

# Consolidated Financial Statements for the Year Ended March 31, 2014

## (Japan GAAP)

May 13, 2014

Name of Listed Company: Yokogawa Electric Corporation (the “Company” herein)  
 Stock Exchanges Where the Company’s Shares Are Listed: Tokyo Stock Exchange, Section 1  
 Stock Code: 6841 (URL: <http://www.yokogawa.com/>)  
 Name and Position of the Representative: Takashi Nishijima, President and Chief Operating Officer  
 Name and Position of Person in Charge: Sadamu Kawanaka, General Manager of Corporate Communication Department  
 Telephone Number: +81-422-52-5530  
 Planned Date of the Regular General Meeting of Shareholders: June 25, 2014  
 Planned Dividend Payment Starting Date: June 26, 2014  
 Planned Date to File Annual Report: June 25, 2014  
 Financial Results Supplemental Materials: Yes  
 Financial Results Presentation Meeting: Yes (for institutional investors)

(Any amount less than one million yen is disregarded.)

## 1. Consolidated business results for the year ended March 31, 2014 (April 1, 2013-March 31, 2014)

## (1) Results of operations on a consolidated basis (Percentages show the change from the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
For the year ended March 31, 2014	388,463	11.7	25,893	40.6	25,679	42.6	12,341	-16.0
For the year ended March 31, 2013	347,899	4.0	18,409	10.9	18,002	28.2	14,688	146.8

(Note) Comprehensive income: For the year ended March 31, 2014 23,207 million yen -13.3%  
 For the year ended March 31, 2013 26,758 million yen 482.2%

	Net Income per Share	Diluted Net Income per Share	Net Income to Shareholders' Equity Ratio	Ordinary Income to Total Asset Ratio	Operating Income to Net Sales Ratio
	Yen	Yen	%	%	%
For the year ended March 31, 2014	47.92	—	6.9	6.6	6.7
For the year ended March 31, 2013	57.03	—	9.4	4.9	5.3

(Note) Profit or loss from investments accounted for by the equity method: For the year ended March 31, 2014 73 million yen  
 For the year ended March 31, 2013 246 million yen

## (2) Financial conditions on a consolidated basis

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Million yen	Million yen	%	Yen
For the year ended March 31, 2014	398,920	192,106	46.9	727.09
For the year ended March 31, 2013	379,931	172,396	44.3	653.83

(Note) Shareholders' equity: For the year ended March 31, 2014 187,255 million yen  
 For the year ended March 31, 2013 168,389 million yen

## (3) Consolidated cash flow status

	Net Cash Provided by Operating Activities	Net Cash Provided by (used in) Investment Activities	Net Cash Provided by Financing Activities	Cash and Cash Equivalents at the End of the Period
	Million yen	Million yen	Million yen	Million yen
For the year ended March 31, 2014	30,107	(13,884)	(21,596)	55,857
For the year ended March 31, 2013	17,433	(7,502)	(8,034)	58,826

## 2. Dividend status

(Record date)	Dividends per Share					Total Dividends (annual)	Payout Ratio (consol.)	Net Asset Dividend Rate (consol.)
	June 30	September 30	December 31	End of Term	Annual Total			
	yen	yen	yen	yen	yen	Million yen	%	%
For the year ended March 31, 2013	—	5.0	—	5.0	10.0	2,575	17.5	1.6
For the year ended March 31, 2014	—	6.0	—	6.0	12.0	3,090	25.0	1.7
For the year ending March 31, 2015 (Forecast)	—	6.0	—	6.0	12.0		22.1	

## 3. Business forecast for the year ending March 31, 2015 (April 1, 2014-March 31, 2015)

(Percentages show the change from the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Annual	400,000	3.0	28,000	8.1	26,000	1.2	14,000	13.4	54.36

<Notes>

- (1) Changes to important subsidiaries during the period: No  
(changes to consolidated subsidiaries accompanying changes to specific subsidiaries)

- (2) Changes in accounting policies, changes in accounting estimates, restatements

a. Changes accompanying revision of accounting standards: Yes

b. Changes other than (a) above: No

c. Changes in accounting estimates: No

d. Restatements: No

(Note) For the details, see item 3 “Consolidated Financial Statements, (5) Notes on consolidated financial statements” on page 16 of the attachment.)

- (3) Number of shares issued (common stock)

- a. Number of shares outstanding at the end of the period (including treasury stock)

For the year ended March 31, 2014 268,624,510 shares

For the year ended March 31, 2013 268,624,510 shares

- b. Treasury stock at the end of the period

For the year ended March 31, 2014 11,085,537 shares

For the year ended March 31, 2013 11,080,045 shares

- c. Average number of shares in the period

For the year ended March 31, 2014 257,541,866 shares

For the year ended March 31, 2013 257,545,276 shares

Note regarding the implementation of the review procedures

This consolidated financial results report is not subject to the review procedures specified in the Financial Instruments and Exchange Act. A review of the financial statements based on the Act was not completed before the release of the consolidated financial results.

