

**YOKOGAWA** 

Co-innovating tomorrow™

# 2016 Yokogawa Report

For the year ended March 31, 2016

# Co-innovating tomorrow™

Since its foundation in 1915, Yokogawa has contributed to society by providing leading-edge products and solutions centering on its measurement, control, and information technologies. To ensure that it continues to meet changing needs and stays on track for another century of steady growth, Yokogawa has instituted reforms and is now working to transform itself in a number of other ways.

Under the corporate brand slogan of “Co-innovating tomorrow,” Yokogawa seeks to establish ever greater levels of trust with its customers and to work with them to create new value for a brighter future, both for its customers and society.

## Founding Principles

- Quality first
- Pioneering spirit
- Contribution to society

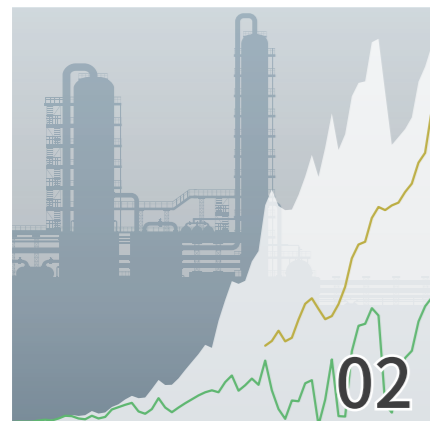
## The Yokogawa Philosophy

As a company, our goal is to contribute to society through broad-ranging activities in the areas of measurement, control, and information.

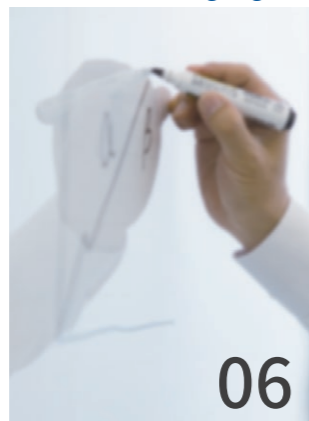
Individually, we aim to combine good citizenship with the courage to innovate.

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#### Editorial Policy

The purpose of editing and publishing this report is to give shareholders, investors, and other stakeholders a better understanding of the Group's efforts over the mid-to long-term to create value. In addition to financial information such as our business results and plans that have been featured in past editions of our annual report, Yokogawa Report has been providing non-financial information, such as Yokogawa's mid- to long-term business strategies and information about our corporate governance and CSR activities since the fiscal year ended March 31, 2015. By compiling the relationship between financial and non-financial information in an integrated approach from the perspective of management, this report is designed so that readers will be able to grasp the big picture of the Yokogawa Group's corporate value creation process.

By offering solutions to pressing issues affecting society and industry in partnership with customers, the Yokogawa Group is contributing to realization of a sustainable society through creation of value for customers based on a long-term business framework. In editing and publishing this report, we strove to explain clearly and concisely the key initiatives of the Yokogawa Group.

**Period covered by the Report:** Fiscal year 2015, the period from April 1, 2015 to March 31, 2016 (includes some information about fiscal year 2016)  
**Scope of the Report:** Yokogawa Electric Corporation and its subsidiaries and affiliates

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

Corporate Social Responsibility website: <http://www.yokogawa.com/csr/index.htm>

#### Cautionary statement regarding forward-looking statements

Statements made in this report regarding Yokogawa's plans, estimates, strategies, and beliefs are forward-looking statements about the future performance of Yokogawa.

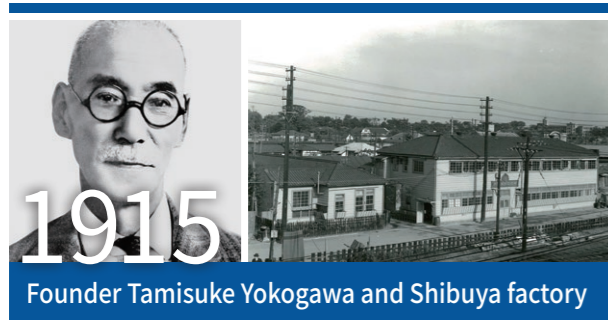
These statements are based on management's assumptions and beliefs in the light of currently available information. Yokogawa cautions that a number of important factors, such as general economic conditions and exchange rates, could cause actual results to differ materially from those discussed in the forward-looking statements.

\* Co-innovating tomorrow, CENTUM, DPharp, E-JX, ProSafe-RS, YFGW, CSU-W1, and ROTAMASS are registered trademarks or trademarks of Yokogawa Electric Corporation and its subsidiaries and affiliates.

# Value Creation Story The History of Yokogawa

The Yokogawa Group traces its history back to the establishment on September 1, 1915 of an electric meter research institute in the Shibuya district of Tokyo. Ever since then, Yokogawa has continued to expand its business, focusing mainly on the measurement, control, and information technology fields. Taking the initiative to constantly transform itself in response to dramatic social and economic change, the Company has established an impressive track record of continuous expansion while contributing to the growth and development of industry.

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



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



**1917**  
First to produce and sell electric meters in Japan

**1950**  
Developed Japan's first electronic recorder

**1955**  
Signed a technical assistance agreement for industrial instruments with Foxboro, USA

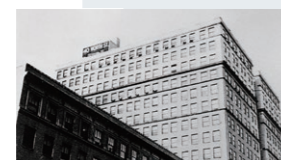
**1957**  
Established Yokogawa Electric Works, Inc. as North American sales office

**1920**  
Incorporated as Yokogawa Electric Works Ltd.

**1924**  
Commercialized Japan's first portable electromagnetic oscillograph

**1933**  
Started research and manufacture of aircraft instruments and flow, temperature, and pressure controllers

**1948**  
Made public offering of the Company's stock



**1964**  
Made a full-scale entry to the industrial analyzer market

**1969**  
Developed world's first vortex flowmeter

**1974**  
Established Yokogawa Electric Singapore Pte. Ltd. as Singapore plant  
Established Yokogawa Electric (Europe) B. V. as European sales office

**1983**  
Formed Yokogawa Hokushin Electric Corp. through merger with Hokushin Electric Works, Ltd.

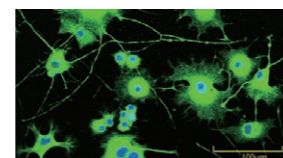


**1986**  
Jointly established Xiyi Yokogawa Co., Ltd. in Xian, China, with Xian Instruments Factory  
Changed the Company name to Yokogawa Electric Corporation

**1988**  
Entered the high-frequency measuring instruments business

**1990**  
Established Yokogawa Middle East E.C. in Bahrain

**1996**  
Released a confocal scanner and entered the biotechnology business



**2002**  
Acquired all the shares of Ando Electric Co., Ltd.

**2005**  
Established Yokogawa Electric International Pte. Ltd. in Singapore to oversee the global industrial automation business

**2008**  
Entered the drug discovery support market with new bio test system

**2010**  
Transferred the measuring instruments business to Yokogawa Meters & Instruments Corporation

**2013**  
Formed Yokogawa Solution Service Corporation to handle sales, engineering, and services for the Japan industrial automation business

**2015**  
Announced long-term business framework and Transformation 2017 mid-term business plan  
100th anniversary of the Yokogawa Group



**Global Timeline**  
1914 World War I  
1917 Russian Revolution  
1929 Great Depression

**Global Timeline**  
1945 World War II

**Global Timeline**  
1973 First oil crisis  
1979 Second oil crisis

**Global Timeline**  
1990 Collapse of Japan's bubble economy

**Global Timeline**  
2000 Collapse of the IT bubble  
2008 Global financial crisis

— Net sales (Billions of yen) — Operating income (Billions of yen) — Net sales outside Japan ratio

1915 1920 1930 1940 1950 1960 1970 1980 1990 2000 2015 (Year)

¥1.9

¥5.0

¥31.0

¥7.0

¥78.4

¥15.9

20.5%

¥16.2

28.0%

¥39.6

¥413.7

\*Consolidated accounting from FY1990

In 2015, the Yokogawa Group established a long-term business framework that defines its goals for the next 10 years and describes what will be needed to accomplish them. This includes a vision statement that expresses our desire to work with our customers to create value on their behalf. Through the creation of value, the Yokogawa Group has the broader aim of benefiting society by addressing environmental and other issues in the industries that it serves.

## Long-term Business Framework

### ■ Vision statement

- ▶ Through “Process Co-Innovation,” Yokogawa creates new value with our clients for a brighter future.

### ■ Core competencies

- ▶ Competencies that will need to be strengthened
- ▶ Competencies that are our basic strengths

### ■ Business focus areas

- ▶ Resource, energy, and materials industries
- ▶ Industries that support people’s health and enrich lives

## Transformation 2017 Mid-term Business Plan

Under Transformation 2017, our mid-term business plan for fiscal years 2015 to 2017, we are laying the groundwork for growth that will be needed to achieve the goals set out in the long-term business framework.

### Three Transformations

#### ▶ Focusing on customers

Transform from being product-centered to being customer-centered

#### ▶ Creating new value

Transform by utilizing information and communications technology (ICT) to create new value

#### ▶ Becoming a highly efficient global company

Transform by becoming more efficient than ever

## Resources underpinning our business

Financial capital

Human capital

Intellectual capital

Social capital

Manufacturing capital

Natural capital

## Providing Value for Society together with Customers

- Contributions toward a sustainable global environment
- Realization of a safe and secure society
- Growing together with local communities
- Support for health and enrichment of people’s lives

### Fulfill dreams

#### Resolution of management issues

Co-innovating with our customers by working with them to identify latent needs and come up with solutions

Evolution of business model

### Create solutions

#### Efficient, safe, and stable operation

Providing optimized solutions that meet specific industry and customer needs by bringing together a variety of products and services

### Sell things

#### High-quality, highly reliable products

Supplying high-quality, general-purpose products that meet a broad range of customer and market needs

[The foundation for Yokogawa’s business]

### Engaging in innovation to create new value for our customers

Helping our customers become more profitable by enhancing the efficiency of their intra-company value chains  
Optimizing the flow of materials and information in cross-company supply chains

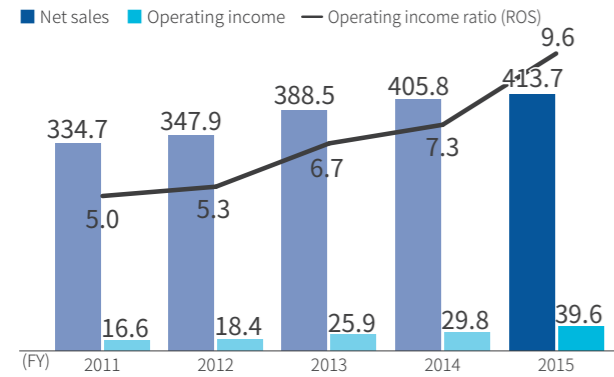


# Financial and Non-financial Highlights

## Earnings

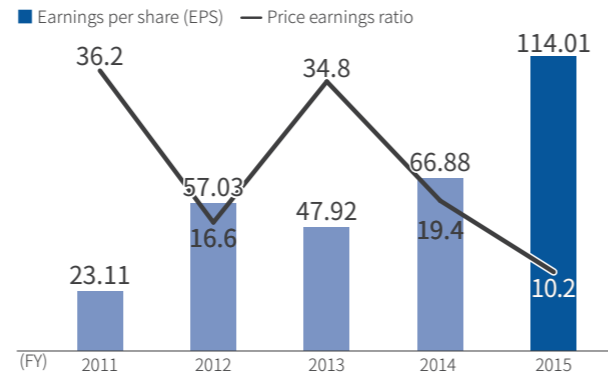
Net sales (Billions of yen) / Operating income (Billions of yen) / Operating income ratio (ROS) (%)

Net sales **¥413.7 billion** ROS **9.6%**



Earnings per share (EPS) (Yen) / Price earnings ratio (%)

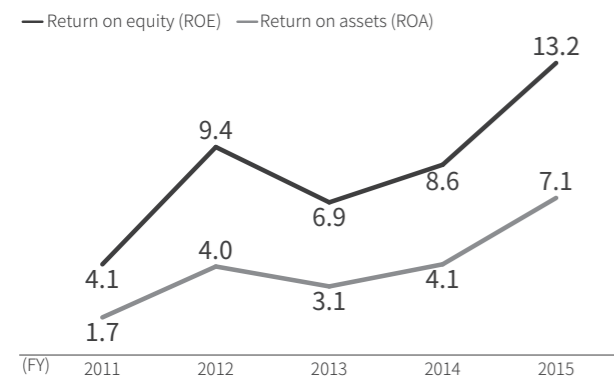
EPS **¥114.01**



## Efficiency

Return on equity (ROE) (%) / Return on assets (ROA) (%)

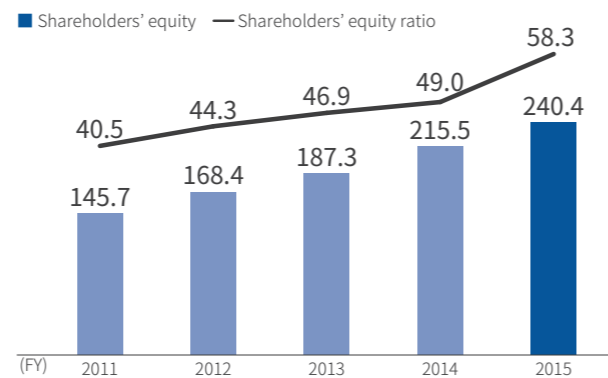
ROE **13.2%**



## Soundness

Shareholders' equity (Billions of yen) / Shareholders' equity ratio (%)

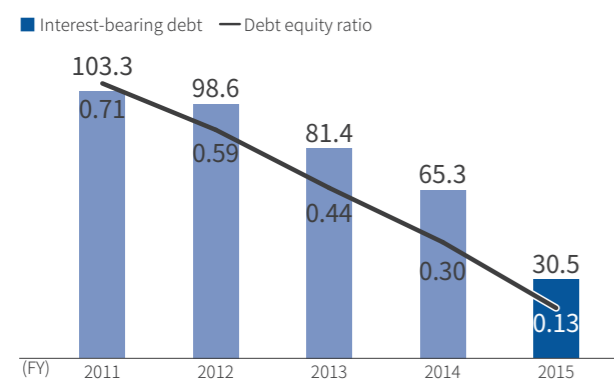
Shareholders' equity ratio **58.3%**



## Soundness

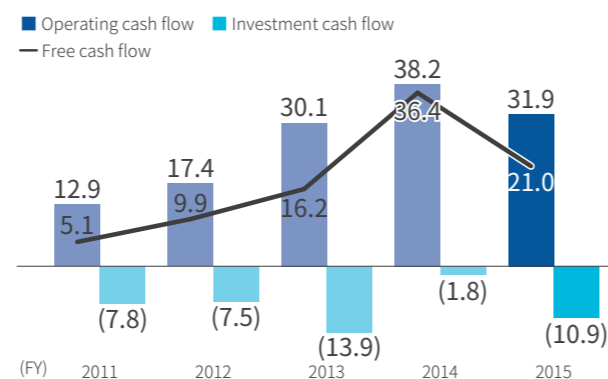
Interest-bearing debt (Billions of yen) / Debt equity ratio (Times)

Debt equity ratio **0.13 times**



Cash flows (Billions of yen)

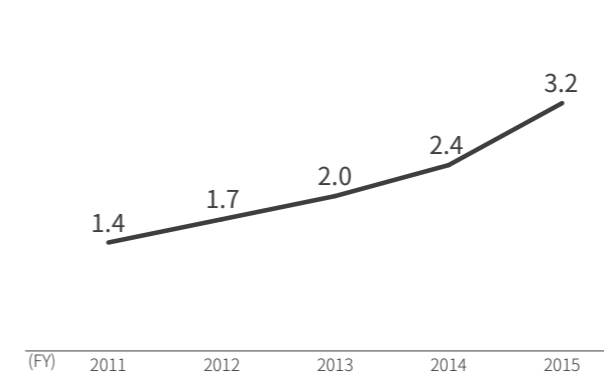
Free cash flow **¥21.0 billion**



## Encouraging female employees

Female manager ratio (%)

Female manager ratio **3.2%**

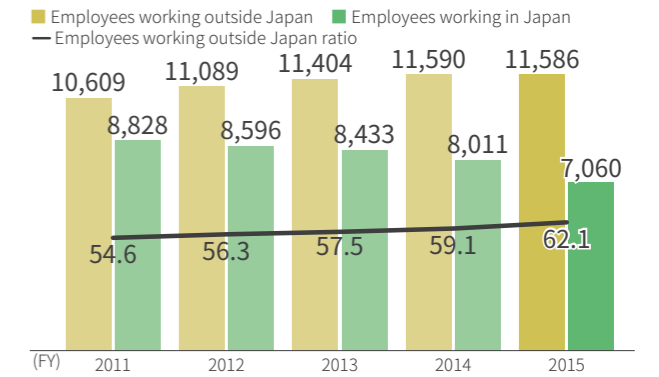


\* Yokogawa Electric on a non-consolidated basis

## Employees working outside Japan

Employees working outside Japan ratio (%)

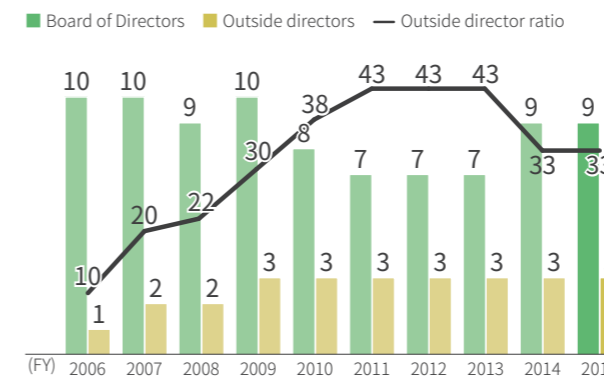
Employees working outside Japan ratio **62.1%**



## Outside directors

Number of directors / Outside director ratio (%)

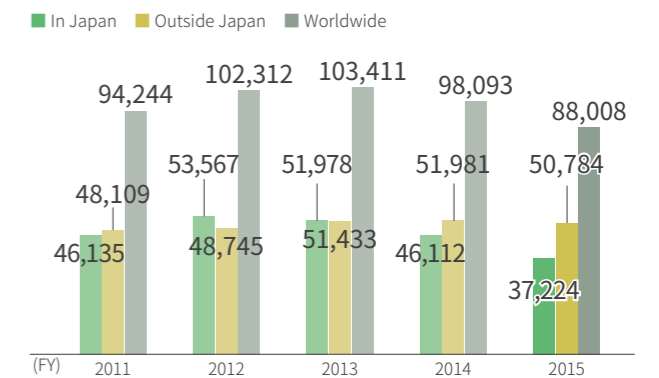
Outside director ratio **33.0%**



## Environment

Total CO<sub>2</sub> emissions (t-CO<sub>2</sub>)

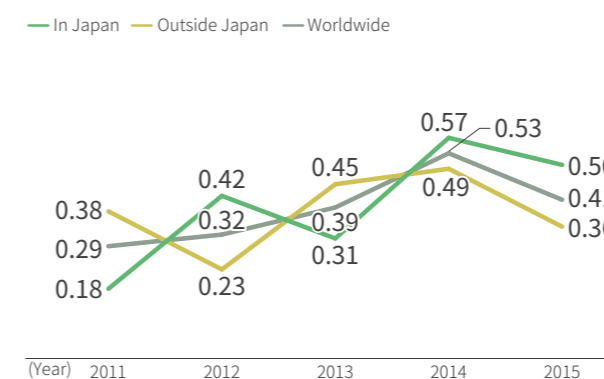
Total CO<sub>2</sub> emissions **88,008 t-CO<sub>2</sub>**



## Occupational Safety & Health

Frequency rate of occupational accidents

Frequency rate of occupational accidents **0.41**

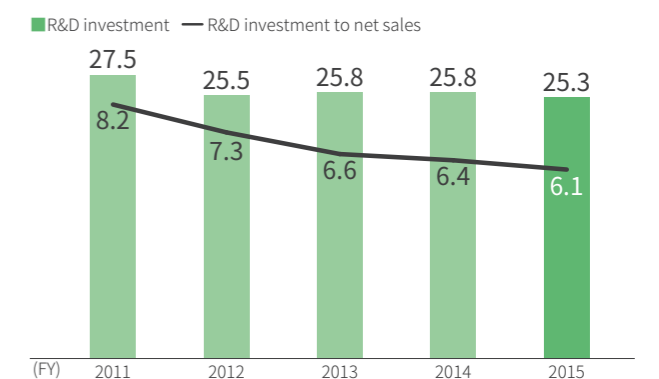


\* Frequency rate of occupational accidents = Number of accidents resulting in lost workdays ÷ Aggregate number of work-hours × 1,000,000

## R&D

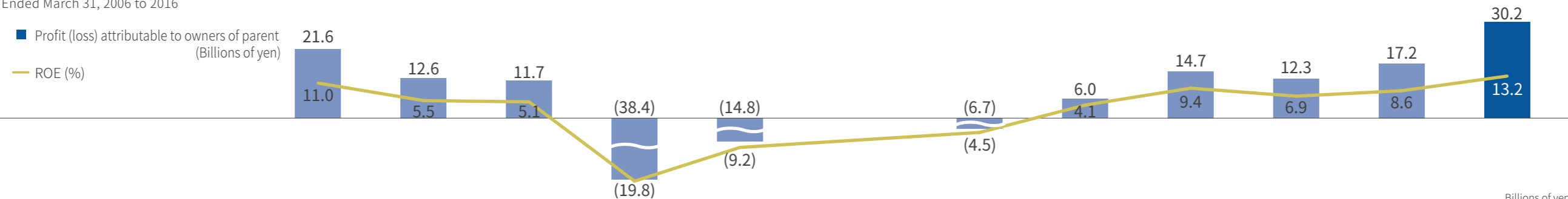
R&D investment (Billions of yen) / R&D investment to net sales (%)

R&D investment to net sales **6.1%**



# Consolidated 11-year Summary

Yokogawa Electric Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2006 to 2016



Fiscal year											Billions of yen	Millions of US dollars
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2015
<b>Financial data</b>												
Orders	400.5	456.5	455.1	374.3	315.2	334.1	344.1	354.5	406.0	417.1	421.1	\$3,737
Net sales	388.9	433.4	437.4	376.5	316.6	325.6	334.7	347.9	388.5	405.8	413.7	3,672
Operating income	25.3	29.3	27.4	4.7	2.6	11.1	16.6	18.4	25.9	29.8	39.6	352
Profit (loss) attributable to owners of parent	21.6	12.6	11.7	(38.4)	(14.8)	(6.7)	6.0	14.7	12.3	17.2	30.2	268
Capital expenditures	29.5	40.3	38.0	26.8	11.1	11.3	11.1	13.5	14.0	14.1	15.4	137
Depreciation and amortization	15.1	16.5	23.1	21.6	16.0	13.8	12.8	13.5	13.6	14.5	15.1	134
Research and development costs	30.9	36.2	40.9	37.2	28.8	29.2	27.5	25.5	25.8	25.8	25.3	225
Cash flow from operating activities	25.6	40.5	20.8	24.5	21.4	16.2	12.9	17.4	30.1	38.3	31.9	283
Cash flow from investing activities	(11.7)	(39.0)	(51.0)	(24.1)	(13.2)	(8.0)	(7.8)	(7.5)	(13.9)	(1.8)	(10.9)	(97)
Free cash flow	13.9	1.5	(30.2)	0.4	8.2	8.2	5.1	9.9	16.2	36.5	21.0	186
Cash flow from financing activities	(14.1)	(6.1)	23.9	28.4	11.1	(25.7)	(8.0)	(8.0)	(21.6)	(20.2)	(26.9)	(239)
<b>At year-end</b>												
Total assets	417.8	438.7	444.6	401.0	398.8	361.2	359.5	379.9	398.9	440.0	412.8	3,663
Interest-bearing debt	61.3	59.6	93.0	124.3	137.1	111.0	103.3	98.6	81.4	65.3	30.5	271
Shareholders' equity	224.6	234.3	220.7	167.2	153.4	141.7	145.7	168.4	187.3	215.5	240.4	2,133
<b>Financial indicators</b>												
Operating income ratio (ROS)	6.5	6.8	6.3	1.3	0.8	3.4	5.0	5.3	6.7	7.3	9.6	
Debt equity ratio (Times)	0.27	0.25	0.42	0.74	0.89	0.78	0.71	0.59	0.44	0.30	0.13	
Return on equity (ROE)	11.0	5.5	5.1	(19.8)	(9.2)	(4.5)	4.1	9.4	6.9	8.6	13.2	
Return on assets (ROA)	5.3	2.9	2.6	(9.1)	(3.7)	(1.8)	1.7	4.0	3.1	4.1	7.1	
Shareholders' equity ratio	53.7	53.4	49.6	41.7	38.5	39.2	40.5	44.3	46.9	49.0	58.3	
<b>Per share data</b>												
Earnings per share (EPS)	87.45	47.79	44.76	(149.26)	(57.45)	(25.98)	23.11	57.03	47.92	66.88	114.01	1.01
Cash dividends	15.00	15.00	16.00	16.00	2.00	0	5.00	10.00	12.00	12.00	25.00	0.22
Shareholders' equity	854.24	891.08	856.72	649.20	595.42	550.19	565.69	653.83	727.09	836.94	900.74	7.99
<b>Stock information</b>												
Stock price at the end of the term (Yen / US dollars)	2,095	1,806	998	394	814	634	837	946	1,667	1,295	1,163	10.32
Market capitalization (Billions of yen / Millions of US dollars)	562.8	485.1	268.1	105.8	218.7	170.3	224.8	254.1	447.8	347.9	312.4	2,773
Number of issued shares	268,624,510	268,624,510	268,624,510	268,624,510	268,624,510	268,624,510	268,624,510	268,624,510	268,624,510	268,624,510	268,624,510	—
<b>Exchange rate information</b>												
Average yen / US dollar exchange rate during the year	113.09	117.00	113.80	100.66	92.61	85.13	78.82	83.33	100.67	110.58	119.99	

Notes: 1. Figures are rounded down to the nearest 100 million yen.

2. Unification of the accounting periods of non-Japan consolidated subsidiaries

Beginning with the fiscal year ended March 31, 2007, financial statements based on the provisional settlement of accounts implemented as of the consolidated closing date are being used for Yokogawa Electric China Co., Ltd. and 10 other non-Japan subsidiaries, and the closing date for Yokogawa USA, Inc., and 47 other non-Japan subsidiaries has been changed to the consolidated closing date. Through these changes, 13 consolidated

subsidiaries had a 15-month accounting period, and 46 consolidated subsidiaries had a 13-month accounting period. Due to these changes to the accounting period, compared to the usual standard, the fiscal year 2006 consolidated statement of income showed a 16.8 billion yen increase in orders, a 22.1 billion yen increase in net sales, a 1.4 billion yen increase in operating income, and a 1.0 billion yen increase in net income.

