



Consolidated Financial Statements for the Year Ending March 31, 2007

May 10, 2007

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

Name and Position of Person in Charge: Masatoshi Okabe, General Manager of Public Relations & Investor Relations Dept.

Telephone Number: +81-422-52-5530

Planned Date of the Regular General Meeting of Shareholders: June 27, 2007

Planned Date to Start Dividend Payment: June 28, 2007

Planned Date to File Annual Report : June 27, 2007

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

1. Consolidated business results for the year ended March 31, 2007 (April 1, 2006-March 31, 2007)

(1) Results of operations on a 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, 2007	433,405	11.5	29,274	15.6	29,616	12.2	12,563	(41.7)
For the year ended March 31, 2006	388,877	0.5	25,320	2.3	26,402	17.9	21,559	130.0

	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, 2007	47.79	--	5.5	6.9	6.8
For the year ended March 31, 2006	87.45	--	11.0	6.5	6.5

(Note)

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

For the year ended March 31, 2007 877 million yen

For the year ended March 31, 2006 1.655 billion 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, 2007	438,683	238,902	53.4	891.08
For the year ended March 31, 2006	417,805	224,566	53.7	854.24

(Note)

Shareholders' equity

For the year ended March 31, 2007 234.252 billion yen

For the year ended March 31, 2006 224.566 billion yen

(3) Consolidated cash flow status

	Net Cash Provided by Operating Activities	Net Cash Provided by (used in) Investment Activities	Net Cash Used in 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, 2007	40,461	(39,038)	(6,096)	38,178
For the year ended March 31, 2006	25,636	(11,724)	(14,091)	41,565

2. Dividend status

(Record date)	Dividends per Share			Total Dividends (annual)	Payout ratio (consol.)	Net Asset Dividend Rate (consol.)
	End of Interim Term	End of Term	Annual Total			
For the year ended March 31, 2006	Yen 10.00	Yen 5.00	Yen 15.00	Million yen 3,746	% 17.2	% 1.9
For the year ended March 31, 2007	7.50	7.50	15.00	3,943	31.4	1.7
For the year ending March 31, 2008 (Forecast)	8.00	8.00	16.00	--	30.0	--

3. Business forecast for the year ending March 31, 2008 (April 1, 2007-March 31, 2008)

(Percentages show the increase or decrease since 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	200,000	7.3	10,000	10.3	8,000	(30.1)	3,000	(25.7)	11.41
Annual	450,000	3.8	35,000	19.6	30,000	1.3	14,000	11.4	53.25

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) Yes

(Note)

For details, see “Changes to Important Items that Serve as the Foundation for the Creation of Consolidated Financial Statements” on page 22.

(3) Number of shares issued (common stock)

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

For the year ended March 31, 2007 268,624,510 shares

For the year ended March 31, 2006 268,624,510 shares

(2) Treasury stocks at the end of the period

For the year ended March 31, 2007 5,737,599 shares

For the year ended March 31, 2006 5,739,993 shares

(Note)

See “Per-share Information” on page 30 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, 2007 (April 1, 2006-March 31, 2007)

(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, 2007	239,399	1.6	10,605	4.3	14,946	(28.8)	5,039	(63.5)
For the year ended March 31, 2006	235,581	(5.7)	10,170	(26.2)	20,997	32.1	13,804	31.3

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
For the year ended March 31, 2007	19.17	--
For the year ended March 31, 2006	55.99	--

(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, 2007	341,754	208,169	60.9	791.84
For the year ended March 31, 2006	333,095	209,317	62.8	796.18

(Note)

Shareholders' equity

For the year ended March 31, 2007 208.169 billion yen

For the year ended March 31, 2006 209.317 billion yen

2. Non-consolidated business forecast for the year ending March 31, 2008 (April 1, 2007-March 31, 2008)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim	110,000	1.7	0	--	500	(92.7)	500	(79.6)	1.90
Annual	250,000	4.4	11,000	3.7	10,000	(33.1)	6,000	19.1	22.82

* 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 of the attached materials for a disclaimer regarding the assumptions used in performance forecasts, as well as the use of such forecasts.

