For the year ended March 31, 2010

ANNUAL REPORT 2010

Turning Challenges into Growth Opportunities

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.

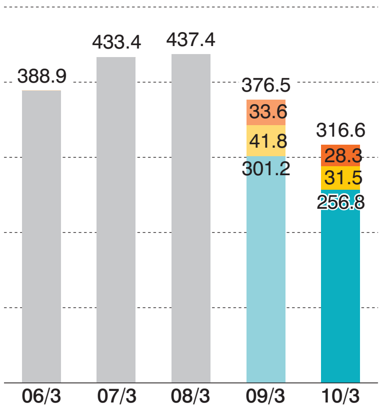
Founded in 1915, Yokogawa Electric Corporation has 95 years' experience in the measurement, control, and information businesses, and provides leading-edge products and services to industry. The high added value created with our excellent technologies contributes not only to the development of industry, but also to the realization of an affluent society. We remain committed to the achievement of a healthy and profitable operation.

CONTENTS

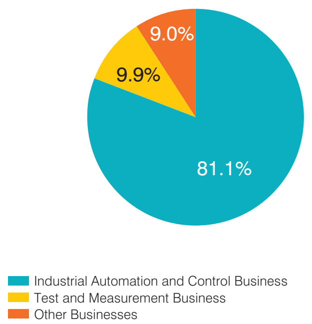
Cautionary Statement regarding Forward-looking Statements
Statements made in this annual report regarding Yokogawa's plans, estimates, strategies, beliefs, and other statements that are not historical facts are forward-looking statements about the future performance of Yokogawa. These statements are 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.

BUSINESS OVERVIEW

Net Sales by Business Segment
(Billions of yen)



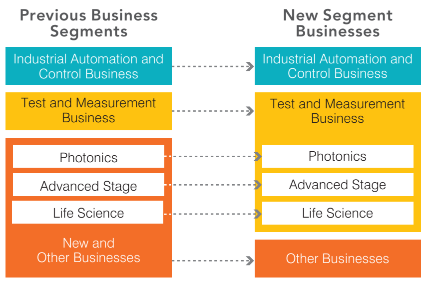
Net Sales by Business Segment
(Fiscal year ended March 31, 2010)



Change of Business Segments

Effective April 1, 2009, the Company's business segments have changed. New businesses—Photonics, Advanced Stage, and Life Science—included in the New and Other Businesses segment up to March 31, 2009, have been transferred to the Test and Measurement Business segment, and consequently the New and Other Businesses segment has been changed to the Other Businesses segment.

The figures for fiscal year 2008 have been recalculated based on this new segmentation.



SEGMENT PROFILE

Industrial Automation and Control Business

Yokogawa is a leading control company and a pioneer in the development of distributed control systems for the monitoring and control of processes in a broad range of production facilities. Its comprehensive solutions range from sensors (such as pressure transmitters, flowmeters, and analyzers) to control systems, software that improves productivity, and services that optimize plant lifecycle costs. These solutions play vital supporting roles for our customers in the oil, chemical, natural gas, electric power, iron and steel, pulp and paper, pharmaceuticals, food, and other industries.

Based on VigilantPlant, Yokogawa's vision for realizing the ideal plant, we are developing products and solutions that ensure safety, make maximum use of plant assets, enhance production, and optimize operations over the entire plant lifecycle.

Test and Measurement Business

Yokogawa has been involved in the testing field since its founding and has contributed to numerous industries through its supply of test and measurement equipment. Yokogawa measuring instruments play indispensable roles in the development and production of electrical, electronic, and automotive equipment. The Company meets customer needs with a wide-ranging product lineup and an extensive range of calibration and other services.

Yokogawa has developed testers that can handle high-speed, high-performance semiconductors and always offers the latest testing solutions. Yokogawa is also engaged in businesses involving products such as confocal scanners for the real-time observation of life processes at the molecular level and drug discovery support systems for the automatic testing of candidate compounds, and the Company anticipates that these businesses will drive the development of new markets.

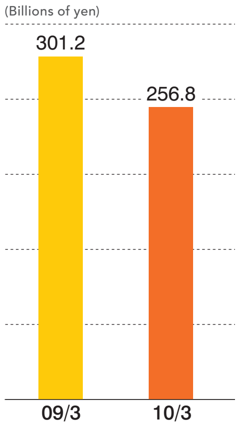
Other Businesses

Yokogawa is steadily developing its aviation and marine engine equipment and navigation system businesses. Yokogawa supplies multifunctional flat panel displays (FPDs) for use in a wide range of aircraft, including the latest wide-body airliners from Airbus. In addition, the Company supplies a full lineup of navigation systems such as gyrocompasses and autopilots for vessels of all kinds, from luxury passenger ships to freighters.

BUSINESS OVERVIEW

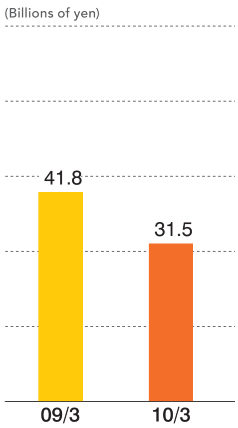
SEGMENT SALES | MAIN MARKETS

Industrial Automation and Control Business



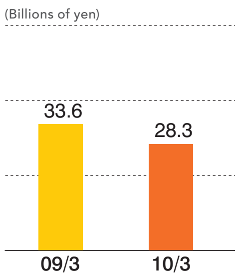
Oil and gas
Chemicals
Iron and steel
Pulp and paper
Electric power
Water supply / wastewater treatment
Pharmaceuticals
Foods
Semiconductors
Electrical and electronics
Automotive
Nonferrous metals / ceramics
Machinery

Test and Measurement Business



Telecommunications
Electrical equipment and electronics
Precision machinery
Automotive
Equipment maintenance
Semiconductors
Optical backbone networks
Biotechnologies
Pharmaceuticals
Industrial machinery

Other Businesses



Aviation equipment
Marine equipment

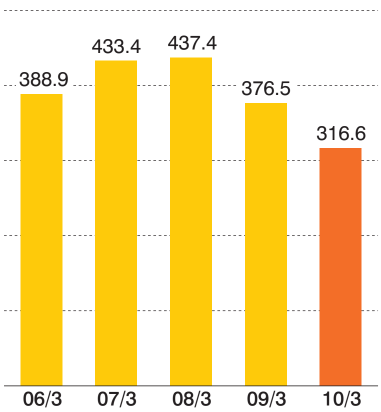
PRODUCTS, SOLUTIONS	YOKOGAWA'S STRENGTHS AND STRATEGIES
Production control systems Safety instrumented systems Production management systems Quality management systems Asset management systems Energy management systems Differential pressure / pressure transmitters Flowmeters Analyzers Recorders Programmable logic controllers	In 1975, Yokogawa launched the world's first distributed control system, and since then has sold more than 20,000 of these systems worldwide. We have won high regard from our customers for our reliable products and high-level project execution capabilities. In Japan, we are the leading manufacturer of IA systems, and outside Japan our position in this industry is preeminent. Yokogawa has taken on the challenge of the VigilantPlant initiative, its vision of the ideal plant, and is enhancing its products and solutions to boost its share of the global market. We expect the industrial automation and control business to see stable growth in the medium to long term against the backdrop of increased demand for energy. We will construct a strong business foundation by investing management resources in key areas. We will also work to achieve cost competitiveness in order to thrive amid global competition, and leverage the synergies of our control, measurement, and information technologies to aggressively develop our energy saving and environmental conservation businesses. Furthermore, we will provide proposal-based maintenance service solutions.
Waveform measuring instruments Power measuring instruments Basic measuring instruments (voltage, current, resistance, pressure, temperature) Data loggers Signal generators Optical and wireless communications measuring instruments Network monitoring systems Time and frequency measuring instruments Total measurement solutions Semiconductor test systems Optical communications modules Optical transponders Confocal scanners Drug discovery support systems	In the measuring instruments business, we maintain a high market share in fields including power analyzers, optical spectrum analyzers, and mixed signal oscilloscopes. In fiscal year 2010, we will increase the speed of decision making and strengthen cost competitiveness by integrating the measuring instruments business within a subsidiary. Subsequently, we will work to expand this business in the growth markets of newly industrialized nations. Advanced measurement solutions—such as those for testing secondary cells and batteries—will continue to be handled directly by Yokogawa Electric Corporation. We will also provide comprehensive solutions by fusing measurement and control technologies. In the semiconductor tester business, we aim to reduce fixed costs and focus our resources in the memory tester field. In the life science business, we are striving to develop sales of our confocal scanners and to rapidly build up the business for our drug discovery support system.
Image quality inspection systems Aviation and marine equipment	For the aviation equipment market, which remains strong, we will further improve our product quality and expand business using our highly regarded technological capability. The marine equipment market, however, contracted in fiscal year 2009 due to the deterioration of the global economy. The market has recently shown signs of recovery, and we will make efforts to expand business in countries outside Japan such as China and South Korea.

FINANCIAL HIGHLIGHTS

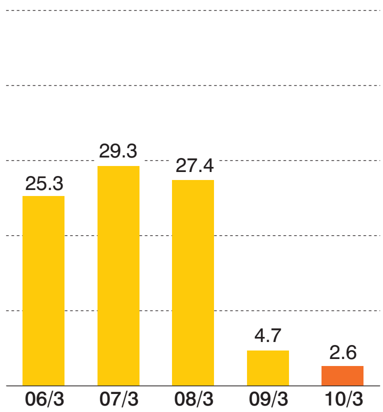
Yokogawa Electric Corporation and Consolidated Subsidiaries
Years Ended March 31, 2007 to 2009

		Billions of yen		Millions of US dollars
	2008/3	2009/3	**2010/3**	**2010/3**
For the year:				
Net sales	¥437.4	¥376.5	¥316.6	$3,402
Operating income	27.4	4.7	2.6	28
Operating income ratio (%)	6.3	1.3	0.8	—
Net income (loss)	11.7	(38.4)	(14.8)	(159)
At year-end:				
Total assets	444.6	401.0	398.8	4,286
Shareholders' equity	220.7	167.2	153.4	1,648
Shareholders' equity ratio (%)	49.6	41.7	38.5	—
Per share data (yen / US dollars):				
Net income (loss)	44.76	(149.26)	(57.45)	(0.62)
Cash dividends	16.00	16.00	2.00	0.02
Shareholders' equity	856.72	649.20	595.42	6.40
Stock information:				
Stock price at the end of the term (yen / US dollars)	998	394	814	8.75
Market capitalization	268.1	105.8	218.7	2,350
Number of issued shares	268,624,510	268,624,510	268,624,510	—

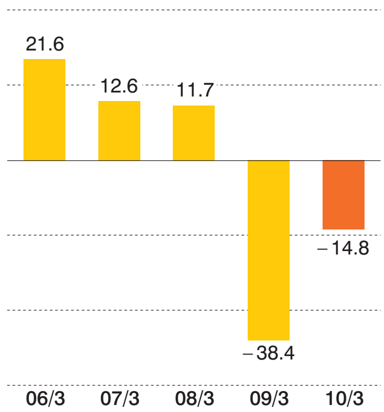
Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Net Income (Loss)
(Billions of yen)



Unification of the accounting periods of non-Japan consolidated subsidiaries

In the fiscal year ended March 31, 2007, the Company standardized the fiscal year closing date for all consolidated subsidiaries. Accordingly, consolidated subsidiaries in China had a 15-month accounting period and the other non-Japan subsidiaries had a 13-month accounting period. Due to these changes to the accounting period, compared to the usual standard, the consolidated statement of income showed a 22.088 billion yen increase in net sales, a 1.368 billion yen increase in operating income, and a 985 million yen increase in net income.

TO OUR STAKEHOLDERS

The Yokogawa Group has positioned fiscal years 2009 and 2010 as a period of structural reform during which it will strengthen itself in preparation for the next growth stage. Specifically, we are pursuing an action plan to reduce fixed costs and review our business portfolio. Through these efforts, the Group will become able to respond more flexibly to rapid changes in its business environment.

In the fiscal year ended March 31, 2010 (fiscal year 2009), capital investment began to recover in response to increasing demand in newly industrialized nations. One factor driving this trend was the resumption of new plant construction in resource-rich countries. However, capital investment remained weak in Japan and the Western industrialized nations. As a result, the Group's net sales were down significantly from fiscal year 2008. Nevertheless, the fixed cost reduction measures that we implemented throughout fiscal year 2009 lowered our break-even point and allowed us to once again post operating income. Unfortunately, we recorded a net loss for the second consecutive year due to factors such as the extraordinary losses that were incurred as we reviewed our business portfolio and undertook structural reforms.

Fiscal year 2010 is the final year of these structural reforms that will make the Yokogawa Group stronger. Once these initiatives are completed, we will work steadily toward realizing a healthy and profitable operation. In these difficult times, we ask for the continued support and encouragement of our stakeholders.

August 2010

Isao Uchida
Chairman of the Board

Shuzo Kaihori
President and Chief Executive Officer

MESSAGE FROM THE PRESIDENT AND CEO

Positioning fiscal year 2010 as the last year of our structural reforms, we will complete the implementation of an action plan that will lay the foundation for our next growth stage.

Shuzo Kaihori
President and Chief Executive Officer

Business results for fiscal year 2009

Fiscal year 2009 saw a renewal of power plant construction in resource-rich countries, particularly Australia and nations in Africa and the Middle East. However, capital investment in Japan, Europe, North America, and other industrialized regions remained relatively sluggish.

In this environment, our business results for fiscal year 2009 were as follows. In comparison to the previous fiscal year, net sales decreased 59.9 billion yen, to 316.6 billion yen, and operating income fell 2.1 billion yen, to 2.6 billion yen. Although we had originally projected an operating loss of 9.0 billion yen, by the time our third-quarter financial statements were released we were forecasting that we would break even, i.e. have no operating income. However, we succeeded in making greater than anticipated reductions in fixed costs and were thus able to return to the black and generate operating income. Unfortunately, we were forced to book a net loss of 14.8 billion yen due to such factors as the review of our business portfolio, which led to the recording of an extraordinary loss for impaired fixed assets. Accordingly, fiscal year 2009 marked our second consecutive year in which a net loss was incurred. As a member of Yokogawa's management, I deeply regret having to report such results.

Progress in our action plan

We accelerated the implementation of our action plan centered on the two main themes of a major reduction in fixed costs and a complete review of our business portfolio, with the goal of completing them within fiscal year 2009.

In line with the Yokogawa Group's VISION-21 & ACTION-21 corporate strategy, our long-term management vision that was defined in fiscal year 2000, we had pushed ahead with reforms in our business structure and Group management leading up to fiscal year 2005, the strategy's First Milestone. This enabled us to set new records for net sales and operating income on a consolidated basis in each of the three years from fiscal year 2003 to fiscal year 2005. In May 2006, we set fiscal year 2010 as our Second Milestone. While seeking to operate in a truly consolidated manner to dramatically improve managerial efficiency and boost sales on a global scale by increasing market share, we remained committed to proactive technology development and the launch of new businesses to create new demand.

In fiscal year 2008, however, the sudden deterioration in our business environment forced us to relinquish the goals that had been set for the Second Milestone. Accordingly, in February 2009, we positioned fiscal years 2009 and 2010 as a period of structural reforms for our next growth stage, and subsequently announced our action plan centering on the two main themes of a major reduction in fixed costs and a complete review of our business portfolio. Furthermore, in May 2009 we decided that two years were not needed for the implementation of the action plan, and accelerated our activities with the goal of completing it within fiscal year 2009.

In fiscal year 2009, we reduced fixed costs by approximately 56.0 billion yen, greatly surpassing our initial expectations, and lowered our break-even point to 313.0 billion yen, exceeding our original plan of 330.0 billion yen.

In addition to the semiconductor tester and advanced stage businesses, we reviewed the measuring instruments, photonics, and information businesses. We will work to make tangible, as quickly as possible, the results of these reviews in areas where they have not been completed.

Action plan for the reduction of fixed costs

Under the action plan for the reduction of fixed costs, based on the numbers determined in February 2009, we worked toward our goals of achieving a 38.0 billion yen reduction in fixed costs and bringing our break-even point below 330.0 billion yen. To this end, we cut labor costs by reducing salaries and bonuses for general employees as well as managers and directors and officers, and by instituting furloughs for employees. In addition, we reduced our depreciation expenses by restricting capital investment, and thoroughly curtailed our business and R&D costs. The results of these efforts far exceeded our expectations, with us shrinking fixed costs by approximately 56.0 billion yen and lowering our break-even point to 313.0 billion yen.

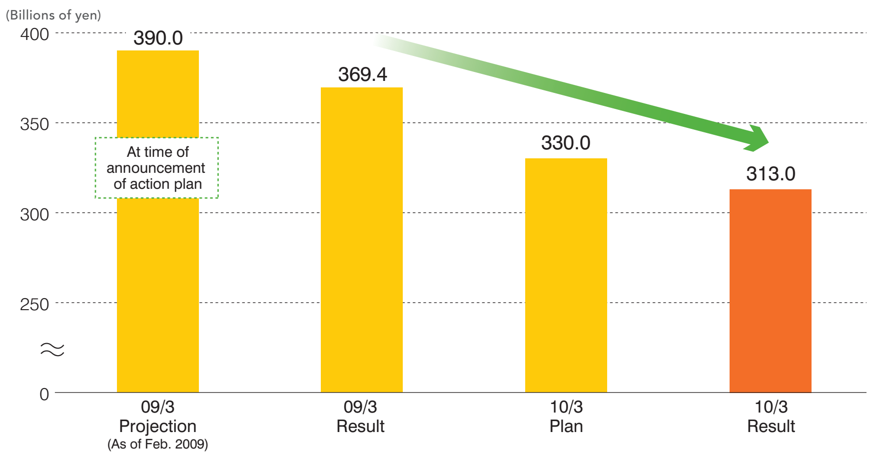
Review of the business portfolio

We worked to review our business portfolio based on the fundamental policy of discontinuing loss-making businesses, focusing resources on the industrial automation and control business, and maintaining and developing our measurement technologies. During fiscal year 2008, we had already decided to freeze development of the semiconductor tester business's SoC tester and to halt the advanced stage business's XY stage, which is used in semiconductor manufacturing. Additionally, in fiscal year 2009, we reorganized the measuring instruments business and conducted further reviews of the photonics and information businesses.

As for the reorganization of the measuring instruments business, the electronic and optical measuring instruments business that had been previously handled directly by the Company was transferred on April 1, 2010 to Yokogawa Meters & Instruments Corporation, a subsidiary that deals in portable measuring instruments. In addition to integrating the Group's measuring instruments business, we drastically revised all aspects of its business procedures, from marketing to development, manufacturing, and services. This has not only substantially increased the speed of decision making but also improved cost competitiveness, which will allow us to expand business operations in growth markets such as those in newly industrialized nations.

Conversely, advanced measurement technologies such as those used to test lithium-ion and other types of rechargeable batteries, LED lighting, and the propulsion systems in electric automobiles will continue to be handled directly by the Company. The customers of our industrial automation and control business see these fields as growth markets and have been investing aggressively in them. These fields also represent areas in which Yokogawa can leverage the strength that comes from operating both an industrial automation and control business and a measuring instruments business. By bringing together our measurement and control technologies, we can provide our customers with comprehensive solutions, from development to production.

Break-even Point



Regarding the photonics business, after carefully considering its market environment and profit potential, we have determined that it would be difficult to get this business into the black within the foreseeable future. Accordingly, we have decided to focus resources on production and sales of existing products and halt new product development. In addition, we have reviewed businesses that have little synergy with the industrial automation and control business. This includes spinning off the medical information business from the industrial automation and control businesses to form a separate company.

We have also reinforced the industrial automation and control business by shifting to it approximately 200 development engineers who had been affected by the previously mentioned review of the measuring instruments, advanced stage, and photonics businesses.

Certain areas of our business portfolio remain under review, and we will work to achieve tangible results as quickly as possible. Through steady implementation of these reviews, we will construct a business portfolio that will ensure the long-term growth of the Company.

Growth strategies for the industrial automation and control business

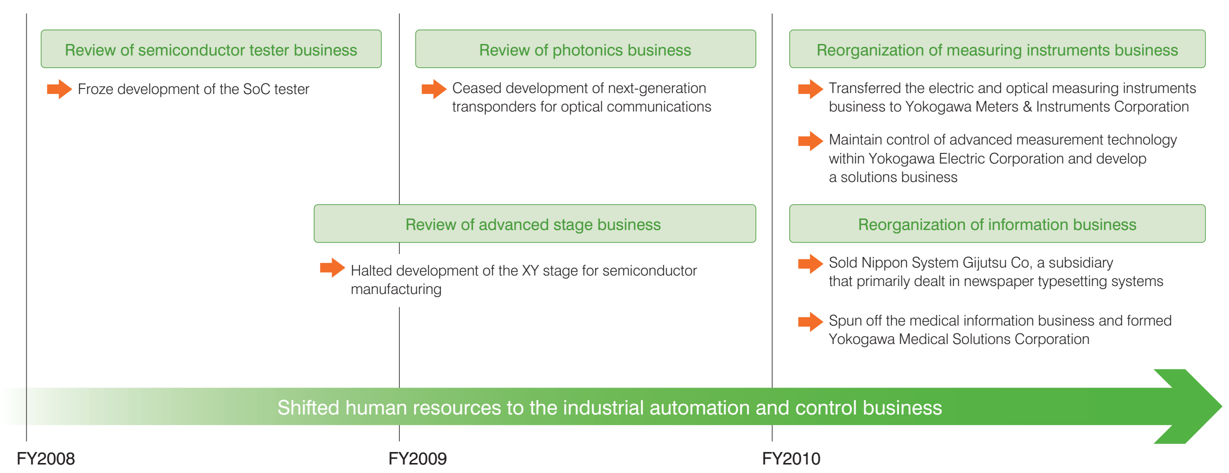
We are working to develop a new medium-term business plan based on the business portfolio that we are developing for fiscal year 2011 onward. Growth strategies for the industrial automation and control business will form the core of this plan. Going forward, in this business, we will strive to expand our market share, concentrating the investment of resources on markets that are both large in scale and have high rates of growth. To achieve this, we will simultaneously implement strategies geared toward different industries and strategies developed for different regions.

Industry strategies

We will target the electric power, petrochemical, chemical, oil refining, and upstream oil and gas markets, the last of which includes the exploration, development, and production processes. We currently possess a large share of the oil refining and petrochemical markets. Leveraging the reliability of our products and our high-level project execution capabilities, we will continue our efforts to acquire new customers. At the same time, by responding to the demand for the replacement of plant systems, which is expected to increase in the future, we will work to capture an even larger market share. In these markets, we are already achieving strong results. Going forward, we will work to provide high-value-added services that enable advanced manufacturing techniques, cut energy consumption, reduce the environmental burden, and improve return on investment. Through these efforts, we will stabilize revenues and improve profitability.

We are striving to increase our market share in the petrochemical and oil refining markets in which the Company already possesses a high market share. Other markets include electric power, which is very large, and those with high growth potential, such as the chemical, upstream oil and gas, and renewable energy markets.

Building a New Business Portfolio Focused on the Industrial Automation and Control Business



In addition, we will work to boost our share of the global market in such areas as electric power, which is the single largest market for our industrial and automation and control business, and chemicals. In the latter, we will focus on fine chemicals, such as highly functional compounds and pharmaceuticals, for which demand is expected to grow significantly. By leveraging the knowledge we have accumulated in the Japanese market and applying it elsewhere in a similar manner, we will work to grow our global market share.

