



2015 Yokogawa Report

For the year ended March 31, 2015

Continuing to Create New Value

Founding Principles

Quality first

Pioneering spirit

Contribution to society

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.

The Yokogawa Group celebrated its 100th anniversary on September 1, 2015.

The Company traces its history back to the establishment in 1915 of an electric meter research institute in the Shibuya district of Tokyo. Ever since then, Yokogawa has continued to expand its business, focusing mainly on the measurement, control, and information technology fields. Taking the initiative to constantly transform itself in response to dramatic social and economic change, the Company has established an impressive track record of continuous expansion while contributing to the growth and development of industry.

Today, Yokogawa has become a global leader in the industrial automation and control field with a Groupwide workforce of around 20,000 dedicated employees.

As it has for the past century, Yokogawa will continue to carry forward the founding principles of its predecessors, creating new value in concert with customers and realizing a more prosperous society.

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.

1933:

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

1950:

Developed Japan's first electronic recorder

1955:

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

1957:

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

1964:

Made a full-scale entry into the industrial analyzer market

1966:

Developed and started manufacture and sale of vortex flowmeters

1973:

Established Yokogawa Eletrica do Brasil Ind. E Com. Ltda. as Brazilian sales office

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



over the Next 100 Years

2015

1983:

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

1986:

Jointly established Xiyi Yokogawa Co., Ltd. in Xian, China, with Xian Instruments Factory

Changed the Company name to Yokogawa Electric Corporation

1987:

Established Yokogawa Parameters Pty. Ltd. as sales company in Australia

Established Yokogawa Keonics Ltd. as joint venture to manufacture and sell system products in India

1988:

Entered the high-frequency measuring instruments business

1990:

Established Yokogawa Middle East E.C. in Bahrain

1996:

Released a confocal scanner and entered the biotechnology business

1997:

Established Yokogawa Electric Ltd. as local affiliate in the Russian Federation

Established Yokogawa South Africa Pty. Ltd. as local IA sales and service affiliate in South Africa

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

2006:

Established Yokogawa Saudi Arabia Ltd. as local affiliate in Saudi Arabia

2008:

Entered the drug discovery support market with new bio test system

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

2015:

Announced Transformation 2017 mid-term business plan

100th anniversary of the Yokogawa Group



In the fiscal year ended March 31, 2015 (fiscal year 2014), the Yokogawa Group continued to strive for global growth by focusing on the industrial automation and control business and targeting principally the energy and materials related markets. With the benefit of the continued weakness of the yen, the Group reported year-on-year increases in net sales, operating income, and ordinary income. Both operating income and ordinary income reached record highs. The Group posted a business structure improvement expense for a voluntary retirement program that was instituted following an organizational review to strengthen global competitiveness. Net income was still up from a year ago due to factors such as a gain on the sale of leasehold rights and buildings.

The Yokogawa Group celebrated its 100th anniversary on September 1, 2015. The Company's success in reaching this milestone can be attributed in good part to its staying true to the Yokogawa founding principles of putting quality first, having a pioneering spirit, and contributing to society, which has enabled it to create value for its customers and build a better world. We deeply appreciate the support that our shareholders, investors, and many others have given us over the years.

In this anniversary year, the Group has established a long-term business framework that specifies goals that are

to be achieved within the next 10 years and the means for achieving them. Based on this, we drew up Transformation 2017, a new mid-term business plan that will run from fiscal year 2015 through fiscal year 2017. This three-year plan will lay a foundation for growth that will be needed to achieve the goals set out in the long-term business framework. We are focused on improving profitability to prepare the way for growth.

A fundamental mission of the Group is to maintain the trust that has been placed in us by our stakeholders, including shareholders. Accordingly, Yokogawa will be placing a high priority on enhancing its corporate governance in fiscal year 2015 and maximizing its corporate value by continuing to grow and securing healthy and profitable operations.

We aim to achieve the goals of the Transformation 2017 mid-term business plan and secure healthy and continuous growth by expanding our business and enhancing our corporate value, and will thereby fulfill the expectations of our shareholders.

We kindly request your continued support and understanding as we work toward these aims.

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

Shuzo Kaihori
Chairman

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

Takashi Nishijima
President and CEO

Co-innovating tomorrow™

On the occasion of Yokogawa's 100th anniversary, we have established a corporate brand slogan that reads *Co-innovating tomorrow*.

Co-innovating conveys our determination to engage in the co-creation of value through the development of solutions in long-term partnerships with our clients, and *tomorrow* expresses our resolve to move steadily into the future one step at a time.

With *Co-innovating tomorrow*, Yokogawa emphasizes that it will optimize and streamline the flow of information and things, and thereby create value for a brighter future, both for its customers and society as a whole.

■ Editorial Policy

The purpose of publishing this report is to give stockholders, investors, and other stakeholders a better understanding of the Group's efforts over the mid- to long-term to create value. In addition to financial information such as our business results and plans that have been featured in past editions of our annual report, the 2015 Yokogawa Report provides nonfinancial information, such as Yokogawa's long-term vision and mid- to long-term business strategies and information about our corporate governance and CSR activities, compiled based on an integrated approach. The report has been edited based on the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC).

Corporate social responsibility (CSR) information listed in this report is focused on the Group's basic approach and key initiatives related to CSR. Further details regarding the Group's CSR policies, activities, and other related items are available on Yokogawa's Corporate Social Responsibility website.

Period covered by the Report:

Fiscal year 2014, the period from April 1, 2014 to March 31, 2015 (includes some information about fiscal year 2015)

Scope of the Report:

Yokogawa Electric Corporation and its subsidiaries and affiliates

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 Investor Relations website

<http://www.yokogawa.com/pr/ir/index.htm>

 Corporate Social Responsibility website

<http://www.yokogawa.com/csr/index.htm>

Cautionary statement regarding forward-looking statements
Statements made in this report regarding Yokogawa's plans, estimates, strategies, and beliefs 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.

* CENTUM, DPharp, EJC, ProSafe-RS, YFGW, CSU-W1, and CellVoyager are registered trademarks or trademarks of Yokogawa Electric Corporation.

Creating new value with customers

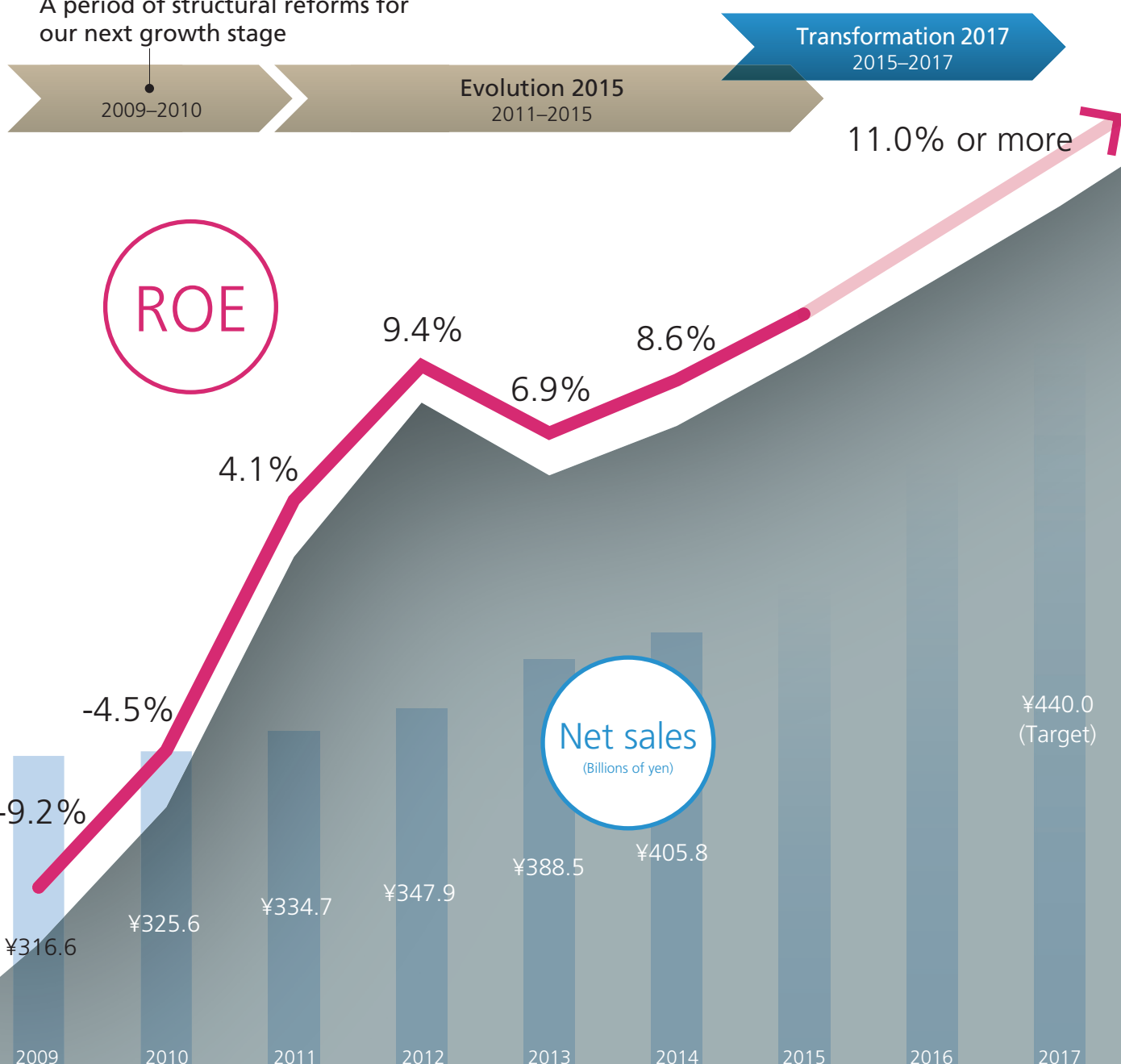
Transformation 2017

→ P. 9 Mid-term Business Plan

Structural reforms that prepare the way for growth

- 1 Focusing on our customers**
 - Develop business by pursuing strategic partnerships with customers.
 - Expand our business with our customer base.
- 2 Creation of new value**
 - ICT advances are leading to new business opportunities.
 - Co-create value across companies, industries, and markets by improving efficiency and achieving overall optimization.
- 3 High efficiency global company**
 - Globally optimize all functions and operations.
 - Be more profitable than our competitors.

A period of structural reforms for our next growth stage



- Business Results in Fiscal Year 2014
- Market and Full Year Business Forecasts in Fiscal Year 2015
- Distribution of Earnings to Shareholders (Dividends)
- Operating Environment Opportunities and Risks
- Business Development Leveraging Inherent Strengths
- Transformation and the Next 100 Years

President and CEO Takashi Nishijima

Launch of the *Transformation 2017* Mid-term Business Plan

Becoming an even more profitable company to secure further growth

Message from the President and CEO

■ Business Results in Fiscal Year 2014

In the fiscal year ended March 31, 2015, Yokogawa's consolidated orders, net sales, operating income, and ordinary income were all up from the previous fiscal year. Earnings were especially robust, with the Company posting record highs in both operating and ordinary income.

Global economic growth remained slow due to rising uncertainty about the future brought about by factors such as the slowdown of emerging economies, a plunge in oil prices, and increased political instability in certain regions. On the positive side, certain leading developed economies, such as the United States, continued to recover. In Japan, the corporate sector reported stronger results thanks to the weaker yen and the booming stock market, both of which resulted from bold fiscal and monetary policies. In overall terms, however, economic growth held to a moderate pace.

Under these circumstances, the Group undertook various global business activities focused mainly on the industrial automation and control business, which primarily targets energy- and materials-related markets. Buoyed by such factors as the prolonged downturn in the value of the yen, net sales, operating income, and ordinary income all increased year on year. (Please refer to the table at the bottom of this page.)

■ Market and Full Year Business Forecasts in Fiscal Year 2015

In our main business of industrial automation and control, some of our customers have postponed certain projects while reducing investments as a result of weak oil prices. Nevertheless, we expect to see robust growth in energy-related markets over the long term. This is largely attributable to strong energy demand from resource importing countries as well as the portion of the corporate sector that continues to benefit from reduced material costs, and

growth in the global economy, principally in emerging markets. Accordingly, we expect to see year-on-year increases in orders, sales, and operating income in fiscal year 2015.

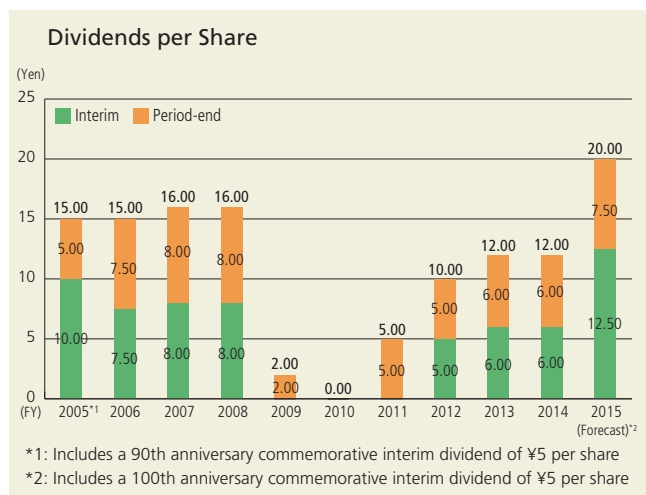
In the test and measurement business, steps have been taken to complete a series of structural reforms, including the withdrawal from certain businesses. Buoyed by other factors including the positive synergies between the measuring instruments and life science businesses, orders, net sales, and operating income are projected to grow compared with fiscal year 2014.

Taking the aforementioned into consideration, we anticipate a year-on-year increase in consolidated orders, net sales, operating income, ordinary income, and profit attributable to owners of parent in fiscal year 2015.

Note: The other businesses segment was renamed the aviation and other businesses segment at the start of fiscal year 2015.

■ Distribution of Earnings to Shareholders (Dividends)

After carefully considering a variety of factors, including the Company's future business plans and financial condition, we decided to pay a period-end dividend of ¥6 per share, for an annual dividend of ¥12 per share. In fiscal year 2015,



Results of Business in Fiscal Year 2014 and Business Forecasts for Fiscal Year 2015 (As of August 7, 2015)

(Billions of yen unless otherwise stated; rounded to the first decimal place)

	FY2013 results	FY2014 results	FY2015 forecasts	YoY	YoY % change
Orders	406.0	417.1	441.0	23.9	5.7%
Net sales	388.5	405.8	427.0	21.2	5.2%
Operating income	25.9	Record high 29.8	36.0	6.2	20.7%
Ordinary income	25.7	Record high 33.4	34.0	0.6	1.9%
Profit attributable to owners of parent	12.3	17.2	23.0	5.8	33.5%
Exchange rate (Yen)	US\$	100.67	120.00	9.42	—

the Company celebrates its 100th anniversary. As an expression of our appreciation to shareholders on this special occasion, we plan to pay a commemorative interim dividend of ¥5 per share in addition to a ¥3 per share increase in the ordinary annual dividend. As a result, the total annual dividend for fiscal year 2015 is projected to be ¥20 per share.

■ Operating Environment Opportunities and Risks

Information and communications technology (ICT) is having a major impact on industries, and commercial products are shifting towards software and services. We can look at these trends as an opportunity to create new value.

Meanwhile, businesses such as ours that are closely related to the development of primary energy sources such as oil and natural gas are expected to grow steadily over the long term. This can be attributed to steady growth in energy demand in emerging markets and factors such as the revolutionary development of shale gas and other unconventional energy resources as well as deep subsea resources.

From a mid-term viewpoint, the plunge in oil prices has had a considerable impact. The dive in prices that started last year is having a negative impact on the upstream businesses of the oil majors and the oil companies of resource-rich countries. While this trend may probably last for a while and lead to the discontinuation or postponement of new development projects, countries that rely on energy imports will see some positive impact. In particular, downstream sectors such as transportation and oil refining will see added investment. The petrochemical and power markets are brisk in developing countries, and the construction of new fertilizer plants is expected in regions that are experiencing population growth.

Demand varies depending on industry and region. Our competitors are also targeting all the high-growth markets, and competition there is becoming harsh. Highly profitable global competitors are steadily investing to achieve high growth, while up-and-coming companies in China and other countries are not far behind us. Yokogawa has to be ready for tougher competition. At first, in this business environment, we will deliver high-value-added lifecycle services and advanced solutions to help our customers operate, maintain (MRO), and renew their existing plants, and improve efficiency, with a special focus on our forte industries where we have many customers. To come out ahead



in this ever tougher competition, we must rigorously push ourselves to become ever more efficient and cost competitive. With the funds that we generate, we will make aggressive investments in M&A and other types of deals that will allow us to achieve inorganic, dramatically high growth in businesses related to our forte industries.

■ Business Development Leveraging Inherent Strengths

Underlying Strengths

The ability to put forward a value-added solution, do quality work and complete a project on time and on budget, and provide services to support plant operations throughout the product lifecycle is essential. In drawing on its inherent strengths, which include a lineup of highly reliable and high quality products, superior project management capabilities, and extensive knowledge of industries and high-level engineering capabilities, the Yokogawa Group has continued to build strong ties of mutual trust by consistently and definitively addressing the needs of its customers.

The role that our regional offices play in developing business globally is also of the utmost importance. In addition to uncovering frontline issues and latent needs in regions around the world, these offices help to realize new value in concert with customers. The success of a project rests on close collaboration and communication. Another underlying strength of the Group is its ability to fine-tune solutions to individual needs. This enables us to deliver timely services over the lifecycle of each plant.

These underlying strengths are the core competencies that have allowed us to excel. Looking ahead, it is vital that we continue to hone these skills.

(➡ P. 9 Mid-term Business Plan)

Human Resource Strengths

The abovementioned strengths have driven the global development of our business. The source of these strengths, however, lies in our human resources. The Yokogawa Group understands that its people are an enormous asset and a critical factor in setting it apart. Accordingly, strategies that allow Yokogawa to secure and nurture its human resources are key to our future growth.

In order to resolve issues in partnership with our customers, each and every employee must understand their expectations and needs. It is also important for our employees to exhibit the skills needed to put forward proposals that provide customers with essential value. To date, the Yokogawa Group has addressed each customer with integrity and successfully resolved a host of issues using its outstanding knowledge, skills, and wealth of experience. As a result, we have earned the trust of customers worldwide and built a robust customer base. Meanwhile, changes in our operating environment together with increasingly diverse perceptions of value are forcing us to adapt our ways of thinking and take the perspective of our customers to identify their needs as well as the needs of the companies and individuals that they do business with. The new mid-term business plan is one critical tool for ensuring our transformation into a more customer-oriented company. At the same time, recognizing the increasingly global nature of our customers' businesses, we will focus on securing and nurturing human resources that can excel on the global stage. In this regard, we will accelerate the pace of the globalization of our worldwide business activities. Moreover, while promoting diversity, we will work to better respond to shifts in our operating environment by improving the efficiency and resilience of our business operations.

(➡ P. 28 Human Resource Strategy)

■ Transformation and the Next 100 Years

The Yokogawa Group celebrated its 100th anniversary on September 1, 2015. I would like to extend my sincere appreciation to all stakeholders, including customers, shareholders, and investors, for their support in helping us to reach this significant milestone. The past century was a period of consistent growth and development under the guidance of our customers and society. This growth reflects an unwavering commitment to the principles of our founder, Tamisuke Yokogawa, who advocated a quality-first approach, a pioneering spirit, and contribution to society. As we move forward, we will continue to follow these founding principles.

Yokogawa's operating environment is subject to major changes over time. The composition and content of our business evolves in line with this change. To achieve continued growth and development, it is therefore not enough to view the future merely as an extension of the present. With this in mind, growth investments that anticipate changes in our internal and external environment as well as the transformation of our business structure to increase profitability are vital to the Group's future. In light of these imperatives, we have launched Transformation 2017, our new mid-term business plan, and have commenced activities aimed at bringing about this transformation.

(➡ P. 9 Mid-term Business Plan)

The Yokogawa Group will continue to create new value over the next 100 years. We will pursue sustainable growth and development by first carrying out the Transformation 2017 mid-term business plan and enhancing our corporate value over the medium to long term.

Transformation 2017

Mid-term Business Plan



Briefing session for Group members



Takashi Nishijima, President and CEO

The Yokogawa Group launched a new mid-term business plan at the beginning of fiscal year 2015. With the title *Transformation 2017*, the new plan reflects the Group's strong determination to focus on restructuring its business and transforming itself to further increase efficiency and profitability.

Overview

Context behind the New Mid-term Business Plan, Transformation 2017

For several years, the Yokogawa Group has pursued the mid- and long-term goal of becoming the global No. 1 company in the industrial automation and control business. Guided by its Evolution 2015 mid-term business plan, the Group has worked diligently to promote growth strategies centering on the industrial automation and control business, improve its financial strength by carrying out various structural and other reforms, and increase profitability.

