

Consolidated Financial Statements for the Year Ended March 31, 2012 (Japan GAAP)

May 11, 2012

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: Shuzo Kaihori, President and Chief Executive Officer
 Name and Position of Person in Charge: Sadamu Kawanaka, General Manager of Corporate Communication Dept.
 Telephone Number: +81-422-52-5530
 Planned Date of the Regular General Meeting of Shareholders: June 27, 2012
 Planned Dividend Payment Starting Date: June 28, 2012
 Planned Date to File Annual Report: June 27, 2012
 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, 2012 (April 1, 2011-March 31, 2012)

(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, 2012	334,668	2.8	16,601	49.8	14,037	63.4	5,952	—
For the year ended March 31, 2011	325,620	2.8	11,079	323.0	8,590	—	(6,692)	—

(Note) Comprehensive income: For the year ended March 31, 2012 4,596 million yen (—%)
 For the year ended March 31, 2011 (10,663) million yen (—%)

	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, 2012	23.11	—	4.1	3.9	5.0
For the year ended March 31, 2011	(25.98)	—	-4.5	2.3	3.4

(Note) Profit or loss from investments accounted for by the equity method: For the year ended March 31, 2012 178 million yen
 For the year ended March 31, 2011 593 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, 2012	359,500	149,574	40.5	565.69
For the year ended March 31, 2011	361,233	145,232	39.2	550.19

(Note) Shareholders’ equity: For the year ended March 31, 2012 145,691 million yen
 For the year ended March 31, 2011 141,702 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, 2012	12,897	(7,841)	(7,954)	53,429
For the year ended March 31, 2011	16,168	(7,993)	(25,688)	57,334

2. Dividend status

(Record date)	Dividends per Share					Total Dividends (annual)	Payout Ratio (consol.)	Net Asset Dividend Rate (consol.)
	June 30	September 31	December 31	End of Term	Annual Total			
For the year ended March 31, 2011	yen —	yen 0.0	yen —	yen 0.0	yen 0.0	Million yen —	% —	% —
For the year ended March 31, 2012	—	0.0	—	5.0	5.0	1,287	21.6	0.9
For the year ending March 31, 2013 (Forecast)	—	5.0	—	5.0	10.0		19.8	

3. Business forecast for the year ending March 31, 2013 (April 1, 2012-March 31, 2013)

(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
Interim period	161,000	2.1	7,000	2.7	5,000	18.6	6,000	725.9	23.30
Annual	339,000	1.3	19,000	14.4	16,000	14.0	13,000	118.4	50.48

<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: No
b. Changes other than (a) above: Yes
c. Changes in accounting estimates: Yes
d. Restatements: No
(Note) For the details, see item 4 “Consolidated Financial Statements, (7) Changes to Important Items that Serve as the Foundation for the Creation of Consolidated Financial Statements”, on page 20 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, 2012 268,624,510 shares
For the year ended March 31, 2011 268,624,510 shares
b. Treasury stock at the end of the period
For the year ended March 31, 2012 11,078,187 shares
For the year ended March 31, 2011 11,071,323 shares
c. Average number of shares in the period
For the year ended March 31, 2012 257,550,540 shares
For the year ended March 31, 2011 257,563,314 shares

(Note) Overview of non-consolidated business results

1. Non-consolidated business results for the year ended March 31, 2012 (April 1, 2011-March 31, 2012)

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
For the year ended March 31, 2012	151,070	-1.5	(3,280)	—	8,292	—	6,301	—
For the year ended March 31, 2011	153,412	-2.3	(10,364)	—	(4,786)	—	(11,705)	—

	Net Income per Share		Diluted Net Income per Share	
	Yen		Yen	
For the year ended March 31, 2012	24.47		—	
For the year ended March 31, 2011	(45.45)		—	

(2) Financial conditions on a non-consolidated basis

	Total Assets		Net Assets		Shareholders' Equity Ratio		Net Assets per Share	
	Million yen		Million yen		%		Yen	
For the year ended March 31, 2012	246,966		108,078		43.8		419.65	
For the year ended March 31, 2011	252,495		101,340		40.1		393.47	

(Note) Shareholders' equity: For the year ended March 31, 2012 108,078 million yen
For the year ended March 31, 2011 101,340 million yen

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.

Attachment
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1. Business Results

(1) Analysis of Business Results

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

Although the world economy expanded moderately in the first half of the fiscal year under review, the global economic outlook became increasingly uncertain in the second half due to such factors as the deepening financial crisis in Europe, the weak recovery of the U.S. economy, and the slowdown of emerging economies. The Japanese economy also continued to face uncertainty due to the prolonged strength of the yen, floods in Thailand, and other concerns, although it recovered steadily from the downturn caused by the Great East Japan Earthquake.

Under these circumstances, the Group drew up and began the implementation of Evolution 2015, its mid-term business plan for the period through the end of fiscal year 2015. Despite the uncertain global economic outlook, Yokogawa strived to expand the Group's businesses outside Japan, with a special emphasis on the industrial automation and control business, which has been performing well thanks to expanding energy and electric power-related investments. Yokogawa also helped customers in Japan restore their operations following the March 11 disaster.

In the fiscal year under review, in spite of the negative impact of the strong yen, net sales were up year on year thanks to expansion of the Group's business in emerging and resource-rich countries. Operating income and ordinary income rose due to increased sales and continued efforts to restructure businesses. As a result, net income was recorded for the first time in four years.

Consolidated		Billions of yen		
	Year ended March 31, 2011	Year ended March 31, 2012	Change	
Net Sales	325.620	334.668	up 9.047	
Operating Income	11.079	16.601	up 5.522	
Ordinary Income	8.590	14.037	up 5.447	
Net Income (loss)	(6.692)	5.952	12.644	

Results by individual segment are outlined below.

Industrial Automation and Control Business

		Billions of yen		
	Year ended March 31, 2011	Year ended March 31, 2012	Change	
Net Sales	260.665	277.185	up 16.520	
Operating Income	16.464	19.896	up 3.432	

Overall, the industrial automation and control business remained strong in Japan. Positive factors including demand arising from the reconstruction of the disaster-stricken areas outweighed negative factors such as the continued strength of the yen. Demand for energy and electric power plants in emerging and resource-rich regions and countries such as Southeast Asia, China, Brazil, and Australia remained robust.

Under these circumstances, the Group set about implementing the regional, industry, and product growth strategies that had been defined in the Evolution 2015 mid-term business plan, focusing mainly on markets in emerging and resource-rich countries where the industrial automation and control business enjoys the greatest prospects for growth. These markets include the upstream oil and natural gas industries (exploration, development, and production), and the electric power, petrochemical, chemical, and renewable energy industries.

As a result, despite the negative influence of the strong yen on sales and income, net sales for the industrial automation and control business came to 277.185 billion yen, up 16.52 billion yen year on year, and operating income was 19.896 billion yen, up 3.432 billion yen.

Test and Measurement Business

		Billions of yen		
	Year ended March 31, 2011	Year ended March 31, 2012	Change	
Net Sales	37.076	34.580	down 2.496	
Operating Loss	(6.391)	(3.572)	down 2.819	

In the measuring instrument market of the test and measurement business, demand for power meters and optical measuring instruments was strong in the first half of the fiscal year thanks to increased needs for energy saving and infrastructure building in emerging countries. In the second half, rising demand in Japan compensated for the supply crunch caused by the flooding in Thailand, but results were additionally impacted by other negative factors such as a slowdown in China's economic growth. Consequently, net sales were about the same as a year earlier. In the semiconductor tester market, the ramping up of investments in front-end memory testers by customers led to a year on year increase in net sales.