Note concerning appropriate use of business forecasts, etc.

The above forecasts are based on the information that was available at the time this document was released and involve assumptions regarding uncertain factors that may have an effect on future performance. Actual performance may vary greatly due to a variety of factors. Please refer to page 5 for a disclaimer regarding the assumptions used in performance forecasts, as well as the use of such forecasts.

Attachment  
Contents

	Page
1. Analysis of Business Results and Financial Conditions .....	4
(1) Analysis of business results .....	4
(2) Full year business forecast .....	4
(3) Analysis of financial conditions .....	6
(4) Policy on appropriation of profit and dividends for the period under review / Subsequent periods .....	6
2. Management Policies .....	7
(1) Core management policies .....	7
(2) Target management indicators .....	7
(3) Medium- and long-term business strategies .....	7
(4) Challenges for the Company .....	7
3. Consolidated Financial Statements .....	8
(1) Consolidated balance sheets .....	8
(2) Consolidated statements of income and statements of comprehensive income .....	10
Consolidated statements of income .....	10
Statements of comprehensive income .....	11
(3) Consolidated statements of changes in net assets .....	12
(4) Consolidated cash flow statements .....	14
(5) Notes on consolidated financial statements .....	16
(Notes for going concern) .....	16
(Important items used as the basis for creation of consolidated Financial Statements) .....	16
(Changes in accounting policies) .....	16
(Changes to the method of display) .....	16
(Consolidated statement of income) .....	16
(Segment information) .....	17
(Per-share information) .....	18
(Important post-balance sheet events) .....	18
[Reference]	
Consolidated Financial Statements for the Year Ended March 31, 2014 .....	19

## 1. Analysis of Business Results and Financial Conditions

### (1) Analysis of business results

This section reviews the performance of the Yokogawa Group for the consolidated accounting period (fiscal year) under review.

The global economy continued to recover, albeit very slowly; the U.S. economy continued to improve gradually and the European economy started to pick up in the latter half of the year, but concerns lingered throughout the year over the slowdown in emerging countries including China and India. The Japan economy showed signs of a gradual recovery, with improvements in personal consumption and corporate performance as a result of the falling yen and rising stock market, which were triggered by bold fiscal and monetary policies. However, the growth outlook for Japan remains weak due to the rising cost of energy and imported raw materials, an expected decline in personal consumption after the consumption tax hike in April 2014, and other concerns.

Under these circumstances, based on the Evolution 2015 mid-term business plan, the Group continued to strive for growth by focusing on the industrial automation and control business, which remained strong thanks to the growth in energy-related investment. As a result, and partly thanks to the continued weakening of the yen, net sales and operating income were up year on year.

The net income for the fiscal year under review was down from a year ago, when there was a surge in extraordinary income from the sale of idle assets. An additional factor impacting net income was the recording of business structure improvement expenses during the year under review.

Consolidated		Billions of yen	
	Year ended March 31, 2013	Year ended March 31, 2014	Change
Net Sales	347.899	388.463	up 40.563
Operating Income	18.409	25.893	up 7.483
Ordinary Income	18.002	25.679	up 7.676
Net Income	14.688	12.341	down 2.346

Results by individual segment are outlined below.

#### Industrial Automation and Control Business

		Billions of yen	
	Year ended March 31, 2013	Year ended March 31, 2014	Change
Net Sales	295.696	336.329	up 40.633
Operating Income	18.011	24.224	up 6.213

In the industrial automation and control business, although the Japanese market faced uncertainties, energy-related markets outside Japan remained robust. Under these circumstances, and partly thanks to the continued weakness of the yen, net sales for the industrial automation and control business came to 336.329 billion yen, up 40.633 billion yen year on year, and operating income was 24.224 billion yen, up 6.213 billion yen.

#### Test and Measurement Business

		Billions of yen	
	Year ended March 31, 2013	Year ended March 31, 2014	Change
Net Sales	28.977	27.804	down 1.172
Operating Income (Loss)	(0.225)	1.018	up 1.243

In the test and measurement business, net sales fell 1.172 billion yen year on year, to 27.804 billion yen, and operating income was 1.018 billion yen (the previous fiscal year saw an operating loss of 225 million yen).

#### Other Businesses

		Billions of yen	
	Year ended March 31, 2013	Year ended March 31, 2014	Change
Net Sales	23.226	24.328	up 1.102
Operating Income	0.624	0.650	up 0.026

In our other businesses segment, net sales were 24.328 billion yen, up 1.102 billion yen over a year earlier, and operating income was 650 million yen, up 26 million yen.

### (2) Full year business forecast

In our main business of industrial automation and control, we expect robust growth chiefly in energy-related markets thanks to strong demand for energy and active development of energy resources in emerging and resource-rich countries. Accordingly, orders, sales, and operating income are expected to increase in fiscal year 2014.