<b>Non-financial data</b>												
<b>Number of employees (by segment)</b>	17,858	19,286	20,266	20,247	19,574	19,334	19,437	19,685	19,837	19,601	18,646	
Industrial Automation and Control Business			15,505	15,960	15,995	16,159	16,672	17,188	17,669	17,593	16,724	
Test and Measurement Business			2,885	2,350	2,469	2,288	1,968	1,667	1,328	1,171	1,122	
Aviation and Other Businesses			1,876	1,937	1,110	887	797	830	840	837	800	
<b>Environmental data</b> <sup>1,2</sup>												
CO <sub>2</sub> emissions (Tons)							46,135	53,567	51,978	46,112	37,224	
Water consumption (km <sup>3</sup> )							555	541	444	439	342	
Waste emissions (Tons)							4,356	3,796	3,355	3,607	1,926	
Renewables usage (kWh) <sup>3</sup>							89,066	96,856	86,442	85,480	68,817	
<b>Occupational safety &amp; health</b> <sup>2</sup>												
Frequency rate of occupational accidents (calendar year) <sup>4</sup>							0.29	0.32	0.39	0.53	0.41	

Notes: 1. Environmental data are aggregate data for Yokogawa Group companies in Japan.

2. For environmental data for fiscal year 2015, certification by Lloyd's Register Quality Assurance Limited has been obtained based on third-party assessment.

3. Amount of power generated by in-house photovoltaic power generation equipment (Yokogawa Electric Corporation and Yokogawa Manufacturing Corporation).

4. Frequency rate of occupational accidents = Number of accidents resulting in lost workdays ÷ Aggregate number of work-hours × 1,000,000



President and CEO

## Creating new value and contributing to the development of solutions through co-innovation with our customers

### Yokogawa's Goals and Aspirations

A century ago, Yokogawa started out in business by becoming the first company to develop and produce electric meters in Japan. The fledgling company subsequently expanded its business to include measuring instruments and industrial instruments. Today, the Yokogawa Group operates globally and is an acknowledged leader in the design and engineering of control systems for large-scale plants and a trusted provider of maintenance and other system services. The Group has encountered a number of key turning points over the years and has made substantial changes in its business. One such change that accelerated the global development of the Group's business was Yokogawa's 1983 merger with Hokushin Electric Works. The impetus for this was a sense

of crisis about the impending saturation of the plant construction market in Japan and the entry into the control business by a number of major general electrical equipment manufacturers. That was the starting point for the Group's current global business expansion.

When I think on a timescale of 20 to 30 years, I realize that the Yokogawa Group is now at a new turning point. The rapid growth in emerging markets that has been supporting the expansion of the global economy is now slowing, and the decline in the price of crude oil and other resources may not be simply attributable to cyclic fluctuations in supply and demand. Sweeping and rapid changes to the global economy and society as a whole are occurring, and in such a time of upheaval it is especially difficult

to predict what the future will bring. Companies must now recognize that uncertainty is a given.

At such a juncture, I think it is important for us to make our own decisions as to which direction we should take based on a recognition and understanding of major trends and developments, and to then move forward while flexibly and tenaciously adapting to change.

One major trend is the revolutionary impact that technological innovation in digitization, networking, and other areas are having on fields such as information and communications technology (ICT). ICT has already changed industry, people's lives, and society as a whole, and this trend is certain to pick up speed and have a major impact on the future of the Yokogawa Group. Boundaries between industries are already disappearing, and the mix of market players is changing. If we can take advantage of technological innovation, we will be

rewarded with tremendous business opportunities, and if we cannot, we will face risks.

Another major trend is population growth, mainly in the developing world, and the accompanying rise in prominence of global problems that demand urgent action. The world's population has increased from 4 billion 30 years ago to more than 7 billion today, and is expected to reach 9 billion by 2050. Demand for energy, water, and food, all essential to life, will increase accordingly, and their safe and stable supply must be ensured. To address these global issues, last year the United Nations adopted a set of Sustainable Development Goals (SDGs) that are to be implemented by the year 2030. In addition, last year the Paris Agreement was adopted at the 21st Conference of Parties to the United Nations Framework Convention on Climate Change (COP21), and developed and developing countries alike have agreed to

reduce their greenhouse gas emissions. The world must transition to an era in which we all strive to create a sustainable society, rather than simply pursuing economic growth, and strike a balance between sustainability and growth.

At the Yokogawa Group, we are united in the belief that we must continue actively working together with our

customers and business partners to develop solutions that ensure a stable and efficient supply of energy and help to create a sustainable society by reducing power consumption, recycling materials, and expanding the use of renewable energy.

## Goals of the Long-term Business Framework

Last year, the Yokogawa Group established a long-term business framework that expresses what the Group hopes to achieve over the next 10 years and articulated a vision for the transformation into a business group that, in an era of rapid change, will contribute to the solution of problems faced by society and industry through the creation of new value. The Group sees it as its mission to assist in the development of solutions by engaging its customers and business partners in a process of co-innovation. With our long-term business framework, we are targeting the resource, energy, and materials industries, and industries such as life sciences, healthcare, and foods that support health and quality of life. In accordance with goals that all people of good will hold in common, we will work with our customers to create value and present solutions, and thereby stay true to our corporate philosophy that calls for us to contribute to society through a broad-range of activities.

With the following vision statement in the long-term business framework, we have indicated the direction that Yokogawa wishes to take: "Through 'Process Co-Innovation,' Yokogawa creates new value with our clients for a brighter future." This is a concept for the co-creation of value with our customers that involves the joint discovery and resolution of issues. We consider it necessary to expand the scope of these issues beyond the production site to include issues extending across supply chains so that customers can improve efficiency and optimize their businesses. To accomplish this, we need to broaden our perspective to include our customers' customers and business partners. Through a process of co-innovation in which we discover and resolve issues together with our customers, we will transform ourselves into a business group that is capable of co-creating value.

<b>Founding Principles</b>	<b>Quality first    Pioneering spirit    Contribution to society</b>
<b>The Yokogawa Philosophy</b>	<b>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.</b>
<b>Long-term Business Framework</b>	
<b>Vision statement</b> Through "Process Co-Innovation," Yokogawa creates new value with our clients for a brighter future.	
<b>Core competencies</b>	<b>To be strengthened</b>
	<b>Basic Strengths</b>
<b>Business focus areas</b>	

- ▶ Co-creating value by uncovering and resolving clients' potential issues
- ▶ Creating new standards to optimize and streamline processes
- ▶ Connecting field data to management actions
- ▶ Creating extremely reliable products and solutions to support industries and society
- ▶ Operating highly complex, mission-critical systems in extreme conditions
- ▶ Performing precise, on-site measurements, both online and in real-time
- ▶ Resource, energy, and materials industries
- ▶ Industries that support people's health and enrich lives

## Fiscal Year 2015 in Review

Fiscal year 2015 was the first year of the Transformation 2017 mid-term business plan (TF2017). We have positioned the three-year period covered by the TF2017 plan as a time for laying a foundation for future growth that will be needed to achieve the goals of the long-term

business framework. We aim to accomplish this by achieving three transformations that will restructure our business by focusing on customers, creating new value, and becoming a highly efficient global company.

<b>Transformation 2017 Three transformations</b>	<b>Focusing on customers</b>
	<ul style="list-style-type: none"> <li>● Develop business by pursuing strategic partnerships with customers.</li> <li>● Expand our business with our customer base.</li> </ul>
	<b>Creating new value</b>
	<ul style="list-style-type: none"> <li>● ICT advances are leading to new business opportunities.</li> <li>● Co-create value across companies and industries by improving efficiency and achieving overall optimization.</li> </ul>
	<b>Becoming a highly efficient global company</b>
	<ul style="list-style-type: none"> <li>● Globally optimize all functions and operations.</li> <li>● Be more profitable than our competitors.</li> </ul>

### Focusing on Customers

Looking back over the past year, I think that our effort to transform ourselves by strengthening our focus on customers has led to results. Over a lengthy period of time, the Yokogawa Group has built strong trust-based relationships with its many customers around the world by providing measurement, control, and information solutions that support their business activities. By focusing on those customers with whom we have developed excellent relationships, we are able to seek out solutions to plant operational issues as well as a wide range of business issues. Building on the foundation of our strong customer base, we are making focused investments to expand our lifecycle

service and advanced solution businesses, in addition to our traditional business of providing highly reliable, high-quality products. In fiscal year 2015, we focused the majority of our strategic investments on the lifecycle service and advanced solution businesses. In so doing, we have been able to strengthen our service organization outside Japan and increase the number of personnel in the advanced solution business. I consider our solid business performance and ability to produce record-high profits even in a market environment weighed down by stagnant prices for crude oil and other resources to be the result of our longstanding focus on expanding our business by targeting the broad and deep customer base that we have built up over the years.

Key measures	Progress achieved	Expected benefits in FY2017
<b>Expand lifecycle service business</b>	<ul style="list-style-type: none"> <li>● Strengthened international service organization (infrastructure, headcount, DCS lifecycle support)</li> </ul>	<b>By adding over 340 people to the workforce, increase sales by over 40%.</b>
<b>Expand advanced solution business</b>	<ul style="list-style-type: none"> <li>● Reinforced capabilities of business development managers</li> <li>● Strengthened software (e.g. MES)</li> <li>● Acquired U.K. company, KBC</li> </ul>	<b>By adding just over 40 people to the workforce, achieve 30% growth in annual revenues.</b>
<b>Strengthen product functionality for focus industries</b>	<ul style="list-style-type: none"> <li>● Released enhanced versions of CENTUM (DCS), ProSafe-RS (SIS), STARDOM (RTU/SCADA)</li> </ul>	<ul style="list-style-type: none"> <li>● Increase sales of strategic products by 20%.</li> <li>● Create a new market worth over ¥5 billion.</li> </ul>
<b>Targeting a wide range of industries, expand our solution business in Japan</b>	<ul style="list-style-type: none"> <li>● Achieved over 15% growth in orders for information-related businesses (FY2015)</li> </ul>	<ul style="list-style-type: none"> <li>● Increase sales by over 20%.</li> </ul>



**Creating New Value**

We aim to transform Yokogawa into an enterprise that is capable of creating new value by giving management greater access to field data and improving efficiency and optimizing processes across entire companies, business fields, and industries. We will accomplish this by leveraging the Yokogawa Group's knowledge and experience of production processes and production sites, and by taking advantage of new business opportunities arising from advances in ICT. In fiscal year 2015, we made a number of strategic moves including the acquisition of Industrial Evolution (IE), a U.S. company that provides advanced cloud-based services for the sharing of field data, and the acquisition of KBC Advanced Technologies, a U.K. company that provides consulting services to the oil and gas industry. KBC, like Yokogawa, has built strong relationships with customers around the world by helping them operate their businesses more efficiently and profitably. KBC has expertise in consulting and process simulation for the downstream sector. Combining this expertise with our ability to create value on the operations side in such areas as production equipment, control systems, and advanced solutions (a business targeted for expansion), we will be able to propose and implement a wider range of solutions and function as a one-stop provider to our downstream customers. Moreover, in recent years KBC has been working to expand its upstream business with the aim of achieving growth once investment in resource development recovers. Furthermore, new value creation

can be expected from integrating KBC's services with IE's service of gathering field data from various industries and providing data in a secure cloud environment. Although the Yokogawa Group is poised to create synergies, it will take time for our efforts to yield results. We will proceed with a sense of urgency in order to meet the expectations of our stakeholders.

**Acquired Industrial Evolution, a U.S. company**

**Entered cloud-based DaaS\* business**

\* Data as a Service: a cloud-based service for the provision of data that facilitates its use as a management asset

**Acquired KBC Advanced Technologies, a U.K. company**

**Strengthening the provision of software and consulting for oil & gas industry executives**

**Becoming a Highly Efficient Global Company**

To become a highly efficient global company, we aim to transform our cost structure by globally optimizing all functions and business processes, and to transform management of our enterprise by focusing on profitability and efficiency, with an emphasis on return on equity (ROE). Over 70% of the sales for the Group's industrial automation and control business are from outside Japan, and we have tended to focus up till now on optimizing our operations in each region while respecting the



autonomy of our business units in each country. We are now shifting to a focus on optimizing our overall efficiency on a global basis, while maintaining and strengthening the areas of excellence that our customers in each region require. There is still ample room to improve profitability by reinforcing centralized purchasing, optimizing global logistics, and reducing administrative expenses through a rigorous standardization of business processes. We are now close to completing a process of identifying areas where the Yokogawa Group will need to improve efficiency to achieve global optimization of its operations, and I

believe that the measures that we will implement will achieve a noticeable improvement.

Assisted by the weak yen in fiscal year 2015, we got off to a good start in implementing the TF2017 business plan. Although we face sweeping changes, not least in our business environment, we are making steady progress with the TF2017 initiatives and are working toward achievement of the targets for fiscal year 2017, the final year of the plan.

**Implement measures to improve efficiency that will reduce costs by ¥20 billion within three years**

	FY2014 results	FY2015 results	FY2016 target	FY2017 target
<b>Measures for improving efficiency</b>				
<b>Improve COGS ratio</b> ● Utilize central engineering centers in India and other locations				
<b>Reduce SG&amp;A</b> ● Streamline functions and organizations at offices outside Japan				
Cost reduction (In relation to FY2014)	—	¥5.7 billion	Approx. ¥10 billion	Approx. ¥20 billion
COGS ratio	58.3%	57.3%	Improvement by cost reduction	57% or lower
SG&A ratio	34.4%	33.1%	Seek to reduce SG&A mainly outside Japan despite increasing strategic investment	30% or lower (excluding strategic investment)
Operating income-to-sales ratio	7.3%	9.6%	8.8%	10.2%

**Future Outlook and Policies**

It looks like the business environment in fiscal year 2016 will be more difficult than was originally anticipated when formulating the TF2017 plan. The principal negative factors are our customers' reduced appetite for investment in view of the prolonged weakness in the price of crude oil and other resources and the slowdown of emerging economies coupled with sharp fluctuations in foreign exchange rates. Upstream oil and gas investment has been curbed worldwide and competition with our rivals is intensifying. Though investment has lost momentum in the upstream segment, investment in the downstream sector, where the Yokogawa Group excels, is holding up relatively well. Whereas we anticipate declining investment in China and resource-rich countries, prospects in the ASEAN region, the Middle East, and Japan, where the Group has a formidable customer base, are more encouraging.

Our competitors outside Japan have their respective strengths and all differ in terms of product and service portfolios, but almost all of them are large global companies. To compete successfully, we need to bolster our installed base in those business sectors where we excel by pursuing activities that are appropriate for each region and leverage the formidable customer base that we have built up over the years. We acquired KBC in order to become a powerful contender in a business domain that extends beyond our traditional focus on the provision of process-oriented control systems and services. In so doing, we aim to take advantage of our strong installed base.

Since many of the Yokogawa Group's customers do business globally, globalization is an essential ingredient in our efforts to create value together with these customers. For instance, a customer that has adopted a service

solution offered by a Yokogawa Group company in a particular country may wish to regionally or globally deploy that service if it has proven to be especially effective. While contributing to our customers' globalization and growth, we will also extend the reach of the Yokogawa Group's business activities. With an eye to our customers' worldwide needs, we intend to vigorously develop our business in these ways.

In Japan, we have a high market share and cover a wider range of industries than in other markets. We have built excellent relationships in fields as varied as pulp and paper, steel, food products, pharmaceuticals, electronics, and machinery, in addition to our mainstay markets of oil refining, petrochemicals, and chemicals. Although some of these markets are mature, there are still plenty of opportunities for growth in electric power and other large markets, and we will continue to focus on these sectors. We also provide IT-based solutions-driven consulting to the pharmaceutical industry that addresses the needs of our customers for sophisticated production control technologies that will help to ensure regulatory compliance, and aim to expand the scope of this business to other new markets in Asia. I am convinced that the horizontal deployment to markets outside Japan of businesses that were originally developed in this country will provide a foundation for our global business.

Although we face an increasingly difficult business environment, we have not revised our targets. For fiscal year 2017, the final year of TF2017, we are targeting an ROE of 11% or higher, return on assets (ROA) of 6% or higher, and earnings per share (EPS) of ¥100 or more.

While working in fiscal year 2016 to achieve the three transformations set out in the TF2017 plan, we will also implement the following basic strategies:

### Basic Strategies

**Focus resources on the downstream sector, where prospects for continued investment are relatively strong.**

Concentrate resources in geographic locations where we are strong and in downstream industries where companies continue to invest.

**Maintain a certain level of investment in the upstream sector.**

In the upstream sector, where investment by our customers has been particularly weak, maintain a certain level of investment in preparation for recovery and renewed growth.

**Focus on efficiency improvement measures and improve profitability.**

Step up efficiency improvement measures that are starting to yield results, and make further efforts to drive up profits.

In accordance with these strategies, we will select and concentrate our efforts on those fields where the Yokogawa Group is strong and where we are well positioned to be a powerful contender.

## Establishing a Strong Foundation for Growth

To achieve the goals set out in our long-term business framework, we need not only to make changes to our businesses, but must also strive for a transformation in our corporate culture and values. We need to embrace a worldview that emphasizes the provision of solutions that add value by addressing whatever issues our customers face in their businesses. Such a shift in perspective is not easy to accomplish. Our transformation into an enterprise that can take the customer's perspective and work with them to grasp issues and come up with solutions cannot be achieved overnight. One of the Yokogawa Group's strengths is its capacity for building strong and enduring relationships that are based on trust. We accomplish this by maintaining a global network of engineering and service resources and by working alongside our

customers to continuously support their plant operations. I think that we will accomplish this transformation if each of our employees can achieve this change in perspective and keep working closely with our customers to implement solutions to the issues that they face.

Diversity is a key consideration in our human resources strategy. We are convinced that diversity of gender, nationality, age, and other characteristics will help fuel our transformation into a solutions-driven enterprise. That is why we are implementing human resources strategies that call, among others, for a doubling in the percentage of female managers in the Yokogawa Electric workforce and for an increase in the proportion of non-Japanese employees throughout the Yokogawa Group. We are also conducting a program to develop



people with a skill set similar to that of consultants, in order to promote problem-solving together with customers. Moreover, we can expect synergies in human resources development from the acquisition of KBC, which has consulting expertise and a culture geared to addressing management issues from the customer point of view. I think that the incorporation of personnel exchanges with KBC into the Group's HR development programs will provide a great impetus in the development of solutions-oriented employees.

We must change our perspective on corporate governance, as well as on human resources development. Last year we established the Yokogawa Corporate Governance Guidelines to codify our corporate governance initiatives. We will engage in constructive dialogue with stakeholders and implement all necessary measures to maximize corporate value. The addition of another outside director this year is one step we have taken to strengthen the functions of the Board of Directors and enhance corporate governance. It will lead to a strengthening of the foundation needed for the Yokogawa Group to respond to the needs of a new era.

Ensuring that our behavior satisfies high ethical standards is a prerequisite for fulfilling our mission of contributing to the solution of global issues. Legal and regulatory compliance are of course essential, but we must also bear in mind that a company that breaches social norms through unethical behavior loses trust and its brand will

likely suffer severe damage. Although the Yokogawa Group's business is expanding globally, and it is no easy matter to instill in others our corporate philosophy, standards of business conduct, and other values, we strive to ensure compliance through such measures as assigning compliance promotion managers at each of our companies worldwide, providing training, and conducting annual compliance surveys. Although differences in values among countries and regions pose difficulties, we will devote time and money to a rigorous effort to raise the level of compliance and maintain a uniformly high level throughout the world.

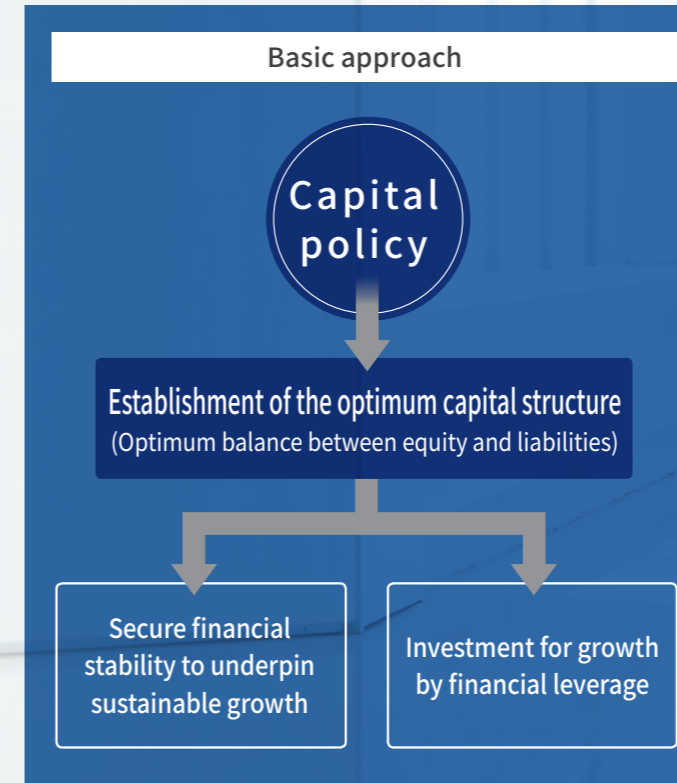
Yokogawa is in its 101st year. To continue creating new value and realize sustainable growth and development in our second century, we will work to enhance our corporate value in the medium- to long-term by achieving the objectives in the TF 2017 plan.

# Pursuing Both Growth and Stability

Target sustainable increase of return and higher ROE

**Junichi Anabuki**

Director and Senior Vice President



## Setting Target Benchmarks and ROIC

Since we announced the financial strategy and the capital policy in Transformation 2017 (TF2017) in May 2015, the macroeconomic environment has greatly changed, including protracted sluggishness of crude oil prices and sharp currency fluctuations. Although these changes exceeded our assumptions, our basic approach is unchanged.

Under TF2017, Yokogawa has externally committed to achieving return on equity (ROE) of 11% or more and return on assets (ROA) of 6% or more in fiscal year 2017. For internal control purposes, we will rely on return on invested capital (ROIC) to gauge the performance of individual businesses.

## Priority on Strategic Investment for Growth and to Strengthen the Financial Base

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

Net cash generated by operating activities in fiscal year 2015 amounted to ¥31.9 billion. Thus, we got off to a good start.

Our priority is investment for growth. Yokogawa will allocate ¥40 billion to ordinary capital investment and ¥50 billion to strategic investment for growth, mainly for M&A. As part of strategic investment, Yokogawa acquired KBC Advanced Technologies plc, a U.K. company, in April 2016 for approximately ¥27.9 billion. We will ensure adequate return of profits to shareholders while securing the necessary financial base to support business growth.

## Returns to Shareholders

Yokogawa maintains a basic policy of securing stable and continuous increases in dividend payments through profit growth. In the final year of TF2017, our target is a consolidated dividend payout ratio of 30%.

## Creating an Optimum Capital Structure

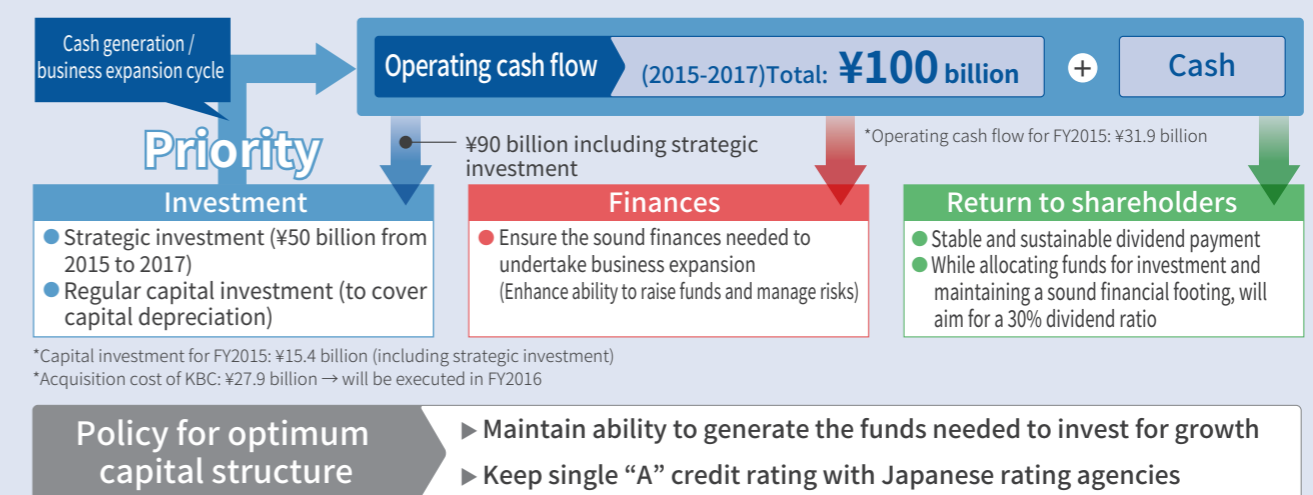
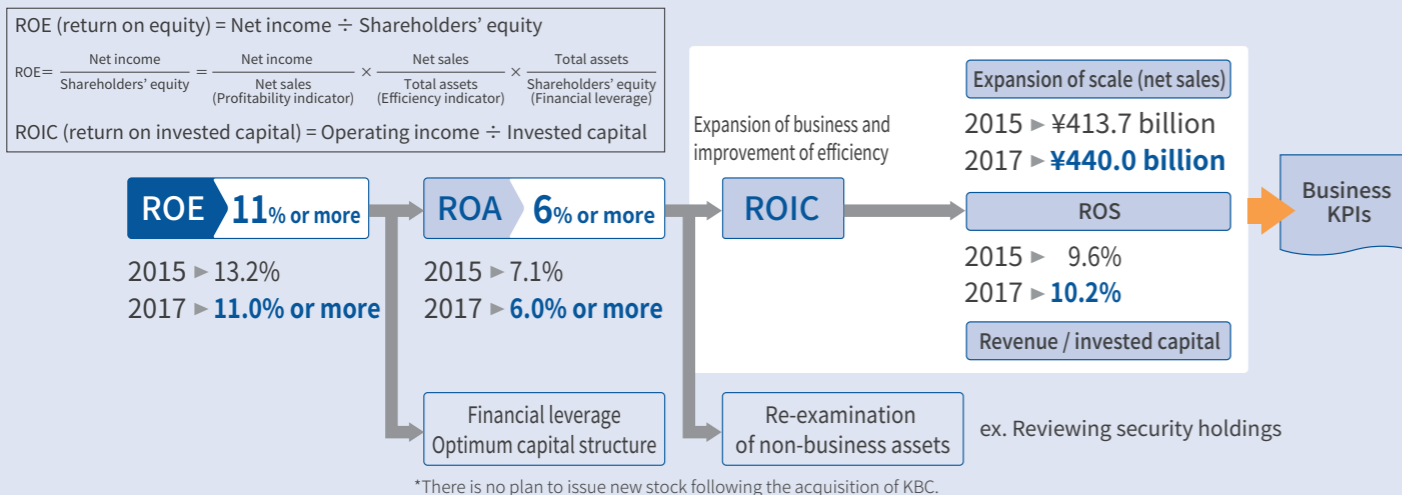
Yokogawa must maintain healthy finances so that we can keep growing amidst intensifying global competition. We maintain ability to generate the funds needed to invest for growth. We also intend to maintain an “A” credit rating.

