

Consolidated Financial Statements for the Year Ended March 31, 2010

May 14, 2010

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 & Investor Relations Dept.

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Planned Date of the Regular General Meeting of Shareholders: June 25, 2010

Planned Date to Start Dividend Payment: June 28, 2010

Planned Date to File Annual Report: June 25, 2010

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

1. Consolidated business results for the year ended March 31, 2010 (April 1, 2009-March 31, 2010)

(1) Results of operations on a consolidated basis

(Percentages show the change from the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
For the year ended March 31, 2010	316,606	-15.9	2,619	-44.4	239	-13.1	(14,799)	—
For the year ended March 31, 2009	376,534	-13.9	4,707	-82.8	274	-98.3	(38,446)	—

	Net Income per Share	Diluted Net Income per Share	Net Income to Shareholders' Equity Ratio	Ordinary Income to Total Asset Ratio	Operating Income to Net Sales Ratio
	Yen	Yen	%	%	%
For the year ended March 31, 2010	(57.45)	—	-9.2	0.1	0.8
For the year ended March 31, 2009	(149.26)	—	-19.8	0.1	1.3

(Note) Profit or loss from investments accounted for by the equity method:

For the year ended March 31, 2010 507 million yen

For the year ended March 31, 2009 567 million yen

(2) Financial conditions on a consolidated basis

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Million yen	Million yen	%	Yen
For the year ended March 31, 2010	398,792	157,360	38.5	595.42
For the year ended March 31, 2009	400,959	171,008	41.7	649.20

(Note) Shareholders' equity

For the year ended March 31, 2010 153,361 million yen

For the year ended March 31, 2009 167,224 million yen

(3) Consolidated cash flow status

	Net Cash Provided by Operating Activities	Net Cash Provided by (used in) Investment Activities	Net Cash Provided by Financing Activities	Cash and Cash Equivalents at the End of the Period
	Million yen	Million yen	Million yen	Million yen
For the year ended March 31, 2010	21,371	(13,178)	11,059	76,555
For the year ended March 31, 2009	24,461	(24,099)	28,449	56,833

2. Dividend status

(Record date)	Dividends per Share					Total Dividends (annual)	Payout Ratio (consol.)	Net Asset Dividend Rate (consol.)
	June 30	September 31	December 31	End of Term	Annual Total			
	yen	yen	yen	yen	yen	Million yen	%	%
For the year ended March 31, 2009	—	8.0	—	8.0	16.0	4,121	—	2.1
For the year ended March 31, 2010	—	0.0	—	2.0	2.0	515	—	0.3
For the year ending March 31, 2011 (Forecast)	—	0.0	—	—	—	—	—	—

(Note) The plan for a yearly dividend for the year ending March 31, 2011 will be announced as soon as it is finalized.

3. Business forecast for the year ending March 31, 2011 (April 1, 2010-March 31, 2011)

(Percentages show the change from the previous interim term / fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim period	155,000	2.9	0	—	(2,000)	—	(4,000)	—	(15.53)
Annual	335,000	5.8	8,000	205.4	5,000	—	0	—	0.00

4. Other

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

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

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

(1) Changes accompanying revision of accounting standards Yes

(2) Changes other than (1) No

(Note) For details, see “Changes to Important Items that Serve as the Foundation for the Creation of Consolidated Financial Statements” on page 20.

(3) Number of shares issued (common stock)

(1) Number of shares outstanding at the end of the period (including treasury stock)

For the year ended March 31, 2010 268,624,510 shares

For the year ended March 31, 2009 268,624,510 shares

(2) Treasury stock at the end of the period

For the year ended March 31, 2010 11,055,405 shares

For the year ended March 31, 2009 11,037,684 shares

(Note) See “Per-share Information” on page 25 for the number of shares used in the calculation of consolidated net income per share.

(Note) Overview of non-consolidated business results

1. Non-consolidated business results for the year ended March 31, 2010 (April 1, 2009-March 31, 2010)

(1) Results of operations on a non-consolidated basis (Percentages show the increase or decrease since the previous period.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
For the year ended March 31, 2010	156,948	-15.1	(16,294)	—	(15,974)	—	(25,849)	—
For the year ended March 31, 2009	184,872	-22.6	(11,577)	—	(2,151)	—	(40,043)	—

	Net Income per Share		Diluted Net Income per Share	
	Yen		Yen	
For the year ended March 31, 2010	(100.36)		—	
For the year ended March 31, 2009	(155.46)		—	

(2) Financial conditions on a non-consolidated basis

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
For the year ended March 31, 2010	293,130	113,937	38.9	442.36
For the year ended March 31, 2009	304,203	139,474	45.8	541.47

(Note) Shareholders' equity

For the year ended March 31, 2010 113,937 million yen

For the year ended March 31, 2009 139,474 million yen

Note concerning appropriate use of business forecasts, etc.

The above forecasts are based on the information that was available at the time this document was released and involve assumptions regarding uncertain factors that may have an effect on future performance. Actual performance may vary greatly due to a variety of factors. Please refer to page 5 for the assumed exchange rates and page 6 for a disclaimer regarding the assumptions used in performance forecasts, as well as the use of such forecasts.

Qualitative Information and Financial Statements
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1. Business Results

(1) Analysis of Business Results

This section reviews the performance of the Yokogawa Group for the consolidated accounting period (fiscal year) under review. Although there are differences depending on regions, the worst seems to be over for the world economy and emerging countries are starting to recover. Although power plant construction projects have been resumed in various resource-rich countries, mainly in the Middle East, Africa, and Australia, capital investment remains stagnant in Japan, Europe, and North America.

In view of the above, the Group is working hard to strengthen its structure and lower its breakeven point by improving operating efficiency and reducing fixed costs.

In the fiscal year under review, net sales decreased significantly from the previous fiscal year due to stagnant capital investment and appreciation of the Japanese yen. Although the Group reduced fixed costs to compensate for reduced revenues, operating income was down from the previous fiscal year. Ordinary income was also down due to the decline in operating income, while non-operating expenses decreased owing to falling foreign exchange losses. The net loss for the fiscal year under review was less than in the previous year, when results were impacted by a reversal of deferred tax assets.

Consolidated	Billions of yen		
	Year ended March 31, 2009	Year ended March 31, 2010	Change
Net Sales	376.534	316.606	down 59.928
Operating Income	4.707	2.619	down 2.087
Ordinary Income	0.274	0.239	down 0.035
Net Loss	(38.446)	(14.799)	down 23.647

Results by individual business segment are outlined below.

At the beginning of the fiscal year under review, the Group's business segmentation was revised. Formerly, these segments were Industrial Automation and Control, Test and Measurement, and New and Other Businesses. Under the new arrangement, the segments are as follows: Industrial Automation and Control, Test and Measurement, and Other Businesses. For further information, see the segment information in note 3 under item 4, "Consolidated Financial Statements" on page 22. The comparative figures for the previous fiscal year are provided based on the new segmentation.

Industrial Automation and Control Business

	Billions of yen		
	Year ended March 31, 2009	Year ended March 31, 2010	Change
Net Sales	301.152	256.781	down 44.371
Operating Income	29.097	19.942	down 9.155

In our core industrial automation and control market, there was an upsurge of activity in the construction of new petrochemical, electric power, and seawater desalination plants in Australia and other countries in the Middle East and Africa, 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 was stagnant throughout the year due to the uncertain business outlook.

Given these circumstances, we focused on the oil and natural gas upstream 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 roll-out of the VigilantPlant campaign, which formerly had focused on non-Japan markets relating to the industrial automation and control business. Seminars and exhibitions were hosted at major industrial complexes all over Japan to boost awareness of Yokogawa's VigilantPlant offering among our Japanese customers. Also, in view of the passing of legislation such as Japan's revised Energy Saving Act and the efforts that have been undertaken at COP15 and other global venues to help prevent global warming, we have established a Green Factory Solutions Business Headquarters and concentrated our environment-related resources and know-how within this organization. This organization will help expand our environment business both in and outside Japan.

We proactively responded to changes in the market, but due to the weak economy in developed countries and this year's stronger yen exchange rate, sales for the industrial automation and control business declined to 256.781 billion yen, a decrease of 44.371 billion yen from the previous year, and operating income fell to 19.942 billion yen, a decrease of 9.155 billion yen from the previous year.