However, net sales for the entire test and measurement business were down year on year due to factors such as the withdrawal from the photonics business. At the same time, the operating loss declined year on year as a result of business structural reforms that reduced fixed costs, R&D expenditure, and other expenses.

Net sales for the test and measurement business came to 34.58 billion yen, a 2.496 billion yen year on year decrease, and the operating loss was 3.572 billion yen, a 2.819 billion yen decrease.

Other Businesses

Billions of yen			
	Year ended March 31, 2011	Year ended March 31, 2012	Change
Net Sales	27.879	22.903	down 4.976
Operating Income	1.006	0.277	down 0.729

With our other businesses segment, net sales were 22.903 billion yen, down 4.976 billion yen from the previous fiscal year. Operating income was 277 million yen, down 729 million yen from the previous year.

(2) Full Year Business Forecast

In our main industrial automation and control business, we expect robust growth chiefly in the electric power, natural gas, oil, and renewable energy markets driven by the rising demand for energy in emerging economies. Thus, orders, sales, and operating income are expected to rise.

In the test and measurement business, we expect demand for measuring instruments to be strong thanks to rising capital investment in energy saving solutions and investment in infrastructure in emerging countries. On the other hand, it is anticipated that orders and sales for semiconductor testers will decrease as a result of the termination of this business. Thus, we expect orders and sales for the overall test and measurement business to decline. Due to the lower orders and sales of semiconductor testers, it is also anticipated that the operating loss for this business will remain unchanged from last year, when an allowance for the termination of the semiconductor tester business was recorded.

Considering these forecasts, the consolidated sales and operating income are expected to be higher than in the previous year.

As a result of the higher operating income, a 2.1 billion yen decline in extraordinary losses due to the completion of structural reforms, and 3.7 billion yen in extraordinary income from the planned sale of noncurrent assets, it is anticipated that the consolidated net income will be higher than in the previous year.

Based on the above, the current consolidated business forecasts are as follows. For comparison purposes, the results for the previous year are also provided.

Business forecast for the year ending March 31, 2013 (First two quarters) Unit: billion yen

	First two quarters of FY2011	First two quarters of FY2012 (Forecast)	Change
Net Sales	157.751	161.000	3.249
Operating Income	6.816	7.000	0.184
Ordinary Income	4.216	5.000	0.784
Net Income	726	6.000	5.274

Business forecast for the year ending March 31, 2013 (Full year) Unit: billion yen

	FY2011	FY2012 (Forecast)	Change
Net Sales	334.668	339.000	4.332
Operating Income	16.601	19.000	2.399
Ordinary Income	14.037	16.000	1.963
Net Income	5.952	13.000	7.048

Exchange rate Unit: yen

	FY2011		FY2012 (Forecast)	
	First two quarters	Full year	First two quarters	Full year
1 US\$	79.16	78.82	79.00	79.00
1 €	113.52	109.34	100.00	100.00

[Reference]

1. Order forecast by segment (First two quarters) Unit: billion yen

Segment	First two quarters		
	FY2011	FY2012 (Forecast)	Change
Industrial automation and control business	151.859	146.000	(5.859)
Test and measurement business	17.961	16.000	(1.961)
Other businesses	9.135	8.000	(1.135)
Total	178.955	170.000	(8.955)

2. Sales forecast by segment (First two quarters) Unit: billion yen

Segment	First two quarters		
	FY2011	FY2012 (Forecast)	Change
Industrial automation and control business	129.833	135.000	5.167
Test and measurement business	18.252	16.000	(2.252)
Other businesses	9.666	10.000	334
Total	157.751	161.000	3.249

3. Operating income forecast by segment (First two quarters) Unit: billion yen

Segment	First two quarters		
	FY2011	FY2012 (Forecast)	Change
Industrial automation and control business	7.899	9.000	1.101
Test and measurement business	(0.801)	(2.000)	(1.199)
Other businesses	(0.282)	0.000	0.282
Total	6.816	7.000	0.184

4. Order forecast by segment (Full year) Unit: billion yen

Segment	Full year		
	FY2011	FY2012 (Forecast)	Change
Industrial automation and control business	288.452	296.000	7.548
Test and measurement business	33.995	33.000	(0.995)
Other businesses	21.619	21.000	(0.619)
Total	344.066	350.000	5.934

5. Sales forecast by segment (Full year) Unit: billion yen

Segment	Full year		
	FY2011	FY2012 (Forecast)	Change
Industrial automation and control business	277.185	283.000	5.815
Test and measurement business	34.580	33.000	(1.580)
Other businesses	22.903	23.000	97
Total	334.668	339.000	4.332

6. Operating income forecast by segment (Full year) Unit: billion yen

Segment	Full year		
	FY2011	FY2012 (Forecast)	Change
Industrial automation and control business	19.896	21.500	1.604
Test and measurement business	(3.572)	(3.000)	0.572
Other businesses	0.277	0.500	0.223
Total	16.601	19.000	2.399

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 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 359.5 billion yen, down 1.732 billion yen from the end of the previous fiscal year. While notes and accounts receivable-trade increased by 7.048 billion yen, the decline in total assets is mainly attributable to a decrease of 4.039 billion yen in cash and deposits, a decrease of 2.941 billion yen in property, plant and equipment, and a decrease of 1.836 billion yen in intangible assets.

Total liabilities were 209.926 billion yen, down 6.074 billion yen from the end of the previous fiscal year. The decline in total liabilities is mainly attributable to a decrease of 7.737 billion yen in short-term loans payable and long-term loans payable.

Net assets were 149.574 billion yen, up 4.341 billion yen from the end of the previous fiscal year. The growth in net assets is mainly attributable to an increase of 5.99 billion yen in retained earnings. As a result, the shareholders' equity ratio was 40.5%, up 1.3 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 53.429 billion yen, down 3.904 billion yen from the end of the previous fiscal year as a result of a net inflow of 12.897 billion yen from operating activities, a net outflow of 7.841 billion yen from investing activities, and a net outflow of 7.954 billion yen from financing activities.

The cash flow from operating activities was a net inflow of 12.897 billion yen, down 3.271 billion yen from the previous fiscal year. Following income of 11.672 billion yen before income taxes and minority interests, this is a consequence of adjustments for negative and positive factors, the latter of which includes 12.756 billion yen in depreciation and amortization.

The cash flow from investing activities was a net outflow of 7.841 billion yen, down 151 million yen from the previous fiscal year. This was mainly the result of a 6.798 billion yen outflow for acquisition of property, plant and equipment, a 4.655 billion yen outflow for acquisition of intangible assets, and a 1.232 billion yen inflow from the sale of property, plant and equipment.

The cash flow from financing activities was a net outflow of 7.954 billion yen, down 17.733 billion yen from the previous fiscal year. This was mainly due to a 48.119 billion yen repayment on long-term loans and the taking out of 35.920 billion yen in new long-term loans.

(Note) Trends in cash flow indicators

	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012
Shareholders' equity ratio (%) (Shareholders' equity / total assets)	49.6	41.7	38.5	39.2	40.5
Market value based shareholders' equity ratio (%) (Total market value of stock / total assets)	57.8	25.3	52.6	45.2	60.0
Cash flow to interest-bearing debt ratio (Interest-bearing debt / cash flow)	4.5	5.1	6.4	6.9	8.0
Interest coverage ratio (multiple) (Cash flow / interest payments)	15.0	16.9	11.4	5.7	4.2

- (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 Period

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 5 yen per share at the end of fiscal year 2011. Accordingly, the annual dividend payment will be 5 yen per share. For fiscal year 2012, the Company plans to pay interim and year-end dividends of 5 yen each, for a total dividend of 10 yen per share.