Buoyed by these endeavors, growth in sales outside Japan, and the positive flow-on effects of the weak yen, we achieved our fiscal year 2015 sales target of ¥400 billion one year in advance. These favorable results were also apparent in the Group's earnings, with operating income hitting a record high. Efforts aimed at improving our financial position are also on track to meet our established goals. Furthermore, preparations for making growth investments have all but been completed. Turning again to earnings, profitability continues to rise. Nevertheless, we remain far from satisfied. As industries shift and restructure worldwide in response to the IT revolution, we are seeing changes in our business environment and new, emerging opportunities. Under these circumstances, the Yokogawa Group will make investments to prepare for anticipated changes and to set the stage for growth.

While growing the IA and control business		✓ We expect to hit the sales target thanks in part to the weak yen, but have fallen short with profits. Further restructuring is necessary.	
	Evolution 2015 targets for 2015	New 2015 targets	
Sales	¥400 billion	¥413 billion	
Operating income	¥40 billion	¥33 billion	
Operating income-to-sales ratio	10%	8%	
EPS	¥100 or more	¥74	
Put the Company in a strong financial position		✓ We expect to achieve these targets and be in a strong financial position for the next growth phase	
Equity ratio	50%	55% or more	
Debt-to-equity ratio	40%	30% or lower	
*As of May 12, 2015		✓ We must speed up our transformation to outpace market change and accelerate growth	
		Exchange rate: 1\$=80yen Exchange rate: 1\$=110yen	

The issue at hand is thus to improve our profitability by quickly restructuring our business to focus on customers, create new value, and maximize efficiency.

The Yokogawa Group recognizes that it stands at a critical turning point. Confronted by the need to transform itself to be highly efficient and capable of sustainably generating profits, the Group drew up the new mid-term business plan, placing the utmost emphasis on improving profitability in order to secure future growth. This mid-term business plan commenced in fiscal year 2015, superseding the Evolution 2015 plan prior to its originally scheduled conclusion date.

■ Quickly Undertake Strategic Investments*1

Totaling ¥4 billion

Compared with the target of ¥40 billion under Evolution 2015, our operating income target for fiscal year 2015 is now set at ¥33 billion*2, a decrease of ¥7 billion. This change largely reflects the impact of additional strategic investments, despite an increase in earnings on higher sales and an expected boost from such factors as the reduction in fixed expenses attributable to cost structure optimization. Cognizant of the need to transform itself to be highly efficient and capable of generating sustainable earnings, the Yokogawa Group will quickly undertake strategic investments totaling ¥4 billion. These are outlined in the box on the right.

*1 Strategic investments totaling ¥4 billion will comprise expenditure that is essential to the ongoing operations of the Group's businesses (OPEX). Thereafter, strategic investments carried out under Transformation 2017 will comprise capital expenditures that include investments and M&As (CAPEX).

*2 As of May 12, 2015

Main targets for strategic investments

(Industrial automation control business)

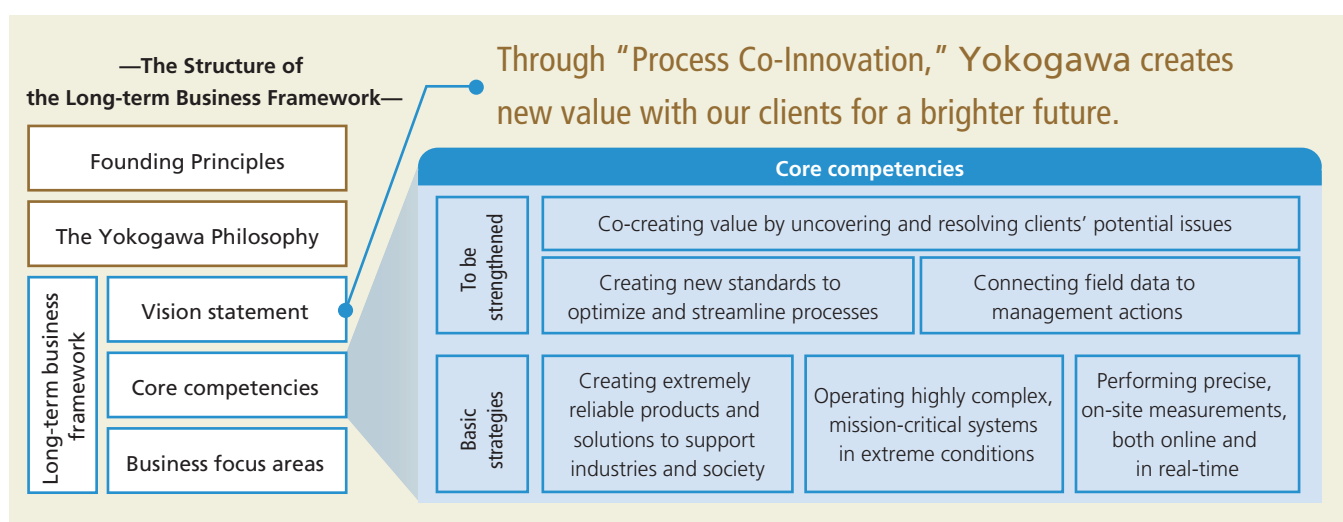
- 1. Expansion of lifecycle service business**
 - ➡ Enhancement of services outside Japan (People, products, knowledge)
- 2. Expansion of advanced solution business**
 - ➡ Develop and strengthen human resources
 - Develop software packages, alliances
- 3. Development and strengthening of new businesses**
 - ➡ Product development and alliances in target industries
- 4. Development of infrastructure**

The Long-term Business Framework and Transformation 2017

In addition to its new mid-term business plan, the Yokogawa Group has established a long-term business framework that defines what we wish to accomplish in the next 10 years, and strategies for achieving that.

The long-term business framework consists of a vision statement that states what Yokogawa wishes to accomplish in the long term, specifies the core competencies that Yokogawa will require to achieve this vision, and identifies the business areas that Yokogawa will focus on.

By working to achieve the aims of this vision statement, Yokogawa will lay this foundation for growth. We will henceforth achieve long-term growth by expanding our efforts to engage in Process Co-Innovation*3.



*3 "Process Co-innovation"

This is a concept for a future automation business that will utilize the full spectrum of Yokogawa's measurement, control, and information technologies. According to this concept, process optimization goes beyond production processes to address all material and information flows within and between companies, including both value and supply chains. This concept encompasses the entire range of Yokogawa solutions and entails a commitment to working with clients to create new value on their behalf.

Over the three-year period of Transformation 2017, we will lay the groundwork for the growth that will be needed to achieve the goals of the Company's long-term business framework.

Mid-term Business Plan Targets

Our Commitment under Transformation 2017

Achieve: **ROE 11% or more**
ROA 6% or more
EPS ¥100 or more

	FY2014	FY2017
ROE (%)	8.6	11 or more
Sales (Billion of yen)	405.8	440.0
Operating income (Billions of yen)	Record high 29.8	45.0
ROS (%)	Record high* 7.3	10.2
EPS (Yen)	66.9	100 or more

* After start of consolidated accounting
 Assumed exchange rate for the plan: US\$1 = ¥110

While working to repeatedly set new record highs in operating income and the operating income-to-sales ratio (ROS), the Yokogawa Group is placing considerable weight on achieving a transformation that will make it highly efficient and even more profitable, thereby securing a path to future growth. As such, we are targeting ROE of 11% or more, ROA of 6% or more, and an EPS of ¥100 or more in fiscal year 2017, the final year of Transformation 2017.

Three Reforms

While continuing to focus on the industrial automation and control business, we will concentrate our energies on three priority structural reforms under the Transformation 2017 mid-term business plan that will improve profitability.

1	Focusing on customers —Transform from being product-centered to being customer-centered	In addition to its product-centered business, Yokogawa will promote a customer-centered business and make full use of its existing customer base to grow further. Moving forward, we will transform our business to better concentrate our energies on resolving customers' plant operating and business issues. Yokogawa has a strong customer base in the energy sector, especially oil refining and petrochemicals, and is well known in these fields. Yokogawa will cover the entire supply chain to grow its business.
2	Creation of new value —Transform to create new value by taking advantage of ICT	By leveraging its strengths and taking advantage of opportunities arising from advances in ICT, Yokogawa will work with its customers to create value in ways such as giving management greater access to field data and improving efficiency for entire companies, business fields, and industries.
3	High efficiency global company —Transform by becoming more efficient than ever	By optimizing all its functions and operations worldwide, Yokogawa will achieve a competitive cost structure and drastically improve its profitability. In addition to pursuing increased efficiency, we have positioned an ROE of 11% or more as a central management target. Recognizing the importance of maximizing ROA in order to improve ROE, we have also set an ROA target of 6% or more. With this in mind, we are placing considerable emphasis on ROIC* as a priority business indicator and are carefully managing this while rolling it out as a key performance indicator (KPI) for each organization and function.

* ROIC: Return on invested capital



Business Strategies



Industrial Automation and Control Business

Two Basic Strategies

Yokogawa remains committed to achieving its mid- to long-term goal of becoming the No.1 company in the global control business. With Transformation 2017, Yokogawa has two basic strategies that will allow it to respond to changes in market conditions, the competitive landscape, and customer priorities: enter new markets and grow its business, and create new businesses by finding new ways to create value.

■ Expanding our business in our forte industries by leveraging our solid customer base

With the first strategy, that of using our customer base to grow our business, we have a strong customer base in the energy sector, especially oil refining and petrochemicals, and are well known in these fields. Yokogawa will cover the entire supply chain, from upstream to downstream, to grow its business, and will capitalize on its high profile to capture an even larger share of those markets that it already dominates.

■ Expanding into new industries by leveraging our strength in the Japan market

With the second strategy, that of growing by leveraging our high market share in a wide range of markets in Japan, Yokogawa will seek to expand its consulting business in the energy, materials, food, and pharmaceutical industries, and also in non-manufacturing sectors. To build its customer base and prepare the way for growth, Yokogawa will make use of its knowledge and expertise to first grow its business in Southeast Asia, and then will target other global markets.

Striving to become
the global No.1 company
in industrial automation

Top share of the market

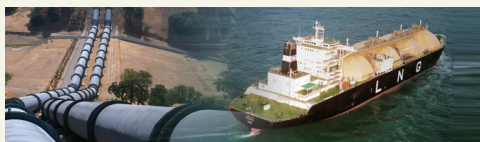
Target Industries

In addition to industries where we already have a strong customer base, we will focus on the following sectors in Transformation 2017.

Oil & Gas

(Upstream, midstream, and downstream)

The oil and gas market is expected to grow in the mid- to long-term. Yokogawa will continue to grow in this sector by leveraging a solid customer base that covers the entire supply chain, from upstream to downstream. In the midstream market, Yokogawa will focus on strengthening its sales capabilities and developing applications for the pipeline and marine vessel (floating LNG and LNG tanker) businesses.



Electric Power

(A large and fast-growing market for distributed control systems)

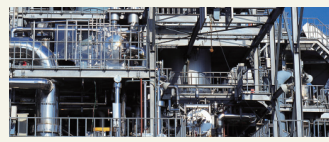
The electric power market is large and stable. Yokogawa will continue to grow in this market by making use of its global resources and engaging in marketing activities.



Chemicals

(Using the model developed in Japan to expand globally)

Yokogawa has captured a large share of this market, especially in Japan. Yokogawa aims to make use of the knowhow that it has acquired to expand its business in emerging markets.



Business Expansion Strategies

Details of business expansion strategies based on the two basic strategies are as follows.

■ Expansion into Target Industries (energy supply chain)

(1) Expand the lifecycle service business

Yokogawa will strengthen the capabilities of its personnel, improve its products, and gain the knowledge needed to improve the entire lifecycle service business, including operations and maintenance services and continuous improvement activities.

(2) Expand the advanced solution business

Yokogawa will enhance its ability to propose advanced solutions in response to customer-specific needs and their latent needs. Responding to such latent customer needs will provide a great boost to the entire solution services business, including the product, service, and advanced solutions businesses. Therefore, Yokogawa will develop and strengthen sales and ICT staff who can propose advanced production control solutions. Yokogawa will also work within the Group and through alliances to develop and strengthen solution packages.

(3) Enhance platform product functions

Yokogawa will focus on a core group of products and application technologies that can be used in combination to address our customers' needs.

(4) Develop and expand new businesses

Upstream / midstream	Health, safety, and environment (HSE) and maintenance	Analytical × Solutions
Utilize our strengths to penetrate the upstream oil and gas market, including seabed (marine and sub-sea) resource development projects	Utilize all plant information to achieve optimization	Real-time monitoring of processes and analysis of data for optimal control

A high level of credibility is required to carry out business in the seabed domain, which includes subsea oil and gas resource development projects. This reflects the extremely harsh conditions under which operations are conducted. Even in these mission-critical locations, Yokogawa will continue to develop its business by leveraging the outstanding reliability and quality of its products as well as its strong engineering and systems integration capabilities.

■ Expansion into New Industries

(1) Entering new industries through the consulting business

The various sectors in Japan in which the Company excels are approaching maturity. Yokogawa's strengths in a number of Japan markets have been identified as a source for future growth under Transformation 2017. Energies will be directed toward expanding business in areas outside these current sectors of focus as well as the creation of new value through the consulting business.

(2) Developing expertise in Asia

To secure growth and development in the global market, beginning in the ASEAN market, Yokogawa will prioritize the development of its strengths in new industries and businesses.



Test and Measurement Business

Measuring instruments

Yokogawa will focus on the growing markets of electric power and optical communications, and other markets where synergies with the control business can be expected. We will also focus on emerging markets in Southeast Asia, China, India, and South America.

Life science

The life science business aims to secure its position in the drug development support market by entering promising fields such as iPS cell- and biotechnology-based drug development support. Furthermore, we will target the large clinical research market by developing technologies that are useful in analyzing drug effects. We will place our live cell observation business on a more solid footing by making use of our core competencies to develop new confocal microscope technologies.



Aviation and Other Businesses

The commercial aircraft business is expected to grow globally. We will expand in this area by accelerating our efforts to develop advanced technologies. The marine equipment business will respond to the global need for energy efficient solutions, including the requirement for gyrocompasses on ships that ply the Arctic Ocean and other routes.



Approach toward Investment and Costs

■ Basic Policy on Research and Development

Add more value to research and development functions and create new businesses

- Yokogawa will maintain an R&D-to-sales ratio of **6%**.

■ Investment for Growth

Under Transformation 2017, Yokogawa will seek to achieve growth in target industries by setting aside up to **¥50 billion** for strategic investments, mainly M&A, to be undertaken **over the three year period**.

- Yokogawa will actively invest in expanding business in target industries.
- Of this amount, about ¥45 billion will be allocated to the control business, and the remainder will be for new businesses. In the control business, we will invest mainly to broaden our portfolio of solution services and products for target markets.

Yokogawa will allocate **¥40 billion** to ordinary capital investment over the three year period.

- We will keep the level of regular capital investment within the scope of capital depreciation.

■ Human Resources

Keep the size of the Group's global workforce at around 20,000
and increase the proportion of employees who are based outside Japan

- A little less than 12,000 of the Yokogawa Group's 20,000 employees are working outside Japan. While maintaining the Groupwide workforce of 20,000 employees, we will raise the percentage of Group employees working outside Japan from the current 60% to 65%. As a part of this effort, we will expand opportunities for Japanese employees to work outside Japan by adopting an open-job application system.
- In addition, we are looking to shift the emphasis of our human resource strategies toward the development of solutions-oriented personnel. By promoting a higher level of awareness and skills, our goal is to nurture people who are capable of addressing and resolving each issue head-on, from the customer perspective. In doing so, we will be better placed to put forward proposals that encompass each business in its entirety and to create value in concert with customers.

■ Cost Structure Optimization

Reduce costs by ¥20 billion in fiscal year 2017 compared with fiscal year 2014

- Yokogawa will continue to curtail selling, general and administrative expenses as well as the cost of sales as part of efforts to optimize and reform the structure of Groupwide costs. To this end, we will set up an organization that focuses exclusively on reducing costs. Reporting directly to the president, this organization will undertake global cross-sectional projects aimed at reducing costs.

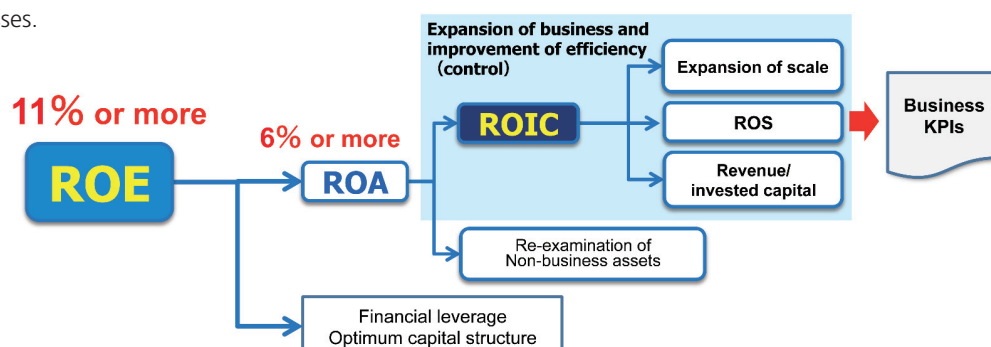
Financial Strategies and Capital Policy

■ Setting Target Benchmarks and ROIC

Under Transformation 2017, Yokogawa has externally committed to achieving a

return on equity (ROE) of 11% or more and a **return on assets (ROA) of 6% or more**.

For internal control purposes, we will rely on **return on invested capital (ROIC)** to gauge the performance of individual businesses.

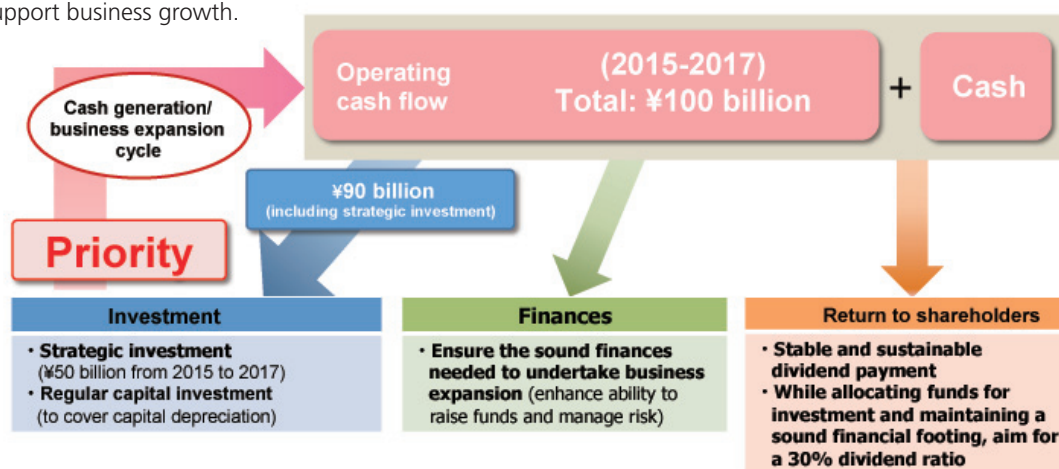


- ROIC indicates how efficient a company is at making investments to improve profitability. We will seek to maximize the impact of our investments and thereby enhance Yokogawa's corporate value.
- Each Yokogawa business organization and function will establish its own key performance indicators (KPIs) for improving ROIC. In this way, the Company will not only improve its ability to generate earnings, but also will increase its investment efficiency, asset usage efficiency, and ability to generate cash.

■ Cash Flow

Over the three-year period ending fiscal year 2017, Yokogawa aims to achieve a cumulative **net cash inflow** from operating activities of **¥100 billion**.

- Yokogawa will allocate ¥40 billion to ordinary capital investment and ¥50 billion to strategic investment for growth, mainly for M&A. Of equal importance, we will ensure the adequate return of profits to shareholders while securing the necessary financial footing to support business growth.



■ Creating an Optimum Capital Structure

We must maintain healthy finances so that we can keep growing amidst intensifying global competition. The Yokogawa Group will rely on ROIC to gauge the performance of individual businesses and enhance our stakeholders' value. We will strive for an optimum capital structure while maintaining a strong financial base that allows us to secure funds for investment and manage risks.

■ Returns to Shareholders

Yokogawa maintains a basic policy of securing stable and continuous increases in dividend payments through profit growth.

In the final year of Transformation 2017, our target is a **consolidated dividend payout ratio of 30%**.

Yokogawa will work to generate the necessary funds to invest in growth by adhering strictly to a policy of efficient management. In this manner, Yokogawa is endeavoring to become a highly efficient global company. We are committed to steadfastly achieving the targets set out under Transformation 2017 by establishing a virtuous growth cycle through which funds are allocated to expand business and increase returns, which will then fuel further growth.