Test and Measurement Business

	Billions of yen		
	Year ended March 31, 2009	Year ended March 31, 2010	Change
Net Sales	41.828	31.481	down 10.347
Operating Loss	(25.099)	(18.955)	down 6.144

Regarding the semiconductor tester market for our test and measurement business, memory manufacturers resumed making limited investments in semiconductor manufacturing facilities during the second half of the year. However, customers remained reluctant to invest in test systems and demand did not fully recover. In the market for measuring instruments, the demand for power measuring instruments expanded in the booming energy-saving and new 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, including electrical equipment manufacturers, telecommunication companies, and auto manufacturers. In the life science business, orders for magnetoencephalograph systems increased, and our confocal scanners for observing live cells sold well in and outside Japan. But in the photonics business, demand lagged as communication carriers delayed investments in next-generation networks. Due to these factors, we focused on developing next-generation memory testers in the belief that demand for such systems would be strong. Moreover, in the measuring instruments business, we strengthened our sales and promotion of solutions targeting the energy-saving and new energy markets and the markets in emerging countries.

However, due to sluggish demand for semiconductor test systems and measuring instruments, sales in the test and measurement business were 31.481 billion yen, a decrease of 10.347 billion yen from the previous fiscal year. The operating loss was 18.955 billion yen, which was 6.144 billion yen less than in the previous year. This can be attributed to reduced fixed costs mainly in research and development.

Other Businesses

Billions of yen			
	Year ended March 31, 2009	Year ended March 31, 2010	Change
Net Sales	33.554	28.344	down 5.210
Operating Income	0.708	1.632	up 0.924

With our Other Businesses segment, net sales were 28.344 billion yen, down 5.210 billion yen from the previous fiscal year. Operating income was 1.632 billion yen, up 924 million yen from the previous year.

(2) Full Year Business Forecast

In our main industrial automation and control business, while we believe that the markets will continue to recover in other resource-rich and emerging countries, we still consider that the Japanese, European, and North American markets will remain stagnant. The order amount and sales for this business are expected to show a moderate recovery since the business forecast assumes a stronger yen exchange rate for the next fiscal year. Operating income is expected to decrease due to an increase in investments in areas that are necessary for the long-term growth of our business such as research and development, and building or expanding facilities in resource-rich and emerging countries.

In the test and measurement business, we expect a recovery in demand for the semiconductor tester business's memory testers as well as higher demand in the energy saving and new energy markets mainly for the power measurement instruments handled by our measuring instruments business. Thus, orders and sales for this business are expected to increase. We expect a smaller operating loss due to a decrease in research and development, a smaller valuation loss on inventories, and an increase in sales.

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

Billions of yen			
	Results for first two quarters of year ended March 31, 2010	Forecast for first two quarters of year ending March 31, 2011	Change
Net Sales	150.655	155.000	up 4.344
Operating Income	(2.380)	0.000	down 2.380
Ordinary Income	(4.102)	(2.000)	down 2.102
Net Loss	(14.535)	(4.000)	down 10.535

Billions of yen			
	Results for year ended March 31, 2010	Forecast for year ending March 31, 2011	Change
Net Sales	316.606	335.000	up 18.393
Operating Income	2.599	8.000	up 5.400
Ordinary Income	0.219	5.000	up 4.780
Net Loss	(14,799)	0.000	down 14.799

Note: The consolidated business forecasts assume an exchange rate of US\$1 = 90 yen, 1 Euro = 130 yen.

[Reference] Consolidated business forecasts by segment

Orders Billions of yen

	Results for year ended March 31, 2010	Forecast for year ending March 31, 2011
Industrial Automation and Control Business	256.505	272.000
Test and Measurement Business	30.950	43.000
Other Businesses	27.792	25.000
Total	315.247	340.000

Sales Billions of yen

	Results for year ended March 31, 2010	Forecast for year ending March 31, 2011
Industrial Automation and Control Business	256.781	267.000
Test and Measurement Business	31.481	43.000
Other Businesses	28.344	25.000
Total	316.606	335.000

Operating income Billions of yen

	Results for year ended March 31, 2010	Forecast for year ending March 31, 2011
Industrial Automation and Control Business	19.942	15.000
Test and Measurement Business	(18.955)	(7.000)
Other Businesses	1.632	0.000
Total	2.619	8.000

Notes regarding the use of forecasts

The above forecasts are based on certain assumptions deemed reasonable by Yokogawa at the present time, and may differ from actual business results.

Major factors that may affect business performance include the following:

- Fluctuations in the US dollar, the euro and other European currencies, Asian currencies, Middle Eastern currencies, etc., relative to the yen
- Sudden changes in economic conditions in major markets
- Changes in trade regulations or other aspects that have an impact on the business environment
- Sudden fluctuations in supply or demand
- Fluctuations in Japanese share prices
- Protection of Yokogawa patents and the licensing of patents held by other companies
- Alliances with other companies for product development or other purposes

(3) Analysis of Financial Conditions

1) Conditions of assets, liabilities, and net assets

Total assets at the end of the fiscal year under review were 398.792 billion yen, down 2.167 billion yen from the end of the previous fiscal year. While there was a 20.934 billion yen increase in cash and deposits, the decline in total assets can mainly be attributed to a 10.022 billion yen decrease in inventories and a 13.291 billion yen decrease in property, plant and equipment.

Total liabilities were 241.431 billion yen, up 11.480 billion yen from the end of the previous fiscal year. Although there was a 4.405 billion yen decrease in accounts payable – other and a 5.848 billion yen decrease in other current liabilities that was mainly due to the redemption of commercial paper, total liabilities grew largely because of a 22.782 billion yen increase in short-term and long-term borrowings.

Net assets were 157.360 billion yen, down 13.648 billion yen from the end of the previous fiscal year. Despite the fact that there was a 2.432 billion yen increase in net unrealized gains on other securities, the decline in net assets occurred largely because of a 16.831 billion yen decrease in retained earnings. As a result, the shareholders' equity ratio was 38.5%, down 3.2% from the end of the previous year.

2) Cash flow status

The balance of cash and cash equivalents at the end of the fiscal year under review was 76.555 billion yen, up 19.721 billion yen from the previous fiscal year as a result of a net inflow of 21.371 billion yen from operating activities, a net outflow of 13.178 billion yen from investing activities, and a net inflow of 11.059 billion yen from financing activities.

Cash flow from operating activities was a net inflow of 21.371 billion yen, a decrease of 3.090 billion yen from the previous fiscal year, as a consequence of adjustments for such positive factors as 16.033 billion yen in depreciation expenses, a 10.262 billion yen decrease in inventory, and an impairment loss of 6.159 billion yen, and the negative factor of a 10.693 billion yen net loss before taxes and other adjustments.

The cash flow from investing activities saw a net outflow of 13.178 billion yen, a year-on-year decrease of 10.921 billion yen, as a consequence of items such as the acquisition of 5.278 billion yen in tangible fixed assets and 8.183 billion yen in intangible fixed assets.

The cash flow from financing activities saw a net inflow of 11.059 billion yen due primarily to new financing through a 25 billion yen subordinated loan, which more than offset items such as a 4.176 billion yen decrease in short-term borrowing and the redemption of 10 billion yen of commercial paper.

(Note) Trends in cash flow indicators

	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010
Shareholders' equity ratio (%)	53.7	53.4	49.6	41.7	38.5
Market value based shareholders' equity ratio (%)	131.8	108.2	57.8	25.3	52.6
Cash flow to interest bearing debt ratio	2.4	1.5	4.5	5.1	6.4
Interest coverage ratio (multiple)	34.1	37.6	15.0	16.9	11.4

Shareholders' equity ratio: Shareholders' equity / total assets

Shareholders' equity ratio on market value basis: Total market value of stock / total assets

Cash flow to interest bearing debt ratio: Interest-bearing debt / cash flow

Interest coverage ratio: Cash flow / interest payments

(Note) 1. All values are calculated using consolidated financial figures.

2. Market value has been calculated based on the number of shares issued, excluding treasury stock.

3. Interest bearing debt includes all debt listed on the consolidated balance sheets for which interest is being paid.

4. The figures for cash flow and interest payments utilize the "Cash flows from operating activities" and "Interest expenses paid" shown in the consolidated cash flow statements.

(4) Policy on Appropriation of Profit and Dividends for the Period under Review / Subsequent 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 long-term growth, and taking under 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 principle is to pay dividends twice each fiscal year, namely, a midterm dividend and a year-end dividend. However, we did not pay out a midterm dividend for the fiscal year under review because of the stagnant business results. For the year-end dividend, we plan to pay two yen per share.

Regarding the dividends for the coming fiscal year, we will once again not pay out a midterm dividend in view of the business forecast for the first two quarters. The plan for a yearly dividend has not finalized yet due to uncertainty about the future.