2. Status of the Yokogawa Group

The Yokogawa Group consists of Yokogawa Electric Corporation (“the Company”), 86 subsidiaries, and 3 affiliated companies. The major businesses of the Group companies and businesses pertaining to each company in the Group by segment are as follows below.

(1) Industrial Automation and Control Business

The major products are production control systems, flowmeters, differential pressure and pressure transmitters, process analyzers, programmable controllers, and industrial recorders.

In this business segment, products manufactured by consolidated subsidiaries such as Yokogawa Manufacturing Corporation, Yokogawa Electric Asia Pte. Ltd., and Yokogawa Electric China Co., Ltd. are sold, engineered, and serviced in Japan by the Company. Outside Japan, mainly Yokogawa Engineering Asia Pte. Ltd. in Southeast Asia, Yokogawa Europe B.V. in Europe, Yokogawa Corporation of America in the United States, Yokogawa Middle East B.S.C.(c) in the Middle East, and Yokogawa China Co., Ltd. in China conduct sales, engineering, and after-sales service.

(2) Test and Measurement Business

The major products are waveform measuring instruments, optical communication measuring instruments, signal generators, measuring instruments for electric power, temperature, and pressure, semiconductor test systems, and confocal scanners.

Yokogawa Manufacturing Corporation, Yokogawa Electronics Manufacturing Korea Co., Ltd., and other consolidated subsidiaries manufacture waveform measuring instruments, optical communication measuring instruments, signal generators, and measuring instruments for electric power, temperature, and pressure. Regarding sales and after-sales service for these products, Yokogawa Meters & Instruments Corporation covers the Japan market, Yokogawa Engineering Asia Pte. Ltd. covers Southeast Asia, Yokogawa Europe B.V. covers Europe, Yokogawa Corporation of America covers North America, and Yokogawa Shanghai Trading Co., Ltd. covers China. Yokogawa Manufacturing Corporation manufactures semiconductor test systems and Yokogawa Test Solutions Corporation handles sales and after-sales service for these products in all markets in and outside Japan except South Korea, where after-sales service is handled by Yokogawa Measuring Instruments Korea Corporation, and Taiwan, where Yokogawa Taiwan Corporation provides after-sales service. Confocal scanners are mainly manufactured by Yokogawa Manufacturing Corporation and sales and after-sales service for these products are handled by the Company.

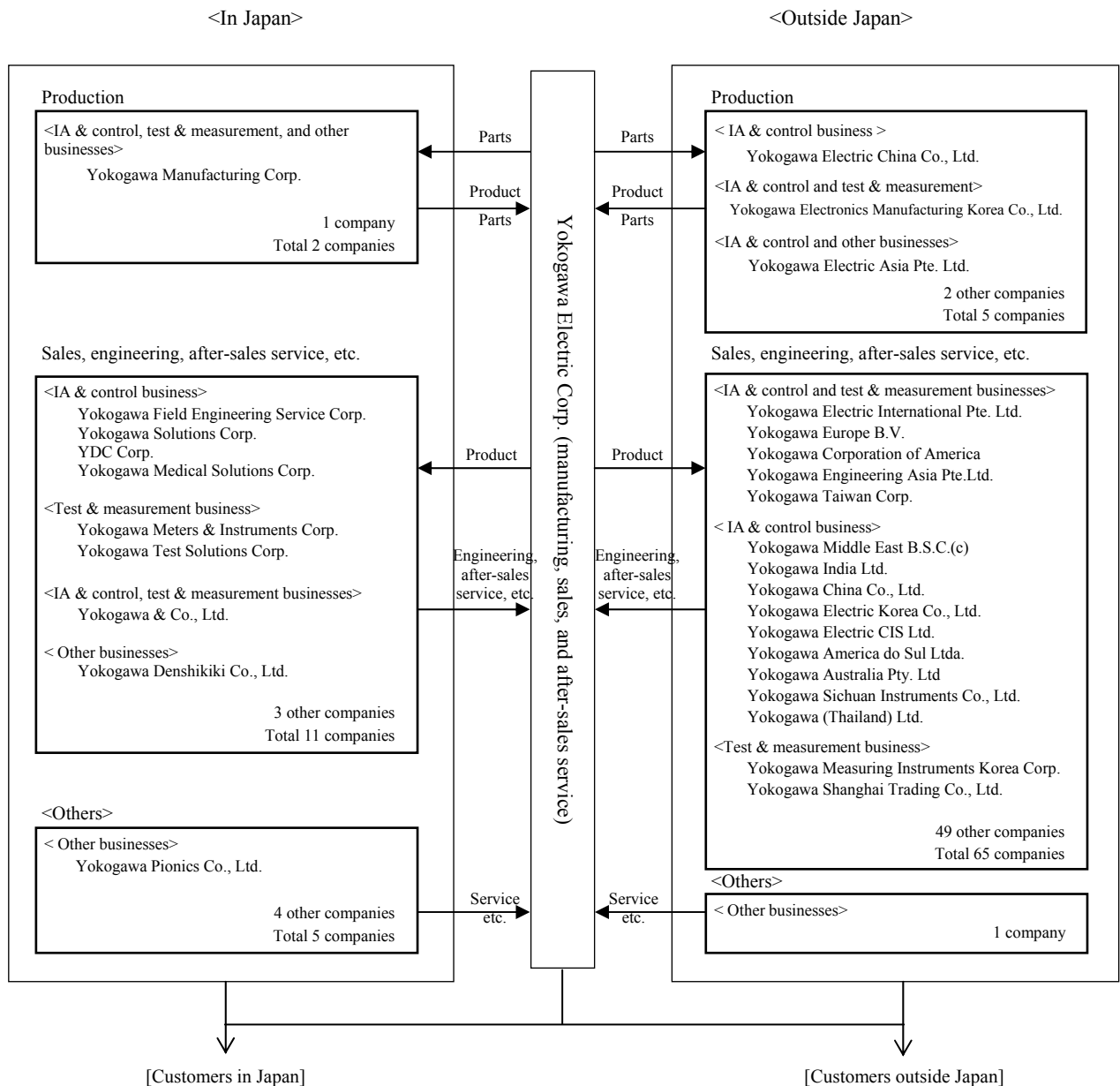
(3) Other Businesses

The major products are aviation, marine navigation, and meteorological/hydrological monitoring system equipment.

The Company and Yokogawa Denshikiki Co., Ltd. are engaged in the manufacture and sale of aviation, marine navigation, and meteorological/hydrological monitoring system equipment. Yokogawa Pionics Co., Ltd. is engaged in real estate operations.

Business Overview

The following diagram illustrates the relations of the companies in the Yokogawa Group.



(Note) All companies whose names are mentioned in the diagram are consolidated subsidiaries.

3. 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

As part of the business structural reforms, the Group decided to conclude a lease agreement for the Sagami-hara Office and withdraw from the semiconductor tester business. In fiscal year 2012, the Group will implement those decisions.

With the aim of achieving the long-term vision of becoming the global No. 1 company in the industrial automation and control field, the Group must also improve 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.