In the resource and energy sector, we will continue working to expand our share of the upstream oil and gas market. Moreover, we are advancing aggressively into other fields. One of these is the renewable energy market, which includes biofuel, an increasingly common fuel source for automobiles; and solar power, for which the construction of large-scale plants is progressing outside Japan. Another is the unconventional oil market, where the rising prices of crude oil are driving the development of oil sand deposits.

To realize these goals, we are accelerating development by focusing the investment of resources, and considering the possibility of forming alliances and engaging in M&A activities.

We are focusing our efforts on newly industrialized nations that have strong demand for new infrastructure and active private-sector capital investment, and resource-rich countries where it is anticipated that a large number of plants will be constructed.

Regional strategies

Yokogawa is focusing on newly industrialized nations that enjoy brisk demand for new infrastructure and active private-sector capital investment. The Company is also targeting resource-rich countries that are actively constructing new plants in response to the ever-present demand for the development and production of resources, and the resulting needs for the refinement of oil products, and production of petrochemicals. Specifically, we are focusing on China, India, the Middle East, Africa, South East Asia, and South America. These all have a great deal of room for improvement in regard to energy saving and environmental conservation. For this reason, they offer great prospects for the Company's energy saving and environmental conservation business, which we are aggressively developing. We will focus investments on enhancing our operations in these regions and securing the necessary human resources. We will strive to increase our share of these markets by responding to specific local needs.

To support these strategies, we are striving to become globally cost competitive, optimizing our operations for the global market, and developing personnel who can contribute on a global basis.

As market prospects remain unclear, we do not anticipate large increases in orders or net sales. We foresee only a slight rise in operating income due to the cessation of our urgent measures and planned investment in preparation for an anticipated recovery in the industrial automation and control market, and believe that we will break even in terms of net income. We will position fiscal year 2010 as the final year for our structural reforms and work to develop a solid foundation to ensure our development from fiscal year 2011 onward.

The outlook for fiscal year 2010

We will start fiscal year 2010 with the goals of achieving orders of 340.0 billion yen, net sales of 335.0 billion yen, and operating income of 8.0 billion yen, while also breaking even in terms of net income.

Capital investment is steadily recovering as the result of increased demand in newly industrialized nations. However, the future of the markets remains unclear, and accordingly we do not anticipate large increases in orders or net sales. Furthermore, operating income is anticipated to rise only slightly. This is due to our ending of the salary reductions and furloughs for employees that were implemented as urgent measures in fiscal year 2009. It will also be the result of increased fixed costs that we will incur due to investment geared toward boosting our market share in the future. Such investment will include the updating of facilities to improve the cost competitiveness of the industrial automation and control business, research and development to bolster our product lineup, and enhancements to our operations in newly industrialized nations and resource-rich countries. I believe that these investments are necessary to ensure that the Company sees improved business results when the market fully recovers in fiscal year 2011.

Accordingly, while fixed costs are expected to rise temporarily from fiscal year 2009 levels—when drastic reductions were implemented—we will continue to carry out fixed cost reduction measures. In fiscal year 2010, we will undertake measures that ensure profitability so that we will be in a position to respond to fluctuations in the market environment, and in so doing create a solid foundation that will enable us to thrive amidst global competition. We will also work to complete the selection and concentration of businesses based on the review of our

MESSAGE FROM THE PRESIDENT AND CEO

business portfolio, which is in progress. We will move forward with the implementation of initiatives geared toward revolutionizing our fixed cost structure in the future, including the restructuring of labor costs, drastic review of business processes, and reorganization of production.

Fiscal year 2010 will be another year in which we cannot afford to be optimistic. Accordingly, we will position the year as the final one for structural reforms that will strengthen Yokogawa, and will work to develop a solid foundation that will ensure our growth from fiscal year 2011 onward.

To maintain the trust of our stakeholders, we will work to strengthen corporate governance and build a corporate culture that prioritizes compliance above all else.

Strengthening corporate governance

We at Yokogawa are dedicated to maintaining the trust of our stakeholders and are committed to realizing a healthy and profitable operation. For these reasons, we believe that enhancing to our corporate governance is vitally important.

Currently, three of the eight members of the Board of Directors are outside directors, while three of the five members of the Board of Corporate Auditors are outside corporate auditors. Outside directors and corporate auditors offer advice and suggestions based on their rich backgrounds and expert judgment. Accordingly, they play an important role in assuring the validity, objectivity, and transparency of management.

The regulations of the Tokyo Stock Exchange call for listed companies to employ at least one independent board member (an outside director or outside corporate auditor with no potential conflict of interest in regard to general stakeholders). Going beyond this, the Company has registered three outside directors and one outside corporate auditor as independent board members, for a total of four independent board members. Two of the outside corporate auditors were previously executives at companies that had a business relationship with Yokogawa or were major shareholders of the Company, and therefore cannot be registered as independent board members. However, these auditors still perform highly effective audits from a neutral standpoint. Going forward, the Company will work to further enhance the organizations described above to strengthen its corporate governance, while building a corporate culture that prioritizes compliance above all else. Through these efforts, we will manage the Company so as to maintain the trust of its stakeholders.

We will continue to enhance Yokogawa's corporate value to ensure future growth. In these difficult times, we ask for the continued support and encouragement of our stakeholders.

August 2010

Shuzo Kaihori

Shuzo Kaihori
President and Chief Executive Officer

Special Feature: Measurement, control, and information technologies for a low-carbon society

Yokogawa's energy saving and environmental conservation business

Reducing energy consumption and protecting the environment are issues that concern everyone in the oil, petrochemical, iron and steel, pulp and paper, electric power, and gas industries. Corporations must reduce energy consumption not only by complying with regulations, but also by boosting operational efficiency. For this reason, expectations are rising for the plant energy saving solutions that Yokogawa provides. By combining our measurement, control, and information technologies with the vast array of knowledge that we have acquired providing such solutions to customers in Japan—a leading country in reducing energy consumption—we will offer energy saving and environmental conservation solutions to customers in the global market. Through these efforts, we will contribute to the realization of a low-carbon society.

SPECIAL FEATURE

What Yokogawa is doing to improve energy efficiency

Our increasingly important energy saving and environmental conservation business

Since the "Oil Shock" of the 1970s, the industry sector in Japan has sought to develop its ability to compete on an international scale by leveraging such strengths as high productivity and superior product quality. The industry sector has also made a great effort to improve energy efficiency. From 1973 to 2008, GDP increased 2.4 times. While the energy consumed by the transportation and civilian sectors nearly doubled over that period, the energy consumption figures for the industry sector remained virtually unchanged (Chart 1). Through these efforts, Japan has become the world leader in energy efficiency (Chart 2).

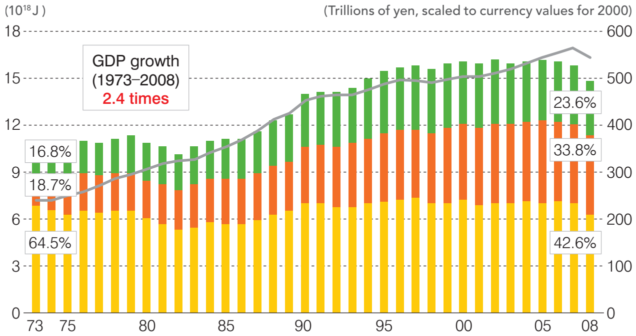
Yokogawa, a leading Japanese company in the control field, has helped its customers in various industries improve their productivity. By presenting heat recovery and energy management solutions for production processes and achieving improvements in productivity, quality, and yield rate, energy efficiency can be enhanced. With its highly reliable systems and vast array of applications knowledge, Yokogawa is able to provide its customers the solutions they need to securely control and optimize plant operations. In this way, we are making a substantial contribution in boosting energy efficiency in the industry sector.

Energy consumption is expected to rise sharply in newly industrialized nations as their economies continue to grow and standards of living rise, and as IT enters wide use. Yokogawa aims to play a role in meeting this challenge, and also sees in this an opportunity to accelerate the growth of our industrial automation and control business. As such, the energy saving and environmental conservation business is important to Yokogawa. In December 2009, we assigned a Chief Green Officer (CGO) to oversee the transformation of this business into a key growth driver, and established a Green Factory Solutions Business Center within the Industrial Automation Business Headquarters. By concentrating our measurement, control, and information technologies at this center, we will be able to develop new products and services that drive the energy saving and environmental conservation business forward. Leveraging these products and services, we will provide energy saving and environmental conservation solutions to customers worldwide.

Yokogawa's energy saving and environmental conservation solutions

Yokogawa's industrial automation and control business is guided by the VigilantPlant vision for realizing the ideal plant. Energy saving is an important part of this vision. We strive to identify issues that affect energy consumption, offer solutions, and work to maintain the effectiveness of these solutions under all operating conditions. In so doing we are able to optimize operations over the entire plant lifecycle. A number of the energy saving solutions offered by our industrial automation and control business are highlighted as follows.

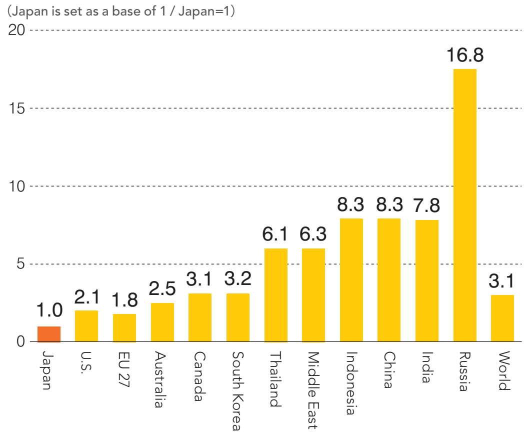
Chart 1: Changes in Energy Consumption and GDP (1973–2008)



	Growth from 1973 to 2008
Transportation sector	1.9 times
Civilian sector	2.5 times
Industry sector	0.9 times
GDP	2.4 times

Note: The energy consumption data is from the annual reports of the System of National Accounts. In 1990 the method for calculating energy consumption was changed.

Chart 2: Primary Energy Supplied per Unit of GDP in Major Countries



Note: Source of figures is data released by the IEA. Figures for GDP exclude primary energy consumption and are scaled so that Japan represents a base of 1.

Charts 1 and 2: Source: Ministry of Economy, Trade and Industry, White Paper on Energy 2010

Advanced and optimized process control solutions

Plant processes operate within a certain allowable range, with set maximum and minimum values for specific variables. The distribution of these values can be reduced by minimizing variations in the process values, thus ensuring the stable and energy-efficient production of high-quality products. This is made possible by the development of advanced process control solutions and through the optimization of these solutions.

The Exasmoc multi-variable control suite is a core product in our lineup of advanced and optimized process control solutions. It allows operators to make adjustments to a process based on projections of the outcomes of specific actions. In addition, Exarqe, our online quality estimator, can estimate product properties based on process variables. This is more efficient than using analytical equipment, which has a greater time lag. We also offer software that analyzes materials and heat flows in large, complex processes based on a process unit model. This can determine the optimal settings for an entire process, and communicate these settings to the control equipment.

This product lineup allows us to develop optimal controls for the heat furnaces, distillation towers, and reactors used in oil and petrochemical plants, as well as the boiler, turbine, and generator (BTG) equipment used in various types of plants. This can significantly reduce a plant's power consumption.

Managing energy consumption with Enerize E3

Enerize E3 is our factory energy management system. By combining a factory's production and energy statistics, this software can clearly identify the indexes necessary for managing energy consumption in a production process. It enables the optimization of energy usage throughout an entire factory.

The average energy per unit produced, which is calculated from energy usage and production volume, is the most commonly used energy management index. Enerize E3 takes this a step further by calculating the energy usage and CO_2 emissions for each unit produced, and at each stage of the production process. What makes this possible is Enerize E3's ability to monitor production and energy statistics collectively and in real time. By identifying the causes for losses in energy efficiency, it can raise production efficiency and optimize energy usage, while maintaining product quality. Enerize E3 is making a great contribution to our customers' energy saving initiatives.

Optimizing control of combustion furnaces with laser gas analyzers

In 2008, the Company acquired Analytical Specialties Inc. of the United States and added the TDLS200 tunable diode laser (TDL) analyzer to its product lineup. TDL gas analyzers are state-of-the-art devices that can analyze even high temperature and corrosive gasses without having to rely on a sampling apparatus.

Combustion furnaces require both fuel and air (oxygen). However, if the amount of air is insufficient, combustion will be incomplete. Conversely, if there is too much air, then fuel efficiency is impaired. Tunable diode laser spectroscopy (TDLS) technology allows the concentrations of oxygen and carbon monoxide to be monitored in real time, and controls the supply of air and fuel accordingly. This allows for optimal control of fuel supply and substantially improves fuel efficiency.

Tunable diode laser analyzer

Optimizing control of heat water source pumps with Econo-Pilot HSP

Econo-Pilot HSP is a system that reduces the amount of energy consumed by the heat water source pumps that supply water to the cold/hot water generators in the air-conditioning and heat exchange equipment that is typically installed in factory buildings and other large structures.

These types of equipment are generally controlled by switching pumps on or off or using inverters to change the pump speed and thereby maintain a constant pressure of cold/hot water. Although the demand for hot/cold water varies depending on the room temperature, this method requires that the water pressure remain constant. Consequently, energy is wasted to drive the pumps.

Econo-Pilot HSP precisely controls the water pump speed so that just enough cold/hot water is supplied to maintain the minimal necessary water pressure. This can reduce the annual amount of electricity consumed by up to 70%. By also using our Econo-Pilot system, the secondary air-conditioning pumps can be controlled, allowing comprehensive optimization of the heat exchange processes in air conditioning equipment.

Econo-Pilot HSP
energy-saving system for heat
water source pumps

Interview with the CGO

We are contributing to the conservation of the global environment by leveraging our measurement, control, and information technologies.

Teruyoshi Minaki
Director
Executive Vice President
Industrial Automation
Business Headquarters
Chief Green Officer

Biographical profile
Mr. Minaki joined Yokogawa Electric Corporation in 1971. In 1999, he was appointed Vice President of the Field Instruments Business Division, and in 2002 was promoted to Director. After heading the international and industrial automation businesses, he became the Director and Executive Vice President of the Industrial Automation Business Headquarters. In December 2009, he was appointed Chief Green Officer.

Q1 What is the significance of being Yokogawa's first CGO?

Yokogawa has always made it a priority to protect the environment. In addition to promoting environmental management throughout the Group, our industrial automation and control business has helped save energy and protect the environment by providing solutions that boost the productivity of our customers' plants. In response to the growing severity of the environmental issues that we now face, nations have been accelerating their energy saving and environmental conservation efforts. In December 2009, I became the Company's first CGO, and a Green Factory Solutions Business Center was established within the Industrial Automation Business Headquarters to promote development of the energy saving and environmental conservation business. We are aggressively developing this business to make it a key contributor to our growth.

CGOs are generally responsible for their own company's environmental measures; however, at Yokogawa, the CGO is also responsible for providing customers solutions that help to protect the environment. This allows me to maximize the contribution that we make to protecting the environment. The Green Factory Solutions Business Center also creates strategies and explores new markets as the core of the global energy saving and environmental conservation business.

Q2 What strengths does Yokogawa have that will help it develop the energy saving and environmental conservation business?

Yokogawa's measurement, control, and information technologies are the foundation for our sensor, analyzer, measuring instrument, and control system solutions that reduce energy consumption and protect the environment. We offer a wide range of products with these benefits, including software that can predict energy demand and advanced process control systems. We also possess vast knowledge on factories, facilities, and control systems.

Continuous production processes such as those employed at oil, petrochemical, iron, and pulp and paper plants are more complex than those used in processing and assembly. For this reason, reducing energy consumption in these continuous processes requires not only a wide array of on-site knowledge and expertise, but also plant simulators and other sophisticated technologies. Yokogawa possesses all the expertise, technology, and human resources needed to achieve reductions in energy consumption, and this gives the Company a significant competitive advantage.

With an energy saving and environmental conservation business, it is important to construct sales and support systems that are deeply rooted in local communities, and to understand customer trends and needs in each country. Yokogawa already has in place the necessary systems for the global development of its industrial automation and control business. Using these systems, we can develop a business that brings us closer to our customers.

Q3 What regions and markets are you focusing on?

We are emphasizing plant control systems that reduce energy consumption. Accordingly, we are targeting regions where we have a large share of the industrial automation and control market, such as Japan, the ASEAN countries, China, and the Middle East. There is room for improvement with the plants in the ASEAN countries, China, and the Middle East, and I anticipate that we will be able to make great progress in reducing energy consumption. In the rapidly developing China market, energy saving measures are government driven. On the other hand, with the petrochemical industry in the ASEAN countries and the energy industry in the Middle East, individual companies are increasing their operating efficiency and achieving energy savings to gain a competitive edge. Accordingly, demand in these regions is expected to grow. In Japan, we will work with every industry, and in other countries we will focus mainly on those industries where we have produced the strongest results, namely oil, petrochemicals, LNG, and electric power.

In regard to existing plants, we are developing our business based on the Energy Service Company (ESCO) concept*. We evaluate their energy consumption, propose changes to production processes and facilities, and introduce energy saving systems. At new plants, we provide energy-efficient products and services. These initiatives are helping to expand our industrial automation and control business.

Q4 What organizations have been established to expand your business?

A Green Factory Solutions Business Center has been set up that is the center of our operations, and we are expanding this business by working in concert with our product development, sales, and engineering departments here in Japan and with our operations in 53 other countries. Our energy saving efforts are closely coordinated with government initiatives. Our operations outside Japan are gathering information on these initiatives, and striving to understand the needs of their customers. This will guide our responses as we grow our business.

In Japan, we are encouraging our industrial automation and control engineers to acquire the nationally accredited Registered Energy Manager qualification. Elsewhere, we are hiring personnel who have specialized knowledge in this area. Through the activities of our industrial automation and control business, we have a great deal of knowledge and expertise in plant operations. In addition, we are very knowledgeable about energy management. By leveraging this knowledge, we will identify energy saving issues for our customers and provide them optimal solutions.

Q5 As CGO, how do you plan to develop the energy saving and environmental conservation business?

The Yokogawa Philosophy states, “As a company, our goal is to contribute to society though broad-ranging activities in the areas of measurement, control, and information. Individually, we aim to combine good citizenship with the courage to innovate.” Protecting the environment is the most pressing issue for the human race. The energy saving and environmental conservation business provides environmental solutions based on our measurement, control, and information technologies. Contributing to society through this business is in keeping with Yokogawa’s mission.

In this regard, we will focus first on supplying production control systems and equipment, energy management systems, and energy saving systems to our manufacturing customers. We will then expand our business in markets that are expected to see increased investment worldwide. Accordingly, we will focus on the water and renewable energy markets, the latter of which includes biomass, solar thermal, photovoltaic, and wind power. We have already produced significant results with desalination and water purification plants. Additionally, we have succeeded in developing measurement and control systems for solar thermal power collectors. We will develop the energy saving and environmental conservation business by expanding operations in these markets, which enjoy great potential for future growth.

* A business model that is based on being compensated for the savings achieved through the proposal and implementation of energy saving solutions for factory and office buildings

Kofu Factory Receives METI Minister Award

The Kofu Factory, one of Yokogawa’s principal manufacturing facilities, has received the METI Minister Award (one of the 2009 Green IT Awards) from the Green IT Promotion Council for its success in using IT to eliminate energy waste on its production lines.

The IT solutions introduced by the Kofu Factory include Yokogawa’s InfoEnergy and Enerize energy management systems. By linking production and energy information, these have made it possible to analyze energy consumption for production processes on a production phase and lot basis. This factory has also introduced Econo-Pilot, a Yokogawa product that reduces the amount of energy consumed by water pumps and compressors by making precise adjustments based on load. Furthermore, the factory was able to reduce its energy consumption by installing invertors in lighting and fans, and through the integration of equipment. This initiative was very well received because of the innovativeness and persistent effort of all those involved, and due to the accumulated results that were achieved in improving production operations at this factory.

Yokogawa Receives 2009 Energy Conservation Grand Prize for Okinawa Hokubu Hospital ESCO Project

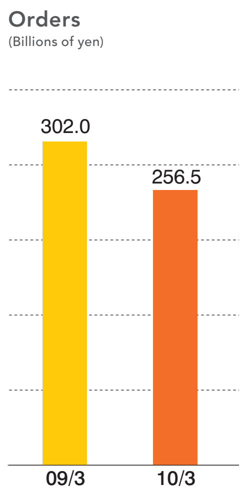
In 2009, Yokogawa received the Energy Conservation Center Chairman Award (Support Service Section, Organization Category) for the work that it did on the Okinawa Hokubu Hospital ESCO Project through a seven-company consortium*.

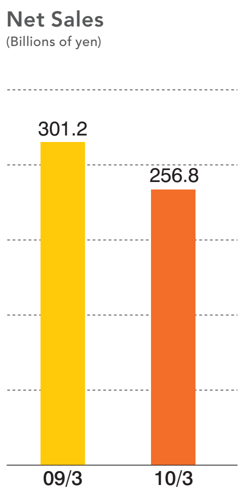
The Okinawa Hokubu Hospital needed a low-cost energy saving system with a low environmental burden. Yokogawa installed a high-efficiency inverter-driven turbo refrigerator for the cooling system that adjusts flexibly to load fluctuations. In addition, the Company made some changes in how the hospital’s power generator was used and introduced energy-efficient lighting. Through such steps, the hospital’s energy consumption was greatly reduced. Furthermore, the introduction of a highly reliable central monitoring system improved the stability of these facilities’ operations and enabled a more sophisticated approach to energy management. The results of these measures were incredible. In fiscal year 2008, the hospital’s heat usage was down approximately 40% from the average for the previous three years, and CO_2 emissions were 50% lower compared to the same average.

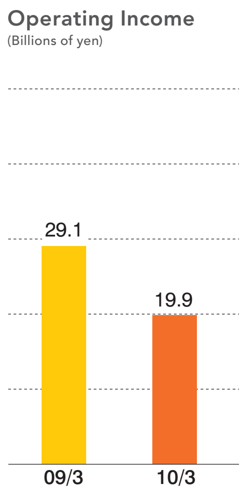
* Yokogawa Electric Corporation (Representative), Fuyo General Lease Co. Ltd., ASAHIKOGYOSHA, SHODENSYA Co., LTD., Setsubi Kenkyujyo KK, Teruya Denki Kouji KK, and Kyuken Kogyou Company Limited

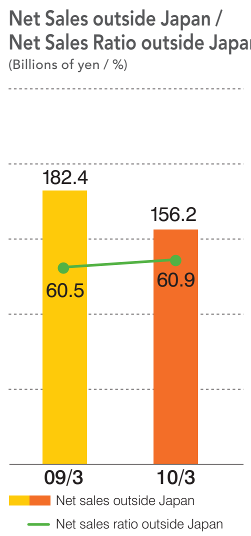
REVIEW OF OPERATIONS

Industrial Automation and Control Business









Note: The business segmentation changed in fiscal year 2009. Figures for fiscal year 2008 have been recalculated based on the new business segmentation.