In the test and measurement business, we expect orders and sales to decrease from fiscal year 2013, and this is mainly due to the discontinuation of the semiconductor tester and motion control businesses and the sale of a subsidiary involved in the measuring instruments business. Operating income, however, is expected to increase as a result of this discontinuation of the motion control business and other factors.

Accordingly, consolidated sales and operating income will be higher than in fiscal year 2013. Thanks to the increased operating income, consolidated ordinary income and net income are expected to be up from fiscal year 2013.

Based on the above, the current consolidated business forecasts are given below. For comparison, the results for fiscal year 2013 are also provided.

Business forecast for the year ending March 31, 2015 (full year)

Unit: billion yen

	FY2013	FY2014 (forecast)	Change
Net Sales	388.463	400.000	11.537
Operating Income	25.893	28.000	2.107
Ordinary Income	25.679	26.000	0.321
Net Income	12.341	14.000	1.659

Exchange rate

Unit: yen

	FY2013		FY2014 (forecast)
	First two quarters	Full year	Full year
1 US\$	99.05	100.67	100.00
1 €	130.56	135.24	135.00

[Reference]

1. Order forecast by segment (full year)

Unit: billion yen

Segment	Full year		
	FY2013	FY2014 (forecast)	Change
Industrial automation and control business	356.177	370.000	13.823
Test and measurement business	27.288	25.000	(2.288)
Other businesses	22.517	22.000	(0.517)
Total	405.982	417.000	11.018

2. Sales forecast by segment (full year)

Unit: billion yen

Segment	Full year		
	FY2013	FY2014 (forecast)	Change
Industrial automation and control business	336.329	353.000	16.671
Test and measurement business	27.804	25.000	(2.804)
Other businesses	24.328	22.000	(2.328)
Total	388.463	400.000	11.537

3. Operating income forecast by segment (full year)

Unit: billion yen

Segment	Full year		
	FY2013	FY2014 (forecast)	Change
Industrial automation and control business	24.224	26.000	1.776
Test and measurement business	1.018	1.500	0.482
Other businesses	0.650	0.500	(0.150)
Total	25.893	28.000	2.107

Notes regarding the use of forecasts

The above forecasts are based on certain assumptions deemed reasonable by Yokogawa at the present time, and may differ from actual business results.

Major factors that may affect business performance include the following:

- Fluctuations in the US dollar, the euro, Asian currencies, Middle Eastern currencies, etc., relative to the yen
- Sudden changes in political and economic conditions in major markets
- Changes in trade regulations or other aspects that have an impact on the business environment
- Sudden fluctuations in supply or demand
- Fluctuations in Japanese share prices
- Protection of Yokogawa patents and the licensing of patents held by other companies
- Alliances with other companies for product development or other purposes
- Earthquakes, floods, tsunamis, and other natural disasters

(3) Analysis of financial conditions

1) Conditions of assets, liabilities, and net assets

Total assets at the end of the fiscal year under review were 398.920 billion yen, up 18.988 billion yen from the end of the previous fiscal year. This is mainly due to an increase of 14.374 billion yen in notes and accounts receivable-trade and an increase of 4.387 billion yen in investment securities.

Total liabilities were 206.814 billion yen, down 721 million yen from the end of the previous fiscal year. The principal factors here were a decrease of 17.191 billion yen in short-term loans payable and long-term loans payable, an increase of 3.221 billion yen in notes and accounts payable-trade, an increase of 1.285 billion yen in other accounts payable, an increase of 1.532 billion yen in income taxes payable, an increase of 6.119 billion yen in advances received, and an increase of 3.084 billion yen in current liabilities-other.

Net assets were 192.106 billion yen, up 19.709 billion yen from the end of the previous fiscal year. This increase is mainly due to an increase of 9.510 billion yen in retained earnings, an increase of 3.014 billion yen in valuation differences on available-for-sale securities, and an increase of 6.218 billion yen in foreign currency translation adjustments. As a result, the shareholders' equity ratio was 46.9%, up 2.6 percentage points from the end of the previous fiscal year.

2) Cash flow status

The balance of cash and cash equivalents at the end of the fiscal year under review was 55.857 billion yen, down 2.968 billion yen from the end of the previous fiscal year. The cash flows from each activity in the fiscal year under review were as follows.

Cash flow from operating activities

The cash flow from operating activities in the fiscal year under review was a net inflow of 30.107 billion yen, up 12.673 billion yen from the previous fiscal year. Following income of 21.750 billion yen before income taxes and minority interests, this is a consequence of positive factors such as 13.551 billion yen of depreciation and amortization and 3.401 billion yen in business structure improvement expenses, and negative factors such as an increase of 2.585 billion yen in trade receivables and an outflow of 6.907 billion yen for corporate income taxes and other items.