2. Status of the Yokogawa Group

The Yokogawa Group consists of Yokogawa Electric Corporation (“the Company”), 85 subsidiaries, and 5 affiliated companies. The major businesses of the Group companies and businesses pertaining to each company in the Group by segment are as follows below.

The Group’s business segmentation was revised during the fiscal year under review. For further information, see the segment information in note 3 under item 4, “Consolidated Financial Statements.”

(1) Industrial Automation and Control Business

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

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

(2) Test and Measurement Business

The major products are semiconductor test systems, waveform measurement instruments, optical communication measurement instruments, optical communication modules and subsystems, and confocal scanners.

Semiconductor test systems, waveform measurement instruments, and optical communication measurement instruments manufactured by Yokogawa Manufacturing Corporation and Yokogawa Electronics Manufacturing Korea Co., Ltd., are sold and serviced in Japan by the Company. Outside Japan, sales, engineering, and after-sales services are handled mainly by Yokogawa Engineering Asia Pte. Ltd. in Southeast Asia, Yokogawa Europe B.V. in Europe, Yokogawa Corporation of America in North America, Yokogawa Measuring Instruments Korea Corp. in the Republic of Korea, and Yokogawa Shanghai Trading Co., Ltd. in China. The company also manufactures, sells, and provides after-sales services for optical communication modules and subsystems. With confocal scanners and other similar products, Yokogawa Manufacturing Corporation and others are engaged in manufacturing, and the Company handles sales and after-sales services.

(3) Other Businesses

The major product is aviation equipment.

The Company and Yokogawa Denshikiki Co., Ltd. are engaged in the manufacture and sale of aviation equipment. Kokusai Chart Corporation produces measurement recording paper and Yokogawa Pionics Co., Ltd. is engaged in real estate operations.

3. Management Policies

(1) Core Management Policies

Corporate Philosophy

As a group, our goal is to contribute to society through broad-ranging activities in the areas of measurement, control, and information. Individually, we aim to combine good citizenship with the courage to innovate – we take this as our corporate philosophy and make every effort to realize it.

Corporate Social Responsibility (CSR)

In order to fulfill its corporate social responsibility, Yokogawa will enhance its corporate governance by developing and operating an internal control system, and contribute to community and society through the pursuit of high quality and customer satisfaction, the observance of business ethics, fair trade, the training and utilization of human resources, and environmental management activities, while aiming for continuous improvement of its corporate value. In doing so, we prioritize safety and compliance.

(2) Target Management Indicators

During the fiscal year under review, the Yokogawa Group formulated objectives for thorough business restructuring measures that will make us stronger and enable the achievement of the forecasted consolidated business results.

The mid-term plan that is to be announced during fiscal year 2010 will contain numerical targets for fiscal year 2011 and the years that immediately follow.

(3) Medium- and Long-term Business Strategies

According to the Yokogawa Philosophy, we aim to achieve a healthy and profitable operation with the VISION-21 & ACTION-21 corporate strategy, considering that it is a company's mission to run a healthy business and maximize corporate value based on a long-term perspective. We will achieve a healthy and profitable operation and enhance our corporate value by dramatically enhancing the management efficiency of our activities. We will strive to be a One Global YOKOGAWA with truly consolidated management practices and will provide Customer Centric Solutions from the customer's perspective using our Leading Edge Technology.

(4) Challenges for the Company

The Yokogawa Group regards fiscal years 2009 and 2010 as a period during which structural reforms will be undertaken to overcome the present severe challenges in our business environment. Through various measures we will review our business portfolio, and we will improve operating efficiency by reducing fixed costs, thereby ensuring a return to profitability and growth in fiscal year 2011 and beyond. In fiscal year 2009, we exceeded our target for the reduction of fixed costs. And through the review of our business portfolio, we encouraged the withdrawal from and downscaling of unprofitable operations, and the concentration of resources on the industrial automation and control business.

We will continue to execute these thorough measures in fiscal year 2010, the final year of the structural reforms that will strengthen the Group as a whole.

Challenges by business segment

In the industrial automation and control business, it is expected that the demand for energy and materials will recover in the mid- to long-term, mainly in emerging countries, and that the market will expand steadily. The Group will seek to develop potential new markets by providing solutions that reduce energy consumption and protect the environment, thereby helping to address a number of pressing issues that present a common challenge for all mankind.

We will strengthen the foundation of this business by allocating more resources to it, achieving global cost competitiveness, and globally optimizing our business functions. We will also increase market share by acquiring new customers in a wider variety of industries outside Japan, pursuing opportunities to use Yokogawa's measurement, control, and information technologies in the energy saving and environmental conservation fields, and by providing solution-based maintenance services. Through these activities, we aim to become the world's leading IA company.

In the test and measurement segment's measuring instruments business, we will seek to expand our activities in the growing markets of emerging countries by reviewing all work processes to find ways to make and implement decisions more rapidly and by strengthening our cost competitiveness. We will create a solution-type business to meet the latest needs for advanced measurement solutions in such applications as secondary battery assessment and spectroscopic measurement. In the semiconductor tester business, we will concentrate resources on memory testers. In the life science business, we will focus on live cell observation, biomagnetic measurement, and new drug discovery support. In the photonics business, we will aim to become profitable soon by continuing to carry out a number of structural reforms.

Challenges in enhancing corporate governance

Our Group will place a priority on enhancing its corporate governance to realize healthy and sustainable growth. It will be a basic mission of corporate management to secure healthy and profitable operation and to earn the trust of all stakeholders, including shareholders.

At meetings of the board of directors, we will strive for quick and transparent decision-making by directors who are familiar with Yokogawa's business as well as outside directors who are independent from the full-time directors. In addition, we will improve our management audit function by strictly checking and verifying the legality and efficiency of the work carried out by directors and the validity of their decision making processes. This will be done by a board of corporate auditors that includes outside auditors.

The Group's compliance principles are set out in the *Standards of Business Conduct for the Yokogawa Group*. The directors will take the initiative to promote the observation and awareness of business ethics throughout the Group. We have also established an internal control system for the Yokogawa Group to ensure the reliability of financial statements, the validity of the decision-making process, and proper and efficient execution of operations.

To ensure the effectiveness of the Yokogawa Group's internal control system, the department responsible for this function will conduct regular internal audits based on an annual plan, and report the key results to the board of directors and the corporate auditors.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of yen

	(Reference) Year ended March 31, 2009	Year ended March 31, 2010
Assets		
Current assets		
Cash and deposits	56,987	77,921
Notes and accounts receivable-trade	110,387	111,505
Merchandise and finished goods	20,842	15,802
Work in process	11,583	9,839
Raw materials and supplies	12,281	9,042
Deferred tax assets	3,280	3,269
Other	11,999	10,245
Allowance for doubtful accounts	(2,931)	(3,276)
Total current assets	224,431	234,350
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	57,405	52,843
Machinery, equipment and vehicles, net	14,925	9,110
Tools, furniture and fixtures, net	7,436	5,394
Land	18,828	18,645
Lease assets, net	464	455
Construction in progress	2,654	1,974
Total property, plant and equipment	101,715	88,423
Intangible assets	29,713	30,137
Investments and other assets		
Investment securities	31,111	34,178
Long-term loans receivable	79	99
Deferred tax assets	2,908	2,317
Other	11,581	9,898
Allowance for doubtful accounts	(580)	(613)
Total investments and other assets	45,099	45,881
Total noncurrent assets	176,528	164,442
Total assets	400,959	398,792

Millions of yen

	(Reference) Year ended March 31, 2009	Year ended March 31, 2010
Liabilities		
Current liabilities		
Notes and accounts payable-trade	28,886	28,942
Short-term loans payable	12,686	32,214
Income taxes payable	1,892	2,296
Provision for bonuses	8,841	10,407
Accounts payable-other	14,657	10,251
Other	46,163	40,315
Total current liabilities	113,126	124,426
Noncurrent liabilities		
Long-term loans payable	101,597	104,851
Deferred tax liabilities	1,584	1,809
Provision for retirement benefits	3,192	2,855
Provision for directors' retirement benefits	188	209
Long-term accounts payable-other	9,427	4,840
Other	833	2,438
Total noncurrent liabilities	116,824	117,005
Total liabilities	229,950	241,431
Net assets		
Shareholders' equity		
Capital stock	43,401	43,401
Capital surplus	50,345	50,345
Retained earnings	97,134	80,303
Treasury stock	(10,978)	(10,991)
Total shareholders' equity	179,902	163,058
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	17	2,450
Deferred gains or losses on hedges	—	82
Pension liability adjustment	(384)	(316)
Foreign currency translation adjustment	(12,311)	(11,859)
Total valuation and translation adjustments	(12,678)	(9,696)
Minority interests	3,783	3,998
Total net assets	171,008	157,360
Total liabilities, net assets	400,959	398,792