In fiscal year 2009, the industrial automation and control market saw a recovery in demand for energy-related plants in resource-rich countries. However, demand in industrialized nations showed little or no growth due to heavy restrictions on capital investment. This, combined with the strong yen, affected our business results, and both orders and net sales showed significant year-on-year decreases. Operating income also declined as a result of the lower sales and the strong yen. In fiscal year 2010, only a moderate recovery in market conditions is anticipated. Taking a medium-term perspective, however, the Company projects moderate growth due to increased demand for energy and raw materials, particularly in newly industrialized nations. Looking ahead, we will continue to focus our resources and make investments with the aim of ensuring the Company's growth.

Overview of business results for fiscal year 2009

In our core industrial automation and control market, there was an upsurge of activity in the construction of new energy-related, electric power, and seawater desalination plants in the Middle East, Africa, and Australia, while demand remained stagnant in Europe and North America. In Japan, water supply and treatment, electric power, and other infrastructure sectors held steady, but corporate capital investment as a whole remained stagnant throughout the year due to the uncertain business outlook.

In these circumstances, we focused on the upstream oil and natural gas market, which includes exploration, development, and production. Investment remains active in this market because of the need to satisfy future energy demand. We also strengthened our sales and engineering functions for the growing power market in emerging countries. In Japan, we accelerated our rollout of the VigilantPlant campaign, which formerly had focused on markets outside Japan relating to the industrial automation and control business. Seminars and exhibitions were hosted at major industrial complexes all over the country to boost awareness of Yokogawa's VigilantPlant offering among our Japanese customers. In addition, in view of the passing of legislation such as Japan's revised Energy Saving Act and the efforts undertaken at COP15 and other global venues to help prevent global warming, we established a Green Factory Solutions Business Center and concentrated environment-related resources and expertise there. This organization will help expand our environment business.

We responded proactively to changes in the market, but due to the weak economy in developed countries and this year's stronger yen exchange rate, orders for the industrial automation and control business declined 45.5 billion yen from the previous year, to 256.5 billion yen. Net sales fell 44.4 billion yen, to 256.8 billion yen, and operating income dropped 9.2 billion yen, to 19.9 billion yen.

Outlook and strategic initiatives for fiscal year 2010

In fiscal year 2010, we believe that the markets will continue to recover in resource-rich and emerging countries, but that the Japanese, European, and North American markets will remain stagnant. Our forecast assumes a stronger yen exchange rate in fiscal year 2010, so we expect orders and net sales for this business to show a moderate recovery. We anticipate that operating income will decline due to an increase in investment in areas necessary for the long-term growth of our business. This will include investment in R&D and in the enhancement of our operations in resource-rich and emerging countries.

Currently, the Company is progressively developing growth strategies for the industrial automation and control business that will form the core of our new medium-term business plan. Our plan's fundamental strategy calls for concentrating resources on markets that are both large in scale and enjoy high growth ratios, and for

CENTUM VP
Integrated Production
Control System

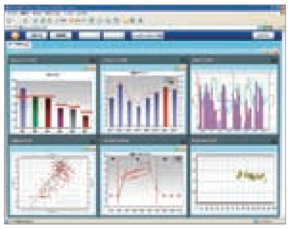
This is the latest addition to the CENTUM series, which has demonstrated in over 20,000 projects in 96 countries that it provides absolute reliability, with an industry-leading seven 9s (99.9999963%) availability.

DPharp EJX
Differential Pressure /
Pressure Transmitters

These differential pressure / pressure transmitters utilize a silicon resonant sensor that makes possible precision measurement of variables such as differential pressure, static pressure, and liquid levels within a plant's pipes and tanks.

GC1000 Mark II
Process Gas Chromatograph

This instrument can separate and analyze the individual components in gas and volatile liquid samples, and is widely used in fields such as petrochemicals, oil refining, metal refining, and inorganic chemistry.



Factory Energy Management System
Enerize E3

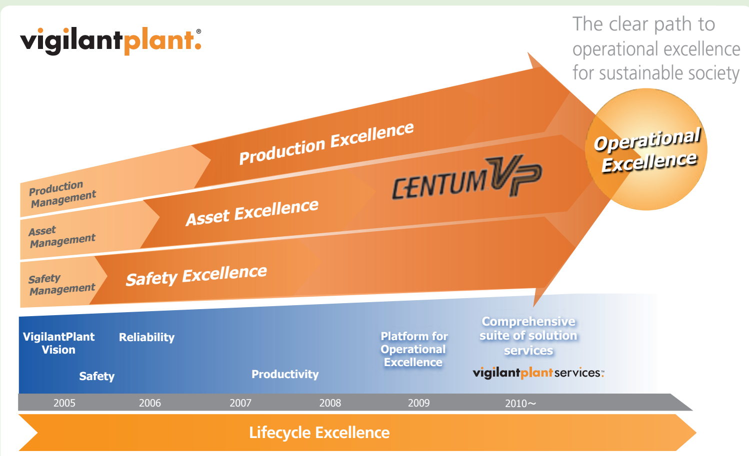
By combining a factory's production and energy statistics, this software clearly identifies the causes of declining energy efficiency, thus contributing greatly to the optimization of factory operations.

working to boost Yokogawa's share in these markets. Strategies pertaining to individual industries include further increasing our already high share of the petrochemical and oil refining markets. In addition, we are aggressively implementing initiatives geared toward the large-scale electric power market; the fine chemical segment of the chemical market, particularly highly functional compounds and pharmaceuticals; the upstream oil and gas markets; renewable energy sources; and the energy saving and environmental conservation field. To expand our share of these growth markets, we are focusing our investment of the Company's resources, accelerating the development of new products, and considering alliances with other companies and engagement in M&A activities.

As part of our regional strategies, we are focusing on newly industrialized nations that are active in the construction of new infrastructure and have brisk private-sector capital investment. The Company is also targeting resource-rich countries where a large number of plant construction projects are anticipated. Investment in these areas will focus on enhancing our local operations and securing the necessary human resources.

For the business portfolio review that is called for by our action plan, we have taken another look at those information businesses that had little synergy with the industrial automation and control business. Following this review, we established Yokogawa Medical Solutions Corporation on April 1, 2010, and transferred the medical systems business to it. In addition, Nippon System Gijutsu, a subsidiary that primarily dealt in newspaper typesetting systems, was sold to another company on March 31, 2010.

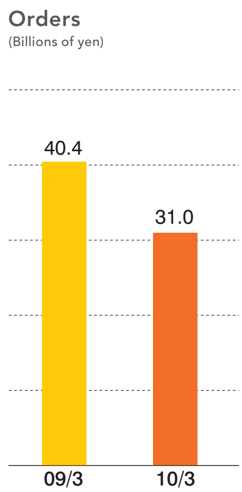
Evolution of VigilantPlant with New Service Solutions

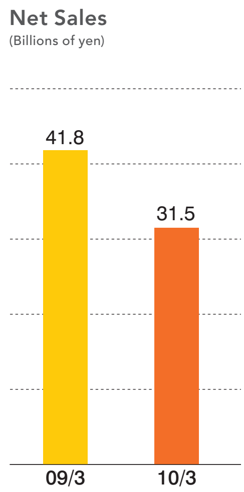


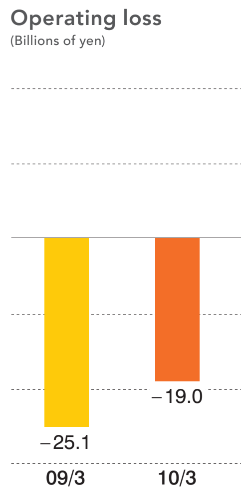
In 2005, Yokogawa announced VigilantPlant, its vision for realizing the ideal plant. In line with this, we announced products and solutions aimed at helping our customers achieve Safety Excellence, Asset Excellence, Production Excellence, and Lifecycle Excellence in their plant operations.

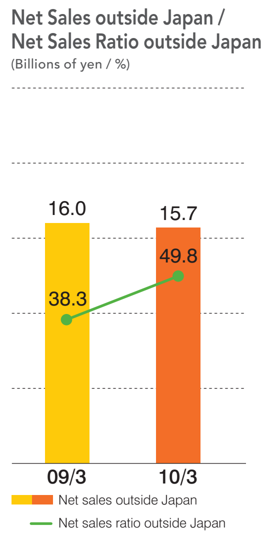
In February 2010, we began provision of a comprehensive series of VigilantPlant Services ranging from the maintenance and inspection of instruments to consulting services. Through these services, we are working to identify and resolve whatever issues our customers face, thus optimizing their operations over the entire plant lifecycle.

Test and Measurement Business









Note: The business segmentation changed in fiscal year 2009. Figures for fiscal year 2008 have been recalculated based on the new business segmentation.

During the second half of fiscal year 2009, certain markets of the semiconductor manufacturing industry resumed making capital investments. Semiconductor testers is one of those markets still waiting for a recovery to occur. In addition, as the result of restrictions on capital investment among electrical equipment manufacturers, telecommunications companies, and auto manufacturers, demand for measuring instruments was stagnant. These factors led to a reduction in net sales in fiscal year 2009. On the other hand, the operating loss was significantly smaller than in fiscal year 2008. This was the outcome of fixed cost reduction measures such as the curtailment of investment in R&D and the shift of personnel to the industrial automation and control business. In fiscal year 2010, we will work to respond to the expected recovery in demand for memory testers. Moreover, we will strive to increase orders for measuring instruments, focused on markets related to alternative energy and energy saving that are seeing aggressive investment in R&D. We will also develop new solutions targeting high-growth-potential advanced measurement solutions for applications such as rechargeable battery testing.

Overview of business results for fiscal year 2009

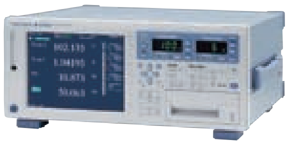
In our test and measurement business's semiconductor tester market, memory manufacturers resumed making limited investments in semiconductor manufacturing facilities during the second half of the year. Nevertheless, customers remained reluctant to invest in test systems and demand did not fully recover. Conversely, the demand for power measuring instruments expanded in the booming energy saving and alternative energy markets. For the measuring instruments market as a whole, however, demand languished due to the impact of drastic curbs on capital investment among our major customers, namely, electrical equipment manufacturers, telecommunications companies, and auto manufacturers.

In the life science business, orders and net sales for magneto-encephalograph systems increased, and our confocal scanners for observing live cells sold well. In the photonics business, however, demand lagged as communications carriers delayed investment in next-generation networks.

In view of these market trends, we focused on developing next-generation memory testers in the belief that demand for semiconductor testers would strengthen. Moreover, in the measuring instruments business, we enhanced our sales and promotion of solutions targeting the energy saving and alternative energy markets, and the markets in emerging countries. In response to customer needs, we introduced a variety of new products including the DLM6000 Series Mixed Signal Oscilloscopes and the AQ6373 Optical Spectrum Analyzer.

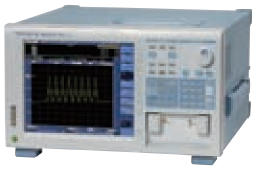
In the life science business, we implemented initiatives to expand operations in the ever-growing biotech market. These included launching sales of the CellVoyager CV1000 Confocal Scanner Box, a desktop lab system that incorporates an adjustable stage, laser light sources, and a CCD camera for the easy observation of cells.

Due to sluggish demand for semiconductor test systems and measuring instruments, orders for the test and measurement business declined 9.5 billion yen from the previous fiscal year, to 31.0 billion yen, and net sales fell 10.3 billion yen, to 31.5 billion yen. The operating loss came to 19.0 billion yen, which was 6.1 billion yen less than in the previous year. This can be attributed to reduced fixed costs, mainly in R&D.



WT3000
Precision Power Analyzer

This precision power analyzer provides world-class levels of precision and stability. With its ability to simultaneously perform high-accuracy measurements of I/O efficiency, the WT3000 is ideal for applications such as the in-house calibration of general-purpose power measurement devices.



AQ6370B
Optical Spectrum Analyzer

This product incorporates Yokogawa's original spectroscopic measurement technologies to provide best-in-class measurement speed and precision.

MT6121
Memory Test System

This high-throughput memory test system can test semiconductor wafers and packages for a wide variety of memory types, including DRAM and NAND / NOR flash memory.

CSU-X1
Confocal Scanner

Integrated with an optical microscope, this confocal scanner is widely recognized as the most powerful live cell imaging tool in use today, and it has captured a large share of the market due to its high-speed imaging and low photobleaching.

Outlook and strategic initiatives for fiscal year 2010

We expect a recovery in demand for the semiconductor tester business's memory testers as well as higher demand in the energy saving and alternative energy markets, mainly for the power measurement instruments handled by our measuring instruments business. Accordingly, we anticipate that orders and net sales for this business will increase. We project a smaller operating loss due to a drop in R&D, a smaller valuation loss on inventories, and an increase in sales.

As part of our action plan calling for a review of our business portfolio, on April 1, 2010 we transferred the electronic and optical measuring instruments business from Yokogawa Electric Corporation to Yokogawa Meters & Instruments Corporation, a subsidiary dealing in portable measuring instruments. By reorganizing the Group's measuring instruments business, we are increasing the speed of decision making, improving cost competitiveness, and positioning it for the expansion of business operations in growth markets such as newly industrialized nations. Yokogawa Electric Corporation will remain directly engaged in those fields that require advanced measurement technologies—such as those used to test secondary cells and batteries, LED lighting, and the propulsion systems in electric automobiles. By combining these technologies with our control technologies, we will be able to further develop these operations.

In the photonics business, following a review of our business portfolio in fiscal year 2009, we decided to cease development of new products. In fiscal year 2010, we will strive to increase sales and improve the cost competitiveness of existing products, with the aim of making this business profitable as quickly as possible.

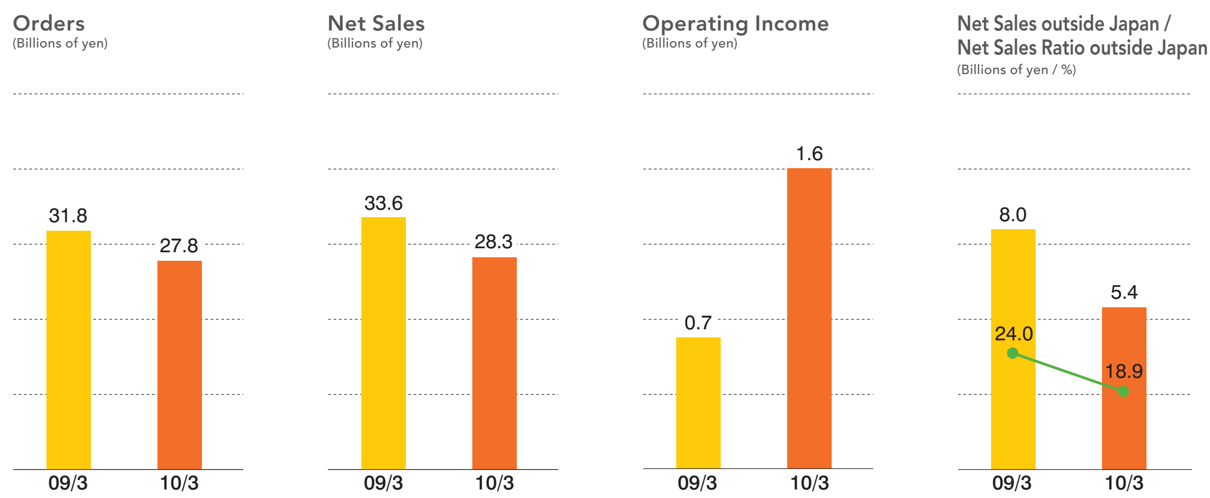
In the life science business, we will continue to promote sales of confocal scanners and focus our efforts on developing sales of the drug discovery support system that we introduced to the market in fiscal year 2008.

Transfer of the Measuring Instruments Business to Yokogawa Meters & Instruments Corporation

On April 1, 2010, we transferred our stand-alone electronic and optical measuring instruments operations to Yokogawa Meters & Instruments Corporation, a subsidiary that deals in portable measuring instruments. The integration of these measuring instruments businesses allows drastic changes to business functions ranging from marketing to development, manufacturing, and service, thereby boosting the speed of decision making and improving cost competitiveness.

Through these efforts, we will be able to bolster our operations in energy saving, environmental conservation, and optics, all of which are fields in which Yokogawa holds a large share of the global market. We will also aim to expand our operations in areas where the measuring instruments market is expected to grow, such as China, India, South East Asia, and South America.

Other Businesses



Note: The business segmentation changed in fiscal year 2009. Figures for fiscal year 2008 have been recalculated based on the new business segmentation.

In fiscal year 2009, the other businesses segment was affected by factors such as the contraction of the marine equipment market, one of our mainstay business fields, reflecting the worsening in global economic conditions. As a result, orders and net sales fell. However, operating income increased due to reductions in fixed costs.

Overview of business results for fiscal year 2009

In the other businesses segment, the aviation equipment market remained strong throughout the year. However, this was offset by the contraction in the marine equipment market, which had previously enjoyed favorable results. That was due to reduced demand for ship-borne cargo transportation services as a result of the aforementioned global economic slowdown. Accordingly, orders fell 4.0 billion yen from the previous fiscal year, to 27.8 billion yen, and net sales declined 5.2 billion yen, to 28.3 billion yen. Operating income rose 0.9 billion yen, to 1.6 billion yen, due to the effects of cost-cutting measures such as the curtailment of R&D outlays.

Outlook and strategic initiatives for fiscal year 2010

Although prospects for the aviation equipment market will remain relatively good in fiscal year 2010, we expect continued sluggishness in the marine equipment market. Accordingly, we forecast a drop in orders, net sales, and operating income in the other businesses segment for fiscal year 2010.

For aviation equipment, we will take advantage of our sophisticated technology and focus on the development of new products that meet customer needs. As for marine equipment, we will make efforts to expand our businesses in China, South Korea, and other regions that can be expected to show strong growth as global economic conditions recover.

Flat Panel Displays for Aviation Use

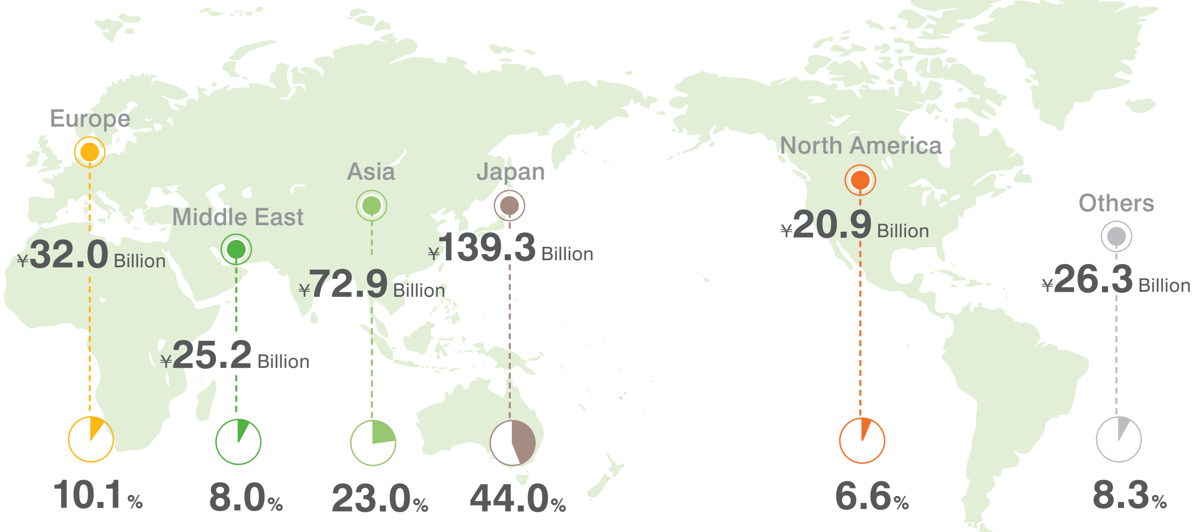
These flat panel color LCDs for cockpit use are highly visible in a variety of conditions, from darkness to direct sunlight, and offer excellent environmental resistance.

Gyrocompasses

A gyrocompass is a system that uses the torque of a fast-spinning rotor, gravity, and the rotation of the Earth to calculate a ship's heading. It is able to respond to sudden movements of a ship and is highly resistant to shock and vibration.

Review of Geographical Segments

Sales by Customer Location / Sales by Customer Location to Net Sales

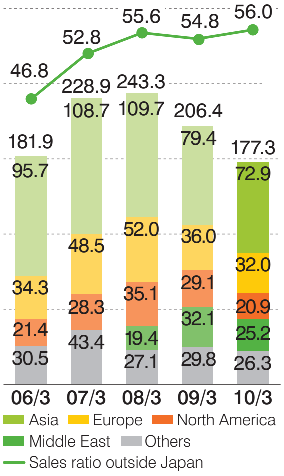


Compared to the previous fiscal year, the percentage of net sales from outside Japan remained relatively unchanged for the industrial automation and control business due to the effects of the strong yen. Conversely, this percentage rose for the test and measurement business because of a decline in Japan sales for the measuring instruments business. As a result, the overall percentage of net sales from outside Japan increased slightly compared to the previous fiscal year.

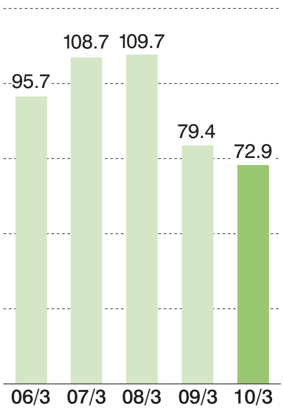
By region, sales in North America plummeted 28% due to the drop in capital investment that occurred in all industrialized regions. And in the Middle East, net sales fell 22% from the previous fiscal year, when sales were strong due to high demand for energy. We also saw reduced sales in other parts of the world where the Company operates.

Asia: China, Singapore, South Korea, India, etc.
Europe: The Netherlands, France, the United Kingdom, Germany, etc.
North America: The United States, Canada
Middle East: Bahrain, Saudi Arabia, etc.
Other: Russia, Brazil, Australia, etc.

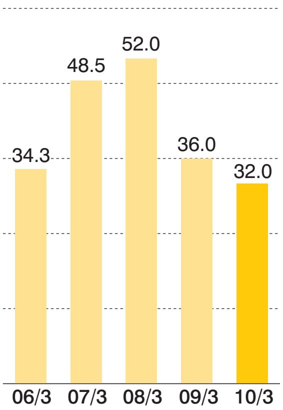
Sales outside Japan by Customer Location / Sales Ratio outside Japan
(Billions of yen / %)



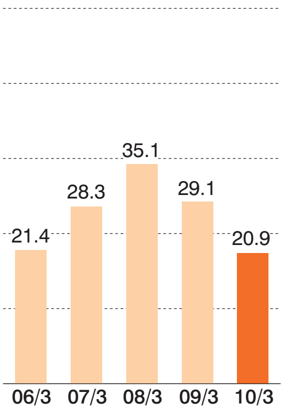
Sales by Customer Location (Asia)
(Billions of yen)



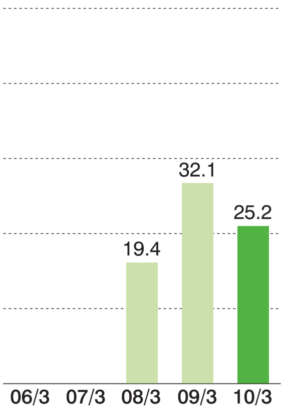
Sales by Customer Location (Europe)
(Billions of yen)



Sales by Customer Location (North America)
(Billions of yen)

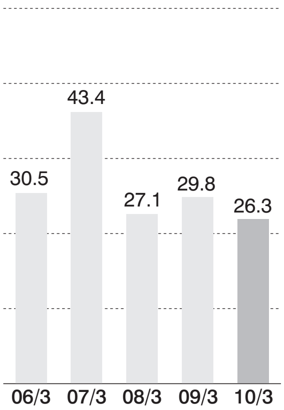


Sales by Customer Location (Middle East)
(Billions of yen)



Note: Figures for the Middle East region have been disclosed since fiscal year 2007.