Junichi Anabuki
Director, Vice President
Accounting & Treasury Headquarters

Basic Policy on Corporate Governance – Governance that supports Innovation

Yokogawa recognizes that the basic mission of corporate management is to live up to the trust of its shareholders and other stakeholders. Accordingly, the Company is implementing measures to enhance corporate governance in order to maximize corporate value through a sound and profitably run organization while ensuring sustainable growth in line with this mission.

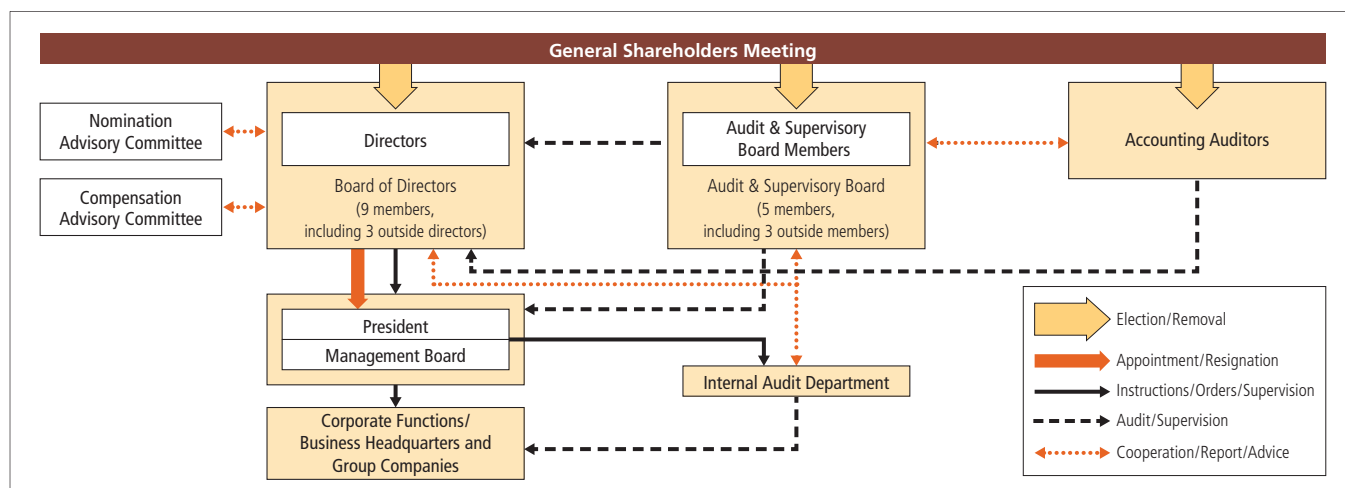
The Company has a Board of Directors and employs a corporate auditor system that is overseen by an Audit & Supervisory Board. This system is enhanced by directors and Audit & Supervisory Board members who come from outside

Yokogawa and are thus independent of the organization.

Through these means, we are bolstering the effectiveness of our corporate governance.

Taking advantage of the opportunity to respond to Japan's Corporate Governance Code, which came into effect in the first half of 2015, Yokogawa has adopted a basic policy of further enhancing its governance structure and is strengthening corporate governance in order to maintain and promote greater management objectivity and transparency.

Corporate Governance Structure



Enhancing Corporate Governance

Year	Action	Directors			Auditors		Officers	
		inside	outside	outside %	inside	outside		(doubling as board member)
2003	Introduced outside directors	7	1	13%	2	2	24	6
2004	Abolished retirement bonuses for directors	7	1	13%	2	3	24	6
2005		7	1	13%	2	3	26	6
2006	Introduced one year tenure system for directors and revised articles of incorporation to reduce number of directors (25 ►15)	9	1	10%	2	3	27	7
2007	Increased number of outside directors Introduced takeover defense measures	8	2	20%	2	3	29	5
2008		7	2	22%	2	3	28	5
2009	Increased number of outside directors Renewed takeover defense measures	7	3	30%	2	3	15	5
2010		5	3	38%	2	3	14	3
2011	Renewed takeover defense measures Sold shares of a listed affiliate	4	3	43%	2	3	15	2
2012		4	3	43%	2	3	14	3
2013		4	3	43%	2	3	12	1
2014	Established Nomination and Compensation Committee (voluntary advisory body) Discontinuation (non-renewal) of takeover defense measures Introduced standards to ensure independence of outside directors	6	3	33%	2	3	12	3
2015	Established Nomination Advisory Committee and Compensation Advisory Committee (voluntary advisory bodies) Conducted outside evaluation of Board of Directors	6	3	33%	2	3	11	3

Decision Making, Business Execution, and Audits

Transparency and the speed of decision making are improved 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. Further, in order to increase transparency in the appointment of outside directors and Outside Audit & Supervisory Board Members, in fiscal year 2015 the Company drew up independence standards for outside directors and Audit & Supervisory Board outside members.

■ Board of Directors

The Board of Directors, which meets once a month in principle, comprises nine directors, three of whom are independent outside directors. The Board of Directors makes decisions for the Company. Specifically, it develops management policies and strategies while monitoring and supervising business execution. The Company has established rules related to the duties of directors and has set up a system in which all directors (including outside directors) assume supervisory responsibility concerning the execution of duties by the Board as a whole. The Board of Directors has a maximum of 15 members, as specified in the Company's Articles of Incorporation. Also, in order to help ensure that corporate management maintains the trust of shareholders, the term of office for directors is set at one year. Furthermore, the Company conducts evaluations of the Board of Directors via an outside institution to further optimize and raise the efficiency of director's execution of their duties.

■ Audit & Supervisory Board

The Audit & Supervisory Board has five members, three of whom are from outside Yokogawa, and meets once a month in principle. Its members carry out auditing in accordance with an annual plan that specifies priority audit items. Members also attend meetings of the Board of Directors and the Management Board as well as other important meetings and hold regular meetings with departments involved with internal auditing, legal affairs, and business ethics, the last of which promotes the compliance system. At these meetings, they exchange opinions, share information about the status of their activities, and actively present recommendations. The Board also works with the accounting auditors to improve the quality and efficiency of both sides' audits through enhanced cooperation and information exchange.

■ 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. It meets once a month in principle. Its decisions are reported to the Board of Directors.

■ Nomination and Compensation Advisory Committees

The Nomination Advisory and Compensation Advisory Committees are advisory bodies to the Board of Directors. They were separately established to fulfill the functions formerly carried out by the Nomination and Compensation Committee, namely, determining compensation standards for the post of director, setting actual compensation amounts, selecting candidates for the post of director, recommending candidates for the post of president, and reporting these to the Board of Directors. They also function to further improve the objectivity and transparency of corporate governance and promote the use of outside perspectives in management. The Nomination Advisory Committee and the Compensation Advisory Committee are each composed of five directors appointed by the Board of Directors, and three of the five members of each committee are outside 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 2014 was as follows:

	Remuneration for their services in fiscal year 2014 (million yen)
Payments by the Company	90
Payments by subsidiaries	50
Total	140

■ 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 has established a Compensation Advisory Committee that is comprised of three or more directors, a majority of whom are outside directors, as determined by the Board of Directors. The allocation of compensation for directors is decided through deliberation by the 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 director's role.

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

Total compensation paid to directors and Audit & Supervisory Board members in fiscal year 2014

	Total compensation (Millions of yen)	Compensation breakdown (Millions of yen)				Recipients
		Fixed compensation	Stock options	Performance-linked compensation	Retirement benefit	
Directors (excluding outside directors)	169	103	—	65	—	6
Outside directors	32	32	—	—	—	4
Audit & Supervisory Board members (excluding outside members)	60	60	—	—	—	2
Outside members, Audit & Supervisory Board	29	29	—	—	—	3

Notes: 1. The above numbers include one outside director who retired during fiscal year 2014.
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 2014

The Tokyo Stock Exchange requests listed companies to secure at least one independent officer (an outside director or an outside member of the Audit & Supervisory Board who has no conflicts of interest with general shareholders). The Company

has three such outside directors and three such outside members of the Audit & Supervisory Board, for a total of six independent officers who are registered with the Tokyo Stock Exchange (as of June 24, 2015).

Name		Major activities	Board of Directors meetings attendance	Audit & Supervisory Board meetings attendance
Outside Director	Yasuro Tanahashi	Provided advice based on his managerial experience, extensive knowledge of Japan's key industries, and broad perspective gained from abundant experience in establishing and developing new businesses	15/16	—
	Mitsudo Urano	Provided advice with keen insight based on his managerial experience primarily in manufacturing and abundant experience in matters such as management information systems	15/16	—
	Noritaka Uji	Provided advice with keen insight based on his abundant managerial experience and deep knowledge of corporate value evaluation	10/12	—
Outside Member, Audit & Supervisory Board	Hideto Masaki	Provided advice with keen insight based on his extensive experience mainly as a manager and deep knowledge of technology development	16/16	20/20
	Zenichi Shishido	Provided advice with keen insight based on legal management and a broad knowledge of corporate governance	16/16	20/20
	Izumi Yamashita	Provided advice with keen insight based on legal management and a broad knowledge of the financial industry	12/12	14/14

■ Internal Control Systems

Yokogawa Group Internal Control Systems, which are intended in part to ensure the reliability of financial statements and the propriety of decision making, safeguard the appropriateness and efficiency of Group operations. These systems have been revised in accordance with the May 1, 2015 promulgation of the Companies Act Revision and Ordinance for Enforcement of the Companies Act. Changes include clarifying that the systems are intended for the Yokogawa Group, which consists of the Company and its subsidiaries. Moreover, as a part of the system to ensure the effectiveness of audits by Audit & Supervisory Board members, the Audit & Supervisory Board has now entered into an advisory agreement with attorneys.

■ Risk Management

As a unit responsible for risk management, the department responsible for internal auditing reports important matters to the Board of Directors and the 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

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.

We have established the Standards of Business Conduct as a set of guidelines for business conduct. Detailed rules of conduct are listed in the Basic Principles of the Yokogawa Group, Basic Attitude of the Yokogawa Group and Guideline of Conduct for Yokogawa Group Members. In addition, the Yokogawa Group Compliance Guidelines, which include supplementary Anti-bribery Guidelines, set out how employees should respond to a variety of issues encountered on the job.

Moreover, we have established a department in charge of business ethics that is charged with the identification and resolution of issues pertaining to the compliance system. The Company is strongly promoting compliance management. It aims to be healthy and open, with both a culture that encourages and enforces proper ethical conduct and a system for preventing misconduct and scandals before they occur. In so doing, we will meet the expectations of investors and other stakeholders.



Examples of Compliance Promotion Initiatives

● Awareness Raising Activities

Every year all employees receive compliance training. We are also working to deepen understanding and increase awareness of compliance by annually holding a Compliance Week campaign, offering e-learning-based study programs, and soliciting compliance slogan entries from employees.

● Compliance Awareness Surveys

We annually conduct compliance awareness surveys in order to determine how prevalent compliance awareness is among employees and to improve promotion activities. Survey results are shared throughout the Group. In addition, we analyze the survey data by workplace and function, and use the results when formulating compliance measures in the subsequent fiscal year.

● Established Compliance Hotlines

To rapidly identify and address compliance issues, we have established compliance hotlines, which we actively encourage our employees to use. Specifically, we have established both an internal hotline and an external hotline that is operated by attorneys. Both hotlines maintain strict confidentiality and respond promptly to caller concerns.



Transformation 2017 and the Role of Outside Directors

Mitsudo Urano, Outside Director

In September 2015, Yokogawa marked its 100th anniversary. For 100 years Yokogawa's people have worked in earnest to implement 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." During that time, the Company has been subject to a volatile socio-economic environment that has included the Second World War, the oil crises, and the collapse of Japan's economic bubble. More recently, between 2008 and 2010, the Company experienced a major slump as a result of its slow response to the global financial crisis and the strong yen. To help Yokogawa get out of this predicament, I accepted the offer to become an outside director in 2011. This was the same year that the Evolution 2015 mid-term business plan was established.

The goals of Evolution 2015 were the transformation of Yokogawa's business portfolio, the pursuit of growth through the concentration of business resources in the industrial automation and control business, regional expansion across the globe, and the widening of the Company's industry focus. The Company achieved its fiscal year 2015 sales targets early, due in part to the effects of the weak yen, but profitability remained a challenge. Moreover, the global market conditions on which the assumptions of Evolution 2015 were based had changed, and the pace of change had accelerated. It thus became necessary to formulate and move up the date on which the Company would introduce a new mid-term business plan. Vehicles for change in the global market are information communications technology (ICT) and the related Internet of Things (IoT). Yokogawa's customers want to utilize production site information not only in production management, but also sales and business management. To address these evolving needs, Yokogawa established a new mid-term business plan, Transformation 2017. I am greatly pleased to have had the opportunity to participate in the discussions that led to the new plan's formulation.

Transformation 2017 will take the solutions service business, which seeks to anticipate change, to a deeper level. The

major thrust of the plan is to work closely with Yokogawa's customers while also considering the needs of their customers, uncover needs that have not yet come to their attention, and forge ahead together to solve the challenges presented by these needs. Of course, also important is the industry expansion strategy that Yokogawa Solution Service Corporation (in charge of the Japan industrial automation and control business) is pursuing by leveraging its informational management resources*.

Corporate governance needs to function across the entire business organization while aligning and merging with the interests of diverse stakeholders for the purpose of raising intrinsic corporate value over the long term.

Within these parameters, I believe my role as an outside director of Yokogawa is that of looking into the reasons for management initiatives and inspiring a spirit of innovation while fostering constructive tension among the Company's officers. Yokogawa, for better or worse, is a Japanese company. The typical Japanese company is apt to try to eliminate any differences that disrupt internal harmony. A lack of swift, dynamic decision-making and the inability of entire organizations to act have also been pointed out as common weaknesses. Furthermore, at the expense of being responsive to change, Japanese organizations sometimes place undue emphasis on historic precedent and the special characteristics of their businesses. As an outside director, I will exercise sound common sense in management, will never adjust my honest views to avoid rocking the boat, and will continue to act as an outsider. If the entire Board of Directors demonstrates the ability to question and investigate, I believe that the Company can better differentiate itself from its competitors in the international marketplace and initiate clear and decisive management policies. Maintaining the strong backbone necessary for this job, I will fulfill my duty as an outside director.

* Sometimes called an intellectual resource, this is a corporate asset that includes the knowledge needed to acquire and extract meaning from technologies, customer information, and know-how. A company's external resources include trust in the company and its brand.

Directors, Audit & Supervisory Board Members, and Officers

As of June 25, 2015

Directors



SHUZO KAIHORI
Director and Chairman



TAKASHI NISHIJIMA
Representative Director
President and Chief Executive Officer



SATORU KUROSU
Director
Executive Vice President



HITOSHI NARA
Director



MASATOSHI NAKAHARA
Director
Senior Vice President



JUNICHI ANABUKI
Director
Vice President



MITSUDO URANO
Outside Director



NORITAKA UJI
Outside Director



NOBUO SEKI
Outside Director

Audit & Supervisory Board Members



TAKAFUMI KOYANAGI
Audit & Supervisory Board Member



KIYOSHI MAKINO
Audit & Supervisory Board Member



HIDETO MASAKI
Outside Member, Audit & Supervisory Board



ZENICHI SHISHIDO
Outside Member, Audit & Supervisory Board



IZUMI YAMASHITA
Outside Member, Audit & Supervisory Board

Officers

Senior vice president

HIROSHI SUZUKI

Vice president

MASAHARU YAMAZAKI

CHIAKI ITOH

HAJIME WATANABE

KOUJI MAEMURA

MINORU NISHIMURA

AKINOBU NONAKA

SHUJI MORI

Note: Mitsudo Urano, Noritaka Uji, and Nobuo Seki (Outside Directors) as well as Hideto Masaki, Zenichi Shishido and Izumi Yamashita (Outside Members, Audit & Supervisory Board) are independent officers as defined by the regulations of the Tokyo Stock Exchange.

Strategic Management

Governance

Business Performance

Value Creation

Sustainability

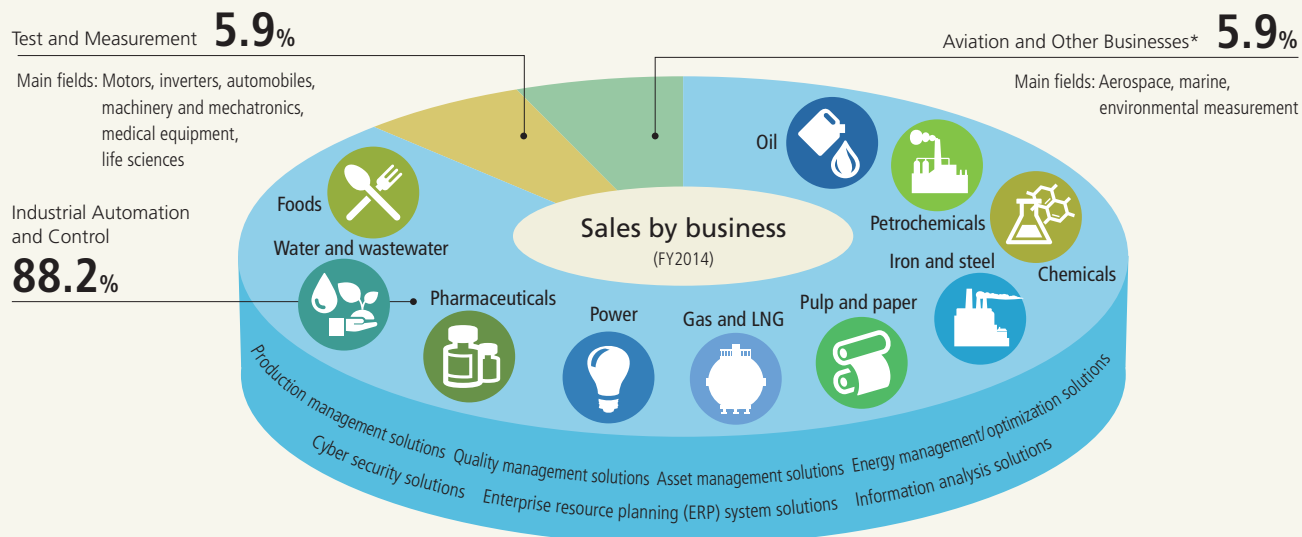
Performance Review

Corporate Information

Business Segments

The Yokogawa Philosophy is grounded in the idea that we will contribute to society through a broad range of activities in the measurement, control, and information fields. In line with this philosophy, the Company will take full advantage of all relevant technologies to expand and develop its activities in the industrial automation and control, measurement, and aviation and other businesses segments.

Principal Industries and Solutions



* Formerly known as the "Other Businesses" segment; this change took effect at the beginning of fiscal year 2015.

