



## Consolidated Financial Results for the First Two Quarters of the Fiscal Year Ending March 31, 2009

October 28, 2008

Name of Listed Company: Yokogawa Electric Corporation (the "Company" herein)

Stock Exchanges Where the Company's Shares are Listed:

Tokyo Stock Exchange, Section 1

Stock Code: 6841

(URL: <http://www.yokogawa.com/>)

Name and Position of the Representative: Shuzo Kaihori, President and Chief Executive Officer

Name and Position of Person in Charge: Yuusuke Ichinose, General Manager of Public Relations &amp; Investor Relations Dept.

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Planned Quarterly Report Filing Date: November 11, 2008

Planned Dividend Payment Starting Date: December 5, 2008

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

### 1. Consolidated business results for the first two quarters of the year ending March 31, 2009 (April 1- September 30, 2008)

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

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million	%	Million yen	%	Million yen	%	Million yen	%
For first two quarters of year ending March 31, 2009	196,790	--	4,979	--	4,403	--	3,789	--
For first two quarters of year ended March 31, 2008	204,283	--	8,764	-3.3	5,720	-50.0	2,718	-32.6

	Net Income per Share		Diluted Net Income per Share	
	Yen	%	Yen	%
For first two quarters of year ending March 31, 2009	14.71	--	--	--
For first two quarters of year ended March 31, 2008	10.34	--	--	--

#### (2) Financial conditions on a consolidated basis

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Million yen	Million yen	%	Yen
As of September 30, 2008	430,276	225,395	51.4	857.99
As of March 30, 2008	444,644	224,844	49.6	856.72

(Note)

Shareholders' equity

As of September 30, 2008 220.999 billion yen

As of March 31, 2008 220.674 billion yen

### 2. Dividend status

	Dividend per Share				
	June 30	September 30	December 31	March 31	Annual Total
For year ended March 31, 2008	Yen --	Yen 8.00	Yen --	Yen 8.00	Yen 16.0
For year ending March 31, 2009 (forecast)	--	8.00	--	--	16.00
	--	--	--	8.00	

(Note) Adjustment on dividend forecast in this quarter: No

### 3. Business forecast for the year ending March 31, 2009 (April 1, 2008-March 31, 2009)

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
For year ending March 31, 2009	424,000	-3.1	18,000	-34.3	16,000	-2.8	5,000	-57.1	19.41

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

#### 4. Other

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

(2) Introduction of simplified accounting method and other accounting methods specifically related to creation of quarterly consolidated financial statements Yes

(3) Changes to the principles/procedures for accounting or the method of display, etc., related to the creation of quarterly consolidated financial statements

(Items listed in changes to important items that serve as the foundation for the creation of quarterly consolidated financial statements)

a. Changes accompanying revision of accounting standards Yes

b. Changes other than (1) Yes

(Note) For details, see “Qualitative Information and Financial Statements (4. Others)” on page 7.

#### (4) Number of shares issued (common stock)

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

Second quarter of year ending March 31, 2009	268,624,510 shares
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Year ended March 31, 2008	268,624,510 shares
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##### b. Treasury stock at the end of the period

Second quarter of year ending March 31, 2009	11,045,264 shares
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Year ended March 31, 2008	11,045,061 shares
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##### c. Average number of shares in the period (quarterly consolidated accumulated period)

Second quarter of year ending March 31, 2009	257,579,821 shares
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Second quarter of year ended March 31, 2008	262,884,153 shares
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#### \* Notes concerning appropriate use of business forecasts, etc.

1. The business forecast for the year ending March 31, 2009 that was announced on August 12, 2008 has been revised in this report.

2. This forecast is based on the information that was available at the release of this document and involves assumptions regarding uncertain factors that may have an effect on future performance. Actual performance may vary greatly due to a variety of factors.

3. Beginning this consolidated fiscal year, we are using the ASBJ Statement No. 12 *Accounting Standard for Quarterly Financial Reporting* and ASBJ Guidance No. 14 *Guidance on Accounting Standard for Quarterly Financial Reporting*. We have followed the rules for the creation of quarterly consolidated financial statements.

Reference

Comparison of consolidated business results for the 2nd quarter of the year ending March 31, 2009 (July 1- September 30, 2008)

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

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Second quarter of year ending March 31, 2009	113,251	-6.2	9,290	1.1	7,934	37.0	5,585	84.1
Second quarter of year ended March 31, 2008	120,800	3.4	9,187	-12.0	5,791	-56.9	3,034	-47.3

	Net Income per Share		Diluted Net Income per Share	
	Yen		Yen	
Second quarter of year ending March 31, 2009	21.69		--	
Second quarter of year ended March 31, 2008	11.54		--	

Note: Different rules were followed when creating the statements of income for the 2nd quarter of the year ending March 31, 2009 (FY2008) and the 2nd quarter of the year ended March 31, 2008 (FY2007), so the above comparison is for reference purposes only.

## Qualitative Information and Financial Statements

### 1. Qualitative Information of Consolidated Business Results

In the first two quarters of the current fiscal year (April 1, 2008 to September 30, 2008), the Yokogawa Group's consolidated sales were 196.790 billion yen, down 7.493 billion yen from the same period of the previous year. The main factor for this was the decrease in sales for the semiconductor tester segment of the test and measurement business due to declining investment in the sluggish semiconductor market.

