

Consolidated Financial Results for the First Two Quarters of the Fiscal Year Ending March 31, 2015 (Japan GAAP)

October 31, 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 Quarterly Report Filing Date: November 13, 2014
 Planned Dividend Payment Starting Date: December 5, 2014
 Quarterly Financial Results Supplemental Materials: Yes
 Quarterly Financial Results Presentation Meeting: Yes (for institutional investors)

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

1. Consolidated business results for the first two quarters of the year ending March 31, 2015 (April 1-September 30, 2014)

(1) Results of operations on a consolidated basis (accumulated)

(Percentages show the change from the same period of the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
For first two quarters of year ending March 31, 2015	184,381	2.7	10,286	-6.5	10,920	1.6	7,608	17.3
For first two quarters of year ended March 31, 2014	179,619	9.1	11,007	25.6	10,744	47.8	6,487	-16.6

(Note) Comprehensive income: For first two quarters of year ending March 31, 2015 16,667 million yen (29.8%)
 For first two quarters of year ended March 31, 2014 12,845 million yen (242.7%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
For first two quarters of year ending March 31, 2015	29.54	—
For first two quarters of year ended March 31, 2014	25.19	—

(2) Financial conditions on a consolidated basis

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Million yen	Million yen	%
As of September 30, 2014	404,813	207,614	49.7
As of March 31, 2014	398,920	192,106	46.9

(Note) Shareholders' equity: As of September 30, 2014: 201,101 million yen As of March 31, 2014: 187,255 million yen

2. Dividend status

	Dividends per Share				
	June 30	September 30	December 31	End of Term	Total
	Yen	Yen	Yen	Yen	Yen
For year ended March 31, 2014	—	6.00	—	6.00	12.00
For year ending March 31, 2015	—	6.00			
For year ending March 31, 2015 (forecast)			—	Not finalized	Not finalized

(Note) Adjustment on dividend forecast in this quarter: Yes

The plan for a yearly dividend for the year ending March 31, 2015 will be announced as soon as it is finalized.

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	Not finalized	—	Not finalized

(Note) Adjustment on consolidated business forecast in this quarter: Yes

The net income forecast for the year ending March 31, 2015 will be announced as soon as it is finalized.

<Notes>

- (1) Changes to important subsidiaries during the period: No
(changes to consolidated subsidiaries accompanying changes to specific subsidiaries)
- (2) Application of special methods for quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, restatements
- a. Changes accompanying revision of accounting standards: No
 - b. Changes other than (a) above: No
 - c. Changes in accounting estimates: No
 - d. Restatements: No
- (4) Number of shares issued (common stock)
- a. Number of shares outstanding at the end of the period (including treasury stock)

For the 2nd quarter of the year ending March 31, 2015	268,624,510 shares
For the year ended March 31, 2014	268,624,510 shares
 - b. Treasury stock at the end of the period

For the 2nd quarter of the year ending March 31, 2015	11,086,674 shares
For the year ended March 31, 2014	11,085,537 shares
 - c. Average number of shares in the period (quarterly consolidated accumulated period)

For the 2nd quarter of the year ending March 31, 2015	257,538,415 shares
For the 2nd quarter of the year ended March 31, 2014	257,543,333 shares

Note regarding the implementation of the quarterly review procedures

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

Quarterly Financial Results Presentation Meeting

The Company plans to hold a quarterly financial results presentation meeting for institutional investors on Friday, October 31, 2014. The Company also plans to post the materials used at the meeting, promptly on its website.

Attachment
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1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Explanation of business results

This section reviews the performance of the Yokogawa Group for the first two quarters of the current fiscal year, from April 1, 2014 to September 30, 2014.

The global economy continued to recover slowly. The U.S. economy improved steadily, but the nascent economic recovery that had been underway in Europe appears to have given way to renewed signs of a slowdown due to geopolitical concerns. Meanwhile, emerging economies grew only gradually at best, or continued on a downward trend. In Japan, although corporations reported improved results and stock prices remained high due to bold government fiscal and monetary policies that resulted in a weaker yen, the economy's growth trajectory has flattened somewhat due to repercussions of the April 2014 consumption tax hike.