We will work to generate the necessary funds to invest in growth by adhering strictly to a policy of efficient management. In this manner, Yokogawa is endeavoring to

become a highly efficient global company. We are committed to steadfastly achieving the targets set out under TF2017 by establishing a virtuous growth cycle through which funds are allocated to expand business and increase returns, which will then fuel further growth.

## Review of Operations for Fiscal Year 2015

In the energy- and materials-related markets, certain companies postponed or halted their investments in resource development projects due to the continued decline in the price of crude oil and other natural resources. Other companies downstream which import resources or purchase raw materials and fuels benefited from lower costs, and have thus been able to allocate more funds to investment. There is no clear trend in either direction, and



the economic outlook has grown more uncertain as a result of a rapid appreciation of the yen that commenced the beginning of the year. Nevertheless, the energy- and materials-related markets saw steady investment in facility upgrades and other measures to improve efficiency as well as continued demand for operation and maintenance services.

In this business environment, the Yokogawa Group focused on establishing a growth platform through business structure reforms and proactive business activities. As a result, net sales and profits for fiscal year 2015 were up from the previous fiscal year. Net sales increased

¥7.9 billion from the previous fiscal year owing to solid performance of the mainstay industrial automation and control business. Operating income rose ¥9.8 billion and was at a record-high level thanks to the increase in net sales and the impact of the weak yen and the fixed cost reduction measures that were implemented in the previous fiscal year. Profit attributable to owners of parent was also at a record-high level due to a ¥12.9 billion increase that can be attributed to improved results in the extraordinary income/losses category and the aforementioned increase in operating income.

	FY2014	FY2015	Difference	% change
Orders (Billions of yen)	417.1	<b>421.1</b>	4.0	1.0%
Net sales (Billions of yen)	405.8	<b>413.7</b>	7.9	2.0%
Operating income (Billions of yen)	29.8	<b>39.6</b>	9.8	32.9%
ROS (%)	7.3	<b>9.6</b>	2.3pt	—
Ordinary income (Billions of yen)	33.4	<b>40.7</b>	7.3	22.0%
Profit attributable to owners of parent (Billions of yen)	17.2	<b>30.2</b>	13.0	75.1%
EPS (Yen)	66.88	<b>114.01</b>	47.13	70.5%
ROE (%)	8.6	<b>13.2</b>	4.6pt	—
Exchange rate to 1 U.S. dollar (Yen)	110.58	<b>119.99</b>	9.41	—

### Review of Key Performance Indicators

For fiscal year 2015, ROE was 13.2% (FY2017 target 11%), ROA was 7.1% (FY2017 target 6.6%), and ROS was 9.6% (FY2017 target 10.2%). Considering the impact of weak yen, ROE and ROA exceeded the FY2017 target and ROS was close to the FY2017 target.

Regarding the financial position, the shareholders' equity ratio was 58.3% and the debt equity ratio was 12.7%. These results reflected the impact of repayment of subordinated loans by means of sales of treasury stock.

However, if the actual exchange rate (¥119.99 to the U.S. dollar) were replaced by the assumed exchange rate (¥110 to a U.S. dollar) for the mid-term business plan, ROS for fiscal year 2015 would be 8.7%. Thus, our recognition

is that improvement of profitability has yet to achieve the target in real terms.

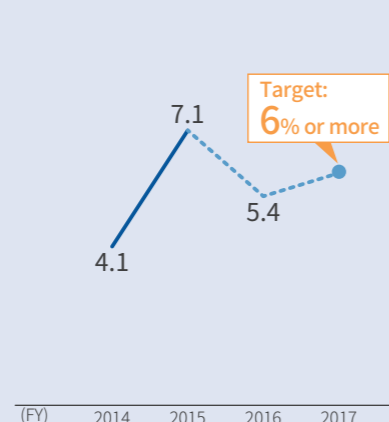
The business environment in which Yokogawa operates is becoming increasingly challenging owing to the slowing of China's economy and the stronger yen. Therefore, we forecast a 3.1% decrease in orders, a 1.6% decrease in net sales, and a 9.2% decrease in operating income.

In these circumstances, we aim to expand the business through strategic investment, and perform to ensure measures to improve profitability. We will focus on "Transformation" to achieve financial targets (ROE, ROA, ROS, earnings per share, shareholders' equity ratio) without fail.

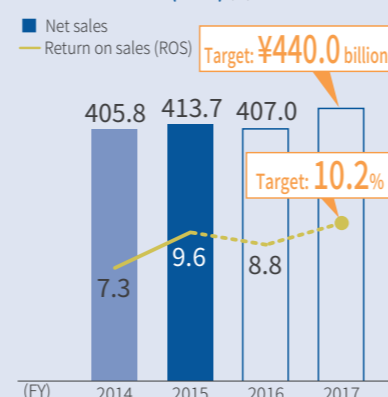
Return on equity (ROE) (%)



Return on assets (ROA) (%)



Net sales (Billions of yen) / Return on sales (ROS) (%)



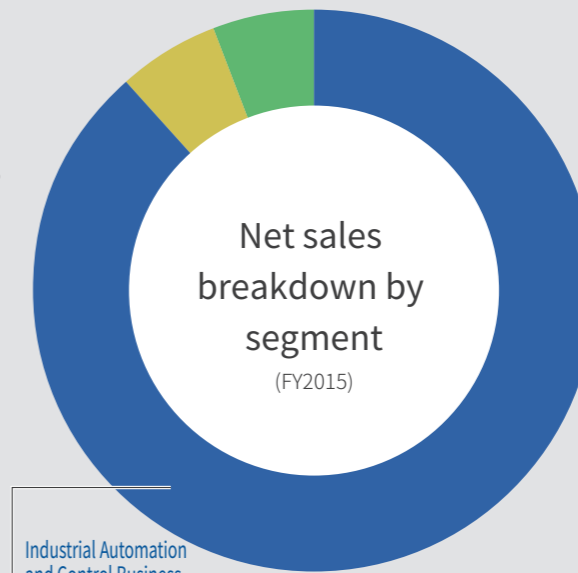
### Business Segments

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

#### Industrial Automation and Control Business

Proportion of net sales **88.6%**  
Proportion of operating income **92.7%**

- Main fields
  - Oil
  - Petrochemicals
  - Chemicals
  - Iron and steel
  - Pulp and paper
  - Gas and LNG
  - Power
  - Pharmaceuticals
  - Water and wastewater
  - Foods and other



Industrial Automation and Control Business **88.6%**

#### Test and Measurement Business

Proportion of net sales **5.7%**  
Proportion of operating income **6.0%**

- Main fields
  - Motors, inverters, automobiles, machinery, mechatronics, medical equipment, life sciences and other

#### Aviation and Other Businesses

Proportion of net sales **5.7%**  
Proportion of operating income **1.3%**

- Main fields
  - Aerospace, marine navigation, environmental measurement and other

### Mainstay Industrial Automation and Control Business

Two main characteristics

- 1 Close relationships with customers and a strong focus on co-creating value**

**Long-term business**

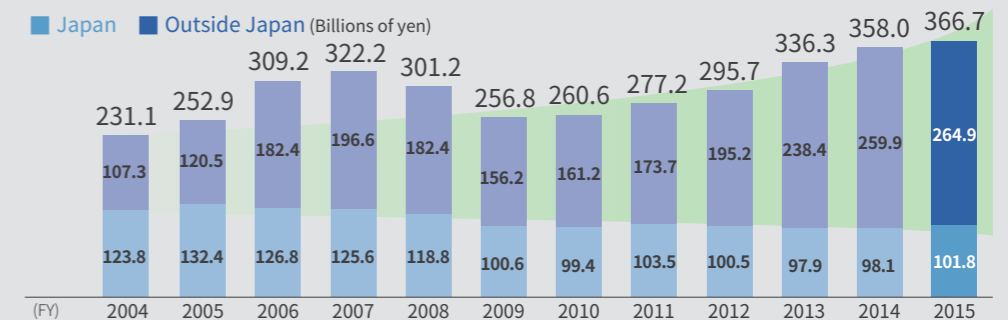
  - Emphasis on high reliability (24/365 operations)
  - Continual proposal of solutions and provision of support over a 40-50 year plant lifecycle

**Importance of onsite operations and localization of services**

  - Requires expertise in site operations and ability to respond to changes
  - Service facilities must be located close to customers

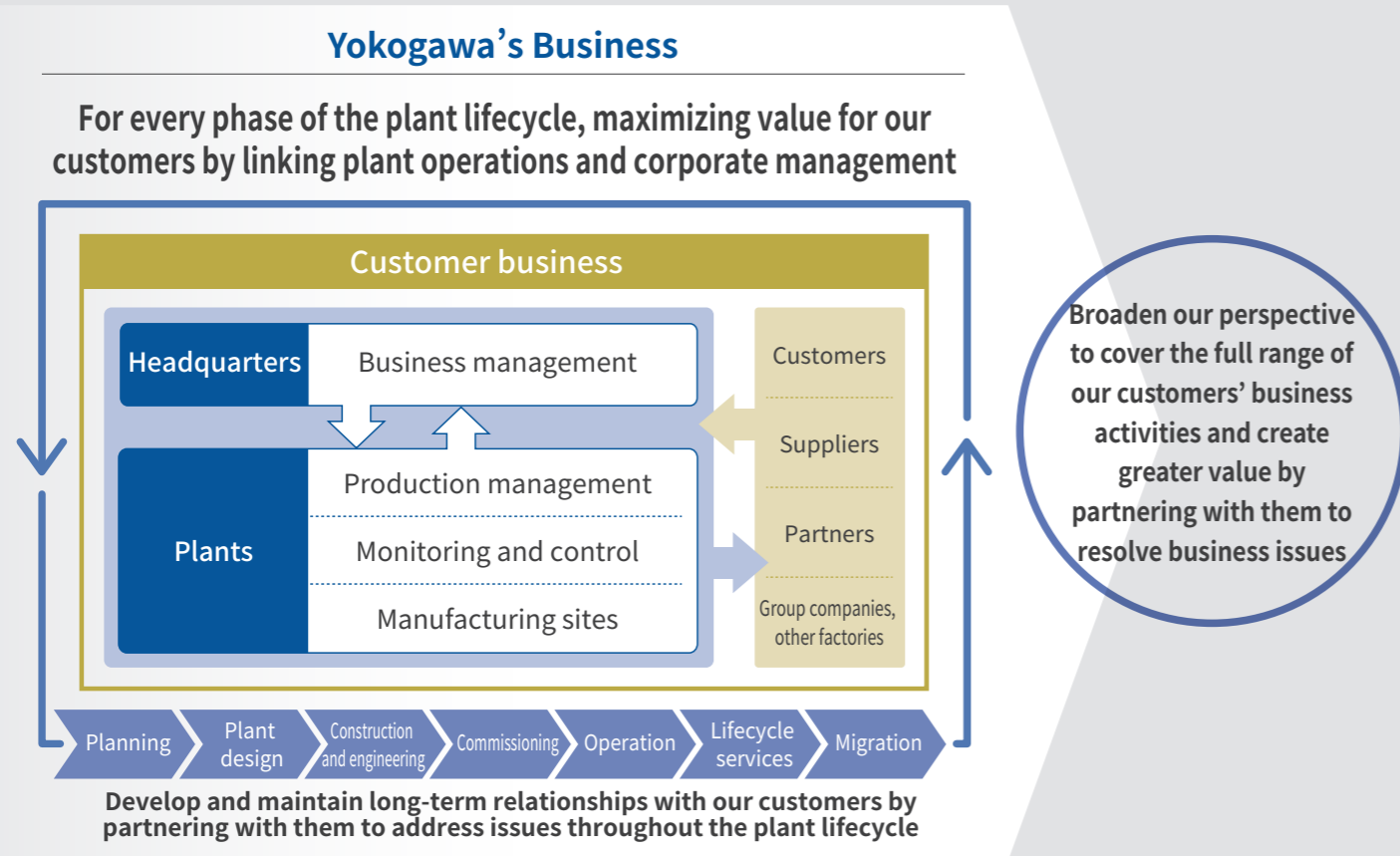
- 2 Growing primarily in markets outside Japan**

Sales outside Japan have increased 2.5-fold over the past 12 years and currently account for over 70% of all sales for this segment



Industrial Automation and Control Business under the Transformation 2017 Mid-term Business Plan

The Transformation 2017 plan calls for Yokogawa to transform itself from a product-centered business to a customer-centered business and to make full use of its customer base in its forte industries. Moving forward, we will concentrate our energies on helping our customers find solutions to issues that impact their plant and business operations, and will grow our business by capitalizing on our large installed base and covering the entire supply chain.



Investment in Transformation

Transformation 2017 emphasizes the co-creation of value with our customers. Leveraging the Yokogawa Group's strengths and seizing the opportunities presented by advances in ICT, we will work with our customers to create new value by giving management greater access to field data, improving efficiency, and achieving optimization across entire companies, business fields, and industries. In addition to those industries where we already have a strong customer base, the industrial automation and control business aims to achieve further growth by targeting the oil and gas, electric power, and chemicals industries mainly through acquisitions.

[Yokogawa's Strengths] Production process/site knowledge and experience + ICT expertise

Through collaboration with partner companies and other means, Yokogawa aims to help companies in a wide range of industries and business areas improve efficiency and optimize operations.

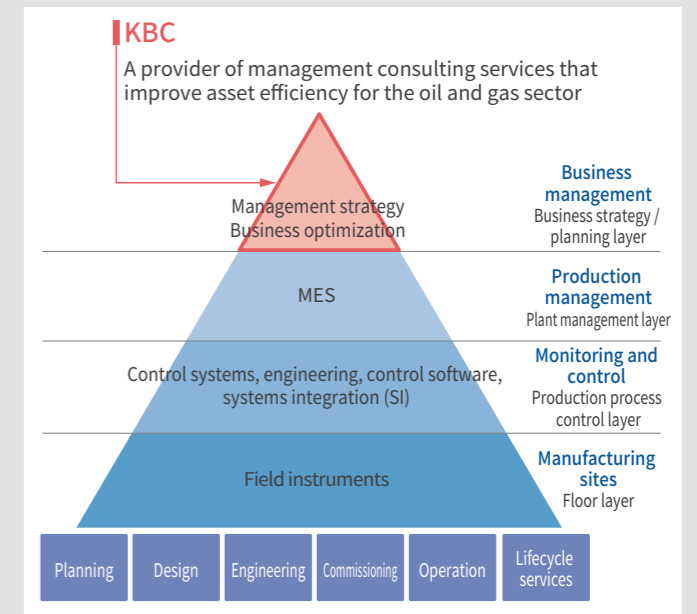
Major alliances and acquisitions in 2015	Details
Expanded our collaboration with Cisco Systems	To reinforce our cyber-security business, focusing on control systems
Concluded a field wireless system development agreement with Statoil	To develop a wireless technology-based solution business
Acquired U.S. company, Industrial Evolution	To enter the cloud-based DaaS business
Acquired U.K. company, KBC Advanced Technologies	To strengthen our provision of software and consulting to oil & gas industry executives

Strategic Investments / Objectives

Acquisition of KBC Advanced Technologies (KBC)

KBC is a successful provider of software and consultancy to the global oil and gas industry that is focused on achieving operational excellence and improving profitability for both the upstream (oil production) and downstream (oil refineries, and integrated refining and petrochemical production complexes) segments. By providing a unique blend of advanced software for process optimization and simulation and consulting services based on its technology, KBC has achieved a highly differentiated and advantageous position in the market.

As a result of this acquisition, the Yokogawa Group will strengthen its position as an eminent contender in the industrial automation sector by being able to offer a unique range of services and a robust product portfolio, including consulting, packaged software, control systems, and field instruments. This will allow Yokogawa to offer value across the entire spectrum, from customer senior management to field operators. The addition of KBC's customer base will strengthen the Yokogawa Group.



Acquisition of Industrial Evolution (IE)

Using its cloud-based DaaS technology, IE collects real-time process data from devices and systems at various industrial facilities, and provides this in a direct or customized form to the companies that operate such facilities as well as to their customers and vendors.

Expansion of the advanced solution business in the industrial automation and control field is one of the main strategies set out in Yokogawa's Transformation 2017. Based on IE's cloud business environment, Yokogawa will provide an advanced Data-as-a-Service (DaaS) solution that will generate new value for its global customer base.

Objectives of these acquisitions

Integration of the Yokogawa Group's measurement, control, and information technologies with KBC's consultancy and process simulation technologies and IE's cloud-based data sharing service technology will enable the Group to become a one-stop solution provider for customers in the industries where the Group excels and will foster the creation of new value. Through this expansion of our business, we aim to become a leading global provider of advanced solutions to industries centering on the manufacturing sector.

One-stop provision of solutions to forte industries



Business expansion

Creation of new value

Goal: Through the creation of value, exceed the amortization of goodwill on a single-year basis by FY2017.



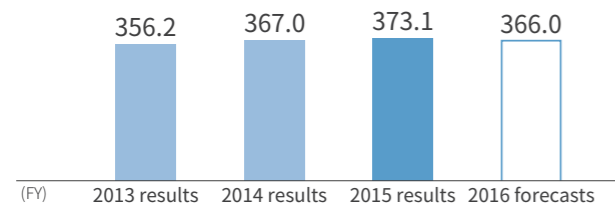
Net sales ratio  
**88.6%**

Orders:	<b>¥373.1</b> billion
Net sales:	<b>¥366.7</b> billion
Operating income:	<b>¥36.7</b> billion
Net sales outside Japan ratio:	<b>72.2</b> %

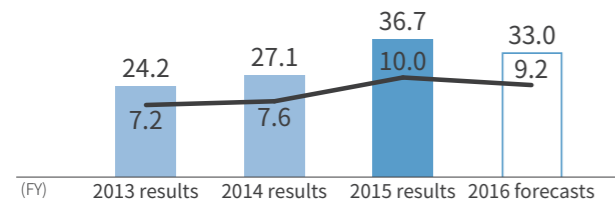
**Main solutions / products**

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

Orders (Billions of yen)



Operating income (Billions of yen) / Operating income ratio (%)



Yokogawa is the world's first developer of distributed control systems for monitoring and controlling processes in a wide range of production facilities, and is highly regarded around the globe as a leader in the control field for its highly reliable products and services. Consistently striving to take the user perspective, the Company provides our customers with the optimum solutions that enhance production efficiency, ensure high availability and reliability of plants, make maximum use of assets, maintain safety, and optimize costs over the entire plant lifecycle. As a partner to create new value, Yokogawa works hand in hand with customers to support development of a wide range of industries, including oil & gas, chemicals, electric power, iron and steel, pulp and paper, pharmaceuticals, and food.

Yokogawa integrates businesses, technologies, and experience gained through acquisitions and alliances. Our support for visualization and optimization of customers' business activities as a whole (value chain and supply chain), going beyond plants, is contributing to the emergence of a sustainable society.

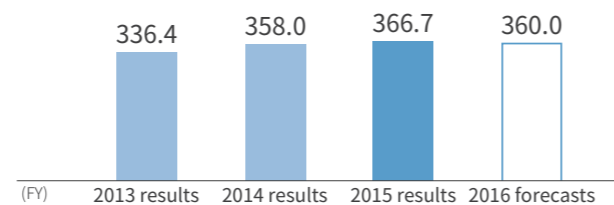
**Solution Services**

Yokogawa boasts the extensive industry knowledge and advanced capabilities needed to carry out high-profile, large-scale projects, and is actively engaged in a number of such undertakings worldwide. Applications of our extensive portfolio of products services and technologies, either developed in house or developed and acquired through these projects, range from operations in the field to management. Capitalizing on these strengths, Yokogawa offers solutions to address issues affecting customers' overall business activities.

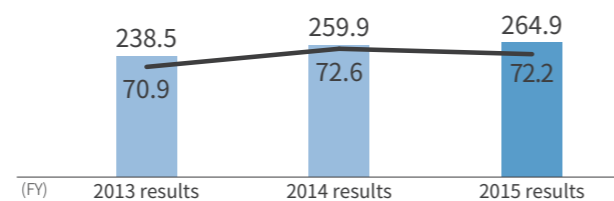
**1. Business consulting**

Yokogawa provides strategic consulting services to help customers optimize their operations and improve profitability. In business strategy, operations management, productivity optimization, and organizational development, and human resources development, our specialists having extensive knowledge provide customers high value-added services by utilizing advanced simulation technology.

Net sales (Billions of yen)



Net sales outside Japan (Billions of yen) / Net sales outside Japan ratio (%)



Note: FY2016 forecasts as of May 10, 2016



**2. Advanced solutions**

Yokogawa provides advanced, integrated solutions that optimize and improve the efficiency of plant operations. Comprehensive in nature and developed together with customers, these solutions include manufacturing execution and information systems that primarily create value by supporting core plant production management operations. Using information that has been gathered onsite by means of ICT and IoT technology, these solutions support management-level decision-making. The Company is working hard to enhance its solution proposal capabilities to create new value.

**3. Lifecycle services**

To help its customers address emerging cybersecurity threats and other issues that affect their ever more complex plant systems, Yokogawa proposes service solutions that capitalize on the wealth of measurement, control, and information technologies and knowledge and experience acquired by its people over the years. Yokogawa is able to enhance the remote operation/maintenance and other lifecycle and security services that it provides over the entire lifetime of a plant facility to enhance operations and improve efficiency. The Company provides services that create new value for customers, such as identification of problems and supply chain optimization through data sharing using cloud technology, such as called DaaS and SaaS.

**4. Field wireless solutions**

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

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

**Reliable Product Lines for Stable Production**

**1. Product lines**

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

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

**2. System products**

System products contribute to greater safety and higher production efficiency through the monitoring and control of plant operations using data that has been collected by sensors such as transmitters and flowmeters located throughout a production site. Yokogawa offers highly reliable integrated production control systems and safety instrumented systems that ensure plant safety in the event of an emergency. In addition to these two core systems, we also provide SCADA packages effective for integrated monitoring and operational improvements; software packages that enhance productivity, operators' operating efficiency, and maintainability of field equipment; network-based production systems that achieve both reliability and openness; and programmable controllers and temperature controllers.

**Fiscal Year 2015 in Review**

Orders and net sales have been at a record high level each of the past three years. This was due mainly to increased investment in the resources, energy, and materials sectors, for the replacement of plant equipment, and other measures to improve efficiency and increased demand for operation and maintenance services.

**Fiscal Year 2016 Outlook and Business Strategy**

Although the outlook of the business environment is uncertain, in view of the prolonged slump of commodity prices and other factors, the Company assesses that the long term trend of rising capital investment in the energy and other markets will continue.

Mainly as a result of our assumption regarding the appreciation of the yen, sales and profit are also forecast to decrease. In fiscal year 2016, we will implement business strategies based on the following three fundamental reform policies:

- 1) Concentrate resources in geographic locations where we are strong and in downstream industries where companies continue to invest.
- 2) Continue investing in the upstream sector in anticipation of recovery and resumed growth.
- 3) Focus on improving profits by increasing efficiency.



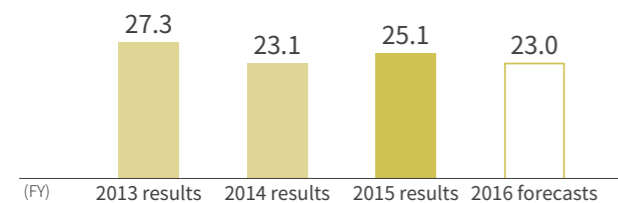
Orders:	<b>¥25.1</b> billion
Net sales:	<b>¥23.4</b> billion
Operating income:	<b>¥2.4</b> billion
Net sales outside Japan ratio:	<b>65.4%</b>

**Main products**

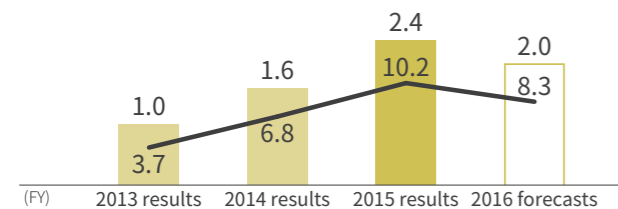
- Waveform measuring instruments
- Optical communication measuring instruments
- Measuring instruments for electric power, temperature, and pressure
- Drug discovery support systems
- Portable test instruments
- Confocal scanner units



Orders (Billions of yen)



Operating income (Billions of yen) / Operating income ratio (%)



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

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

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

**Fiscal Year 2015 in Review**

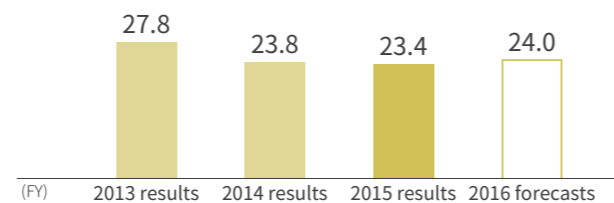
Although net sales for the test and measurement business segment were nearly unchanged from the previous fiscal year, sales were buoyant in the optical communication market due to rising data traffic and in the electric power-related market outside Japan. Operating income increased; this was mainly due to the effect of foreign exchange rates.

**Fiscal Year 2016 Outlook and Business Strategy**

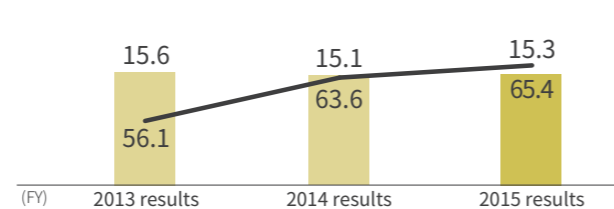
In the measuring instruments business, Yokogawa will work to expand sales in the growing new electric-power and optical-communications markets. We will establish a sales unit dedicated to measuring instruments in Southeast Asia, a promising regional market, in pursuit of business expansion.