Operating income was 4.979 billion yen, down 3.784 billion yen from the same period of the previous year. The main factors for this were the decrease in sales of the test and measurement business and a decrease in gross profit arising from the appreciation of the Japanese yen.

Ordinary income was 4.403 billion yen, down 1.316 billion yen from the same period of the previous year. This decreased less than operating income because of factors such as a smaller exchange loss in comparison to the same period of the previous year.

Net income was 3.789 billion yen, up 1.070 billion yen from the same period of the previous year. This was due to the recording of deferred tax assets that resulted in lower adjustments for corporate tax and other items.

In the second quarter of the current fiscal year (July 1, 2008 to September 30, 2008), the Yokogawa Group had consolidated sales of 113.251 billion yen, operating income was 9.290 billion yen, ordinary income was 7.934 billion yen, and net income was 5.585 billion yen.

Results by individual business segment are outlined below.

#### Industrial Automation and Control Business

In the industrial automation and control business, the high cost of oil and other raw materials in Japan and a slowdown in exports produced a slowdown in investment, resulting in a decline. On the other hand, the increased energy demand in emerging markets has driven active investment in construction of oil, petrochemical, natural gas, electric power, and other plants, resulting in a strong growth trend for this business.

As a result, in the first two quarters of the current fiscal year, the industrial automation and control business generated 156.087 billion yen in sales, up 4.683 billion yen from the same period of the previous year, and 16.498 billion yen in operating income, down 39 million yen. The main factors for the increase in sales and the decrease in operating income from the same period of the previous year were the appreciation of the Japanese yen and an allowance for the additional cost of received orders in the Japan industrial automation and control business.

In the second quarter of the current fiscal year, sales were 90.291 billion yen and operating income was 14.599 billion yen in this segment.

## Test and Measurement Business

In the semiconductor tester segment of the test and measurement business, DRAM and FPD driver IC manufacturing companies scaled back their investments, resulting in a decline. The measuring instrument segment has also worsened due to the downturn in Japan's economy.

As a result, in the first two quarters of the current fiscal year, the test and measurement business recorded 21.027 billion yen in sales, down 10.800 billion yen from the same period of the previous year, and an operating loss of 5.549 billion yen, an increase of 3.188 billion yen. In the second quarter of the current fiscal year, this segment had sales of 10.910 billion yen and a 1.990 billion yen operating loss.

## New and Other Businesses

In the new and other businesses, the photonics business performed well, thanks to large orders for 40-Gbps optical communications subsystems used in next-generation networks. However, the advanced stage business has been weak due to the sluggish semiconductor manufacturing equipment market.

As a result, in the first two quarters of the current fiscal year, new and other businesses recorded 19.676 billion yen in sales, down 1.331 billion yen from the same period of the previous year, and an operating loss of 5.970 billion yen, up 557 million yen. In the second quarter of the current fiscal year, this segment recorded sales of 12.050 billion yen and a 3.319 billion yen operating loss.

The results of the second quarter of the previous year are from the Consolidated Financial Statements for the First Half of the Year Ended March 31, 2008.

## 2. Qualitative Information on Consolidated Financial Conditions

### (1) Conditions of assets, liabilities, and net assets

Assets, liabilities and net assets at the end of the second quarter are as follows. These figures are provided in comparison with the end of the previous year.

Total assets at the end of this second quarter of the accounting period were 430.2 billion yen, down 14.3 billion yen. Inventories and intangible fixed assets increased by 5.1 billion yen and 4.8 billion yen, respectively, but notes and accounts receivable decreased by 24.1 billion yen. Total liabilities were 204.8 billion yen, down 14.9 billion yen. This decrease is attributed to a 5.5 billion yen decrease in notes and accounts payable, a 2.6 billion yen decrease in other current liabilities including commercial paper, and a 4.3 billion yen decrease in bonus allowances. Net assets were 225.3 billion yen, up 0.5 billion yen.

### (2) Cash flow status

The balance of cash and cash equivalents at the end of this second quarter was 29.1 billion yen, down 1.0 billion yen from the end of the previous year. The main factors were proceeds of 20.8 billion yen from operating activities, payments of 13.9 billion yen from investment activities, and payments of 7.7 billion yen from financing activities.

Cash flow from operating activities was 20.8 billion yen, an increase of 12.6 billion yen compared to the same quarter of the previous year. This came from a net income before tax and other adjustments of 2.3 billion yen after adjusting for items such as a

10.3 billion yen increase in depreciation, a 25.3 billion yen decrease in trade receivables, a 4.4 billion yen decrease in bonus allowances, a 6.0 billion yen increase in inventories, a 5.2 billion yen decrease in trade payable, and a 2.1 billion yen decrease in accounts payable.

Cash flow from investment activities saw an expenditure of 13.9 billion yen, a decrease of 13.5 billion yen compared to the same quarter of the previous year. The main factors were outlays of 7.9 billion yen for the acquisition of tangible fixed assets and 6.9 billion yen for the acquisition of intangible fixed assets.

Cash flow from financing activities saw an expenditure of 7.7 billion yen. The main factors were 2.0 billion yen in cash dividend payments and a 6.0 billion yen decrease in commercial paper.

### 3. Qualitative Information on Consolidated Business Forecast

The consolidated business forecast announced on August 12, 2008 was revised as follows.