Under these circumstances, the Group continued to strive for growth based on its Evolution 2015 mid-term business plan by focusing on the industrial automation and control business, which remained strong thanks to the growth in energy-related investment.

As a result, and mainly thanks to efforts to fill a backlog of orders for the industrial and control business, the Group's net sales in the first two quarters of the current fiscal year rose to 184.381 billion yen, up 4.761 billion yen year on year. However, due to factors such as a deterioration of the gross margin for the Japan control business and an increase in selling, general and administrative expenses as a result of active investment for the future, operating income fell to 10.286 billion yen, a decline of 720 million yen.

Despite the decreased operating income, ordinary income rose to 10.920 billion yen, a 176 million yen year on year increase, mainly thanks to increased foreign exchange gains and decreased interest payments. Net income came to 7.608 billion yen, up 1.121 billion yen, chiefly due to the recording of gains on the sale of investment securities.

Results by individual segment are outlined below.

The Group's sales tend to increase in the second and fourth quarters mainly in the industrial automation and control business.

Industrial Automation and Control Business

Although the mid- to long-term business environment is expected to remain robust due to increases in energy-related investment, orders for the industrial automation and control business in the first two quarters of the current fiscal year were down globally compared with the same period a year ago. However, mainly thanks to the continuing efforts to fill a backlog of orders, net sales were up to 163.017 billion yen, a 7.816 billion yen year on year increase. Meanwhile, due to factors such as the aforementioned deterioration of the gross margin for the Japan control business and the increase in selling, general and administrative expenses, operating income fell to 9.670 billion yen, a 996 million yen decrease.

Test and Measurement Business

In the first two quarters of the current fiscal year, net sales for the test and measurement business fell 2.416 billion yen year on year, to 11.330 billion yen. This decline was primarily due to the effects of the withdrawal from and sale of businesses during the previous fiscal year. Operating income was 736 million yen, up 353 million yen.

Other Businesses

In our other businesses segment, for the first two quarters of the current fiscal year, net sales were down 638 million yen from a year earlier, to 10.033 billion yen, and the operating loss increased by 77 million yen, to 119 million yen.

(2) Explanation of financial conditions

In comparison with the end of the previous fiscal year, total assets at the end of the second quarter of the current fiscal year increased by 5.892 billion yen, to 404.813 billion yen, mainly due to an increase in cash and deposits. Total liabilities decreased by 9.615 billion yen, to 197.198 billion yen, principally because of a decrease in notes and accounts payable-trade. Net assets increased by 15.508 billion yen, to 207.614 billion yen, chiefly due to an increase in retained earnings. As a result, the shareholders' equity ratio at the end of the second quarter of the current fiscal year was 49.7%, up 2.8 percentage points from the end of the previous fiscal year.

The cash flow from operating activities in the first two quarters of the current fiscal year was a net inflow of 13.337 billion yen, up 5.488 billion yen from the same period of the previous fiscal year, mainly due to a decrease in trade receivables. The cash flow from investing activities was a net outflow of 3.164 billion yen, down 1.947 billion yen, chiefly due to proceeds from sales of shares of subsidiaries. The cash flow from financing activities was a net outflow of 1.999 billion yen, up 224 million yen, mainly because of an increase in dividend payments.

As a result, the balance of cash and cash equivalents at the end of the second quarter of the current fiscal year was 64.702 billion yen, up 8.844 billion yen from the end of the previous fiscal year.

(3) Explanation of consolidated business forecast and other expectations

Considering the results for the first two quarters and currently available information on changes in the business environment, we see no need to change the previously announced full-year consolidated business forecast for the Group's sales, operating income, and ordinary income in fiscal year 2014.

However, regarding the Group's net income, we have decided to delay our announcement of a full-year forecast. This is because, as announced on September 2, 2014, we are soliciting applications from employees for a voluntary retirement program and will record associated expenses as extraordinary losses within the current fiscal year. The number of applicants is not yet known, and therefore it is difficult to rationally assess these expenses. As soon as this assessment can be made, we will announce the revised full-year forecast.