In the life science business, the Company will establish a presence in the drug discovery support system market and expand its business by providing new solutions that utilize innovative technologies to facilitate the observation of live cells.

Net sales (Billions of yen)



Net sales outside Japan (Billions of yen) / Net sales outside Japan ratio (%)



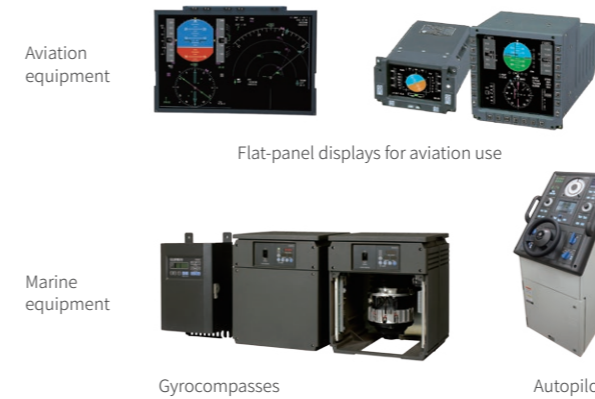
Note: FY2016 forecasts as of May 10, 2016



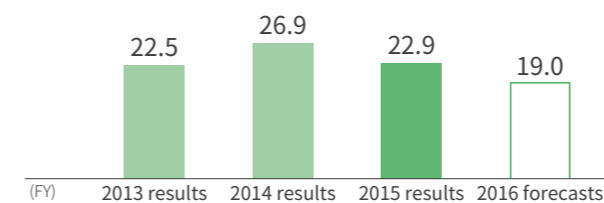
Orders:	<b>¥22.9</b> billion
Net sales:	<b>¥23.6</b> billion
Operating income:	<b>¥0.5</b> billion
Net sales outside Japan ratio:	<b>27.3%</b>

**Main products**

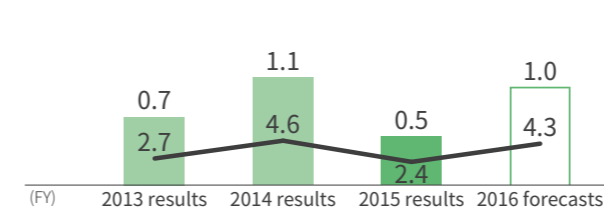
- Aviation equipment
- Marine equipment
- Hydrological and meteorological equipment



Orders (Billions of yen)



Operating income (Billions of yen) / Operating income ratio (%)



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

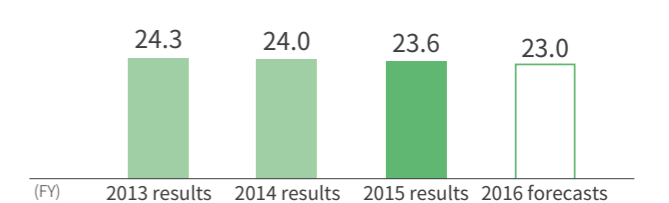
**Fiscal Year 2015 in Review**

Orders received by the marine equipment business decreased reflecting sluggish overseas market conditions by over-tonnage. A decrease in operating income was attributable to the real estate business and other businesses.

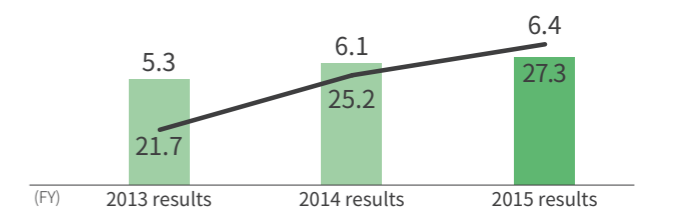
**Fiscal Year 2016 Outlook and Business Strategy**

Sales of the marine equipment business are expected to decrease because of sluggish overseas market conditions. We will focus on the robust aviation business to expand profit.

Net sales (Billions of yen)



Net sales outside Japan (Billions of yen) / Net sales outside Japan ratio (%)

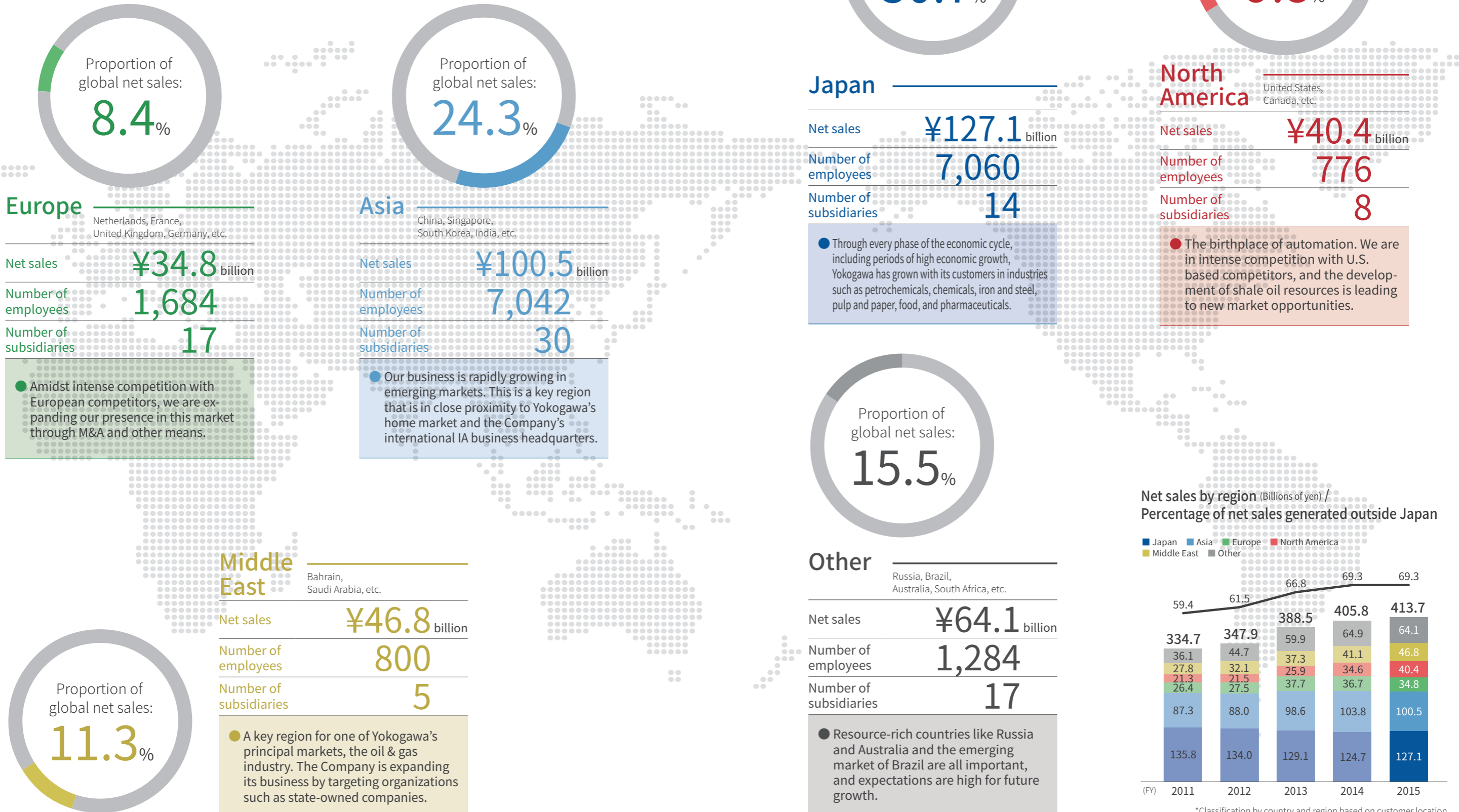


Note: FY2016 forecasts as of May 10, 2016

# Sales Breakdown by Region: Not Dependent on Any One Market

Yokogawa is developing its business worldwide with the aim of becoming the global No. 1 provider of high-quality industrial automation and control solutions.

We deliver satisfaction to customers everywhere, and the uniform quality and reliability of our products and other solutions are held in high regard all over the world. As a result, Yokogawa is not dependent on any one market.





# Providing Value for Society together with Customers

Aspiring to realize a sustainable society, Yokogawa is helping to address a number of social and environmental issues through its business activities. In fiscal year 2015, we initiated a cross-organizational project and exchanged opinions with our shareholders. And in accordance

with the Sustainable Development Goals (SDGs) adopted by the United Nations, we have classified our business activities and contributions as follows:

## Social Issues

## Yokogawa's Strengths

## Main Contributions

Contributions toward a sustainable global environment

- Burgeoning energy demand in emerging countries
- Shift from non-renewable fossil fuels to renewable energy sources
- Soil and water pollution from domestic and industrial wastewater and industrial waste



Relevant SDGs

- Provision of highly reliable products and services and development of long-term relationships with a global customer base, mainly in downstream sectors of the energy supply chain such as oil refining and petrochemicals
- Engineering services that make operations more efficient and a wealth of expertise in diverse applications



### Boosting efficiency throughout the energy supply chain

- Support services that ensure stable and efficient operations and the efficient use of energy and other resources throughout the plant lifecycle
- Conservation of energy through the measurement and optimal control of production facilities and waste heat recovery facilities

### Responding to the shift to renewable energy sources

- Highly reliable measurement and control equipment supporting clean power generation at renewable energy plants
- With customers and partners, the joint development and realization of efficient wide-area energy management systems that combine the use of Industrial Internet of Things (IIoT) and plant control technologies

### Ensuring a resource recycling society

- Robust systems with a low environmental-impact that can be kept in use for decades through the replacement of parts and other regular maintenance procedures
- Ensuring the supply of safe water through the implementation of seawater desalination, wastewater management, and water purification plant monitoring and control projects worldwide
- Helping to prevent air, soil, and water pollution through the real-time component analysis of gases and liquids
- CO<sub>2</sub> emissions reduction and other environmental management activities at our offices and factories

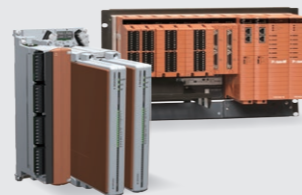
Realization of a safe and secure society

- Plant accidents caused by aging facilities and the retirement of skilled operators
- Aging of public infrastructure such as roads, bridges, tunnels, and harbors
- The threat of cyber-attacks on vital infrastructure
- Social impact of earthquakes, tsunamis, typhoons, floods, and other natural disasters



Relevant SDGs

- Utilization of long experience and extensive track record in industry sectors such as chemicals, iron and steel, and liquefied natural gas to provide support that ensures safe and secure operations
- Development of integrated process control and safety instrumented systems (as an alternative to the conventional approach of keeping these systems separate)
- Development and supply of operation training simulators that incorporate the expertise of skilled operators
- With security system vendors, provision of distributed control system (DCS) lifecycle security solutions.



### Development of safe and secure work environments

- Prevention of plant accidents through the rapid detection of plant abnormalities and the use of highly reliable and secure safety instrumented systems that perform emergency shutdowns, thus protecting people, the environment, plant assets, and company reputation
- Alleviation of operator stress through the integration of process control and safety instrumented systems, contributing to the overall improvement of operating efficiency
- Transfer of technical skills, knowledge about past plant problems, and knowledge about how to anticipate and prevent similar problems by using operation training simulators and virtual plant systems
- Helping to ensure the safe and secure operation of plant systems through the provision of secure products and cyber-security solutions

### Support for natural disaster preparation and mitigation measures

- Development of durable, compact, and reliable sensors that constantly monitor buildings and bridges and enable early detection of tilting, cracking, and other failures
- Provision of natural disaster preparation and mitigation solutions such as tide gate centralized monitoring systems, public information services, and underground reservoir water distribution systems

Growing together with local communities

- Labor shortages in emerging countries
- Discriminatory treatment of individuals based on gender, race, etc.



Relevant SDGs

- Hiring, nurturing, and promotion of local workers to managerial positions
- Development of technical training programs in cooperation with customers and local educational institutions
- Efficient, change-responsive organizational operation through human resources strategies such as promotion of globalization and utilization of diversity



### Local support for training of engineers

- Establishment of educational institutions and provision of scholarship support for students (Saudi Arabia, Tatarstan)
- Support for development of engineering students through internships in cooperation with local universities; subsequent contribution to local job creation (Middle East, Africa)

### Promoting diversity

- Career training for leading female employees and diversity education for managers; preparation of development plans for female employees; reform of the corporate culture and workplace culture; provision of support to ensure the success of female employees; and correction of disparities between men and women (Japan)
- Active utilization of diverse human resources, including women, foreign nationals, and disabled persons

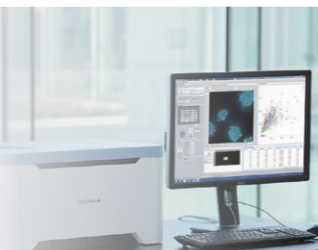
Support for health and enrichment of people's lives

- The enormous time and cost required for new drug development
- The burden of animal experimentation and clinical trials



Relevant SDGs

- Establishment of confocal microscopes capable of observing the movements of live cells in real time as a de facto standard in leading-edge research
- Development and provision of advanced drug discovery support systems incorporating technologies such as confocal microscopes, precise positioning control, and cell image analysis



### Life sciences and drug discovery

- Promotion of leading-edge life science research through the use of confocal microscopes for the observation of biological phenomena such as the movement of neurons in the brain and the flow of red blood cells
- Drug discovery support systems for the efficient development of safe pharmaceuticals that alleviate the burdens of conducting clinical trials on living subjects and conducting animal experiments



### Sustainable Development Goals (SDGs)

In September 2015, the United Nations adopted the 2030 Agenda for sustainable development, which includes a set of Sustainable Development Goals (SDGs). The SDGs, consisting of 17 goals and 169 targets, are universal development goals for ending poverty and hunger, protecting the planet, and ensuring prosperity that all countries and all stakeholders are encouraged to work toward.

### Support for the United Nations Global Compact

In 2009, Yokogawa approved and signed the United Nations Global Compact, an international initiative proposed by the United Nations, and has been endorsing and putting into practice its ten universal principles in the areas of human rights, labor, the environment, and anti-corruption. The Company is sharing these principles with the other members of the Yokogawa Group and with its business partners worldwide.

We will continue to strive to fulfill our responsibilities as a global company that develops business worldwide.

Takashi Nishijima, President and CEO, Yokogawa Electric Corporation



# Providing Value for Society

## Contributions toward a Sustainable Global Environment

At Yokogawa, we take seriously our responsibility to protect the environment and, mindful of our responsibility to future generations, practice environmental management from a medium- to long-term perspective. We promote efficient use of resources and significant reductions in greenhouse gas emissions together with our customers and actively work to develop environmentally friendly products and further reduce environmental impacts of the Yokogawa Group's business operations.



### Contributions through Business Activities

To solve issues related to natural resources and energy, climate change, air, water, etc., Yokogawa is contributing to **boosting efficiency throughout the energy supply chain, responding to the shift to renewable energy sources, and ensuring a resource recycling society.**

Our packaged software addresses factories' energy-saving needs, including for optimum control of the ratio of electricity produced in-house to that purchased from utilities, for suppressing the pressure level of air compressors used in factories, and for reducing peak electricity by monitoring the electricity consumption and the status of operation of production lines and by forecasting demand.

Regarding dissemination of renewable energy sources, Yokogawa's control systems, controllers, sensors, and other products are utilized at plants and facilities around the world, for example, at biomass plants in Brazil, geothermal plants in Indonesia, wind power facilities in China, and solar power plants in Spain.

In the field of water resources, numerous Yokogawa systems and field devices are utilized throughout facilities,

including for water intake, water purification, water supply, sewage pipes, pump facilities, sewage treatment, sludge treatment, and sludge combustion. Combined with solutions for demand forecasting, water volume and water quality control, operation support, and so on, our products are contributing to efficient supply of safe water.

Various factors are implicated in global environmental issues, and humankind must tackle various issues concurrently to achieve progress toward a sustainable global environment. Yokogawa, together with customers from various industries, has accumulated expertise in efficient plant operations throughout the lifecycle. In addition, we are carrying out many projects in emerging countries and regions where energy use is increasing. By providing customers worldwide with solutions and services based on our experience and advanced measurement, control, and information technologies, we will continue contributing to the resolution of global environmental issues.

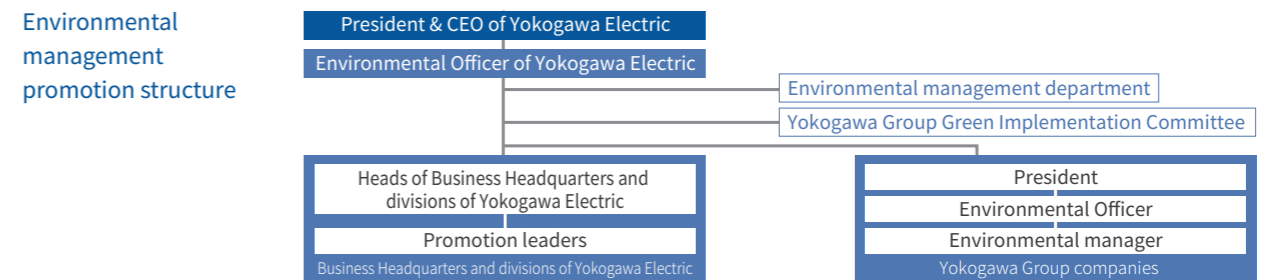
### Case Study Winning control system orders for large thermal power and desalination plants in Qatar

In 2016 Yokogawa won an order for control systems for thermal power and desalination plants in Qatar. This project, scheduled to start in 2017, involves construction of a complex containing a power plant utilizing a combined cycle power generation system and desalination plants to supply electricity and water to Qatar General Electricity and Water Corporation for 25 years.

In Qatar, which has the world's third-largest reserves of natural gas, demand for both electricity and water is rising fast in line with the country's rapid economic growth. The natural gas-powered power and desalination plant complex is expected to become an important component of Qatar's infrastructure. Through this project, Yokogawa is supporting public infrastructure for water resources and electric power essential to people's lives.

### Environmental Promotion Structure

In accordance with the Basic Rules on Environmental Management covering the entire Group, Group companies are conducting environmental activities closely linked with their business activities. The companies conduct autonomous activities by setting environmental targets corresponding to the environmental action plan (mid-term plan and annual plan). In addition, the Yokogawa Group Green Implementation Committee guides environmental protection activities throughout the Group, including the strengthening of measures to mitigate global warming. The Committee reviews activities and promotes sharing of information on revisions to relevant laws. The Group's principal manufacturing sites are ISO 14001 certified.

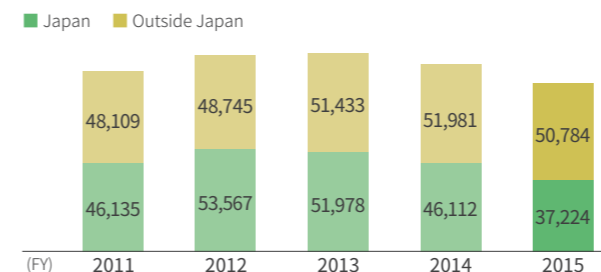


### Efforts to Reduce Our Environmental Impact

#### Global warming prevention

The Yokogawa Group is working to reduce CO<sub>2</sub> emissions by setting a reduction target for each Group company and implementing measures to reduce CO<sub>2</sub> emissions, such as by conversion to renewable energy sources. The Group's overall emissions are exhibiting a steady annual decline. Although CO<sub>2</sub> emissions are increasing in some regions as a result of business expansion, we are improving efficiency and striving to reduce emissions on a per-unit-of-output basis. Measures to reduce CO<sub>2</sub> emissions include the use of green electricity, installation of LED lighting, and the use of highly efficient air conditioning systems. Yokogawa's offices and manufacturing plants are also using the Company's energy management systems, Enerize E3 and InfoEnergy to better visualize energy consumption and thereby reduce CO<sub>2</sub> emissions.

The Yokogawa Group's CO<sub>2</sub> Emissions (t-CO<sub>2</sub>)

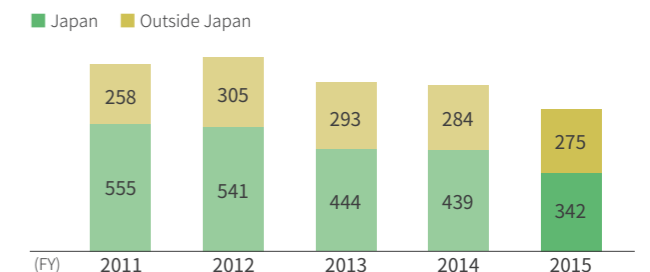


#### Effective utilization of water resources

Yokogawa also addresses water issues, which are becoming increasingly pressing worldwide. The Kofu Factory, a key production plant, is reducing water consumption in production processes by such means as reclamation and reuse of plating cleaning water.

In Singapore, where water resources are limited, we are continuously promoting reduction of water use and greater water reuse. We participate in the NEWater (recycled water) project, a national initiative, and NE-Water already satisfies more than half our water needs. We will continue our efforts to effectively utilize limited water resources, particularly in Asia and the Middle East, where water shortages are pronounced.

The Yokogawa Group's Water Consumption (thousand m<sup>3</sup>)



### Design for Environment

Yokogawa has set design and assessment standards for the development and manufacture of environmentally friendly products. At each phase of product design, namely, initial design, intermediate design, and final design, assessment is performed based on standards covering eight fields, including energy saving, resource saving, and safety. In addition, we use lifecycle assessment (LCA) standards to evaluate energy consumption and CO<sub>2</sub>, NO<sub>x</sub>, and SO<sub>x</sub> emissions at each stage

throughout the product lifecycle, from materials and parts production to assembly, distribution, use, and disposal, and make the results publicly available\*. Products that have cleared these standards are considered to be highly environmentally friendly, and help our customers reduce their environmental impact.



\*The LCA logo is displayed on the website for applicable products.

Yokogawa contributes to creating a safe and secure society by providing solutions for improving and ensuring safety at customers' plants and for supporting natural disaster countermeasures. We also work to reduce and eliminate occupational accidents throughout the Group and enhance security in cyberspace.

**Reduction and Elimination of Occupational Accidents**

Recognizing that occupational safety and health is the foundation of business management, Yokogawa has developed and operates the occupational safety and health management system to ensure the safety and maintain and promote the health of everyone working in the Group.

We are working to achieve continuous improvement of the quality of occupational safety and health by implementing measures including the reduction and elimination of potential risks through risk assessment, near miss analysis and countermeasures, safety and health patrols, and evaluation and review of activities through internal audits.

Yokogawa uses the frequency rate of occupational accidents as a key performance indicator. The Group compiles and analyzes activities and the occupational accident record of Japan and outside Japan Group companies on a quarterly basis and tries to reduce and eliminate occupational accidents and improve activities.

If an occupational accident occurs, we strive to prevent recurrence by investigating the root cause,

identifying problem areas, and implementing preventive measures. Sharing accident information on the intranet among the Group companies helps prevent recurrence of identical or similar accidents.

Our priority in fiscal year 2015 was to eliminate accidents at machine processing workplaces. For this purpose, we partially revised the organizational structure and strengthened on-site patrols.



Safety and health patrol at factory

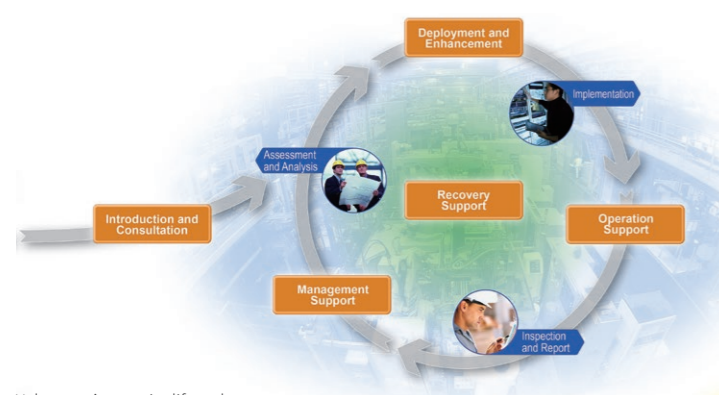
**Responding to Cyber-threats**

Our basic philosophy is to work with customers responding to cyber-threats to ensure that they can safely continue business activities with peace of mind. Yokogawa provides support for customers' initiatives to ensure security throughout the lifecycle, from product developing, through implementation of security measures upon introduction of a system, to security management during operation.

Throughout the product lifecycle, Yokogawa ensures vulnerabilities due to the architectures and technologies of systems and products are reduced. Yokogawa has

established a framework and a dedicated workforce that allows for appropriate response to incidents concerning vulnerabilities and new threats. Also, Yokogawa continually improves the security level of the products by subjecting them to assessment by external security experts. The CENTUM VP and ProSafe-RS controllers, which are Yokogawa's main products, has obtained the ISASecure® EDSA certification from the ISA Security Compliance Institute (ISCI).

At the system operation stage, Yokogawa provides security solutions including continuous anti-virus measures and periodic review of security measures.



Yokogawa's security lifecycle



ISASecure® EDSA certificate

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

The Yokogawa Philosophy extols the virtues of contribution to society and good citizenship, while the Standards of Business Conduct describe contributing to the development of and cooperating with local communities and society as a whole, including protection of the environment. We seek to expand our businesses worldwide in line with this basic stance.

**Human Resources Development and Job Creation in the Middle East and Africa**

Yokogawa is involved in many large-scale energy development projects in the oil, gas and other sectors in the Middle East and Africa. As we expand our business, we support human resources development in these regions in cooperation with local universities and other educational institutions and provide employment opportunities for local people.

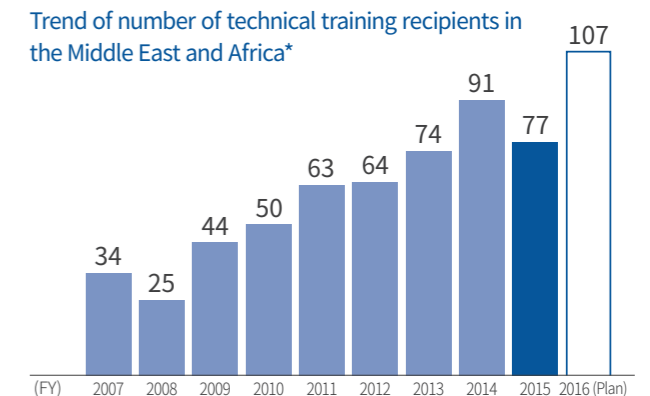
Since 2007, Yokogawa has provided training in measurement and control technologies and engineering for

local students. Through this initiative we are contributing to the development of local communities by employing 176 of 522 students who have taken the course in the Yokogawa Group and helping the others find employment with local customers. We plan to accept 107 students in fiscal year 2016.