Sales by Customer Location (Others)
(Billions of yen)



Note: Figures for fiscal years 2005 and 2006 include the Middle East.

RESEARCH AND DEVELOPMENT AND INTELLECTUAL PROPERTY STRATEGY

The role of R&D at Yokogawa

To provide leading-edge "mother tools" and basic technologies to industry, Yokogawa recognizes that the future-oriented development of new technologies is one of its most important challenges. We are pushing ahead with technology R&D in our core business domains of measurement, control, and information, and this supports our fundamental objective of guaranteeing the high reliability and stable performance of our products over the long term.

Taking a long-term perspective, we continue to maintain a high level of investment in R&D. In fiscal year 2009, we focused on R&D investments for the industrial automation and control business. For the year, R&D investment was 9.1% of net sales.

Division of R&D functions

The future is uncertain and is not always easy to predict. In recognition of the challenges that this and the inevitable fluctuations in our business environment present, the Company restructured its R&D organization in April 2010. Product development for all currently operating businesses and applied research for the relatively near-term and foreseeable future are now handled by each business headquarters. Research with a longer-term perspective that is driven by scenarios on what may possibly happen in the future is handled by the Corporate R&D Headquarters.

It is the responsibility of the Corporate R&D Headquarters to make the most efficient use of our investment in R&D to prepare for this unknowable future. This headquarters incorporates three vital research functions: developing scenarios for the future, establishing scenario-driven technology development and intellectual property strategies, and conducting research.

The Corporate R&D Headquarters works with basic measurement, control, and information technologies to prepare them for commercial launch. Our aim in this is to contribute to society by introducing leading-edge technologies to the world.

Basic R&D policies

The Corporate R&D Headquarters manages research projects based on the three basic policies listed below. To ensure these policies are carried out, we have constructed a framework for making strategic technology decisions. This framework determines the strategic positioning of each research project. By applying this framework to all research projects, we can continually and objectively evaluate the projects and technologies that are under development.

Three Basic Policies

- Ensuring core competence

Establish technology strategies for the possible future, and develop new technologies that will ensure our core competence in the future.

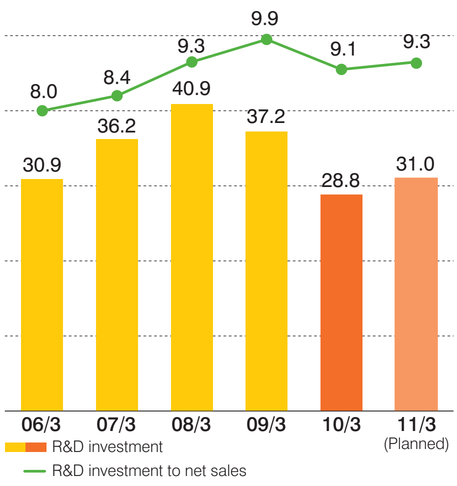
- Securing a diverse workforce of technical professionals

With the aim of securing a richly diverse workforce, develop an intricate industry, government, and academic knowledge base and put in place a network of technical professionals who can function on a global scale.

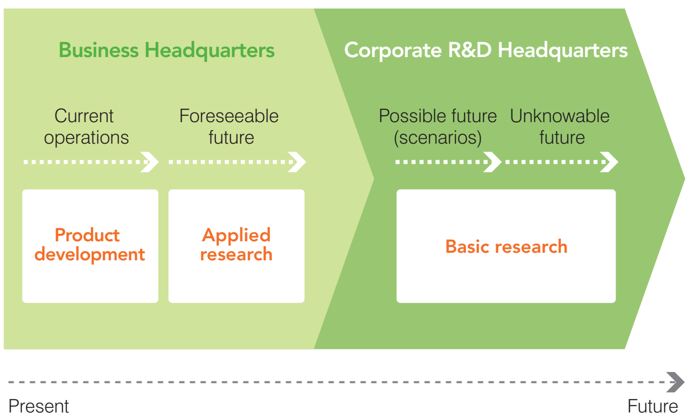
- Becoming an innovation hub

Drive innovation by combining knowledge of the outside world's advanced technological and social trends with the knowledge and expertise that has been acquired within the Company.

R&D Investment / R&D Investment to Net Sales
(Billions of yen / %)



R&D Division of Labor



Future-oriented research

We have introduced scenario planning at the Corporate R&D Headquarters, and are working to predict various possible directions in which the future may develop. We collectively consider perspectives from around the world on future trends, examine circumstances that may have a bearing on energy-related markets, and look at the needs of customers. Based on all this information, we then seek out the best way in which Yokogawa can contribute in the future.

Through scenario planning, Yokogawa is making the most efficient use of its R&D investments. This involves developing a range of scenarios for the future and assessing which of them are most likely to occur, then revising the direction of its future-oriented R&D as well as the allocation of investments. Scenarios are shared throughout the Company and employed in the development of business strategies. Based on this thought process, the Corporate R&D Headquarters conducts research in the following fields:

1. **Foundation research**
   Basic technologies that, according to any one of our scenarios, could become important to our customers
2. **Strategic research**
   Technologies and knowledge that are predicted to become important based on these different scenarios
3. **New field research**
   Research that creates new business fields from the technologies that we seed

Regarding the topic of research, it is the mission of those working in this area to constantly look toward the future and properly evaluate any signs of change. Accordingly, it is the responsibility of the Corporate R&D Headquarters to cultivate the development of researchers with these characteristics. The Corporate R&D Headquarters also works in close cooperation with the marketing and development departments of non-Japan subsidiaries in North America, Singapore, China, and other locations. Through these and other efforts that include sending researchers to research facilities outside Japan, we are aggressively engaged in the pursuit of research (including the general use of R&D findings released by sources outside the Company) that will lead to a wide range of innovations.

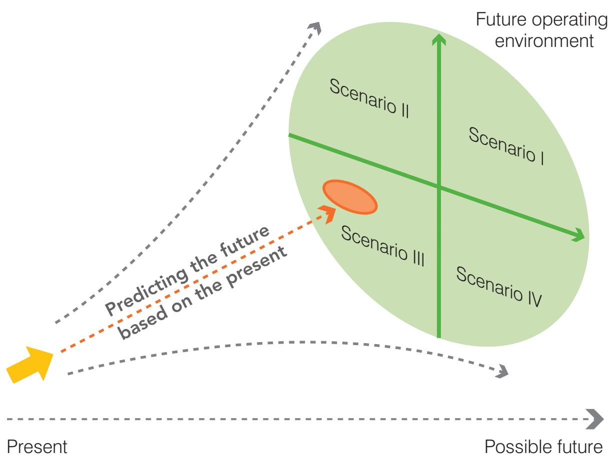
Our globalization-oriented intellectual property strategy

In recognition of the importance of intellectual property in producing high-value-added products and services and promoting social and industrial development, we are working in a number of ways to link our intellectual property, business, and R&D strategies. By patenting the inventions created through our ceaseless R&D efforts, we can be sure that our uniquely excellent measurement, control, and information products and services retain their preeminence for years to come.

Along with the rapid globalization of business, R&D competition is becoming increasingly intense, not only in Europe and the United States but also in Asia. The acquisition of intellectual property rights, mainly through patents, is significant for two reasons: to protect from third-party imitation and ownership the technologies that establish the basis for our preeminence over other companies, and to prevent competitors from entering new fields or product categories. In addition to Japan, which forms the center of our R&D activities, our important development facilities in countries such as Singapore are carrying out a full range of intellectual property-related functions, such as education and training, encouragement of employee inventions, and patent applications.

To boost cost and management efficiency, we relinquish the rights to any patents that play no role in our business strategies or whose role is considered to be complete. At the same time, we are pushing ahead with measures to increase the number of patent applications.

R&D Investment through Scenario Planning



Intellectual Property Rights Owned by the Company

(As of March 31, 2010)

	In Japan			Outside Japan			
	Regis-tered	Patent Pending	Sub-total	Regis-tered	Patent Pending	Sub-total	Total
Patent	1,658	2,903	4,561	663	639	1,302	5,863
Design	126	13	139	7	6	13	152
Trade-mark	612	20	632	475	68	543	1,175
Total	2,396	2,936	5,332	1,145	713	1,858	7,190

The creation of intellectual property in the technological development process

Yokogawa has established internal design standards for the R&D and product development processes. These standards encourage employees to patent their inventions, maintain our competitive preeminence by requiring an investigation that determines whether a given product or process can be patented, and identify whether any infringement of third-party intellectual property rights has occurred.

We operate an in-house reward scheme for patented inventions that help to generate profits. Our royalty system provides considerable incentives for inventors, and we implement both a profit-linked model without an upper limit and a rank-based, fixed-royalty model.

Furthermore, we hold periodic corporate review meetings to examine excellent inventions for which patent applications have been filed in the last three years. From these applications, we select winners who receive a commendation from the president on the anniversary of the Company's founding, regardless of whether a patent has been granted. We also proactively put forward our most highly regarded inventions for awards presented by external organizations. For the invention of a double pass monochrometer, we received an Invention Award (one of the 2009 National Invention Prizes) from the Japan Institute of Invention and Innovation.

Open innovation and intellectual property

Yokogawa has made the provision of leading-edge technology one of its most important initiatives. To create such technology, we are committed to the proactive pursuit of open innovation through R&D activities that utilize external resources. We do not rely solely on proprietary technologies, but are actively engaged in joint research with industry and academia, and are focusing our energies on ensuring that patent applications follow from this research.

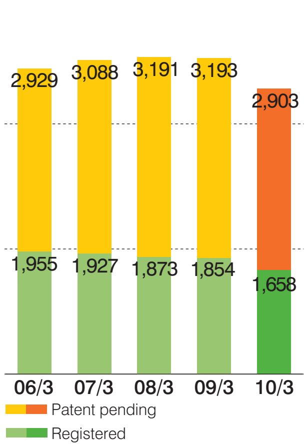
Through actions such as the granting of patent licenses, we are also making effective use of intellectual property related to operations that will be either transferred or terminated as the result of our selection and concentration on specific businesses. At the same time, to ensure that we can continuously offer products and services to customers without interruption, we take decisive measures against any inappropriate infringement of our intellectual property rights to maintain our brands and protect the originality of our work.

Intellectual property and international standardization

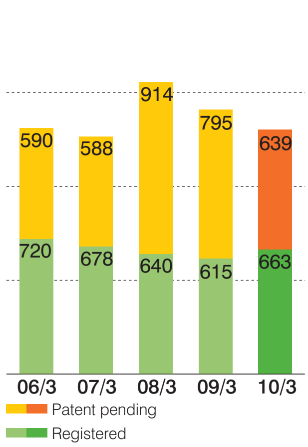
International standardization affects whether or not products and services can succeed in global markets, and consequently has a major influence on our business strategies. It is also an important element of our R&D strategies, since it determines whether the market will support technology that requires up-front investment. While linking standardization with our R&D and intellectual property strategies, we are proactively pushing ahead with international standardization activities in each of our technological domains.

However, it is acknowledged that intellectual property and international standardization positions can be antithetical, and problems concerning the execution of patents frequently arise. To enhance customer convenience and invigorate the market, our policy is to prioritize activities in areas where interoperability is required, such as communications and software, and when necessary, to disclose information on intellectual property or permit its use through licensing contracts.

Trend for Patents in Japan
(Number of applications)

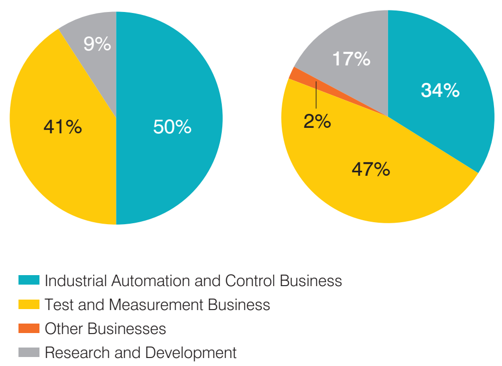


Trend for Patents outside Japan
(Number of applications)



Patents in Each Segment in Japan

Patents in Each Segment outside Japan



CORPORATE SOCIAL RESPONSIBILITY (CSR)

Basic policy on CSR

The Yokogawa Philosophy is the basic policy for CSR activities throughout the Group. In addition, in 1994 the Company established the Standards of Business Conduct for the Yokogawa Group, and these are the basic guidelines for compliance management.

In 2008, we established the CSR Promotion Headquarters to manage CSR activities. In 2009, the CSR and Business Ethics Department was given responsibility for managing our compliance, environmental conservation, occupational safety and health, and philanthropic initiatives. The placing of this department within the Audit and Compliance Headquarters, which manages the Group's internal control systems, allows a more comprehensive approach to CSR activities.

Contributing to society through our business

We believe that a company must continue to grow in response to changes in society. The Yokogawa Philosophy states, "As a company, our goal is to contribute to society through broad-ranging activities in the areas of measurement, control, and information." We are proud to be a company that supports industries around the world and contributes to society through our business.

We are also working to resolve issues that concern people everywhere, including problems pertaining to the environment. We supply energy saving solutions, support the development of alternative energy, measure and analyze the environmental burden, and support the development of health care and pharmaceutical solutions. In these ways, we are making use of our measurement, control, and information technologies to contribute to society.

Corporate responsibility

The Standards of Business Conduct for the Yokogawa Group call for the realization of the Yokogawa Philosophy, enhancement of customer satisfaction, observance of laws and regulations, respect for human rights, and maintenance of the order and safety of community and society. We have also outlined our basic stance on environmental conservation and stakeholder relations.

We view all Yokogawa employees as valuable assets, and work proactively to maintain a sound work environment and provide opportunities for skill development. We also respond to our customers by putting quality first. Moreover, in accordance with our principle of good citizenship, we interact with the community, encourage employees to participate in volunteer activities, and engage actively in other activities to contribute to society.

Corporate governance

We are enhancing corporate governance to realize sound and sustainable growth. By employing outside directors and corporate auditors, we increase the transparency of our decisions and enhance the functionality of audits. We are also developing our internal control systems to ensure the appropriateness and efficiency of business operations. We seek to be a company that earns the trust of society with its fair and honest business activities, and are building a corporate culture that puts compliance first.

Global Compact

In January 2009, Yokogawa joined the Global Compact, a United Nations initiative based on 10 principles related to human rights, labour, the environment, and anti-corruption. As of February 2010, 7,542 organizations from around the world were participating in this initiative, with Yokogawa the 76th Japanese corporation to do so. We are implementing measures based on the ideals and standards of the Global Compact together with all Group employees and companies connected to us through our supply chain.

Ten Principles of the Global Compact

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Please refer to Yokogawa Electric Corporation's CSR website for further information on CSR.

CSR website URL
http://www.yokogawa.com/csr/

CORPORATE GOVERNANCE

Basic policy on corporate governance

The Yokogawa Group recognizes that the basic mission of corporate management is to secure sound and sustainable growth, and to build a relationship based on trust with stakeholders, including shareholders. Accordingly, the Group is implementing important measures to enhance corporate governance in order to achieve a sound and profitable operation. The Company employs a corporate auditor system and has a Board of Directors that monitors directors in the execution of their duties and a Board of Corporate Auditors that monitors the Board of Directors. We are enhancing this system by utilizing independent outside directors and corporate auditors. Through these systems, the Company is bolstering the effectiveness of its corporate governance.

Decision making, business execution, and audits

Speedy decision making and transparency are ensured through deliberations among directors who are well versed in the Group's business, including completely independent outside directors. Through audits by the corporate auditors, the legality, efficiency, and rationality of the directors' activities and the appropriateness of their decisions are rigorously examined.

Board of Directors

The Board of Directors comprises eight directors, three of whom are independent outside directors, with meetings held monthly in principle. The Board of Directors makes decisions for the Group. Accordingly, it develops management policies and strategies, while monitoring and supervising business execution. Regulations and systems are in place that ensure the directors exercise their responsibilities to oversee the business. The Board of Directors has a maximum of 15 members, as outlined in the Company's Articles of Incorporation. Also, in order to help ensure that the Company is managed in such a way that we maintain the trust of our shareholders, the term of office for directors is set at one year.

Board of Corporate Auditors

The Board of Corporate Auditors consists of five corporate auditors, including three outside corporate auditors, with meetings held monthly in principle. It carries out auditing in accordance with an annual plan that specifies priority audit items. Corporate auditors also attend the meetings of the Board of Directors and the Management Board, and hold regular meetings with the Internal Audit Department and other departments that are involved with the compliance system. These meetings focus on the status of audits, compliance-related education, and the status of the internal reporting system. In addition, the Board of Corporate Auditors engages in a regular exchange of opinions with the president, accounting auditors, and the departments responsible for internal auditing and business ethics.

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, division heads, and standing corporate auditors, and meets monthly in principle. Details on their decisions are reported to the Board of Directors.

Accounting auditor

The Company has concluded an agreement with Deloitte Touche Tohmatsu, an independent auditing company, for accounting auditing services pursuant to the Companies Act and the Financial Instruments and Exchange Act. Remuneration for their audit and attestation services in fiscal year 2009 was as follows:

Payments by the Company: 114 million yen

Payments by consolidated Group companies: 49 million yen

Basic policy on internal control systems and their maintenance

The Yokogawa Group 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. In addition, the Yokogawa Group Internal Control Systems, which are intended in part to help ensure the reliability of financial statements and the propriety of decision making, guarantee the appropriateness and efficiency of Group operations.

Remuneration paid to directors and corporate auditors

Remuneration for directors (excluding outside directors but including directors who serve concurrently as officers) is set at a competitive level that allows directors to effectively perform their duties, which include the supervision and monitoring of officers and business execution. This is comprised of fixed remuneration that is in line with their responsibilities, and performance-based remuneration. Outside directors receive fixed remuneration that is calculated based on their responsibilities. Corporate auditors (including outside corporate auditors) receive fixed remuneration that is calculated based on their responsibilities.

Total Amount of Remuneration Paid to Directors and Corporate Auditors

	Recipients	Amount
Directors (outside directors)	10 persons (3 persons)	338 million yen (29 million yen)
Corporate Auditors (outside corporate auditors)	6 persons (3 persons)	89 million yen (32 million yen)
Total (outside directors and corporate auditors)	16 persons (6 persons)	428 million yen (62 million yen)

Note: One corporate auditor who stepped down from his position upon the conclusion of the 133rd Annual General Meeting of Shareholders on June 29, 2009 is included in the above figures. The remuneration paid to directors does not include employee salary for those directors concurrently serving as employees.

Takeover defense measures

The Company believes that a framework is necessary for preventing acts that are contrary to its values and the common interests of shareholders. This allows the shareholders sufficient time to judge whether consent should be given to a large-scale purchase of the Company's shares, and also gives the Board of Directors sufficient time to obtain information and present alternative plans to shareholders. A resolution entitled "Renewal of Countermeasures to Large-scale Acquisition of Yokogawa Electric Shares (Takeover Defense Measures)" was submitted to the 133rd Annual General Meeting of Shareholders on June 29, 2009. The resolution was approved and is valid for two years.

For further details, please refer to the Company press release at (http://www.yokogawa.com/pr/pdf/20090428-en.pdf).

Risk management system

The Yokogawa Group Internal Control Systems have been established to ensure the appropriateness of Group business activities. As the unit responsible for risk management, the department responsible for internal auditing identifies and analyzes risks, and recommends improvements. It also reports important matters to the Board of Directors and the corporate auditors.

Responses to crisis situations 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.

Compliance

Compliance is given a top priority at Yokogawa. The Yokogawa Group is making a unified effort to strengthen its compliance management. As part of our efforts to be a sound and open company, we have been creating systems that prevent ethical misconduct and establishing a culture that encourages ethical conduct.

As part of these activities, we have distributed to each employee a copy of the Standards of Business Conduct for the Yokogawa Group, which covers the Yokogawa Philosophy and employee code of conduct, and the Yokogawa Group Compliance Guidelines, which set out how employees should respond to a variety of issues encountered on the job. A Business Ethics Week is also held and training provided to enhance employee awareness. In addition, to rapidly identify and address compliance issues, we have established and actively encourage the use by employees of compliance hotlines. Moreover, each year we carry out surveys to clarify employees' perceptions of compliance issues. We subsequently analyze the results by workplace and function, and make full use of the results to create and implement a range of compliance measures.

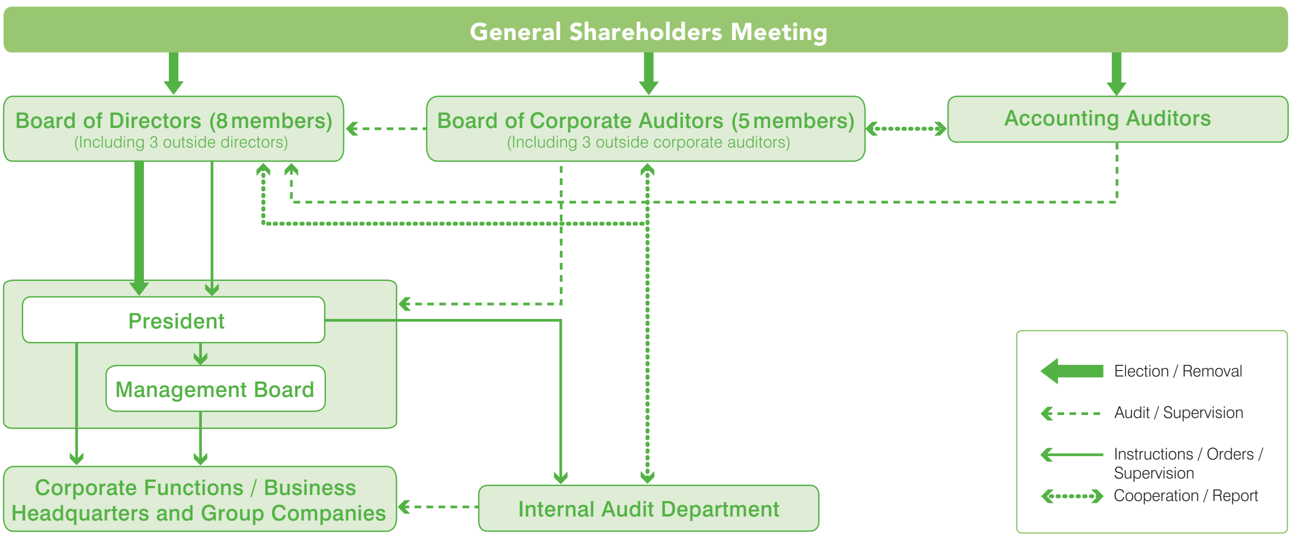
Information security

We at Yokogawa are working to protect the information entrusted to us by our stakeholders by focusing on employees, property, and IT.

For all employees, we institute yearly education programs. Through these programs, we provide an up-to-date understanding of information security. And by performing internal audits of all departments, we improve awareness of information security issues. Regarding property, we are paying increasing attention to crime and fire prevention. We are also employing a variety of new systems such as an iris recognition system for controlling access to facilities and employee ID card-activated locks for cabinets.