(2) Consolidated Statements of Income

Millions of yen

	(Reference) Year ended March 31, 2009	Year ended March 31, 2010
Net sales	376,534	316,606
Cost of sales	253,005	214,474
Gross profit	123,528	102,132
Selling, general and administrative expenses	118,821	99,512
Operating income	4,707	2,619
Non-operating income		
Interest income	209	272
Dividend income	1,745	1,591
Equity in earnings of affiliates	567	507
Other	723	702
Total non-operating income	3,245	3,074
Non-operating expenses		
Interest expenses	1,595	2,117
Foreign exchange losses	3,452	385
Other	2,629	2,951
Total non-operating expenses	7,678	5,454
Ordinary income	274	239
Extraordinary income		
Gain on sale of noncurrent assets	54	199
Gain on sale of investment securities	1,428	2
Gain on abolishment of retirement benefit system	646	—
State subsidy	500	346
Gain on prior period adjustment	—	239
Other	640	162
Total extraordinary income	3,270	950
Extraordinary losses		
Loss on sale of noncurrent assets	22	36
Loss on retirement of noncurrent assets	689	796
Impairment loss	1,846	6,159
Loss on valuation of investment securities	4,871	220
Restructuring loss	2,521	1,551
Business structure improvement expense	—	1,085
Impairment loss on software for sale	701	562
Other	2,292	1,471
Total extraordinary losses	12,945	11,883
Loss before income taxes and minority interests	(9,400)	(10,693)
Income taxes-current	3,189	3,095
Refund of income taxes	(90)	—
Income taxes-deferred	25,611	484
Total income taxes	28,710	3,579
Minority interests in income	335	525
Net loss	(38,446)	(14,799)

(3) Consolidated Statements of Changes in Net Assets

Millions of yen

	(Reference) Year ended March 31, 2009	Year ended March 31, 2010
Shareholders' equity		
Capital stock		
Balance at the end of previous period	43,401	43,401
Balance at the end of current period	43,401	43,401
Capital surplus		
Balance at the end of previous period	50,355	50,345
Changes of items during the period		
Disposal of treasury stock	(9)	(0)
Total changes of items during the period	(9)	(0)
Balance at the end of current period	50,345	50,345
Retained earnings		
Balance at the end of previous period	139,952	97,134
Effect of changes in accounting policies applied to foreign subsidiaries	102	—
Changes of items during the period		
Dividends from surplus	(4,121)	(2,060)
Net income (loss)	(38,446)	(14,799)
Other	(351)	28
Total changes of items during the period	(42,919)	(16,831)
Balance at the end of current period	97,134	80,303
Treasury stock		
Balance at the end of previous period	(10,990)	(10,978)
Changes of items during the period		
Purchase of treasury stock	(10)	(14)
Disposal of treasury stock	17	2
Other	4	—
Total changes of items during the period	11	(12)
Balance at the end of current period	(10,978)	(10,991)
Total shareholders' equity		
Balance at the end of previous period	222,718	179,902
Effect of changes in accounting policies applied to foreign subsidiaries	102	—
Changes of items during the period		
Dividends from surplus	(4,121)	(2,060)
Net income (loss)	(38,446)	(14,799)
Purchase of treasury stock	(10)	(14)
Disposal of treasury stock	7	1
Other	(346)	28
Total changes of items during the period	(42,917)	(16,844)
Balance at the end of current period	179,902	163,058

Millions of yen

	(Reference) Year ended March 31, 2009	Year ended March 31, 2010
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	2,991	17
Changes of items during the period		
Net changes of items other than shareholders' equity	(2,973)	2,432
Total changes of items during the period	(2,973)	2,432
Balance at the end of current period	17	2,450
Deferred gains or losses on hedges		
Balance at the end of previous period	1	—
Changes of items during the period		
Net changes of items other than shareholders' equity	(1)	82
Total changes of items during the period	(1)	82
Balance at the end of current period	—	82
Pension liability adjustment		
Balance at the end of previous period	—	(384)
Changes of items during the period		
Net changes of items other than shareholders' equity	(384)	14
Total changes of items during the period	(384)	14
Balance at the end of current period	(384)	(369)
Foreign currency translation adjustment		
Balance at the end of previous period	(5,036)	(12,311)
Changes of items during the period		
Net changes of items other than shareholders' equity	(7,275)	451
Total changes of items during the period	(7,275)	451
Balance at the end of current period	(12,311)	(11,859)
Total valuation translation adjustments		
Balance at the end of previous period	(2,044)	(12,678)
Changes of items during the period		
Net changes of items other than shareholders' equity	(10,633)	2,981
Total changes of items during the period	(10,633)	2,981
Balance at the end of current period	(12,678)	(9,696)
Minority interests		
Balance at the end of previous period	4,170	3,783
Changes of items during the period		
Net changes of items other than shareholders' equity	(386)	214
Total changes of items during the period	(386)	214
Balance at the end of current period	3,783	3,998

Millions of yen

	(Reference) Year ended March 31, 2009	Year ended March 31, 2010
Total net assets		
Balance at the end of previous period	224,844	171,008
Effect of changes in accounting policies applied to foreign subsidiaries	102	—
Changes of items during the period		
Dividends from surplus	(4,121)	(2,060)
Net income (loss)	(38,446)	(14,799)
Purchase of treasury stock	(10)	(14)
Disposal of treasury stock	7	1
Other	(346)	28
Net changes of items other than shareholders' equity	(11,020)	3,196
Total changes of items during the period	(53,938)	(13,648)
Balance at the end of period under review	171,008	157,360

(4) Consolidated Cash Flow Statements

Millions of yen

	(Reference) Year ended March 31, 2009	Year ended March 31, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests (loss)	(9,400)	(10,693)
Depreciation and amortization	21,615	16,033
Increase (decrease) in allowance for doubtful accounts	(1)	322
Increase (decrease) in provision for bonuses	(5,400)	1,591
Increase (decrease) in provision for retirement benefits	(1,715)	(228)
Interest and dividend income	(1,954)	(1,863)
Interest expense	1,595	2,177
Loss (gain) on valuation of investment securities	4,871	220
Equity in (earnings) losses of affiliates	(567)	(507)
Loss (gain) on sales of investment securities	(1,395)	(2)
Loss on retirement of noncurrent assets	689	796
Impairment loss	1,846	6,159
Restructuring loss	2,521	1,551
Business structure improvement expense		1,085
Impairment loss on software for sale	701	562
Decrease (increase) in notes and accounts receivable-trade	28,321	2,704
Decrease (increase) in inventories	(2,485)	10,262
Increase (decrease) in notes and accounts payable-trade	(7,383)	(779)
Decrease in payment liability due to change in retirement payment system	(2,298)	(4,915)
Other, net	(1,972)	(378)
Subtotal	27,587	24,038
Interest and dividends income received	2,143	2,015
Interest expenses paid	(1,451)	(1,875)
Income taxes (paid) refund	(3,818)	(2,807)
Net cash provided by (used in) operating activities	24,461	(21,317)
Net cash provided by (used in) investing activities		
Payments into time deposits	(3,218)	(3,622)
Proceeds from withdrawal of time deposits	4,319	2,549
Purchase of property, plant and equipment	(14,411)	(5,278)
Proceeds from sales of property, plant and equipment	138	321
Purchase of intangible assets	(13,190)	(8,183)
Purchase of investment securities	(2,482)	
Proceeds from sales and redemption of investment securities	3,486	
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(775)	
Proceeds from transfer of business	1,011	
Other, net	1,022	1,034
Net cash provided by (used in) investment activities	(24,099)	(13,178)

Millions of yen

	(Reference) Year ended March 31, 2009	Year ended March 31, 2010
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(4,718)	(4,176)
Increase (decrease) in commercial paper	(8,000)	(10,000)
Proceeds from long-term loans payable	46,000	27,603
Repayment of long-term loans payable	(15)	(8)
Purchase of treasury stock	(10)	(14)
Cash dividends paid	(4,120)	(2,063)
Cash dividends paid to minority shareholders	(692)	(281)
Other, net	7	1
Net cash provided by (used in) financing activities	28,449	11,059
Effect of exchange rate change on cash and cash equivalents	(2,187)	337
Net increase (decrease) in cash and cash equivalents	26,624	19,590
Cash and cash equivalents at beginning of period	30,209	56,833
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation		131
Cash and cash equivalents at end of period	56,833	76,555

(5) Notes for Going Concern

Not applicable

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

1. Items related to the range of consolidation

(1) Consolidated subsidiaries: 82 companies

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

(Increase: 1 company)

Change to consolidated company Yokogawa Services Saudi Arabia Ltd. (Saudi Arabia)

(Decrease: 2 companies)

Liquidation TechComm Simulation Pty. Ltd. (Australia)

Divestment of subsidiary's shares Nippon System Gijutsu Co.