In the industrial automation and control business, there are some concerns about a slowdown in the Japanese economy and slower economic growth due to the global financial crisis, though no adverse effects such as the suspension or deferment of awarded or soon to be awarded projects have been seen yet. However, the unexpectedly sharp appreciation of the yen against the euro compared with the assumed rate at the beginning of the fiscal year forced us to revise the consolidated sales forecast and operating income forecast downward by 5.0 billion yen and 1.0 billion yen, respectively. As for the test and measurement business, its consolidated sales forecast and operating income forecast have been revised downward by 17.0 billion yen and 5.5 billion yen, respectively. The reasons for this revision are the expectations that the semiconductor test system market will not recover until next year at the earliest and that the measuring instrument business will be affected by the downturn in the Japanese economy. The sales and operating income forecasts for the new and other businesses remain unchanged.

Overall, the consolidated sales, operating income, ordinary income, and net income forecasts have been revised downward by 22.0 billion yen, 6.5 billion yen, 5.0 billion yen, and 6.0 billion yen, respectively.

The changes to the revised forecast announced on August 12, 2008 are as follows:

Unit: million yen

Revision to forecast of consolidated results for FY2008 (April 1, 2008 to March 31, 2009)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
Previous forecast announced on August 12, 2008 (A)	446,000	24,500	21,000	11,000	42.70
Revised forecast announced on October 28, 2008 (B)	424,000	18,000	16,000	5,000	19.41
Difference (B)-(A)	(22,000)	(6,500)	(5,000)	(6,000)	(23.29)
Difference (%)	-4.9%	-26.5%	-23.8%	-54.5%	-54.5
Financial results for FY2007	437,448	27,412	16,453	11,667	44.76

Note: The consolidated business forecast assumes an exchange rate of US\$1 = 100 yen, 1 euro = 125 yen.

The euro/yen exchange rate was 1 euro = 155 yen when the previous consolidated business forecast was announced on August 12.

#### 4. Others

(1) Changes to important subsidiaries during the period (changes to specific subsidiaries accompanying changes to consolidated subsidiaries)

Not applicable

(2) Introduction of simplified accounting method and other accounting methods specific to creation of quarterly consolidated financial statements

For calculating the amount of items such as the corporate tax, we considered only significant addition/subtraction items and tax credit items.

For judging the collectibility of deferred tax assets, we use the same performance prediction and tax planning method used at the end of the previous consolidated fiscal year as long as there are no significant changes in the business environment or other temporary differences after that time.

(3) Changes to the principles/procedures for accounting or to the method of showing results, related to the creation of quarterly consolidated financial statements

a. Beginning with the current consolidated accounting period, we use ASBJ Statement No. 12 *Accounting Standard for Quarterly Financial Reporting* and ASBJ Guidance No. 14 *Guidance on Accounting Standard for Quarterly Financial Reporting*. We have followed the rules for the creation of quarterly consolidated financial statements.

b. As for the inventories for ordinary sales, we formerly relied on the cost method by the specific identification or average cost method. However, during the first quarter of the current consolidated accounting period, we began using ASBJ Statement No. 9 *Accounting Standard for Measurement of Inventories* (issued on July 5, 2006) and chiefly calculate the value of inventories with the specific identification or average cost method (As for the value on the balance sheet, we use an asset write-down method based on the decreased profitability). Its influence on the profit and loss of the first two quarters and on the segmental information is negligible.

c. Beginning with this first quarter of the current consolidated accounting period, we use the *Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements* (ASBJ PITF No. 18) issued on May 17, 2006 and adjust the consolidated results accordingly. Its influence on the profit and loss for the first two quarters and on the segmental information is negligible.

d. As for financial lease transactions without ownership transfer, we formerly relied on an accounting procedure that was based on the leasing transaction method. However, in view of the fact that the *Accounting Standard for Lease Transactions* (Statement No.13 - issued by the First Subcommittee of the Business Accounting Council on June 17, 1993 and revised on March 30, 2007) and the *Guidance on Accounting Standard for Lease Transactions* (Guidance No.16 - issued by the Accounting Practice Committee of the Japan Institute of Certified Public Accountants on January 18, 1994 and revised on March 30, 2007) apply to the quarterly consolidated financial statements for consolidated accounting periods beginning on and after April 1, 2008, we have adopted these accounting standards, starting with the first quarter of the current consolidated accounting period, and are using them for the accounting of ordinary sales transactions. As for the depreciation of leased assets related to financial lease transactions where there is no ownership transfer, we consider the lease period to be the service life and use the straight line method in which the residual value is set to zero.

For the financial lease transactions without ownership transfer which began before the applicable accounting period, we still use the accounting procedure based on the method related to ordinary lease transactions. Its influence on the profit and loss for the first two quarters is negligible.