Challenges in 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.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

Millions of yen

	(Reference) Year ended March 31, 2011	Year ended March 31, 2012
Assets		
Current assets		
Cash and deposits	58,663	54,624
Notes and accounts receivable-trade	103,492	110,540
Merchandise and finished goods	16,477	14,699
Work in process	8,745	7,993
Raw materials and supplies	10,250	12,665
Deferred tax assets	2,829	3,087
Other	9,853	10,938
Allowance for doubtful accounts	(3,175)	(3,247)
Total current assets	207,136	211,302
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	48,927	46,167
Machinery, equipment and vehicles, net	7,219	6,643
Tools, furniture and fixtures, net	4,569	7,001
Land	17,243	16,682
Lease assets, net	488	491
Construction in progress	2,653	1,174
Total property, plant and equipment	81,101	78,160
Intangible assets		
Software	8,126	23,349
Other	21,968	4,909
Total intangible assets	30,095	28,258
Investments and other assets		
Investment securities	31,731	31,849
Deferred tax assets	2,076	1,959
Other	9,459	8,533
Allowance for doubtful accounts	(368)	(563)
Total investments and other assets	42,899	41,779
Total noncurrent assets	154,096	148,198
Total assets	361,233	359,500

Millions of yen

	(Reference) Year ended March 31, 2011	Year ended March 31, 2012
Liabilities		
Current liabilities		
Notes and accounts payable-trade	28,806	30,658
Short-term loans payable	54,258	14,605
Income taxes payable	3,270	3,307
Provision for bonuses	11,526	14,970
Accounts payable-other	12,828	8,070
Other	41,402	43,004
Total current liabilities	152,093	114,616
Noncurrent liabilities		
Long-term loans payable	56,739	88,655
Deferred tax liabilities	1,672	1,505
Provision for retirement benefits	2,067	2,441
Provision for directors' retirement benefits	203	165
Other	3,224	2,542
Total noncurrent liabilities	63,907	95,310
Total liabilities	216,000	209,926
Net assets		
Shareholders' equity		
Capital stock	43,401	43,401
Capital surplus	50,344	50,344
Retained earnings	73,011	79,002
Treasury stock	(11,001)	(11,005)
Total shareholders' equity	155,755	161,741
Total other comprehensive income		
Valuation difference on available-for-sale securities	2,145	2,483
Deferred gains or losses on hedges	(137)	9
Pension liability adjustment	(374)	(677)
Foreign currency translation adjustment	(15,686)	(17,865)
Total other comprehensive income	(14,053)	(16,050)
Minority interests	3,529	3,882
Total net assets	145,232	149,574
Total liabilities, net assets	361,233	359,500

(2) Consolidated Statements of Income and Statements of Comprehensive Income
Consolidated Statements of Income

Millions of yen

	(Reference) Year ended March 31, 2011	Year ended March 31, 2012
Net sales	325,620	334,668
Cost of sales	215,130	195,430
Gross profit	110,489	139,238
Selling, general and administrative expenses	99,410	122,636
Operating income	11,079	16,601
Non-operating income		
Interest income	305	392
Dividend income	1,553	1,561
Equity in earnings of affiliates	593	178
Miscellaneous income	1,302	1,239
Total non-operating income	3,754	3,371
Non-operating expenses		
Interest expenses	2,815	2,652
Foreign exchange losses	1,752	413
Miscellaneous expenses	1,676	2,870
Total non-operating expenses	6,244	5,936
Ordinary income	8,590	14,037
Extraordinary income		
Gain on sale of noncurrent assets	205	518
Gain on sales of investment securities	502	909
State subsidy	333	333
Other	417	—
Total extraordinary income	1,459	1,761
Extraordinary losses		
Loss on sale of noncurrent assets	79	10
Loss on retirement of noncurrent assets	304	281
Impairment loss	707	465
Loss on sales of investment securities	—	155
Loss on valuation of investment securities	2,250	0
Restructuring loss	—	2,457
Business structure improvement expense	6,800	755
Other	931	—
Total extraordinary losses	11,074	4,126
Income (loss) before income taxes and minority interests	(1,025)	11,672
Income taxes-current	4,490	5,217
Income taxes-deferred	630	(80)
Total income taxes	5,121	5,136
Loss before minority interests	(6,146)	6,535
Minority interests in income	545	583
Net income (loss)	(6,692)	5,952

Statements of Comprehensive Income

Millions of yen

	(Reference) Year ended March 31, 2011	Year ended March 31, 2012
Income (loss) before minority interests	(6,146)	6,535
Other comprehensive income		
Valuation difference on available-for-sale securities	(316)	340
Deferred gains or losses on hedges	(219)	146
Pension liability adjustment	(5)	(302)
Foreign currency translation adjustment	(3,970)	(2,119)
Share of other comprehensive income of associates accounted for using equity method	(4)	(3)
Total other comprehensive income	(4,517)	(1,939)
Comprehensive income	(10,663)	4,596
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	(11,048)	3,954
Comprehensive income attributable to minority interests	385	641

(3) Consolidated Statements of Changes in Net Assets

Millions of yen

	(Reference) Year ended March 31, 2011	Year ended March 31, 2012
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	43,401	43,401
Balance at the end of current period	43,401	43,401
Capital surplus		
Balance at the beginning of current period	50,345	50,345
Changes of items during the period		
Disposal of treasury stock	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of current period	50,344	50,344
Retained earnings		
Balance at the beginning of current period	80,303	73,011
Changes of items during the period		
Dividends from surplus	(515)	—
Net income (loss)	(6,692)	5,952
Other	(84)	38
Total changes of items during the period	(7,292)	5,990
Balance at the end of current period	73,011	79,002
Treasury stock		
Balance at the beginning of current period	(10,991)	(11,001)
Changes of items during the period		
Purchase of treasury stock	(11)	(5)
Disposal of treasury stock	1	0
Total changes of items during the period	(9)	(4)
Balance at the end of current period	(11,001)	(11,005)
Total shareholders' equity		
Balance at the beginning of current period	163,058	155,755
Changes of items during the period		
Dividends from surplus	(515)	—
Net income (loss)	(6,692)	5,952
Purchase of treasury stock	(11)	(5)
Disposal of treasury stock	1	0
Other	(84)	38
Total changes of items during the period	(7,302)	5,986
Balance at the end of current period	155,755	161,741

Millions of yen

	(Reference) Year ended March 31, 2011	Year ended March 31, 2012
Total other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	2,450	2,145
Changes of items during the period		
Net changes of items other than shareholders' equity	(304)	337
Total changes of items during the period	(304)	337
Balance at the end of current period	2,145	2,483
Deferred gains or losses on hedges		
Balance at the beginning of current period	82	(137)
Changes of items during the period		
Net changes of items other than shareholders' equity	(219)	146
Total changes of items during the period	(219)	146
Balance at the end of current period	(137)	9
Pension liability adjustment		
Balance at the beginning of current period	(369)	(374)
Changes of items during the period		
Net changes of items other than shareholders' equity	(5)	(302)
Total changes of items during the period	(5)	(302)
Balance at the end of current period	(374)	(677)
Foreign currency translation adjustment		
Balance at the beginning of current period	(11,859)	(15,686)
Changes of items during the period		
Net changes of items other than shareholders' equity	(3,827)	(2,178)
Total changes of items during the period	(3,827)	(2,178)
Balance at the end of current period	(15,686)	(17,865)
Total other comprehensive income		
Balance at the beginning of current period	(9,696)	(14,053)
Changes of items during the period		
Net changes of items other than shareholders' equity	(4,356)	(1,997)
Total changes of items during the period	(4,356)	(1,997)
Balance at the end of current period	(14,053)	(16,050)
Minority interests		
Balance at the beginning of current period	3,998	3,529
Changes of items during the period		
Net changes of items other than shareholders' equity	(468)	353
Total changes of items during the period	(468)	353
Balance at the end of current period	3,529	3,882