From the IT perspective, in addition to virus protection, we use computers with biometric recognition and data encryption capabilities. By utilizing such advanced information technologies, we are building a safer work environment.

Corporate Governance Structure



ENVIRONMENTAL MANAGEMENT

Yokogawa's environmental management strategy is centered on reducing the environmental impact of its own operations as well as those of its customers. The Company is striving to decrease the environmental impact through the development of global warming countermeasures and environmentally friendly products.

Promoting environmental management

Yokogawa's management has assigned a very high priority to protection of the environment. We have established an environmental management system with the aim of making continuous improvements in our environmental performance.

We have set two environmental management objectives: helping our customers reduce the environmental impact of their business activities and reducing the environmental impact of our own business activities.

In regard to the first objective—helping our customers reduce the environmental impact of their business activities—to achieve this goal, we develop and provide products that are in harmony with the environment. Also, we are aggressively developing a solutions business that helps our customers to analyze and reduce the environmental impact of their business activities.

Working toward the second objective—reducing the environmental impact of our own business activities—we are promoting reduced usage of energy and other resources, reduction of environmental pollutants and waste, and reuse and recycling activities. We are fostering these initiatives throughout the Company, starting with activities on our production lines and extending to all other areas of our business including development, manufacturing, sales, procurement, and logistics. Through these efforts, Yokogawa is working together with its customers to build a sustainable society.

Measures to prevent global warming

The Company is working actively to reduce CO_2 emissions through such initiatives as improving production lines and introducing highly efficient equipment. In our offices, we are reducing CO_2 emissions through the implementation of the Cool Biz and Warm Biz casual-dress campaigns, and by switching off the lights during lunch breaks and adjusting the air-conditioning settings. In addition, we will continue participating in a campaign sponsored by the Ministry of the Environment by encouraging employees at each of our plants and business locations to switch off the lights. Furthermore, 300 MWh of the electricity consumed at Yokogawa's world headquarters building is green energy that is generated from biomass.

Green power biomass energy certification mark

Yokogawa Manufacturing's Kofu Factory has been actively realizing energy savings through day-to-day monitoring. By introducing Yokogawa's InfoEnergy and Enerize energy management systems, the Kofu Factory is making energy

Principal Goals and Achievements in Fiscal Year 2009

Environmental Policy of the Yokogawa Group (excerpt)	Fiscal Year 2009 (main sites)		Self Evaluation
	Targets / Goals	Results	
Promotion of recycling-based management	Reduce CO_2 emissions: • by 32.4% per unit floor space, compared to fiscal year 1990 (to 97.7 kg-CO_2/m²)*1 • to below 16,353 t-CO_2/year*2	• 39.7% reduction (to 87.2 kg-CO_2/m²) • Reduced to 15,555 t-CO_2	○
	Reduce total waste: • by 11% compared to fiscal year 2003 (676 t/year in total emissions)*1 • to 2,787 t/year*2	• 49% reduction (389 t/year) • Reduced to 2,694 t/year	
	Resource saving • Deploy green production lines and make improvements to 12 lines*2	• Achieved energy-saving improvements, including on manufacturing lines and for equipment, at 12 lines (reduced use of cutting oil, reduced volume of paper use, etc.)	
Reduction of environmental pollutants	• Reduce toluene and xylene by 1,850 kg*2 • Promote lead-free soldering and achieve 100% application in planned products*2	• 2,738 kg reduction • Application to all planned products achieved	○
Development of environmentally friendly products	• Reduce CO_2 emissions of developed products by more than 25% based on assessment standards*1	• Shipments of five models	○
Provision of environmental solutions	• Show visitors energy-saving efforts at the Kofu Factory*1 • Increase sales of environmentally friendly products*1	• Achieved	○

Main sites: Yokogawa Electric Corporation Headquarters & Main Factory and Yokogawa Manufacturing Corporation
*1: Goals of Yokogawa Electric Corporation Headquarters & Main Factory *2: Goals of Yokogawa Manufacturing Corporation

data visible so that all employees can get involved in reducing energy waste on the production lines. As workers can monitor energy consumption by line and product in real time, they are able to come up with many ways to improve energy savings. One of the main initiatives during fiscal year 2009 was the introduction of systems to optimize the energy consumption in clean rooms when they are not in use. Through these initiatives, the factory reduced its electricity use by approximately 360 MWh per year, the equivalent of 120 tons of CO_2 emissions.

The Kofu Factory also encouraged its approximately 1,000 employees to take part in the Eco-commute Challenge to commute in a more environmentally friendly manner. More than 600 employees participated by, for example, turning off the engine when a vehicle is stopped and commuting by motorcycle and bicycle.

For the Yokogawa Group companies in Japan, CO_2 emissions on a unit-sales basis were 9.8 t-CO_2 per 100 million yen in fiscal year 2009, a reduction of 62.3% from the figure for fiscal year 1990. The Group successfully cut its CO_2 emissions through energy-saving measures such as upgrading to more energy-efficient equipment. However, due to the decline in sales for the fiscal year under review, the unit-sales basis total decreased year on year.

Measures to improve the production line

We are actively working to reduce the environmental burden of each production line process. Principal measures in fiscal year 2009 included reducing the pressure levels in compressors that operate 24 hours a day at Yokogawa Manufacturing's Komine Factory.

After evaluating the pressure levels in equipment, we installed amplifiers on ultrasonic welders that had recorded large pressure fluctuations. This has enabled the compressors throughout the factory to run at a lower pressure of 0.59 MPa (originally 0.64 MPa), reducing the annual power consumption 40%, from 9.9 MWh to 6 MWh.

Development of environmentally friendly products

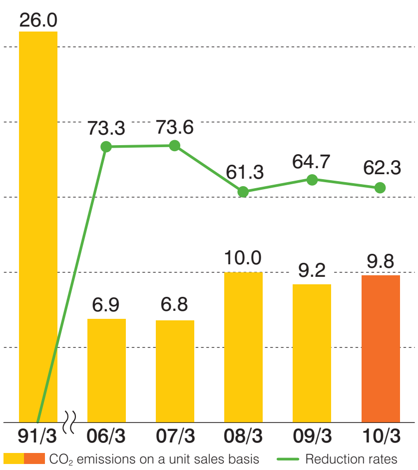
The Yokogawa Group is promoting the development of environmentally friendly products based on design guidelines and assessment standards regarding long-term use, energy saving, and other parameters.

Based on the lifecycle assessment (LCA) standards, the Group assesses energy consumption, CO_2 emissions, NOx emissions, and SOx emissions.

An assesment of the GS200 DC Voltage/Current Source based on the LCA standards showed that the Group had succeeded in reducing CO_2 emissions by 47.8%, NOx emissions by 48.7%, and SOx emissions by 46.3%, when compared with a previous model.

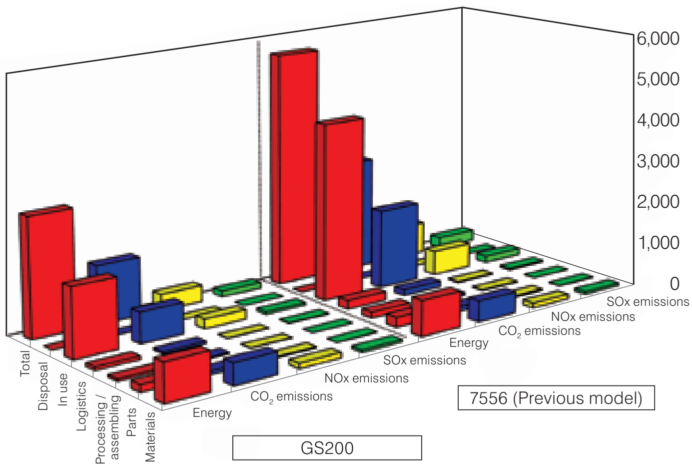
GS200 DC Voltage / Current Source

Unit-sales-basis CO_2 Emissions and Reduction Rates (Compared to fiscal year 1990)



*CO_2 emissions on a unit sales basis: CO_2 emissions on a unit sales basis (t-CO_2 per 100 million yen) = CO_2 emissions (t-CO_2) ÷ sales (100 million yen) ÷ Japan's domestic corporate goods price index (electrical equipment) published by the Bank of Japan

LCA Comparison Chart



HUMAN RESOURCE UTILIZATION AND OCCUPATIONAL SAFETY AND HEALTH

At Yokogawa, human resources are one of our most precious assets. As stated in the Standards of Business Conduct for the Yokogawa Group, we treat all individuals with dignity and respect their fundamental human rights. We provide our employees with various career opportunities, and actively seek to ensure that they maintain a sound work-life balance. We also encourage the employment of people with disabilities. Furthermore, in recognition that safety and health are a basis for sound management, we are working to ensure the safety of all Group employees as well as to maintain and improve their overall health.

Employees growing together with the Company

We are instituting a variety of measures aimed toward proactively and quickly deploying and utilizing our employees. These include having employees submit short- and medium-term career plans to their superiors and using an in-company recruitment system that is intended to identify the employees needed for new businesses and projects. Moreover, we create a career-life design plan each time an employee reaches a turning point in his or her working life and provide that individual with health management training. This is one example of how we help employees plan for their futures.

We support our employees by establishing various systems that allow them to take leave to look after their children or nurse them. We have also introduced a system to provide financial support to employees who are raising children. In fiscal year 2007, Yokogawa was certified by the Chief of the Tokyo Labor Bureau as an Enterprise Supporting Balanced Work and Family Life (*Kurumin* mark). Also, to help our employees lead fulfilling work lives, we have introduced the Employee Assistance Program (EAP). Yokogawa's EAP provides both psychological and career support to all employees, including stress checks and career counseling.

Kurumin support system certification mark

Employing and fostering the growth of people with disabilities

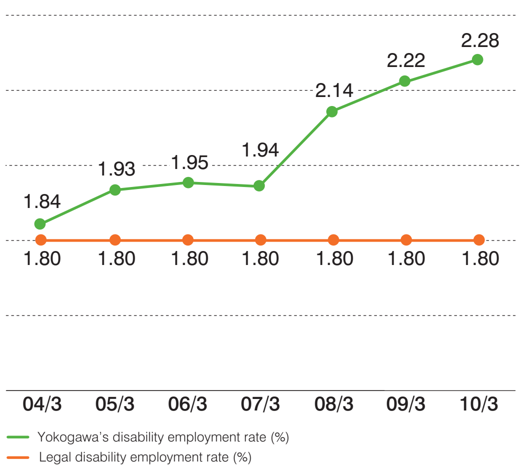
Since beginning the Normalization Project in 1992, we have made a proactive effort to employ people with disabilities. We have met the legally prescribed employment rate for people with disabilities each subsequent year. Further, with the goal of recruiting people with mental and developmental disabilities, in 1999 we established the Yokogawa Foundry Corporation, and this was certified in the same year as a special subsidiary for the employment of disabled individuals. Yokogawa Foundry works aggressively to improve the skills of its employees and to broaden the scope of their activities. These efforts have achieved gratifying results, including awards won by employees at the Abilympics.

Reducing risks related to occupational safety and health

In recognition that safety and health are a basis for sound management, we are working to ensure the safety of all Group employees as well as to maintain and improve their overall health. In 2007, we established an occupational safety and health management system (OSHMS) and have been pushing forward with measures to continuously improve the Groupwide level of safety and health. As one facet of these efforts, 16 Group companies have acquired certification based on the internationally recognized OHSAS 18001 occupational health and safety assessment series.

Specifically, we have implemented risk assessments to eliminate or lessen potential risks, conducted various educational and training programs, and implemented internal audits to evaluate and review existing safety and health measures. Through these efforts, we are eliminating risks to occupational safety and health. We have also developed countermeasures to improve occupational safety and ensure our ability to continue operations in the event of a large-scale natural disaster such as an earthquake or fire, or a worldwide outbreak of new influenza.

Disability Employment Rate



* As of June 1 for each year

Occupational Accidents at Yokogawa Electric (Japan)

	2006	2007	2008	2009
Annual average number of workers	6,308	5,145	6,154	6,187
Total actual working hours	12,087,160	10,094,954	11,553,033	10,397,616
Four or more days lost (persons)	0	1	2	1
One to three days lost (persons)	3	2	0	3
Subtotal (persons)	3	3	2	4
No lost days (persons)	6	5	3	6
Total (persons)	9	8	5	10
Total days lost	7	75	46	36
Lost work days	5.8	61.6	37.8	29.6
Frequency rate*1 (national average: 1.62)	0.25	0.30	0.17	0.38
Severity rate*2 (national average: 0.09)	0.000	0.006	0.003	0.003

*1 Number of workers involved in accidents / Total actual working hours x 1,000,000 hours
*2 Total lost work days / Total actual working hours x 1,000 hours

CUSTOMER SATISFACTION AND QUALITY ASSURANCE

Yokogawa believes that its values of providing the same quality worldwide and putting quality first are essential in gaining customers' trust and satisfaction. Because Yokogawa has been guided since its founding by its ideal of quality first, it implements quality management on a daily basis to deliver products and services that meet customer expectations. Moreover, principal Group companies have acquired international ISO9001 standard certification. In this way, we are aiming to provide the same quality worldwide.

Spreading the quality first mindset

To provide its customers with products and solutions that satisfy their needs, Yokogawa has established a quality management system that extends to all areas of the business process, from planning, development, design, and manufacturing, to sales and service. At the foundation of this system is the quality first mindset (Quality mind, or Qm) that we have had in place since Yokogawa's founding.

We have designated June and November of every year as Yokogawa Quality Month, and are working accordingly to spread quality assurance awareness throughout the Group. We collected ideas for slogans promoting the quality first mindset, and published them on the Company intranet. In addition, we held quality assurance training for all employees. Through such efforts, each employee is reconfirming the importance of quality assurance.

Furthermore, to maintain and improve our level of quality assurance we have developed the QA Notebook, which explains our stance toward quality assurance in an easy-to-understand manner. Production line workers carry this notebook at all times and use it to confirm the concept of quality first.

QA Notebook

Three elements of quality management

The Yokogawa Group has gained its customers' trust by abiding strictly by the motto of "The Yokogawa Group provides the same quality products and solutions everywhere throughout the world." Our quality management consists of three basic elements: Quality Assurance (QA), Quality Improvement (QI), and Quality mind (Qm). We believe that we can satisfy our customers' expectations and build long-lasting bonds of trust only when all of these elements are engaged.

Quality Assurance (QA)
Continually seeking to provide better products to customers based on the concept that the highest priority is given to quality

Quality Improvement (QI)
Establishing a system to provide products and services that are of the same quality worldwide

Quality mind (Qm)
Each and every employee having the quality first mindset that is one of the Yokogawa Group's founding principles

Utilizing customer feedback

Yokogawa has always collected customer feedback through such means as direct questioning and third-party surveys. In addition, in fiscal year 2009, we began asking customers to participate in product explanation forums and fill out customer satisfaction surveys. We have thus been investigating and analyzing customer satisfaction levels for all services that we supply to customers, including products, sales activities, and logistics. By reflecting the results of these surveys in our business activities, we are working to enhance the quality of our services.

Three Elements of Quality Management

Quality in every aspect begins with the mind

The Global Response Center

The Global Response Center supports customers on a 24 hour a day, 365 day a year basis.

SUPPLIER RELATIONS

Yokogawa interacts with customers and suppliers around the world, and is part of various supply chains. By going beyond just being a company and striving to resolve issues that affect the global society, we are working together with our customers and suppliers to promote CSR.

Yokogawa's management framework and internal control

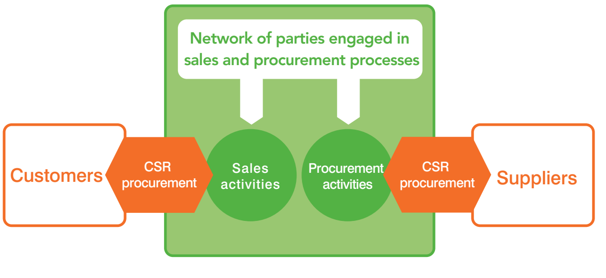
As part of the Yokogawa Group's internal control mechanisms, Yokogawa's management framework governs the overall business processes, including its relationship with customers and suppliers. For the sales and procurement processes in the supply chain, the Group Sales Operations Code and Group Purchasing Code have been defined based on the Yokogawa Philosophy and Standards of Business Conduct, to ensure fair and equitable transactions. Yokogawa observes the local ordinances of the countries and regions in which it operates, and focuses on establishing a supply chain that has a minimum impact on the environment.

In 2008, the Yokogawa Group Supply Chain CSR Guideline was created and published based on the recommendations of the Japan Electronics and Information Technology Industries Association (JEITA). In addition, three basic procurement principles were formulated to guide daily operations. In 2009, a network of individuals and organizations involved in the Yokogawa Group's sales and procurement processes was established to lay a foundation for all supply chain CSR activities.

Three Basic Procurement Principles

- Create an ethical, clear, and open corporate culture and establish ourselves as a company that can be trusted by society.
- Promote socially responsible procurement activities throughout the supply chain, including not only the Yokogawa Group but also Yokogawa suppliers.
- Comprehensively evaluate and select suppliers, giving priority to our commitment to being a good corporate citizen.

Supply Chain CSR



CONTRIBUTION TO SOCIETY

The Yokogawa Philosophy states that, "As a company, our goal is to contribute to society through broad-ranging activities in the areas of measurement, control, and information." As a provider of "mother tools" to industry, Yokogawa is contributing to society through its technologies.

Measurement seminar held

The measurement seminar started in fiscal year 2008 as a response to a request from local communities for the provision of technical training courses. In fiscal year 2009, this seminar was held 13 times in 12 locations throughout Japan.

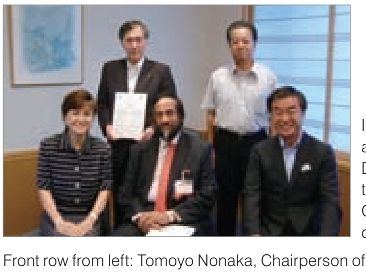
Each of the seminars is usually limited to 20 to 30 people because there are demonstrations and exercises using actual devices. When the seminars first started, the curriculum focused on fundamental concepts, much like a regular school education program. However, more recently Yokogawa has been working with its hosts to design a curriculum that better meets the needs of local industry.

For the attendees, the knowledge and skills gained from the seminar can be used immediately in their workplaces. Yokogawa will continue to hold these events, hoping to boost local economies and expand employment.

Power measurement / low-frequency EMC measurement seminar at Iwate Industrial Research Institute, in collaboration with NF Corporation

Donation of solar-powered lanterns to Indian village without electricity

As a company that promotes the use of renewable energy and has an Indian subsidiary, Yokogawa elected to participate as part of its regional contribution activities in a project to provide solar-powered lanterns to a village in India that was without electricity. In fiscal year 2009, Yokogawa provided lanterns for the village of Pachpadi, a community of 600 residents located in India's state of Rajasthan. We anticipate that the solar-powered lanterns will contribute not only to reducing the amount of kerosene oil used by the village, but also to raising its standard of living.



In September 2009, Yokogawa received a corporate supporter certificate from Dr. Rajendra Pachauri, chairman of the Intergovernmental Panel on Climate Change (IPCC) and promoter of this project.

Front row from left: Tomoyo Nonaka, Chairperson of the Gaia Initiative and the Japanese contact person for the solar-powered lantern project; Dr. Pachauri; and Shigefumi Matsuzawa, the Governor of Kanagawa Prefecture who cooperated with Yokogawa in this project

DIRECTORS, CORPORATE AUDITORS, AND OFFICERS

As of June 25, 2010

Directors

Isao Uchida
Chairman of the Board

Shuzo Kaihori
President and
Chief Executive Officer

Kazunori Yagi
Director
Executive Vice President

Teruyoshi Minaki
Director
Executive Vice President

Junji Yamamoto
Director
Senior Vice President

Masahisa Naito
Outside Director

1961 Joined Ministry of International Trade and Industry
1991 Director-General of Ministers' Secretariat
1993 Director-General of Industrial Policy Bureau
1998 Executive Vice President of Itochu Corporation
2000 Vice Chairman of Itochu Corporation
2003 Chairman & CEO of the Institute of Energy Economics, Japan (present)

Yasuro Tanahashi
Outside Director

1963 Joined Fuji Iron & Steel Co., Ltd. (present Nippon Steel Corporation)
1995 Director and General Manager of Electronics and Information Systems Division of Nippon Steel Corporation
1997 Managing Director of Nippon Steel Corporation (in charge of new businesses overall)
2000 Representative Director and President of Nippon Steel Information and Communication Systems Inc. (present NS Solutions Corporation)
2003 Representative Director and Chairman of NS Solutions Corporation
2007 Senior Advisor of NS Solutions Corporation (present)

Nobuo Katsumata
Outside Director

1966 Joined Marubeni-Iida Co., Ltd. (present Marubeni Corporation)
1996 Director of Marubeni Corporation Corporate
1999 Vice President of Marubeni Corporation
2001 Senior Vice President of Marubeni Corporation
2003 President and CEO of Marubeni Corporation
2008 Chairman of Marubeni Corporation (present)

Corporate Auditors

Takafumi Koyanagi
Corporate Auditor

Kiyoshi Makino
Corporate Auditor

Shigeru Hikuma
Outside Corporate Auditor

1970 Joined Bank of Japan
1997 Appointed Director-General of Business Management Department of the Bank of Japan
1998 Appointed Executive Director of the Bank of Japan
2001 Appointed President of Credit Risk Database Association, a Limited Liability Intermediate Corporation (current CRD Management Council) (current)

Teruhiko Ikeda
Outside Corporate Auditor

1969 Joined the Fuji Bank, Limited
2002 Deputy President of Mizuho Corporate Bank, Ltd.
2004 President and CEO of the Mizuho Trust & Banking Co., Ltd.
2008 Chairman of the Mizuho Trust & Banking Co., Ltd.
2010 Advisor of the Mizuho Trust & Banking Co., Ltd. (present)

Koichi Iki
Outside Corporate Auditor

1970 Joined the Dai-ichi Mutual Life Insurance Company
2007 Vice President of the Dai-ichi Mutual Life Insurance Company
2008 President of the Dai-ichi Building Co., Ltd.
2009 Chairman of DIAM Co., Ltd. (present)

Officers

Senior Vice President
Takashi Fujii
Toshiaki Shirai
Shuhei Sakuno
Hisashi Nara

Vice President
Yasunori Kawata
Akira Miura
Hiroshi Yamada
Nobumasa Hamaguchi
Masaharu Yamazaki
Koichi Chujo
Tony Lee

Note: Outside Directors Masahisa Naito, Yasuo Tanahashi, and Nobuo Katsumata as well as Outside Corporate Auditor Shigeru Hikuma are independent officers as defined by the regulations of the Tokyo Stock Exchange.