(2) Non-consolidated subsidiaries

(Names of major companies) Morioka Tokki Corporation

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

2. Items related to application of the equity method

(1) Non-consolidated subsidiaries: 2 companies

(Names of major companies) Morioka Tokki Corporation

(2) Affiliated companies: 3 companies

(Names of major companies) Yokogawa Rental & Lease Corporation

The range of application of the equity method has been revised due to a change involving the following company:

(Decrease: 1 company)

Divestment of subsidiary's shares Kanazawa System House Co., Ltd.

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

(Names of major companies) Yokogawa Q&A Corporation

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

(4) Financial statements related to a company's most recent fiscal year are used if the equity method is applicable to the company and the company has a closing date that differs from the consolidated closing date.

3. Items related to the fiscal year of consolidated subsidiaries, etc.

Starting with the fiscal year under review, the closing date for Yokogawa Electric China Co., Ltd. and 11 other non-Japan subsidiaries is December 31. For creation of consolidated financial statements, financial statements based on the provisional settlement of accounts implemented on the consolidated closing date are used for these companies.

4. Items related to accounting standards

Excluding "(7) Changes to Important Items that Serve as the Foundation for the Creation of Consolidated Financial Statements," no major changes have been made to the description in our latest statutory financial report under the Financial Instruments and Exchange Act, so we omitted the disclosure of these items.

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

(Changes to reporting criteria for total contract revenue and total contract costs)

Regarding the reporting criteria for earnings on construction contracts, the completed-contract method was used; however, beginning with the fiscal year under review, we use the *ASBJ Statement No.15 Accounting Standard for Construction Contracts* (December 27, 2007) and the *ASBJ Guidance No.18 Guidance on Accounting Standard for Construction Contracts* (December 27, 2007). For contracts started in the fiscal year under review, the percentage-of-completion method has been applied for recognizing sales from construction projects and the cost ratio method is used for calculating construction costs; otherwise, the completed-contract method has been applied.

As a result, the Group's consolidated sales for the fiscal year have been adjusted upward by 775 million yen, the operating income and ordinary income have each been increased by 344 million yen, and the loss before income taxes and minority interests has been decreased by 344 million yen. The segment information has also been adjusted accordingly and is given on pages 22 and 24.

(8) Changes to the Method of Display

(Consolidated statements of income)

The "Gain on prior period adjustment" included in "Others" of the extraordinary income in the previous year has been reclassified and is shown for the fiscal year under review because it exceeds 10% of the total extraordinary gain. Note that the "Gain on prior period adjustment" in the previous year was 174 million yen.

The "Refund of income taxes," which was classified and shown as such until the previous fiscal year is, from the viewpoint of materiality, included and shown in "Income taxes-current" starting with the fiscal year under review. The "Refund of income taxes" included in "Income taxes-current" for the fiscal year under review is 86 million yen.

(Consolidated cash flow statements)

In “Net cash provided by (used in) investing activities,” “Purchase of investment securities” (21 million yen for the fiscal year under review), “Proceeds from sales and redemption of investment securities” (9 million yen for the fiscal year under review), and “Proceeds from transfer of business” (32 million yen for the fiscal year under review) which were classified and shown as such in the previous year are included and shown in “Other” for the fiscal year under review as the amount is marginal.

(9) Notes to Consolidated Financial Statements

(Segment information)

a. Segment information by business type

Millions of yen

Business		Term	(Reference)		Year ended March 31, 2010		Change
			Year ended March 31, 2009		Amount	Composition Ratio (%)	
			Amount	Composition Ratio (%)			Amount
Industrial Automation and Control Business	Net sales	301,169		256,786		(44,383)	
	Net sales to unaffiliated customers	301,152	80.0	256,781	81.1	(44,371)	
	Net intersegment sales	17		4		(12)	
	Operating expenses	272,072		236,843		(35,229)	
	Operating income	29,097	618.1	19,942	761.4	(9,155)	
	Assets	243,776	58.6	247,179	62.0	12,403	
	Depreciation	11,250	52.1	11,173	69.7	(77)	
	Loss on impaired assets	263		124		(139)	
Capital expenditure	19,261	71.8	9,255	83.2	(10,006)		
Test and Measurement Business	Net sales	41,828		31,481		(10,347)	
	Net sales to unaffiliated customers	41,828	11.1	31,481	9.9	(10,347)	
	Net intersegment sales	—		—		—	
	Operating expenses	66,926		50,436		(16,490)	
	Operating loss	(25,099)	-533.2	(18,955)	-723.7	6,144	
	Assets	62,621	15.6	45,139	11.3	(17,482)	
	Depreciation	8,955	41.4	3,742	23.3	(5,213)	
	Loss on impaired assets	2,730		5,548		2,415	
Capital expenditure	5,794	21.6	1,411	12.7	(4,383)		
Other Businesses	Net sales	33,554		28,344		(5,210)	
	Net sales to unaffiliated customers	33,554	8.9	28,344	9.0	(5,210)	
	Net intersegment sales	—		—		—	
	Operating expenses	32,846		26,712		(6,134)	
	Operating income	708	15.0	1,632	62.3	924	
	Assets	38,046	9.5	33,693	8.4	(4,353)	
	Depreciation	1,409	6.5	1,117	7.0	(292)	
	Loss on impaired assets	28		278		250	
Capital expenditure	1,757	6.6	457	4.1	(1,300)		
Inter-segment Elimination	Net sales	(17)		(4)			
	Net sales to unaffiliated customers	—		—			
	Net intersegment sales	(17)		(4)			
	Operating expenses	(17)		(4)			
	Operating income	—		—			
	Assets	65,514	16.3	72,779	18.3	7,265	
	Depreciation	—	—	—	—	—	
	Loss on impaired assets	—		208		208	
Capital expenditure	—	—	—	—	—		
Consolidated	Net sales	376,534		316,606		(59,928)	
	Net sales to unaffiliated customers	376,534	100.0	316,606	100.0	(59,928)	
	Net intersegment sales	—		—		—	
	Operating expenses	371,827		313,986		(57,840)	
	Operating Income	4,707	100.0	2,619	100.0	(2,087)	
	Assets	400,959	100.0	398,792	100.0	(2,167)	
	Depreciation	21,615	100.0	16,033	100.0	(5,582)	
	Loss on impaired assets	3,425		6,159		2,733	
Capital expenditure	26,813	100.0	11,125	100.0	(15,688)		

(Note) 1. Method of categorizing business
Businesses have been grouped according to similarities in product line and market, as well as the profit and loss summary of the Yokogawa Group.

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

Business Segment	Major Products
Industrial Automation and Control Business	Production control systems, flowmeters, differential pressure/pressure transmitters, process analyzers, programmable controllers, industrial recorders
Test and Measurement Business	Semiconductor test systems, waveform measuring instruments, optical communication devices, waveform generators, power/temperature/pressure measurement devices, optical communication modules and sub-systems, confocal scanners
Other Businesses	Aircraft navigation-related devices, marine equipment, meteorological/hydrological measurement devices

3. The Yokogawa 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. Formerly part of the New and Other Businesses segment, the advanced stage, life science, and photonics businesses are now in the Test and Measurement Business segment. The aforementioned New and Other Businesses segment is now the Other Businesses segment. The data on the previous year used in the above segment information has been revised in accordance with this new business segmentation.
4. Of the assets for the previous year, the amount of total company assets included in Inter-segment Elimination came to 65,514 million yen. This chiefly consists of the Company's cash, deposits, and investments in marketable securities.
5. Of the assets for the fiscal year under review, the amount of total company assets included in Inter-segment Elimination came to 72,799 million yen. This chiefly consists of the Company's cash, deposits, and investments in marketable securities.
6. Since the beginning of the fiscal year under review, we have been using the *ASBJ Statement No.15 Accounting Standard for Construction Contracts* (December 27, 2007) and the *ASBJ Guidance No.18 Guidance on Accounting Standard for Construction Contracts* (December 27, 2007). As a result, in the industrial automation and control business, the Group's consolidated sales for the fiscal year under review have been adjusted upward by 775 million yen, and the operating income has been adjusted upward by 344 million yen.
7. An impairment loss of 1,579 million yen incurred by the Other Businesses segment in the previous year has been included in the restructuring loss stated in the consolidated statements of income.