(Billions of yen)

500

Outside Japan Japan Percentage of sales generated outside Japan

400

300

200

100

0

(FY)

2004

2005

2006

2007

2008

231.1

253.0

309.2

322.3

301.2

107.2

121.4

182.4

196.6

182.4

123.9

131.6

126.8

125.7

118.8

46.4%

48.0%

59.0%

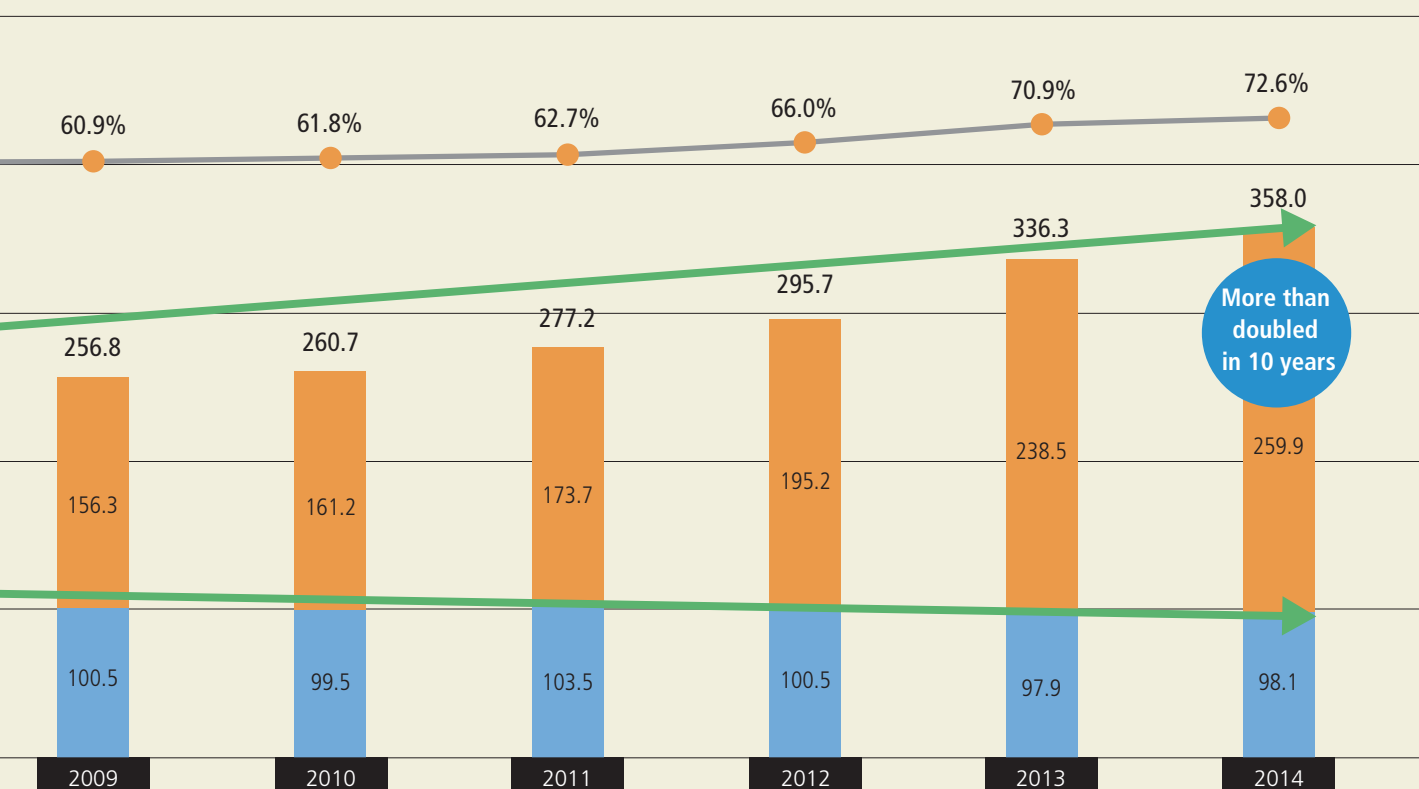
61.0%

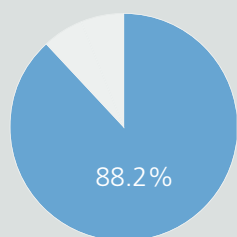
60.6%

There are two main things that must be understood about our mainstay industrial automation and control business segment:

- Close relationships with customers are important in this business segment, and there is a strong focus on co-creating value.
 - (1) Long-term business
 - Emphasis on high reliability (24/365 operations)
 - Continual proposal of solutions and provision of support over a 40-50 year plant lifecycle
 - (2) Importance of onsite operations and localization of services
 - Must have expertise in site operations and be able to respond to changes
 - Service facilities must be located close to customers.
- Our expansion in markets outside Japan is driven principally by this business segment.
 - Industrial Automation (IA) and control sales outside Japan have more than doubled over the past 10 years, and sales outside the country currently account for more than 70% of all sales for this segment

IA and control sales / Percentage of sales generated outside Japan





Net sales ratio

Orders: **¥367.0** billion

Net sales: **¥358.0** billion

Operating income: **¥27.1** billion

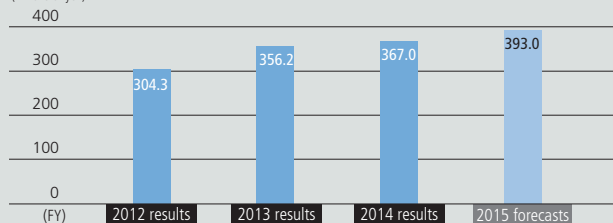
Net sales ratio outside Japan: **72.6%**

Main solutions/products

- Production management solutions
- Quality management solutions
- Asset management solutions
- Energy management / optimization solutions
- Operation support solutions
- Cyber security solutions
- Enterprise resource planning (ERP) systems
- Information analysis solutions
- Integrated production control systems
- Safety instrumented systems
- Programmable controllers
- Differential pressure / pressure transmitters
- Flowmeters
- Recorders
- Analyzers, other

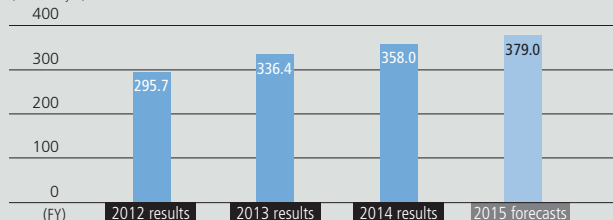
Orders

(Billions of yen)



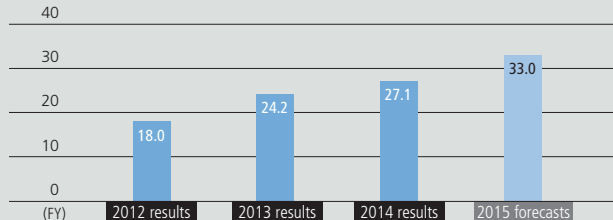
Net sales

(Billions of yen)



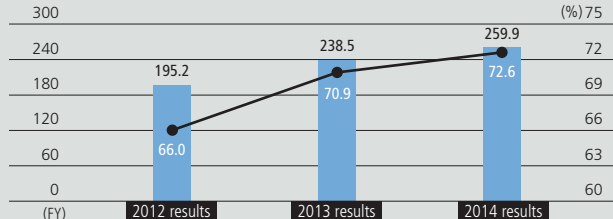
Operating income

(Billions of yen)



Net sales outside Japan / Net sales ratio outside Japan

(Billions of yen)



Note: FY2015 forecast as of August 7

CENTUM VP integrated production control system



Yokogawa is a pioneering developer of distributed control systems used to monitor and control processes in a broad range of production facilities, and is well regarded around the globe as a leader in the control field. Consistently striving to take the user perspective, the Company works together with its customers to uncover issues and put forward best-fit solutions that enhance production efficiency, ensure high availability, make maximum use of assets, maintain safety, and optimize the use of facilities over the entire plant lifecycle. Working in concert with its customers, Yokogawa is committed to creating value on their behalf.

Based on its approach of engaging in process co-innovation, Yokogawa will continue to provide solution services that support the growth and development of industries as varied as oil & gas, chemicals, electric power, iron and steel, pulp and paper, pharmaceuticals, and food. Yokogawa will also enhance sustainability by providing solutions that make more efficient use of renewable energy sources and developing next-generation energy technologies. Furthermore, the Company will make the most of its measurement and control technologies and deliver highly reliable system and non-system products that support each of these solutions.

■ Solution Services

Yokogawa boasts the extensive industry knowledge and advanced capabilities needed to carry out high-profile, large-scale projects, and is actively engaged in a number of such undertakings worldwide. Working in collaboration with its customers over the entire lifecycle of their plant facilities, Yokogawa contributes to their sustained growth. The Company helps its customers address issues by providing an ideal combination of advanced, integrated automation solutions and services.

1. Advanced solutions

Yokogawa provides advanced, integrated solutions that optimize and improve the efficiency of plant operations. Comprehensive in nature and developed in concert with our customers, these solutions include manufacturing execution and information systems that primarily create value by supporting

CENTUM VP controller/
YFGW410/YFGW510 field wireless solution



ProSafe-RS safety instrumented system



DPharp EJX series differential pressure/
pressure transmitter



core plant production management operations. Using information that has been gathered onsite by means of ICT and IoT technology, these solutions support management-level decision making and streamline and optimize operations across entire companies, business categories, and industries. For these purposes, the Company is working hard to enhance its solution proposal capabilities.

2. Lifecycle services

To help its customers address emerging cybersecurity threats and other issues that affect their ever more complex plant systems, Yokogawa proposes service solutions that capitalize on the wealth of measurement and control knowledge and experience acquired by its people over the years. By conducting periodic inspections, Yokogawa is able to further enhance the remote operation/maintenance and other lifecycle services that it provides over the entire lifetime of a plant facility to enhance operations and improve efficiency.

3. Field wireless solutions

By introducing wireless communications in industrial automation applications, Yokogawa is leading the way forward in field digital networks. Wireless solutions have increased the flexibility of location with low wiring costs, and allows the introduction of measurement and control solutions in entirely new fields.

In addition, digital wireless technology that conforms to the ISA100 Wireless™ standard has been able to bring the reliability and security of our wireless systems to the same level achieved with wired communications. The integration of field wireless systems with existing wired networks will allow the offering of new and innovative solutions in fields such as health, safety, and environment (HSE) and plant maintenance.

■ Reliable Product Lines for Stable Production

1. Product lines

To realize safe, secure, and stable plant operations and support the various solutions that it provides, Yokogawa offers a lineup of measurement products that are able to accurately

access and collect a wide variety of production data. These include transmitters and flowmeters that measure the pressure, temperature, and flow rates of liquids and gases; gas chromatographs that measure components in processes; pH meters and other types of analyzers; and paperless recorders that electronically record measurement data.

2. System products

System products enable the monitoring and control of plant operations using data that has been collected by sensors such as transmitters and flowmeters located throughout a production site. Yokogawa's system product lineup features highly reliable integrated production control systems, safety instrumented systems, network-based production systems, programmable controllers, and temperature controllers.

Yokogawa provides an extensive array of product lines and other solutions that support the development of industries and contribute to the realization of a sustainable society.

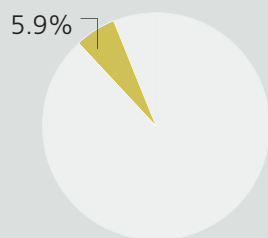
■ Fiscal Year 2014 in Review

Although it had been thought that orders outside Japan might fall as a result of the plunge in oil prices, demand was robust, mainly in the energy- and materials-related markets. At the same time, the yen remained weak. As a result, orders, net sales, and operating income were all up compared with the previous fiscal year.

■ Fiscal Year 2015 Outlook and Business Strategy

Robust growth is expected to continue chiefly in energy- and materials-related markets thanks to stronger demand for energy and the active development of energy resources in emerging and resource-rich countries. Accordingly, orders, sales, and operating income are all expected to be up year on year. We aim to expand our businesses throughout the energy supply chain by leveraging the strength of our customer base in the oil & gas, power, and chemical industries. We also aim to enter new industries by means of our solution consulting business.

Test and Measurement Business



Net sales ratio

Orders: **¥23.1** billion

Net sales: **¥23.8** billion

Operating income: **¥1.6** billion

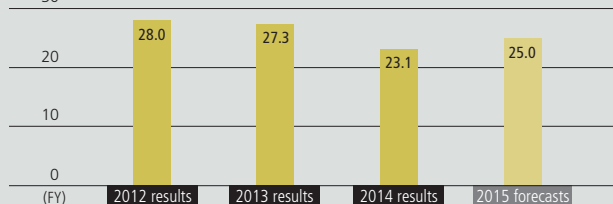
Net sales ratio outside Japan: **63.6%**

Main solutions/products

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

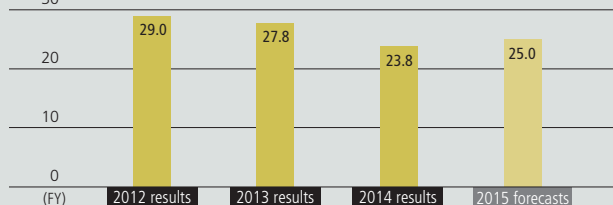
Orders

(Billions of yen)



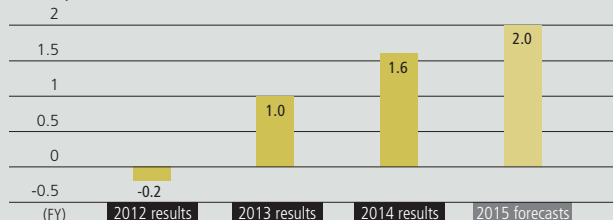
Net sales

(Billions of yen)



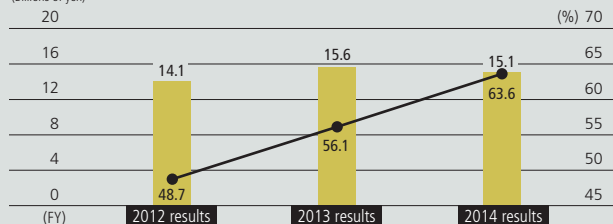
Operating income (loss)

(Billions of yen)



Net sales outside Japan / Net sales ratio outside Japan

(Billions of yen)



Note: FY2015 forecast as of August 7



WT3000E precision power analyzer



PX8000 precision power scope



CV7000 high-throughput cytological discovery system



CSU-W1 confocal scanner unit

The test and measurement business traces its history back to an electric meter research institute that was established by the Company's founder, Tamisuke Yokogawa, a Doctor of Architectural Engineering. Ever since, we have contributed to industry by providing measurement equipment.

Yokogawa meets the needs of its customers with an extensive lineup of measuring instruments that are essential for the research and development, production, and maintenance of electrical equipment, electronics, automobiles, communications systems, and other products. These products are backed by the Company's robust service network. To create superior products with unique functionality, Yokogawa develops key components in-house.

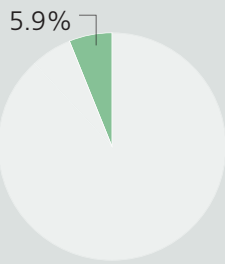
The Company is also active in the life sciences. Yokogawa has contributed to fields such as regenerative medicine and iPS cell research by providing confocal scanner units that allow live cells to be observed using fluorescence labeling techniques. Through the acquisition of a label-free analysis technology, the Company is today helping to realize new advances in cutting-edge medicine by facilitating the label- and irradiation-free observation of in vivo cell activity during the pre-clinical and clinical trial development stages required for the regulatory approval of new treatments. Complementing these endeavors, Yokogawa provides solutions such as drug discovery support systems that automate the high-speed testing of compounds. This in turn is leading to the cultivation of new markets.

■ Fiscal Year 2014 in Review

Orders and net sales in the test and measurement business segment declined year on year mainly as a result of the discontinuation and sale of businesses before the end of the previous fiscal year. On the other hand, earnings rose, due largely to the decrease in expenses related to the discontinuation of businesses.

■ Fiscal Year 2015 Outlook and Business Strategy

Orders, net sales, and operating income are all anticipated to increase due to the absence of the effects of business discontinuation and sale. In the measuring instruments business, Yokogawa will work to boost profitability by focusing on fields such as electric power and optical communications measurement that can generate synergies with the industrial automation and control business. In the life science business, the Company will establish a presence in the drug discovery support system market and expand its business by providing new solutions that utilize innovative technologies to facilitate the observation of live cells.



Net sales ratio

Orders: ¥26.9 billion

Net sales: ¥24.0 billion

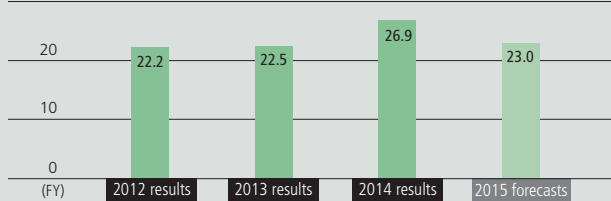
Operating income: ¥1.1 billion

Net sales ratio outside Japan: 25.2%

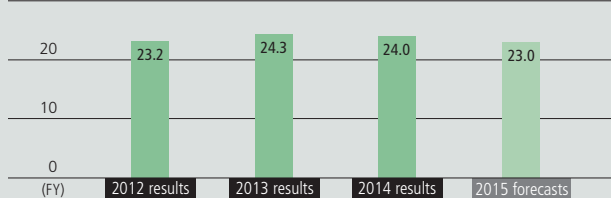
Main solutions/products

- Aviation equipment
- Marine equipment
- Hydrological and meteorological equipment

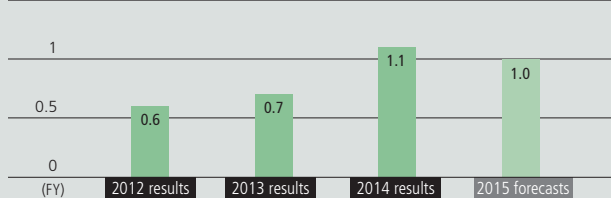
Orders

(Billions of yen)
30


Net sales

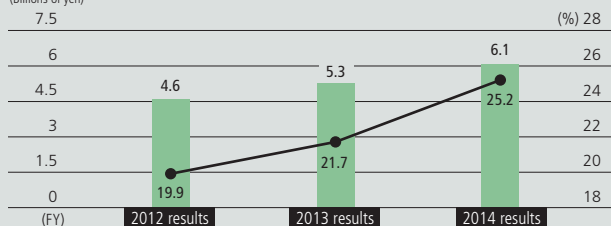
(Billions of yen)
30


Operating income

(Billions of yen)
1.5


Net sales outside Japan / Net sales ratio outside Japan

(Billions of yen)



Note: FY2015 forecast as of August 7

Aviation equipment



Flat-panel displays for aviation use



Marine equipment



Gyrocompasses



Autopilot

The aviation and other businesses segment is engaged in the provision of aviation equipment, marine equipment, and hydrological and meteorological equipment. The Company 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 hydrological and meteorological equipment are supplied to the Japan Meteorological Agency and local government authorities.

Fiscal Year 2014 in Review

Orders were up overall thanks to large-scale orders for aviation equipment. The increase in operating income is attributable to contributions of 0.3 billion yen from our real estate business.

Fiscal Year 2015 Outlook and Business Strategy

The aviation business is doing well, and we aim to improve profitability both for this and the marine equipment businesses.

Human resource development is the most important factor for Yokogawa's growth and key to the creation of new value. In order to solve problems together with our customers, each and every employee must understand their expectations and needs and have the ability to propose valuable solutions from their point of view. While promoting diversity, we must ensure that our employees consider matters from the customer viewpoint, are capable of understanding other cultures, and can work effectively in a global business environment. Yokogawa will accelerate the globalization of its business activities by strongly enforcing its human resources strategy and will aim for an efficient operation that is robust against changes.

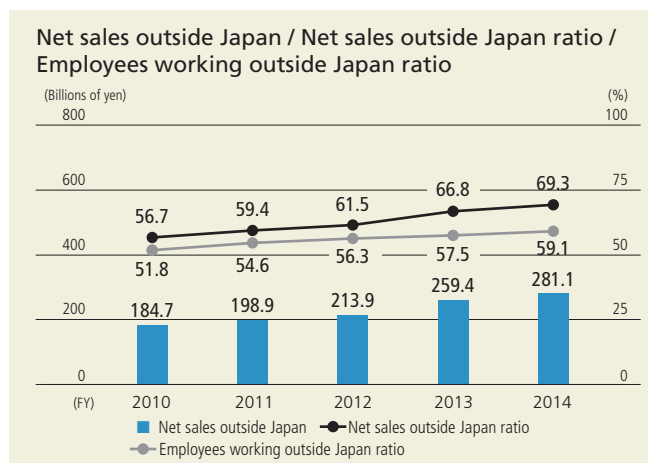
Yokogawa's Human Resource Strategy

1. Increasing the ratio of employees who are based outside Japan
2. Building a global personnel system
3. Developing global human resources
4. Promoting diversity

1. Increasing the Ratio of Employees who are Based Outside Japan

Yokogawa is aggressively accelerating business expansion outside Japan, and its urgent and crucial task is to develop and reinforce its global human resources. Yokogawa's sales subsidiaries outside Japan have spread to 55 countries, a little less than 12,000 employees are working outside Japan, out of a total Group workforce of approximately 20,000, and the sales ratio outside Japan has reached about 70% of the total.

While maintaining the Groupwide workforce of 20,000 employees, we will raise the percentage of Group employees working outside Japan from the current 60% to 65%. As a part of this effort, we will expand opportunities for Japanese employees to work outside Japan by adopting an open-job application system, aiming to increase the number of such employees from 200 to 300. At the same time, we plan to double the number of non-Japanese employees working in Japan in comparison to fiscal year 2014 levels.



2. Building a Global Personnel System

In human resources management, we aim to build a global personnel system to achieve the optimal placement of human resources. To do this, we need to select and foster human resources who understand the Yokogawa values and realize a transparent promotion and salary system.

In fiscal year 2014, the Company thoroughly reviewed its expatriate regulations for the first time in 26 years to standardize the regulations for multinational personnel changes. Further, we are working to unify the functional requirements of core duties.

3. Developing Global Human Resources

Since Yokogawa customers are spread across the world, we will focus more than ever on developing global human resources and accelerating the globalization of our business activities.

Yokogawa is also taking steps to implement meticulous training programs geared to employees in different tiers and also encourage each employee to achieve the transformation needed to create new value together with customers.

(1) Development of Management Layer

Yokogawa launched a Global Leadership Development Program (GLDP) in 2011 that aims to foster a new generation of Yokogawa executives. Nearly 100 senior and mid-level executives from all global Yokogawa offices have participated in the training program to date. Similarly, a parallel program targeted at junior to mid-management levels namely, the Manager/Leader Development Program (MLDP), has successfully seen to the achievement of approximately 430 managers being trained globally. The MLDP aims to enable managers to sharpen their leadership skills by gaining a better understanding of the manager's role and challenges.