Cash flow from investing activities

The cash flow from investing activities in the fiscal year under review was a net outflow of 13.884 billion yen, up 6.382 billion yen from the previous fiscal year. This is mainly the result of an outflow of 8.574 billion yen for the acquisition of property, plant and equipment and an outflow of 5.025 billion yen for the acquisition of intangible assets.

Cash flow from financing activities

The cash flow from financing activities in the fiscal year under review was a net outflow of 21.596 billion yen, up 13.562 billion yen from the previous fiscal year. This is mainly attributable to the taking out of 10.000 billion yen in long-term loans, the repayment of 26.609 billion yen in long-term loans, and an outflow of 2.832 billion yen for dividend payments.

[Reference]

Trends in cash flow indicators

	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014
Shareholders' equity ratio (%) (shareholders' equity / total assets)	38.5	39.2	40.5	44.3	46.9
Market value based shareholders' equity ratio (%) (total market value of stock / total assets)	52.6	45.2	60.0	64.1	107.6
Cash flow to interest-bearing debt ratio (interest-bearing debt / cash flow)	6.4	6.9	8.0	5.7	2.7
Interest coverage ratio (multiple) (cash flow / interest payments)	11.4	5.7	4.2	7.8	13.4

- (Note)
1. All values are calculated using consolidated financial figures.
  2. Market value has been calculated based on the number of shares issued, excluding treasury stock.
  3. Interest-bearing debt includes all debt listed on the consolidated balance sheets for which interest is being paid.
  4. The figures for cash flow and interest payments utilize the "Cash flows from operating activities" and "Interest expenses paid" shown in the consolidated cash flow statements.

(4) Policy on appropriation of profit and dividends for the period under review / Subsequent periods

The Company recognizes that, along with establishing a stable management foundation, the continued distribution of earnings to shareholders is one of its most important policies. With the objective of securing an internal reserve for investment in mid- to long-term growth and strengthening our financial standing, we have set the consolidated dividend payout ratio at 30%.

Based on its business plan and financial conditions, the Company plans to make a dividend payment of 6 yen per share at the end of fiscal year 2013. Accordingly, the annual dividend payment will be 12 yen per share. For fiscal year 2014, the Company plans to pay interim and year-end dividends of 6 yen each, for a total dividend of 12 yen per share.

## 2. Management Policies

### (1) Core management policies

#### Corporate 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 – we take this as our corporate philosophy and make every effort to realize it.

#### Corporate Social Responsibility (CSR)

In order to fulfill its corporate social responsibility, Yokogawa will enhance its corporate governance by developing and operating an internal control system, and contribute to community and society through the pursuit of high quality and customer satisfaction, the observance of business ethics, fair trade, the training and utilization of human resources, and environmental management activities, while aiming for continuous improvement of its corporate value. In doing so, we prioritize safety and compliance.

### (2) Target management indicators

In November 2011, the Group announced a new mid-term business plan, Evolution 2015, which states the mid- to long-term goal of becoming the global No. 1 company in the industrial automation and control field. As the first step toward this goal, this plan defines targets that must be achieved by the end of fiscal year 2015 and strategies to attain those targets.

The new plan defines growth strategies centering on the industrial automation and control business that will transform Yokogawa into a global solutions and service company that addresses customer needs by offering solutions and services based on its measurement and control technologies. This plan also requires business structural reforms such as the globalization of headquarters functions and restructuring of production systems. By implementing these strategies, the Group aims by the end of fiscal year 2015 to achieve the targets of 400 billion yen in consolidated sales, a 10% operating income-to-sales ratio, and earnings per share of 100 yen, thereby improving its financial health.

### (3) Medium- and long-term business strategies

The Group sets forth the following corporate 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.” Based on this philosophy, the Group will help to protect the environment and achieve a sustainable society through sound and profitable management that allows it to steadfastly pursue its business activities and maximize its corporate value, and by taking the customer perspective to provide solutions and services that add value.

### (4) Challenges for the Company

To achieve the long-term vision of becoming the global No.1 company in the industrial automation and control field, the Group is improving its financial health by steadily implementing the growth strategies defined in Evolution 2015 that center on the industrial automation and control business, and by carrying out other measures such as the globalization of headquarters functions and restructuring of production systems.

The Group's business environment is drastically changing. Specifically, the Japan market is undergoing structural changes, the globalization of markets is accelerating, and global competition is intensifying in the control business. To survive in this increasingly competitive market, we must accelerate our evolution into a solutions and service company while seeking to improve profitability and reinforce strengths such as our line-up of highly reliable and high-quality products, superior project management capabilities, extensive knowledge of industries and high-level engineering capabilities, and localized operations. While implementing growth strategies that will improve its financial health, the Group will take measures in fiscal year 2014 that will accelerate its transformation into a solutions and service company and address the urgent need to improve profitability.

#### Measures for enhancing corporate governance

Our Group will place a high priority on enhancing its corporate governance to realize healthy and sustainable growth. It will be a basic mission of corporate management to secure healthy and profitable operation and to earn the trust of all stakeholders, including shareholders.