b. Segment information by geographical location

Millions of yen

Region		Term		(Reference)		Year ended March 31, 2010		Change
		Year ended March 31, 2009		Year ended March 31, 2010		Change		
		Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount		
Japan	Net sales	239,843		198,539		(41,303)		
	Net sales to unaffiliated customers	187,075	49.7	156,061	49.3	(31,013)		
	Net intersegment sales	52,767		42,478		(10,289)		
	Operating expenses	247,701		208,492		(39,209)		
	Operating loss	(7,858)	-166.9	(9,972)	-380.0	(2,094)		
	Assets	260,116	64.9	242,115	60.7	(18,000)		
Asia	Net sales	98,277		84,725		(13,551)		
	Net sales to unaffiliated customers	74,518	19.8	66,029	20.8	(8,488)		
	Net intersegment sales	23,759		18,696		(5,062)		
	Operating expenses	92,036		77,501		(14,535)		
	Operating income	6,240	132.6	7,224	275.8	983		
	Assets	63,629	15.9	67,042	16.8	3,412		
Europe	Net sales	50,465		42,892		(7,572)		
	Net sales to unaffiliated customers	45,472	12.1	37,512	11.8	(7,960)		
	Net intersegment sales	4,992		5,380		388		
	Operating expenses	49,059		41,289		(7,769)		
	Operating income	1,406	29.9	1,603	61.2	196		
	Assets	31,093	7.7	29,725	7.5	(1,367)		
North America	Net sales	30,239		22,019		(8,220)		
	Net sales to unaffiliated customers	29,335	7.8	20,868	6.6	(8,467)		
	Net intersegment sales	903		1,150		247		
	Operating expenses	29,811		22,369		(7,442)		
	Operating income (loss)	427	9.1	(350)	-13.4	(778)		
	Assets	15,985	4.0	14,319	3.6	(1,639)		
Middle East	Net sales	17,877		17,448		(428)		
	Net sales to unaffiliated customers	17,113	4.5	16,628	5.3	(484)		
	Net intersegment sales	764		820		56		
	Operating expenses	15,464		14,681		(782)		
	Operating income	2,412	51.2	2,766	105.6	354		
	Assets	13,625	3.4	14,475	3.6	850		
Other	Net sales	23,250		19,667		(3,583)		
	Net sales to unaffiliated customers	23,019	6.1	19,506	6.2	(3,512)		
	Net intersegment sales	231		160		(70)		
	Operating expenses	22,035		18,942		(3,092)		
	Operating income	1,215	25.8	724	27.7	(490)		
	Assets	9,528	2.4	12,693	3.2	3,164		
Inter-segment Elimination	Net sales	(83,419)		(68,687)				
	Net sales to unaffiliated customers	—		—				
	Net intersegment sales	(83,419)		(68,687)				
	Operating expenses	(84,282)		(69,291)				
	Operating income	863	18.3	604	23.1			
	Assets	7,007	1.7	18,419	4.6	11,412		
Consolidated	Net sales	376,534		316,606		(59,928)		
	Net sales to unaffiliated customers	376,534	100.0	316,606	100.0	(59,928)		
	Net intersegment sales	—		—		—		
	Operating expenses	371,827		313,986		(57,840)		
	Operating Income	4,707	100.0	2,619	100.0	(2,087)		
	Assets	400,959	100.0	398,792	100.0	(2,167)		

(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 China, Singapore, South Korea, India, etc.
- (2) Europe The Netherlands, France, the United Kingdom, Germany, etc.
- (3) North America The United States, Canada
- (4) Middle East Bahrain, Saudi Arabia, etc.
- (5) Other Russia, Brazil, Australia, etc.

3. As the Middle East now accounts for a significant portion of consolidated sales, a separate category has been used in this table for the Middle East figures beginning with the fiscal year under review. Previously, they were included in the Other category. The data on the previous year used in the above segment information has been revised in accordance with this new business segmentation.

4. Of the assets for the previous fiscal year, the amount of total company assets included in Inter-segment Elimination came to 65,514 million yen. This chiefly consists of the Company's cash, deposits, and investments in marketable securities.
5. Of the assets for the fiscal year under review, the amount of total company assets included in Inter-segment Elimination came to 72,799 million yen. This chiefly consists of the Company's cash, deposits, and investments in marketable securities.
6. Since the beginning of the fiscal year under review, we have been using the *ASBJ Statement No.15 Accounting Standard for Construction Contracts* (December 27, 2007) and the *ASBJ Guidance No.18 Guidance on Accounting Standard for Construction Contracts* (December 27, 2007). As a result, the Group's consolidated sales in the Japan region for the fiscal year under review have been adjusted upward by 775 million yen, and the operating loss has been decreased by 357 million yen.

c. Non-Japan net sales

Millions of yen

Region	Term	(Reference) Year ended March 31, 2009		Year ended March 31, 2010		Change
		Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount
Asia		79,372	21.1	72,872	23.0	(6,499)
Europe		36,004	9.6	32,007	10.1	(3,996)
North America		29,087	7.7	20,931	6.6	(8,156)
Middle East		32,096	8.5	25,199	8.0	(6,896)
Other		29,820	7.9	26,289	8.3	(3,531)
Non-Japan net sales		206,380	54.8	177,299	56.0	(29,080)
Consolidated net sales		376,534	—	316,606	—	(59,928)

- (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 China, Singapore, South Korea, India, etc.
 - (2) Europe The Netherlands, France, the United Kingdom, Germany, etc.
 - (3) North America The United States, Canada
 - (4) Middle East Bahrain, Saudi Arabia, etc.
 - (5) Other Russia, Brazil, Australia, etc.
3. Non-Japan net sales are net sales of the Company and consolidated subsidiaries in countries or regions outside Japan.

(Per-share Information)

	Year ended March 31, 2009	Year ended March 31, 2010
Net assets per share (yen)	649.20	595.42
Net income or loss per share (yen)	(149.26)	(57.45)

- (Note) 1. The basis for calculation of net income per share is as follows.

	Year ended March 31, 2009	Year ended March 31, 2010
Net income or loss (millions of yen)	(38,446)	(14,799)
Net income or loss related to common stock (millions of yen)	(38,446)	(14,799)
Average number of shares during the period	257,585,242	257,580,204

(Important Post-balance Sheet Events)

No applicable items

(Disclosure Omission)

Explanatory notes related to lease transactions, marketable securities, financial instruments, derivative transactions, retirement benefits, tax effect accounting, and transactions with affiliated organizations are deemed to be of minor significance and have not been disclosed in the financial statements.

5. Non-consolidated Financial Statements

(1) Balance Sheets

Millions of yen

	(Reference) Year ended March 31, 2009	Year ended March 31, 2010
Assets		
Current assets		
Cash and deposits	35,547	44,206
Notes and accounts receivable-trade	515	1,819
Accounts receivable-trade	50,752	55,294
Merchandise and finished goods	7,101	4,387
Work in process	2,899	2,215
Raw materials and supplies	2,608	1,865
Advance payments-trade	475	710
Prepaid expenses	1,080	1,211
Short-term loans receivable	30,647	17,064
Accounts receivable-other	5,217	5,076
Other	412	343
Allowance for doubtful accounts	(22)	(23)
Total current assets	137,236	134,172
Noncurrent assets		
Property, plant and equipment		
Buildings, net	35,026	30,911
Structures, net	1,398	1,254
Machinery and equipment, net	6,246	1,857
Vehicles, net	2	
Tools, furniture and fixtures, net	3,791	2,596
Land	11,531	11,241
Lease assets, net	62	
Construction in progress	1,874	2,136
Other, net		60
Total property, plant and equipment	59,933	50,058
Intangible assets		
Goodwill	504	355
Patent right	60	44
Leasehold right	652	602
Software	8,227	7,889
Software in progress	16,332	17,533
Other	62	59
Total intangible assets	25,839	26,485