Yokogawa will further expand such initiatives and contribute to human resources development and job creation wherever we operate worldwide.



Technical training using Yokogawa products



\*Saudi Arabia, Bahrain, UAE, Oman, South Africa, Nigeria, etc.

**Yokogawa Science Workshops**

As part of Yokogawa's activities to support the development of future generations, we conduct Yokogawa Science Workshops for elementary school students who live near our business sites. In fiscal year 2015, we also participated in a reconstruction assistance project at the Qatar Science Campus\* of Tohoku University. With the support of student volunteers from Tohoku University, we held a radiation thermometer workshop for elementary school-

children from disaster-stricken areas. By stimulating interest in science and engineering, we help develop future scientists and engineers and contribute to recovery in the Tohoku region.

\*Project of the Graduate School of Engineering of Tohoku University offering various events involving experiments and making tools and equipment. This is one of the projects supported by the Qatar Friendship Fund (QFF) to assist recovery of the Tohoku region.



With children and the volunteers of university students (At Qatar Science Campus Hall, Tohoku University)



A radiation thermometer workshop

Human resources development is the most important factor driving Yokogawa's growth and the key to creation of new value. In order to solve problems together with our customers, each employee must understand customers' expectations and needs and be capable of proposing valuable solutions from their points of view. We must ensure that our employees constantly consider from the customers' perspectives.

Yokogawa is vigorously implementing the human resources strategy focusing on human resources development, promotion of diversity, and improvement of the working environment to create new value with customers through co-innovation.



**Transformation to solutions-oriented personnel**

Through training and other measures, we will promote the development of personnel with the right mindset and skills required to develop solutions for our customers. We will also go outside Yokogawa to recruit people with this expertise.

**Development of human resources, including education to improve employees' mindset and business skills**

We will define the advanced knowledge, skills, and competencies necessary for solving our customers' issues and creating new value while cooperating within the Company on personnel rotation for education and development.

In regard to in-house training to create value for customers, we launched Y-MOT training for selected employees in fiscal year 2011 and the Solution 21 Program in fiscal year 2015. The cumulative numbers of participants in Y-MOT and the Solution 21 Program to date are 175 and 100, respectively. Through these education and training opportunities we are promoting

transformative cross-organizational activities to provide integrated automation solutions and services to meet requirements of customers and to create new value.

**Recruitment of the professionals and support of efforts to develop the Company's own human resources**

By recruiting experienced people, whose formative years were spent in environments and fields where the corporate culture differs from that of Yokogawa, and assigning them to important positions, we are enriching Yokogawa's corporate culture. Furthermore, inspired by their dynamism, the mindset of longtime employees is changing for the better.

**Promotion of diversity**

Yokogawa promotes diversity. By hiring and fostering human resources that differ in experience, knowledge, sensitivity, perspective, culture, and values, we will be better able to create new value and accelerate the global development of our business.

**Adapt to changes in the business environment by promoting diversity**

At a time when industry in Japan is maturing and globalization is accelerating, a diverse workforce sharpens our competitiveness. It allows us to swiftly and flexibly respond to customers whose needs and aspirations are shaped by diverse regional characteristics and cultures.

In fiscal year 2015, we developed a new recruiting channel to attract graduates from universities in the ASEAN region, and in fiscal year 2016, we aim to further expand that channel.

**Encouraging female employees to play a more active role in our business**

As a key element in efforts to promote diversity, Yokogawa is actively promoting the success of female employees. We are reforming programs and the corporate culture to create a women-friendly environment where female

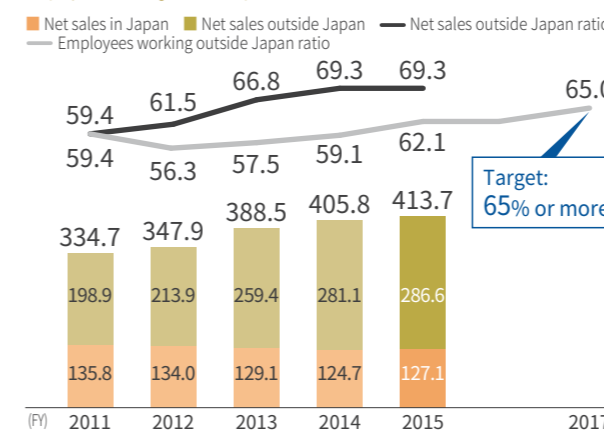
employees are encouraged to embrace challenges and fulfill their potential. We have set a target for the ratio of female managers (5% or more in fiscal year 2017). In addition, over the long term we target a female recruitment ratio of at least 30% to diversify the workforce composition.

**Expand the exchange of human resources among Group companies**

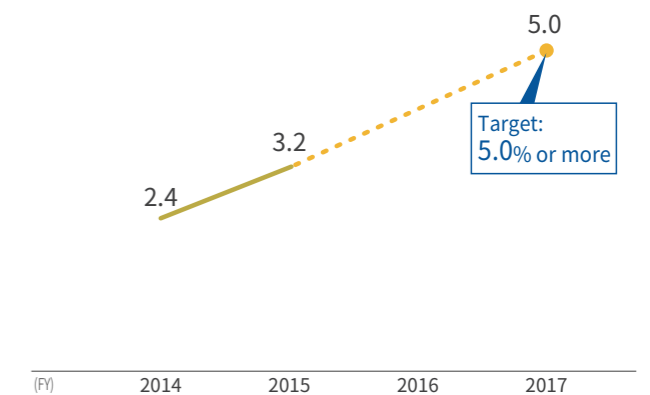
In fiscal year 2014, we standardized the international personnel transfer conditions to ensure optimal global allocation of human resources. Since fiscal year 2012, we have assigned 30 or more foreign-registered employees to posts in Japan.

In fiscal year 2017, we plan to double the number of employees who are not Japanese nationals working in Japan compared with the number of fiscal year 2014.

Net sales in Japan and outside Japan (Billions of yen) / Net sales outside Japan ratio (%) / Employees working outside Japan ratio (%)



Female manager ratio (%)



\*The female manager ratio is for Yokogawa Electric on a non-consolidated basis.

**Transformation of the global HR system and work style**

Yokogawa will realize the global HR system that is substantially global as a worldwide company. We will also introduce flexible work styles to create a more vibrant corporate culture.

**Improvement of management's leadership skills and development of global human resources**

To accelerate matrix management of the industrial automation and control business, we have clearly defined the concept of leadership, the roles and decision-making authority of each organization especially focusing on executives. In fiscal year 2016, we will extend this activity to lower levels of management and embed more efficient decision-making processes globally.

**Structure the new work style of less dependence on time and location**

As a part of the work style transformation, in April 2016 we, at Yokogawa headquarters, have newly instituted the work-at-home system and an hourly leave system. We

have also enriched contents of the Employee Assistance Program (EAP).

**Reform of HR system**

Yokogawa Electric Japan introduced the new HR system in April 2016 to discover, develop, and utilize human resources capable of creating new value and to build human resources-based competitive advantage. In fiscal year 2016, the introduction of standardized personnel grades and the unification of evaluation criteria at major global business sites will lead to more efficient, robust organizational operation. Based on the key concepts, we will implement and enhance HR measures for the new HR system, such as improvement in managers' ability to develop subordinates.

**Research and Development (R&D)**

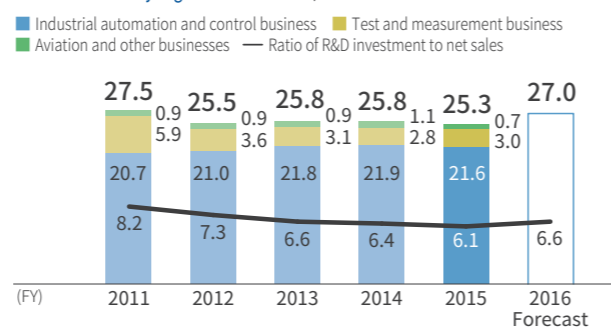
R&D activities at Yokogawa are classified into two types. Firstly, product development and applied research activities are geared to meeting customer needs and target a relatively foreseeable future. Secondly, innovation activities are conducted from a longer-term perspective, involve greater uncertainty, and are directed toward the generation of new business opportunities. Whereas business headquarters are mainly responsible for the former, the latter is primarily the task of the Innovation Center.

- The mission of the Innovation Center is twofold:
1. Research and develop new technologies that complement those of each business headquarters and address customer issues, thus enabling expansion of the business scope.
  2. Prepare for an uncertain and unpredictable future and open a path to the creation of new businesses by

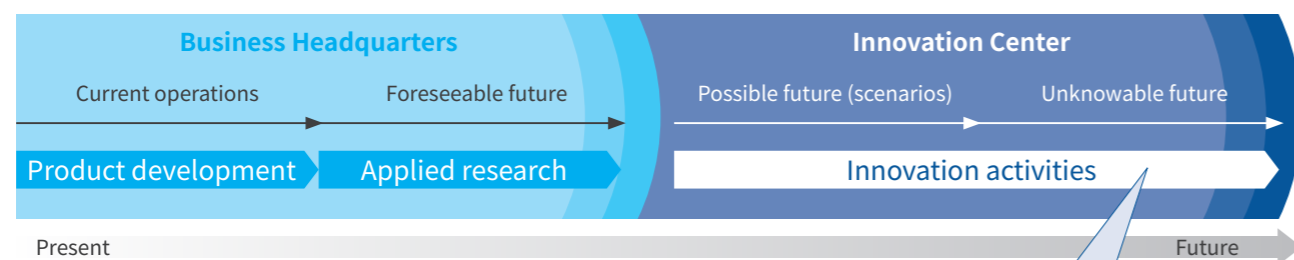
working with customers to uncover latent issues and find ways of addressing them.

In Transformation 2017, our target is to maintain the total amount of R&D investment and a ratio of R&D investment to net sales of 6% or higher.

R&D investment by segment (Billions of yen) / Ratio of R&D investment to net sales (%)



**R&D structure at Yokogawa**



**Innovation activities**

By engaging in innovation activities, Yokogawa not only provides systems but also creates technologies and solutions together with customers that prompt them to change their perspectives and approaches. The innovation process consists of three concentric layers as shown in the figure on the right. The outermost layer, consisting of information from the field and signs of change obtained by scanning the “external environment,” such as markets and customers, is reflected in “standardization, intellectual property and open innovation,” which constitute the second layer that supports “innovation activities,” the innermost layer. In innovation activities, we generate ideas, refine them through R&D and incubate them. Repeated execution of these three stages leads to commercialization.

**The three stages of the innovation process**

External environment (customers, markets, research institutions, partners)

Standardization, intellectual property and open innovation

Innovation activities

Market needs

Ideation stage

New market opportunities

R&D stage

Technology seeds

Incubation stage

Commercialization

**Innovation Process**

**Ideation Stage**

We acquire insights into the future through the use of methodologies such as scenario planning and scanning. With scenario planning, we envision multiple future scenarios and continuously update them so that we can respond flexibly to an unknowable future. With scanning, we try to anticipate social changes that will transpire over the next 10 to 20 years. A diverse group of people from both inside and outside the Company around the world comes together to discuss issues, and their findings are reflected in our research and business development initiatives. We also promote co-creation activities both inside and outside the Company. The Co-Innovation Room established in our Training Center Building is a venue for workshops to which participants from around the world are invited to facilitate idea generation (See the photo corresponding to the “ideation stage” on page 38).

**R&D Stage**

At the R&D stage, we identify promising research themes from the various possibilities that emerged at the ideation stage and refine them. In addition to R&D of technologies, researchers also consider feasibility and analyze markets and, as necessary, cultivate markets.

**Incubation Stage**

Once an R&D project runs its course, it progresses to the incubation stage. At this stage, researchers develop a strategy with support from sales and marketing operations. In addition, they demonstrate whether the R&D outcomes offer value to the customer in collaboration with the customer. When the value is recognized, the project progresses to the commercialization stage.

**Activities Supporting the Innovation Process**

**Standardization**

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

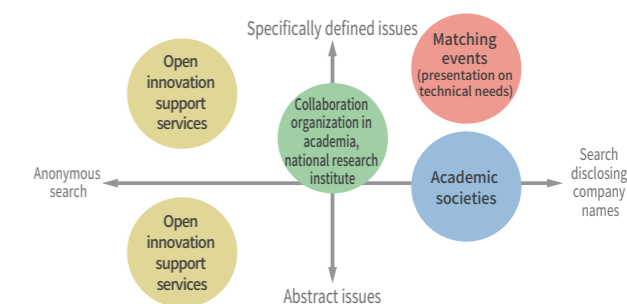
**Open Innovation**

We scour the globe for the best partners to network with, including universities, research institutes and start-ups. We envisage ideal products and solutions that can deliver superior value. Without being constrained by insourcing, we promote joint R&D and technology procurement and seek to narrow the gap between the ideal and the present level of technology.

**Intellectual Property Strategy: Addressing Global Competition**

To raise global competitiveness, Yokogawa strives to transform R&D outcomes into high-quality intellectual property and is vigorously filing patent applications outside Japan, too. In addition, we are making strategic use of external intellectual property to accelerate development and provide new forms of value to our customers.

**Approaches for open innovation and classification**

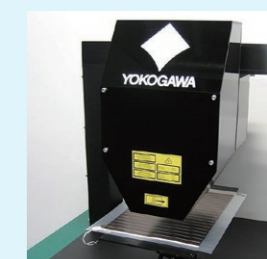


**Yokogawa's intellectual property rights (as of March 31, 2016)**

	In Japan			Outside Japan			Total
	Registered	Pending	Subtotal	Registered	Pending	Subtotal	
Patent	2,144	442	2,586	701	684	1,385	3,971
Design	110	0	110	77	11	88	198
Trademark	407	5	412	654	80	734	1,146
Total	2,661	447	3,108	1,432	775	2,207	5,315

**Example Non-contact inline evaluation technology supports production process of organic semiconductor thin films**

Compared with conventional technology, organic semiconductor thin films are far more flexible and can be manufactured at lower cost because of the use of printing technology. They are the focus of high expectations, with an application field likely to include such promising items as new types of displays, photovoltaic power generation, and sheet sensors. Utilizing optical sensor technology, Yokogawa is developing sensors capable of inline measurement of carrier lifetime, generated electric field, and crystallinity, which are performance parameters of organic semiconductors. By offering manufacturers measurement systems utilizing these sensors, we support production of organic semiconductor thin-film products and contribute to quality improvement.



Organic thin-film solar cell evaluation equipment

## Directors



### Shuzo Kaihori

Director and Chairman of the Board

Date of birth: Jan. 31, 1948  
Number of years since appointment as a director: 10 years

Mr. Shuzo Kaihori properly supervises management acting as a Director. He also adequately manages meetings of the Board of Directors serving as Chairman of the Board of Directors. Accordingly, he has been elected as a Director because we consider him qualified to further upgrade our corporate governance practices.

- Apr. 1973 Joined the Company
- Apr. 2005 Vice President, Head of IA Business Headquarters
- Apr. 2006 Senior Vice President, Head of IA Business Headquarters
- Jun. 2006 Director and Senior Vice President, Head of IA Business Headquarters
- Apr. 2007 President and Chief Operating Officer
- Apr. 2008 President and Chief Executive Officer
- Apr. 2013 Chairman and Chief Executive Officer
- Apr. 2015 Chairman
- Jun. 2015 Director and Chairman of the Board (present)

#### Significant concurrent positions

- Outside Director of HOYA CORPORATION
- President of Business Ethics Research Center



### Takashi Nishijima

President and Chief Executive Officer

Date of birth: Aug. 12, 1957  
Number of years since appointment as a director: 5 years

Mr. Takashi Nishijima properly supervises management acting as President and Chief Executive Officer. He also adequately provides guidance serving as Chairman of the Company's Management Board. Accordingly, he has been elected as a Director because we consider him qualified to take the lead in achieving the goals set out in the long-term business framework.

- Apr. 1981 Joined Hokushin Electric Works Ltd. (the present Yokogawa Electric Corporation)
- Oct. 2008 Vice President, Head of Control Products Business Center, IA Business Headquarters
- Apr. 2010 President of Yokogawa Meters & Instruments Corporation
- Jun. 2011 Director of the Company, President of Yokogawa Meters & Instruments Corporation
- Apr. 2012 Director and Senior Vice President, Head of IA Platform Business Headquarters
- Apr. 2013 President and Chief Operating Officer
- Apr. 2015 President and Chief Executive Officer (present)



### Satoru Kurosu

Director and Executive Vice President

Date of birth: Dec. 25, 1960  
Number of years since appointment as a director: 5 years

Mr. Satoru Kurosu properly supervises management acting as a Director. He also adequately performs his duties acting as Head of Solutions Service Business Headquarters. Accordingly, he has been elected as a Director because we consider him qualified to help bring about sustainable improvement in our corporate value.

- Apr. 1983 Joined the Company
- Apr. 2006 Vice President, Head of Marketing Center, IA Business Headquarters
- Apr. 2007 Senior Vice President, Head of IA Business Headquarters
- Apr. 2009 Senior Vice President, Head of Global Business Headquarters
- Apr. 2010 President of Yokogawa Engineering Asia Pte. Ltd.
- Apr. 2011 Senior Vice President, Head of IA Marketing Headquarters
- Jun. 2011 Director and Senior Vice President, Head of IA Marketing Headquarters
- Apr. 2013 Director and Executive Vice President of the Company, President of Yokogawa Electric International Pte. Ltd.
- Apr. 2014 Director and Executive Vice President of the Company, Head of Solutions Service Business Headquarters, President of Yokogawa Electric International Pte. Ltd.
- Apr. 2015 Director and Executive Vice President of the Company, Head of Solutions Service Business Headquarters (present)



### Hitoshi Nara

Director

Date of birth: Jan. 23, 1963  
Number of years since appointment as a director: 5 years

Mr. Hitoshi Nara properly supervises management acting as a Director. He also adequately performs his duties acting as President of Yokogawa Solution Service Corporation. Accordingly, he has been elected as a Director because we consider him qualified to help bring about sustainable improvement in our corporate value.

- Apr. 1985 Joined the Company
- Oct. 2001 Deputy Managing Director of Yokogawa Engineering Asia Pte. Ltd.
- Oct. 2003 Managing Director of Yokogawa (Thailand) Ltd.
- Jan. 2007 Head of Sales Div. I, Industrial Solutions Business Headquarters
- Apr. 2010 Senior Vice President, Head of Industrial Solutions Business Headquarters
- Jun. 2011 Director and Senior Vice President, Head of Industrial Solutions Business Headquarters
- Apr. 2012 Director and Senior Vice President, Head of Industrial Solutions Service Business Headquarters
- Apr. 2013 Director of the Company, President of Yokogawa Solution Service Corporation (present)



### Masatoshi Nakahara

Director and Executive Vice President

Date of birth: Dec. 14, 1958  
Number of years since appointment as a director: 2 years

Mr. Masatoshi Nakahara properly supervises management acting as a Director. He also adequately performs his duties acting as Head of IA Platform Business Headquarters. Accordingly, he has been elected as a Director because we consider him qualified to help bring about sustainable improvement in our corporate value.

- Apr. 1981 Joined the Company
- Apr. 2007 Vice President, Head of IA Systems Business Center, Industrial Automation Business Headquarters
- Apr. 2011 President of Yokogawa Engineering Asia Pte. Ltd.
- Apr. 2013 Senior Vice President, Head of Industrial Automation Platform Business Headquarters
- Jun. 2014 Director and Senior Vice President of the Company, Head of IA Platform Business Headquarters
- Apr. 2016 Director and Executive Vice President of the Company, Head of IA Platform Business Headquarters (present)



### Junichi Anabuki

Director and Senior Vice President

Date of birth: Mar. 18, 1963  
Number of years since appointment as a director: 2 years

Mr. Junichi Anabuki properly supervises management acting as a Director. He also adequately performs his duties acting as Head of Accounting & Treasury Headquarters. Accordingly, he has been elected as a Director because we consider him qualified to help bring about sustainable improvement in our corporate value.

- Apr. 1986 Joined Fukutoku Sogo Bank, Ltd.
- Mar. 1992 Joined the Company
- Jan. 2005 General Manager, Treasury Department
- Apr. 2011 Vice President, Head of Accounting & Treasury Headquarters
- Jun. 2014 Director and Vice President of the Company, Head of Accounting & Treasury Headquarters
- Apr. 2016 Director and Senior Vice President of the Company, Head of Accounting & Treasury Headquarters (present)

## Audit & Supervisory Board Members



### Kiyoshi Makino

Audit & Supervisory Board Member

Date of birth: Sep. 26, 1947  
Number of years since appointment as a member of the Audit & Supervisory Board: 7 years

Mr. Kiyoshi Makino properly audits the Company's management as a Standing Member of the Audit & Supervisory Board, and is well-versed in the Group's business. He has been elected as an Audit & Supervisory Board Member because we consider it appropriate to reflect his knowledge and experience in audits of the Company.

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



### Koichi Chujo

Audit & Supervisory Board Member

Date of birth: Sep. 16, 1954

Newly elected

Mr. Koichi Chujo is well-versed in the Group's business through his experiences of engaging in the test and measurement business, serving as the Head of Quality Assurance Headquarters and conducting internal audits at the Audit & Compliance Headquarters. He has been elected as an Audit & Supervisory Board Member because we consider it appropriate to reflect his knowledge and experience in audits of the Company.

- Apr. 1979 Joined the Company
- Apr. 2000 Head of Measuring Instruments Development Department, Test & Measurement Business Division
- Oct. 2005 Head of Core Technology Development Center, Communication & Measurement Business Headquarters
- Apr. 2009 Head of OE Test & Measurement Center, Communication & Measurement Business Headquarters
- Apr. 2010 Vice President, Head of Quality Assurance Headquarters
- Apr. 2014 Audit & Compliance Headquarters
- Apr. 2015 Audit, Compliance & Quality Assurance Headquarters
- Jun. 2016 Audit & Supervisory Board Member (present)

## Outside Member, Audit & Supervisory Board



### Zenichi Shishido

Outside Member, Audit & Supervisory Board

Date of birth: Apr. 20, 1956  
Number of years since appointment as a member of the Audit & Supervisory Board: 4 years

Mr. Zenichi Shishido was appointed as an outside member of the Audit & Supervisory Board so that he can contribute to the Company's audits as an expert in business law and corporate governance with his high insight based on experience in a wide range of research activities.

- Apr. 1980 Research Fellow of Faculty of Law, Tokyo University
- Apr. 1983 Assistant Professor of Faculty of Law, Seikei University
- Apr. 1985 Associate Professor of Faculty of Law, Seikei University
- Apr. 1994 Professor of Faculty of Law, Seikei University
- Jul. 2001 Registered as lawyer (Member of Dai-ichi Tokyo Bar Association)
- Apr. 2004 Professor of School of Law, Seikei University
- Apr. 2009 Professor of Graduate School of International Corporate Strategy, Hitotsubashi University (present)
- Jun. 2012 Audit & Supervisory Board Member of the Company (present)

#### Significant concurrent positions

- Professor of Graduate School of International Corporate Strategy, Hitotsubashi University
- Lawyer (Zenichi Shishido Law Firm)



### Izumi Yamashita

Outside Member, Audit & Supervisory Board

Date of birth: Feb. 1, 1948  
Number of years since appointment as a member of the Audit & Supervisory Board: 2 years

Mr. Izumi Yamashita was appointed as an outside member of the Audit & Supervisory Board so that he can contribute to the Company's audits with his high insight based on abundant managerial experience in a wide range of business activities.

- Jul. 1971 Joined the Bank of Japan
- Apr. 1998 Director-General of Financial Markets Department of the Bank of Japan
- Mar. 2002 Joined Accenture Japan Ltd., General Manager of Financial Sales Department
- Apr. 2003 Joined Japan Post, Executive Vice President (the present Japan Post Holdings Co., Ltd.)
- Apr. 2004 Executive Vice President of Japan Post
- Apr. 2005 Managing Executive Officer of Japan Post
- Oct. 2007 President of Japan Post Insurance Co., Ltd.
- Jun. 2012 Chairman of Japan Post Insurance Co., Ltd.
- Jun. 2014 Audit & Supervisory Board Member of the Company (present)

#### Significant concurrent positions

- Outside Director of AEON Bank, Ltd.
- Outside Director of Sumitomo Forestry Co., Ltd.

## Outside Directors



**Mitsudo Urano**  
Outside Director

Date of birth: Mar. 20, 1948  
Number of years since appointment as an outside director: 5 years

Mr. Mitsudo Urano was appointed as an Outside Director so that he can contribute to the fair, objective, and transparent management of the Company based on his wide knowledge and abundant managerial experience.

- Apr. 1971 Joined Nippon-Reizo Co., Ltd. (the present Nichirei Corporation)
- Jun. 1999 Director of Nichirei Corporation
- Jun. 2001 Representative Director and President of Nichirei Corporation
- Jun. 2007 Representative Director and Chairman of Nichirei Corporation
- Jun. 2011 Director of the Company
- Jun. 2013 Senior Adviser of Nichirei Corporation (present)  
Director of the Company (present)

**Significant concurrent positions**

- Senior Adviser of Nichirei Corporation
- Outside Director of Resona Holdings, Inc.
- Outside Director of HOYA CORPORATION
- Outside Director of Hitachi Transport System, Ltd.
- President of Agri Future Japan
- Chairman of Nippon Omni-Management Association
- Chairman of Central Society for Promoting the Industrial Education



**Noritaka Uji**  
Outside Director

Date of birth: Mar. 27, 1949  
Number of years since appointment as an outside director: 2 years

Mr. Noritaka Uji was appointed as an Outside Director so that he can contribute to the fair, objective, and transparent management of the Company based on his wide knowledge as a corporate manager and thorough expertise in technology development and IT/ICT fields.

- Apr. 1973 Joined Nippon Telegraph and Telephone Public Corporation (the present Nippon Telegraph and Telephone Corporation)
- Jun. 1999 Director and Head of New Generation Information Services Sector of NTT DATA Corporation
- Sep. 2000 Director and Head of Corporate Strategy Planning Department of NTT DATA Corporation
- Jun. 2003 Executive Vice President, Head of Enterprise Systems Sector and Head of Enterprise Business Sector of NTT DATA Corporation
- Jun. 2005 Representative Director and Executive Vice President of NTT DATA Corporation
- Jun. 2007 Senior Executive Vice President of Nippon Telegraph and Telephone Corporation
- Jun. 2012 Advisor of Nippon Telegraph and Telephone Corporation (present)
- Jun. 2014 Director of the Company (present)

**Significant concurrent positions**

- Advisor of Nippon Telegraph and Telephone Corporation
- Outside Director of DAIICHI SANKYO COMPANY, LIMITED
- Chairman of Japan Institute of Information Technology
- Chairman of Japan Telemarketing Association



**Nobuo Seki**  
Outside Director

Date of birth: Sep. 21, 1944  
Number of years since appointment as an outside director: 1 year

Mr. Nobuo Seki was appointed as an Outside Director so that he can contribute to the fair, objective, and transparent management of the Company based on his wide knowledge as a corporate manager and thorough expertise in the control of energy-related facilities.