Revision to forecast of consolidated results for FY2014 (April 1, 2014-March 31, 2015) Unit: million yen

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
Previous forecast announced on May 13, 2014 (A)	400,000	28,000	26,000	14,000	54.36
Revised forecast announced on October 31, 2014 (B)	400,000	28,000	26,000	Not finalized	Not finalized
Difference (B)-(A)	—	—	—	—	—
Difference (%)	—	—	—	—	—
[Reference] Results of year ended March 31, 2014	388,463	25,893	25,679	12,341	47.92

Note: For the consolidated business forecast, the Company assumes an exchange rate of 1\$ = 100 yen and 1€= 135 yen.

[Reference]

1. Order forecast by segment (full year) Unit: billion yen

Segment	Full year		
	Previous forecast	Revised forecast	Change
Industrial automation and control business	370.0	370.0	—
Test and measurement business	25.0	25.0	—
Other businesses	22.0	22.0	—
Total	417.0	417.0	—

2. Sales forecast by segment (full year) Unit: billion yen

Segment	Full year		
	Previous forecast	Revised forecast	Change
Industrial automation and control business	353.0	353.0	—
Test and measurement business	25.0	25.0	—
Other businesses	22.0	22.0	—
Total	400.0	400.0	—

3. Operating income forecast by segment (full year) Unit: billion yen

Segment	Full year		
	Previous forecast	Revised forecast	Change
Industrial automation and control business	26.0	26.0	—
Test and measurement business	1.5	1.5	—
Other businesses	0.5	0.5	—
Total	28.0	28.0	—

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

2. Notes on Summary Information

Not applicable

3. Quarterly Consolidated Financial Statements
(1) Quarterly consolidated balance sheets

	Millions of yen	
	(Reference) End of FY2013 (March 31, 2014)	End of FY2014 2nd quarter (September 30, 2014)
Assets		
Current assets		
Cash and deposits	57,296	65,743
Notes and accounts receivable-trade	135,053	126,194
Merchandise and finished goods	15,686	16,690
Work in process	8,497	9,488
Raw materials and supplies	10,260	10,530
Other	17,106	17,287
Allowance for doubtful accounts	(3,918)	(4,129)
Total current assets	239,983	241,804
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	47,987	48,152
Other, net	34,629	34,104
Total property, plant and equipment	82,616	82,256
Intangible assets		
Software	19,315	18,674
Other	6,929	6,898
Total intangible assets	26,245	25,573
Investments and other assets		
Investment securities	40,260	46,562
Other	10,261	8,937
Allowance for doubtful accounts	(446)	(321)
Total investments and other assets	50,075	55,178
Total noncurrent assets	158,937	163,008
Total assets	398,920	404,813

Millions of yen

	(Reference) End of FY2013 (March 31, 2014)	End of FY2014 2nd quarter (September 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	32,461	26,077
Short-term loans payable	19,286	19,166
Accounts payable-other	10,265	8,208
Income taxes payable	4,665	3,412
Advances received	28,581	31,696
Provision for bonuses	13,481	8,925
Other	27,090	26,161
Total current liabilities	135,833	123,648
Noncurrent liabilities		
Long-term loans payable	62,120	62,009
Net defined benefit liability	2,895	3,461
Other	5,964	8,079
Total noncurrent liabilities	70,980	73,549
Total liabilities	206,814	197,198
Net assets		
Shareholders' equity		
Capital stock	43,401	43,401
Capital surplus	50,344	50,344
Retained earnings	100,470	106,537
Treasury stock	(11,015)	(11,016)
Total shareholders' equity	183,201	189,265
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,590	12,613
Deferred gains or losses on hedges	(80)	228
Foreign currency translation adjustment	(3,945)	(259)
Remeasurements of defined benefit plans	(511)	(746)
Total accumulated other comprehensive income	4,054	11,835
Minority interests	4,851	6,512
Total net assets	192,106	207,614
Total liabilities, net assets	398,920	404,813

(2) Quarterly consolidated statements of income and statements of comprehensive income
Consolidated statements of income for the first two quarters of FY2014