Millions of yen

	(Reference) Year ended March 31, 2009	Year ended March 31, 2010
Investments and other assets		
Investment securities	25,723	28,250
Stocks of subsidiaries and affiliates	31,562	29,504
Investment in capital	5	
Investment in capital of subsidiaries and affiliates	13,003	12,958
Long-term loans receivable from employees	10	
Long-term loans receivable from subsidiaries and affiliates	7,117	9,266
Long-term prepaid expenses	442	307
Lease and guarantee deposits	1,260	1,092
Long-term financial assets	6,718	5,770
Other	702	608
Allowance for doubtful accounts	(5,352)	(5,344)
Total investments and other assets	81,193	82,414
Total noncurrent assets	166,966	158,958
Total assets	304,203	293,130
Liabilities		
Current liabilities		
Notes payable-trade	221	192
Accounts payable-trade	17,805	17,388
Short-term loans payable	2,913	648
Current portion of long-term loans payable	176	24,176
Commercial papers	10,000	—
Accounts payable-other	11,452	10,090
Accrued expenses	3,617	3,821
Income taxes payable	215	172
Advances received	834	760
Deposits received	447	387
Unearned revenue	—	573
Provision for bonuses	3,422	4,911
Other	2,220	3,304
Total current liabilities	53,326	66,427
Noncurrent liabilities		
Long-term loans payable	101,526	104,846
Long-term accounts payable-other	5,952	2,921
Deferred tax liabilities	—	1,319
Other	3,923	3,679
Total noncurrent liabilities	111,402	112,766
Total liabilities	164,728	179,193

Millions of yen

	(Reference) Year ended March 31, 2009	Year ended March 31, 2010
Net assets		
Shareholders' equity		
Capital stock	43,401	43,401
Capital surplus		
Legal capital surplus	46,350	46,350
Other capital surplus	3,802	3,801
Total capital surplus	50,152	50,151
Retained earnings		
Legal retained earnings	5,372	5,372
Other retained earnings		
Reserve for retirement allowance	1,255	1,255
Reserve for dividends	1,235	1,235
Reserve for advanced depreciation of noncurrent assets	1,485	1,418
General reserve	11,783	11,783
Retained earnings brought forward	35,765	7,922
Total retained earnings	56,897	28,986
Treasury stock	(10,978)	(10,991)
Total shareholders' equity	139,472	111,548
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2	2,389
Total valuation and translation adjustments	2	2,389
Total net assets	139,474	113,937
Total liabilities, net assets	304,203	293,130

(2) Statements of Income

Millions of yen

	(Reference) Year ended March 31, 2009	Year ended March 31, 2010
Net sales		
Net sales of finished goods	184,872	156,948
Total net sales	184,872	156,948
Cost of sales		
Beginning finished goods	5,241	5,934
Cost of products manufactured	138,099	121,315
Transfer from other account	1,043	2,443
Total	144,384	129,693
Transfer to other account	486	754
Ending finished goods	5,934	3,291
Cost of finished goods sold	137,962	125,647
Gross profit	46,910	31,301
Selling, general and administrative expenses	58,487	47,596
Operating loss	(11,577)	(16,294)
Non-operating income		
Interest income	231	273
Interest on securities	8	—
Dividend income	13,039	4,405
Rent receivable	1,604	1,445
Other	390	335
Total non-operating income	15,273	6,460
Non-operating expenses		
Interest expenses	1,148	1,686
Contribution	105	76
Rent payable	1,448	1,342
Compensation for damage	159	440
Foreign exchange losses	1,238	614
Foreign withholding taxes	529	277
Other	1,217	1,702
Total non-operating expenses	5,847	6,140
Ordinary loss	(2,151)	(15,974)

Millions of yen

	(Reference) Year ended March 31, 2009	Year ended March 31, 2010
Extraordinary income		
Gain on sale of noncurrent assets	7	165
Gain on sale of investment securities	1,570	59
State subsidy	500	333
Reversal of allowance for doubtful accounts for subsidiaries and affiliates	415	9
Gain on prior period adjustment	—	94
Other	225	90
Total extraordinary income	2,718	752
Extraordinary losses		
Loss on sale of noncurrent assets	—	27
Loss on retirement of noncurrent assets	419	534
Impairment loss	1,025	5,747
Compensation for impairment loss on affiliated companies' production facilities	626	102
Loss on sale of shares in subsidiaries and affiliates	—	1,926
Loss on valuation of stock of subsidiaries and affiliates	1,463	44
Loss on valuation of investment securities	4,809	199
Restructuring loss	2,329	842
Impairment loss on software for sale	701	562
Other	747	625
Total extraordinary losses	12,123	10,613
Loss before income taxes and minority interests	(11,555)	(25,835)
Income taxes-current	46	61
Income taxes-deferred	28,441	(46)
Total income taxes	28,487	14
Net loss	(40,043)	(25,849)

(3) Statements of Changes in Net Assets

Millions of yen

	(Reference) Year ended March 31, 2009	Year ended March 31, 2010
Shareholders' equity		
Capital stock		
Balance at the end of previous period	43,401	43,401
Balance at the end of current period	43,401	43,401
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	46,350	46,350
Balance at the end of current period	46,350	46,350
Other capital surplus		
Balance at the end of previous period	3,812	3,802
Changes of items during the period		
Disposal of treasury stock	(9)	(0)
Total changes of items during the period	(9)	(0)
Balance at the end of current period	3,802	3,801
Total capital surplus		
Balance at the end of previous period	50,162	50,152
Changes of items during the period		
Disposal of treasury stock	(9)	(0)
Total changes of items during the period	(9)	(0)
Balance at the end of current period	50,152	50,151
Retained Earnings		
Legal retained earnings		
Balance at the end of previous period	5,372	5,372
Balance at the end of current period	5,372	5,372
Other retained earnings reserve		
Reserve for retirement allowance		
Balance at the end of previous period	1,255	1,255
Balance at the end of current period	1,255	1,255
Reserve for dividends		
Balance at the end of previous period	1,235	1,235
Balance at the end of current period	1,235	1,235
Reserve for special depreciation		
Balance at the end of previous period	0	
Changes of items during the period		
Reversal of reserve for special depreciation	(0)	—
Total changes of items during the period	(0)	—
Balance at the end of current period		
Reserve for advanced depreciation of noncurrent assets		
Balance at the end of previous period	1,556	1,485
Changes of items during the period		
Reversal of reserve for advanced depreciation of noncurrent assets	(70)	(67)
Total changes of items during the period	(70)	(67)
Balance at the end of current period	1,485	1,418

Millions of yen

	(Reference) Year ended March 31, 2009	Year ended March 31, 2010
General reserve		
Balance at the end of previous period	11,783	11,783
Balance at the end of current period	11,783	11,783
Retained earnings brought forward		
Balance at the end of previous period	79,858	35,765
Changes of items during the period		
Reversal of reserve for special depreciation	0	—
Reversal of reserve for advanced depreciation of noncurrent assets	70	67
Dividends from surplus	(4,121)	(2,060)
Net loss	(40,043)	(25,849)
Total changes of items during the period	(44,093)	(27,842)
Balance at the end of current period	35,765	7,922
Total retained earnings		
Balance at the end of previous period	101,061	56,897
Changes of items during the period		
Dividends from surplus	(4,121)	(2,060)
Net loss	(40,043)	(25,849)
Total changes of items during the period	(44,164)	(27,910)
Balance at the end of current period	56,897	28,986
Treasury stock		
Balance at the end of previous period	(10,985)	(10,978)
Changes of items during the period		
Purchase of treasury stock	(10)	(14)
Disposal of treasury stock	17	2
Total changes of items during the period	6	(12)
Balance at the end of current period	(10,978)	(10,991)
Total shareholders' equity		
Balance at the end of previous period	183,639	139,472
Changes of items during the period		
Dividends from surplus	(4,121)	(2,060)
Net loss	(40,043)	(25,849)
Purchase of treasury stock	(10)	(14)
Disposal of treasury stock	7	1
Total changes of items during the period	(44,167)	(27,923)
Balance at the end of current period	139,472	111,548
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	2,908	2
Changes of items during the period		
Net changes of items other than shareholders' equity	(2,905)	2,386
Total changes of items during the period	(2,905)	2,386
Balance at the end of current period	2	2,389

	(Reference) Year ended March 31, 2009	Year ended March 31, 2010
Deferred gains or losses on hedge		
Balance at the end of previous period	2	
Changes of items during the period		
Net changes of items other than shareholders' equity	(2)	—
Total changes of items during the period	(2)	—
Balance at the end of current period		
Total valuation and translation adjustments		
Balance at the end of previous period	2,910	2
Changes of items during the period		
Net changes of items other than shareholders' equity	(2,908)	2,386
Total changes of items during the period	(2,908)	2,386
Balance at the end of current period	2	2,389
Total net assets		
Balance at the end of previous period	186,550	139,474
Changes of items during the period		
Dividends from surplus	(4,121)	(2,060)
Net loss	(40,043)	(25,849)
Purchase of treasury stock	(10)	(14)
Disposal of treasury stock	7	1
Net changes of items other than shareholders' equity	(2,908)	2,386
Total changes of items during the period	(47,075)	(25,537)
Balance at the end of current period	139,474	113,937

(4) Notes for Going Concern

Not applicable

(5) Changes in Significant Accounting Policies

(Changes to reporting criteria for total contract revenue and total contract costs)

Regarding the reporting criteria for earnings on construction contracts, the completed-contract method was used; however, beginning with the fiscal year under review, we have been using the *ASBJ Statement No.15 Accounting Standard for Construction Contracts* (December 27, 2007) and the *ASBJ Guidance No.18 Guidance on Accounting Standard for Construction Contracts* (December 27, 2007). For contracts started in the fiscal year under review, the percentage-of-completion method has been applied for recognizing sales from construction projects and the cost ratio method is used for calculating construction costs; otherwise, the completed-contract method has been applied.