## 5. Consolidated Quarterly Financial Statements

### (1) Consolidated quarterly balance sheets

(Millions of yen)

	End of FY2008 2 <sup>nd</sup> quarter (September 30, 2008)	(Reference) End of FY2007 (March 31, 2008)
<b>Assets</b>		
Current assets		
Cash and deposits	30,088	31,738
Notes and accounts receivable-trade	118,773	142,902
Short-term investment securities	284	301
Merchandise and finished goods	21,955	18,856
Work in process	13,903	11,794
Raw materials and supplies	14,108	14,164
Other	25,527	25,864
Allowance for doubtful accounts	(2,881)	(3,256)
Total current assets	221,759	242,366
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	55,031	51,132
Other, net	55,759	60,410
Total property, plant and equipment	110,791	111,543
Intangible assets		
Total intangible assets	26,847	22,036
Investments and other assets		
Investment securities	40,609	40,266
Other	30,969	29,070
Allowance for doubtful accounts	(701)	(639)
Total investments and other assets	70,877	68,697
Total noncurrent assets	208,516	202,277
Total assets	430,276	444,644

(Million yen)

	End of FY2008 2 <sup>nd</sup> quarter (September 30, 2008)	(Reference) End of FY2007 (March 31, 2008)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	34,463	40,034
Short-term loans payable	19,850	18,979
Income taxes payable	2,123	2,604
Provision for bonuses	10,114	14,511
Accounts payable-other	16,847	19,137
Other	47,480	50,103
Total current liabilities	130,880	145,370
Noncurrent liabilities		
Long-term loans payable	55,769	55,993
Provision for retirement benefits	5,185	5,221
Long-term accounts payable-other	11,655	11,832
Other	1,389	1,381
Total noncurrent liabilities	73,999	74,429
Total liabilities	204,880	219,799
<b>Net assets</b>		
Shareholders' equity		
Capital stock	43,401	43,401
Capital surplus	50,352	50,355
Retained earnings	141,741	139,952
Treasury stock	(10,989)	(10,990)
Total shareholders' equity	224,505	222,718
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,322	2,991
Deferred gains or losses on hedges	4	1
Foreign currency translation adjustment	(6,832)	(5,036)
Total valuation and translation adjustments	(3,505)	(2,044)
Minority interests	4,396	4,170
Total net assets	225,395	224,844
<b>Total liabilities and net assets</b>	<b>430,276</b>	<b>444,644</b>

(2) Consolidated quarterly statements of income  
For the first two quarters of FY2008

(Millions of yen)

	First two quarters of FY2008 (April 1-September 30, 2008)
Net sales	196,790
Cost of sales	129,263
Gross profit	67,527
Selling, general and administrative expenses	62,547
Operating loss	4,979
Non-operating income	
Interest income	90
Dividends income	459
Equity in earnings of affiliates	406
Other	368
Total non-operating income	1,325
Non-operating expenses	
Interest expenses	743
Foreign exchange losses	93
Other	1,064
Total non-operating expenses	1,902
Ordinary income	4,403
Extraordinary income	
Gain on sales of noncurrent assets	21
Gain on sales of investment securities	1,335
Other	25
Total extraordinary income	1,382
Extraordinary loss	
Loss on sales of noncurrent assets	14
Loss on retirement of noncurrent assets	265
Impairment losses	460
Loss on valuation of investment securities	1,667
Other	1,075
Total extraordinary losses	3,482
Income before income taxes and minority interests	2,303
Income taxes-current	2,159
Income taxes-deferred	(4,117)
Total income taxes	(1,958)
Minority interests in income	472
Net income	3,789

For the first two quarters of FY2008

(Millions of yen)

	First two quarters of FY2008 (April 1-September 30, 2008)
Net sales	113,251
Cost of sales	73,158
Gross profit	40,093
Selling, general and administrative expenses	30,802
Operating loss	9,290
Non-operating income	
Interest income	37
Dividends income	110
Equity in earnings of affiliates	219
Other	207
Total non-operating income	575
Non-operating expenses	
Interest expenses	370
Foreign exchange losses	993
Other	567
Total non-operating expenses	1,931
Ordinary income	7,934
Extraordinary income	
Gain on sales of noncurrent assets	11
Gain on sales of investment securities	1,325
Other	19
Total extraordinary income	1,356
Extraordinary loss	
Loss on sales of noncurrent assets	7
Loss on retirement of noncurrent assets	137
Impairment losses	460
Loss on valuation of investment securities	1,477
Other	418
Total extraordinary losses	2,501
Income before income taxes and minority interests	6,789
Income taxes-current	1,163
Income taxes-deferred	(195)
Total income taxes	968
Minority interests in income	234
Net income	5,585

## (3) Consolidated quarterly statements of cash flows

	(Millions of yen)
	First two quarters of FY2008 (April 1-September 30, 2008)
Net cash provided by (used in) operating activities	
Income before income taxes and minority interests	2,303
Depreciation and amortization	10,310
Increase (decrease) in allowance for doubtful accounts	(262)
Increase (decrease) in provision for bonuses	(4,441)
Decrease (increase) in gain on sales of investment securities	(1,335)
Decrease (increase) in loss on valuation of investment securities	1,667
Decrease (increase) in notes and accounts receivable-trade	25,337
Decrease (increase) in inventories	(6,086)
Increase (decrease) in notes and accounts payable-trade	(5,289)
Increase (decrease) in accounts payable-other	(2,102)
Other, net	2,416
Subtotal	<u>22,517</u>
Interest and dividends income received	1,642
Interest expenses paid	(722)
Income taxes paid	(2,632)
Net cash provided by (used in) operating activities	<u>20,805</u>
Net cash provided by (used in) investment activities	
Payments into time deposits	(2,106)
Proceeds from withdrawal of time deposits	2,507
Purchase of property, plant and equipment	(7,986)
Proceeds from sales of property, plant and equipment	70
Purchase of intangible assets	(6,984)
Purchase of investment securities	(2,470)
Proceeds from sales of investment securities	2,307
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(775)
Proceeds from transfer of business	1,011
Other, net	503
Net cash provided by (used in) investment activities	<u>(13,922)</u>
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	913
Increase (decrease) in commercial papers	(6,000)
Cash dividends paid	(2,057)
Other, net	(602)
Net cash provided by (used in) financing activities	<u>(7,747)</u>
Effect of exchange rate change on cash and cash equivalents	<u>(173)</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,036)</u>
Cash and cash equivalents at beginning of period	<u>30,209</u>
Cash and cash equivalents at end of period	<u>29,172</u>