At meetings of the board of directors, we will strive for quick and transparent decision-making by directors who are familiar with Yokogawa's business as well as independent outside directors. In addition, we will improve our management audit function by strictly checking and verifying the legality and efficiency of the work carried out by directors and the validity of their decision making processes. This will be done by a board of corporate auditors that includes outside auditors.

The Group's compliance principles are set out in the Standards of Business Conduct for the Yokogawa Group. The directors will take the initiative to promote the observation and awareness of business ethics throughout the Group. We have also established an internal control system for the Yokogawa Group to ensure the reliability of financial statements, the validity of the decision-making process, and proper and efficient execution of operations.

To ensure the effectiveness of the Yokogawa Group's internal control system, the department responsible for this function will conduct regular internal audits based on an annual plan, and report the key results to the board of directors and the corporate auditors.

### 3. Consolidated Financial Statements

#### (1) Consolidated balance sheets

Millions of yen

	(Reference) Year ended March 31, 2013	Year ended March 31, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	59,111	57,296
Notes and accounts receivable-trade	120,679	135,053
Merchandise and finished goods	15,860	15,686
Work in process	7,524	8,497
Raw materials and supplies	11,412	10,260
Deferred tax assets	2,606	3,760
Other	13,323	13,346
Allowance for doubtful accounts	(3,828)	(3,918)
Total current assets	226,689	239,983
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	47,836	47,987
Machinery, equipment and vehicles, net	7,297	7,703
Tools, furniture and fixtures, net	7,212	7,075
Land	16,175	16,699
Lease assets, net	151	92
Construction in progress	1,135	3,057
Total property, plant and equipment	79,807	82,616
Intangible assets		
Software	20,795	19,315
Other	6,290	6,929
Total intangible assets	27,086	26,245
Investments and other assets		
Investment securities	35,873	40,260
Deferred tax assets	2,692	2,167
Other	8,328	8,093
Allowance for doubtful accounts	(546)	(446)
Total investments and other assets	46,347	50,075
Total noncurrent assets	153,241	158,937
Total assets	379,931	398,920



Millions of yen

	(Reference) Year ended March 31, 2013	Year ended March 31, 2014
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	29,240	32,461
Short-term loans payable	34,255	19,286
Accounts payable-other	8,980	10,265
Income taxes payable	3,132	4,665
Advances received	22,462	28,581
Provision for bonuses	12,893	13,481
Other	24,005	27,090
Total current liabilities	134,970	135,833
Noncurrent liabilities		
Long-term loans payable	64,342	62,120
Deferred tax liabilities	2,048	3,182
Provision for retirement benefits	2,872	—
Net defined benefit liability	—	2,895
Other	3,300	2,782
Total noncurrent liabilities	72,564	70,980
Total liabilities	207,535	206,814
<b>Net assets</b>		
Shareholders' equity		
Capital stock	43,401	43,401
Capital surplus	50,344	50,344
Retained earnings	90,960	100,470
Treasury stock	(11,007)	(11,015)
Total shareholders' equity	173,698	183,201
Total other comprehensive income		
Valuation difference on available-for-sale securities	5,576	8,590
Deferred gains or losses on hedges	116	(80)
Foreign currency translation adjustment	(10,163)	(3,945)
Remeasurements of defined benefit plans	(837)	(511)
Total other comprehensive income	(5,308)	4,054
Minority interests	4,006	4,851
Total net assets	172,396	192,106
Total liabilities, net assets	379,931	398,920

(2) Consolidated statements of income and statements of comprehensive income  
Consolidated statements of income

Millions of yen

	(Reference) Year ended March 31, 2013	Year ended March 31, 2014
Net sales	347,899	388,463
Cost of sales	206,644	229,256
Gross profit	141,255	159,206
Selling, general and administrative expenses	122,845	133,313
Operating income	18,409	25,893
Non-operating income		
Interest income	466	443
Dividend income	1,524	1,631
Foreign exchange gains	372	999
Equity in earnings of affiliates	246	73
Compensation income	758	45
Miscellaneous income	701	963
Total non-operating income	4,070	4,157
Non-operating expenses		
Interest expenses	2,209	2,101
Miscellaneous expenses	2,267	2,269
Total non-operating expenses	4,477	4,371
Ordinary income	18,002	25,679
Extraordinary income		
Gain on sale of noncurrent assets	3,987	108
Gain on sales of investment securities	108	16
Total extraordinary income	4,095	125
Extraordinary losses		
Loss on sale of noncurrent assets	5	77
Loss on retirement of noncurrent assets	225	284
Impairment loss	1,350	283
Loss on valuation of investment securities	20	7
Business structure improvement expense	—	3,401
Total extraordinary losses	1,602	4,053
Income (loss) before income taxes and minority interests	20,496	21,750
Income taxes-current	4,854	8,276
Income taxes-deferred	107	(410)
Total income taxes	4,962	7,866
Loss before minority interests	15,533	13,884
Minority interests in income	845	1,542
Net income (loss)	14,688	12,341