1. Business Results

(1) Analysis of Business Results

In our core industrial automation and control business market, the increase in energy demand and high oil prices outside Japan have resulted in active investment in petroleum, petrochemical, natural gas and other energy-related plants. In the Japanese market, there has also been active investment to replace production facilities as well as a trend toward investment in new facilities, resulting in a favorable trend for the overall control business. In the semiconductor tester market, the main segment of the test and measurement business, investment was strong in the memory segment, centered on DRAM, but a decline in the FPD market resulted in a drop in investment in FPD driver IC testers. On the other hand, in the communications and measuring instrument market, an upswing in optical communications, energy conservation and alternative energy, information appliances, and ubiquitous computing was evident. In the new photonics market, construction of a next-generation network based on 40Gbps backbone optical communications has started. Conditions are also strong in the advanced stage markets, chiefly in the semiconductor and liquid crystal display manufacturing segments.

In such circumstances, significant efforts were focused on executing the business strategy in this first year of activities directed toward 2010, the Second Milestone of the VISION-21 & ACTION-21 corporate strategy, to aggressively expand sales by increasing orders from existing customers and developing new customers.

As a result, performance for the consolidated accounting period under review was as follows:

<Consolidated>

Net sales	433.4 billion yen (up 44.5 billion yen from the previous year)
Operating income	29.2 billion yen (up 3.9 billion yen from the previous year)
Ordinary income	29.6 billion yen (up 3.2 billion yen from the previous year)
Net income	12.5 billion yen (down 8.9 billion yen from the previous year)

<Non-consolidated>

Net sales	239.3 billion yen (up 3.8 billion yen from the previous year)
Operating income	10.6 billion yen (up 400 million yen from the previous year)
Ordinary income	14.9 billion yen (down 6 billion yen from the previous year)
Net income	5 billion yen (down 8.7 billion yen from the previous year)

Results by individual business segment are outlined below.

Industrial Automation and Control Business

In the industrial automation and control business, the increases in energy demand and high oil prices have led to continued active investment in large-scale petroleum/petrochemical/natural gas projects outside Japan. In this favorable business environment, the implementation of the Vigilance marketing campaign to show our business approach and the enhancement of sales activities that seek to develop close relationships with major companies and other customers have borne fruit, significantly increasing our recognition in the market. In addition, the high reliability of the Company's products based on our continued investment in development and our ability to carry out projects have been evaluated very positively, leading to many orders for large-scale projects from around the world.

In the rapidly expanding market of the Middle East, we received our largest order to date to supply a control system for the Rabigh Project, which is being promoted by Saudi Aramco and Sumitomo Chemical Co., Ltd. and involves the construction of the world's largest combined petroleum refinery and petrochemical plant. Further, in Russia, where the market is expected to expand, a strategic partnership has been established with Sibur Holding, the country's largest petrochemical/chemical corporate group. This will prioritize the utilization of our products for the control systems that are to be implemented at 24 plants belonging to the Sibur Group. Moreover, we have entered into a contract with Shell to exclusively supply our products for projects planned for 2011 that will update the control systems, safety systems, and fire/gas detection systems at offshore petroleum/natural gas production facilities in the Gulf of Mexico. In this way we are steadily growing our business in the global market.

In the Japanese market, where investment in production facilities to replace facilities and increase efficiency, as well as investment in the enhancement of production facilities in the materials industry has begun in earnest, the Company has striven to continue to strengthen the management structure for each individual project and to solidify the business' foundation for generating profits, as well as aggressively implement activities to obtain orders. Because it is forecast that replacement of plants built in Japan in the 1980s and 1990s will proceed in earnest, the Company is working to provide comprehensive solutions, including consulting, from the point of view of the customer, and is widening its range of operations into high-value-added businesses and moving forward to increase orders.

Test and Measurement Business

In the semiconductor tester segment of the test and measurement business, memory testers saw steady orders due to steady capital investment in DRAM in the second half of the year, but the FPD driver IC tester market was sluggish, resulting in severe conditions for the entire semiconductor tester business. New products were introduced and new customers were acquired for FPD driver IC testers, and we continued to increase our market share. In the future, we will aggressively strive to increase orders in conjunction with the increase in demand for information appliances and the recovery in capital investment.

In the communications and measuring instrument business, the market is showing clear signs of recovery, with the laying of optical fiber and the establishment of maintenance services for the construction of next generation networks. The Company quickly responded to this opportunity by introducing a new high-performance fiber optic tester, the OTDR, to the market. We will continue to increase the speed of development of products for the target market and aggressively work to increase orders.