Millions of yen

	(Reference) First two quarters of FY2013 (April 1-September 30, 2013)	First two quarters of FY2014 (April 1-September 30, 2014)
Net sales	179,619	184,381
Cost of sales	103,995	107,728
Gross profit (loss)	75,624	76,652
Selling, general and administrative expenses	64,617	66,366
Operating income (loss)	11,007	10,286
Non-operating income		
Interest income	209	248
Dividend income	348	381
Foreign exchange gains	493	808
Equity in earnings of affiliates	231	81
Other	609	649
Total non-operating income	1,893	2,169
Non-operating expenses		
Interest expenses	1,154	922
Other	1,001	612
Total non-operating expenses	2,156	1,535
Ordinary income (loss)	10,744	10,920
Extraordinary income		
Gain on sale of noncurrent assets	73	19
Gain on sale of investment securities	108	780
Gain on change in equity	—	311
Total extraordinary income	181	1,112
Extraordinary losses		
Loss on sale of noncurrent assets	76	9
Loss on retirement of noncurrent assets	128	222
Loss on valuation of investment securities	7	—
Total extraordinary losses	212	232
Income (loss) before income taxes and minority interests	10,713	11,800
Income taxes-current	3,668	3,780
Income taxes-deferred	(153)	(546)
Total income taxes	3,514	3,234
Income (loss) before minority interests	7,198	8,566
Minority interests in income (loss)	710	957
Net income (loss)	6,487	7,608

Consolidated statements of comprehensive income for the first two quarters of FY2014

	Millions of yen	
	(Reference) First two quarters of FY2013 (April 1-September 30, 2013)	First two quarters of FY2014 (April 1-September 30, 2014)
Income (loss) before minority interests	7,198	8,566
Other comprehensive income		
Valuation difference on available-for-sale securities	3,370	4,045
Deferred gains or losses on hedges	(161)	308
Foreign currency translation adjustment	2,535	3,957
Remeasurements of defined benefit plans	(112)	(43)
Share of other comprehensive income of associates accounted for using equity method	14	(166)
Total other comprehensive income	5,646	8,101
Comprehensive income	12,845	16,667
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	11,992	15,390
Comprehensive income attributable to minority interests	852	1,277

(3) Quarterly consolidated statements of cash flows

Millions of yen		
	(Reference) First two quarters of FY2013 (April 1-September 30, 2013)	First two quarters of FY2014 (April 1-September 30, 2014)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	10,713	11,800
Depreciation and amortization	6,592	6,776
Increase (decrease) in allowance for doubtful accounts	(10)	(107)
Increase (decrease) in provision for bonuses	(3,431)	(4,546)
Decrease (increase) in notes and accounts receivable-trade	5,936	14,884
Decrease (increase) in inventories	(3,201)	(1,509)
Increase (decrease) in notes and accounts payable-trade	(3,851)	(8,277)
Increase (decrease) in accounts payable-other	1,161	307
Loss (gain) on sales of investment securities	(108)	(780)
Loss (gain) on change in equity	—	(311)
Other	(2,207)	2,393
Subtotal	11,593	20,627
Interest and dividend income received	1,437	1,487
Interest expenses paid	(1,138)	(894)
Payments for transfers compensation	(151)	(2,721)
Income taxes (paid) refund	(3,891)	(5,162)
Net cash provided by (used in) operating activities	7,849	13,337
Net cash provided by (used in) investing activities		
Payments into time deposits	(289)	(205)
Proceeds from withdrawal of time deposits	89	668
Purchase of property, plant and equipment	(3,641)	(3,695)
Proceeds from sale of property, plant and equipment	402	62
Purchase of intangible assets	(2,299)	(2,571)
Proceeds from sales and redemption of investment securities	—	610
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	806
Other	626	1,159
Net cash provided by (used in) investment activities	(5,111)	(3,164)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(235)	(292)
Repayment of long-term loans payable	(198)	(110)
Cash dividends paid	(1,287)	(1,543)
Cash dividends paid to minority shareholders	(19)	(740)
Proceeds from share issuance to minority shareholders	—	721
Other	(33)	(35)
Net cash provided by (used in) financing activities	(1,775)	(1,999)
Effect of exchange rate change on cash and cash equivalents	1,200	671
Net increase (decrease) in cash and cash equivalents	2,162	8,844
Cash and cash equivalents at beginning of period	58,826	55,857
Cash and cash equivalents at end of period	60,988	64,702

