LLC

Shareholders by Category



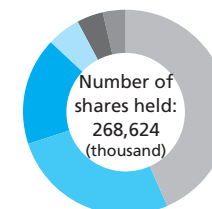
Individual Investors	27,942	(97.10%)
Foreign Investors	377	(1.31%)
Others	332	(1.15%)
Financial Institutions	65	(0.22%)
Securities Companies	58	(0.20%)
Treasury Stock	1	(0.00%)

Major Shareholders (Top 10)

Shareholders	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	27,032,600	10.06
The Dai-ichi Life Insurance Company, Limited	15,697,000	5.84
Nippon Life Insurance Company	14,284,615	5.32
Japan Trustee Services Bank, Ltd. (trust account)	12,560,400	4.68
Yokogawa Electric Employee Shareholding Program	9,259,269	3.45
Retirement Benefit Trust in Mizuho Trust & Banking Co., Ltd. (Mizuho Corporate Bank, Ltd. account); Trust & Custody Services Bank, Ltd. as a Trustee of Retruct	6,643,990	2.47
Retirement Benefit Trust in Mizuho Trust & Banking Co., Ltd. (Mizuho Bank, Ltd. account); Trust & Custody Services Bank, Ltd. as a Trustee of Retruct	4,617,010	1.72
Tokio Marine & Nichido Fire Insurance Co., Ltd.	4,225,436	1.57
J.P. Morgan Chase Bank 385078	3,338,400	1.24
The Nomura Trust and Banking Co., Ltd. (trust account)	2,996,100	1.12

Note: In addition to the above, the Company holds 11,080,045 shares of treasury stock.

Shareholding by Category



Financial Institutions	116,848	(43.49%)
Foreign Investors	71,639	(26.66%)
Individual Investors	45,215	(16.83%)
Others	14,312	(5.32%)
Treasury Stock	11,080	(4.12%)
Securities Companies	9,528	(3.54%)

1980-

1983

Formed Yokogawa Hokushin Electric Corp. through merger with Hokushin Electric Works, Ltd.

1986

Established Xiyi Yokogawa Co., Ltd. in Xian, China, jointly with Xian Instruments Factory

Changed the Company name to Yokogawa Electric Corporation

1990

Established Yokogawa Middle East E.C. in Bahrain

2000-

2002

Acquired all the shares of Ando Electric Co., Ltd.

2005

Established Yokogawa Electric International Pte. Ltd. in Singapore to oversee global industrial automation business

2010-

2010

Transferred the measuring instruments business to Yokogawa Meters & Instruments Corporation

2011

Announced Evolution 2015 mid-term business plan

2013

Formed Yokogawa Solution Service Corporation to handle sales, engineering, and services for the Japan industrial automation business

Yokogawa Electric Corporation

Corporate Communication Department

2-9-32 Nakacho, Musashino-shi, Tokyo 180-8750, Japan

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<http://www.yokogawa.com/>