- Apr. 1970 Joined Chiyoda Chemical Engineering Company (the present Chiyoda Corporation)
- Apr. 1992 Vice President & Project General Manager of Chiyoda International Corporation in USA
- Jun. 1997 Director of Chiyoda Corporation
- Jun. 1998 Managing Director of Chiyoda Corporation
- Aug. 2000 Senior Managing Director of Chiyoda Corporation
- Apr. 2001 President and CEO of Chiyoda Corporation
- Apr. 2007 Chairman of Chiyoda Corporation
- Apr. 2009 General Corporate Advisor of Chiyoda Corporation
- Jul. 2012 Advisor of Chiyoda Corporation
- Jun. 2015 Director of the Company (present)

**Significant concurrent positions**

- Independent Outside Director of TEIJIN LIMITED
- Outside Director of KAMEDA SEIKA CO., LTD.
- Outside Director of Weathernews Inc.



**Shiro Sugata**  
Outside Director

Date of birth: Nov. 17, 1949

Newly elected

Mr. Shiro Sugata was appointed as an Outside Director so that he can contribute to the fair, objective, and transparent management of the Company based on his wide knowledge as a corporate manager and thorough expertise with respect to industrial light sources and other products with optical applications, and also with respect to industrial machinery.

- Apr. 1972 Joined USHIO INC.
- Jan. 1993 President of BLV LICHT-UND VAKUUMTECHNIK GmbH
- Jun. 2000 Director and Corporate Senior Vice President of USHIO INC.
- Apr. 2001 Director and General Manager of Lamp Division II of USHIO INC.
- Apr. 2003 Director and Lamp Company President, COO of USHIO INC.
- Apr. 2004 Director and Corporate Executive Vice President of USHIO INC.
- Jun. 2004 Representative Director and Corporate Executive Vice President of USHIO INC.
- Mar. 2005 President and CEO of USHIO INC.
- Oct. 2014 Director and Corporate Advisor of USHIO INC. (present)

**Significant concurrent positions**

- Corporate Advisor of USHIO INC.
- Outside Director of JSR Corporation
- Vice Chairman [Executive Director] of Keizai Doyukai (Japan Association of Corporate Executives)

## Officers

Position	Responsibility	Name
Senior Vice President	Head of Management Information System Headquarters	Hiroshi Suzuki
	Head of Measurement Business Headquarters President, Yokogawa Meters & Instruments Corporation	Masaharu Yamazaki
Vice President	Head of Corporate Administration Headquarters	Hajime Watanabe
	Head of Human Resources Headquarters	Kouji Maemura
	Head of Aerospace Products Business Headquarters	Minoru Nishimura
	Head of Global Business Transformation Headquarters	Akinobu Nonaka
	President, Yokogawa Electric International Pte. Ltd.	Shuji Mori
	Head of Audit, Compliance & Quality Assurance Headquarters	Makoto Ootake
	Head of Marketing Headquarters	Tsuyoshi Abe

## Message upon Assuming Office as Outside Director

The adoption last year of the Corporate Governance Code by the Tokyo Stock Exchange has stimulated interest in the subject of outside directors and led to rising expectations about their role in corporate governance. At such a time, I feel honored to have been appointed an outside director of Yokogawa Electric, a company with a fine tradition spanning more than a century and an excellent record of accomplishments, and I am keenly aware of the great responsibility this entails.

Of course, the officers of a corporation bear the primary responsibility for its leadership and management. Working together with the inside directors, outside directors enhance corporate value by supporting the decision making process; this is done by checking and verifying the propriety of decisions made by corporate management. Acting independently, I will strive to provide appropriate guidance and act as both an accelerator and a brake in this process.

I was involved for more than 40 years in research and development, M&A, management, and other roles and activities at USHIO INC., a manufacturer that, like Yokogawa, sells to other businesses. Although I spent my entire career at a single company, I was involved with a great variety of outside organizations, including joint ventures with other companies, overseas manufacturers, economic foundations, and industry associations, and gained wide-ranging experience. Bearing in mind the importance of viewing the world from a wide perspective that is appreciative of diversity, I will contribute to the best of my ability to the development of Yokogawa Electric, and by extension, to the realization of a better society.



**Shiro Sugata**  
Outside Director



## Pursuit of Business Growth through ICT

**Noritaka Uji**  
Outside Director

### Recognition of the Importance of IT Innovation at Yokogawa

As the result of rapid technological advances, information and communications technology (ICT) is playing an ever greater role in corporate management. Although Yokogawa has long been engaged in businesses that are closely connected with ICT, the time has come for the Company to be more active in introducing this technology to capitalize on opportunities for growth. Taking into consideration the new business opportunities that this technology presents, the Company aims to achieve a transformation that will enhance its ability to create new value, a key objective under the Transformation 2017 mid-term business plan.

Drawing on the experience and knowledge that I have gained from many years in a management role in the IT services industry, I am an advocate for the utilization of ICT in forums such as meetings of the Board of Directors. I believe that Yokogawa should actively utilize ICT to provide new services that efficiently and optimally link the Internet of Things (IoT) and big data for its customers and enable the construction of strategic information systems that can lead to a transformation in how they run their businesses.

### The Creation of New Value through the Utilization of ICT in Business Management

To provide new services that utilize ICT, a company must have the capability to stay one step ahead of the competition and quickly respond to changes wherever they may occur. One instance of such a change is the growing interest in IoT, a concept with tremendous potential that will require sophisticated capabilities to implement. Opportunities have already arisen in which I have recommended the active utilization of ICT to members of the Board of

Directors and division heads, and I have also engaged them in discussions concerning the Company's internal systems and business process reforms.

This type of dialogue has led to greater awareness of the importance of ICT among Yokogawa's senior management. In April, the Company introduced an ICT-based telecommuting system that is leading to a transformation in its corporate culture by allowing both male and female employees of all ages to look after children and other family members while working comfortably from their homes. I believe that ICT-driven improvements in corporate management will lead to the creation of new value for Yokogawa's customers.

### Steady Advances in Corporate Governance

As seen here with ICT, the Yokogawa Board of Directors, including the outside directors, engages in open and active discussion of a wide range of topics, and I feel that this mechanism of corporate governance fulfills an important management role at Yokogawa. I think that highly effective governance is also ensured through the Nomination Advisory Committee and the Compensation Advisory Committee and through external evaluation of the Board of Directors.

In fiscal year 2016, the Company has further enhanced its governance by establishing a Board of Directors Office that provides support to the outside directors and by increasing the number of outside directors from three to four. In my role as an outside director, I intend to continue pressing ahead with an aggressive governance approach that will help the Company sustain its growth.

### Corporate Governance Highlights

1. The Board of Directors has had two or more outside directors for the past 10 years. At present, four outside directors are serving, thus ensuring management objectivity.
2. Outside directors are the majority of the members of the Nomination Advisory Committee and the Compensation Advisory Committee.
3. Decision-making on business execution is delegated to the Management Board consisting of the president, officers, subsidiary heads who report directly to the president (including four foreign nationals), and other members to expedite the process.

### Basic View on Corporate Governance – Governance that supports innovation

The Group has established a corporate philosophy, the Yokogawa Philosophy, and Standards of Business Conduct for the Yokogawa Group that apply to the entire Group, and strives to have appropriate relationships with all stakeholders as well as aims sustainable corporate growth and increased corporate value over the medium to long term. In addition, based on the philosophy that “a company is a public entity of society,” the Group positions answering the trust of all stakeholders, including shareholders, customers, business partners, society, and employees, via sound

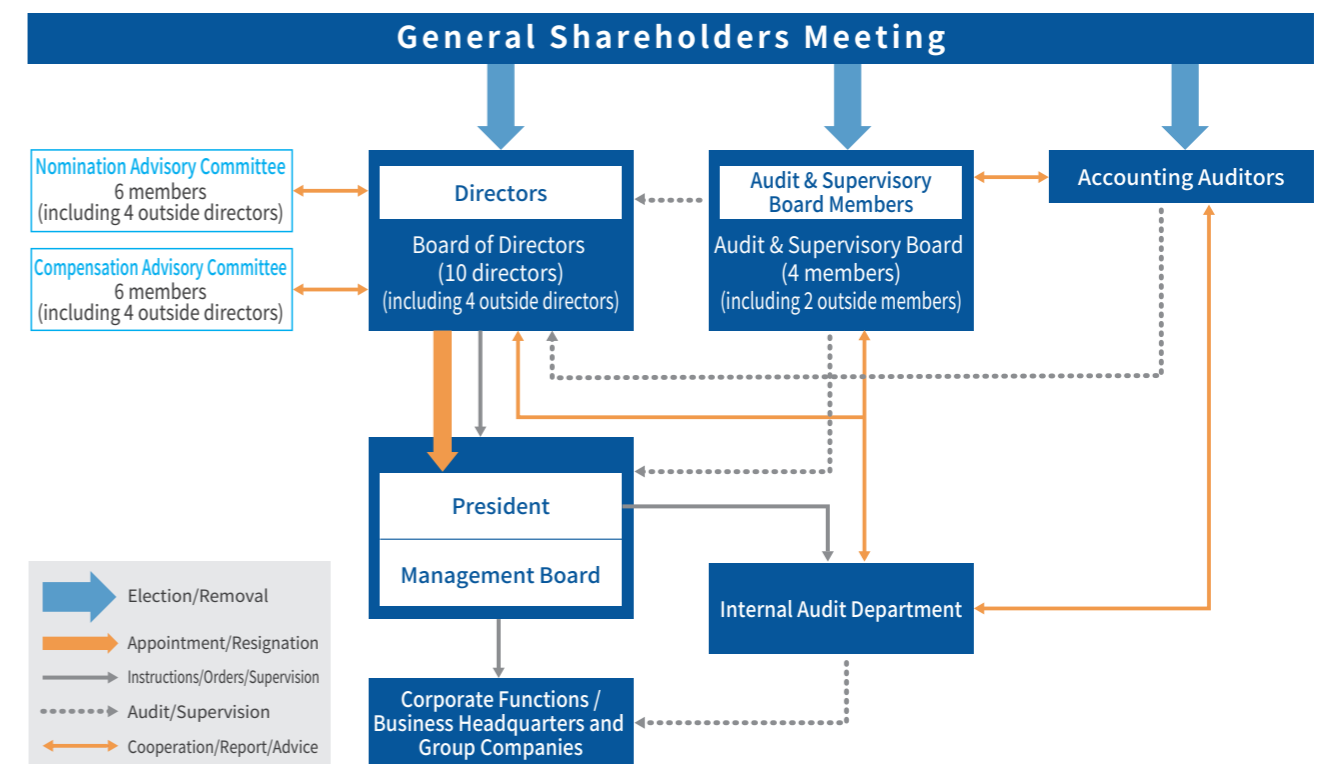
and sustainable growth, as the basic mission of corporate management.

In order to maximize its corporate value, the Group believes that efforts such as thorough compliance, appropriate risk management, and information disclosure in order to ensure constructive dialogue with shareholders and other stakeholders are important.

The Group formulates and discloses these Yokogawa Corporate Governance Guidelines which serve as the basic policy for continually working on corporate governance in line with the above views.

[http://www.yokogawa.com/pr/pdf/cg\\_guidelines-en.pdf](http://www.yokogawa.com/pr/pdf/cg_guidelines-en.pdf)

### Corporate Governance Structure





Enhancing Corporate Governance

FY	Action	Board of Directors			Audit & Supervisory Board		Officers	
		Inside	Outside	Outside %	Inside	Outside	(Doubling as board member)	
2003	Introduced outside directors	7	1	13%	2	2	24	(6)
2004	Abolished retirement bonuses for directors	7	1	13%	2	3	24	(6)
2005		7	1	13%	2	3	26	(6)
2006	Introduced one year tenure system for directors Revised articles of incorporation to reduce number of directors (25→15)	9	1	10%	2	3	27	(7)
2007	Increased the number of outside directors Introduced takeover defense measures	8	2	20%	2	3	29	(5)
2008		7	2	22%	2	3	28	(5)
2009	Increased the number of outside directors Renewed takeover defense measures	7	3	30%	2	3	15	(5)
2010		5	3	38%	2	3	14	(3)
2011	Renewed takeover defense measures Sold shares of a listed affiliate	4	3	43%	2	3	15	(2)
2012		4	3	43%	2	3	14	(3)
2013		4	3	43%	2	3	12	(1)
2014	Established Nomination and Compensation Committee (voluntary advisory body) Discontinuation (non-renewal) of takeover defense measures Introduced standards to ensure independence of outside directors	6	3	33%	2	3	12	(3)
2015	Established Nomination Advisory Committee and Compensation Advisory Committee (voluntary advisory bodies) Conducted outside evaluation of Board of Directors Established the Yokogawa Corporate Governance Guidelines	6	3	33%	2	3	11	(3)
2016	Increased the number of outside directors Introduced a restricted stock compensation plan	6	4	40%	2	2	12	(3)

Decision Making, Business Execution, and Audits

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

Further, in order to increase transparency in the appointment of outside directors and outside Audit & Supervisory Board members, in fiscal year 2014 the Company drew up independence standards for outside directors and Audit & Supervisory Board outside members.

Board of Directors

The Board of Directors, of which meeting is held once a month in principle, is comprised of ten directors including four independent outside directors, aiming to achieve sustainable growth and increase corporate value of the Group over the medium to long term as a decision-making body. To achieve these goals, the Board of Directors improves profit-earning capability and capital efficiency, and determines the general direction of the Group, including corporate strategies. Also, in addition to monitoring and supervising execution of business by management,

including directors and officers, the Board of Directors develops provisions related to the execution of duties by directors, and establishes a framework to take supervision responsibility related to the execution of business.

The Board of Directors has a maximum of 15 members, as specified in the Company's Articles of Incorporation. In order to help ensure that corporate management maintains the trust of shareholders, the term of office for directors is set at one year.

< Third-party Evaluation of the Board of Directors >

In fiscal year 2015, the Company's Board of Directors conducted an evaluation of the Board of Directors with support of J-Eurus IR Co., Ltd., an external organization. The Board of Directors held discussions on the outcome of evaluation, and analyzed and assessed the effectiveness of the Board of Directors.

The Board of Directors confirmed that the structure to fulfill the supervisory function for management has been established in terms of the size, composition, operation, attributes of each member, status of committees, and other factors. The Board of Directors also confirmed that each Director and Audit & Supervisory Board Member proactively participated in open, vibrant discussions at the Board of Directors meetings, the proceedings of which the

chairman controlled appropriately. Consequently, the Company considers that the Board of Directors functions effectively.

Issues to be addressed that were pointed out were the need for greater focus in discussions on essential subjects to be deliberated at the Board of Directors and strengthening of the succession plan. To address these issues, the Board of Directors Office, an organization to provide support to the Board of Directors, was established.

The Company will continue its efforts to achieve improvement, including screening and prioritization of subjects and enhancement of the Nomination Advisory Committee's activities.

Management Board

To expedite the decision-making process of the Board of Directors, decisions regarding business execution are delegated to the Management Board. The Management Board consists of the president, officers, subsidiary heads who report directly to the president (including four foreign nationals), and standing members of the Audit & Supervisory Board. It meets once a month in principle.

Its decisions are reported to the Board of Directors.

Audit & Supervisory Board

The Audit & Supervisory Board has four members, two of whom are from outside Yokogawa, and meets once a month in principle. Its members carry out auditing in accordance with an annual plan that specifies priority audit items. Audit & Supervisory Board members also attend meetings of the Board of Directors and the Management Board as well as other important meetings and hold regular meetings with departments involved with internal auditing, legal affairs, and business ethics, the last of which promotes the compliance system. At these meetings, they exchange opinions, share information about the status of their activities, and actively present recommendations. In addition, the Audit & Supervisory Board members deepen mutual cooperation with the accounting auditor and exchange information with the accounting auditor regularly and as needed to improve the quality of audits by both sides and make the audits more efficient.

Nomination Advisory Committee and Compensation Advisory Committee

The Company has established the Nomination Advisory Committee and the Compensation Advisory Committee as voluntary advisory bodies to give opinions in response to consultations from the Board of Directors regarding nominating directors and determining compensation.

The Nomination Advisory Committee and the Compensation Advisory Committee are each composed of six directors appointed by the Board of Directors, and four of the six members of each committee are outside directors.

< Nomination Advisory Committee >

With respect to the appointment of Director and Audit & Supervisory Board Member candidates, the selection of officers and the next representative director and president as well as the qualities (attributes, track record, etc.) sought after in directors, the Nomination Advisory Committee shall give advice so as to ensure that, from the

perspective of all stakeholders, suitable personnel is in place to contribute to the Group's sustainable growth as well as its corporate governance.

In the capacity of observers, members of the Nomination Advisory Committee attended a meeting of officers and personnel who are expected to be next-generation leaders of Yokogawa held at the end of 2015 so that they could have an opportunity to know these promising people.

The Nomination Advisory Committee considered increasing the number of outside directors, recommended that four outside directors be elected, and nominated Mr. Shiro Sugata.

● Members (as of June 30, 2016)

- Mr. Kaihori, Director
- Mr. Nishijima, President & CEO
- Mr. Urano, Outside Director
- Mr. Uji, Outside Director
- Mr. Seki, Outside Director
- Mr. Sugata, Outside Director

< Compensation Advisory Committee >

The Compensation Advisory Committee shall give advice so that the compensation system and compensation for Directors and officers encourage appropriate challenges targeting the Group's growth, help to hire and retain excellent human resources, and which are suitable from the perspective of all stakeholders.

The Compensation Advisory Committee considered and recommended the introduction of a restricted stock compensation plan to provide incentives for directors to achieve sustainable enhancement of the Company's corporate value and to promote shared values among directors and shareholders.

● Members (as of June 30, 2016)

- Mr. Kaihori, Director
- Mr. Nishijima, President & CEO
- Mr. Urano, Outside Director
- Mr. Uji, Outside Director
- Mr. Seki, Outside Director
- Mr. Sugata, Outside Director

Accounting Auditor

The Company has concluded an agreement with Deloitte Touche Tohmatsu LLC, an independent auditing company, for accounting auditing services pursuant to the Companies Act and the Financial Instruments and Exchange Act. Remuneration for their services in fiscal year 2015 was as follows:

	Remuneration for audit and attestation services (Millions of yen)
Payments by the Company	93
Payments by consolidated subsidiaries	49
<b>Total</b>	<b>143</b>

**Compensation to Directors and Audit & Supervisory Board Members**

In order to improve objectivity and transparency when deciding the allocation of compensation, etc. for directors within the limits resolved and approved at the shareholders meeting, the Company, upon a resolution of the Company's Board of Directors, established a Compensation Advisory Committee that is to be comprised of three or more directors, over half of whom shall be outside directors. The allocation of compensation for directors shall be decided through deliberation by the Compensation Advisory Committee.

The compensation for directors (including those concurrently serving as officers) other than the outside directors shall be set at a level that allows for the effective execution of the supervision and monitoring duties of officers, etc., which is the main duty of directors. Also, the level of compensation shall be linked to performance. Specifically, the compensation shall be at a level that is market competitive, be composed of fixed and performance-linked (bonuses) components, according to each role.

Considering the duties of outside directors, they shall only receive fixed compensation.

Compensation for Audit & Supervisory Board members is determined through discussion by Audit & Supervisory Board members within the limits resolved and approved at the shareholders meeting. Considering the duties of Audit & Supervisory Board members (including outside members), they shall only receive fixed compensation.

**Introduction of a Restricted stock Compensation Plan**

The introduction of a restricted stock compensation plan was resolved at the 2016 Annual General Meeting of Shareholders held on June 23, 2016 to provide incentives for directors to sustainably increase the Company's corporate value and to further promote shared values between directors and shareholders.

Under this plan, restricted stock shall be granted to executive directors in the first fiscal year of the period covered by the mid-term business plan within the limits approved at the general meeting of shareholders and the restriction of transfer shall be lifted upon completion of the mid-term business plan depending on the degree of achievement. The executive directors shall transfer the shares for which the transfer restriction was not lifted to the Company without consideration.

Furthermore, since the fiscal year ending March 31, 2017, in which the plan was first introduced, is the second year of the current mid-term business plan, restricted stock compensation for two fiscal years up to March 31, 2018 when the current mid-term business plan ends shall be granted to the eligible directors and the degree of lifting of the transfer restriction shall be determined in two years time according to the degree of achievement of the current mid-term business plan.

**Internal Control Systems**

The Company has established the Yokogawa Group Internal Control System to ensure the reliability of financial statements and the validity of the decision-making process. As systems that ensure that directors comply with laws, ordinances, and the Articles of Incorporation of the Company, as well as a system required by a Ministry of Justice ordinance that ensures the appropriateness of corporate operations and the operations of the corporate group comprising the Company and its subsidiaries, the Company has internal control system to ensure proper and efficient execution of the Group's operations in place.

Moreover, as a part of the system to ensure the effectiveness of audits by Audit & Supervisory Board members, the Audit & Supervisory Board has now entered into an advisory agreement with attorneys.

**Risk Management**

As a unit responsible for risk management, the department in charge of internal audits identifies and analyzes risks of all Group companies, and makes recommendations on appropriate improvements. It also reports important matters to the Board of Directors and the Audit & Supervisory Board members.

Responses to crisis situations involving events with a potentially material impact on the Group's management are set forth in the Group Policy for Crisis Management. As the head of the Crisis Management Office, the president controls the communication of information and issuance

of instructions during times of crisis, and works to ensure safety and minimize economic losses.

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

**Compliance**

Yokogawa has set forth its basic compliance policies in the Standards of Business Conduct for the Yokogawa Group, and directors take the lead in working to see that business ethics are upheld and embraced throughout the Group.

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

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

	Total compensation (Millions of yen)	Compensation breakdown (Millions of yen)				Recipients
		Fixed compensation	Stock options	Performance-linked compensation	Retirement benefit	
Directors (excluding outside directors)	248	140	—	108	—	6
Outside directors	33	33	—	—	—	4
Audit & Supervisory Board members (excluding outside members)	60	60	—	—	—	2
Outside members, Audit & Supervisory Board	32	32	—	—	—	3

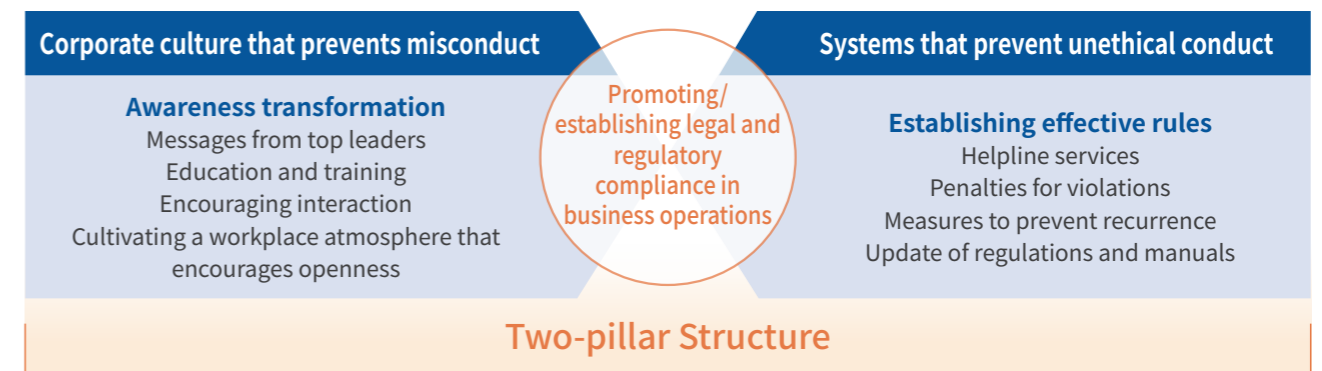
Notes: 1. The above numbers include one outside director who retired during fiscal year 2015.  
2. The total amount paid to directors does not include employee salaries for directors who are concurrently employees.

**Major Activities of Outside Directors and Outside Members of the Audit & Supervisory Board in Fiscal Year 2015**

	Name	Principal activities	Attendance at Board of Directors meetings	Attendance at Audit & Supervisory Board meetings
Outside directors	Mitsudo Urano	As necessary, provided advice with high insight based on his wide knowledge and abundant managerial experience.	100% (15/15)	—
	Noritaka Uji	As necessary, provided advice with high insight based on his wide knowledge as a corporate manager and thorough expertise in technology development.	100% (15/15)	—
	Nobuo Seki	As necessary, provided advice based on his wide knowledge as a corporate manager and thorough expertise in the control of energy-related facilities.	90.9% (10/11)	—
Outside members, Audit & Supervisory Board	Hideto Masaki	As necessary, provided advice with high insight based on abundant managerial experience and ability to evaluate corporate value.	100% (15/15)	100% (21/21)
	Zenichi Shishido	As necessary, provided advice based on experience in a wide range of research activities as an expert in business law and corporate governance.	100% (15/15)	100% (21/21)
	Izumi Yamashita	As necessary, provided advice with high insight based on abundant managerial experience in a wide range of business activities.	93.3% (14/15)	95.2% (20/21)

Note: In the case of Director Nobuo Seki, attendance at the Board of Directors meetings convened since he assumed the position on June 24, 2015 is indicated.

The Tokyo Stock Exchange requests listed companies to secure at least one independent officer (an outside director or an outside member of the Audit & Supervisory Board who has no conflicts of interest with general shareholders). The Company has four such outside directors and two such outside members of the Audit & Supervisory Board, for a total of six independent officers who are registered with the Tokyo Stock Exchange (as of May 31, 2016).



**Examples of Compliance Promotion Initiatives**

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

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

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

As described in the Group's statutory annual financial report filed as stipulated by the Financial Instruments and Exchange Act, the risks described below may impact its business and accounting conditions, and therefore could have a significant effect on investor decision-making. These risks include forward-looking statements that are based on judgments made by the Group at the end of fiscal year 2015. Further, the risks include items that will not necessarily affect investment decisions. However, based on an awareness of these risks, the Group maintains the necessary risk management structure and works to avoid risk occurrence as well as to minimize the impact of a risk should it occur.

**1. Risks Relating to the Business Environment**

**a. Economic conditions**

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

**b. International factors**

The Group's sales and production operations are truly international in scope, as indicated by the fact that sales generated in all markets other than Japan currently account for approximately 70% of consolidated sales. Therefore, factors in these markets, such as economic trends; exchange rate fluctuations; changes to laws and regulations relating to investment, trade, competition, taxation, or foreign exchange; differences in commercial practices or labor standards that may have cultural or religious origins; terrorist attacks, wars, attacks attributable to a computer virus, natural disasters, or other unanticipated incidents; or political, social, or other elements could adversely affect its business results and financial condition.