New and Other Businesses

Regarding our new businesses, the photonics business centering on 40Gbps optical communication networks is moving ahead steadily, and the use of this technology is expected to expand dramatically in support of our social infrastructure. The successful development of this 40Gbps optical communications technology by the Company was a world first, and it has cooperated with Fujitsu Limited in the successful development of an optical transmission module based on this technology that makes possible 40Gbps transmissions over distances exceeding 800 km, eight times what is conventionally possible. In the future, we will provide practical solutions to the world's major communications enterprises.

In the advanced stage business, we have developed new products based on high precision positioning technology for the semiconductor manufacturing and liquid crystal panel manufacturing markets, and are steadily expanding new business applications.

In the life science business, we have worked to increase orders, focusing on businesses related to confocal scanner units (CSU), which are optimal for monitoring live cells, and on the magnetoencephalograph (MEG) business. In the aircraft business, we have striven to increase our private-sector business by selling flat panel displays for use in commercial aircraft.

Results by region were as follows.

1. Japan

In Japan, though there was an increase in income from the robust industrial automation and control business, a drop in income from the semiconductor business as well as withdrawal from the parts resale business decreased net sales to 247.8 billion yen (down 12.5 billion yen, 4.8% from the same term last year). On the other hand, operating income increased to 15.8 billion yen (up 1.3 billion yen, 9.5% from the same term last year) due to increased sales in the industrial automation and control business, which has a high profit margin.

2. Asia

In Asia, the industrial automation and control business performed well, resulting in increased income and profit. Net sales were 86.1 billion yen (up 33 billion yen, 62.1% from the same term last year) and operating income was 8.1 billion yen (up 2.7 billion yen, 50.9% from the same term last year).

3. Europe

In Europe, the industrial automation and control business performed well, resulting in increased income and profit. Net sales were 41.9 billion yen (up 7.3 billion yen, 21.1% from the same term last year) and operating income was 3.4 billion yen (up 400 million yen, 14.4% from the same term last year).

4. North America

The industrial automation and control business also performed well in North America, producing net sales of 27.4 billion yen (up 7.5 billion yen, 38.2% from the same term last year). On the other hand, a temporary increase in expenditures due to reception of an order for a large-scale strategic project resulted in decreased operating income of 400 million yen (down 200 million yen, 37.5% from the same term last year).

5. Other regions

Other regions as well, in particular the Middle East, saw an upswing in the petroleum, petrochemical, and natural gas related business, resulting in increased income and profit for the industrial automation and control business. Net sales were 29.9 billion yen (up 9.1 billion yen, 43.8% from the same term last year) and operating income was 2.1 billion yen (up 1.1 billion yen, 107.0% from the same term last year).

(2) Full Year Business Forecast

<Consolidated Business Performance Forecasts (Yearly)>

Net sales	450 billion yen (up 3.8% from the previous year)
Operating income	35 billion yen (up 19.6% from the previous year)
Ordinary income	30 billion yen (up 1.3% from the previous year)
Net income	14 billion yen (up 11.4% from the previous year)

<Non-consolidated Business Performance Forecasts (Yearly)>

Net sales	250 billion yen (up 4.4% from the previous year)
Operating income	11 billion yen (up 3.7% from the previous year)
Ordinary income	10 billion yen (down 33.1% from the previous year)
Net income	6 billion yen (up 19.1% from the previous year)

Note: The consolidated business forecast assumes an exchange rate of US\$1 = 110 yen, 1 Euro = 135 yen.

<Notes regarding 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 U.S. dollar, the euro, and Asian currencies, etc., relative to the yen
- Sudden changes in economic conditions in major markets, trade regulations, or other aspects of the business environment in major markets
- Sudden fluctuations in product supply or market demand
- Rapid technological innovation or other changes
- Fluctuations in Japanese share prices
- Protection of Yokogawa patents and 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 this consolidated accounting period were 438.6 billion yen, an increase of 20.8 billion yen over the previous period. An increase in inventory and accounts receivable, etc., accompanying an increase in net sales resulted in current assets of 243.1 billion yen, a 3.2 billion yen increase over the previous period. Fixed assets were 195.5 billion yen, an increase of 17.6 billion yen over the previous period, due to capital investment in the Sagamihara facility.

On the other hand, total liabilities increased to 199.7 billion yen, up 11.5 billion yen from the previous period, due to an increase in accounts payable accompanying capital investment.

In addition, net assets were 238.9 billion yen, due to a 9.2 billion yen increase in earned surplus.

As a result, the treasury stock ratio was 53.4%, down 0.3 points from the previous period.