(2) Global Development of Japan's Young Employees

Since fiscal year 2011 Yokogawa has implemented a Global Talent Development Program (GTDP) designed for young Japanese employees. The purpose of the program is to foster human resources with the English language communication and negotiation skills needed to play active roles in a global business environment. To date, 153 Japanese employees of the Yokogawa Group have participated in the program, and we will expand the range of the global human resource development by increasing the number of employees who participate. Further, the Company will introduce an open-job application system for employees who wish to take on challenges.



(3) Educational Program for Cross-cultural Understanding

Understanding the differences between Japan's and other partner countries' cultures and customs is critically important to facilitate global business communication. In Yokogawa, we conduct a program aimed at fostering mutual understanding between different cultures.

• Cross-cultural Communication

In fiscal year 2013, Yokogawa started offering a cross-cultural training program for Japanese employees, and 328 employees have participated so far. The program is composed of classes that are grouped by English skill level.

Through games and lectures, participants learn about cultural differences in business communications, and the impact on business caused by those differences.

• Japanese Culture & Communication

This program is designed to support non-Japanese employees living and working in Japan. Since the program was first offered in 2013, 28 employees have attended. Non-Japanese employees working in Japan contribute to the program as instructors to teach Japanese expressions needed in daily life and business, as well as Japanese culture and customs. At the same time, the program provides networking opportunities among non-Japanese employees.

4. Promoting Diversity

In order to respond promptly to a changing business environment and a wide range of customer needs, Yokogawa promotes diversity. By hiring and fostering human resources that differ in experience, knowledge, sensitivity, perspective, culture, and values, we will be better able to create new value and accelerate the global development of our business.

• Human Resource Diversification

A diverse workforce is an indispensable prerequisite for the further growth of Yokogawa. We will promote the active participation of employees of different races and nationalities not only in the Yokogawa Group outside Japan but also in Japan. In Japan, we are accepting more employees from Group companies outside Japan for the purpose of supporting their career path and promoting the globalization of Yokogawa. Along with that, Yokogawa has established a specialized department responsible for receiving non-Japanese employees and supporting their living in Japan. Yokogawa has also developed in-house bilingual office broadcasting (English and Japanese), business communications, cafeteria menus, etc., as well as provided useful information related to living in Japan.

Through such efforts to promote diversification, we hope that new ideas and approaches can be created. Yokogawa is working to transform awareness and behavior and establish a system to take advantage of its diverse workforce to strengthen its global business competitiveness and foster the creation of new value.

• Promoting the Further Success of Female Employees

The Company actively supports its female employees. Specifically, we implement career development support for female employees based on a medium- and long-term plan, and provide training. Our aim is to double the number of female managers in fiscal year 2017 (against FY2014).

On a long-term basis, the Company aims for at least 30% of new recruits to be female.

Research and Development (R&D) – Product Development, Applied Research, Innovation Activities

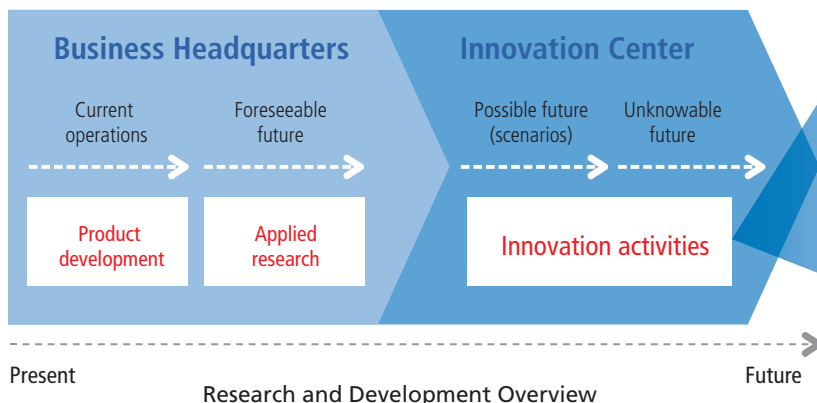
Research and Development Overview

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

The mission of the Innovation Center is twofold:

1. Research and develop new technologies that complement each individual business headquarters and address customer issues, thereby allowing us to expand the scope of our business.
2. Prepare for an uncertain and unpredictable future and lead the way to the creation of new businesses by working with customers to uncover hidden issues and find ways to address them.

This fiscal year, the Innovation Center was moved to the Marketing Headquarters to achieve synergies between innovation activities and marketing functions, and will thereby continue to promote innovation activities to focus on our customers.



The Three Stages of Innovation Creation

Idea Creation Stage

■ Insight into the Future

At Yokogawa, we acquire insights into the future through the use of methodologies such as scenario planning and scanning. With scenario planning, we continuously seek to envision multiple future scenarios and identify issues common to them so that we can respond flexibly to difficult-to-predict isolated events and better add value for our customers. With scanning, we try to anticipate social changes that will transpire over the next 10 to 20 years. For each of these methodologies, a diverse group of people both inside and outside the Company around the world comes together to discuss issues, and their findings are reflected in our research and business development initiatives.

■ Co-creation

As one means of encouraging the generation of new ideas, Yokogawa promotes co-creation activities both inside and outside the Company. The NIN-NIN* coworking area has been set up in the Yokogawa Technical Library at our corporate headquarters as a place where personnel from different business divisions can engage in co-creation activities. Yokogawa has also established a "Future Center." Dedicated to co-creation initiatives, this is a place where people from outside the Company can take part in co-creation activities. Here, we host workshops at which people from all around the world help us come up with new ideas.

Research and Development Stage

At the R&D stage, we screen all proposed research projects that emerge from the idea generation process to examine their feasibility as businesses, and further refine those that are considered most promising while continuing to research new technologies. We also analyze markets and seek to open up new markets as necessary.

* The name "NIN-NIN" is based on the Chinese character for "person," and means "person to person." The NIN-NIN coworking area provides a relaxed environment to encourage idea creation through interpersonal interaction. People with common interests and aspirations come together and generate new ideas, find new perspectives, and create new networks.

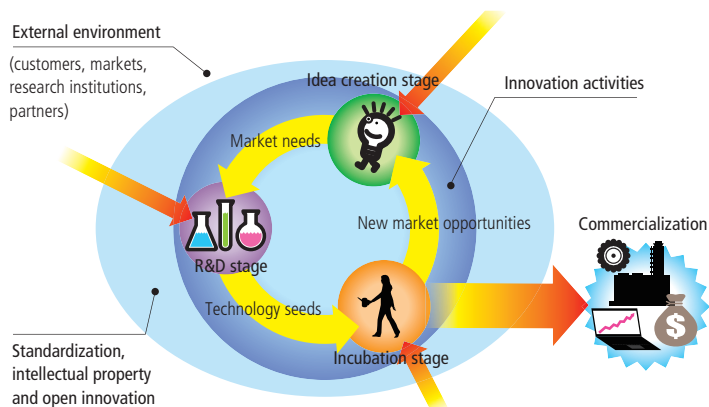


NIN-NIN coworking area

Innovation activities

To achieve sustained growth and development, we must constantly look for new business opportunities and nurture the seeds that could become next-generation businesses. At Yokogawa, we believe that a particular mindset or approach is required to innovate. In the industrial automation field, there are limits to what can be automated solely through the use of machinery. More advanced systems can be built by combining the superior capabilities of people and the strengths of machines. If we can systemize work that heretofore has required intuitive reasoning based on prior experience, machines can assist in decision making and free up humans for more creative and high-value-added pursuits. This is one way in which new technologies can spur changes. By engaging in innovation activities, Yokogawa is not only able to provide a system but can also prompt its customers to change their approach so that we can create technologies and solutions with them.

At Yokogawa, the innovation process comprises the three stages of idea creation, R&D, and incubation. Repetition of this cycle will continually give rise to new innovations. At each stage we are supported by our activities in such areas as standardization, open innovation, and intellectual property.



The three stages of innovation creation

Incubation Stage

When a research and development project is completed, it moves to the incubation stage. At this stage, researchers develop an exit strategy with support from the sales and marketing divisions. In addition, they collaborate with customers to demonstrate the value of the development project. When the value is recognized, the project moves to the commercialization stage.

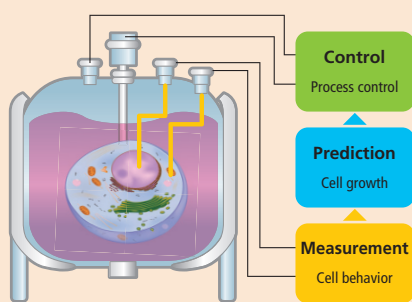
Example 1: Investigation of on-site use of mobile technologies and construction of platform

This is an example of a solution that was jointly developed with one of our customers, a major European chemical company. The picture shows a prototype of a mobile terminal. This is a part of a new plant asset management platform we plan to build that will provide access to plant information through the use of mobile communications, machine learning, augmented reality, and other advanced information & communication technologies (ICT).



Prototype demonstration

Example 2: In-line measurement and model predictive control of cell culture processes



Cell Culture Process

In the life sciences field, advances are being achieved in the development of biological production and other cutting-edge technologies, such as cell-based biological medicine production technologies and cell culture technologies for regenerative medicine applications. Leveraging its R&D accomplishments, Yokogawa has been developing technologies that can be used to make short-term predictions (several hours in advance) of how a cell will behave. We aim to contribute to the life science industry by supplying our technologies for use in cutting-edge production facilities, for applications such as the production of new medicines and the achievement of advances in induced pluripotent stem cell (also known as iPS cell or iPSC) technology.

Activities Supporting the Innovation Process

■ Standardization

International standardization is an important aspect of our business and helps reinforce our global competitiveness. Yokogawa participates as a member of international standards organizations such as the International Electrotechnical Commission (IEC) and the International Organization for Standardization (ISO).

■ Open Innovation

Open innovation takes advantage of technologies and knowledge from outside the Company. We scour the globe for the best partners to network with, including universities, research institutes and start-ups. For technology issues that require a high level of secrecy, Yokogawa has confidentiality agreements in place with consultants who support in conducting confidential searches for collaboration partners around the world. For technological needs with a low level of secrecy, such as materials and processing technologies that can be discussed without revealing their applications, we openly solicit proposals under our own name through presentations and meetings.

■ Intellectual Property Strategy: Addressing Global Competition

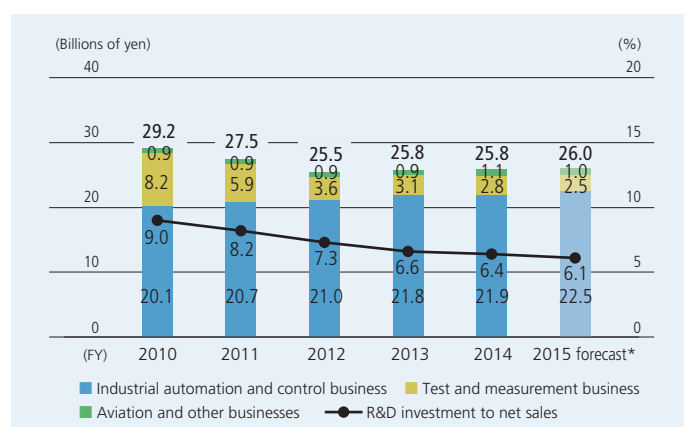
To raise global competitiveness, Yokogawa continues through its R&D to create valuable intellectual property, and strives for an optimal balance in its filing of patent applications in and outside Japan. In addition, by making strategic use of external intellectual property we are able to speed up development and provide new forms of value to our customers.

Intellectual property rights owned by the Company

(As of March 31, 2015)

	In Japan			Outside Japan			Total
	Registered	Pending	Subtotal	Registered	Pending	Subtotal	
Patent	2,186	565	2,751	641	746	1,387	4,138
Design	132	7	139	78	35	113	252
Trademark	447	2	449	596	120	716	1,165
Total	2,765	574	3,339	1,315	901	2,216	5,555

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



As of Aug. 7, 2015

CSR Policy

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.

Individually, we aim to combine good citizenship with the courage to innovate.”

provides the underlying basis for our efforts to fulfill our corporate social responsibility (CSR).

Yokogawa has established a department at its head office to oversee CSR activities throughout the Yokogawa Group. Group companies around the world are promoting CSR initiatives to meet the expectations of each country and region. Through these means, we are making every effort to contribute to the sustainable development of local communities and economies. We have also established the Yokogawa Group Compliance Guidelines, which provide employees with a road-map for conduct in such areas as human rights, legal compliance, and occupational safety and health.

■ Contributing to Society through Our Business

Yokogawa, since its inception, has been providing the measurement, control and information technologies that are essential to various industries and thereby contributing to the sustainable development of society.

Many Yokogawa products and solutions are in use in plants in a broad-range of industries, including petroleum, petrochemicals, chemicals, iron and steel, paper, natural gas/LNG, power, pharmaceuticals, water supply, and foods.

By providing solutions which enhance energy efficiency and support the creation of next-generation energy technologies, we are helping to solve a variety of social issues. In this manner, and by positioning the business to business to community (B to B to C) concept at the heart of our CSR activities, we will contribute to the sustainable development of society.

■ Supporting the United Nations Global Compact Initiative

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. Yokogawa is committed to fulfilling its various fundamental responsibilities as a company, including maintaining compliance and contributing to society through its businesses.

Yokogawa has participated in the Global Compact Initiative, an international undertaking advocated by the United Nations, since 2009. Accordingly, the Company endeavors to support and practice the Compact's ten principles relating to human rights, labor, the environment, and anti-corruption. Yokogawa strives to ensure that its global network of Group companies and suppliers shares the same commitment to these principles.

Looking ahead, every effort will be made to fulfill our corporate responsibilities as a globally operating company.

Yokogawa Electric Corporation
President and CEO Takashi Nishijima



Coexisting with Local Communities

■ Coexisting with Local Communities

Even after delivering products to customers, Yokogawa remains involved with their plant operations, providing engineering for upgrading or expansion, maintenance, and other services throughout a multi-decade plant lifecycle. For this reason, it is vital that we give the local communities in which we and our customers operate due consideration and work toward mutual growth.

This basic stance is reflected in the Yokogawa Philosophy and the Group's Standards of Business Conduct. The Yokogawa Philosophy extols the virtues of contribution to society and good citizenship, while the Standards of Business Conduct focus on contributing to the development of and cooperating with local communities and society as a whole, including protection of the environment.

We seek to expand our businesses worldwide in line with this basic stance.

In Yokogawa plants and offices, manufacturing processes and operations are improved in a way that balances efficiency improvement and environmental impact reduction by means such as reducing CO₂ emissions and managing the quality of discharged water. Based on our global health and safety management system, we set management indicators and carry out risk management to operate all business facilities with due consideration of the health and safety of local employees.

The solutions we provide to our customers' plants facilitate environmental protection and safety assurance in local communities. Many of our solutions are used in public infrastructure plants, including water supply or treatment and electric power facilities. We thus indirectly support the lives of local residents in their communities.

■ Corporate Citizenship Activities

Yokogawa contributes to local communities through various initiatives that create value for both communities and the Company over the medium- to long-term. These initiatives include leveraging our technological and manufacturing strengths to assist in human resource development.

We are working together with people around the globe to find solutions to issues that people face in the various regions where we operate.

Japan

- Next-generation education: Science workshops for elementary school children, sports-oriented youth education assistance, collaborative study with universities
- Regional environment protection: Forest care activities
- Education and independent living assistance for people with disabilities: Support in education and leisure activities for handicapped children, utilizing the skills and specialties of Yokogawa Group employees

America

- Assistance in the fields of education and social welfare, donations toward illness treatment/research, supporting local events

Europe

- Technical education: Accepting engineering students, establishing a technical center in collaboration with a university, setting up scholarships, and donating products
- Sports-oriented youth education assistance, support in the medical field

The Middle East

- Technical education: Supporting engineering training, collaborating with universities, offering internships to university students

Africa

- Assisting ethnic minorities: Education and donations

Asia, Australia

- Assistance for the socially/economically disadvantaged: Visiting welfare facilities, donations

World Final of the Danone Nations Cup* 2014



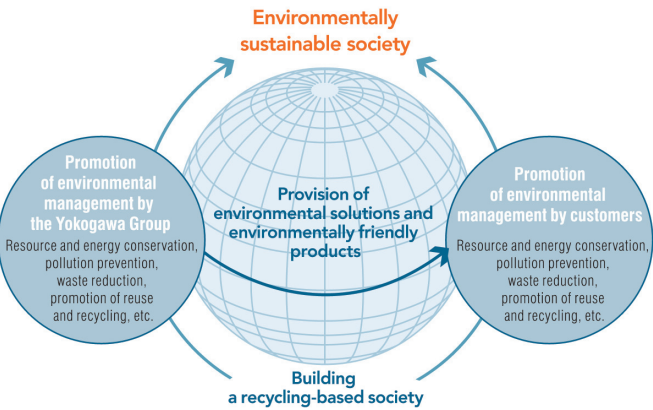
Photo: SIPA/DNC

Representing Japan, Yokogawa Musashino FC Junior, a youth football team managed by Yokogawa Pionics Co., Ltd., a subsidiary of Yokogawa Electric Corporation, won the World Final of the Danone Nations Cup 2014, a world junior soccer tournament held in Brazil from November 14 to 16, 2014.

Yokogawa Pionics Co., Ltd. will continue to promote the healthy development of young minds and bodies by backing Yokogawa Musashino FC Junior.

* The Danone Nations Cup is a FIFA-endorsed international football tournament for children ages 10-12. The tournament gathers together the winning teams of domestic tournaments held in 32 countries to determine which team is the world's best.

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 Group manufacturing and office operations. While actively engaged in such endeavors, we are also helping our customers by developing environmentally friendly products and providing tools they can utilize to analyze and reduce the environmental impact of their own business activities.

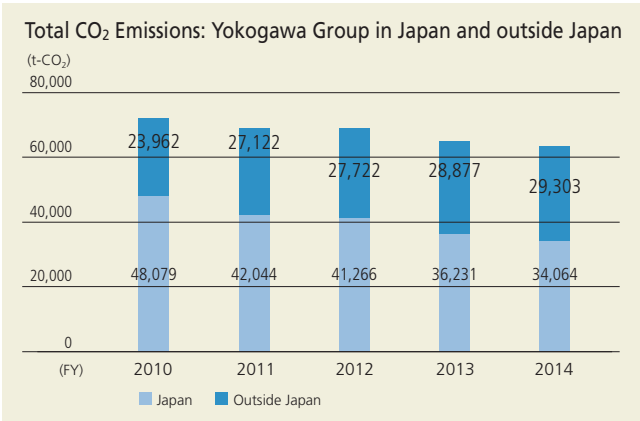


■ Framework for the Promotion of Environmental Conservation

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

The Yokogawa Group is working diligently to reduce its CO₂ emissions. With each Group company setting its own reduction targets, various methods are employed, including the shift to alternative energy sources. Looking at the Group as a whole, emissions are exhibiting a steady annual decline. While CO₂ emissions have increased in certain regions, every effort is being made to increase energy efficiency at each Group company and to reduce emissions on a per-unit-of-output basis. Measures to reduce CO₂ emissions include the consumption of green electricity, installation of LED lighting, and the use of



highly efficient air conditioning systems. Yokogawa's offices and manufacturing plants are also using the Company's Enerize E3 and InfoEnergy energy management systems to better visualize energy consumption and thereby reduce CO₂ emissions.

■ Innovation in Production Process Wins Special Award from Judging Committee in the Energy Conservation Grand Prize

Yokogawa Manufacturing Corporation's Kofu Factory won the Judging Committee Special Prize for its development of an energy efficient drilling system that reduces power consumption and liquid waste in control equipment production operations. This was one of the 2014 energy conservation grand prizes presented by the Energy Conservation Center, Japan in the energy-saving activities category. In addition to changing its processing methods for drilling holes in sensor components used in differential pressure and pressure transmitters, a mainstay Yokogawa product, the Kofu Factory also took various steps to improve production, including automating the production line using industrial robots. Through these and other improvements, the Factory's production line now takes up half as much space, uses 25% less electricity (a reduction of 56 MWh per year), and produces 95% less waste fluid than before. These changes have been applied to other production processes for the same products, reducing total annual power consumption by 128 MWh (equivalent to 33,000 liters of crude oil) and CO₂ emissions by 58 tons.

■ 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 make the results of these assessments publicly available. 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 demand, our energy saving technologies have attracted the attention of companies in emerging and industrialized nations all over the world.

Note: The LCA logo is displayed on the website for applicable products.