Beginning with this consolidated fiscal year, we use ASBJ Statement No. 12 *Accounting Standard for Quarterly Financial Reporting* and ASBJ Guidance No. 14 *Guidance on Accounting Standard for Quarterly Financial Reporting*. We have followed the rules for the creation of quarterly consolidated financial statements.

(4) Notes for going concern

Not applicable

(5) Segment information

a. Segment information by business type

For the second quarter of FY2008 (July 1-September 30, 2008)

Millions of yen

		Term	Second quarter of FY2008 (July 1-September 30, 2008)	
			Amount	Composition Ratio (%)
<b>Business</b>				
Industrial Automation and Control Business	Net sales		90,296	
	Net sales to unaffiliated customers		90,291	79.7
	Net intersegment sales		5	
	Operating expenses		75,696	
	Operating income		14,599	157.1
Test and Measurement Business	Net sales		10,910	
	Net sales to unaffiliated customers		10,910	9.6
	Net intersegment sales		-	
	Operating expenses		12,900	
	Operating income		(1,990)	-21.4
New and Other Businesses	Net sales		12,050	
	Net sales to unaffiliated customers		12,050	10.7
	Net intersegment sales		-	
	Operating expenses		15,369	
	Operating income		(3,319)	-35.7
Inter-segment Elimination	Net sales		(5)	
	Net sales to unaffiliated customers		-	
	Net intersegment sales		(5)	
	Operating expenses		(5)	
	Operating income		-	
Consolidated	Net sales		113,251	
	Net sales to unaffiliated customers		113,251	100.0
	Net intersegment sales		-	
	Operating expenses		103,960	
	Operating income		9,290	100.0

		Millions of yen	
		First two quarters of FY2008 (April 1-September 30, 2008)	
Business		Amount	Composition Ratio (%)
Industrial Automation and Control Business	Net sales	156,103	
	Net sales to unaffiliated customers	156,087	79.3
	Net intersegment sales	16	
	Operating expenses	139,604	
	Operating income	16,498	331.3
Test and Measurement Business	Net sales	21,027	
	Net sales to unaffiliated customers	21,027	10.7
	Net intersegment sales	-	
	Operating expenses	26,576	
New and Other Businesses	Operating income	(5,549)	-111.4
	Net sales	19,676	
	Net sales to unaffiliated customers	19,676	10.0
	Net intersegment sales	-	
Inter-segment Elimination	Operating expenses	25,646	
	Operating income	(5,970)	-119.9
	Net sales	(16)	
	Net sales to unaffiliated customers	-	
Consolidated	Net intersegment sales	(16)	
	Operating expenses	(16)	
	Operating income	-	
	Net sales	196,790	
	Net sales to unaffiliated customers	196,790	100.0
	Net intersegment sales	-	
	Operating expenses	191,810	
	Operating income	4,979	100.0

(Note) 1. Method of categorizing business

Businesses have been grouped according to similarities in product line and market as well as Yokogawa Group profit and loss category.

2. The major products belonging to these business categories are as follows.

Business Category	Major Products
Industrial Automation and Control Business	Production control systems, flowmeters, differential pressure/pressure transmitters, process analyzers, programmable controllers, etc.
Test and Measurement Business	Semiconductor test systems, waveform measuring instruments, optical communication devices, waveform generators, power/temperature/pressure measuring instruments, etc.
New and Other Businesses	Optical communication modules and sub-systems, XY stages, confocal scanners, aircraft navigation-related devices, marine equipment, meteorological/hydrological measuring instruments, etc.

b. Segment information by geographical location

Millions of yen

Region		Term	Second quarter of FY2008 (July 1-September 30, 2008)	
			Amount	Composition Ratio (%)
Japan	Net sales		74,996	
	Net sales to unaffiliated customers		57,575	50.8
	Net intersegment sales		17,420	
	Operating expenses		70,251	
	Operating income		4,744	51.2
Asia	Net sales		31,021	
	Net sales to unaffiliated customers		23,075	20.4
	Net intersegment sales		7,946	
	Operating expenses		28,627	
	Operating income		2,394	25.8
Europe	Net sales		13,627	
	Net sales to unaffiliated customers		11,726	10.3
	Net intersegment sales		1,901	
	Operating expenses		12,916	
	Operating income		711	7.7
North America	Net sales		8,861	
	Net sales to unaffiliated customers		8,581	7.6
	Net intersegment sales		279	
	Operating expenses		8,635	
	Operating income		225	2.5
Other	Net sales		12,483	
	Net sales to unaffiliated customers		12,292	10.9
	Net intersegment sales		191	
	Operating expenses		11,297	
	Operating income		1,186	12.8
Inter-segment Elimination	Net sales		(27,739)	
	Net sales to unaffiliated customers		-	
	Net intersegment sales		(27,739)	
	Operating expenses		(27,767)	
	Operating income		28	0.0
Consolidated	Net sales		113,251	
	Net sales to unaffiliated customers		113,251	100.0
	Net intersegment sales		-	
	Operating expenses		103,960	
	Operating income		9,290	100.0