(2) Cash flow status

Millions of yen

	Previous consolidated accounting period	Current consolidated accounting period	Change
Cash flow from operating activities	25,636	40,461	14,825
Cash flow from investment activities	(11,724)	(39,038)	(27,313)
Cash flow from financing activities	(14,091)	(6,096)	7,994
Cash and cash equivalents at the end of the period	41,565	38,178	(3,386)

Cash flow from operating activities was 40.4 billion yen, an increase of 14.8 billion yen over the previous period, from a net income before taxes and other adjustments of 25.1 billion yen, after adjusting for items such as depreciation costs of 16.4 billion yen.

Cash flow from investment activities saw an expenditure of 39 billion yen, an increase of 27.3 billion yen over the previous period, due to an outlay of 28.7 billion yen for tangible fixed assets such as the construction of facilities and the purchase of production facilities, and an outlay of 6.1 billion yen for the acquisition of intangible fixed assets.

Cash flow from financing activities saw an expenditure of 6 billion yen, down 7.9 billion yen from the previous period, due to the repayment of debts.

As a result of the above, cash and cash equivalents at the end of the interim period showed a decrease of 3.3 billion yen over the previous period, coming to 38.1 billion yen.

(Note) Trends in cash flow indicators

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007
Shareholders' equity ratio (%)	40.3	42.2	53.7	53.4
Market value based shareholders' equity ratio (%)	94.5	88.2	131.8	108.2
Cash flow to interest bearing debt ratio (%)	12.0	5.5	2.4	1.5
Interest coverage ratio (multiple)	7.4	21.1	34.1	37.6

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 / operating cash flow

Interest coverage ratio: Operating cash flow / interest payments

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

(Note 2) Market value has been calculated based on the number of shares issued excluding treasury stocks.

(Note 3) Interest bearing debt includes all debt listed on the interim consolidated balance sheets for which interest is being paid. (Includes zero coupons and euro yen convertible bonds.)

(Note 4) The figures for operating 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 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 investment in new businesses and development of new products for growing markets, and taking under consideration the securement of an internal reserve and strengthening of our financial standing, we have set the consolidated dividend ratio at 30% as our appropriation policy.

We plan to set the yearly ordinary dividend for this year at 15 yen, with the year-end dividend and interim dividend each at 7.5 yen.

In addition, we plan a yearly increase of 1 yen to set the yearly ordinary dividend for next year at 16 yen (with the year-end dividend and the interim dividend each at 8 yen).

2. Status of the Yokogawa Group

The Yokogawa Group consists of Yokogawa Electric Corporation (“the Company”), 89 subsidiaries, and 13 affiliated companies. The major businesses of the Group companies and businesses pertaining to each company in the Group by segment are as follows:

Business activities are classified as either the measurement, control, and information equipment business segment or the other businesses segment according to product affiliations, etc.

(1) The measurement, control, and information equipment business: 93 companies

In this business segment, products manufactured by consolidated subsidiaries such as Yokogawa Manufacturing Corporation, Yokogawa Electric China Co., Ltd., and Yokogawa Electric Asia Pte. Ltd. are sold in Japan by the Company. Outside Japan, mainly Yokogawa Engineering Asia Pte. Ltd. in the Southeast Asia, Yokogawa Europe B.V. in Europe, and Yokogawa Corporation of America mainly in the United States add some of their own products and conduct sales, engineering service, and after-sales service.