As a result, the sales for the fiscal year under review have been adjusted upward by 760 million yen, and the operating loss, ordinary loss, and loss before income taxes and minority interests have each been decreased by 332 million yen.

(6) Change to the Method of Display

(Balance Sheets)

The “Vehicles, net” (0 million yen for the fiscal year under review) and “Lease assets, net” (59 million yen for the fiscal year under review) which were classified and shown as such in the previous year are included and shown in “Other” of “Property, plant and equipment” for the fiscal year under review as the amount is marginal.

The “Investments in capital” (4 million yen for the fiscal year under review) and “Long-term loans receivable from employees” (7 million yen for the fiscal year under review) which were classified and shown as such in the previous year are included and shown in “Other” of “Investments and other assets” for the fiscal year under review as the amount is marginal.

(Statements of Income)

The “Gain on prior period adjustment,” which was included and shown in “Others” of the extraordinary income in the previous fiscal year, is reclassified and shown as such for the fiscal year under review because it exceeds 10% of the total extraordinary income. Note that the “Gain on prior period adjustment” in the previous fiscal year was 29 million yen.

6. Other

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

(1) Production results

Millions of yen

Name of segment by business type	Year ended March 31, 2009		Year ended March 31, 2010		Change	
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	Change rate (%)
Industrial Automation and Control Business	301,152	80.5	256,770	81.5	(44,382)	-14.7
Test and Measurement Business	41,793	11.2	31,481	10.0	(10,312)	-24.7
Other Businesses	31,211	8.3	26,659	8.5	(4,552)	-14.6
Total	374,156	100.0	314,910	100.0	(59,246)	-15.8

(Note) 1. Amounts are based on sales price.

2. Consumption tax is not included in the above amounts.

3. The Group's business segmentation was revised during the fiscal year under review. The comparative figures for the previous fiscal year are provided based on the new segmentation.

(2) Order intake status

Millions of yen

Name of segment by business type	Year ended March 31, 2009		Year ended March 31, 2010		Change	
	Order intake	Order backlog	Order intake	Order backlog	Order intake	Order backlog
Industrial Automation and Control Business	302,036	131,456	256,505	132,128	(45,531)	672
Test and Measurement Business	40,445	9,326	30,950	9,227	(9,495)	(99)
Other Businesses	31,804	18,425	27,792	17,272	(4,012)	(1,153)
Total	374,285	159,207	315,247	158,627	(59,037)	(580)

(Note) 1. Consumption tax is not included in the above amounts.

2. The Group's business segmentation was revised during the fiscal year under review. The comparative figures for the previous fiscal year are provided based on the new segmentation.

(3) Sales results

Millions of yen

Name of segment by business type	Year ended March 31, 2009		Year ended March 31, 2010		Change	
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	Change rate (%)
Industrial Automation and Control Business	301,152	80.0	256,781	81.1	(44,371)	-14.7
Test and Measurement Business	41,828	11.1	31,481	9.9	(10,347)	-24.7
Other Businesses	33,554	8.9	28,344	9.0	(5,210)	-15.5
Total	376,534	100.0	316,606	100.0	(59,928)	-15.9

(Note) 1. Consumption tax is not included in the above amounts.

2. No customers account for 10% or more of total sales results.

3. Transactions between segments offset each other

4. The Group's business segmentation was revised during the fiscal year under review. The comparative figures for the previous fiscal year are provided based on the new segmentation.

[Reference]

May 14, 2010
Yokogawa Electric Corporation

Consolidated Financial Statements for the Year Ended March 31, 2010

Millions of yen

	Year ended March 31, 2009		Year ended March 31, 2010		Change	
	Amount	Ratio to Net Sales	Amount	Ratio to Net Sales	Amount	Ratio to Net Sales
Net Sales	376,534	—	316,606	—	(59,928)	—
Operating Income	4,707	1.3%	2,619	0.8%	(2,087)	-0.4%
Ordinary Income	274	0.1%	239	0.1%	(35)	-0.0%
Net Income	(38,446)	-10.2%	(14,799)	-4.7%	23,647	5.5%
Total Assets	400,959		398,792		(2,167)	
Shareholders' Equity	171,008		157,360		(13,648)	
Net Income to Shareholders' Equity Ratio	-19.8%		-9.2%		10.6%	
Net Income per Share	(149.26) yen		(57.45)yen		91.81yen	
Shareholders' Equity per Share	649.20 yen		595.42yen		(53.78)yen	
Capital Investment	26,813		11,125		(15,688)	
Depreciation	21,615		16,033		(5,582)	
Research and Development Expenses	37,229		28,786		(8,442)	
Average Exchange Rate during the Term						
USD	100.66 yen		92.61yen		(8.05)yen	
EUR	143.28 yen		130.68yen		(12.60)yen	

The Group's business segmentation was revised in the fiscal year under review. The following tables are based on this new segmentation and compare the data on a yearly basis and an interim period basis.

Consolidated orders by segment

Millions of yen

	Year ended March 31, 2009	Year ended March 31, 2010	Year ending March 31, 2011 (forecast)
Industrial Automation and Control Business	302,036	256,505	272,000
Measurement Business	40,445	30,950	43,000
Other Businesses	31,804	27,792	25,000
Total	374,285	315,247	340,000

Consolidated sales by segment

Millions of yen

	Year ended March 31, 2009	Year ended March 31, 2010	Year ending March 31, 2011 (forecast)
Industrial Automation and Control Business	301,152	256,781	267,000
Measurement Business	41,828	31,481	43,000
Other Businesses	33,554	28,344	25,000
Total	376,534	316,606	335,000

Consolidated operating income by segment

Millions of yen

	Year ended March 31, 2009	Year ended March 31, 2010	Year ending March 31, 2011 (forecast)
Industrial Automation and Control Business	29,097	19,942	15,000
Measurement Business	(25,099)	(18,955)	(7,000)
Other Businesses	708	1,632	0
Total	4,707	2,619	8,000

Consolidated orders by segment

Millions of yen

	First two quarters of year ended March 31, 2009	First two quarters of year ended March 31, 2010	First two quarters of year ending March 31, 2011 (forecast)
Industrial Automation and Control Business	174,679	131,332	132,000
Measurement Business	25,320	12,732	19,000
Other Businesses	15,664	10,673	11,000
Total	215,663	154,737	162,000

Consolidated sales by segment

Millions of yen

	First two quarters of year ended March 31, 2009	First two quarters of year ended March 31, 2010	First two quarters of year ending March 31, 2011 (forecast)
Industrial Automation and Control Business	156,087	124,520	125,000
Measurement Business	24,198	13,343	19,000
Other Businesses	16,504	12,792	11,000
Total	196,790	150,655	155,000

Consolidated operating income by segment

Millions of yen

	First two quarters of year ended March 31, 2009	First two quarters of year ended March 31, 2010	First two quarters of year ending March 31, 2011 (forecast)
Industrial Automation and Control Business	16,498	8,361	5,500
Measurement Business	(11,244)	(11,095)	(5,000)
Other Businesses	(275)	354	(500)
Total	4,979	(2,380)	0

For reference purposes, the following tables provide the same data based on the previous business segmentation.

(Reference)

Consolidated orders by segment

Millions of yen

	Year ended March 31, 2009	Year ended March 31, 2010
Industrial Automation and Control Business	302,036	256,505
Test and Measurement Business	32,557	26,857
New and Other Businesses	39,692	31,885
Total	374,285	315,247

Consolidated sales by segment

Millions of yen

	Year ended March 31, 2009	Year ended March 31, 2010
Industrial Automation and Control Business	301,152	256,781
Test and Measurement Business	34,138	26,450
New and Other Businesses	41,244	33,375
Total	376,534	316,606

Consolidated operating income by segment

Millions of yen

	Year ended March 31, 2009	Year ended March 31, 2010
Industrial Automation and Control Business	29,097	19,942
Test and Measurement Business	(13,764)	(11,667)
New and Other Businesses	(10,626)	(5,656)
Total	4,707	2,619