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Consolidated 11-year Summary

Yokogawa Electric Corporation and Consolidated Subsidiaries
Years Ended March 31, 2005 to 2015

	2005/3	2006/3	2007/3	2008/3	2009/3
Financial data: For the year:					
Net sales	¥387.1	¥388.9	¥433.4	¥437.4	¥376.5
Cost of sales	250.0	245.9	275.9	277.4	253.0
Selling, general and administrative expenses	112.3	117.6	128.2	132.6	118.8
Operating income	24.8	25.3	29.3	27.4	4.7
Net income (loss)	9.4	21.6	12.6	11.7	(38.4)
Capital expenditures	18.7	29.5	40.3	38.0	26.8
Depreciation and amortization	14.3	15.1	16.5	23.1	21.6
Research and development costs	29.0	30.9	36.2	40.9	37.2
Cash flow from operating activities	18.3	25.6	40.5	20.8	24.5
Cash flow from investing activities	(11.2)	(11.7)	(39.0)	(51.0)	(24.1)
Cash flow from financing activities	(1.3)	(14.1)	(6.1)	23.9	28.4
At year-end:					
Total assets	400.3	417.8	438.7	444.6	401.0
Interest-bearing debt	100.3	61.3	59.6	93.0	124.3
Shareholders' equity	168.8	224.6	234.3	220.7	167.2
Financial indicators:					
Operating income ratio	6.4	6.5	6.8	6.3	1.3
Debt equity ratio (times)	0.59	0.27	0.25	0.42	0.74
ROE (Return on equity)	5.7	11.0	5.5	5.1	(19.8)
ROA (Return on assets)	2.3	5.3	2.9	2.6	(9.1)
Shareholders' equity ratio	42.2	53.7	53.4	49.6	41.7
Per share data:					
Net income (loss)	38.43	87.45	47.79	44.76	(149.26)
Cash dividends	7.50	15.00	15.00	16.00	16.00
Shareholders' equity	693.75	854.24	891.08	856.72	649.20
Stock information:					
Stock price at the end of the term (yen / US dollars)	1,452	2,095	1,806	998	394
Market capitalization (billions of yen / millions of US dollars)	368.8	562.8	485.1	268.1	105.8
Number of issued shares	253,967,991	268,624,510	268,624,510	268,624,510	268,624,510
Other information:					
Average exchange rate during the period					
US dollar	¥107.46	¥113.09	¥117.00	¥113.80	¥100.66
Euro	134.90	137.81	150.33	162.26	143.28
Non-financial data					
Number of employees (by segment):					
Industrial Automation and Control Business	18,972	17,858	19,286	20,266	20,247
Test and Measurement Business				15,505	15,960
Aviation and Other Businesses				2,885	2,350
				1,876	1,937
Environmental data:*					
Total CO ₂ emissions (tons)	14,122	14,786	15,031	16,875	24,875
Water consumption (km ³)	222	190	208	243	466
Waste emissions (tons)	713	713	653	671	807

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 fiscal year 2006 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
2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2015/3
¥316.6	¥325.6	¥334.7	¥347.9	¥388.5	¥405.8	\$3,377
214.5	215.1	195.4	206.6	229.3	236.6	1,969
99.5	99.4	122.6	122.8	133.3	139.4	1,160
2.6	11.1	16.6	18.4	25.9	29.8	248
(14.8)	(6.7)	6.0	14.7	12.3	17.2	143
11.1	11.3	11.1	13.5	14.0	14.1	117
16.0	13.8	12.8	13.5	13.6	14.5	121
28.8	29.2	27.5	25.5	25.8	25.8	215
21.4	16.2	12.9	17.4	30.1	38.3	319
(13.2)	(8.0)	(7.8)	(7.5)	(13.9)	(18.4)	(153)
11.1	(25.7)	(8.0)	(8.0)	(21.6)	(20.2)	(168)
398.8	361.2	359.5	379.9	398.9	440.0	3,661
137.1	111.0	103.3	98.6	81.4	65.3	543
153.4	141.7	145.7	168.4	187.3	215.5	1,793
%						
0.8	3.4	5.0	5.3	6.7	7.3	
0.89	0.78	0.71	0.59	0.44	0.30	
(9.2)	(4.5)	4.1	9.4	6.9	8.6	
(3.7)	(1.8)	1.7	4.0	3.1	3.9	
38.5	39.2	40.5	44.3	46.9	49.0	
Yen						US dollars
(57.45)	(25.98)	23.11	57.03	47.92	66.88	0.56
2.00	0.00	5.00	10.00	12.00	12.00	0.10
595.42	550.19	565.69	653.83	727.09	836.94	6.96
Yen						US dollars
814	634	837	946	1,667	1,295	10.78
218.7	170.3	224.8	254.1	447.8	347.9	2,895
268,624,510	268,624,510	268,624,510	268,624,510	268,624,510	268,624,510	—
Yen						
¥92.61	¥85.13	¥78.82	¥83.33	¥100.67	¥110.58	
130.68	112.45	109.34	107.40	135.24	138.41	
19,574	19,334	19,437	19,685	19,837	19,601	
15,995	16,159	16,672	17,188	17,669	17,593	
2,469	2,288	1,968	1,667	1,328	1,171	
1,110	887	797	830	840	837	
26,065	26,034	21,650	15,471	16,337	14,573	
333	328	286	222	208	133	
532	542	639	367	325	539	

* Aggregated data on the Company's ISO14001-certified offices and factories

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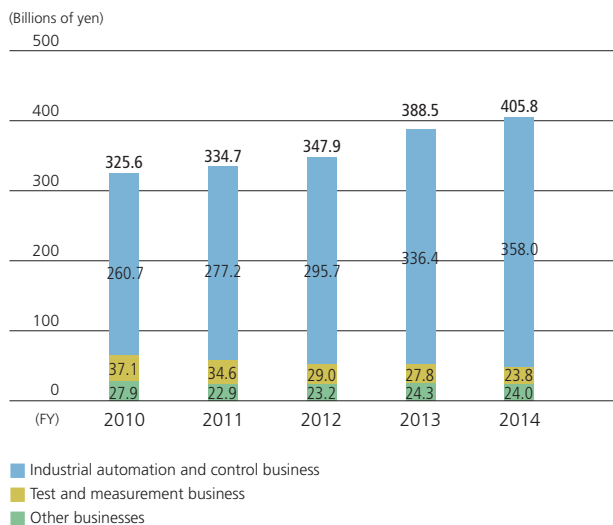
Sustainability

Performance Review

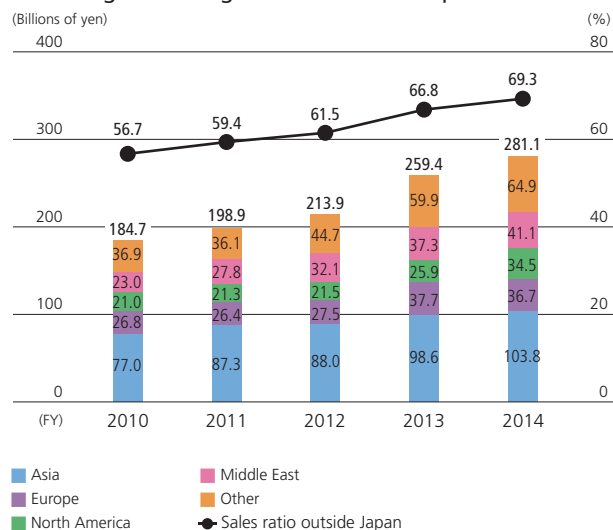
Corporate Information

Indicators

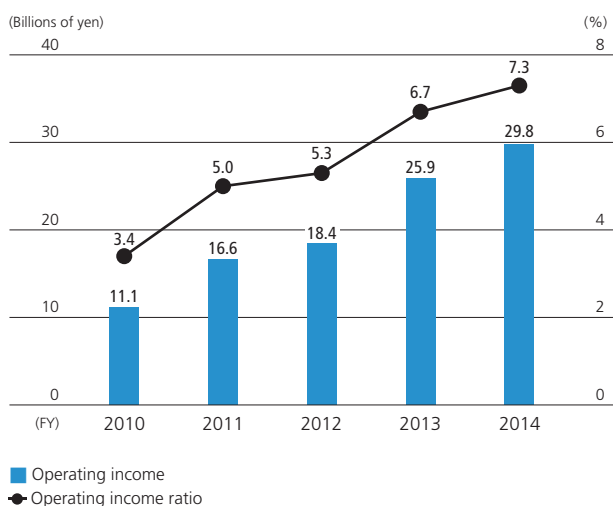
Net sales



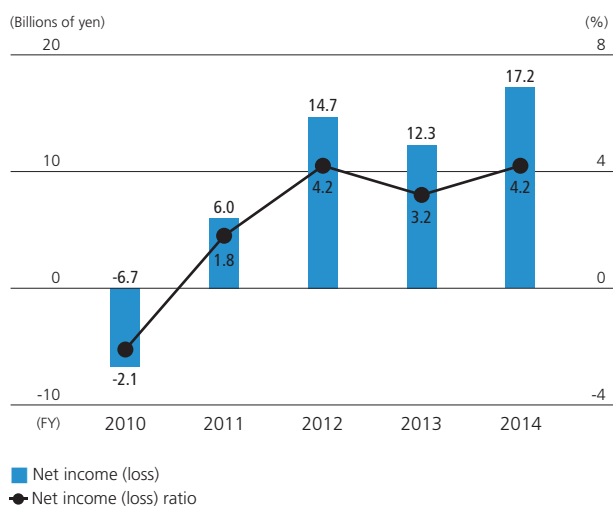
Sales outside Japan by geographic area / Percentage of sales generated outside Japan



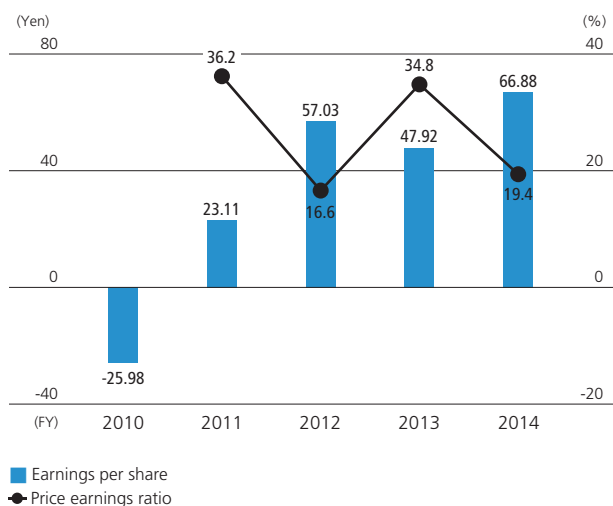
Operating income / Operating income ratio



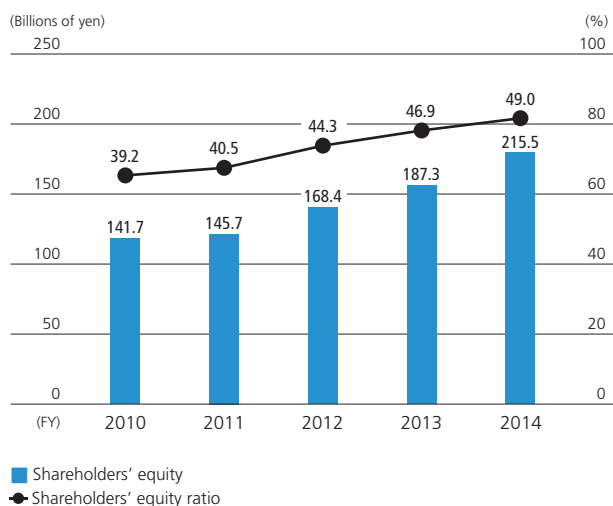
Net income (loss) / Net income (loss) ratio



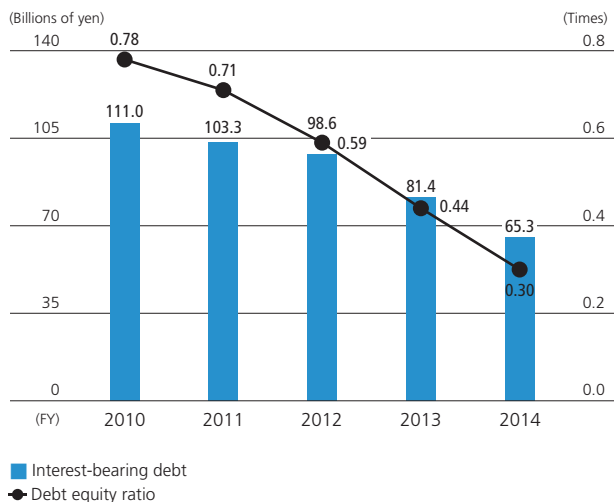
Earnings per share / Price earnings ratio



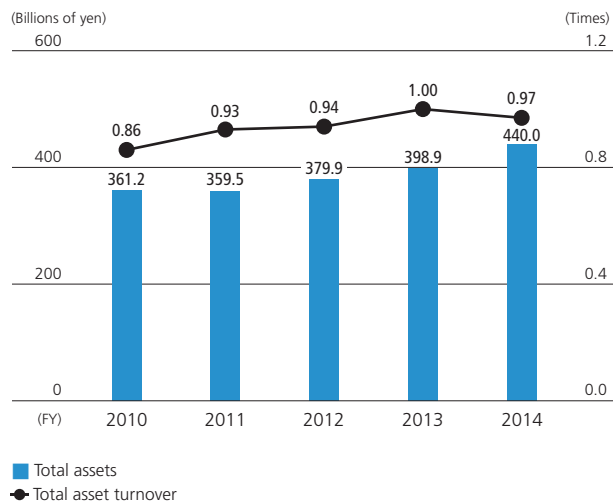
Shareholders' equity / Shareholders' equity ratio



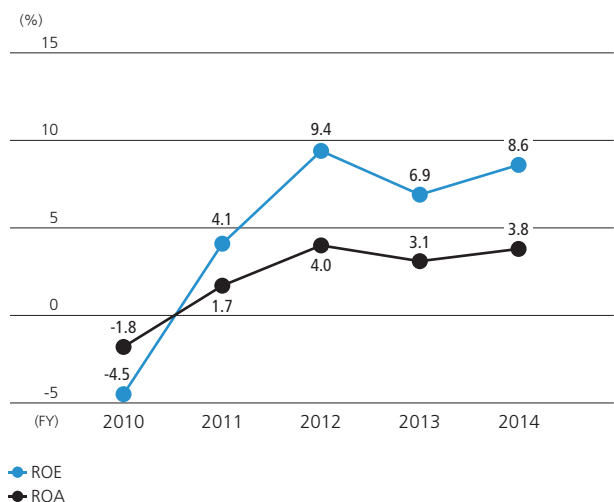
Interest-bearing debt / Debt equity ratio



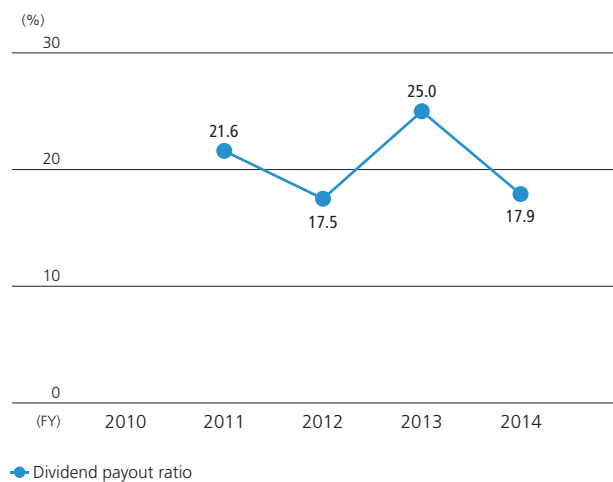
Total asset / Total asset turnover



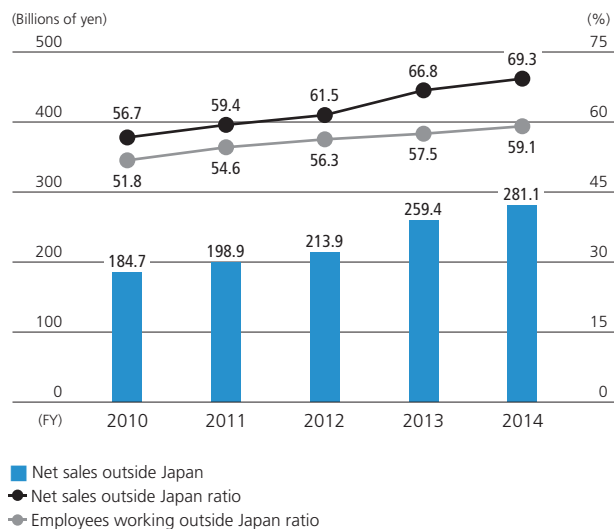
ROE / ROA



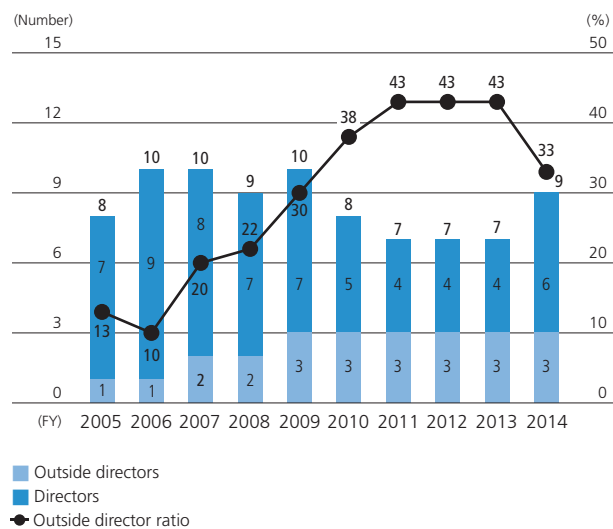
Dividend payout ratio



Net sales outside Japan / Net sales outside Japan ratio / Employees working outside Japan ratio



Number of directors / Outside director ratio



■ Analysis of Fiscal Year 2014 Results

In the fiscal year ended March 31, 2015 (fiscal year 2014), the Yokogawa Group's consolidated net sales amounted to ¥405.8 billion, up ¥17.3 billion year on year. This was mainly due to a ¥21.7 billion increase in sales in the industrial automation and control business as well as the addition of such positive flow-on effects as expansion of the Group's energy-related business in emerging and resource-rich countries and the continued weakness of the yen. Operating income increased ¥3.9 billion to ¥29.8 billion thanks to the increase in sales, the weakness of the yen, and other factors. Ordinary income was up ¥7.7 billion to ¥33.4 billion, due largely to the increase in operating income and the ongoing weakness of the yen. Turning to net income, because the Group was faced with the urgent need to strengthen its global competitiveness, management decided to undertake a thorough review of the current organization and instituted a voluntary retirement program for which it has posted a business structure improvement expense of ¥15.9 billion. Despite posting this expense, net income was still up from the previous fiscal year, due in part to such factors as a ¥9.4 billion gain on the sale of leasehold rights.

Sales in markets other than Japan rose year on year due primarily to robust energy-related demand, mainly in emerging markets and resource-rich countries, and the further weakening of the yen. As a result, the percentage of total net sales generated outside Japan continued to increase. Markets where sales grew substantially included North America and Asia.

■ Analysis of Capital and Assets

(1) Fund Raising and Liquidity Management

The Yokogawa Group's raising of funds is guided by the principles of security, efficiency, and cost effectiveness. In addition, the Group has concluded committed lines of credit with several financial institutions in order to ensure adequate liquidity.

(2) Condition of Assets, Liabilities, and Net Assets

Compared with the end of the previous fiscal year, total assets at the end of the fiscal year under review increased ¥41.0 billion, to ¥440.0 billion. This can mainly be attributed to an increase in cash and deposits.

Total liabilities increased by ¥11.2 billion to ¥218.0 billion, principally because of an increase in other accounts payable, which includes payments for the voluntary retirement program that will be made in fiscal year 2015. Net assets increased ¥29.9 billion to ¥222.0 billion, chiefly due to an increase in retained earnings. As a result, the shareholders' equity ratio at the end of the fiscal year under review was 49.0%, up 2.1 percentage points from the end of the previous fiscal year.

(3) Cash Flows

The balance of cash and cash equivalents at the end of the fiscal year under review was ¥74.7 billion, up ¥18.9 billion from the end of the previous fiscal year. Cash flows in fiscal year 2014 are presented below.

Cash flow from operating activities

Net cash provided by operating activities in the fiscal year under review was ¥38.3 billion, up ¥8.2 billion from the previous fiscal year. This was mainly due to a decrease in trade notes and accounts receivable.

Cash flow from investing activities

Net cash used in investing activities was ¥1.8 billion, down ¥12.0 billion from the previous fiscal year. This was chiefly due to proceeds from the sale of leasehold rights.

Cash flow from financing activities

Net cash used in financing activities was ¥20.2 billion, down ¥1.4 billion from the previous fiscal year, mainly reflecting repayments of long-term debt.

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 2014. 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 indicated by the fact that sales generated in all markets other than Japan currently account for approximately 67% 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, attacks attributable to a computer virus, 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 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 in emerging and resource-rich countries. 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 demand for plant construction and upgrades, which affects orders and sales in this business, as well as such factors as a plunge in oil prices, could adversely affect the Group's business results and financial condition.

b. Securing and training human resources

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

Risks Relating to the Group's Business

c. 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.

d. 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 such intellectual property is infringed upon by a third party and the Group is therefore 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 the Group's 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, such diseases could have an impact on its overall business results and financial condition.