CONTENTS

CONSOLIDATED SIX-YEAR SUMMARY

Yokogawa Electric Corporation and Consolidated Subsidiaries
Years Ended March 31, 2005 to 2010

						Billions of yen	Millions of US dollars
	2005/3	2006/3	2007/3	2008/3	2009/3	**2010/3**	**2010/3**
For the year:							
Net sales	¥387.1	¥388.9	¥433.4	¥437.4	¥376.5	¥316.6	$3,403
Cost of sales	250.0	245.9	275.9	277.4	253.0	214.5	2,305
Selling, general and administrative expenses	112.3	117.6	128.2	132.6	118.8	99.5	1,070
Operating income	24.8	25.3	29.3	27.4	4.7	2.6	28
Operating income ratio (%)	6.4	6.5	6.8	6.3	1.3	0.8	—
Net income (loss)	9.4	21.6	12.6	11.7	(38.4)	(14.8)	(159)
Capital expenditures	18.7	29.5	40.3	38.0	26.8	11.1	120
Depreciation and amortization	14.3	15.1	16.5	23.1	21.6	16.0	172
Research and development cost	29.0	30.9	36.2	40.9	37.2	28.8	309
Cash flow from operating activities	18.3	25.6	40.5	20.8	24.5	21.4	230
Cash flow from investing activities	(11.2)	(11.7)	(39.0)	(51.0)	(24.1)	(13.2)	(142)
Cash flow from financing activities	(1.3)	(14.1)	(6.1)	23.9	28.5	11.1	119
At year-end:							
Total assets	400.3	417.8	438.7	444.6	401.0	398.8	4,286
Debt	227.0	188.3	199.8	219.8	230.0	241.4	2,595
Interest-bearing debt	100.3	61.3	59.6	93.0	124.3	137.1	1,473
Shareholders' equity	168.8	224.6	234.3	220.7	167.2	153.4	1,648
Shareholders' equity ratio (%)	42.2	53.7	53.4	49.6	41.7	38.5	—
Per share data:							
Net income (loss) (yen / US dollars)	38.43	87.45	47.79	44.76	(149.26)	(57.45)	(0.62)
Cash dividends (yen / US dollars)	7.50	15.00	15.00	16.00	16.00	2.00	0.02
Shareholders' equity (yen / US dollars)	693.75	854.24	891.08	856.72	649.20	595.42	6.40
Stock information:							
Stock price at the end of the term (yen / US dollars)	1,452	2,095	1,806	998	394	814	8.75
Market capitalization	368.8	562.8	485.1	268.1	105.8	218.7	2,350
Number of issued shares	253,967,991	268,624,510	268,624,510	268,624,510	268,624,510	268,642,510	—
Other information:							
Number of employees	18,972	17,858	19,286	20,266	20,247	19,574	—

Average exchange rate during the period (yen)

	2005/3	2006/3	2007/3	2008/3	2009/3	2010/3
US dollar	107.46	113.09	117.00	113.80	100.66	92.61
Euro	134.90	137.81	150.33	162.26	143.28	130.68

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 consolidated statement of income showed a 22.1 billion yen increase in net sales, a 1.4 billion yen increase in operating income, and a 985 million yen increase in net income.

FINANCIAL REVIEW

Analysis of results in fiscal year 2009

In fiscal year 2009, consolidated net sales amounted to 316.7 billion yen, down 59.9 billion year on year. This decline reflected a drop of 44.4 billion yen in sales in the industrial automation and control business due to the deterioration in market conditions and the persistence of the strong yen. It was also the result of a 10.3 billion yen decline in sales in the test and measurement business, centered on the measuring instruments business. While measures to cut fixed costs were implemented throughout the Group, these proved unable to offset the drop in sales, and operating income fell 2.1 billion yen, to 2.6 billion yen. The net loss was 14.8 billion yen, down 23.6 billion yen from fiscal year 2008, when results were impacted by a reversal of deferred tax assets.

Analysis of capital and assets

Capital procurement and liquidity management

The Group procures capital based on the principles of security, ensuring the efficiency of capital usage, and limiting procurement costs. In fiscal year 2009, we implemented a variety of measures to respond to the global financial crisis that occurred during fiscal year 2008. These measures included decreasing our reliance on short-term loans, such as commercial paper, and boosting cash and cash equivalents by procuring capital through long-term debt. With these efforts, we are continually enhancing the security of our finances.

We procured 25 billion yen through subordinated loans and this is to be used for investment in the industrial automation and control business and repayment of long-term debt scheduled for fiscal year 2010.

We also ensure the security of our finances and the efficiency of capital usage through a 40 billion yen commitment line of credit. Of this commitment line, 20 billion yen can be used even in the event that principal facilities are devastated by a major earthquake, further increasing our security. At the end of fiscal year 2009, we had no commercial paper on the balance sheet, nor had we used the commitment line.

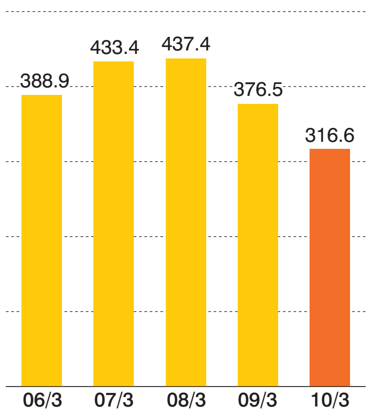
Condition of assets, liabilities, and net assets

Total assets at the end of fiscal year 2009 were 398.8 billion yen, down 2.2 billion yen from the end of the previous fiscal year. While there was a 20.9 billion yen increase in cash and cash equivalents, the decline in total assets can be attributed mainly to a 10.0 billion yen decrease in inventories and a 13.3 billion yen decline in property, plant and equipment.

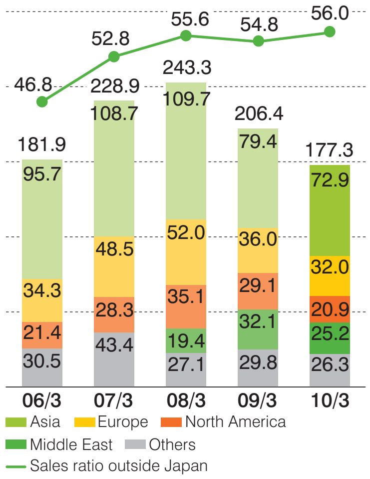
Total liabilities were 241.4 billion yen, up 11.5 billion yen from the end of the previous fiscal year. Although there was a 4.5 billion yen decrease in accounts payable—other and a 5.8 billion yen decrease in other current liabilities that mainly reflected the redemption of commercial paper, total liabilities grew because of a 22.8 billion yen increase in short-term and long-term borrowings.

Total equity was 157.4 billion yen, down 13.6 billion yen from the end of the previous fiscal year. Despite a 2.4 billion yen increase in a net unrealized gain on avairable-for-sale securities, total equity declined because of a 16.8 billion yen decrease in retained earnings. As a result, the shareholders' equity ratio fell 3.2 percentage points from the previous year, to 38.5%.

Net Sales
(Billions of yen)

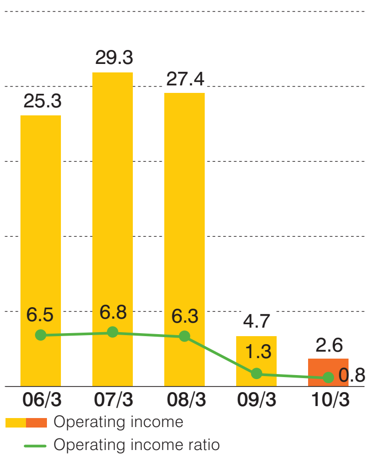


Sales outside Japan by Geographic Area / Sales Ratio outside Japan
(Billions of yen / %)



Note: Prior to fiscal year 2007, the Middle East was included in Others

Operating Income / Operating Income Ratio
(Billions of yen / %)



Cash flow status

The balance of cash and cash equivalents at the end of fiscal year 2009 was 76.6 billion yen, up 19.7 billion yen from the previous fiscal year as a result of inflows of 21.4 billion yen from operating activities, outflows of 13.2 billion yen from investing activities, and inflows of 11.1 billion yen from financing activities.

Net cash provided by operating activities totaled 21.4 billion yen, down 3.1 billion yen from the previous fiscal year, reflecting inflows from adjustments for 16.0 billion yen in depreciation and amortization, a decrease of 10.3 billion yen in inventories, and an impairment loss of 6.2 billion yen, and an outflow of 10.7 billion yen from the loss before income taxes and minority interests.

Net cash used in investing activities was 13.2 billion yen, a year-on-year decrease of 10.9 billion yen, reflecting outflows of 5.3 billion yen from the purchase of property, plant and equipment and 8.2 billion yen from the acquisition of intangible assets.

Net cash provided by financing activities totaled 11.1 billion yen due primarily to an inflow of 25 billion yen in subordinated loans, which more than offset outflows such as a net decrease of 4.2 billion yen in short-term loans payable and the redemption of 10 billion yen in commercial paper.

Policy on appropriation of profit and dividends for the period under review / subsequent periods

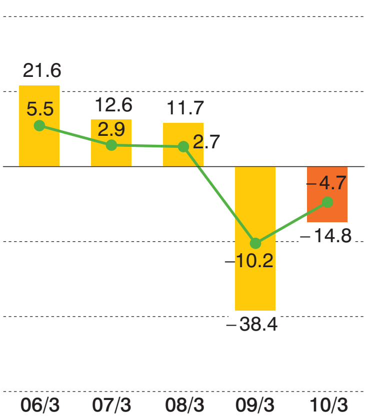
The Company recognizes that, along with establishing a stable management foundation, the continued distribution of earnings to shareholders is one of its most important policies. With the objective of business investment for medium to long term growth, and taking into consideration the need to secure an internal reserve and strengthen our financial standing, we have set the consolidated dividend payout ratio at 30%.

Under normal business conditions, our policy is to pay dividends twice each fiscal year, namely, an interim dividend and a year-end dividend. However, we did not pay an interim dividend for fiscal year 2009 because of the decline in operating performance. For the year-end dividend, we paid 2 yen per share.

Regarding the dividends for fiscal year 2010, we will not pay an interim dividend in view of the business forecast for the first two quarters. The plan for a yearly dividend has not been finalized yet due to uncertainty about the future.

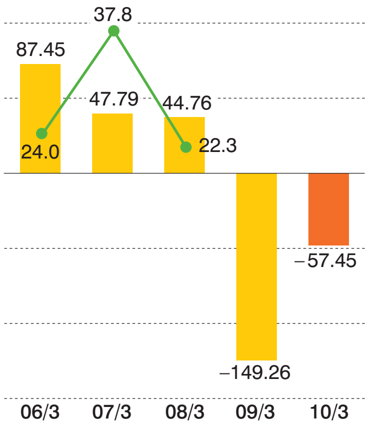
Net Income (Loss) / Net Income (Loss) Ratio

(Billions of yen / %)



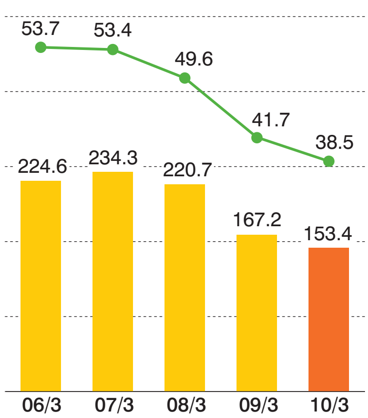
Earnings per Share / Price Earnings Ratio

(Yen / Times)



Shareholders' Equity / Shareholders' Equity Ratio

(Billions of yen / %)



* Calculated using the average amount of the beginning and the end of the fiscal year

Risks relating to the Company's business

As described in the Company's statutory annual financial report filed as stipulated by the Financial Instruments and Exchange Act, the following risks 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 2009. Further, the risks include items that will not necessarily affect investment decisions. However, based on an awareness of these risks, the Company 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

(1) Economic conditions

The Group's main markets where it conducts its business activities are countries and regions including Japan, Asia, Europe, North America, and the Middle East. Economic trends in these markets could adversely affect the Group's business results and financial condition.

(2) International business activities

The Group is highly dependent on the sales that its industrial automation and control and test and measurement businesses generate outside Japan. In addition, the Group has developed a number of production operations outside Japan. 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; or political, social, or other elements could adversely affect the Group's business results and financial condition.

(3) 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 the Group's business results and financial condition. In addition, any increase in costs required to achieve compliance with environmental protection-related legislation could adversely affect the Group's business results and financial condition. Moreover, such legislation could impact the Group's overall business activities, including its R&D and production activities.

(4) Fluctuations in currency exchange rates and interest rates

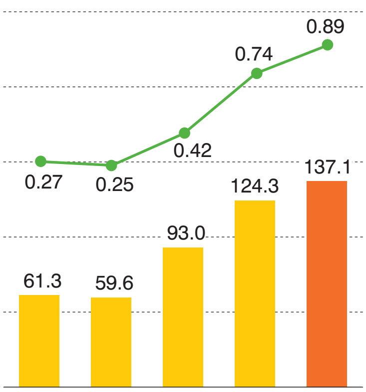
The Company carries out measures for ameliorating the risk of exchange rate fluctuations. However, due to their impact on the prices and costs of products and services with transactions denominated in foreign currencies, fluctuations in currency exchange rates may adversely affect the Group's business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

(5) Changes in the value of assets owned

Changes in the value of shares, etc. owned by the Group could adversely affect the Group's 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 the Group's business results and financial condition.

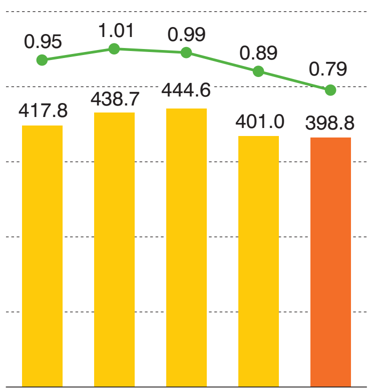
Interest-bearing Debt / Debt Equity Ratio

(Billions of yen / Times)



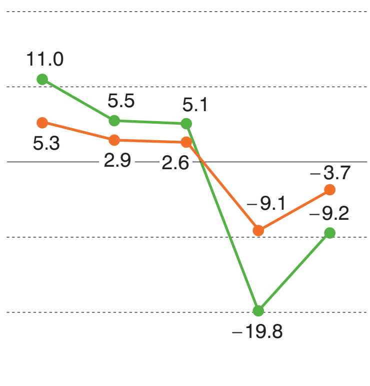
Total Assets / Total Assets Turnover

(Billions of yen / Times)



ROE / ROA

(%)



* Calculated using the average amount of the beginning and the end of the fiscal year

2. Risks relating to business activities

(1) Industrial automation and control business

The industrial automation and control business is expected to grow in the medium to long term due to increased demand for energy and raw materials, particularly in newly industrialized nations.
To increase its share of the global market and bolster sales and income, the Company has focused its resources on this business and strengthened systems related to R&D, production, sales, engineering, and service. As a result, the percentage of net sales on a consolidated basis accounted for by the industrial automation and control business has grown in recent years. Consequently, trends related to the demand for plant construction and upgrades, which affect orders and sales in this business, could adversely affect the Group's business results and financial condition.

(2) Test and measurement business

Within the test and measurement business, we have developed the semiconductor tester business by focusing our resources on memory testers. A greater than expected decline in memory tester demand could adversely affect the Group's business results and financial condition.

(3) Securing and training human resources

The Group's growth is supported by its talented and capable human resources. In particular, the technicians who support its leading-edge technology in the fields of measurement, control, and information, as well as the technicians who support its high levels of product quality, are extremely important to the Group. Further, in the industrial automation and control business, the need to secure and train human resources with the project management and engineering capabilities required to work in the international market is an ongoing issue. If the Group is unable to address this issue satisfactorily, this could adversely affect the Group's business results and financial condition.

(4) Product quality

The Group provides its customers with highly reliable products and services through the technologies and expertise that it has accumulated over many years as well as through its rigorous quality control system. If by any chance a defect should occur in a Group product or service, and if this defect causes any damage, then this could adversely affect the Group's business results and financial condition, and could also impact the Group's overall business activities.

(5) 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 the Group's business results and financial condition.

3. Other risks

(1) 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 the Group is unable to sufficiently protect its intellectual property, and if this is consequently infringed upon by a third party, it could adversely affect the Group's 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 the Group's business results and financial condition.

(2) Information security

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

(3) Disasters, new influenza, etc.

A natural disaster such as an earthquake, fire, or flood; the outbreak of war; a terrorist attack; or an attack via a computer virus could impact the Company's overall business activities, including the Group's production activities. In addition, while the Group has appropriate measures in place for responding to the outbreak of diseases such as new influenza strains, these diseases could have an impact on the Group's overall business results and financial condition.

CONSOLIDATED BALANCE SHEETS

Yokogawa Electric Corporation and Consolidated Subsidiaries
March 31, 2010 and 2009

	Millions of yen		Thousands of US dollars (Note 1)
	2010	2009	**2010**
ASSETS			
Current Assets:			
Cash and cash equivalents (Notes 2c, 8 and 13)	¥ 76,556	¥ 56,834	$ 822,824
Receivables (Notes 3 and 8)			
Trade notes and accounts	111,505	110,387	1,198,464
Other	4,407	5,619	47,361
	115,912	116,006	1,245,825
Less: Allowance for doubtful accounts	(3,277)	(2,931)	(35,217)
	112,635	113,075	1,210,608
Inventories (Notes 2d and 4)	34,685	44,707	372,797
Deferred tax assets (Notes 2n and 18)	3,269	3,281	35,139
Other (Notes 8 and 9)	7,205	6,534	77,442
Total current assets	234,350	224,431	2,518,810
Property, Plant and Equipment (Notes 2g, 2h, 6 and 7)**:**			
Land	18,645	18,829	200,400
Buildings and structures, net (Note 13)	52,844	57,405	567,967
Machinery, equipment and vehicles, net	9,110	14,926	97,918
Tools, furniture and fixtures, net	5,395	7,436	57,980
Construction in progress	1,975	2,655	21,224
Leased assets, net (Note 2k)	455	465	4,894
Total property, plant and equipment	88,424	101,716	950,383
Investments and Other Assets:			
Investment securities (Notes 2e, 8, 9, 10 and 13)	34,179	31,111	367,355
Long-term loans receivable	99	80	1,070
Intangible assets	30,137	29,713	323,916
Deferred tax assets (Notes 2n and 18)	2,318	2,908	24,911
Other	9,898	11,581	106,388
Less: Allowance for doubtful accounts	(613)	(580)	(6,589)
Total investments and other assets	76,018	74,813	817,051
Total Assets	¥398,792	¥400,960	$4,286,244

See notes to consolidated financial statements.

	Millions of yen 2010	Millions of yen 2009	Thousands of US dollars (Note 1) 2010
LIABILITIES AND EQUITY			
Current Liabilities:			
Short-term loans payable (Notes 8, 13 and 14)	¥ 7,978	¥ 12,295	$ 85,752
Current portion of long-term debt (Notes 8 and 12)	24,321	465	261,401
Payables (Notes 8 and 13)			
Trade notes and accounts	28,942	28,887	311,071
Other	10,252	14,657	110,187
	39,194	43,544	421,258
Income taxes payable (Notes 2n, 8 and 18)	2,296	1,892	24,679
Accrued expenses (Note 2l)	23,885	22,641	256,714
Other (Notes 2n and 18)	26,753	32,290	287,542
Total current liabilities	124,427	113,127	1,337,346
Long-term Liabilities:			
Long-term debt (Notes 8, 12 and 14)	105,037	101,813	1,128,950
Provision for retirement benefits (Notes 2i and 15)	2,856	3,192	30,695
Other (Notes 2n, 8 and 18)	9,112	11,819	97,935
Total long-term liabilities	117,005	116,824	1,257,580
Commitments and Contingent Liabilities (Note 19)			
Equity (Note 20)**:**			
Common stock,			
authorized, 600,000,000 shares; issued, 268,624,510 shares in 2010 and 2009	43,401	43,401	466,477
Capital surplus	50,345	50,346	541,112
Retained earnings	80,304	97,135	863,107
Net unrealized gain on available-for-sale securities	2,450	18	26,335
Deferred gains on derivatives under hedge accounting (Note 2f)	83		887
Adjustment relating to pension liability	(370)	(384)	(3,975)
Foreign currency translation adjustments (Note 2p)	(11,860)	(12,312)	(127,467)
Treasury stock,			
11,055,405 shares in 2010 and 11,037,684 shares in 2009	(10,991)	(10,979)	(118,135)
Total	153,362	167,225	1,648,341
Minority interests	3,998	3,784	42,977
Total equity	157,360	171,009	1,691,318
Total Liabilities and Equity	¥398,792	¥400,960	$4,286,244

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Yokogawa Electric Corporation and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

	Millions of yen		Thousands of US dollars (Note 1)
	2010	2009	**2010**
Net Sales	¥316,606	¥376,535	$3,402,904
Cost of Sales (Notes 2j and 16)	214,474	253,006	2,305,181
Gross profit	102,132	123,529	1,097,723
Selling, General and Administrative Expenses (Notes 2j and 16)	99,513	118,822	1,069,570
Operating income	2,619	4,707	28,153
Other Income (Expenses)**:**			
Interest and dividend income	1,864	1,955	20,032
Interest expenses	(2,118)	(1,595)	(22,762)
Net loss on sale/impairment loss on investment securities	(218)	(3,476)	(2,347)
Foreign exchange losses (Note 2o)	(385)	(3,453)	(4,143)
Net loss on sale/disposal of property, plant and equipment	(634)	(657)	(6,810)
Impairment loss (Notes 2h and 6)	(6,159)	(1,846)	(66,200)
Equity in earnings of affiliates	507	568	5,457
State subsidy	346	500	3,721
Gain on transfer of retirement benefit plan		647	
Restructuring loss (Notes 6 and 17)	(1,551)	(2,521)	(16,676)
Business structure improvement expense (Note 17)	(1,085)		(11,666)
Other	(3,880)	(4,230)	(41,698)
Other expenses, net	(13,313)	(14,108)	(143,092)
Loss before Income Taxes and Minority Interests	(10,694)	(9,401)	(114,939)
Income Taxes (Notes 2n and 18)**:**			
Current	3,095	3,098	33,269
Deferred	485	25,612	5,207
Total income taxes	3,580	28,710	38,476
Minority Interests in Loss	(525)	(336)	(5,648)
Net Loss	¥(14,799)	¥ (38,447)	$ (159,063)

	Yen		US dollars (Note 1)
	2010	2009	**2010**
Per Share of Common Stock (Notes 2q and 20)**:**			
Basic net loss	¥(57.45)	¥(149.26)	$(0.62)
Cash dividends applicable to the year	2.00	16.00	0.02

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Yokogawa Electric Corporation and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

Millions of yen

	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized gain on available-for-sale securities	Deferred gains on derivatives under hedge accounting	Adjustment relating to pension liability	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
Balance, March 31, 2008	257,579,449	¥43,401	¥50,355	¥139,952	¥ 2,991	¥ 1		¥ (5,036)	¥(10,990)	¥220,674	¥4,170	¥224,844
Net loss				(38,447)						(38,447)		(38,447)
Cash dividends, ¥16.0 per share (Notes 2q and 20)				(4,121)						(4,121)		(4,121)
Purchase of treasury stock	(14,412)								(10)	(10)		(10)
Disposal of treasury stock	17,368		(9)						17	8		8
Effect of accounting changes of subsidiaries outside Japan				102						102		102
Other	4,421			(351)					4	(347)		(347)
Net change in the year					(2,973)	(1)	¥(384)	(7,276)		(10,634)	(386)	(11,020)
Balance, March 31, 2009	257,586,826	43,401	50,346	97,135	18		(384)	(12,312)	(10,979)	167,225	3,784	171,009
Net loss				(14,799)						(14,799)		(14,799)
Cash dividends, ¥8.0 per share (Notes 2q and 20)				(2,061)						(2,061)		(2,061)
Purchase of treasury stock	(19,735)								(14)	(14)		(14)
Disposal of treasury stock	2,014		(1)						2	1		1
Other				29						29		29
Net change in the year					2,432	83	14	452		2,981	214	3,195
Balance, March 31, 2010	257,569,105	¥43,401	¥50,345	¥ 80,304	¥ 2,450	¥83	¥(370)	¥(11,860)	¥(10,991)	¥153,362	¥3,998	¥157,360