Statements of comprehensive income

Millions of yen

	(Reference) Year ended March 31, 2013	Year ended March 31, 2014
Income (loss) before minority interests	15,533	13,884
Other comprehensive income		
Valuation difference on available-for-sale securities	3,100	3,030
Deferred gains or losses on hedges	107	(196)
Foreign currency translation adjustment	8,146	6,439
Remeasurements of defined benefit plans	(159)	22
Share of other comprehensive income of affiliates accounted for using equity method	30	26
Total other comprehensive income	11,224	9,322
Comprehensive income	26,758	23,207
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	25,429	21,401
Comprehensive income attributable to minority interests	1,328	1,806

(3) Consolidated statements of changes in net assets  
(Reference) Year ended March 31, 2013

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	43,401	50,344	79,002	(11,005)	161,741
Changes of items during the period					
Dividends from surplus			(2,575)		(2,575)
Net income (loss)			14,688		14,688
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		(0)		0	0
Other			(154)		(154)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(0)	11,958	(1)	11,956
Balance at the end of current period	43,401	50,344	90,960	(11,007)	173,698

Millions of yen

	Total other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Pension liability adjustment	Total other comprehensive income		
Balance at the beginning of current period	2,483	9	(17,865)	(677)	(16,050)	3,882	149,574
Changes of items during the period							
Dividends from surplus							(2,575)
Net income (loss)							14,688
Purchase of treasury stock							(1)
Disposal of treasury stock							0
Other							(154)
Net changes of items other than shareholders' equity	3,092	107	7,701	(159)	10,741	123	10,865
Total changes of items during the period	3,092	107	7,701	(159)	10,741	123	22,822
Balance at the end of current period	5,576	116	(10,163)	(837)	(5,308)	4,006	172,396

Year ended March 31, 2014

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	43,401	50,344	90,960	(11,007)	173,698
Changes of items during the period					
Dividends from surplus			(2,832)		(2,832)
Net income (loss)			12,341		12,341
Purchase of treasury stock				(7)	(7)
Disposal of treasury stock		0		0	0
Other			1		1
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	0	9,510	(7)	9,502
Balance at the end of current period	43,401	50,344	100,470	(11,015)	183,201

Millions of yen

	Total other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Pension liability adjustment	Total other comprehensive income		
Balance at the beginning of current period	5,576	116	(10,163)	(837)	(5,308)	4,006	172,396
Changes of items during the period							
Dividends from surplus							(2,832)
Net income (loss)							12,341
Purchase of treasury stock							(7)
Disposal of treasury stock							0
Other							1
Net changes of items other than shareholders' equity	3,014	(196)	6,218	326	9,362	844	10,207
Total changes of items during the period	3,014	(196)	6,218	326	9,362	844	19,709
Balance at the end of current period	8,590	(80)	(3,945)	(511)	4,054	4,851	192,106

(4) Consolidated cash flow statements

Millions of yen

	(Reference) Year ended March 31, 2013	Year ended March 31, 2014
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	20,496	21,750
Depreciation and amortization	13,496	13,551
Increase (decrease) in allowance for doubtful accounts	80	(307)
Increase (decrease) in provision for bonuses	(2,587)	318
Increase (decrease) in provision for retirement benefits	13	—
Increase (decrease) in net defined benefit liability	—	(284)
Interest and dividend income	(1,991)	(2,074)
Interest expense	2,209	2,101
Equity in (earnings) losses of affiliates	(246)	(73)
Loss (gain) on sales of investment securities	(108)	(16)
Loss (gain) on sales of noncurrent assets	(3,981)	(31)
Loss on retirement of noncurrent assets	225	284
Impairment loss	1,350	283
Business structure improvement expense	—	3,401
Decrease (increase) in notes and accounts receivable-trade	1,578	(2,585)
Decrease (increase) in inventories	3,104	1,955
Increase (decrease) in notes and accounts payable-trade	(5,226)	174
Other, net	(4,984)	(1,263)
Subtotal	23,426	37,185
Interest and dividend income received	2,000	2,073
Interest expenses paid	(2,240)	(2,243)
Income taxes paid	(5,753)	(6,907)
Net cash provided by (used in) operating activities	17,433	30,107
Net cash provided by (used in) investing activities		
Payments into time deposits	(4,343)	(583)
Proceeds from withdrawal of time deposits	5,309	94
Purchase of property, plant and equipment	(7,343)	(8,574)
Proceeds from sale of property, plant and equipment	4,396	444
Purchase of intangible assets	(5,169)	(5,025)
Proceeds from sales of investment securities	531	26
Purchase of investments in subsidiaries	(580)	(825)
Other, net	(302)	559
Net cash provided by (used in) investment activities	(7,502)	(13,884)