Financial Section

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Consolidated Balance Sheet

Yokogawa Electric Corporation and its Consolidated Subsidiaries
March 31, 2015

	Millions of yen		Thousands of US dollars (Note 1)
	2015	2014	2015
ASSETS			
Current Assets:			
Cash and cash equivalents (Notes 10 and 16)	¥ 74,722	¥ 55,857	\$ 621,806
Receivables (Notes 5 and 16)			
Trade notes and accounts	143,134	135,054	1,191,092
Other	3,404	3,296	28,328
Less: Allowance for doubtful accounts	(2,202)	(3,919)	(18,325)
Net receivables	144,336	134,431	1,201,095
Inventories (Notes 6 and 7)	33,259	34,445	276,770
Deferred tax assets (Note 13)	4,525	3,761	37,659
Other	13,654	11,489	113,611
Total current assets	270,496	239,983	2,250,941
Property, Plant and Equipment (Notes 8 and 9):			
Land	16,830	16,699	140,054
Buildings and structures—net	50,810	47,987	422,814
Machinery, equipment and vehicles—net	7,731	7,703	64,334
Tools, furniture and fixtures—net	6,713	7,076	55,864
Construction in progress	1,906	3,058	15,862
Lease assets—net (Note 15)	262	94	2,181
Total property, plant and equipment	84,252	82,617	701,109
Investments and Other Assets:			
Investment securities (Notes 4, 10 and 16)	43,655	33,982	363,281
Investments in and advances to unconsolidated subsidiaries and affiliated companies	6,427	6,279	53,481
Goodwill	2,061	1,650	17,152
Software (Note 9)	17,492	19,316	145,559
Other Intangible assets	6,610	5,279	55,009
Deferred tax assets (Note 13)	2,249	2,168	18,713
Other	6,854	8,094	57,030
Less: Allowance for doubtful accounts	(138)	(447)	(1,149)
Total investments and other assets	85,210	76,321	709,076
Total Assets	¥439,958	¥398,921	\$3,661,126

See notes to consolidated financial statements.

	Millions of yen		Thousands of US dollars (Note 1)
	2015	2014	2015
LIABILITIES AND EQUITY			
Current Liabilities:			
Short-term loans payable (Notes 10, 16 and 18)	¥ 3,152	¥ 7,065	\$ 26,233
Current portion of long-term debt (Notes 10 and 16)	21,353	12,261	177,686
Payables (Notes 10 and 16)			
Trade notes and accounts	34,995	32,462	291,211
Other	26,149	10,265	217,599
Income taxes payable (Note 16)	4,931	4,666	41,032
Accrued expenses	28,192	27,116	234,602
Advance received	33,047	28,582	275,004
Other (Notes 7 and 13)	12,755	13,417	106,141
Total current liabilities	164,574	135,834	1,369,508
Long-term Liabilities:			
Long-term debt (Notes 10 and 16)	41,293	62,176	343,621
Liability for retirement benefits (Note 11)	4,101	2,896	34,126
Deferred tax liabilities (Note 13)	5,682	3,183	47,287
Other	2,332	2,726	19,400
Total long-term liabilities	53,408	70,981	444,434
Equity (Notes 12 and 23):			
Common stock, authorized, 600,000,000 shares; issued, 268,624,510 shares in 2015 and 2014	43,401	43,401	361,164
Capital surplus	50,345	50,345	418,943
Retained earnings	114,637	100,470	953,968
Treasury stock, 11,088,633 shares in 2015 and 11,085,537 shares in 2014	(11,019)	(11,015)	(91,697)
Accumulated other comprehensive income			
Net unrealized gain on available-for-sale securities	15,325	8,591	127,530
Deferred (loss) gain on derivatives under hedge accounting	660	(80)	5,496
Defined retirement benefit plans	(1,324)	(511)	(11,014)
Foreign currency translation adjustments	3,518	(3,945)	29,260
Total	18,179	4,055	151,272
Minority interests	6,433	4,850	53,534
Total equity	221,976	192,106	1,847,184
Total Liabilities and Equity	¥439,958	¥398,921	\$3,661,126

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Consolidated Statement of Income

Yokogawa Electric Corporation and its Consolidated Subsidiaries

Year Ended March 31, 2015

	Millions of yen		Thousands of US dollars (Note 1)
	2015	2014	2015
Net Sales	¥405,793	¥388,463	\$3,376,824
Cost of Sales (Notes 14 and 20)	236,579	229,256	1,968,699
Gross profit	169,214	159,207	1,408,125
Selling, General and Administrative Expenses (Notes 14 and 20)	139,395	133,314	1,159,986
Operating income	29,819	25,893	248,139
Other Income (Expenses):			
Interest and dividend income	2,219	2,075	18,466
Interest expense	(1,833)	(2,102)	(15,258)
Loss on valuation of investment securities		(7)	
Net gain on sale of investment securities and investment in affiliated companies (Note 4)	784	16	6,528
Compensation received		46	
Foreign exchange gain—net	2,123	1,000	17,668
Gain on sale of leasehold rights	9,417		78,363
Net loss on disposal of property, plant and equipment (Note 20)	(501)	(253)	(4,172)
Loss on impairment of long-lived assets (Note 9)		(284)	
Equity in earnings of affiliates	367	74	3,051
Gain on change in equity	312		2,596
Restructuring costs (Note 19)	(15,951)	(3,402)	(132,737)
Other	671	(1,305)	5,591
Other expenses—net	(2,392)	(4,142)	(19,904)
Income before Income Taxes and Minority Interests	27,427	21,751	228,235
Income Taxes (Note 13):			
Current	9,121	8,276	75,902
Deferred	(684)	(410)	(5,695)
Total income taxes	8,437	7,866	70,207
Net Income before Minority Interests	18,990	13,885	158,028
Minority Interests in Net Income	1,766	1,543	14,701
Net Income	¥ 17,224	¥ 12,342	\$ 143,327
	Yen		US dollars (Note 1)
Per Share of Common Stock (Note 22):			
Basic net income	¥ 66.88	¥ 47.92	\$ 0.56
Cash dividends applicable to the year	¥ 12	¥ 12	\$ 0.10

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Yokogawa Electric Corporation and its Consolidated Subsidiaries

Year Ended March 31, 2015

	Millions of yen		Thousands of US dollars (Note 1)
	2015	2014	2015
Net Income before Minority Interests	¥18,990	¥13,885	\$158,028
Other Comprehensive Income (Note 21):			
Net unrealized gain on available-for-sale securities	6,763	3,030	56,281
Deferred gain (loss) on derivatives under hedge accounting	740	(196)	6,165
Defined retirement benefit plans	(616)	22	(5,130)
Foreign currency translation adjustments	8,040	6,440	66,903
Share of other comprehensive (loss) income in affiliates	(175)	27	(1,459)
Total other comprehensive income	14,752	9,323	122,760
Comprehensive Income	¥33,742	¥23,208	\$280,788
Total Comprehensive Income Attributable to:			
Owners of the parent	¥31,348	¥21,401	\$260,863
Minority interests	2,394	1,807	19,925

See notes to consolidated financial statements.

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Consolidated Statement of Changes in Equity

Yokogawa Electric Corporation and its Consolidated Subsidiaries

Year Ended March 31, 2015

Millions of yen											
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income					Total equity
						Net unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Defined retirement benefit plans	Foreign currency translation adjustments	Total	
Balance, March 31, 2013	257,544,465	¥43,401	¥50,345	¥90,961	¥(11,007)	¥ 5,576	¥116	¥ (838)	¥(10,164)	¥ (5,310)	¥172,396
Net income				12,342							12,342
Cash dividends, ¥11 per share				(2,833)							(2,833)
Purchase of treasury stock	(5,622)				(8)						(8)
Disposal of treasury stock	130		0		0						0
Other				0							0
Net change in the year						3,015	(196)	327	6,219	9,365	10,209
Balance, March 31, 2014	257,538,973	43,401	50,345	100,470	(11,015)	8,591	(80)	(511)	(3,945)	4,055	192,106
Net income				17,224							17,224
Cash dividends, ¥12 per share				(3,090)							(3,090)
Purchase of treasury stock	(3,169)				(4)						(4)
Disposal of treasury stock											
Other	73			33							33
Net change in the year						6,734	740	(813)	7,463	14,124	15,707
Balance, March 31, 2015	257,535,877	¥43,401	¥50,345	¥114,637	¥(11,019)	¥15,325	¥660	¥(1,324)	¥ 3,518	¥18,179	¥221,976

	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 (loss) on derivatives under hedge accounting	Defined retirement benefit plans	Foreign currency translation adjustments	Total	Minority interests	Total equity
Balance, April 1, 2014	\$361,164	\$418,943	\$836,072	\$(91,662)	\$71,490	\$(669)	\$(4,256)	\$(32,829)	\$33,736	\$40,369	\$1,598,622
Net income			143,327								143,327
Cash dividends, ¥12 per share			(25,717)								(25,717)
Purchase of treasury stock				(36)							(36)
Disposal of treasury stock											
Other			286	1							287
Net change in the year					56,040	6,165	(6,758)	62,089	117,536	13,165	130,701
Balance, March 31, 2015	\$361,164	\$418,943	\$953,968	\$(91,697)	\$127,530	\$5,496	\$(11,014)	\$29,260	\$151,272	\$53,534	\$1,847,184

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Yokogawa Electric Corporation and its Consolidated Subsidiaries

Year Ended March 31, 2015

	Millions of yen		Thousands of US dollars (Note 1)	
	2015	2014	2015	
Operating Activities:				
Income before income taxes and minority interests	¥27,427	¥21,751	\$228,235	
Adjustments for:				
Income taxes paid	(9,179)	(6,908)	(76,381)	
Depreciation and amortization	14,485	13,552	120,539	
Equity in earnings of affiliates	(367)	(74)	(3,051)	
Loss on impairment of long-lived assets	501	284	4,172	
Net loss on disposal of property, plant and equipment		253		
Gain on sale of leasehold rights	(9,417)		(78,363)	
Net gain on sale of investment securities and investment in affiliated companies	(784)	(16)	(6,528)	
Gain on change in equity	(312)		(2,596)	
Restructuring costs	15,951	3,402	132,737	
Payment of severance cost	(132)		(1,098)	
Payment of compensation to transferred employees	(2,906)	(334)	(24,181)	
Changes in assets and liabilities:				
Decrease (increase) in trade notes and accounts receivable	3,881	(2,585)	32,295	
Decrease in inventories	2,349	1,955	19,544	
(Decrease) increase in trade notes and accounts payable	(1,982)	174	(16,495)	
(Decrease) in allowance for doubtful accounts	(2,246)	(307)	(18,693)	
Increase (decrease) in liability for retirement benefits	817	(285)	6,801	
Other assets and liabilities	1,431	319	11,908	
Other—net	(1,224)	(1,074)	(10,184)	
Total adjustments	10,866	8,356	90,426	
Net cash provided by operating activities	38,293	30,107	318,661	
Investing Activities:				
Purchase of property, plant and equipment	(8,092)	(8,574)	(67,338)	
Proceeds from sale of property, plant and equipment	178	444	1,480	
Acquisition of intangible assets	(5,656)	(5,026)	(47,064)	
Proceeds from sale of leasehold rights	9,526		79,268	
Proceeds from sale of investment securities	611	26	5,081	
Payments for purchase of shares of subsidiaries	(582)	(826)	(4,839)	
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	807		6,713	
Other—net	1,364	71	11,352	
Net cash used in investing activities	(1,844)	(13,885)	(15,347)	
Financing Activities:				
Net decrease in short-term loans payable	(4,240)	(1,373)	(35,284)	
Proceeds from long-term debt		10,000		
Repayments of long-term debt	(12,222)	(26,610)	(101,703)	
Purchase of treasury stock	(4)	(8)	(36)	
Cash dividends paid	(3,086)	(2,833)	(25,679)	
Cash dividends paid to minority shareholders	(1,237)	(697)	(10,297)	
Proceeds from share issuance to minority shareholders	721		6,003	
Other—net	(95)	(75)	(794)	
Net cash used in financing activities	(20,163)	(21,596)	(167,790)	
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	2,579	2,405	21,462	
Net (Increase) Decrease in Cash and Cash Equivalents	18,865	(2,969)	156,986	
Cash and Cash Equivalents, Beginning of Year	55,857	58,826	464,820	
Cash and Cash Equivalents, End of Year	¥74,722	¥55,857	\$621,806	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Yokogawa Electric Corporation and its Consolidated Subsidiaries
Year Ended March 31, 2015

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. In addition, certain reclassifications have been

made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

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 ¥120.17 to \$1, the approximate rate of exchange at March 31, 2015. 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, 2015 include the accounts of the Company and its 83 (81 in 2014) significant 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 2014) unconsolidated subsidiary and 3 (3 in 2014) affiliated companies are accounted for by the equity method. 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 also 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 recorded in equity through other comprehensive income; 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 that mature within three months of the date of placement.

d. Inventories—Inventories are stated at the lower of cost or the net selling value. Cost is 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.

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 is 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 is 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. Allowance for Doubtful Accounts—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

i. 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.

The main method used to attribute expected benefit to each period is the benefit formula basis.

Actuarial gains or losses are amortized on a straight-line basis over the average remaining years of service of the employees (mainly 10 years) from the following year in which they arise.

Prior service cost is amortized on a straight line basis over the average remaining years of service (mainly 10 years).

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

k. 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.

l. 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.

m. 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 Company and some domestic subsidiaries file their 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.

n. 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.

o. 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.

p. 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 that 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.

q. 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.

Change in Presentation

Prior to April 1, 2014, “Payment of compensation to transferred employees” was included in “Other-net” under Operating Activities of the Consolidated Statement of Cash Flows. As this amount increased significantly in the fiscal year ended March 31, 2015, it is disclosed separately in the Operating Activities of the Consolidated Statement of Cash Flows. The amount included in “Other-net” as of March 31, 2014, was ¥334 million.

4.

Investment Securities

Investment securities as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Non-current:			
Equity securities and other	¥43,655	¥33,982	\$363,281

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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 whose settlement date had not been reached as of March 31, 2015 and 2014 was as follows:

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6.

Inventories

Inventories at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Merchandise and finished goods	¥14,856	¥15,687	\$123,627
Work in process	7,513	8,497	62,524
Raw materials and supplies	10,890	10,261	90,619
Total	¥33,259	¥34,445	\$276,770

7.

Expected Loss on Construction Contracts

The Group recognizes an expected loss on construction contracts when it is probable that total contract costs will exceed total contract revenue. The inventory and the expected loss on construction contracts are not offset but are separately presented in the consolidated balance sheet.

The balance of inventories relating to the expected loss on construction contracts for the years ended March 31, 2015 and 2014 was as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Merchandise and finished goods	¥119	¥ 765	\$ 989
Work in process	200	655	1,667
Total	¥319	¥1,420	\$2,656

8.

Property, Plant and Equipment

Accumulated depreciation on property, plant and equipment as of March 31, 2015 and 2014 was ¥141,529 million (US\$1,177,737 thousand) and ¥143,447 million, respectively.

9.

Long-lived Assets

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2015 and 2014. No impairment losses were recognized for 2015. For 2014, impairment losses of ¥284 million were recognized. The main components of the impairment losses on long-lived assets for the year ended March 31, 2014 were as follows:

	Millions of yen
	2014
Land	¥128
Buildings and structures	154
Software	2
Total	¥284

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, 2014, of the ¥284 million impairment loss, ¥272 million was due to the impairment of idle assets whose future use had not been decided.

10.

Short-term Loans and Long-term Debt

Short-term bank loans at March 31, 2015 and 2014 included bank overdrafts. The annual average interest rates on the short-term bank loans were 1.629% and 2.033% for the years ended March 31, 2015 and 2014, respectively.

Long-term debt as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Loans from banks and other financial institutions	¥62,120	¥74,342	\$516,932
Obligations under finance leases	526	95	4,375
	62,646	74,437	521,307
Less: Current portion	21,353	12,261	177,686
	¥41,293	¥62,176	\$343,621

Annual maturities of long-term loans (excluding finance leases) from banks and other financial institutions, at March 31, 2015 were as follows:

Year ending March 31	Millions of yen	Thousands of US dollars
2016	¥21,222	\$176,596
2017	4,722	39,299
2018	10,134	84,327
2019	222	1,844
2020	310	2,576
2021 and thereafter	25,510	212,290
Total	¥62,120	\$516,932

The annual average interest rate on long-term loans (excluding current portion) from banks was 3.204% for the year ended March 31, 2015.

Collateral and secured debt at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Collateral:			
Deposits	¥ 12	¥ 13	\$ 104
Investment securities	6	5	49
Assets in consolidated subsidiaries outside Japan*	6,170	4,604	51,343
Total	¥6,188	¥4,622	\$51,496

*“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
	2015	2014	2015
Secured debt:			
Trade notes and accounts payable	¥16	¥4	\$133

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. The balance of such debt as of March 31, 2015 and 2014 was ¥30,000 million (US\$249,646 thousand) and ¥32,720 million respectively.

11.

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.

a) The changes in defined benefit obligation for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Balance at beginning of year	¥ 8,408	¥8,175	\$69,972
Current service cost	557	422	4,632
Interest cost	278	237	2,312
Actuarial loss (gain)	957	(303)	7,961
Benefits paid	(497)	(972)	(4,135)
Others	1,311	849	10,908
Balance at end of year	¥11,014	¥8,408	\$91,650

b) The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Balance at beginning of year	¥5,512	¥4,954	\$45,875
Expected return on plan assets	291	249	2,421
Actuarial gain	88	84	735
Contributions from the employer	593	466	4,935
Benefits paid	(460)	(770)	(3,828)
Others	889	529	7,386
Balance at end of year	¥6,913	¥5,512	\$57,524

c) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2015 and 2014, was as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Funded defined benefit obligation	¥11,014	¥8,408	\$91,650
Plan assets	(6,913)	(5,512)	(57,524)
	4,101	2,896	34,126
Unfunded defined benefit obligation			
Net liability for defined benefit obligation	¥ 4,101	¥2,896	\$34,126

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Liability for retirement benefits	¥4,101	¥2,896	\$34,126
Net liability for defined benefit obligation	¥4,101	¥2,896	\$34,126

d) The components of net periodic benefit costs for the year ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Service cost	¥ 557	¥ 422	\$ 4,632
Interest cost	278	237	2,312
Expected return on plan assets	(291)	(249)	(2,421)
Amortization of actuarial loss	69	100	572
Additional payment	1,029	710	8,560
Contribution to defined contribution plan	5,942	5,375	49,444
Others	122	537	1,026
Net periodic benefit costs	¥7,706	¥7,132	\$64,125

e) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2015 and 2014:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Actuarial loss	¥957	¥100	¥7,966

f) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Unrecognized actuarial loss	¥(2,232)	¥(1,275)	¥(18,576)

g) Plan assets as of March 31, 2015 and 2014:

(1) Components of plan assets

Plan assets consisted of the following:

	2015	2014
Equity investments	45%	43%
Debt investments	22%	24%
Cash and cash equivalents	28%	27%
Others	5%	6%
Total	100%	100%

(2) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined based on the expected long-term rates of return for the various plan asset components.

h) Assumptions used for the years ended March 31, 2015 and 2014, were as follows:

	2015	2014
Discount rate	3.70%	4.30%
Expected rate of return on plan assets	5.63%	5.71%

i) Payments to defined contribution plans amounted to ¥5,942 million (\$49,444 thousand).

j) Multi employer benefit plan

A consolidated subsidiary participated in a multi-employer pension fund. The subsidiary deemed it necessary to contribute ¥60 million (\$500 thousand) to this fund.

Significant information regarding the consolidated subsidiary's participation in the multi-employer pension fund is as follows:

(1) Funded status of the entire program

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Plan assets	¥303,722	¥281,339	\$2,527,433
Sum of actuarial liabilities of pension plan and minimum actuarial reserve*	299,821	290,987	2,494,978
Net balance	¥ 3,901	¥ (9,648)	\$ 32,455

* This item was presented as "Project benefit obligation uses for actuarial calculation " as of March 31, 2013.

(2) The subsidiary's share as a percentage of total projected benefit obligations held by the pension fund

	2015	2014
	0.82%	0.79%

(3) Supplemental information

The above difference of ¥3,901 million (\$32,455 thousand) is the net of a ¥24,331 million (\$202,470 thousand) deficit in projected pension financing and a ¥20,430 million (\$170,015 thousand) balance for unamortized prior service costs. The balance of unamortized prior service costs attributable to the Company will be amortized on a straight-line basis over a period of 20 years.

12.

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 a board of directors, (2) having independent auditors, (3) having an audit & supervisory board, and (4) prescribing a one-year term of service for directors (rather than the

conventional two year term) in 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.

13.