Thousands of US dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Net unrealized gain on available-for-sale securities	Deferred gains on derivatives under hedge accounting	Adjustment relating to pension liability	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
Balance, March 31, 2009	$466,477	$541,117	$1,044,010	$ 192		$(4,132)	$(132,324)	$(117,999)	$1,797,341	$40,670	$1,838,011
Net loss			(159,063)						(159,063)		(159,063)
Cash dividends, ¥8.0 per share (Notes 2q and 20)			(22,148)						(22,148)		(22,148)
Purchase of treasury stock								(157)	(157)		(157)
Disposal of treasury stock		(5)						21	16		16
Other			308						308		308
Net change in the year				26,143	$887	157	4,857		32,044	2,307	34,351
Balance, March 31, 2010	$466,477	$541,112	$ 863,107	$26,335	$887	$(3,975)	$(127,467)	$(118,135)	$1,648,341	$42,977	$1,691,318

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Yokogawa Electric Corporation and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

	Millions of yen		Thousands of US dollars (Note 1)
	2010	2009	2010
Operating Activities:			
Loss before income taxes and minority interests	¥(10,694)	¥ (9,401)	$(114,939)
Adjustments for:			
Income taxes paid	(2,808)	(3,819)	(30,181)
Interest expenses paid	(1,876)	(1,451)	(20,162)
Interest and dividend income received	2,016	2,143	21,668
Depreciation and amortization	16,033	21,616	172,324
Increase (decrease) in allowance for doubtful accounts	323	(1)	3,469
Decrease in provision for retirement benefits	(229)	(1,715)	(2,458)
Increase (decrease) in provision for bonuses	1,592	(5,400)	17,107
Interest and dividend income	(1,864)	(1,955)	(20,032)
Interest expenses	2,118	1,595	22,762
Equity in earnings of affiliates	(508)	(568)	(5,457)
Impairment loss on investment securities	221	4,872	2,371
Gain on sale of investment securities	(2)	(1,395)	(24)
Loss of disposal of property, plant and equipment	797	690	8,565
Impairment loss	6,159	1,846	66,200
Restructuring loss	1,552	2,521	16,676
Business structure inprovement expense	1,085		11,666
Changes in assets and liabilities:			
Decrease in notes and accounts receivable–trade	2,704	28,322	29,066
Decrease (increase) in inventories	10,263	(2,486)	110,303
Decrease in notes and accounts payable–trade	(779)	(7,384)	(8,374)
Decrease in payment liability due to change in retirement payment system	(4,916)	(2,298)	(52,832)
Other, net	184	(1,271)	1,980
Total adjustments	32,065	33,862	344,637
Net cash provided by operating activities	21,371	24,461	229,698
Investing Activities:			
Purchase of property, plant and equipment	(5,278)	(14,411)	(56,729)
Proceeds from sale of property, plant and equipment	322	139	3,460
Purchase of investment securities	(22)	(2,482)	(236)
Proceeds from sale and redemption of investment securities	10	3,486	105
Acquisition of intangible assets	(8,184)	(13,190)	(87,959)
Proceeds from business transfer	32	1,011	347
Purchase of investments in subsidiaries resulting in change in scope of consolidation		(775)	
Other, net	(58)	2,123	(628)
Net cash used in investing activities	(13,178)	(24,099)	(141,640)
Forward	¥ 8,193	¥ 362	$ 88,058

(Continued)

	Millions of yen		Thousands of US dollars (Note 1)
	2010	2009	**2010**
Forward	¥ 8,193	¥ 362	$ 88,058
Financing Activities:			
Net decrease in short-term loans payable	(4,177)	(4,719)	(44,894)
Decrease in commercial paper	(10,000)	(8,000)	(107,481)
Proceeds from long-term debt	27,604	46,000	296,685
Repayments of long-term debt	(8)	(15)	(89)
Purchase of treasury stock	(15)	(10)	(157)
Cash dividends paid to minority shareholders	(282)	(692)	(3,030)
Cash dividends paid	(2,064)	(4,121)	(22,183)
Other, net	1	7	16
Net cash provided by financing activities	11,059	28,450	118,867
Effect of Exchange Rate Change on Cash and Cash Equivalents	338	(2,188)	3,631
Net Increase in Cash and Cash Equivalents	19,590	26,624	210,556
Increase in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation	132		1,413
Cash and Cash Equivalents, Beginning of Period	56,834	30,210	610,855
Cash and Cash Equivalents, End of Period (Note 2c)	¥ 76,556	¥ 56,834	$ 822,824

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Yokogawa Electric Corporation and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

1. Basis of Presenting 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 conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the 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 2009 financial statements to conform to the classifications used in 2010.

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 ¥93.04 to $1, the exchange rate at March 31, 2010. 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. Scope of Consolidation—The consolidated financial statements as of March 31, 2010 include the accounts of the Company and 82 significant (83 in 2009) subsidiaries (together, the "Group").

Under the control or 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 2 (2 in 2009) unconsolidated subsidiaries and 3 (4 in 2009) affiliated companies are accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries and affiliated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

All significant inter-company balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of any minority interests from net income. PITF No. 18 is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied this accounting standard effective April 1, 2008. The effect of this change is not material.

c. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Specifically cash equivalents represent time deposits which mature within three months of the date of acquisition.

d. Inventories—Inventories are stated at the lower of cost, determined by the specific identification method for finished goods and work in process, and by the average method for raw materials and supplies, or the net selling value.

e. Investment Securities—Investment securities are classified and accounted for, depending on management's intent, as follows:

i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and

ii) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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

f. Derivatives and Hedging Activities—The Company and its subsidiaries use a variety of derivative financial instruments, including foreign currency forward contracts, currency options, currency swaps, and interest rate swaps as a means of hedging foreign currency and interest rate risks. They do not enter into derivatives for trading or speculative purposes.

Gains or losses on derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

i) All derivatives other than those which qualify for hedge accounting: these are measured at fair value, and gains or losses are recognized in the statement of operations.

ii) Derivatives used for hedging purposes: if the derivatives qualify for hedge accounting because of a high correlation between the hedging instruments and the hedged items, gains or losses are deferred until maturity of the hedged transactions.

Foreign currency forward contracts and currency swaps are utilized to hedge the foreign currency risk of loans denominated in foreign currencies. If the forward contracts and currency swaps qualify for hedge accounting, these loans 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 which 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.

g. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed substantially by the declining balance method at the rate based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired on or after April 1, 1998 and leased assets of the Company and its subsidiaries in Japan, and all property, plant and equipment of most consolidated subsidiaries outside Japan.

The range of useful lives is principally from 3 to 50 years for buildings, from 4 to 10 years for machinery and equipment. The 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 would be 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 would be 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. Retirement and Pension Plans—The Company and most of its subsidiaries have adopted defined contribution plans, and some other subsidiaries have adopted defined benefit plans for employees. Under a defined benefit plan, liability for retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of plan assets less unrecognized actuarial gain/loss and unrecognized prior service costs. Unrecognized actuarial gain/loss is amortized on a straight-line basis over the average remaining years of service from the next year in which they arise. Unrecognized prior service costs are charged to expenses on a straight-line basis over the average remaining years of service of the employees.

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

k. Leases—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased assets to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased assets to the lessee to be accounted for as operating lease transactions.

The Company and its subsidiaries in Japan applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased assets to the lessee as operating lease transactions.

l. Bonuses to Directors and Corporate Auditors—At certain subsidiaries, bonuses to directors and corporate auditors are accrued at the end of the year to which such bonuses are attributable.

m. Construction Contracts—In December 2007, the ASBJ issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts," and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts."

Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method was permitted to account for construction contracts.

However, based on the new accounting standard, construction revenue and costs should be recognized by the percentage-of-completion method if the outcome of the construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009. The Company and its subsidiaries in Japan applied this new accounting standard on April 1, 2009. The effect of this change was to increase the Group's consolidated sales for the fiscal year by ¥775 million (US$8,332 thousand), increase the operating income by ¥345 million (US$3,705 thousand), and decrease the loss before income taxes and minority interests by ¥345 million (US$3,705 thousand).

Certain subsidiaries outside Japan have previously been using the percentage-of-completion method, in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America.

n. Income Taxes—The income taxes of the Company and its subsidiaries in Japan consist of corporate income taxes, local inhabitant taxes, and enterprise taxes. Income taxes are determined using the asset and liability approach, where deferred tax assets and liabilities are recognized for temporary differences between the tax basis of assets and liabilities and their reported amount in the financial statements.

o. Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of operations.

p. Foreign Currency Financial Statements—The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current 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" 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. Per Share Information—Basic net income/loss per share is computed by dividing net income/loss available to common shareholders by the weighted-average number of common shares outstanding for the period.

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

r. New Accounting Pronouncements

Asset Retirement Obligations—On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations," and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard and guidance, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Segment Information Disclosures—In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, 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. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. Liquidation of Receivables

The Company and certain subsidiaries liquidated their notes and accounts receivable–trade based on an asset transfer agreement. The balance of those receivables whose settlement date had not been reached as of March 31, 2010 and 2009 was as follows:

	Millions of yen		Thousands of US dollars
	March 31		March 31
	2010	2009	**2010**
Notes and accounts receivable–trade	¥6,870	¥18,282	$73,844
(with recourse, included in above)	(487)	(2,498)	(5,239)

4. Inventories

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of US dollars
	March 31		March 31
	2010	2009	**2010**
Merchandise and finished goods	¥15,803	¥20,842	$169,847
Work in process	9,839	11,584	105,757
Raw materials and supplies	9,043	12,281	97,193
Total	¥34,685	¥44,707	$372,797

5. Leases

The Group leases certain machinery, equipment and vehicles, tools, furniture and fixtures and other assets. As discussed in Note 2k, the Group applied the ASBJ Statement No. 13 on April 1, 2008. According to the terms of this statement, leases incepted before March 31, 2008 were accounted as operating lease transactions if there was no transfer of the leased assets to the lessee. For finance leases incepted before March 31, 2008 that do not involve a transfer of ownership of assets to the lessee on an "as if capitalized" basis, the pro forma information was as follows:

	Millions of yen				Thousands of US dollars
	2010				**2010**
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Balance as of March 31, 2010	Balance as of March 31, 2010
Buildings and structures	¥ 10	¥ 8		¥ 2	$ 25
Machinery, equipment and vehicles	76	49	¥11	16	175
Tools, furniture and fixtures	798	507		291	3,128
Intangible assets	101	77		24	256
Total	¥985	¥641	¥11	¥333	$3,584

	Millions of yen			
	2009			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Balance as of March 31, 2009
Buildings and structures	¥ 10	¥ 6		¥ 4
Machinery, equipment and vehicles	99	57		42
Tools, furniture and fixtures	1,098	618		480
Intangible assets	228	154		74
Total	¥1,435	¥835		¥600

Acquisition cost includes the imputed interest expense portion.

Obligations under finance leases as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of US dollars
	March 31		March 31
	2010	2009	**2010**
Due within one year	¥152	¥244	$1,632
Due after one year	181	356	1,952
	¥333	¥600	$3,584

The allowance for impairment loss on leased assets of ¥11 million (US$118 thousand) and nil as of March 31, 2010 and 2009, respectively, is not included in the obligations under finance leases.

	Millions of yen		Thousands of US dollars
	March 31		March 31
	2010	2009	**2010**
Lease payment for the year	¥235	¥408	$2,528
Reversal of allowance for impairment loss on leased assets	2		19
Depreciation expense	233	408	2,509

Depreciation expense, which is not reflected in the accompanying consolidated statements of operations, is computed using the straight-line method over the lease terms assuming no residual value.

The minimum rental commitments under non-cancellable operating leases at March 31, 2010 were as follows:

	Millions of yen	Thousands of US dollars
	March 31	March 31
Due within one year	¥1,480	$15,912
Due after one year	3,243	34,855
	¥4,723	$50,767

6. Long-lived Assets

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2010 and 2009 and, as a result, recognized impairment losses of ¥6,159 million (US$66,200 thousand) and ¥1,846 million, respectively. The main components of the impairment losses on long-lived assets for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of US dollars
	2010	2009	**2010**
Land	¥ 208		$ 2,236
Buildings and structures	2,252	¥ 537	24,200
Machinery, equipment and vehicles	2,927	2,127	31,459
Tools, furniture and fixtures	425	676	4,571
Other	347	85	3,734
Total	¥6,159	¥3,425	$66,200

The recoverable amount of assets was measured principally at their net selling price determined by quotations from third parties.

The subsidiaries outside Japan perform impairment tests and recognize an impairment loss, if applicable, in conformity with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America.

7. Accumulated Depreciation

Accumulated depreciation deducted from cost of property, plant and equipment in the accompanying consolidated balance sheets amounted to ¥150,972 million (US$1,622,666 thousand) and ¥146,821 million at March 31, 2010 and 2009, respectively.

8. Financial Instruments and Related Disclosures

In March 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures for fiscal years ending on or after March 31, 2010, with early adoption permitted for fiscal years that ended before March 31, 2010. The Group applied the revised accounting standard and the new guidance on March 31, 2010.

Policy on financial instruments

Based on the Group's capital expenditure program, which mainly targets the Industrial Automation and Control Business and the Test and Measurement Business, the Group uses financial instruments such as bank loans to get necessary funding. Cash surpluses are invested in low risk financial assets. Short-term bank loans are used to fund ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in Note 11.

Nature of the financial instruments and risk management

Receivables such as trade notes and trade accounts are exposed to customer credit risk. The Group manages this credit risk based on internal guidelines, monitoring the payment term, balance, and creditworthiness for each customer.

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. Accounts payable are exposed to liquidity risks, which comprises the risk that the Group cannot meet its contractual obligations in full on the maturity dates. The Group manages liquidity risks by reviewing financial planning monthly.

Long-term debts are used for capital expenditures and investments, and the Group principally uses fixed rate contracts to manage exposure to market risks from fluctuation in interest rates. When the Group takes out a variable rate loan, it utilizes an interest rate swap contract to fix the rate.

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 forward foreign currency contracts and range forward options. Currency swaps are used for foreign currency loan receivables.

Basic policies on derivative transactions are set out in internal guidelines. The internal guidelines prescribe a control policy, designate authorized departments, specify the purpose of the transactions, set a limit for individual 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 the quoted price is not available, other valid valuation techniques are used.

Fair value of financial instruments

	Millions of yen		
	March 31, 2010		
	Carrying amount	Fair value	Unrealized gains (losses)
(1) Cash and cash equivalents	¥ 76,556	¥ 76,556	
(2) Receivables–trade notes and accounts	111,505		
Less: Allowance for doubtful accounts	(3,277)		
	108,228	108,228	
(3) Investment securities			
①Held-to-maturity securities	0	0	
②Other investment securities	16,649	16,649	
Total	¥201,433	¥201,433	
(1) Short-term loans payable	¥ 7,978	¥ 7,978	
(2) Payables–trade notes and accounts	28,942	28,942	
(3) Payables–other	10,252	10,252	
(4) Income taxes payable	2,296	2,296	
(5) Long-term loans payable	129,087	130,361	¥1,274
(6) Long-term other payables	4,841	4,802	(39)
Total	¥183,396	¥184,631	¥1,235
Derivatives	¥ 74	¥ 74	

	Thousands of US dollars		
	March 31, 2010		
	Carrying amount	Fair value	Unrealized gains (losses)
(1) Cash and cash equivalents	$ 822,824	$ 822,824	
(2) Receivables–trade notes and accounts	1,198,464		
Less: Allowance for doubtful accounts	(35,217)		
	1,163,247	1,163,247	
(3) Investment securities			
①Held-to-maturity securities	5	5	
②Other investment securities	178,946	178,946	
Total	$2,165,022	$2,165,022	
(1) Short-term loans payable	$ 85,752	$ 85,752	
(2) Payables–trade notes and accounts	311,071	311,071	
(3) Payables–other	110,187	110,187	
(4) Income taxes payable	24,679	24,679	
(5) Long-term loans payable	1,387,439	1,401,134	$13,695
(6) Long-term other payables	52,026	51,608	(418)
Total	$1,971,154	$1,984,431	$13,277
Derivatives	$ 799	$ 799	

Notes: 1. Cash and cash equivalents, receivables-trade notes and accounts
The carrying value of cash and cash equivalents, receivables-trade notes and accounts less allowance for doubtful accounts approximates fair value because of their short maturities.
2. 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 9. Investment securities are included in the following accounts in the accompanying consolidated balance sheets: current assets–other and investment securities.
3. Short-term loans payable, payables–trade notes and accounts, payables–other and income taxes payable
The carrying value of short-term loans payable, payables–trade notes and accounts, payables–others and income taxes payable approximates fair value because of their short maturities.
4. Long-term loans payable
The fair value of long-term loans payable is determined by discounting cash flows related to the debt at the Group's assumed corporate borrowing rate. Long-term loans payable are included in the following accounts in the accompanying consolidated balance sheets: current portion of long-term debt and long-term debt.
5. Long-term other payables
The fair value of long-term other payables is determined by discounting cash flows divided by certain time intervals at the appropriate rates. Long-term other payables are included in the following account in the accompanying consolidated balance sheets: long-term liabilities–other.

Derivatives

Information on the fair value of derivatives is included in Note 11.

Financial instruments whose fair value cannot be determined

	Carrying amount	
	Millions of yen	Thousands of US dollars
	March 31, 2010	March 31, 2010
Investments in equity instruments that do not have a quoted market price in an active market	¥17,530	$188,401

Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen	
	March 31, 2010	
	Due in one year or less	Due after one year through five years
Cash and cash equivalents	¥ 76,556	
Receivables–trade notes and accounts	110,896	¥609
Investment securities		
Held-to-maturity securities	0	
Available-for-sale securities with contractual maturities		0
Total	¥187,452	¥609

	Thousands of US dollars	
	March 31, 2010	
	Due in one year or less	Due after one year through five years
Cash and cash equivalents	$ 822,824	
Receivables–trade notes and accounts	1,191,922	$6,542
Investment securities		
Held-to-maturity securities	5	
Available-for-sale securities with contractual maturities		0
Total	$2,014,751	$6,542

Note: Investment securities are included in the following accounts in the accompanying consolidated balance sheets: current assets–other and investment securities.

9. Investment Securities

Investment securities as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of US dollars
	March 31		March 31
	2010	2009	**2010**
Current:			
Government and municipal bonds	¥ 0		$ 5
Non-current:			
Government and municipal bonds	¥ 0	¥ 0	$ 0
Equity securities and other	34,179	31,111	367,355
Total	¥34,179	¥31,111	$367,355

Note: Government and municipal bonds–current is included in the following account in the accompanying consolidated balance sheets: current assets–other.

The cost and aggregate fair values of investment securities at March 31, 2010 and 2009 were as follows:

				Millions of yen
March 31, 2010	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥13,752	¥4,272	¥1,385	¥16,639
Other	14		4	10
Held-to-maturity	0			0
March 31, 2009				
Securities classified as:				
Available-for-sale:				
Equity securities	¥18,571	¥1,599	¥6,375	¥13,795
Other	16		7	9
Held-to-maturity	0			0

				Thousands of US dollars
March 31, 2010	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	$147,811	$45,914	$14,890	$178,835
Other	155		44	111
Held-to-maturity	5			5

Available-for-sale securities and held-to-maturity securities whose fair value was not readily determinable as of March 31, 2009 are given below. Similar information for fiscal year 2010 is disclosed in Note 8.

	Carrying amount
	Millions of yen
	March 31
	2009
Available-for-sale:	
Equity securities	¥12,407

10. Investment in Unconsolidated Subsidiaries and Affiliated Companies

	Millions of yen		Thousands of US dollars
	March 31		March 31
	2010	2009	**2010**
Investment securities	¥5,335	¥4,900	$57,345

11. Derivatives

As noted in Note 8, the Group has applied ASBJ Statement No. 10, “Accounting Standard for Financial Instruments,” and ASBJ Guidance No. 19, “Guidance on Accounting Standard for Financial Instruments and Related Disclosures.” The accounting standard and the guidance are applicable to financial instruments and related disclosures for the fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for the year ended March 31, 2010.

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) Currency instruments to which hedge accounting is not applied at March 31, 2010

	Millions of yen			
	March 31, 2010			
	Contract amount, etc.			
	Total	Due over one year	Fair value	Unrealized gains (losses)
Forward exchange contracts				
Selling contracts				
US dollar	¥7,430		¥(114)	¥(114)
Other	327		7	7
Buying contracts				
US dollar	1,362		60	60
Other	35		(2)	(2)
Currency options				
Selling contracts				
CALL				
US dollar	4,894			
(Option premium)	(—)			
Buying contracts				
PUT				
US dollar	2,382		14	14
(Option premium)	(—)			
Currency swaps	5,262	¥500	(190)	(190)
Total				¥(225)

(2) Interest rate instruments to which hedge accounting is not applied at March 31, 2010

	Millions of yen			
	March 31, 2010			
	Contract amount, etc.			
	Total	Due over one year	Fair value	Unrealized losses
Interest rate swaps				
Pay fixed/Receive floating	¥38		¥(0)	¥(0)

(3) Currency instruments to which hedge accounting is applied at March 31, 2010

	Millions of yen		
	March 31, 2010		
	Contract amount, etc.		
	Total	Due over one year	Fair value
Forward exchange contracts			
Buying contracts			
US dollar	¥1,556		¥110

(4) Interest rate instruments to which hedge accounting is applied at March 31, 2010

	Millions of yen		
	March 31, 2010		
	Contract amount, etc.		
	Total	Due over one year	Fair value
Interest rate swaps			
Pay fixed/Receive floating	¥90,000	¥66,000	Note 2

Notes: 1. The above interest rate swaps which 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.
2. The fair value of such interest rate swaps is included in that of long-term payable disclosed in Note 8.

(1) Currency instruments to which hedge accounting is not applied at March 31, 2010

Thousands of US dollars

	March 31, 2010			
	Contract amount, etc.			
	Total	Due over one year	Fair value	Unrealized gains (losses)
Forward exchange contracts				
Selling contracts				
US dollar	$79,854		$(1,230)	$(1,230)
Other	3,521		69	69
Buying contracts				
US dollar	14,638		651	651
Other	375		(22)	(22)
Currency options				
Selling contracts				
CALL				
US dollar	52,600			
(Option premium)	(—)			
Buying contracts				
PUT				
US dollar	25,600		146	146
(Option premium)	(—)			
Currency swaps	56,556	$5,370	(2,038)	(2,038)
Total				$(2,424)

(2) Interest rate instruments to which hedge accounting is not applied at March 31, 2010

Thousands of US dollars

	March 31, 2010			
	Contract amount, etc.			
	Total	Due over one year	Fair value	Unrealized losses
Interest rate swaps				
Pay fixed/Receive floating	$403		$(2)	$(2)

(3) Currency instruments to which hedge accounting is applied at March 31, 2010

Thousands of US dollars

	March 31, 2010		
	Contract amount, etc.		
	Total	Due over one year	Fair value
Forward exchange contracts			
Buying contracts			
US dollar	$16,724		$1,182

(4) Interest rate instruments to which hedge accounting is applied at March 31, 2010

	Thousands of US dollars		
	March 31, 2010		
	Contract amount, etc.		
	Total	Due over one year	Fair value
Interest rate swaps			
Pay fixed/Receive floating	$967,326	$709,372	Note 2

Notes: 1. The above interest rate swaps which 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.
2. The fair value of such interest rate swaps is included in that of long-term payable disclosed in Note 8.