## Millions of yen

Region		Term	First two quarters of FY2008 (April 1-September 30, 2008)	
			Amount	Composition Ratio (%)
Japan	Net sales		122,926	
	Net sales to unaffiliated customers		93,244	47.4
	Net intersegment sales		29,681	
	Operating expenses		125,873	
	Operating income		(2,946)	-59.1
Asia	Net sales		55,668	
	Net sales to unaffiliated customers		41,792	21.2
	Net intersegment sales		13,875	
	Operating expenses		51,700	
	Operating income		3,968	79.7
Europe	Net sales		27,117	
	Net sales to unaffiliated customers		23,858	12.1
	Net intersegment sales		3,259	
	Operating expenses		25,754	
	Operating income		1,362	27.4
North America	Net sales		16,662	
	Net sales to unaffiliated customers		16,070	8.2
	Net intersegment sales		591	
	Operating expenses		16,317	
	Operating income		345	6.9
Other	Net sales		22,313	
	Net sales to unaffiliated customers		21,824	11.1
	Net intersegment sales		488	
	Operating expenses		20,189	
	Operating income		2,123	42.6
Inter-segment Elimination	Net sales		(47,897)	
	Net sales to unaffiliated customers		-	
	Net intersegment sales		(47,897)	
	Operating expenses		(48,023)	
	Operating income		126	2.5
Consolidated	Net sales		196,790	
	Net sales to unaffiliated customers		196,790	100.0
	Net intersegment sales		-	
	Operating expenses		191,810	
	Operating income		4,979	100.0

- (Note) 1. Countries and regions are grouped according to geographical proximity.  
2. The breakdown of countries and regions belonging to groups other than Japan is as follows.
- (1) Asia                      Singapore, China, South Korea, etc.
  - (2) Europe                    Netherlands, France, the United Kingdom, Germany, etc.
  - (3) North America            the United States, Canada
  - (4) Other                      Brazil, Australia, the Middle East, etc.

c. Non-Japan net sales

Term Region	Second quarter of FY2008 (July 1-September 30, 2008)	
	Amount	Composition Ratio (%)
Asia	23,454	20.7
Europe	10,951	9.7
North America	8,597	7.6
Other	17,216	15.2
Non-Japan net sales	60,219	53.2
Consolidated net sales	113,251	-

Term Region	First two quarters of FY2008 (April 1-September 30, 2008)	
	Amount	Composition Ratio (%)
Asia	45,972	23.4
Europe	20,429	10.4
North America	15,653	7.9
Other	31,801	16.2
Non-Japan net sales	113,856	57.9
Consolidated net sales	196,790	-

- (Note) 1. Countries and regions are grouped according to geographical proximity.  
2. The breakdown of countries and regions belonging to groups is as follows.  
(1) Asia Singapore, China, South Korea, etc.  
(2) Europe Netherlands, France, the United Kingdom, Germany, etc.  
(3) North America the United States, Canada  
(4) Other Brazil, Australia, the Middle East, etc.  
3. Non-Japan net sales are net sales for the Company and consolidated subsidiaries in countries or regions outside Japan.

(6) Notes if there is a remarkable change in the amount of shareholders' equity  
Not applicable

[Reference]

Consolidated Financial Statements and Other Information for First Two Quarters of FY2007

1. Consolidated Statements of Income

Item	First two quarters of FY2007 (April 1- September 30, 2007)	
	Amount (¥mil)	Composition Ratio (%)
I Net Sales	204,283	100.0
II Cost of Sales	129,549	63.4
Gross profit	74,733	36.6
III Selling, General and Administrative Expenses	65,969	32.3
Operating income	8,764	4.3
IV Non-operating Income	1,612	0.8
1. Interest income	160	
2. Dividend income	349	
3. Profit from investments according to the equity method	623	
4. Other	479	
V Non-operating Expenses	4,657	2.3
1. Interest expenses	584	
2. Loss on disposal of inventories	466	
3. Loss on write-down of inventories	1,018	
4. Foreign exchange loss	1,014	
5. Other	1,573	
Ordinary income	5,720	2.8

	First two quarters of FY2007 (April 1- September 30, 2007)	
Item	Amount (¥mil)	Composition Ratio (%)
VI Extraordinary Income	1,353	0.7
1. Gain on sale of fixed assets	48	
2. Gain on sale of marketable securities	71	
3. Government subsidy	1,007	
4. Gains on the reverse of reserve for the retirement benefits	142	
5. Other	84	
VII Extraordinary Losses	2,041	1.0
1. Loss on sale of fixed assets	10	
2. Loss on disposal of fixed assets	201	
3. Loss on impaired assets	703	
4. Loss on write-down of investments in marketable securities	58	
5. Transfer of the bonus allowances on prior period	262	
6. Other	805	
Current interim net income before tax and other adjustments	5,032	2.5
Corporate, resident and enterprise tax	2,399	1.2
Income tax refund	10	0.0
Adjustment of corporate tax, etc.	(430)	(0.2)
Minority shareholders' income (deduction)	354	0.2
Interim net income	2,718	1.3