Millions of yen

	(Reference) Year ended March 31, 2011	Year ended March 31, 2012
Total net assets		
Balance at the beginning of current period	157,360	145,232
Changes of items during the period		
Dividends from surplus	(515)	—
Net income (loss)	(6,692)	5,952
Purchase of treasury stock	(11)	(5)
Disposal of treasury stock	1	0
Other	(84)	38
Net changes of items other than shareholders' equity	(4,825)	(1,644)
Total changes of items during the period	(12,127)	4,341
Balance at the end of period under review	145,232	149,574

(4) Consolidated Cash Flow Statements

Millions of yen

	(Reference) Year ended March 31, 2011	Year ended March 31, 2012
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(1,025)	11,672
Depreciation and amortization	13,836	12,756
Increase (decrease) in allowance for doubtful accounts	(239)	341
Increase (decrease) in provision for bonuses	1,309	3,483
Increase (decrease) in provision for retirement benefits	(58)	417
Interest and dividend income	(1,859)	(1,953)
Interest expense	2,815	2,652
Loss (gain) on valuation of investment securities	2,250	0
Equity in (earnings) losses of affiliates	(593)	(178)
Loss (gain) on sales of investment securities	(502)	(753)
Loss on retirement of noncurrent assets	304	281
Impairment loss	707	465
Restructuring loss	—	2,457
Business structure improvement expense	6,800	755
Decrease (increase) in notes and accounts receivable-trade	2,293	(7,640)
Decrease (increase) in inventories	(1,669)	(211)
Increase (decrease) in notes and accounts payable-trade	2,290	2,749
Decrease in payment liability due to change in retirement payment system	(4,235)	(3,426)
Other, net	2,122	(2,798)
Subtotal	24,547	21,070
Interest and dividend income received	1,921	2,206
Interest expenses paid	(2,827)	(3,063)
Payments for extra retirement payments	(4,020)	(3,370)
Income taxes paid	(3,452)	(3,946)
Net cash provided by (used in) operating activities	16,168	12,897
Net cash provided by (used in) investing activities		
Payments into time deposits	(3,377)	(4,552)
Proceeds from withdrawal of time deposits	3,336	4,592
Purchase of property, plant and equipment	(4,718)	(6,798)
Proceeds from sale of property, plant and equipment	514	1,232
Purchase of intangible assets	(5,335)	(4,655)
Proceeds from sales of investment securities	651	1,031
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	818	—
Other, net	116	1,309
Net cash provided by (used in) investment activities	(7,993)	(7,841)

Millions of yen

	(Reference) Year ended March 31, 2011	Year ended March 31, 2012
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(669)	4,529
Proceeds from long-term loans payable	—	35,920
Repayment of long-term loans payable	(24,236)	(48,119)
Purchase of treasury stock	(11)	—
Cash dividends paid	(521)	(4)
Cash dividends paid to minority shareholders	(250)	(275)
Other, net	1	(4)
Net cash provided by (used in) financing activities	(25,688)	(7,954)
Effect of exchange rate change on cash and cash equivalents	(1,784)	(1,005)
Net increase (decrease) in cash and cash equivalents	(19,297)	(3,904)
Cash and cash equivalents at beginning of period	76,555	57,334
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	76	(0)
Cash and cash equivalents at end of period	57,334	53,429

(5) Notes for going concern
Not applicable

(6) Important Items Used as the Basis for Creation of Consolidated Financial Statements

1. Items related to the range of consolidation

(1) Consolidated subsidiaries: 85 companies

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

(Increase: 1 company)

Foundation: Yokogawa Electric Ukraine Ltd. (Ukraine)

(Decrease: 1 company)

Liquidation: Yokogawa Electronics Manufacturing Corporation

(2) Non-consolidated subsidiaries

(Names of major companies) 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

(Names of the company) Yokogawa Foundry Corporation

(2) Affiliated companies: 2 companies

(Names of major companies) Yokogawa Rental & Lease Corporation

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

(Decrease: 1 company)

Divestment of subsidiary's shares Yokogawa Organization Resource Counselors Corporation

(3) Companies for which the equity method is not applicable

(Names of major companies) Yokogawa Q&A Corporation

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

(4) 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 13 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

Since the start of the fiscal year under review, the Company and some of its consolidated subsidiaries have applied a consolidated taxation system.

(7) Changes to Important Items that Serve as the Foundation for the Creation of Consolidated Financial Statements

(Changes to the depreciation method of property, plant and equipment)

Before the fiscal year under review, the declining-balance method of depreciation was applied in most cases to the property, plant and equipment of the Company and its consolidated subsidiaries in Japan. However, since the start of the fiscal year under review, the straight-line method is being broadly applied. The reason for the adoption of the new method was the determination that it was more appropriate given how we would be using our property, plant and equipment following changes in our business portfolio that were made in fiscal years 2009 and 2010.

As a result of this change, in the fiscal year under review, operating income increased by 1.786 billion yen and both ordinary income and income before income taxes and minority interests increased by 1.815 billion yen.

(8) Changes to the Method of Display

(Consolidated balance sheets)

The software assets included and shown as “Intangible assets” in the previous fiscal year have been reclassified and are shown as a separate category (“Software”) for the fiscal year under review because they exceed 5% of total assets. Note that the software assets shown as “Intangible assets” in the previous fiscal year amounted to 8.126 billion yen.

(Consolidated statements of cash flows)

The proceeds from sales of investment securities included and shown as “Other, net” under “Net cash provided by (used in) investing activities” in the previous fiscal year have been reclassified and are shown as a separate category (“Proceeds from sales of investment securities”) for the fiscal year under review because they are significantly larger. Note that the proceeds from sales of investment securities shown as “Other, net” in the previous fiscal year amounted to 651 million yen.

(9) Additional Information

(Application of the Accounting Standard for Accounting Changes and Error Corrections)

The Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No.24 of December 4, 2009) and the Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No.24 of December 4, 2009) are being applied to the accounting changes made since the beginning of the fiscal year under review and past corrections of errors.

(Changes in the treatment of R&D expenditure)

Prior to the fiscal year under review, the Company and some of its consolidated subsidiaries in Japan recognized basic research expenses as general and administrative expenses, while certain product development expenses were recognized as manufacturing costs. The reason why certain product development expenses were handled in this way was that manufacturing activities such as production design and preparation have always been carried out in parallel with the development of new hardware. However, since the start of the fiscal year under review, the part of the R&D expenditures that had been considered manufacturing costs are recognized as general and administrative expenses. This is a consequence of the rising importance of software development activities to keep pace with rapidly changing technologies and the review of our business portfolio in fiscal years 2009 and 2010, which will have the impact of decreasing the amount of hardware in development and reducing the ties between hardware development and manufacturing.

As a result of these changes, gross profit increased by 21.194 billion yen, and operating income, ordinary income, and income before income taxes and minority interests decreased by 470 million yen.