4. Notes on Quarterly Consolidated Financial Statements

(1) Notes for going concern

Not applicable

(2) Notes if there is a remarkable change in the amount of shareholders' equity

Not applicable

(3) Segment information

Segment sales and profits (losses)

Millions of yen

Business \ Term		(Reference) First two quarters of FY2013 (Apr. 1-Sep. 30, 2013)	First two quarters of FY2014 (Apr. 1-Sep. 30, 2014)	Change
Industrial automation and control business	Net sales to unaffiliated customers	155,200	163,017	7,816
	Operating income	10,666	9,670	(996)
Test and measurement business	Net sales to unaffiliated customers	13,747	11,330	(2,416)
	Operating income (loss)	383	736	353
Other businesses	Net sales to unaffiliated customers	10,671	10,033	(638)
	Operating income (loss)	(42)	(119)	(77)
Consolidated	Net sales to unaffiliated customers	179,619	184,381	4,761
	Operating income (loss)	11,007	10,286	(720)

[Reference]

Sales by geographical location

Millions of yen

Region \ Term	(Reference) First two quarters of FY2013 (Apr. 1-Sep. 30, 2013)		First two quarters of FY2014 (Apr. 1-Sep. 30, 2014)		Change
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount
Japan	54,644	30.4	53,033	28.8	(1,611)
Outside Japan	124,975	69.6	131,347	71.2	6,372
Asia	50,409	28.1	49,312	26.8	(1,096)
Europe	17,407	9.7	17,967	9.7	559
North America	12,189	6.8	15,157	8.2	2,967
Middle East	15,274	8.5	16,587	9.0	1,312
Other	29,693	16.5	32,322	17.5	2,629
Consolidated net sales	179,619	100.0	184,381	100.0	4,761

(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.

[Reference]

October 31, 2014
Yokogawa Electric Corporation

Consolidated Financial Statements for the First Two Quarters of FY2014

Millions of yen

	First two quarters of FY2013		First two quarters of FY2014		Change	
	Amount	Ratio to Net Sales	Amount	Ratio to Net Sales	Amount	Ratio to Net Sales
Net Sales	179,619	—	184,381	—	4,761	—
Operating Income	11,007	6.1%	10,286	5.6%	(720)	-0.5%
Ordinary Income	10,744	6.0%	10,920	5.9%	176	-0.1%
Net Income	6,487	3.6%	7,608	4.1%	1,121	0.5%
Total Assets	388,661		404,813		16,151	
Shareholders' Equity	183,996		207,614		23,617	
Net Income to Shareholders' Equity Ratio	3.7%		3.9%		0.2%	
Net Income per Share	25.19 yen		29.54 yen		4.35 yen	
Capital Investment	6,441		4,996		(1,445)	
Depreciation	6,592		6,776		183	
Research and Development Expenses	12,511		12,729		217	
Average Exchange Rate during the Term						
USD	99.05 yen		103.53 yen		4.48 yen	
EUR	130.56 yen		138.53 yen		7.97 yen	

Consolidated orders by segment

Millions of yen

	First two quarters of FY2013	First two quarters of FY2014	FY2014 Full year (Forecast)
Industrial automation and control business	194,150	182,090	370,000
Measurement business	13,342	11,048	25,000
Other businesses	8,634	12,136	22,000
Total	216,127	205,275	417,000

Consolidated sales by segment

Millions of yen

	First two quarters of FY2013	First two quarters of FY2014	FY2014 Full year (Forecast)
Industrial automation and control business	155,200	163,017	353,000
Measurement business	13,747	11,330	25,000
Other businesses	10,671	10,033	22,000
Total	179,619	184,381	400,000

Consolidated operating income by segment

Millions of yen

	First two quarters of FY2013	First two quarters of FY2014	FY2014 Full year (Forecast)
Industrial automation and control business	10,666	9,670	26,000
Measurement business	383	736	1,500
Other businesses	(42)	(119)	500
Total	11,007	10,286	28,000