## 2. Consolidated Cash Flow Statements

		First two quarters of FY2007 (April 1- September 30, 2007)
Item		Amount (¥mil)
I	Cash Flows from Operating Activities	
	Net income for the interim period under review before tax and other adjustments	5,032
	Depreciation and amortization	10,888
	Loss on impairment	703
	Changes in allowance for doubtful accounts	1,339
	Changes in reserve for retirement benefits	(517)
	Changes in accrued bonus	(3,616)
	Loss on write-down of marketable securities	58
	Interest and dividend income	(510)
	Interest expenses	584
	Gain on equity method	(623)
	Gain on sale of investments in securities	(71)
	Loss on disposal of fixed assets	201
	Changes in trade receivables	7,184
	Changes in inventories	(3,099)
	Changes in trade payables	(5,750)
	Changes in accrued liabilities due to change in retirement benefit plan	(263)
	Other	(893)
	Subtotal	10,645
	Interest and dividend income received	1,423
	Interest expenses paid	(600)
	Income taxes paid or refunded	(3,302)
	Cash flows from operating activities	8,166
II	Cash Flows from Investing Activities	
	Payments for deposit in time deposits	(1,544)
	Proceeds from return on time deposits	1,557
	Acquisition of tangible fixed assets	(18,613)
	Proceeds from sale of tangible fixed assets	664
	Acquisition of intangible fixed assets	(4,710)
	Acquisition of investments in marketable securities	(6,323)
	Proceeds from sale of investments in marketable securities	2,202
	Other	(666)
	Cash flow from investment activities	(27,434)

	First two quarters of FY2007 (April 1- September 30, 2007)
Item	Amount (¥mil)
III Cash Flows from Financing Activities	
Change in short-term bank borrowings, net	(10,260)
Net reduction in balance of commercial paper	5,000
Proceeds from borrowing of long-term debt	25,504
Repayment of long-term debt	(9)
Payment for redemption of corporate bonds	(10,000)
Cash dividends paid	(1,969)
Payment for purchase of treasury stock	(11)
Cash dividends paid to minority shareholders	(258)
Other	1
Cash flows from financing activities	7,996
IV Effect of Exchange Rate Change on Cash and Cash Equivalents	(2)
V Net Change in Cash and Cash Equivalents	(11,272)
VI Cash and Cash Equivalents at Beginning of Period	38,178
VII Increase in Cash and Cash Equivalents Due to Changes in Scope of Consolidated Subsidiaries	138
VIII Cash and Cash Equivalents at End of Interim Period	27,044

### 3. Segment Information

#### a. Segment information by business type

Millions of yen

Business		Term	First two quarters of FY2007 (April 1- September 30, 2007)		First two quarters of FY2008 (April 1-September 30, 2008)		Change
			Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount
Industrial Automation and Control Business	Net sales		151,511		156,103		4,592
	Net sales to unaffiliated customers		151,449	74.1	156,087	79.3	4,638
	Net intersegment sales		62		16		(46)
	Operating expenses		134,973		139,604		4,631
	Operating income		16,538	188.7	16,498	331.3	(39)
Test and Measurement Business	Net sales		31,827		21,027		(10,800)
	Net sales to unaffiliated customers		31,827	15.6	21,027	10.7	(10,800)
	Net intersegment sales		-		-		-
	Operating expenses		34,188		26,576		(7,611)
	Operating income		(2,361)	-26.9	(5,549)	-111.4	(3,188)
New and Other Businesses	Net sales		21,007		19,676		(1,331)
	Net sales to unaffiliated customers		21,007	10.3	19,676	10.0	(1,331)
	Net intersegment sales		-		-		-
	Operating expenses		26,420		25,646		(774)
	Operating income		(5,413)	-61.8	(5,970)	(119.9)	(557)
Inter-segment Elimination	Net sales		(62)		(16)		
	Net sales to unaffiliated customers		-		-		
	Net intersegment sales		(62)		(16)		
	Operating expenses		(62)		(16)		
	Operating income		-		-		
Consolidated	Net sales		204,283		196,790		(7,493)
	Net sales to unaffiliated customers		204,283	100.0	196,790	100.0	(7,493)
	Net intersegment sales		-		-		-
	Operating expenses		195,519		191,810		(3,708)
	Operating income		8,764	100.0	4,979	100.0	(3,784)

(Note) 1. Method of categorizing business

Businesses have been grouped according to similarities in product line and market and according to Yokogawa Group profit and loss category.

2. The major products belonging to these business categories are as follows:

Business Category	Major Products
Industrial Automation and Control Business	Production control systems, flowmeters, differential pressure/pressure transmitters, process analyzers, programmable controllers, etc.
Test and Measurement Business	Semiconductor test systems, waveform measuring instruments, optical communication devices, waveform generators, power/temperature/pressure measuring instruments, etc.
New and Other Businesses	Optical communication modules and sub-systems, XY stages, confocal scanners, aircraft navigation-related devices, marine equipment, meteorological/hydrological measuring instruments, etc.