Millions of yen

	(Reference) Year ended March 31, 2013	Year ended March 31, 2014
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(3,174)	(1,373)
Proceeds from long-term loans payable	2,000	10,000
Repayment of long-term loans payable	(3,919)	(26,609)
Purchase of treasury stock	(1)	(7)
Cash dividends paid	(2,451)	(2,832)
Cash dividends paid to minority shareholders	(355)	(697)
Other, net	(132)	(75)
Net cash provided by (used in) financing activities	(8,034)	(21,596)
Effect of exchange rate change on cash and cash equivalents	3,537	2,405
Net increase (decrease) in cash and cash equivalents	5,434	(2,968)
Cash and cash equivalents at beginning of period	53,429	58,826
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(38)	—
Cash and cash equivalents at end of period	58,826	55,857

(5) Notes on consolidated financial statements

(Notes for going concern)

Not applicable

(Important items used as the basis for creation of consolidated financial statements)

1. Items related to the range of consolidation

(1) Consolidated subsidiaries: 81 companies

The range of consolidation has been revised due to changes involving the following companies:

(Increase: 3 companies)

Founding:	Yokogawa Anglophone African Regions (Pty) Ltd. (South Africa)
	Yokogawa Africa Holding B.V. (Netherlands)
	Yokogawa System Integration & Procurement (Wuxi) Co., Ltd. (China)

(Decrease: 5 companies)

Liquidation:	Shanghai Yokogawa Petrochemical Instrumentation Co., Ltd. (China)
	Yokogawa Industrial Safety Systems Ltd. (United Kingdom)
	Yokogawa Management Services Singapore Pte Ltd. (Singapore)

Absorption-type merger:	Yokogawa Solutions Corporation (Japan)
	Yokogawa Measurement Technologies Ltd. (United Kingdom)

(2) Non-consolidated subsidiaries

(Name of major company)	Yokogawa Foundry Corporation
-------------------------	------------------------------

This company does not significantly influence the consolidated financial statements, and has therefore been excluded from the range of consolidation.

2. Items related to application of the equity method

(1) Non-consolidated subsidiaries: 1 company

(Name of the company)	Yokogawa Foundry Corporation
-----------------------	------------------------------

(2) Affiliated companies: 3 companies

(Name of major company)	Yokogawa Rental & Lease Corporation (Japan)
-------------------------	---

(3) Financial statements related to a company's most recent fiscal year are used if the equity method is applicable to the company and the company has a closing date that differs from the consolidated closing date.

3. Items related to the fiscal year of consolidated subsidiaries, etc.

Starting with the fiscal year under review, the closing date for Yokogawa Electric China Co., Ltd. and 14 other non-Japan subsidiaries is December 31. For creation of consolidated financial statements, financial statements based on the provisional settlement of accounts implemented on the consolidated closing date are used for these companies.

4. Application of consolidated taxation system

The Company and some of its consolidated subsidiaries have applied a consolidated taxation system.

(Changes in accounting policies)

(Application of the Accounting Standard for Retirement Benefits)

The Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 of May 17, 2012; hereafter referred to as "Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 of May 17, 2012; hereafter referred to as "Guidance") have been applied to the accounting treatment for retirement benefits since the end of the fiscal year under review (except for paragraph 35 of the Accounting Standard and paragraph 67 of the Guidance), and thereby, the amount of retirement benefit obligations after subtraction of plan assets are recorded as a liability for retirement benefits, and actuarial losses and past service costs that are yet to be recognized as losses are recorded as a liability for retirement benefits.

The application of the Accounting Standard and the Guidance is in accordance with the transitional requirements set out in paragraph 37 of the Accounting Standard, and thereby the effects of the changes in accounting policies arising from the application were recognized in accumulated adjustments for retirement benefits within accumulated other comprehensive income at the end of the fiscal year under review.

As a result, at the end of the fiscal year under review, a liability for retirement benefits of 2.895 billion yen was recorded, and accumulated other comprehensive income increased by 303 million yen.

The book-value per share (BPS) increased by 1.17 yen.

(Changes to the method of display)

(Consolidated balance sheets)

The advances received that were included in "Other" under "Current liabilities" in the previous fiscal year have been reclassified and are shown as "Advances received" for the fiscal year under review because they are significantly larger.

Note that the amount of the advances received was 22.462 billion yen.



(Consolidated statements of income)

A 3.401 billion yen business structure improvement expense has been recorded that includes compensation for Company employees who have been/will be transferred to consolidated subsidiaries for the purpose of Groupwide optimization.

(Segment information)

1. Overview of reporting segments

The business segments for financial reporting are categorized as the industrial automation and control business, test and measurement business, and other businesses.

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

The test and measurement business offers waveform measuring instruments; optical communications measuring instruments; signal generators; electric power, temperature, and pressure measuring instruments; 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 systems equipment.