Income Taxes

The tax effects of significant temporary differences and tax loss carry-forwards that resulted in deferred tax assets and liabilities at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Deferred tax assets:			
Liability for retirement benefits	¥ 564	¥ 452	\$ 4,697
Tax loss carry-forwards	32,577	44,253	271,091
Impairment loss on investment securities	2,252	2,542	18,739
Provision for bonuses	2,996	2,938	24,934
Write-down of inventories	1,846	1,853	15,358
Impairment loss on investments in consolidated subsidiaries	2,269	2,507	18,879
Other	13,022	9,945	108,356
Less: Valuation allowance	(47,798)	(58,120)	(397,751)
Total	¥ 7,728	¥ 6,370	\$ 64,303
Deferred tax liabilities:			
Property, plant and equipment	¥ (657)	¥ (783)	\$ (5,468)
Undistributed earnings of consolidated subsidiaries outside Japan	(312)	(204)	(2,594)
Net realized gain on available-for-sale securities	(4,804)	(2,081)	(39,973)
Other	(892)	(642)	(7,425)
Total	¥ (6,665)	¥ (3,710)	\$ (55,460)
Net deferred tax assets	¥ 1,063	¥ 2,660	\$ 8,843

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

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Current assets—Deferred tax assets	¥4,525	¥ 3,761	\$37,659
Investments and other assets—Deferred tax assets	2,249	2,168	18,713
Current liabilities—Other	(29)	(86)	(242)
Long-term liabilities—Deferred tax liabilities	(5,682)	(3,183)	(47,287)
Net deferred tax assets	¥1,063	¥ 2,660	\$ 8,843

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, 2015 and 2014 was as follows:

	2015	2014
Normal effective statutory tax rate	35.6%	38.0%
Permanent differences		
Expenses not deductible for income tax purposes	2.7	3.0
Dividend income and other non-taxable income	(0.0)	(0.2)
Equity in earnings of affiliates	(0.5)	(0.1)
Changes in valuation allowance	15.3	14.4
Lower income tax rates applicable to certain consolidated subsidiaries outside Japan	(18.6)	(22.4)
Effect of consolidated tax return in Japan	(5.1)	3.5
Refund		(0.4)
Other—net	1.4	0.4
Actual effective tax rate	30.8%	36.2%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on April 1, 2015, to approximately 33.1% and for the fiscal year beginning on April 1, 2016, to approximately 32.3%. The effect of these changes on the consolidated financial statements was not material.

14.

Research and Development Costs

Research and development costs were ¥25,788 million (US\$214,593 thousand) and ¥25,824 million for the years ended March 31, 2015 and 2014, respectively and were included in the cost of sales and selling, general and administrative expenses in the consolidated statement of income.

15.

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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Due within one year	¥2,153	¥2,071	\$17,919
Due after one year	4,862	3,677	40,456
	¥7,015	¥5,748	\$58,375

16.

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 obtain 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 17 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 regularly monitoring market value and the financial position of the issuers.

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.

2. Fair value of financial instruments

The carrying amounts in the consolidated balance sheet, fair value, and unrealized gain (loss) as of March 31, 2015 and 2014 were as detailed below. Financial instruments, whose fair value is extremely difficult to measure, are not included. Please refer to note (b) (below the following tables) on financial instruments whose fair value cannot be reliably determined.

	Millions of yen		
	2015		
	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and cash equivalents	¥ 74,722	¥ 74,722	
(2) Receivables—trade notes and trade accounts	143,134		
Less: Allowance for doubtful accounts	(2,202)		
	140,932	140,932	
(3) Investment securities	32,308	32,308	
Total	¥247,962	¥247,962	
(1) Short-term loans payable	¥3,152	¥ 3,152	
(2) Payables—trade notes and trade accounts	34,995	34,995	
(3) Payables—other	26,149	26,149	
(4) Income taxes payable	4,931	4,931	
(5) Long-term debt	62,646	62,762	¥(116)
Total	¥131,873	¥131,989	¥(116)
Derivatives	¥ 746	¥ 746	

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

Long-term debt is 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 a quoted price is not available, other valid valuation techniques are used instead.

	Millions of yen		
	2014		
	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and cash equivalents	¥ 55,857	¥ 55,857	
(2) Receivables—trade notes and trade accounts	135,054		
Less: Allowance for doubtful accounts	(3,919)		
	131,135	131,135	
(3) Investment securities	22,170	22,170	
Total	¥209,162	¥209,162	
(1) Short-term loans payable	¥ 7,065	¥ 7,065	
(2) Payables—trade notes and trade accounts	32,462	32,462	
(3) Payables—other	10,265	10,265	
(4) Income taxes payable	4,666	4,666	
(5) Long-term debt	74,437	74,515	¥(78)
Total	¥128,895	¥128,973	¥(78)
Derivatives	¥ (189)	¥ (189)	

	Thousands of US dollars		
	2015		
	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and cash equivalents	\$ 621,806	\$ 621,806	
(2) Receivables—trade notes and trade accounts	1,191,092		
Less: Allowance for doubtful accounts	(18,325)		
	1,172,767	1,172,767	
(3) Investment securities	268,853	268,853	
Total	\$2,063,426	\$2,063,426	
(1) Short-term loans payable	\$ 26,233	\$ 26,233	
(2) Payables—trade notes and trade accounts	291,211	291,211	
(3) Payables—other	217,599	217,599	
(4) Income taxes payable	41,032	41,032	
(5) Long-term debt	521,307	522,279	\$(972)
Total	\$1,097,382	\$1,098,354	\$(972)
Derivatives	\$ 6,201	\$ 6,201	

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 4.

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 17.

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

	Carrying amount		
	Millions of yen		Thousands of US dollars
	March 31, 2015	March 31, 2014	March 31, 2015
Unlisted equity securities	¥17,774	¥18,091	\$147,909

Maturity analysis for financial assets and securities with contractual maturities

March 31, 2015	Millions of yen		Thousands of US dollars	
	Due in one year or less	Due after one to five years	Due in one year or less	Due after one to five years
Cash and cash equivalents	¥ 74,722		\$ 621,806	
Receivables—trade notes and accounts	142,508	¥626	1,185,881	\$5,211
Total	¥217,230	¥626	\$1,807,687	\$5,211

17.

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, 2015 and 2014

	Millions of yen			
	2015			
	Contract amount		Unrealized gain (loss)	
	Total	Due over one year	Fair value	
Forward exchange contracts				
Selling contracts				
US dollar	¥ 8,645		¥(218)	¥(218)
Other	26		(0)	(0)
Buying contracts				
US dollar	3,871		220	220
Other				
Currency options				
Selling contracts				
CALL				
Singapore dollar	1,267		(105)	(105)
(Option premium)	(—)			
Buying contracts				
PUT				
Singapore dollar	634			
(Option premium)	(—)			
Currency swaps	6,130		(32)	(32)
Total	¥20,573		¥(135)	¥(135)

		Millions of yen			
		2014			
		Contract amount		Unrealized gain (loss)	
		Total	Due after one year		Fair value
Forward exchange contracts					
Selling contracts					
US dollar	¥	6,529		¥(10)	¥(10)
Other		54		(0)	(0)
Buying contracts					
US dollar		1,534		(45)	(45)
Other		3,720		(2)	(2)
Currency options					
Selling contracts					
CALL					
Singapore dollar		1,503		2	2
(Option premium)		(—)			
Buying contracts					
PUT					
Singapore dollar		751			
(Option premium)		(—)			
Currency swaps					
		7,671		(26)	(26)
Total	¥	21,762		(81)	(81)

Thousands of US dollars				
2015				
Contract amount				
Total		Due after one year	Fair value	Unrealized gain (loss)
Forward exchange contracts				
Selling contracts		\$ 71,942	\$(1,813)	\$(1,813)
US dollar		218	(0)	(0)
Other				
Buying contracts		32,216	1,830	1,830
US dollar				
Other				
Currency options				
Selling contracts				
CALL		10,544	(872)	(872)
Singapore dollar		(—)		
(option premium)				
Buying contracts				
PUT		5,272		
Singapore dollar		(—)		
(option premium)				
Currency swaps		51,008	(272)	(272)
Total		\$171,200	\$(1,127)	\$(1,127)

2. Derivative transactions to which hedge accounting was applied at March 31, 2015 and 2014

		Millions of yen		
		2015		
		Contract amount		
	Hedged item	Total	Due after one year	Fair value
Forward exchange contracts				
Buying contracts				
US dollar	Payables	¥ 4,291		¥881
Interest rate swaps				
Pay fixed/Receive floating	Long-term debt	¥31,000	¥10,000	Note b
		Millions of yen		
		2014		
		Contract amount		
	Hedged item	Total	Due after one year	Fair value
Forward exchange contracts				
Selling contracts				
US dollar		¥ 396		¥ 4
Others		7		(1)
Buying contracts				
US dollar	Payables	¥ 4,972		¥(111)
Interest rate swaps				
Pay fixed/Receive floating	Long-term debt	¥39,000	¥31,000	Note b
		Thousands of US dollars		
		2015		
		Contract amount		
	Hedged item	Total	Due after one year	Fair value
Forward exchange contracts				
Buying contracts				
US dollar	Payables	\$ 35,710		\$7,328
Interest rate swaps				
Pay fixed/Receive floating	Long-term debt	\$257,968	\$83,215	Note b

Notes: (a) The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not re-measured 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 16.

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.

18.

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, 2015 and 2014 was as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Total commitment line of credit	¥50,000	¥50,000	\$416,077
Outstanding borrowings		(720)	
Unused credit line	¥50,000	¥49,280	\$416,077

19.

Restructuring Related Expenses

For the year ended March 31, 2015, restructuring costs amounting to ¥15,951 million (US\$132,737 thousand) were incurred for a voluntary retirement program.

For the year ended March 31, 2014, restructuring costs amounting to ¥3,402 million were incurred for the payment of compensation to employees who had been transferred from the Company to its subsidiaries.

20.

Other Notes to Consolidated Statement of Income

1. Provision for contract loss

The following provision for contract loss was included in the cost of sales in the consolidated statement of income:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Provision for contract loss	¥(732)	¥1,185	\$(6,094)

2. Selling, general and administrative expenses

The major components of selling, general and administrative expenses were as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Salaries	¥58,637	¥58,138	\$487,946
Net periodic retirement benefit costs	4,640	4,739	38,614
Provision for bonuses	4,773	2,971	39,720
Research and development costs	24,960	25,113	207,710

3. Net (loss) gain on disposal of property, plant and equipment

The net loss on disposal of property, plant and equipment was as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Buildings and structures	¥(225)	¥(209)	\$ (1,875)
Machinery, equipment and vehicles	(18)	(48)	(148)
Tools, furniture and fixtures	(50)	(36)	(416)
Land	(33)	51	(275)
Other Intangible assets	(175)	(11)	(1,458)
Other			
Total	¥(501)	¥(253)	\$ (4,172)

21.

Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Net unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 9,489	¥4,075	\$ 78,965
Reclassification adjustments to profit or loss	(4)	(9)	(29)
Amount before income tax effect	9,485	4,066	78,936
Income tax effect	(2,722)	(1,036)	(22,655)
Total	¥ 6,763	¥3,030	\$ 56,281
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (loss) arising during the year	¥490	¥ (184)	\$ 4,080
Reclassification adjustments to profit or loss	436	(72)	3,628
Amount before income tax effect	926	(256)	7,708
Income tax effect	(186)	60	(1,543)
Total	¥ 740	¥ (196)	\$ 6,165
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (1,026)	¥ (66)	\$ (8,538)
Reclassification adjustments to profit or loss	69	99	572
Amount before income tax effect	(957)	33	(7,966)
Income tax effect	341	(11)	2,836
Total	¥ (616)	¥ 22	\$ (5,130)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 8,036	¥6,456	\$ 66,874
Reclassification adjustments to profit or loss		(50)	
Amount before income tax effect	8,036	6,406	66,874
Income tax effect	4	34	29
Total	¥ 8,040	¥6,440	\$ 66,903
Share of other comprehensive income in affiliates:			
(Loss) gain arising during the year	¥ (175)	¥ 27	\$ (1,459)
Total	¥ (175)	¥ 27	\$ (1,459)
Total other comprehensive income	¥14,752	¥9,323	\$122,760

22.

Per Share Information

Basic net income per share (EPS) for the years ended March 31, 2015 and 2014 was as follows:

	Millions of yen	Thousands of shares Weighted average shares	Yen	US dollars
	Net income		EPS	
2015				
Basic EPS				
Net income attributable to common shareholders	¥17,224	257,538	¥66.88	\$0.56
2014				
Basic EPS				
Net income attributable to common shareholders	¥12,342	257,541	¥47.92	\$0.47

Diluted net income per share was not disclosed because there were no dilutive securities in the years ended March 31, 2015 and 2014.

23.

Subsequent Events

1. Appropriations of retained earnings

The Board of Directors proposed the following appropriations of retained earnings, at March 31, 2015, which was subject to approval at the general meeting of the shareholders of the Company held on June 24, 2015:

	Millions of yen	Thousands of US dollars
Year-end cash dividends, ¥6 (US\$0.05) per share	¥1,545	\$12,859

2. Offering of treasury stock

The Company has resolved at the Board Meeting held on July 2, 2015, to dispose of its treasury stocks through an international offering.

The proceeds from this offering have been used for the repayment of the subordinated loan which was borrowed in February 2010 to strengthen the Company's financial position.

(1) Type and number of shares offered	9,200,000 shares of the Company's common stock
(2) Offer price per share	¥1,517 (US\$12.62)
(3) Total amount of offer price	¥13,956 million (US\$116,139 thousand)
(4) Proceeds per share	¥1,452.44 (US\$12.09)
(5) Total proceeds	¥13,362 million (US\$111,196 thousand)
(6) Settlement date	July 17, 2015

24.

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 flow meters, 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; 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 aggregate of 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				
	2015				
	Reportable segment				Consolidated
	Industrial automation and control	Test and measurement	Other	Eliminations/ Corporate	
Sales to customers	¥358,035	¥23,790	¥23,968		¥405,793
Intersegment sales	1,056	6,619	1,340	¥(9,015)	
Total sales	359,091	30,409	25,308	(9,015)	405,793
Segment income	27,089	1,625	1,105		29,819
Segment assets	240,104	16,443	30,262		286,809
Depreciation and amortization	12,326	1,162	997		14,485
Increase in property, plant and equipment and intangible assets	12,388	935	807		14,130
Amortization of goodwill	132	6			138
Goodwill	1,949	112			2,061

	Millions of yen				
	2014				
	Reportable segment				Consolidated
	Industrial automation and control	Test and measurement	Other	Eliminations/ Corporate	
Sales to customers	¥336,330	¥27,804	¥24,329		¥388,463
Intersegment sales	289	6,536	844	¥(7,669)	
Total sales	336,619	34,340	25,173	(7,669)	388,463
Segment income	24,224	1,018	651		25,893
Segment assets	227,451	19,966	30,944		278,361
Depreciation and amortization	11,739	993	820		13,552
Impairment loss	215	37	32		284
Increase in property, plant and equipment and intangible assets	12,100	1,051	856		14,007
Amortization of goodwill	139	1			140
Goodwill	1,532	118			1,650

	Thousands of US dollars				
	2015				
	Reportable segment			Eliminations/ Corporate	Consolidated
	Industrial automation and control	Test and measurement	Other		
Sales to customers	\$2,979,406	\$197,973	\$199,445		\$3,376,824
Intersegment sales	8,786	55,077	11,149	\$(75,012)	
Total sales	2,988,192	253,050	210,594	(75,012)	3,376,824
Segment income	225,424	13,523	9,192		248,139
Segment assets	1,998,039	136,827	251,827		2,386,693
Depreciation and amortization	102,568	9,666	8,305		120,539
Increase in property, plant and equipment and intangible assets	103,091	7,780	6,708		117,579
Amortization of goodwill	1,099	50			1,149
Goodwill	16,218	934			17,152

4. Information about geographical areas

a. Sales

	Millions of yen						
	2015						
	Japan	Asia	Europe	North America	Middle East	Other	Total
Sales	¥124,733	¥103,757	¥36,704	¥34,540	¥41,143	¥64,916	¥405,793

	Millions of yen						
	2014						
	Japan	Asia	Europe	North America	Middle East	Other	Total
Sales	¥129,080	¥98,613	¥38,912	¥25,856	¥37,315	¥58,687	¥388,463

	Thousands of US dollars						
	2015						
	Japan	Asia	Europe	North America	Middle East	Other	Total
Sales	\$1,037,974	\$863,417	\$305,437	\$287,429	\$342,372	\$540,195	\$3,376,824

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

b. Property, Plant and Equipment

	Millions of yen						
	2015						
	Japan	Asia	Europe	North America	Middle East	Other	Total
	¥55,384	¥16,048	¥7,273	¥3,517	¥1,514	¥516	¥84,252

	Millions of yen						
	2014						
	Japan	Asia	Europe	North America	Middle East	Other	Total
	¥55,917	¥14,320	¥7,873	¥2,607	¥1,397	¥503	¥82,617

	Thousands of US dollars						
	2015						
	Japan	Asia	Europe	North America	Middle East	Other	Total
	\$460,880	\$133,545	\$60,526	\$29,271	\$12,603	\$4,284	\$701,109

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, 2015, 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, 2015, 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 24, 2015
(July 2, 2015 as to Note 23.2)

Member of
Deloitte Touche Tohmatsu Limited

Subsidiaries and Affiliates

As of March 31, 2015

North America

United States

Yokogawa Corporation of America
Yokogawa USA, Inc.
Yokogawa Nuclear Solutions, LLC
Soteica 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.
Yokogawa Process Analyzers Europe B.V.
Yokogawa Africa Holding 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.

Poland

Yokogawa Polska SP.ZOO.O

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.
Yokogawa Analytical Solution 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.
Yokogawa System Integration & Procurement
(Wuxi)
Co., Ltd.
Yokogawa China Investment 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.
Yokogawa Medical Solutions Corporation
Yokogawa & Co., Ltd.
Yokogawa Denshikiki Co., Ltd.
Yokogawa Pionics Co., Ltd.
Yokogawa Foundry Corporation
Yokogawa Manufacturing Corporation
YDC Corporation
Yokogawa Rental & Lease Corporation

As of March 31, 2015

● 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:

43,410 million yen

Number of Employees:

19,601 (consolidated)
2,871 (non-consolidated)

Subsidiaries and Affiliates:

73 Overseas 14 Japan

● Investor Information

Number of Shares Authorized:

600,000,000

Number of Shares of Common Stock Issued:

268,624,510

Number of Shareholders:

24,226

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:

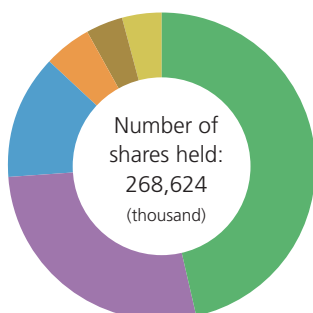
Deloitte Touche Tohmatsu LLC

Major Shareholders (Top 10)

Shareholders	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	28,989,100	10.79%
The Dai-ichi Life Insurance Company, Limited	15,697,000	5.84%
Nippon Life Insurance Company	13,484,615	5.02%
Japan Trustee Services Bank, Ltd. (trust account)	12,110,600	4.51%
Retirement Benefit Trust in Mizuho Trust & Banking Co., Ltd. (Mizuho Bank, Ltd. account); Trust & Custody Services Bank, Ltd. as a Trustee of Retruct	11,261,000	4.19%
Japan Trustee Services Bank, Ltd. (trust account 9)	11,022,600	4.10%
Yokogawa Electric Employee Shareholding Program	7,929,673	2.95%
JUNIPER	3,681,100	1.37%
BNYML-NON TREATY ACCOUNT	3,674,100	1.37%
BNP Pariba	3,636,685	1.35%

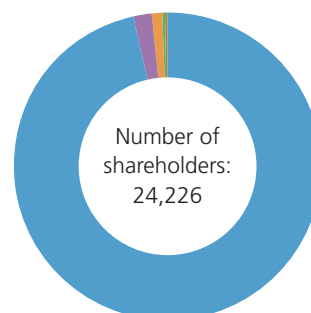
Note: In addition to the above, the Company holds 11,088,633 shares of treasury stock.

Shareholding by Category



Financial institutions	124,661,582	(46.41%)
Foreign investors	74,079,679	(27.58%)
Individual investors	35,477,706	(13.21%)
Others	13,342,600	(4.97%)
Securities companies	9,974,310	(3.71%)
Treasury stock	11,088,633	(4.13%)

Shareholders by Category



Individual investors	23,415	(96.65%)
Foreign investors	422	(1.74%)
Others	276	(1.14%)
Financial institutions	61	(0.25%)
Securities companies	51	(0.21%)
Treasury stock	1	(0.00%)



Yokogawa Electric Corporation

Corporate Communications Department

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

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