## b. Segment information by geographical location

Millions of yen

Region		Term	First two quarters of FY2007 (April 1- September 30, 2007)		First two quarters of FY2008 (April 1-September 30, 2008)		Change
		Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	
Japan	Net sales	138,576		122,926		(15,649)	
	Net sales to unaffiliated customers	108,305	53.0	93,244	47.4	(15,060)	
	Net intersegment sales	30,270		29,681		(589)	
	Operating expenses	137,041		125,873		(11,168)	
	Operating income	1,534	17.5	(2,946)	-59.1	(4,480)	
Asia	Net sales	55,225		55,668		442	
	Net sales to unaffiliated customers	41,954	20.5	41,792	21.2	(162)	
	Net intersegment sales	13,270		13,875		605	
	Operating expenses	51,625		51,700		75	
	Operating income	3,600	41.1	3,968	79.7	367	
Europe	Net sales	24,386		27,117		2,731	
	Net sales to unaffiliated customers	21,721	10.6	23,858	12.1	2,136	
	Net intersegment sales	2,664		3,259		594	
	Operating expenses	22,110		25,754		3,644	
	Operating income	2,275	26.0	1,362	27.4	(913)	
North America	Net sales	15,648		16,662		1,014	
	Net sales to unaffiliated customers	15,240	7.5	16,070	8.2	829	
	Net intersegment sales	407		591		184	
	Operating expenses	15,325		16,317		992	
	Operating income	323	3.7	345	6.9	22	
Other	Net sales	17,514		22,313		4,799	
	Net sales to unaffiliated customers	17,060	8.4	21,824	11.1	4,763	
	Net intersegment sales	453		488		35	
	Operating expenses	15,865		20,189		4,324	
	Operating income	1,648	18.8	2,123	42.6	474	
Inter-segment Elimination	Net sales	(47,066)		(47,897)			
	Net sales to unaffiliated customers	-		-			
	Net intersegment sales	(47,066)		(47,897)			
	Operating expenses	(46,448)		(48,023)			
	Operating income	(618)	-7.1	126	2.5		
Consolidated	Net sales	204,283		196,790		(7,493)	
	Net sales to unaffiliated customers	204,283	100.0	196,790	100.0	(7,493)	
	Net intersegment sales	-		-		-	
	Operating expenses	195,519		191,810		(3,708)	
	Operating income	8,764	100.0	4,979	100.0	(3,784)	

(Note) 1. Countries and regions are grouped according to geographical proximity.

2. The breakdown of countries and regions belonging to groups other than Japan is as follows.

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

## c. Non-Japan net sales

Millions of yen

Region	Term	First two quarters of FY2007 (April 1- September 30, 2007)		First two quarters of FY2008 (April 1-September 30, 2008)		Change
		Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount
Asia		51,817	25.4	45,972	23.4	(5,845)
Europe		24,966	12.2	20,429	10.4	(4,537)
North America		14,560	7.1	15,653	7.9	1,092
Other		22,460	11.0	31,801	16.2	9,340
Non-Japan net sales		113,805	55.7	113,856	57.9	50
Consolidated net sales		204,283	-	196,790	-	(7,493)

(Note) 1. Countries and regions are grouped according to geographical proximity.

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

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

3. Non-Japan net sales are net sales for the Company and consolidated subsidiaries in countries or regions outside Japan.

October 28, 2008

Yokogawa Electric Corporation

**Consolidated Financial Statements for First Two Quarters of FY2008**

Millions of yen

	First two quarters of FY2007		First two quarters of FY2008		Change	
	Amount	Ratio to Net Sales	Amount	Ratio to Net Sales	Amount	Ratio to Net Sales
Net Sales	204,283	-	196,790	-	(7,493)	-
Operating Income	8,764	4.3%	4,979	2.5%	(3,784)	-1.8%
Ordinary Income	5,720	2.8%	4,403	2.2%	(1,316)	-0.6%
Net Income	2,718	1.3%	3,789	1.9%	1,070	0.6%
Total Assets		440,222		430,276		(9,946)
Shareholders' Equity		238,012		225,395		(12,617)
Net Income to Shareholders' Equity Ratio		1.2%		1.7%		0.5%
Net Income per Share		10.34 yen		14.71yen		4.37 yen
Shareholders' Equity per Share		887.81 yen		857.99 yen		(29.82) yen
Capital Investment		21,946		15,218		(6,728) yen
Depreciation		10,888		10,310		(578)
Research and Development Expenses		20,195		19,295		(900)
Average Exchange Rate during the Term						
	USD	119.20 yen		106.23 yen		(12.97) yen
	EUR	162.83 yen		162.12 yen		(0.71) yen

## Consolidated orders by segment

Millions of yen

	First two quarters of FY2007	First two quarters of FY2008	FY2008 (forecast)
Industrial Automation and Control Business	179,361	174,679	355,000
Test and Measurement Business	30,916	20,675	45,000
New and Other Businesses	18,215	20,309	47,000
Total	228,492	215,663	447,000

## Consolidated sales by segment

Millions of yen

	First two quarters of FY2007	First two quarters of FY2008	FY2008 (forecast)
Industrial Automation and Control Business	151,449	156,087	335,000
Test and Measurement Business	31,827	21,027	45,000
New and Other Businesses	21,007	19,676	44,000
Total	204,283	196,790	424,000

## Consolidated operating income by segment

Millions of yen

	First two quarters of FY2007	First two quarters of FY2008	FY2008 (forecast)
Industrial Automation and Control Business	16,538	16,498	39,000
Test and Measurement Business	(2,361)	(5,549)	(11,500)
New and Other Businesses	(5,413)	(5,970)	(9,500)
Total	8,764	4,979	18,000