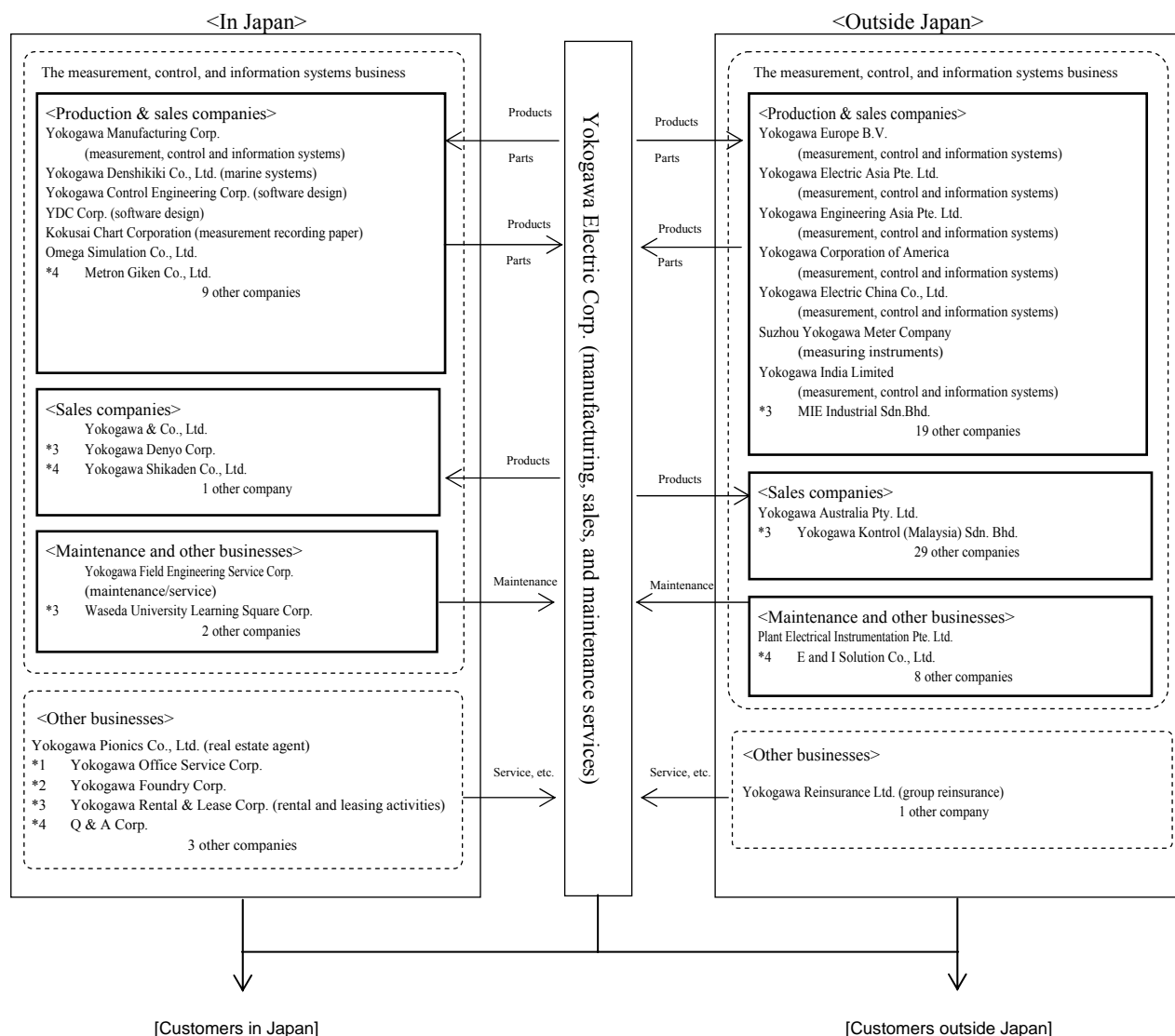
In addition, the Company and Yokogawa Denshikiki Co., Ltd. are engaged in the manufacture and sale of electronics equipment for public sector use.

(2) Other businesses: 10 companies

Yokogawa Pionics Co., Ltd. handles operations relating to real estate, while Yokogawa Human Create Corporation acts as a temporary staffing agency.

Business Overview

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



(Notes)

- No indication Consolidated subsidiary
- *1 Unconsolidated subsidiary
- *2 Unconsolidated subsidiary as to investments in which the equity method has been carried out
- *3 Affiliated company as to investments in which the equity method has been carried out
- *4 Affiliated company as to investments in which the equity method has not been carried out

In addition, of the above, the subsidiaries listed in Japan securities markets, and open markets, are as follows.

Kokusai Chart Corporation Jasdq Securities Exchange, Inc.

3. Management Policies

(1) Core Management Policies

In January 2000, the Yokogawa Group announced its VISION-21 & ACTION-21 corporate vision and strategy to achieve the goal of a healthy and profitable operation, and strove to bring about innovations in business structure and group management, with FY2005 as the First Milestone. Beginning in FY2006, we started the second phase of VISION-21 & ACTION-21 with FY2010 as the Second Milestone, and have been carrying out activities that will significantly grow our business, on the foundation built through our structural reform. The key initiative is One Global YOKOGAWA. We will achieve sound and profitable operation in a truly consolidated manner that is clearly evident to all our customers around the world, dramatically improving our management efficiency and utilizing Leading Edge Technology to achieve Customer Centric Solutions.