**c. Laws and regulations**

The Group observes the laws and regulations of each country in which it operates. Changes in laws and regulations or the enactment of new laws that cannot be anticipated could adversely affect its business results and financial condition. In addition, any increase in costs required to achieve compliance with environmental protection-related legislation could adversely

affect its business results and financial condition. Moreover, such legislation could impact its overall business activities, including R&D and production.

**d. Fluctuations in currency exchange rates and interest rates**

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

**e. Changes in the value of assets owned**

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

**2. Risks Relating to Business Activities**

**a. Industrial automation and control business**

The industrial automation and control business is mainly expected to grow outside Japan in the medium to long term due to increased demand for energy in emerging and resource-rich countries. To increase its share of the global market and bolster sales and income, the Group has focused its resources on this business and strengthened systems related to R&D, production, sales, engineering, and service as well as deployment of M&As and alliances. As a result, the percentage of net sales on a consolidated basis accounted for by the industrial automation and control business has grown in recent years. Consequently, trends related to demand for plant construction and upgrades, which affects orders and sales in this business, as well as such factors as rapid fluctuations in oil prices and the success or failure of M&A transactions and alliances, could adversely affect the Group's business results and financial condition.

**b. Securing and training human resources**

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

**c. Product quality**

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

**d. R&D activities**

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

**3. Other Risks**

**a. Intellectual property**

In order to maintain its competitive advantages, the Group accumulates differentiated technologies and expertise relating to the products and services that it develops, and strives to protect these intellectual property assets. However, if such intellectual property is infringed upon by a third party and the Group is therefore unable to make an expected profit, it could adversely affect its business results and financial condition.

Moreover, the Group has established systems and conducts training to ensure that it does not infringe upon the intellectual property rights of other companies. However, if due to a difference in viewpoint or some other reason the Group infringes on the intellectual property rights of another company, there is a risk that it will be subsequently disadvantaged by its inability to use important technology and/or may be held liable for compensation, which could adversely affect its business results and financial condition.

**b. Information security**

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

**c. Natural disasters, etc.**

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

# Business Foundation for the Creation of Value Financial Section

## Consolidated Balance Sheet

Yokogawa Electric Corporation and its Consolidated Subsidiaries  
March 31, 2016

	Millions of yen		Thousands of US dollars
	2016	2015	2016
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents (Notes 10 and 16)	¥64,922	¥74,722	\$576,164
Receivables (Notes 5 and 16)			
Trade notes and accounts	136,934	143,134	1,215,243
Other	5,143	3,404	45,646
Less: Allowance for doubtful accounts	(2,317)	(2,202)	(20,562)
Net receivables	139,760	144,336	1,240,327
Inventories (Notes 6 and 7)	33,719	33,259	299,245
Deferred tax assets (Note 13)	3,722	4,525	33,036
Other	10,891	13,654	96,651
<b>Total current assets</b>	<b>253,014</b>	<b>270,496</b>	<b>2,245,423</b>
<b>Property, Plant and Equipment (Notes 8 and 9):</b>			
Land	16,295	16,830	144,616
Buildings and structures—net	48,604	50,810	431,344
Machinery, equipment and vehicles—net	6,935	7,731	61,541
Tools, furniture and fixtures—net	6,090	6,713	54,050
Construction in progress	2,013	1,906	17,868
Lease assets—net (Note 15)	431	262	3,826
<b>Total property, plant and equipment</b>	<b>80,368</b>	<b>84,252</b>	<b>713,245</b>
<b>Investments and Other Assets:</b>			
Investment securities (Notes 4, 10 and 16)	35,582	43,655	315,783
Investments in and advances to unconsolidated subsidiaries and affiliated companies	7,136	6,427	63,328
Goodwill (Note 9)	4,181	2,061	37,106
Software (Note 9)	18,888	17,492	167,621
Other intangible assets (Note 9)	5,544	6,610	49,198
Deferred tax assets (Note 13)	2,428	2,249	21,546
Other	5,829	6,854	51,731
Less: Allowance for doubtful accounts	(198)	(138)	(1,756)
<b>Total investments and other assets</b>	<b>79,390</b>	<b>85,210</b>	<b>704,557</b>
<b>Total Assets</b>	<b>¥412,772</b>	<b>¥439,958</b>	<b>\$3,663,225</b>

See notes to consolidated financial statements.

	Millions of yen		Thousands of US dollars
	2016	2015	2016
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities:</b>			
Short-term loans payable (Notes 10, 16 and 18)	¥4,631	¥3,152	\$41,103
Current portion of long-term debt (Notes 10 and 16)	4,963	21,353	44,044
Payables (Notes 10 and 16)			
Trade notes and accounts	34,566	34,995	306,766
Other	10,940	26,149	97,087
Income taxes payable (Note 16)	4,204	4,931	37,310
Accrued expenses	30,739	28,192	272,803
Advance received	31,898	33,047	283,086
Provision for contract loss (Notes 3 and 7)	4,372	3,176	38,797
Other (Note 13)	7,286	9,579	64,655
<b>Total current liabilities</b>	<b>133,599</b>	<b>164,574</b>	<b>1,185,651</b>
<b>Long-term Liabilities:</b>			
Long-term debt (Notes 10 and 16)	21,841	41,293	193,829
Liability for retirement benefits (Note 11)	4,090	4,101	36,298
Deferred tax liabilities (Note 13)	3,948	5,682	35,035
Other	2,401	2,332	21,317
<b>Total long-term liabilities</b>	<b>32,280</b>	<b>53,408</b>	<b>286,479</b>
<b>Equity (Notes 12 and 23):</b>			
Common stock, authorized, 600,000,000 shares; issued, 268,624,510 shares in 2016 and 2015	43,401	43,401	385,171
Capital surplus	54,474	50,345	483,436
Retained earnings	139,919	114,637	1,241,740
Treasury stock, 1,683,346 shares in 2016 and 11,088,633 shares in 2015	(1,674)	(11,019)	(14,854)
Accumulated other comprehensive income			
Net unrealized gain on available-for-sale securities	9,803	15,325	87,000
Deferred (loss) gain on derivatives under hedge accounting	(122)	660	(1,086)
Foreign currency translation adjustments	(3,943)	3,518	(34,993)
Defined retirement benefit plans	(1,414)	(1,324)	(12,548)
<b>Total</b>	<b>4,324</b>	<b>18,179</b>	<b>38,373</b>
Non-controlling interests	6,449	6,433	57,229
<b>Total equity</b>	<b>246,893</b>	<b>221,976</b>	<b>2,191,095</b>
<b>Total Liabilities and Equity</b>	<b>¥412,772</b>	<b>¥439,958</b>	<b>\$3,663,225</b>

## Consolidated Statement of Income

 Yokogawa Electric Corporation and its Consolidated Subsidiaries  
 Year Ended March 31, 2016

	Millions of yen		Thousands of US dollars
	2016	2015	2016
<b>Net Sales</b>	¥413,733	¥405,793	\$3,671,748
<b>Cost of Sales</b> (Notes 14 and 20)	236,944	236,579	2,102,797
Gross profit	176,789	169,214	1,568,951
<b>Selling, General and Administrative Expenses</b> (Notes 14 and 20)	137,146	139,395	1,217,132
Operating income	39,643	29,819	351,819
<b>Other Income (Expenses):</b>			
Interest and dividend income	2,346	2,219	20,823
Interest expense	(927)	(1,833)	(8,229)
Gain on sale of investment securities and investment in affiliated companies (Note 4)	832	784	7,380
Foreign exchange (loss) gain-net	(307)	2,123	(2,727)
Gain on sale of leasehold rights		9,417	
Net gain (loss) on disposal of property, plant and equipment (Note 20)	387	(501)	3,437
Equity in earnings of affiliates	687	367	6,099
Gain on change in equity		312	
Restructuring costs (Note 19)		(15,951)	
Other-net	(724)	671	(6,427)
Other income (expenses)-net	2,294	(2,392)	20,356
<b>Income before Income Taxes</b>	41,937	27,427	372,175
<b>Income Taxes</b> (Note 13):			
Current	9,429	9,121	83,679
Deferred	1,035	(684)	9,186
Total income taxes	10,464	8,437	92,865
<b>Net income</b>	31,473	18,990	279,310
<b>Net income attributable to non-controlling interests</b>	1,312	1,766	11,639
<b>Net income attributable to owners of the parent</b>	¥30,161	¥17,224	\$267,671
	Yen		US dollars
<b>Per Share of Common Stock</b> (Note 22):			(Note 1)
Basic net income	¥114.01	¥66.88	\$1.01
Cash dividends applicable to the year	25.00	12.00	0.22

See notes to consolidated financial statements.

## Consolidated Statement of Comprehensive Income

 Yokogawa Electric Corporation and its Consolidated Subsidiaries  
 Year Ended March 31, 2016

	Millions of yen		Thousands of US dollars
	2016	2015	2016
<b>Net Income</b>	¥31,473	¥18,990	\$279,310
<b>Other Comprehensive Income (Loss)</b> (Note 21):			
Net unrealized (loss) gain on available-for-sale securities	(5,545)	6,763	(49,207)
Deferred (loss) gain on derivatives under hedge accounting	(782)	740	(6,947)
Foreign currency translation adjustments	(7,912)	8,040	(70,213)
Defined retirement benefit plans	(90)	(616)	(801)
Share of other comprehensive loss in affiliates	(66)	(175)	(582)
Total other comprehensive (loss) income	(14,395)	14,752	(127,750)
<b>Comprehensive Income</b>	¥17,078	¥33,742	\$151,560
<b>Total Comprehensive Income Attributable to:</b>			
Owners of the parent	¥16,307	¥31,348	\$144,718
Non-controlling interests	771	2,394	6,842

See notes to consolidated financial statements.

## Consolidated Statement of Changes in Equity

 Yokogawa Electric Corporation and its Consolidated Subsidiaries  
 Year Ended March 31, 2016

	Millions of yen											
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income					Non-controlling interests	Total equity
						Net unrealized gain on available-for-sale securities	Deferred (loss) gain on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total		
<b>Balance, March 31, 2014</b>	257,538,973	¥43,401	¥50,345	¥100,470	¥(11,015)	¥8,591	¥(80)	¥(3,945)	¥(511)	¥4,055	¥4,850	¥192,106
Net income attributable to owners of the parent				17,224								17,224
Cash dividends, ¥12 per share				(3,090)								(3,090)
Purchase of treasury stock	(3,169)				(4)							(4)
Other	73			33								33
Net change in the year						6,734	740	7,463	(813)	14,124	1,583	15,707
<b>Balance, March 31, 2015</b>	257,535,877	43,401	50,345	114,637	(11,019)	15,325	660	3,518	(1,324)	18,179	6,433	221,976
Net income attributable to owners of the parent				30,161								30,161
Cash dividends, ¥18.5 per share				(4,879)								(4,879)
Purchase of treasury stock	(3,428)				(5)							(5)
Disposal of treasury stock	9,200,187		4,266		9,350							13,616
Change in the parent's ownership interest due to transactions with non-controlling interests			(137)									(137)
Other	208,528			(0)								(0)
Net change in the year						(5,522)	(782)	(7,461)	(90)	(13,855)	16	(13,839)
<b>Balance, March 31, 2016</b>	266,941,164	¥43,401	¥54,474	¥139,919	¥(1,674)	¥9,803	¥(122)	¥(3,943)	¥(1,414)	¥4,324	¥6,449	¥246,893

	Thousands of US dollars (Note 1)											
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income					Non-controlling interests	Total equity	
					Net unrealized gain on available-for-sale securities	Deferred (loss) gain on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total			
<b>Balance, April 1, 2015</b>	\$385,171	\$446,791	\$1,017,380	\$(97,792)	\$136,008	\$5,861	\$31,204	\$(11,747)	\$161,326	\$57,093	\$1,969,969	
Net income attributable to owners of the parent			267,671									267,671
Cash dividends, ¥18.5 per share			(43,303)									(43,303)
Purchase of treasury stock				(43)								(43)
Disposal of treasury stock		37,859		82,981								120,840
Change in the parent's ownership interest due to transactions with non-controlling interests		(1,214)										(1,214)
Other			(8)									(8)
Net change in the year					(49,008)	(6,947)	(66,197)	(801)	(122,953)	136		(122,817)
<b>Balance, March 31, 2016</b>	\$385,171	\$483,436	\$1,241,740	\$(14,854)	\$87,000	\$(1,086)	\$(34,993)	\$(12,548)	\$38,373	\$57,229	\$2,191,095	

See notes to consolidated financial statements.

## Consolidated Statement of Cash Flows

 Yokogawa Electric Corporation and its Consolidated Subsidiaries  
 Year Ended March 31, 2016

	Millions of yen		Thousands of US dollars (Note 1)
	2016	2015	2016
<b>Operating Activities:</b>			
Income before income taxes	¥41,937	¥27,427	\$372,175
Adjustments for:			
Income taxes paid	(10,772)	(9,179)	(95,600)
Depreciation and amortization	15,121	14,485	134,197
Equity in earnings of affiliates	(687)	(367)	(6,099)
Net gain (loss) on disposal of property, plant and equipment	(387)	501	(3,437)
Gain on sale of leasehold rights		(9,417)	
Gain on sale of investment securities and investment in affiliated companies	(832)	(784)	(7,380)
Gain on change in equity		(312)	
Restructuring costs		15,951	
Payment of severance cost	(15,853)	(132)	(140,687)
Payment of compensation to transferred employees		(2,906)	
Changes in assets and liabilities:			
(Increase) decrease in trade notes and accounts receivable	(843)	3,881	(7,486)
(Increase) decrease in inventories	(2,532)	2,349	(22,472)
Increase (decrease) in trade notes and accounts payable	3,658	(1,982)	32,463
Increase (decrease) in allowance for doubtful accounts	420	(2,246)	3,727
Increase in liability for retirement benefits	252	817	2,241
Other assets and liabilities	2,163	1,431	19,199
Other-net	287	(1,224)	2,544
Total adjustments	(10,005)	10,866	(88,790)
Net cash provided by operating activities	31,932	38,293	283,385
<b>Investing Activities:</b>			
Purchases of property, plant and equipment	(7,158)	(8,092)	(63,525)
Proceeds from sale of property, plant and equipment	2,249	178	19,963
Acquisitions of intangible assets	(6,735)	(5,656)	(59,771)
Proceeds from sale of leasehold rights		9,526	
Proceeds from sale of investment securities	1,622	611	14,392
Payments for purchase of shares of subsidiaries		(582)	
Purchases of investments in subsidiaries with changes in consolidation scope	(2,485)		(22,055)
Proceed from sale of investments in subsidiaries with changes in consolidation scope		807	
Other-net	1,612	1,364	14,311
Net cash used in investing activities	(10,895)	(1,844)	(96,685)
Forward	¥21,037	¥36,449	\$186,700

(Continued)

	Millions of yen		Thousands of US dollars (Note 1)
	2016	2015	2016
Forward	¥21,037	¥36,449	\$186,700
<b>Financing Activities:</b>			
Net increase (decrease) in short-term loans payable	2,231	(4,240)	19,799
Proceeds from long-term debt	10,000		88,747
Repayments of long-term debt	(46,622)	(12,222)	(413,752)
Purchases of treasury stock	(5)	(4)	(43)
Proceeds from sale of treasury stock	13,363		118,590
Cash dividends paid	(4,876)	(3,086)	(43,274)
Cash dividends paid to non-controlling shareholders	(964)	(1,237)	(8,558)
Proceeds from share issuance to non-controlling shareholders	274	721	2,434
Other-net	(287)	(95)	(2,552)
Net cash used in financing activities	(26,886)	(20,163)	(238,609)
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	(3,951)	2,579	(35,066)
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(9,800)</b>	<b>18,865</b>	<b>(86,975)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>74,722</b>	<b>55,857</b>	<b>663,139</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>¥64,922</b>	<b>¥74,722</b>	<b>\$576,164</b>

See notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

Yokogawa Electric Corporation and its Consolidated Subsidiaries  
Year Ended March 31, 2016

### 1. Basis of Presentation of the Consolidated Financial Statements

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

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

have been made in the 2015 consolidated financial statements to conform to the classifications used in 2016.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yokogawa Electric Corporation (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into US dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112.68 to \$1, the approximate rate of exchange at March 31, 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into US dollars at that or any other rate.

### 2. Summary of Significant Accounting Policies

• **a. Consolidation**—The consolidated financial statements as of March 31, 2016 include the accounts of the Company and its 87 (83 in 2015) significant subsidiaries (together, the “Group”). Changes include purchases of i) Birlesik Endüstriyel Sistemler Ve Tesisler A.S. which changed its name to Yokogawa Turkey Endüstriyel Otomasyon Çözümüleri A.Ş.; ii) Birlesik Enternasyonal Endüstriyel Sistemler Ve Tesisler Ticaret Ve Sanayi A.S. which changed its name to Yokogawa Turkey Enternasyonal Endüstriyel Otomasyon Çözümüleri A.Ş.; iii) Industrial Evolution, Inc.; and iv) Industrial Evolution Corp., establishment of Yokogawa Venture Group, Inc., and liquidation of Yokogawa Measurement Technologies AB.

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

Investments in 1 (1 in 2015) unconsolidated subsidiary and 3 (3 in 2015) affiliated companies are accounted for by the equity method.

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

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

• **b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements**—In May 2006, the Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Practical Issues Task Force (“PITF”) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements” which was subsequently revised in February 2010 and March 2015 to reflect revisions of the relevant Japanese GAAP or accounting standards in other jurisdictions. PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification-“FASB ASC”) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

● **c. Business Combinations**—In October 2003, the Business Accounting Council (the “BAC”) issued a Statement of Opinion, “Accounting for Business Combinations,” and in December 2005, the ASBJ issued ASBJ Statement No. 7, “Accounting Standard for Business Divestitures” and ASBJ Guidance No. 10, “Guidance for Accounting Standard for Business Combinations and Business Divestitures.”

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, “Accounting Standard for Business Combinations.” Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in the consolidated statement of income immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

In September, 2013, the ASBJ issued revised ASBJ Statement No. 21, “Accounting Standard for Business Combinations,” revised ASBJ Guidance No. 10, “Guidance on Accounting Standards for Business Combinations and Business Divestitures,” and revised ASBJ Statement No. 22, “Accounting Standard for Consolidated Financial Statements.” Major accounting changes are as follows:

**(a) Transactions with non-controlling interest**—A parent’s ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of non-controlling interest is adjusted to reflect the change in the parent’s ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the non-controlling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

**(b) Presentation of the consolidated balance sheet**—In the consolidated balance sheet, “minority interest” under the previous accounting standard is changed to “non-controlling interest” under the revised accounting standard.

**(c) Presentation of the consolidated statement of income**—In the consolidated statement of income, “income before minority interest” under the previous accounting standard is changed to “net income” under the revised accounting standard, and “net income” under the previous accounting standard is changed to “net income attributable to owners of the parent” under the revised accounting standard.

**(d) Provisional accounting treatments for a business combination**—If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

**(e) Acquisition-related costs**—Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with non-controlling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated

balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with non-controlling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with non-controlling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company applied the revised accounting standards and guidance for (a) transactions with non-controlling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income and (e) acquisition-related costs above, effective April 1, 2015, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (a) transactions with non-controlling interest and (e) acquisition-related costs were applied prospectively.

With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

In the consolidated statement of cash flows for the year ended March 31, 2016, cash flows for purchases or sales of ownership interests in a subsidiary without a change in consolidation scope are presented under financing activities, and cash flows for acquisition-related costs are presented under operating activities.

The effect of this change on the consolidated financial statements is not material.

● **d. Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and are exposed to insignificant risk of changes in value. Specifically,

cash equivalents represent time deposits that mature within three months of the date of placement.

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

● **f. Investment Securities**—Investment securities are classified and accounted for, depending on management’s intent, as follows:

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

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

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

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

● **h. Long-lived Assets**—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

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



• **j. Retirement and Pension Plans**—The Company and most of its consolidated subsidiaries have defined contribution plans, and some other consolidated subsidiaries have defined benefit plans for employees.

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

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

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

• **k. Research and Development Costs**—Research and development costs are charged to income as incurred.

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

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

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

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

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

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

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

• **o. Foreign Currency Transactions**—Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Japanese yen at the exchange rate as of

that date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

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

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

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

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

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

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

### 3. Change in Presentation

Prior to April 1, 2015, “Provision for contract loss” was included in “Other” under Current Liabilities of the Consolidated Balance Sheet. As this amount increased significantly in the fiscal year

ended March 31, 2016, it is disclosed separately in the Current Liabilities of the Consolidated Balance Sheet.

### 4. Investment Securities

Investment securities as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Non-current:			
Equity securities	¥35,582	¥43,655	\$315,783

The cost and aggregate fair values of investment securities at March 31, 2016 and 2015 were as follows:

March 31, 2016	Millions of yen			
	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥11,282	¥13,137	¥191	¥24,228

March 31, 2015	Millions of yen			
	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥12,061	¥20,305	¥58	¥32,308

March 31, 2016	Thousands of US dollars			
	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	\$100,122	\$116,594	\$1,696	\$215,020

The information for available-for-sale securities sold during the years ended March 31, 2016 and 2015 was as follows:

2016	Millions of yen		
	Proceeds	Realized gain	Realized loss
Available-for-sale:			
Equity securities	¥1,621	¥832	

2015	Millions of yen		
	Proceeds	Realized gain	Realized loss
Available-for-sale:			
Equity securities	¥29	¥17	

2016	Thousands of US dollars		
	Proceeds	Realized gain	Realized loss
Available-for-sale:			
Equity securities	\$14,387	\$7,380	

## 5. Transfer of Receivables

The Company and certain consolidated subsidiaries transferred their trade notes and accounts receivable-trade before maturity based on an asset transfer agreement. The balance of those receivables whose settlement date had not been reached as of March 31, 2016 and 2015 was as follows:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Notes and accounts receivable-trade (with recourse, included in above)	¥15,503 (194)	¥14,326 (257)	\$137,583 (1,723)

## 6. Inventories

Inventories at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Merchandise and finished goods	¥15,216	¥14,856	\$135,038
Work in process	8,113	7,513	72,001
Raw materials and supplies	10,390	10,890	92,206
Total	¥33,719	¥33,259	\$299,245

## 7. Expected Loss on Construction Contracts

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

The balance of inventories relating to the expected loss on construction contracts for the years ended March 31, 2016 and 2015 was as follows:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Merchandise and finished goods	¥104	¥119	\$924
Work in process	326	200	2,889
Total	¥430	¥319	\$3,813

## 8. Property, Plant and Equipment

Accumulated depreciation on property, plant and equipment as of March 31, 2016 and 2015 was ¥136,750 million (US\$1,213,612 thousand) and ¥141,529 million, respectively.

## 9. Long-lived Assets

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2016 and 2015. No impairment losses were recognized for 2016 and 2015.

## 10. Short-term Loans and Long-term Debt

Short-term bank loans at March 31, 2016 and 2015 included bank overdrafts. The annual average interest rates on the short-term bank loans were 0.926% and 1.629% for the years ended March 31, 2016 and 2015, respectively.

Long-term debt as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Loans from banks and other financial institutions	¥25,897	¥62,120	\$229,825
Obligations under finance leases	907	526	8,048
Total	26,804	62,646	237,873
Less: Current portion	4,963	21,353	44,044
Long-term debt, less current portion	¥21,841	¥41,293	\$193,829

Annual maturities of long-term loans (excluding finance leases) from banks and other financial institutions, at March 31, 2016 were as follows:

Year ending March 31	Millions of yen	Thousands of US dollars
2017	¥4,722	\$41,903
2018	10,134	89,928
2019	222	1,967
2020	10,310	91,493
2021	222	1,967
2022 and thereafter	287	2,567
Total	¥25,897	\$229,825

The annual average interest rate on long-term loans (excluding current portion) from banks was 0.387% for the year ended March 31, 2016.

Collateral and secured debt at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Collateral:			
Deposits	¥13	¥12	\$111
Investment securities	4	6	40
Assets in consolidated subsidiaries outside Japan*	6,596	6,170	58,539
Total	¥6,613	¥6,188	\$58,690

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

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Secured debt:			
Trade notes and accounts payable	¥36	¥16	\$322

The Group's interest-bearing debt includes financial covenants which require the Company to maintain certain levels of equity and operating income on a consolidated basis. The balance of such debt as of March 31, 2016 and 2015 was ¥20,000 million (US\$177,494 thousand) and ¥30,000 million respectively.

## 11. Retirement and Pension Plans

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

a) The changes in defined benefit obligation for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Balance at beginning of year	¥11,014	¥8,408	\$97,742
Current service cost	541	557	4,804
Interest cost	291	278	2,581
Actuarial (gain) loss	(374)	957	(3,322)
Benefits paid	(411)	(497)	(3,650)
Others	(772)	1,311	(6,843)
Balance at end of year	¥10,289	¥11,014	\$91,312

b) The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Balance at beginning of year	¥6,913	¥5,512	\$61,347
Expected return on plan assets	331	291	2,937
Actuarial (loss) gain	(560)	88	(4,974)
Contributions from the employer	395	593	3,508
Benefits paid	(337)	(460)	(2,991)
Others	(543)	889	(4,813)
Balance at end of year	¥6,199	¥6,913	\$55,014

c) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2016 and 2015, was as follows:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Funded defined benefit obligation	¥10,289	¥11,014	\$91,312
Plan assets	(6,199)	(6,913)	(55,014)
Total	4,090	4,101	36,298
Unfunded defined benefit obligation			
Net liability for defined benefit obligation	¥4,090	¥4,101	\$36,298

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Liability for retirement benefits	¥4,090	¥4,101	\$36,298
Net liability for defined benefit obligation	¥4,090	¥4,101	\$36,298

d) The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Service cost	¥541	¥557	\$4,804
Interest cost	291	278	2,581
Expected return on plan assets	(331)	(291)	(2,937)
Amortization of actuarial loss	152	69	1,345
Additional payment	633	1,029	5,617
Contribution to defined contribution plan	5,649	5,942	50,135
Others	71	122	635
Net periodic benefit costs	¥7,006	¥7,706	\$62,180

e) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Actuarial loss	¥139	¥957	\$1,236

f) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2016 and 2015:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Unrecognized actuarial loss	¥(2,371)	¥(2,232)	\$(21,046)

g) Plan assets as of March 31, 2016 and 2015:

- (1) Components of plan assets  
Plan assets consisted of the following:

	2016	2015
Equity investments	40%	45%
Debt investments	24	22
Cash and cash equivalents	28	28
Others	8	5
Total	100%	100%

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

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

h) Assumptions used for the years ended March 31, 2016 and 2015, were as follows:

	2016	2015
Discount rate	3.60%	3.70%
Expected rate of return on plan assets	4.90%	5.63%

i) Payments to defined contribution plans amounted to ¥5,649 million (\$50,135 thousand).

j) Multi-employer benefit plan

A consolidated subsidiary participated in a multi-employer pension fund as a pension plan for its employees. The subsidiary deemed it necessary to contribute ¥60 million (\$529 thousand) to this fund.