The following is the fair value information for foreign currency forward contracts, foreign currency option contracts, and foreign swap contracts to which hedge accounting is not applied at March 31, 2009. Foreign currency forward contracts which qualify for hedge accounting are excluded from the information.

(1) Currency instruments

	Millions of yen			
	March 31, 2009			
	Contract amount, etc.			
	Total	Due over one year	Fair value	Unrealized gains (losses)
Forward exchange contracts				
Selling contracts				
US dollar	¥11,429		¥11,873	¥(444)
Other	305		302	3
Buying contracts				
US dollar	2,541		2,568	27
Other	115		111	(4)
Currency options				
Selling contracts				
CALL				
US dollar	7,171			
(Option premium)	(—)			
PUT				
US dollar	1,210			
(Option premium)	(—)			
Buying contracts				
PUT				
US dollar	2,390		(451)	(451)
(Option premium)	(—)			
CALL				
US dollar	403		(4)	(4)
(Option premium)	(—)			
Currency swaps	8,305	¥450	8,516	211
Total				¥(662)

(2) Interest rate instruments

	Millions of yen			
	March 31, 2009			
	Contract amount, etc.			
	Total	Due over one year	Fair value	Unrealized losses
Interest rate swaps				
Pay fixed / Receive floating	¥88	¥38	¥(1)	¥(1)

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. The fair value and unrealized gain (loss) is the net of the selling contract and buying contract.

12. Long-term Debt

Long-term debt as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of US dollars
	March 31		March 31
	2010	2009	**2010**
Loans from banks and other financial institutions with mortgage and collateral	¥129,087	¥101,988	$1,387,439
Obligation under finance leases	271	290	2,912
	129,358	102,278	1,390,351
Less: Current portion	24,321	465	261,401
	¥105,037	¥101,813	$1,128,950

Annual maturities of long-term loans from banks and other financial institutions, excluding finance leases at March 31, 2010, were as follows:

	Millions of yen	Thousands of US dollars
	March 31, 2010	**March 31, 2010**
Within one year	¥ 24,236	$ 260,490
Over one year, less than two years	48,185	517,902
Over two years, less than three years	4,175	44,878
Over three years, less than four years	26,177	281,348
Over four years, less than five years	177	1,899
Thereafter	26,137	280,922
Total	¥129,087	$1,387,439

The annual average interest rate on long-term loans (excluding current portion) from banks was 2.286% for the year ended March 31, 2010.

13. Collateral and Secured Debt

	Millions of yen		Thousands of US dollars
	March 31		March 31
	2010	2009	2010
Collateral:			
Cash and time deposits	¥ 13	¥ 13	$ 134
Buildings and structures		853	
Investment securities	4	1	42
Assets in subsidiaries outside Japan	5,098	4,304	54,798
Total	¥5,115	¥5,171	$54,974

Assets in subsidiaries outside Japan represent an aggregate amount of accounts receivable and other assets of such subsidiaries.

	Millions of yen		Thousands of US dollars
	March 31		March 31
	2010	2009	2010
Secured debt:			
Notes and accounts payable–trade	¥6	¥ 6	$65
Short-term loans payable		140	
Total	¥6	¥146	$65

14. Commitment Line Agreement

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, 2010 and 2009 was as follows:

	Millions of yen		Thousands of US dollars
	March 31		March 31
	2010	2009	2010
Total commitment line of credit	¥40,000	¥40,600	$429,923
Outstanding borrowings	nil	nil	nil
Unused credit line	¥40,000	¥40,600	$429,923

15. Retirement and Pension Plans

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

The (liability) asset for employees' retirement benefits at March 31, 2010 and 2009 consisted of the following:

	Millions of yen March 31		Thousands of US dollars March 31
	2010	2009	**2010**
Projected benefit obligation	¥(6,111)	¥(6,101)	$(65,683)
Fair value of plan assets	3,130	2,879	33,648
Unfunded projected benefit	(2,981)	(3,222)	(32,035)
Unrecognized actuarial gain	119	53	1,278
Unrecognized prior service cost	6	(23)	62
Accrued pension cost	(2,856)	(3,192)	(30,695)
Prepaid pension cost			
Net liability	¥(2,856)	¥(3,192)	$(30,695)

The components of net periodic benefit costs for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of US dollars
	2010	2009	**2010**
Service cost	¥ 723	¥1,171	$ 7,767
Interest cost	213	308	2,286
Expected return on plan assets	(127)	(210)	(1,363)
Amortization of actuarial gain	34	44	370
Amortization of prior service cost	(33)	(5)	(350)
Additional retirement benefit, etc.	1,367	353	14,696
Contribution to defined contribution plan	6,314	6,416	67,859
Sub total	8,491	8,077	91,265
Gain related to transfer from defined benefit plan		(21)	
Net periodic benefit costs	¥8,491	¥8,056	$91,265

Assumptions used for the years ended March 31, 2010 and 2009 were set forth as follows:

	2010	2009
Discount rate	Mainly 2.0%	Mainly 2.0%
Expected rate of return on plan assets	Mainly 0.0%	Mainly 0.0%
Method of attributing the projected benefits to periods of service	Mainly straight line amortization	Mainly straight line amortization
Amortization of prior service cost	Mainly 10 years	Mainly 10 years
Amortization of actuarial gain	Mainly 10 years	Mainly 10 years

16. Research and Development Costs

Research and development costs charged to income were ¥28,787 million (US$309,401 thousand) and ¥37,229 million for the years ended March 31, 2010 and 2009, respectively.

17. Restructuring Related Expenses

Restructuring loss for the year ended March 31, 2010 mainly consists of subsidiaries' restructuring costs of ¥1,374 million (US$14,775 thousand) and loss on disposal of inventory of ¥177 million (US$1,901 thousand), which is associated with discontinued operations. Meanwhile, restructuring loss for the year ended March 31, 2009 mainly consists of impairment loss on fixed assets of ¥1,579 million and loss on disposal of inventory of ¥750 million, which are associated with discontinued operations.

Business structure improvement expense mainly consists of subsidiaries' additional retirement benefit costs of ¥866 million (US$9,313 thousand) and the Company and its subsidiaries' reorganization costs of ¥219 million (US$2,353 thousand).

18. Income Taxes

The tax effects of significant temporary differences and tax loss carry forwards which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of US dollars
	2010	2009	2010
Deferred tax assets:			
Provision for retirement benefits	¥ 701	¥ 761	$ 7,532
Tax loss carry forwards	35,645	28,462	383,111
Impairment loss on investment securities	2,368	2,333	25,448
Provision for bonuses	3,033	2,419	32,604
Write-down of inventories	4,537	3,449	48,765
Accrued expenses resulting from transfer of pension plan	3,125	4,870	33,586
Impairment loss on investment in subsidiaries	7,863	7,428	84,519
Other	8,755	7,471	94,098
Less: Valuation allowance	(60,146)	(50,651)	(646,457)
Total	¥ 5,881	¥ 6,542	$ 63,206
Deferred tax liabilities:			
Reserve for advanced depreciation of non-current assets	¥ (1,333)	¥ (1,383)	$(14,324)
Undistributed earnings of subsidiaries outside Japan	(122)	(125)	(1,316)
Net realized gain on available-for-sale securities	(403)	(19)	(4,331)
Other	(378)	(454)	(4,060)
Total	¥ (2,236)	¥ (1,981)	$ (24,031)
Net deferred tax assets	¥ 3,645	¥ 4,561	$ 39,175

Net deferred tax assets are included in the following accounts in the accompanying consolidated balance sheets.

	Millions of yen		Thousands of US dollars
	2010	2009	2010
Current assets–Deferred tax assets	¥ 3,269	¥ 3,281	$ 35,139
Investment and other assets–Deferred tax assets	2,318	2,908	24,911
Current liabilities–Other	(133)	(44)	(1,427)
Long-term liabilities–Other	(1,809)	(1,584)	(19,448)
Net defferred tax assets	¥ 3,645	¥ 4,561	$ 39,175

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations for the years ended March 31, 2010 and 2009 is as follows:

	2010	2009
Normal effective statutory tax rate	40.7%	40.7%
Permanent differences		
Expenses not deductible for income tax purposes	(8.8)	(42.3)
Dividend income and other non-taxable income	2.5	8.6
Equity in earnings of affiliates	2.0	2.5
Valuation allowance for deferred tax assets	(90.5)	(381.3)
Lower income tax rates applicable to income in certain subsidiaries outside Japan	24.2	23.5
Reversal of deferred tax liability resulting from tax system revision		46.6
Other	(3.6)	(3.7)
Actual effective tax rate	(33.5)%	(305.4)%

19. Contingent Liabilities

At March 31, 2010, the Group had the following contingent liabilities:

	Millions of yen	Thousands of US dollars
	March 31, 2010	March 31, 2010
Guarantees and similar items of bank loans	¥126	$1,354

20. Per Share Information

(1) Basis for net loss per share

The basis for the calculation of net loss per share for the years ended March 31, 2010 and 2009 was as follows:

	Millions of yen		Thousands of US dollars
	2010	2009	**2010**
Net loss	¥(14,799)	¥(38,447)	$(159,063)
Net loss available to common shareholders	(14,799)	(38,447)	(159,063)
Average outstanding shares of common stock (shares)	257,580,204	257,585,242	257,580,204

(2) Appropriations of retained earnings

The Board of Directors proposed the following appropriations of retained earnings, at March 31, 2010, which is subject to approval at a general meeting of the shareholders of the Company to be held on June 25, 2010:

	Millions of yen	Thousands of US dollars
Cash dividends (¥2.0 per share)	¥515	$5,537

21. Segment Information

The Group operates in the Industrial Automation and Control Business, Test and Measurement Business, and Other Businesses segments. These segments deal with the following main products:

– Industrial Automation and Control Business segment: production control systems, flowmeters, differential pressure/pressure transmitters, process analyzers, programmable controllers, industrial recorders

– Test and Measurement Business segment: semiconductor test systems, waveform measuring instruments, optical communication measuring instruments, waveform generators, power/temperature/pressure measuring instruments, optical communication modules and sub-systems, confocal scanners

– Other Businesses segment: aircraft navigation-related devices, marine equipment, meteorological/hydrological measuring instruments

(1) Business Segments

a. Sales and Operating Income (Loss)

Millions of yen

	2010				
	Industrial Automation and Control	Test and Measurement	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥256,781	¥ 31,481	¥28,344		¥316,606
Intersegment sales	5			¥(5)	
Total sales	256,786	31,481	28,344	(5)	316,606
Operating expenses	236,844	50,436	26,712	(5)	313,987
Operating income (loss)	¥ 19,942	¥(18,955)	¥ 1,632		¥ 2,619

b. Total Assets, Depreciation and Amortization, Impairment Loss and Capital Expenditures

Millions of yen

	2010				
	Industrial Automation and Control	Test and Measurement	Other	Eliminations/ Corporate	Consolidated
Total assets	¥247,180	¥45,139	¥33,693	¥72,780	¥398,792
Depreciation and amortization	11,173	3,743	1,117		16,033
Impairment loss	125	5,548	278	208	6,159
Capital expenditures	9,255	1,412	458		11,125

a. Sales and Operating Income (Loss)

Thousands of US dollars

	2010				
	Industrial Automation and Control	Test and Measurement	Other	Eliminations/ Corporate	Consolidated
Sales to customers	$2,759,900	$ 338,360	$ 304,644		$3,402,904
Intersegment sales	49			$ (49)	
Total sales	2,759,949	338,360	304,644	(49)	3,402,904
Operating expenses	2,545,610	542,089	287,101	(49)	3,374,751
Operating income (loss)	$ 214,339	$(203,729)	$ 17,543		$ 28,153

b. Total Assets, Depreciation and Amortization, Impairment Loss and Capital Expenditures

Thousands of US dollars

	2010				
	Industrial Automation and Control	Test and Measurement	Other	Eliminations/ Corporate	Consolidated
Total assets	$2,656,706	$485,158	$362,138	$782,242	$4,286,244
Depreciation and amortization	120,089	40,226	12,009		172,324
Impairment loss	1,341	59,634	2,989	2,236	66,200
Capital expenditures	99,476	15,175	4,922		119,573

Notes: 1. The Group restructured its organization on April 1, 2009 and brought together the Advanced Stage Business Headquarters, Life Science Business Headquarters, and Photonics Business Headquarters under the Communications and Measurement Business Headquarters. The advanced stage, life science, and photonics businesses that formerly were part of the New and Other Businesses segment are now included in the Test and Measurement Business segment. The aforementioned New and Other Businesses segment has been reorganized as the Other Businesses segment. The following segment information by business for the year ended March 31, 2009 was prepared using the new segmentation.

2. As discussed in Note 2m, effective April 1, 2009, the companies in Japan have applied ASBJ Statement No. 15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." The effect of this change was to increase the Industrial Automation and Control Business segment's sales by ¥775 million (US$8,332 thousand) and the operating income by ¥345 million (US$3,705 thousand).

a. Sales and Operating Income (loss)

Millions of yen

	2009				
	Industrial Automation and Control	Test and Measurement	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥301,153	¥ 41,828	¥33,554		¥376,535
Intersegment sales	17			¥(17)	
Total sales	301,170	41,828	33,554	(17)	376,535
Operating expenses	272,073	66,926	32,846	(17)	371,828
Operating income (loss)	¥ 29,097	¥(25,098)	¥ 708		¥ 4,707

b. Total Assets, Depreciation and Amortization, Impairment Loss and Capital Expenditures

Millions of yen

	2009				
	Industrial Automation and Control	Test and Measurement	Other	Eliminations/ Corporate	Consolidated
Total assets	¥234,777	¥62,621	¥38,047	¥65,515	¥400,960
Depreciation and amortization	11,251	8,956	1,409		21,616
Impairment loss	263	3,133	29		3,425
Capital expenditures	19,261	5,795	1,758		26,814

Note: As discussed in Note 6, out of ¥3,425 million of impairment loss, ¥1,579 million (building and structures ¥134 million, machinery, equipment and vehicles ¥1,418 million, tools, furniture and fixtures ¥20 million, other ¥7 million) associated with a discontinued operation is included in restructuring loss–other income (expenses) in the consolidated statements of operations.

(2) Geographical Segments

The geographical segments of the Company and its subsidiaries for the years ended March 31, 2010 and 2009 are summarized as follows:

Millions of yen

	2010							
	Japan	Asia	Europe	North America	Middle East	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥156,061	¥66,030	¥37,512	¥20,868	¥16,628	¥19,507		¥316,606
Interarea transfers	42,478	18,696	5,381	1,151	820	161	¥(68,687)	
Total sales	198,539	84,726	42,893	22,019	17,448	19,668	(68,687)	316,606
Operating expenses	208,492	77,502	41,290	22,369	14,682	18,943	(69,291)	313,987
Operating (loss) income	¥ (9,953)	¥ 7,224	¥ 1,603	¥ (350)	¥ 2,766	¥ 725	¥ 604	¥ 2,619
Total assets	¥242,114	¥67,043	¥29,726	¥14,320	¥14,476	¥12,693	¥ 18,420	¥398,792

Thousands of US dollars

	2010							
	Japan	Asia	Europe	North America	Middle East	Other	Eliminations/ Corporate	Consolidated
Sales to customers	$1,677,358	$709,691	$403,182	$224,294	$178,721	$209,658		$3,402,904
Interarea transfers	456,561	200,947	57,834	12,369	8,814	1,729	$(738,254)	
Total sales	2,133,919	910,638	461,016	236,663	187,535	211,387	(738,254)	3,402,904
Operating expenses	2,240,892	832,992	443,786	240,428	157,803	203,596	(744,746)	3,374,751
Operating (loss) income	$ (106,973)	$ 77,646	$ 17,230	$ (3,765)	$ 29,732	$ 7,791	$ 6,492	$ 28,153
Total assets	$2,602,271	$720,578	$319,495	$153,909	$155,585	$136,429	$ 197,977	$4,286,244

Millions of yen

	2009							
	Japan	Asia	Europe	North America	Middle East	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥187,075	¥74,519	¥45,473	¥29,336	¥17,113	¥23,019		¥376,535
Interarea transfers	52,768	23,759	4,993	903	764	232	¥(83,419)	
Total sales	239,843	98,278	50,466	30,239	17,877	23,251	(83,419)	376,535
Operating expenses	247,702	92,037	49,059	29,811	15,465	22,036	(84,282)	371,828
Operating (loss) income	¥ (7,859)	¥ 6,241	¥ 1,407	¥ 428	¥ 2,412	¥ 1,215	¥ 863	¥ 4,707
Total assets	¥260,116	¥63,630	¥31,093	¥15,959	¥13,625	¥ 9,529	¥ 7,008	¥400,960

Notes: 1. Geographical distances are considered in the classification of country or area.
2. Major countries or areas included in each segment except for Japan are as follows:

Asia	China, Singapore, South Korea, India, etc.
Europe	The Netherlands, France, the United Kingdom, Germany, etc.
North America	The United States, Canada
Middle East	Bahrain, Saudi Arabia, etc.
Others	Russia, Brazil, Australia, etc.

3. As the Middle East now accounts for a significant portion of consolidated sales, a separate category is used in this table for the Middle East figures beginning this fiscal year. Previously, they were included in the Other category. The data for the previous year has been revised accordingly.
4. As discussed in Note 2m, the companies in Japan have applied ASBJ Statement No. 15 “Accounting Standard for Construction Contracts” and ASBJ Guidance No. 18 “Guidance on Accounting Standard for Construction Contracts.” The effect of this change was to increase Japan region sales by ¥775 million (US$8,332 thousand) and decrease the operating loss by ¥345 million (US$3,705 thousand).

(3) Sales to Foreign Customers

Millions of yen

	2010					
	Asia	Europe	North America	Middle East	Others	Total
Sales outside Japan	¥72,872	¥32,008	¥20,931	¥25,199	¥26,289	¥177,299
Consolidated sales						¥316,606
Ratio	23.0%	10.1%	6.6%	8.0%	8.3%	56.0%

Thousands of US dollars

	2010					
	Asia	Europe	North America	Middle East	Others	Total
Sales outside Japan	$783,234	$344,020	$224,970	$270,845	$282,558	$1,905,627
Consolidated sales						$3,402,904
Ratio	23.0%	10.1%	6.6%	8.0%	8.3%	56.0%

Millions of yen

	2009					
	Asia	Europe	North America	Middle East	Others	Total
Sales outside Japan	¥79,372	¥36,004	¥29,088	¥32,096	¥29,820	¥206,380
Consolidated sales						¥376,535
Ratio	21.1%	9.6%	7.7%	8.5%	7.9%	54.8%

Notes: 1. Geographical distances are considered in the classification of country or area.
2. Major countries or areas included in each segment except for Japan are as follows:

Asia	China, Singapore, South Korea, India, etc.
Europe	The Netherlands, France, the United Kingdom, Germany, etc.
North America	The United States, Canada
Middle East	Bahrain, Saudi Arabia, etc.
Others	Russia, Brazil, Australia, etc.

Deloitte.

Deloitte Touche Tohmatsu LLC
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel:+81 (3) 3457 7321
Fax:+81 (3) 3457 1694
www.deloitte.com/jp

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Yokogawa Electric Corporation:

We have audited the accompanying consolidated balance sheets of Yokogawa Electric Corporation and consolidated subsidiaries (the "Company") as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu LLC

June 15, 2010

Member of
Deloitte Touche Tohmatsu

INVESTOR INFORMATION

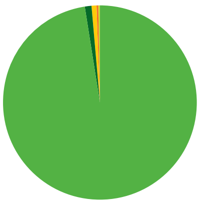
As of March 31, 2010

Number of Shares Authorized	600,000,000
Number of Shares of Common Stock Issued	268,624,510
Number of Shareholders	33,800
Stock Exchange Listing	Tokyo Stock Exchange
Administrator of the Register of Shareholders	Mizuho Trust & Banking Co., Ltd. 1-2-1 Yaesu, Chuo-ku, Tokyo 103-8670, Japan
Annual Shareholders Meeting	The annual general meeting of shareholders of the Company is held in June
Accounting Auditors	Deloitte Touche Tohmatsu

Major Shareholders (Top 10)

Shareholders	Number of shares held (shares)	Shareholding ratio (%)
The Dai-Ichi Mutual Life Insurance Company	22,697,000	8.45
The Master Trust Bank of Japan, Ltd. (trust account)	17,147,200	6.38
Nippon Life Insurance Company	14,284,615	5.32
Japan Trustee Services Bank, Ltd. (trust account)	13,589,400	5.06
Yokogawa Electric Corporation	11,055,405	4.12
Yokogawa Electric Employee Shareholding Program	8,252,925	3.07
Retirement Benefit Trust in Mizuho Trust & Banking Co., Ltd. (Mizuho Corporate Bank, Ltd. account); Trust & Custody Services Bank, Ltd. as a Trustee of Retrust	6,643,990	2.47
Tokio Marine & Nichido Fire Insurance Co., Ltd.	4,694,936	1.75
Retirement Benefit Trust in Mizuho Trust & Banking Co., Ltd. (Mizuho Bank, Ltd. account); Trust & Custody Services Bank, Ltd. as a Trustee of Retrust	4,617,010	1.72
State Street Bank and Trust Company 505225	4,131,512	1.54

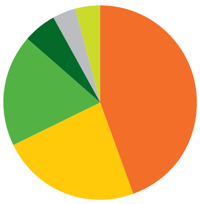
Shareholders by Category



Shareholders by Category
Number of shareholders: 33,800

Individual Investors	32,966	(97.53%)
Others	375	(1.11%)
Foreign Investors	347	(1.03%)
Financial Institutions	66	(0.20%)
Securities Companies	45	(0.13%)
Treasury Stock	1	(0.00%)

Shareholding by Category



Shareholding by Category
Number of shares held: 268,624 (thousand shares)

Financial Institutions	119,685	(44.56%)
Foreign Investors	62,924	(23.42%)
Individual Investors	49,596	(18.46%)
Others	14,886	(5.54%)
Treasury Stock	11,055	(4.12%)
Securities Companies	10,476	(3.90%)

CORPORATE DATA

As of March 31, 2010

Corporate Name	Yokogawa Electric Corporation
Headquarters	2-9-32 Nakacho, Musashino-shi, Tokyo 180-8750, Japan
Founded	September 1, 1915
Incorporated	December 1, 1920
Paid-in Capital	43,401,056,425 yen
Number of Employees	19,574 (consolidated) 5,713 (non-consolidated)
Subsidiaries and Affiliates	18 subsidiaries and 3 affiliates in Japan 67 subsidiaries and 2 affiliates outside Japan

Yokogawa Electric Corporation

Public Relations & Investor Relations
2-9-32 Nakacho, Musashino-shi, Tokyo 180-8750, Japan
Phone: +81-422-52-5530   Facsimile: +81-422-55-6492
http://www.yokogawa.com/

Published in August 2010

Printed in Japan