(2) Management Targets

For the Second Milestone of FY2010, we will establish as our targets a consolidated operating income of 75 billion yen, a return on sales of 12.5%, and a return on investment based on operating income of 23%.

(3) Medium- and Long-term Business Strategies

The Company has classified its operations into key business domains: Industrial Automation and Control, Test and Measurement, and New and Other Businesses. Yokogawa will aggressively pursue a business strategy in each of these domains, the core strategies for which are outlined below.

Industrial Automation and Control Business

We will aggressively develop our industrial automation and control business, aiming toward becoming the global number one company in FY2010. To accomplish this, we will focus our strength on product development to strengthen the competitiveness of our core product of control systems and major sensors and obtain the top market share. In addition, we will not only engage in product development, but will work to create a system for providing those products as solutions and services. As regional strategy, in areas where the Company's competitive power is strong, and in areas where market growth is large, we will solidify our status as the number one market shareholder. In markets which have matured, we will increase our share by responding to replacement demand.

Outside Japan, our Vigilance marketing campaign has indicated our approach toward business, and significantly increased the recognition and sense of reliability of the Company. We will use this opportunity to enhance our product lineup based on the three solutions of Safety Excellence, Asset Excellence, and Production Excellence to provide the customer with the ideal plant—a VigilantPlant—and obtain new customers and open new markets. In addition, along with strengthening our engineering setup to efficiently use superior resources worldwide, we will enhance our development structure outside Japan.

In Japan, we will capitalize on our ability to propose comprehensive solutions to customer issues and on the reliability of our products, as well as providing MES, ERP, and other new services, to expand our business range and increase market share.

Test and Measurement Business

Yokogawa is expanding its business presence in the semiconductor tester market and the markets for communications and measuring instruments through the strategic launch of competitive new products. In the market segment for semiconductor testers, the Company is expanding operations with a product strategy geared to the needs of the customer, by strengthening the capability to develop products efficiently, and narrowing down the development themes. Acting from the customer's point of view, we will strengthen our ability to propose solutions for the entire semiconductor test process, from semiconductor design to service, while at the same time working to strengthen our international business structure.

In the communications and measuring instrument business, the Company will focus development resources on important areas such as the mechatronics and energy markets, which are growing rapidly due to the computerization of automobiles and other factors, the electronics and semiconductor markets, which are expanding due to the increasing use of information appliances, and the communications and networking markets, which are growing as the result of the full implementation of next-generation optical communication networks. The Company will accelerate product development based on leading edge measurement and semiconductor technology, aiming for the expansion of its operations.

New and Other Businesses

In the photonics business, the Company will work aggressively toward the expansion of sales in the core optical communications market by commercializing the next generation of optical communications modules and optical communications subsystems, and toward the expansion of sales in the optical packet network business, which is expected to see a rapid increase in demand with the use of next-generation computers. In the advanced stage business, we will focus investment on the development of core technologies—precision positioning technology, high-function and high-performance controller technology, and algorithm technology that judges the quality of the image—and maintain the world's top level of technology, in order to increase our share of the liquid crystal display panel manufacturing and semiconductor manufacturing markets. Moreover, the Company will invest resources in life science fields in which leading edge measuring technology is applied, to open new markets and launch new businesses. In the aviation business, in addition to government-oriented business, we will aim for the expansion of business by actively promoting private sector applications.

(4) Challenges for the Company

The Company will further enhance its ability to propose solutions that will enhance our customers' management efficiency. We will globally establish a business model that will be highly evaluated by discovering the challenges faced by the customer, providing solutions to those challenges, and creating added value for the customer. By doing this, we will improve our profitability as a true service company, become a high-value-added and high-profit company, and achieve our business goals for FY2010.