(10) Notes to Consolidated Financial Statements
(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, and electric power, temperature, and pressure measuring instruments; semiconductor test systems; 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. Information concerning the amount of sales, profit or loss, assets, liabilities and other accounts by reported segment

Millions of yen

Business		Term	(Reference)		Year ended March 31, 2012		Change
			Year ended March 31, 2011		Amount	Composition ratio (%)	
			Amount	Composition ratio (%)			Amount
Industrial automation and control business	Net sales to unaffiliated customers	260,665	80.0	277,185	82.8	16,520	
	Operating income (loss)	16,464	148.6	19,896	119.8	3,432	
	Assets	192,761	77.0	195,761	77.6	3,000	
	Depreciation	10,638	76.9	10,535	82.6	(103)	
	Loss on impaired assets	305		261		(44)	
	Capital expenditure	8,929	78.8	8,813	79.1	(116)	
Test and measurement business	Net sales to unaffiliated customers	37,076	11.4	34,580	10.3	(2,496)	
	Operating income (loss)	(6,391)	-57.7	(3,572)	-21.5	2,819	
	Assets	34,274	13.7	32,824	13.0	(1,450)	
	Depreciation	2,172	15.7	1,417	11.1	(755)	
	Loss on impaired assets	378		1,046		668	
	Capital expenditure	884	7.8	1,034	9.3	150	
Other businesses	Net sales to unaffiliated customers	27,879	8.6	22,903	6.9	(4,976)	
	Operating income (loss)	1,006	9.1	277	1.7	(729)	
	Assets	22,957	9.2	23,611	9.3	654	
	Depreciation	1,024	7.4	803	6.3	(221)	
	Loss on impaired assets	23		108		85	
	Capital expenditure	1,523	13.4	1,295	11.6	(228)	
Consolidated	Net sales to unaffiliated customers	325,620	100.0	334,668	100.0	9,047	
	Operating income (loss)	11,079	100.0	16,601	100.0	5,522	
	Assets	250,163	100.0	252,318	100.0	2,155	
	Depreciation	13,836	100.0	12,756	100.0	(1,079)	
	Loss on impaired assets	707		1,416		708	
	Capital expenditure	11,337	100.0	11,143	100.0	(193)	

- (Note)
- The profit or loss of the reported segment is the numerical value of the operating income or loss.
 - The assets of the reported segment are the numerical value of "Notes and accounts receivable-trade, inventory, property, plant and equipment, and intangible assets."
 - As described in "(7) Changes to Important Items that Serve as the Foundation for the Creation of Consolidated Financial Statements" (Changes to the depreciation method of property, plant and equipment), the declining-balance method of depreciation was applied in most cases to the property, plant and equipment of the Company and its consolidated subsidiaries in Japan prior to the fiscal year under review. However, since the start of the fiscal year under review, the straight-line method is generally used. As a result of this change, in the fiscal year under review, the operating income of the industrial automation and control business increased by 1,167 million yen, the operating loss of the test and measurement business decreased by 464 million yen, and the operating income of the other businesses segment increased by 154 million yen.
 - As described in "(9) Additional Information" (Changes in the treatment of R&D expenditure), up until the fiscal year under review the Company and some of its consolidated subsidiaries in Japan recognized a portion of their product R&D expenditures as manufacturing costs. However, since the start of the fiscal year under review, part of the R&D expenditures that had been considered manufacturing costs are recognized as selling, general and administrative expenses. As a result of this change, in the fiscal year under review, the operating income of the industrial automation and control business decreased by 454 million yen, the operating loss of the test and measurement business increased by 14 million yen, and the operating loss of the other businesses segment increased by 0 million yen.
 - In the test and measurement business, an asset impairment loss of 950 million yen has been recorded as a restructuring loss in the consolidated statements of income for the fiscal year under review.

3. Sales by geographical location

Millions of yen

Region	Term	(Reference) Year ended March 31, 2011		Year ended March 31, 2012		Change
		Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount
Japan		140,920	43.3	135,785	40.6	(5,135)
Asia		77,037	23.7	87,287	26.1	10,250
Europe		26,843	8.2	26,366	7.9	(477)
North America		20,997	6.5	21,276	6.3	278
Middle East		22,952	7.0	27,815	8.3	4,862
Other		36,868	11.3	36,137	10.8	(731)
Consolidated net sales		325,620	100.0	334,668	100.0	9,047
(Ref.) Non-Japan net sales		184,699	56.7	198,882	59.4	14,182

(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, 2011	Year ended March 31, 2012
Net assets per share (yen)	550.19	565.69
Net income or loss per share (yen)	(25.98)	23.11

(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, 2011	Year ended March 31, 2012
Net income or loss (millions of yen)	(6,692)	5,952
Net income or loss related to common stock (millions of yen)	(6,692)	5,952
Average number of shares during the period	257,563,314	257,550,540

(Important Post-balance Sheet Events)

For an unused parcel of land, the Company concluded a sales contract on March 30, 2012, and transferred the deed on the property to the purchasing party on April 27, 2012. Thus, 3,734 million yen will be recorded as a gain on the sale of a noncurrent asset for the year ending on March 31, 2013.

5. Non-consolidated Financial Statements
(1) Balance sheets

Millions of yen

	(Reference) Year ended March 31, 2011	Year ended March 31, 2012
Assets		
Current assets		
Cash and deposits	24,508	24,774
Notes and accounts receivable-trade	1,425	1,323
Accounts receivable-trade	47,947	50,605
Merchandise and finished goods	3,511	3,170
Work in process	2,432	1,790
Raw materials and supplies	1,695	2,022
Advance payments-trade	136	261
Prepaid expenses	1,326	1,736
Short-term loans receivable	11,079	7,882
Accounts receivable-other	4,282	7,839
Other	327	294
Allowance for doubtful accounts	(2,537)	(1,035)
Total current assets	96,137	100,665
Noncurrent assets		
Property, plant and equipment		
Buildings, net	30,366	27,921
Structures, net	1,092	931
Machinery and equipment, net	1,112	563
Tools, furniture and fixtures, net	2,100	4,590
Land	12,527	12,295
Construction in progress	2,675	453
Other, net	40	40
Total property, plant and equipment	49,917	46,796
Intangible assets		
Goodwill	219	83
Patent right	30	15
Leasehold right	602	675
Software	7,180	22,755
Software in progress	18,370	1,520
Other	55	51
Total intangible assets	26,458	25,101
Investments and other assets		
Investment securities	25,526	25,715
Stocks of subsidiaries and affiliates	31,019	28,132
Investment in capital of subsidiaries and affiliates	12,559	12,559
Long-term loans receivable from subsidiaries and affiliates	6,101	4,257
Lease and guarantee deposits	1,069	783
Long-term financial assets	5,810	5,078
Other	592	603
Allowance for doubtful accounts	(2,696)	(2,727)
Total investments and other assets	79,982	74,403
Total noncurrent assets	156,357	146,301
Total assets	252,495	246,966

Millions of yen

	(Reference) Year ended March 31, 2011	Year ended March 31, 2012
Liabilities		
Current liabilities		
Notes payable-trade	100	161
Accounts payable-trade	14,003	14,548
Short-term loans payable	1,204	5,105
Current portion of long-term loans payable	48,176	3,870
Accounts payable-other	11,041	8,288
Accrued expenses	4,423	2,909
Income taxes payable	178	188
Advances received	485	411
Deposits received	360	314
Unearned revenue	436	—
Provision for bonuses	5,469	7,711
Other	5,490	2,543
Total current liabilities	91,370	46,053
Noncurrent liabilities		
Long-term loans payable	56,519	88,079
Deferred tax liabilities	1,433	1,329
Other	1,830	3,425
Total noncurrent liabilities	59,784	92,834
Total liabilities	151,154	138,888
Net assets		
Shareholders' equity		
Capital stock	43,401	43,401
Capital surplus		
Legal capital surplus	46,350	36,350
Other capital surplus	3,801	13,800
Total capital surplus	50,151	50,151
Retained earnings		
Legal retained earnings	5,372	—
Other retained earnings		
Reserve for retirement allowance	—	—
Reserve for dividends	—	—
Reserve for advanced depreciation of noncurrent assets	1,353	1,409
General reserve	11,783	—
Retained earnings brought forward	(1,742)	21,763
Total retained earnings	16,766	23,172
Treasury stock	(11,001)	(11,005)
Total shareholders' equity	99,317	105,718
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,022	2,359
Total valuation and translation adjustments	2,022	2,359
Total net assets	101,340	108,078
Total liabilities, net assets	252,495	246,966