2. Segment sales and profits (losses)

Millions of yen

Business	Term	(Reference) Year ended March 31, 2013		Year ended March 31, 2014		Change
		Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	
Industrial automation and control business	Net sales to unaffiliated customers	295,696	85.0	336,329	86.5	40,633
	Operating income (loss)	18,011	97.8	24,224	93.6	6,213
Test and measurement business	Net sales to unaffiliated customers	28,977	8.3	27,804	7.2	(1,172)
	Operating income (loss)	(225)	-1.2	1,018	3.9	1,243
Other businesses	Net sales to unaffiliated customers	23,226	6.7	24,328	6.3	1,102
	Operating income (loss)	624	3.4	650	2.5	26
Consolidated	Net sales to unaffiliated customers	347,899	100.0	388,463	100.0	40,563
	Operating income (loss)	18,409	100.0	25,893	100.0	7,483

3. Sales by geographical location

Region	Term	(Reference) Year ended March 31, 2013		Year ended March 31, 2014		Change Amount
		Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	
Japan		133,997	38.5	129,079	33.2	(4,917)
Outside Japan		213,902	61.5	259,383	66.8	45,481
	Asia	87,991	25.3	98,612	25.4	10,620
	Europe	27,521	7.9	37,743	9.7	10,221
	North America	21,500	6.2	25,856	6.7	4,355
	Middle East	32,141	9.2	37,315	9.6	5,173
	Other	44,747	12.9	59,856	15.4	15,109
Consolidated net sales		347,899	100.0	388,463	100.0	40,563

(Note) Sales are based on a customer's geographical location (classified above as a country or region).

The breakdown of countries and regions belonging to groups is as follows:

- (1) Asia China, Singapore, South Korea, India, etc.
- (2) Europe The Netherlands, France, the United Kingdom, Germany, etc.
- (3) North America The United States, Canada
- (4) Middle East Bahrain, Saudi Arabia, etc.
- (5) Other Russia, Brazil, Australia, etc.

(Per-share Information)

	Year ended March 31, 2013	Year ended March 31, 2014
Net assets per share (yen)	653.83	727.09
Net income or loss per share (yen)	57.03	47.92

(Note) 1. The amount of the fully diluted net income per share for the fiscal year under review is not described because there is no residual security.

2. The basis for calculation of net income (loss) per share is as follows:

	Year ended March 31, 2012	Year ended March 31, 2013
Net income or loss (millions of yen)	14,688	12,341
Net income or loss related to common stock (millions of yen)	14,688	12,341
Average number of shares during the period	257,545,276	257,541,866

(Important Post-balance Sheet Events)

Not applicable

[Reference]

May 13, 2014  
Yokogawa Electric Corporation

## Consolidated Financial Statements for the Year Ended March 31, 2014

Millions of yen

	Year ended March 31, 2013		Year ended March 31, 2014		Change	
	Amount	Ratio to Net Sales	Amount	Ratio to Net Sales	Amount	Ratio to Net Sales
Net Sales	347,899	—	388,463	—	40,563	—
Operating Income	18,409	5.3%	25,893	6.7%	7,483	1.4%
Ordinary Income	18,002	5.2%	25,679	6.6%	7,676	1.4%
Net Income	14,688	4.2%	12,341	3.2%	(2,346)	-1.0%
Comprehensive Income	26,758	7.7%	23,207	6.0%	(3,551)	-1.7%
Total Assets	379,931		398,920		18,988	
Shareholders' Equity	172,396		192,106		19,709	
Net Income to Shareholders' Equity Ratio	9.4%		6.9%		-2.5%	
Net Income per Share	57.03 yen		47.92 yen		(9.11) yen	
Shareholders' Equity per Share	653.83 yen		727.09 yen		73.26 yen	
Capital Investment	13,468		14,006		537	
Depreciation	13,496		13,551		55	
Research and Development Expenses	25,477		25,824		347	
Average Exchange Rate during the Term						
USD	83.33 yen		100.67 yen		17.34 yen	
EUR	107.40 yen		135.24 yen		27.84 yen	

### Consolidated orders by segment

Millions of yen

	Year ended March 31, 2013	Year ended March 31, 2014	Year ending March 31, 2015 (forecast)
Industrial automation and control business	304,347	356,177	370,000
Test and measurement business	27,958	27,288	25,000
Other businesses	22,192	22,517	22,000
Total	354,498	405,982	417,000

### Consolidated sales by segment

Millions of yen

	Year ended March 31, 2013	Year ended March 31, 2014	Year ending March 31, 2015 (forecast)
Industrial automation and control business	295,696	336,329	353,000
Test and measurement business	28,977	27,804	25,000
Other businesses	23,226	24,328	22,000
Total	347,899	388,463	400,000

### Consolidated operating income by segment

Millions of yen

	Year ended March 31, 2013	Year ended March 31, 2014	Year ending March 31, 2015 (forecast)
Industrial automation and control business	18,011	24,224	26,000
Test and measurement business	(225)	1,018	1,500
Other businesses	624	650	500
Total	18,409	25,893	28,000