4 Consolidated Financial Statements and Other Information

(1) Consolidated Balance Sheets

Millions of yen

Item	Year ended March 31, 2006		Year ended March 31, 2007		Change
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	
ASSETS	417,805	100.0	438,683	100.0	20,878
I Current Assets	239,881	57.4	243,158	55.4	3,277
1. Cash and time deposits	42,194		38,819		
2. Notes and accounts receivable	129,001		134,480		
3. Marketable securities	287		252		
4. Inventories	44,962		50,133		
5. Deferred tax assets – current	11,420		10,685		
6. Other	13,457		10,852		
Allowance for doubtful accounts	(1,443)		(2,065)		
II Fixed Assets	177,924	42.6	195,525	44.6	17,600
1. Tangible fixed assets	89,743	21.5	109,131	24.9	19,388
(1) Buildings and structures	44,593		54,511		
(2) Machinery and transportation equipment	10,185		19,822		
(3) Tools, furniture and fixtures	11,716		11,532		
(4) Land	19,572		20,451		
(5) Construction in progress	3,675		2,812		
2. Intangible fixed assets	12,089	2.9	14,275	3.3	2,185
(1) Other	12,089		14,275		
3. Investments and other assets	76,091	18.2	72,118	16.4	(3,973)
(1) Investments in securities	54,706		50,560		
(2) Long-term loans	153		157		
(3) Deferred tax assets	13,087		9,555		
(4) Other	8,902		12,487		
Allowance for doubtful accounts	(758)		(642)		
Total Assets	417,805	100.0	438,683	100.0	20,878

Millions of yen

Item	Year ended March 31, 2006		Year ended March 31, 2007		Change
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Change
LIABILITIES AND SHAREHOLDERS' EQUITY	188,279	45.1	199,781	45.5	11,501
I Current Liabilities	114,699	27.5	154,188	35.1	39,488
1. Notes and accounts payable	40,587		41,344		
2. Short-term bank loans	12,150		18,356		
3. Bonds (to be redeemed within one year)	--		20,000		
4. Income taxes payable	3,322		3,424		
5. Bonus allowances	13,162		14,852		
6. Other	45,476		56,210		
II Fixed Liabilities	73,580	17.6	45,593	10.4	(27,987)
1. Bonds	20,000		--		
2. Long-term bank loans	24,176		21,273		
3. Deferred tax liabilities	325		440		
4. Reserve for retirement payments	7,314		6,223		
5. Reserve for retirement payments of officers	305		327		
6. Long-term accounts payable	20,166		16,137		
7. Other	1,292		1,189		
(Minority interests in consolidated subsidiaries)	4,959	1.2	--	--	--
(Shareholders' equity)	224,566	53.7	--	--	--
I Common Stock	43,401	10.4	--	--	--
II Capital Surplus	50,348	12.0	--	--	--
III Retained Earnings	123,310	29.5	--	--	--
IV Net Unrealized Gains on Other Securities	14,863	3.6	--	--	--
V Foreign Currency Translation Adjustments	(2,978)	(0.7)	--	--	--
VI Treasury Stock	(4,378)	(1.1)	--	--	--
Total liabilities and minority shareholders' interests and equity	417,805	100.0	--	--	--
(Net Assets)	--	--	238,902	54.5	--
I Shareholders' Equity	--	--	221,970	50.6	--
1. Capital	--	--	43,401	9.9	--
2. Capital surplus	--	--	50,355	11.5	--
3. Earned surplus	--	--	132,603	30.2	--
4. Treasury stock	--	--	(4,389)	(1.0)	--
II Unrealized Gains from Appraisal/Adjustment, etc.	--	--	12,281	2.8	--
1. Net unrealized gains on other securities	--	--	11,926	2.7	--
2. Gain on deferred hedging	--	--	6	0.0	--
3. Foreign currency translation adjustments	--	--	348	0.1	--
III Minority interests	--	--	4,650	1.1	--
Liabilities, Net Assets Total	--	--	438,683	100.0	--