(2) Statements of Income

Millions of yen

	(Reference) Year ended March 31, 2011	Year ended March 31, 2012
Net sales		
Net sales of finished goods	153,412	151,070
Total net sales	153,412	151,070
Cost of sales		
Beginning finished goods	3,291	2,734
Cost of products manufactured	119,251	89,729
Transfer from other account	0	1,880
Total	122,543	94,344
Transfer to other account	1,516	2,059
Ending finished goods	2,734	2,280
Cost of finished goods sold	118,292	90,004
Gross profit	35,119	61,066
Selling, general and administrative expenses	45,484	64,346
Operating loss	(10,364)	(3,280)
Non-operating income		
Interest income	208	139
Dividend income	9,085	14,363
Rent receivable	1,840	1,784
Foreign exchange gains	—	66
Miscellaneous income	703	894
Total non-operating income	11,838	17,247
Non-operating expenses		
Interest expenses	2,523	2,421
Contribution	121	21
Rent payable	1,713	1,582
Foreign exchange losses	949	—
Miscellaneous loss	953	1,648
Total non-operating expenses	6,260	5,674
Ordinary income (loss)	(4,786)	8,292

Millions of yen

	(Reference) Year ended March 31, 2011	Year ended March 31, 2012
Extraordinary income		
Gain on sale of noncurrent assets	176	360
Gain on sale of investment securities	239	—
Gain on sales of subsidiaries and affiliates' stocks	947	2,061
State subsidy	333	333
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	525	—
Other	425	—
Total extraordinary income	2,647	2,756
Extraordinary losses		
Loss on sale of noncurrent assets	2	7
Loss on retirement of noncurrent assets	139	171
Impairment loss	567	254
Compensation for impairment loss on affiliated companies' production facilities	39	—
Loss on sales of investment securities	—	155
Loss on valuation of investment securities	2,247	—
Restructuring loss	—	4,533
Business structure improvement expense	5,974	755
Other	465	—
Total extraordinary losses	9,436	5,878
Income (loss) before income taxes and minority interests	(11,575)	5,170
Income taxes-current	153	(1,087)
Income taxes-deferred	(23)	(43)
Total income taxes	130	(1,130)
Net income (loss)	(11,705)	6,301

(3) Statements of Changes in Net Assets

Millions of yen

	(Reference) Year ended March 31, 2011	Year ended March 31, 2012
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	43,401	43,401
Balance at the end of current period	43,401	43,401
Capital surplus		
Legal capital surplus		
Balance at the beginning of current period	46,350	46,350
Changes of items during the period		
Transfer to other capital surplus from legal capital surplus	—	(10,000)
Total changes of items during the period	—	(10,000)
Balance at the end of current period	46,350	36,350
Other capital surplus		
Balance at the beginning of current period	3,801	3,801
Changes of items during the period		
Disposal of treasury stock	(0)	(0)
Transfer to other capital surplus from legal capital surplus	—	10,000
Total changes of items during the period	(0)	9,999
Balance at the end of current period	3,801	13,800
Total capital surplus		
Balance at the beginning of current period	50,151	50,151
Changes of items during the period		
Disposal of treasury stock	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of current period	50,151	50,151
Retained Earnings		
Legal retained earnings		
Balance at the beginning of current period	5,372	5,372
Changes of items during the period		
Reversal of legal retained earnings	—	(5,372)
Total changes of items during the period	—	(5,372)
Balance at the end of current period	5,372	—
Other retained earnings reserve		
Reserve for retirement allowance		
Balance at the beginning of current period	1,255	—
Changes of items during the period		
Reversal of reserve for retirement allowance	(1,255)	—
Total changes of items during the period	(1,255)	—
Balance at the end of current period	—	—
Reserve for dividends		
Balance at the beginning of current period	1,235	—
Changes of items during the period		
Reversal of reserve for dividends	(1,235)	—
Total changes of items during the period	(1,235)	—
Balance at the end of current period	—	—

Millions of yen

	(Reference) Year ended March 31, 2011	Year ended March 31, 2012
Reserve for advanced depreciation of noncurrent assets		
Balance at the beginning of current period	1,418	1,353
Changes of items during the period		
Reversal of reserve for advanced depreciation of noncurrent assets	(65)	(49)
Increase of reserve for advanced depreciation of noncurrent assets due to a change in tax rates	—	105
Total changes of items during the period	(65)	55
Balance at the end of current period	1,353	1,409
General reserve		
Balance at the beginning of current period	11,783	11,783
Changes of items during the period		
Reversal of general reserve	—	(11,783)
Total changes of items during the period	—	(11,783)
Balance at the end of current period	11,783	—
Retained earnings brought forward		
Balance at the beginning of current period	7,922	(1,742)
Changes of items during the period		
Reversal of legal retained earnings	—	5,372
Reversal of general reserve	—	11,783
Reversal of reserve for retirement allowance	1,255	—
Reversal of reserve for dividends	1,235	—
Reversal of reserve for advanced depreciation of noncurrent assets	65	49
Dividends from surplus	(515)	—
Net income (loss)	(11,705)	6,301
Total changes of items during the period	(9,665)	23,506
Balance at the end of current period	(1,742)	21,763
Total retained earnings		
Balance at the beginning of current period	28,986	16,766
Changes of items during the period		
Increase of reserve for advanced depreciation of noncurrent assets due to a change in tax rates	—	105
Dividends from surplus	(515)	—
Net income (loss)	(11,705)	6,301
Total changes of items during the period	(12,220)	6,406
Balance at the end of current period	16,766	23,172
Treasury stock		
Balance at the beginning of current period	(10,991)	(11,001)
Changes of items during the period		
Purchase of treasury stock	(11)	(4)
Disposal of treasury stock	1	(0)
Total changes of items during the period	(9)	(4)
Balance at the end of current period	(11,001)	(11,005)

Millions of yen

	(Reference) Year ended March 31, 2011	Year ended March 31, 2012
Total shareholders' equity		
Balance at the beginning of current period	111,548	99,317
Changes of items during the period		
Increase of reserve for advanced depreciation of noncurrent assets due to a change in tax rates	—	105
Dividends from surplus	(515)	—
Net income (loss)	(11,705)	6,301
Purchase of treasury stock	(11)	(4)
Disposal of treasury stock	1	(0)
Total changes of items during the period	(12,230)	6,401
Balance at the end of current period	99,317	105,718
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	2,389	2,022
Changes of items during the period		
Net changes of items other than shareholders' equity	(366)	336
Total changes of items during the period	(366)	336
Balance at the end of current period	2,022	2,359
Total valuation and translation adjustments		
Balance at the beginning of current period	2,389	2,022
Changes of items during the period		
Net changes of items other than shareholders' equity	(366)	336
Total changes of items during the period	(366)	336
Balance at the end of current period	2,022	2,359
Total net assets		
Balance at the beginning of current period	113,937	101,340
Changes of items during the period		
Increase of reserve for advanced depreciation of noncurrent assets due to a change in tax rates	—	105
Dividends from surplus	(515)	—
Net income (loss)	(11,705)	6,301
Purchase of treasury stock	(11)	(4)
Disposal of treasury stock	1	(0)
Net changes of items other than shareholders' equity	(366)	336
Total changes of items during the period	(12,596)	6,738
Balance at the end of current period	101,340	108,078

(4) Changes in Accounting Policies

(Changes to the depreciation method of property, plant and equipment)

Before the fiscal year under review, the declining-balance method of depreciation was applied in most cases to the property, plant and equipment of the Company. However, since the start of the fiscal year under review, the straight-line method is being broadly applied. The reason for the adoption of the new method was the determination that it was more appropriate given how we would be using our property, plant and equipment following changes in our business portfolio that were made in fiscal years 2009 and 2010.