On October 1, 2015, the Ministry of Health, Labor and Welfare approved the consolidated subsidiary's application to transfer a portion of the pension obligations from the multi-employer pension fund to a government managed defined benefit pension plan. There was no effect of the transfer on the consolidated financial statements.

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

(1) Funded status of the entire program

The status of the multi-employer pension plan at March 31, 2015 and 2014, the most recent date on which such data was available were as follows:

	Millions of yen		Thousands of US dollars
	2015	2014	2015
Plan assets	¥317,424	¥303,722	\$2,817,037
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	302,958	299,821	2,688,657
Net balance	¥14,466	¥3,901	\$128,380

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

	2016	2015
	0.81%	0.82%

(3) Supplemental information

The above difference of ¥14,466 million (\$128,380 thousand) is the net of a ¥33,310 million (\$295,614 thousand) surplus in projected pension financing and a ¥18,844 million (\$167,234 thousand) balance for unamortized prior service costs. The balance of unamortized prior service costs attributable to the Company will be amortized on a straight-line basis over a period of 20 years.

## 12. Equity

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

(a) Dividends

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

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

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

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

(c) Treasury stock and treasury stock acquisition rights

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

## 13. Income Taxes

The tax effects of significant temporary differences and tax loss carry-forwards that resulted in deferred tax assets and liabilities at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Deferred tax assets:			
Provision for bonuses	¥3,452	¥2,996	\$30,635
Write-down of inventories	1,778	1,846	15,783
Liability for retirement benefits	557	564	4,947
Impairment loss on investment securities	1,939	2,252	17,207
Impairment loss on investments in consolidated subsidiaries	1,862	2,269	16,526
Tax loss carry-forwards	32,019	32,577	284,162
Other	10,009	13,022	88,820
Less: Valuation allowance	(44,495)	(47,798)	(394,883)
Total	¥7,121	¥7,728	\$63,197
Deferred tax liabilities:			
Net realized gain on available-for-sale securities	¥(3,043)	¥(4,804)	\$(27,005)
Undistributed earnings of consolidated subsidiaries outside Japan	(971)	(312)	(8,621)
Property, plant and equipment	(607)	(657)	(5,389)
Other	(658)	(892)	(5,831)
Total	¥(5,279)	¥(6,665)	\$(46,846)
Net deferred tax assets	¥1,842	¥1,063	\$16,351

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

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Current assets-Deferred tax assets	¥3,722	¥4,525	\$33,036
Investments and other assets-Deferred tax assets	2,428	2,249	21,546
Current liabilities-Other	(360)	(29)	(3,196)
Long-term liabilities-Deferred tax liabilities	(3,948)	(5,682)	(35,035)
Net deferred tax assets	¥1,842	¥1,063	\$16,351

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2016 and 2015 was as follows:

	2016	2015
Normal effective statutory tax rate	33.1%	35.6%
Permanent differences		
Expenses not deductible for income tax purposes	3.2	2.7
Dividend income and other non-taxable income	(0.7)	(0.0)
Equity in earnings of affiliates	(0.5)	(0.5)
Changes in valuation allowance	(3.6)	15.3
Lower income tax rates applicable to certain consolidated subsidiaries outside Japan	(9.4)	(18.6)
Effect of consolidated tax return in Japan	(0.0)	(5.1)
Other-net	2.9	1.4
Actual effective tax rate	25.0%	30.8%

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on April 1, 2016, to approximately 30.9% and for the fiscal year beginning on April 1, 2018, to approximately 30.6%. The effect of these changes on the consolidated financial statements was not material.

#### 14. Research and Development Costs

Research and development costs were ¥25,286 million (US\$224,406 thousand) and ¥25,788 million for the years ended March 31, 2016 and 2015, respectively and were included in the cost of sales and selling, general and administrative expenses in the consolidated statement of income.

#### 15. Leases

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

The minimum rental commitments under non-cancelable operating leases at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Due within one year	¥2,147	¥2,153	\$19,055
Due after one year	4,471	4,862	39,676
Total	¥6,618	¥7,015	\$58,731

#### 16. Financial Instruments and Related Disclosures

##### 1. Information regarding financial instruments

###### a) Group policy on financial instruments

Based on the Group's capital expenditure program for the industrial automation and control business and the test and measurement business, the Group uses financial instruments such as bank loans to obtain necessary funding. Cash surpluses are invested in low risk financial assets. Short-term bank loans are used to fund ongoing operations. Derivatives are used to manage exposure to financial risks as described in Note 17 and are not used for speculative purposes.

###### b) Nature of the financial instruments and risk management

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

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

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

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

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

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

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

##### 2. Fair value of financial instruments

The carrying amounts in the consolidated balance sheet, fair value, and unrealized gain (loss) as of March 31, 2016 and 2015 were as detailed below. Financial instruments, whose fair value is extremely difficult to measure, are not included. Please refer to note (b) (below the following tables) on financial instruments whose fair value cannot be reliably determined.

	Millions of yen		
	2016		
	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and cash equivalents	¥64,922	¥64,922	
(2) Receivables-trade notes and accounts	136,934		
Less: Allowance for doubtful accounts	(2,317)		
	134,617	134,617	
(3) Investment securities	24,228	24,228	
Total	¥223,767	¥223,767	
(1) Short-term loans payable	¥4,631	¥4,631	
(2) Payables-trade notes and accounts	34,566	34,566	
(3) Payables-other	10,940	10,940	
(4) Income taxes payable	4,204	4,204	
(5) Long-term debt	26,804	26,934	¥(130)
Total	¥81,145	¥81,275	¥(130)
Derivatives	¥66	¥66	

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

	Thousands of US dollars		
	2016		
	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and cash equivalents	\$576,164	\$576,164	
(2) Receivables-trade notes and accounts	1,215,243		
Less: Allowance for doubtful accounts	(20,562)		
	1,194,681	1,194,681	
(3) Investment securities	215,020	215,020	
Total	\$1,985,865	\$1,985,865	
(1) Short-term loans payable	\$41,103	\$41,103	
(2) Payables-trade notes and accounts	306,766	306,766	
(3) Payables-other	97,087	97,087	
(4) Income taxes payable	37,310	37,310	
(5) Long-term debt	237,873	239,028	\$(1,155)
Total	\$720,139	\$721,294	\$(1,155)
Derivatives	\$579	\$579	

Notes:

(a) Fair value measurement of financial instruments

Cash and cash equivalents, trade notes and accounts receivable:

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

Investment securities:

The fair value of equity instruments is measured at the quoted equity market price, and the fair value of debt instruments is measured at the quoted price obtained from the respective financial institution. Information on the fair value of each class of investment securities is included in Note 4.

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

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

Long-term debt:

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

Derivatives:

Information on the fair value of derivatives is included in Note 17.

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

	Carrying amount		
	Millions of yen		Thousands of US dollars
	March 31, 2016	March 31, 2015	March 31, 2016
Unlisted equity securities	¥18,490	¥17,774	\$164,091

Maturity analysis for financial assets and securities with contractual maturities

March 31, 2016	Millions of yen		Thousands of US dollars	
	Due in one year or less	Due after one to five years	Due in one year or less	Due after one to five years
Cash and cash equivalents	¥64,922		\$576,164	
Receivables-trade notes and accounts	136,133	¥801	1,208,135	\$7,108
Total	¥201,055	¥801	\$1,784,299	\$7,108

## 17. Derivatives

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

### 1. Derivative transactions to which hedge accounting was not applied at March 31, 2016 and 2015

	Millions of yen			
	2016			
	Contract amount			Unrealized gain (loss)
	Total	Due after one year	Fair value	
<b>Forward exchange contracts</b>				
Selling contracts				
US dollar	¥7,558		¥215	¥215
Other	6,271		63	63
Buying contracts				
US dollar	1,540		(1)	(1)
Other	3		(0)	(0)
<b>Currency swaps</b>				
	3,038		(48)	(48)
Total	¥18,410		¥229	¥229

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

	Thousands of US dollars			
	2016			
	Contract amount		Fair value	Unrealized gain (loss)
Total	Due after one year			
<b>Forward exchange contracts</b>				
Selling contracts				
US dollar	\$67,076		\$1,909	\$1,909
Other	55,656		560	560
Buying contracts				
US dollar	13,665		(12)	(12)
Other	23		(1)	(1)
<b>Currency swaps</b>				
	26,964		(429)	(429)
<b>Total</b>	<b>\$163,384</b>		<b>\$2,027</b>	<b>\$2,027</b>

## 2. Derivative transactions to which hedge accounting was applied at March 31, 2016 and 2015

	Hedged item	Millions of yen		
		2016		
		Contract amount		Fair value
Total	Due after one year			
<b>Forward exchange contracts</b>				
Selling contracts		¥6		¥(0)
US dollar				
Buying contracts				
US dollar	Payables	4,617		(163)
<b>Interest rate swaps</b>				
Pay fixed/Receive floating	Long-term debt	20,000	20,000	Note b

	Hedged item	Millions of yen		
		2015		
		Contract amount		Fair value
Total	Due after one year			
<b>Forward exchange contracts</b>				
Buying contracts				
US dollar	Payables	¥4,291		¥881
<b>Interest rate swaps</b>				
Pay fixed/Receive floating	Long-term debt	31,000	10,000	Note b

	Hedged item	Thousands of US dollars		
		2016		
		Contract amount		Fair value
Total	Due after one year			
<b>Forward exchange contracts</b>				
Selling contracts		\$49		\$(1)
US dollar				
Buying contracts				
US dollar	Payables	40,970		(1,447)
<b>Interest rate swaps</b>				
Pay fixed/Receive floating	Long-term debt	177,494	177,494	Note b

### Notes:

- The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not re-measured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.
- The fair value of such interest rate swaps is included in that of hedged items disclosed in Note 16.

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

Currency options are zero cost options.

## 18. Commitment Line Agreements

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

The commitment line of credit as of March 31, 2016 and 2015 was as follows:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Total commitment line of credit	¥74,194	¥50,000	\$658,450
Outstanding borrowings	Nil	Nil	Nil
Unused credit line	¥74,194	¥50,000	\$658,450

## 19. Restructuring Costs

For the year ended March 31, 2016, there are no restructuring costs.

For the year ended March 31, 2015, restructuring costs amounting to ¥15,951 million were incurred for a voluntary retirement program.

## 20. Other Notes to Consolidated Statement of Income

### 1. Provision for contract loss

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

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Provision for contract loss	¥1,356	¥(732)	\$12,038

### 2. Selling, general and administrative expenses

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

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Salaries	¥55,742	¥58,637	\$494,694
Net periodic retirement benefit costs	4,149	4,640	36,825
Provision for bonuses	6,038	4,773	53,584
Research and development costs	24,945	24,960	221,384

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

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

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Buildings and structures	¥(260)	¥(225)	\$(2,306)
Machinery, equipment and vehicles	20	(18)	177
Tools, furniture and fixtures	(116)	(50)	(1,030)
Land	750	(33)	6,661
Other intangible assets	(7)	(175)	(65)
Total	¥387	¥(501)	\$3,437

## 21. Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of US dollars
	2016	2015	2016
Net unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	¥(6,473)	¥9,489	\$(57,443)
Reclassification adjustments to profit or loss	(831)	(4)	(7,380)
Amount before income tax effect	(7,304)	9,485	(64,823)
Income tax effect	1,759	(2,722)	15,616
Total	¥(5,545)	¥6,763	\$(49,207)
Deferred (loss) gain on derivatives under hedge accounting:			
Gains arising during the year	¥53	¥490	\$471
Reclassification adjustments to profit or loss	(1,041)	436	(9,244)
Amount before income tax effect	(988)	926	(8,773)
Income tax effect	206	(186)	1,826
Total	¥(782)	¥740	\$(6,947)
Defined retirement benefit plans:			
Adjustments arising during the year	¥(291)	¥(1,026)	\$(2,581)
Reclassification adjustments to profit or loss	152	69	1,345
Amount before income tax effect	(139)	(957)	(1,236)
Income tax effect	49	341	435
Total	¥(90)	¥(616)	\$(801)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥(7,910)	¥8,036	\$(70,202)
Amount before income tax effect	(7,910)	8,036	(70,202)
Income tax effect	(2)	4	(11)
Total	¥(7,912)	¥8,040	\$(70,213)
Share of other comprehensive loss in affiliates:			
Losses arising during the year	¥(29)	¥(175)	\$(260)
Reclassification adjustments to profit or loss	(37)		(322)
Total	¥(66)	¥(175)	\$(582)
Total other comprehensive (loss) income	¥(14,395)	¥14,752	\$(127,750)



## 22. Per Share Information

Basic net income per share (EPS) for the years ended March 31, 2016 and 2015 was as follows:

	Millions of yen Net income attributable to owners of the parent	Thousands of shares Weighted average shares	Yen	US dollars
	EPS			
<b>2016</b>				
Basic EPS				
Net income attributable to common shareholders	¥30,161	264,538	¥114.01	\$1.01
<b>2015</b>				
Basic EPS				
Net income attributable to common shareholders	¥17,224	257,538	¥66.88	\$0.56

Diluted net income per share was not disclosed because there were no dilutive securities in the years ended March 31, 2016 and 2015.

## 23. Subsequent Events

### 1. Appropriation of retained earnings

The Board of Directors proposed the following appropriation of retained earnings, at March 31, 2016, which was approved at the general meeting of the shareholders of the Company held on June 23, 2016:

	Millions of yen	Thousands of US dollars
Year-end cash dividends, ¥12.5 (US\$0.11) per share	¥3,337	\$29,613

### 2. Acquisition of a company through share acquisition

#### (1) Outline of the business combination

On February 17, 2016, the Company agreed to commence procedures to acquire the entire issued shares of KBC Advanced Technologies plc (Headquarters: Walton on Thames, Surrey, UK, CEO: Andrew Howell) (hereafter "KBC") to make it a wholly owned subsidiary. The Company acquired the shares on April 7, 2016.

#### a Name of acquired company and its business outline

Name of the acquired company: KBC Advanced Technologies plc

Business outline: Provides consulting services and software to various customers in the oil and gas industry

#### b Major reason for the business combination

The integration of KBC's premium consulting services and software capabilities with the Company's operational advantage in the industrial automation field, such as control equipment, will enable the Group to provide one-stop solutions to various customers from their senior management level to field level. By providing consulting services and supplying control equipment throughout the life-cycle of customers' assets, the Company expects to create additional value for existing and new customers through enhancement of technology and product innovation.

#### c Date of business combination

April 7, 2016

#### d Legal form of business combination

Share acquisition in consideration for cash

#### e Name of the company after the business combination

KBC Advanced Technologies Limited

#### f Ratio of voting rights acquired

100%

#### g Basis for determining the acquirer

It is based on the fact that the Company acquired 100% of voting rights by means of share acquisition in consideration for cash.

#### (2) Determination of acquisition cost

Acquisition cost of the acquired company and related details of each class of consideration:

Cash consideration of GBP180 million which is equivalent to ¥27,921 million (\$247,791 thousand)

Major acquisition-related costs: Advisory fees of ¥788 million (\$6,906 thousand)

#### (3) Allocation of acquisition cost

The assets acquired and the liabilities assumed at the acquisition date: Has yet to be determined

Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization: Has yet to be determined

## 24. Segment Information

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

### 1. Description of reportable segments

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

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

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

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

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

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

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

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

### 3. Change in reportable segment

Effective April 1, 2015, the name of reportable segment "Other" was changed to "Aviation and other".

The segment information of "Other" for the year ended March 31, 2015, was also disclosed using the new name "Aviation and other". There was no effect of the change in the name of the reportable segment on the consolidated financial statements.

#### 4. Information about sales, income (loss), assets and other items

Millions of yen					
2016					
	Reportable segment				Consolidated
	Industrial automation and control	Test and measurement	Aviation and other	Eliminations/Corporate	
Sales to customers	¥366,723	¥23,372	¥23,638		¥413,733
Intersegment sales		0		¥(0)	
Total sales	¥366,723	¥23,372	¥23,638	¥(0)	¥413,733
Segment income	¥36,689	¥2,390	¥564		¥39,643
Segment assets	233,712	15,425	30,496		279,633
Depreciation and amortization	13,182	874	1,065		15,121
Increase in property, plant and equipment and intangible assets	12,875	1,430	1,072		15,377
Amortization of goodwill	222	112			334
Goodwill	4,181				4,181

Millions of yen					
2015					
	Reportable segment				Consolidated
	Industrial automation and control	Test and measurement	Aviation and other	Eliminations/Corporate	
Sales to customers	¥358,035	¥23,790	¥23,968		¥405,793
Intersegment sales		0		¥(0)	
Total sales	¥358,035	¥23,790	¥23,968	¥(0)	¥405,793
Segment income	¥27,089	¥1,625	¥1,105		¥29,819
Segment assets	240,104	16,443	30,262		286,809
Depreciation and amortization	12,326	1,162	997		14,485
Increase in property, plant and equipment and intangible assets	12,388	935	807		14,130
Amortization of goodwill	132	6			138
Goodwill	1,949	112			2,061

Note: The same recognition basis for intersegment sales has been applied for the years ended March 31, 2016 and 2015.

Thousands of US dollars					
2016					
	Reportable segment				Consolidated
	Industrial automation and control	Test and measurement	Aviation and other	Eliminations/Corporate	
Sales to customers	\$3,254,554	\$207,421	\$209,773		\$3,671,748
Intersegment sales		2		\$(2)	
Total sales	\$3,254,554	\$207,423	\$209,773	\$(2)	\$3,671,748
Segment income	\$325,604	\$21,207	\$5,008		\$351,819
Segment assets	2,074,119	136,895	270,644		2,481,658
Depreciation and amortization	116,984	7,757	9,456		134,197
Increase in property, plant and equipment and intangible assets	114,258	12,692	9,517		136,467
Amortization of goodwill	1,966	996			2,962
Goodwill	37,106				37,106

#### 5. Information about geographical areas

##### a. Sales

Millions of yen							
2016							
	Japan	Asia	Europe	North America	Middle East	Other	Total
Sales	¥127,112	¥100,477	¥34,822	¥40,435	¥46,762	¥64,125	¥413,733

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

Thousands of US dollars							
2016							
	Japan	Asia	Europe	North America	Middle East	Other	Total
Sales	\$1,128,078	\$891,704	\$309,034	\$358,852	\$414,994	\$569,086	\$3,671,748

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

## b. Property, Plant and Equipment

Millions of yen

2016						
Japan	Asia	Europe	North America	Middle East	Other	Total
¥54,010	¥14,325	¥6,964	¥3,280	¥1,310	¥479	¥80,368

Millions of yen

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

Thousands of US dollars

2016						
Japan	Asia	Europe	North America	Middle East	Other	Total
\$479,326	\$127,128	\$61,808	\$29,108	\$11,622	\$4,253	\$713,245

## 6. Information about major customers

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

# Deloitte.

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Shinagawa Intercity  
2-15-3, Konan  
Minato-ku, Tokyo 108-6221  
Japan

Tel: +81 (3) 6720 8200  
Fax: +81 (3) 6720 8205  
www.deloitte.com/jp/en

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Yokogawa Electric Corporation:

We have audited the accompanying consolidated balance sheet of Yokogawa Electric Corporation and its consolidated subsidiaries as of March 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yokogawa Electric Corporation and its consolidated subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Convenience Translation

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

*Deloitte Touche Tohmatsu LLC*  
June 23, 2016

Member of  
Deloitte Touche Tohmatsu Limited

## Corporate Data

Corporate Name:  
Yokogawa Electric Corporation

President and CEO  
Takashi Nishijima

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

Founded:  
September 1, 1915

Incorporated:  
December 1, 1920

Paid-in Capital:  
43,410 million yen

Number of Employees:  
18,646 (consolidated)  
2,502 (non-consolidated)

Subsidiaries and Affiliates:  
77 Overseas 14 Japan

## Investor Information

Number of Shares Authorized:  
600,000,000

Number of Shares of Common Stock Issued:  
268,624,510

Number of Shareholders:  
22,382

Stock Exchange Listing:  
Tokyo Stock Exchange

Administrator of the Register of Shareholders:  
Mizuho Trust & Banking Co., Ltd.  
1-2-1 Yaesu, Chuo-ku, Tokyo 103-8670, Japan

Annual General Meeting of Shareholders:  
The annual general meeting of shareholders of the Company is held in June.

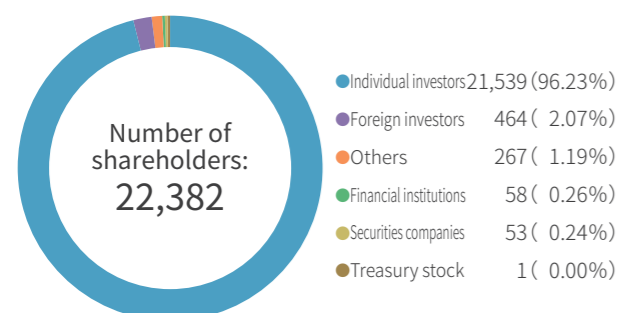
Accounting Auditor:  
Deloitte Touche Tohmatsu LLC

## Major Shareholders (Top 10)

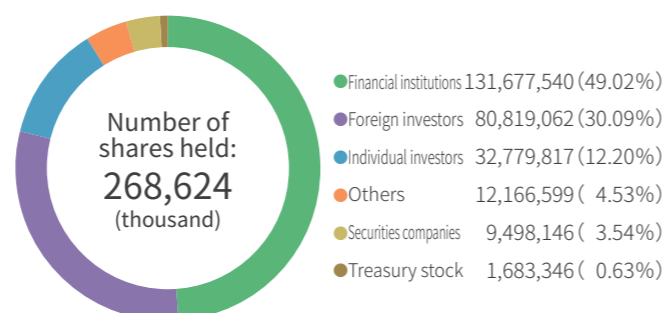
Shareholders	Number of shares held (shares)	Shareholding ratio (%)
Master Trust Bank of Japan Limited (trust account)	28,265,700	10.59
The Dai-ichi Life Insurance Company, Limited	15,697,000	5.88
Japan Trustee Services Bank, Limited. (trust account)	15,254,300	5.71
Nippon Life Insurance Company	13,484,615	5.05
Japan Trustee Services Bank, Limited (trust account9)	13,279,100	4.97
Retirement Benefit Trust in Mizuho Trust & Banking Co., Ltd. (Mizuho Bank, Ltd. account); Trust & Custody Services Bank, Ltd. as a Trustee of ReTrust	11,261,000	4.22
Yokogawa Electric Employee Shareholding Program	6,805,281	2.55
CBNY - ORBIS SICAV	5,672,672	2.13
Trust & Custody Services Bank, Ltd. (Trust Collateral Account)	3,874,700	1.45
The Nomura Trust and Banking Co., Ltd. (Trust Account)	3,334,700	1.25

\* In addition to the above, the Company holds 1,683,346 shares of treasury stock. The shareholding ratio is calculated after deducting treasury stock.

## Shareholders by Category



## Shareholding by Category



## North America

### United States

Yokogawa Corporation of America  
Yokogawa USA, Inc.  
Yokogawa Nuclear Solutions, LLC  
Yokogawa Venture Group, Inc.  
Industrial Evolution, Inc.  
Soteica Visual Mesa, LLC

### Canada

Yokogawa Canada, Inc.  
Industrial Evolution Corp.

### Mexico

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

## South America

### Brazil

Yokogawa America do Sul Ltda.  
Yokogawa Service Ltda.

### Colombia

Yokogawa Colombia S.A.S

## Europe

### Netherlands

Yokogawa Europe B.V.  
Yokogawa Europe Solutions B.V.  
Yokogawa Europe Branches B.V.  
Yokogawa Process Analyzers Europe B.V.  
Yokogawa Africa Holding B.V.

### Austria

Yokogawa GesmbH, Central East Europe

### Belgium

Yokogawa Belgium N.V./S.A.

### France

Yokogawa France S.A.S.

### Germany

Yokogawa Deutschland GmbH  
Rota Yokogawa GmbH & Co. KG

### Hungary

Yokogawa Hungaria Kft.

### Italy

Yokogawa Italia S.r.l.

### Poland

Yokogawa Polska Sp.zo.o

### Spain

Yokogawa Iberia S.A.

### Turkey

Yokogawa Turkey Industrial Automation Solutions A.S.  
Yokogawa Turkey International Automation Solutions A.S.

## United Kingdom

Yokogawa United Kingdom Limited  
Yokogawa Marex Limited

## Russia

Yokogawa Electric CIS Ltd.  
Yokogawa Electric Sakhalin Ltd.

## Kazakhstan

Yokogawa Electric Kazakhstan Ltd.

## Ukraine

Yokogawa Electric Ukraine Ltd.

## Middle East

### Bahrain

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

### Saudi Arabia

Yokogawa Saudi Arabia Ltd.  
Yokogawa Services Saudi Arabia Ltd.

### United Arab Emirates

Yokogawa Engineering Middle East & Africa FZE

## Africa

### South Africa

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

### Nigeria

Yokogawa Services Solutions Nigeria Limited  
Yokogawa Nigeria Limited

## Oceania

### Australia

Yokogawa Australia Pty. Ltd.

### New Zealand

Yokogawa New Zealand Limited

## Asia

### Singapore

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

### Indonesia

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

### Malaysia

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

## Philippines

Yokogawa Philippines Inc.

## Thailand

Yokogawa (Thailand) Ltd.

## Vietnam

Yokogawa Vietnam Company Ltd.

## India

Yokogawa India Ltd.

Yokogawa IA Technologies India Private Limited

## China

Yokogawa China Investment Co., Ltd.

Yokogawa China Co., Ltd.

Yokogawa Electric China Co., Ltd.

Yokogawa Sichuan Instrument Co., Ltd.

Suzhou Yokogawa Meter Company

Yokogawa Shanghai Instrumentation Co., Ltd.

Yokogawa Shanghai Trading Co., Ltd.

Yokogawa Process Control (Shanghai) Co., Ltd.

Yokogawa Information Systems (Dalian) Corporation

Yokoshin Software Engineering (WUXI) Co., Ltd.

Yokogawa System Integration & Procurement (Wuxi) Co., Ltd.

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