As a result of this change, in the fiscal year under review, operating loss increased by 1.166 billion yen and both ordinary income and income before income taxes and minority interests increased by 1.350 billion yen.

(5) Change to the Method of Display

(Balance Sheets)

The long-term prepaid expenses shown in “Investments and other assets” in the previous fiscal year have been reclassified and are included in “Other” of “Investments and other assets” for the fiscal year under review because they have decreased considerably. Note that the long-term prepaid expenses included in “Investments and other assets” for the previous fiscal year amount to 110 million yen.

The long-term accounts payable—other shown in “Noncurrent liabilities” in the previous fiscal year have been reclassified and are included in “Other” of “Noncurrent liabilities” for the fiscal year under review because they have decreased considerably. Note that the long-term accounts payable—other included in “Noncurrent liabilities” for the previous fiscal year amount to 213 million yen.

(6) Additional Information

(Application of the Accounting Standard for Accounting Changes and Error Corrections)

The Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No.24 of December 4, 2009) and the Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No.24 of December 4, 2009) are being applied to the accounting changes made since the beginning of the fiscal year under review and to past corrections of errors.

(Changes in the treatment of R&D expenditure)

Prior to the fiscal year under review, the Company recognized basic research expenses as general and administrative expenses, while certain product development expenses were recognized as manufacturing costs. The reason why certain product development expenses were handled in this way was that manufacturing activities such as production design and preparation have always been carried out in parallel with the development of new hardware. However, since the start of the fiscal year under review, part of the R&D expenditures that had been considered manufacturing costs are recognized as general and administrative expenses. This is a consequence of the rising importance of our software development activities to keep pace with rapidly changing technologies and the review of our business portfolio in fiscal years 2009 and 2010, which will have the impact of decreasing the amount of hardware in development and reducing the ties between hardware development and manufacturing.

As a result of these changes, gross profit increased by 18.229 billion yen, operating income increased by 470 million yen, and ordinary income and income before income taxes and minority interests decreased by 470 million yen.

(7) Notes to Non-consolidated Financial Statements

(Important Post-balance Sheet Events)

For an unused parcel of land, the Company concluded a sales contract on March 30, 2012, and transferred the deed on the property to the purchasing party on April 27, 2012. Thus, 3,664 million yen will be recorded as a gain on the sale of a noncurrent asset for the year ending on March 31, 2013.

6. Other

(1) Status of Production, Order Reception, and Sales

(Production results)

Millions of yen

Name of segment by business type	(Reference) Year ended March 31, 2011		Year ended March 31, 2012		Change	
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount	Change rate (%)
Industrial automation and control business	260,665	80.3	277,161	83.0	16,496	6.3
Test and measurement business	37,075	11.4	34,580	10.3	(2,495)	-6.7
Other businesses	26,948	8.3	22,288	6.7	(4,660)	-17.3
Total	324,688	100.0	334,029	100.0	9,341	2.9

(Note) 1. Amounts are based on sales price.
2. Consumption tax is not included in the above amounts.

(Order intake status)

Millions of yen

Name of segment by business type	(Reference) Year ended March 31, 2011		Year ended March 31, 2012		Change	
	Order intake	Order backlog	Order intake	Order backlog	Order intake	Order backlog
Industrial automation and control business	268,925	135,369	288,452	144,825	19,527	9,456
Test and measurement business	34,910	5,662	33,995	4,144	(915)	(1,518)
Other businesses	30,258	18,565	21,619	17,101	(8,639)	(1,464)
Total	334,093	159,596	344,066	166,070	9,973	6,474

(Note) Consumption tax is not included in the above amounts.

(Sales results)

Millions of yen

Name of segment by business type	(Reference) Year ended March 31, 2011		Year ended March 31, 2012		Change	
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount	Change rate (%)
Industrial automation and control business	260,665	80.0	277,185	82.8	16,520	6.3
Test and measurement business	37,076	11.4	34,580	10.3	(2,496)	-6.7
Other businesses	27,879	8.6	22,903	6.9	(4,976)	-17.8
Total	325,620	100.0	334,668	100.0	9,048	2.8

(Note) 1. Consumption tax is not included in the above amounts.
2. No customers account for 10% or more of total sales results.
3. Transactions between segments offset each other

(2) Retirement/Appointment of Directors

Please refer to "Director and Corporate Auditor Candidates", that was announced on April 24, 2012.

[Reference]

May 11, 2012
Yokogawa Electric Corporation

Consolidated Financial Statements for the Year Ended March 31, 2012

Millions of yen

	Year ended March 31, 2011		Year ended March 31, 2012		Change	
	Amount	Ratio to Net Sales	Amount	Ratio to Net Sales	Amount	Ratio to Net Sales
Net Sales	325,620	—	334,668	—	9,047	—
Operating Income	11,079	3.4%	16,601	5.0%	5,522	1.6%
Ordinary Income	8,590	2.6%	14,037	4.2%	5,447	1.6%
Net Income	(6,692)	-2.1%	5,952	1.8%	12,644	3.9%
Comprehensive Income	(10,663)	-3.3%	4,596	1.4%	15,260	4.7%
Total Assets	361,233		359,500		(1,732)	
Shareholders' Equity	145,232		149,574		4,341	
Net Income to Shareholders' Equity Ratio	-4.5%		4.1%		8.6%	
Net Income per Share	(25.98) yen		23.11 yen		49.09 yen	
Shareholders' Equity per Share	550.19 yen		565.69 yen		15.50 yen	
Capital Investment	11,337		11,143		(193)	
Depreciation	13,836		12,756		(1,079)	
Research and Development Expenses	29,179		27,472		(1,707)	
Average Exchange Rate during the Term						
USD	85.13 yen		78.82 yen		(6.31) yen	
EUR	112.45 yen		109.34 yen		(3.11) yen	

Consolidated orders by segment

Millions of yen

	Year ended March 31, 2011	Year ended March 31, 2012	Year ending March 31, 2013 (forecast)
Industrial automation and control business	268,925	288,452	296,000
Test and measurement business	34,910	33,995	33,000
Other businesses	30,258	21,619	21,000
Total	334,093	344,066	350,000

Consolidated sales by segment

Millions of yen

	Year ended March 31, 2011	Year ended March 31, 2012	Year ending March 31, 2013 (forecast)
Industrial automation and control business	260,665	277,185	283,000
Test and measurement business	37,076	34,580	33,000
Other businesses	27,879	22,903	23,000
Total	325,620	334,668	339,000

Consolidated operating income by segment

Millions of yen

	Year ended March 31, 2011	Year ended March 31, 2012	Year ending March 31, 2013 (forecast)
Industrial automation and control business	16,464	19,896	21,500
Test and measurement business	(6,391)	(3,572)	(3,000)
Other businesses	1,006	277	500
Total	11,079	16,601	19,000