(2) Consolidated Statements of Income

Millions of yen

Item	Year ended March 31, 2006		Year ended March 31, 2007		Change
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Change
I Net Sales	388,877	100.0	433,405	100.0	44,527
II Cost of Sales	245,917	63.2	275,948	63.7	30,031
Gross profit	142,959	36.8	157,456	36.3	14,496
III Selling, General and Administrative Expenses	117,639	30.3	128,181	29.5	10,542
Operating income	25,320	6.5	29,274	6.8	3,953
IV Non--operating Income	6,446	1.7	7,592	1.7	1,146
1. Interest income	403		565		
2. Dividend income	1,358		5,010		
3. Profit from investments according to the equity method	1,655		877		
4. Foreign exchange gain	1,643		--		
5. Other	1,385		1,139		
V Non--operating Expenses	5,364	1.4	7,251	1.7	1,886
1. Interest expenses	768		1,097		
2. Loss on disposal of inventories	812		1,263		
3. Loss on write--down of inventories	1,278		1,813		
4. Foreign exchange loss	--		830		
5. Other	2,505		2,245		
Ordinary income	26,402	6.8	29,616	6.8	3,213
VI Extraordinary Income	14,407	3.7	540	0.1	(13,866)
1. Gain on sale of fixed assets	203		54		
2. Gain on sale of marketable securities	13,528		58		
3. Impairment loss on prior period adjustment	--		201		
4. Other	674		226		
VII Extraordinary Losses	7,919	2.0	5,035	1.1	(2,883)
1. Loss on sale of fixed assets	10		223		
2. Loss on disposal of fixed assets	979		890		
3. Loss on impaired assets	3,025		775		
4. Loss on write--down of investments in marketable securities	105		1,607		
5. Loss on restructuring	1,786		794		
6. Loss due to changes to the retirement benefits system	293		--		
7. Other	1,717		743		
Net income before tax and other adjustments	32,889	8.5	25,120	5.8	(7,768)
Corporate, resident and enterprise tax	4,350	1.1	5,152	1.2	801
Income tax refund	35	0.0	227	0.1	191
Adjustment of corporate tax, etc.	6,545	1.7	6,928	1.6	382
Minority shareholders' income (deduction)	469	0.1	703	0.2	234
Net Income	21,559	5.5	12,563	2.9	(8,996)

(3) Consolidated Retained Earnings, Shareholders' Equity, and Other Statements on Fluctuating Items
 Statements of Consolidated Retained Earnings

Millions of yen

	Year ended March 31, 2006
Item	Amount
CAPITAL SURPLUS	
I Capital Surplus at Beginning of Period	35,463
II Increase in Consolidated Balance	14,885
1. Issue of new shares through execution of new share subscription rights	11,094
2. Gain on sale of treasury stock	3,790
III Capital Surplus at End of Period	50,348
RETAINED EARNINGS	
I Retained Earnings at Beginning of Period	106,663
II Increase in Retained Earnings	21,571
1. Net income	21,559
2. Other increases	12
III Decrease in Retained Earnings	4,925
1. Dividends	3,344
2. Bonuses to directors and corporate auditors	44
3. Amount of obligation for retirement payments for non-Japan subsidiaries	1,486
4. Other decreases	49
IV Retained Earnings at End of Period	123,310

Consolidated Statements of Changes in Shareholders' Equity
Year ended March 31, 2007

Millions of yen

	Shareholders' Equity				
	Capital	Capital Surplus	Retained Earnings	Treasury Stock	Shareholders' Equity Total
March 31, 2006 balance	43,401	50,348	123,310	(4,378)	212,681
Fluctuations during consolidated accounting period					
Dividend on retained earnings (Note)			(1,314)		(1,314)
Dividend on retained earnings			(1,971)		(1,971)
Executive bonuses (Note)			(20)		(20)
Net Income			12,563		12,563
Acquisition of treasury stock				(24)	(24)
Disposal of treasury stock		7		13	20
Other			35		35
Net fluctuations during consolidated accounting period for items other than shareholders' equity					
Consolidated accounting period fluctuation total	--	7	9,292	(10)	9,288
March 31, 2007 balance	43,401	50,355	132,603	(4,389)	221,970

	Unrealized Gains from Appraisal/Adjustment, etc.				Minority interests	Net assets total
	Net unrealized gains on other securities	Gain on deferred hedge	Foreign currency translation adjustment	Unrealized gains from appraisal/adjustment, etc., total		
March 31, 2006 balance	14,863	--	(2,978)	11,885	4,959	229,525
Fluctuations during consolidated accounting period						
Dividend on retained earnings (Note)						(1,314)
Dividend on retained earnings						(1,971)
Executive bonuses						(20)
Net Income						12,563
Acquisition of treasury stock						(24)
Disposal of treasury stock						20
Other						35
Net fluctuations during consolidated accounting period for items other than shareholders' equity	(2,936)	6	3,327	396	(309)	87
Consolidated accounting period fluctuation total	(2,936)	6	3,327	396	(309)	9,376
March 31, 2007 balance	11,926	6	348	12,281	4,650	238,902

(Note) Profit appropriation items at the June 2006 annual general meeting of shareholders

(4) Consolidated Cash Flow Statements

Millions of yen

	Year ended March 31, 2006	Year ended March 31, 2007	Change
Item	Amount	Amount	Change
I Cash Flows from Operating Activities			
Net income before tax and other adjustments	32,889	25,120	
Depreciation and amortization	15,124	16,483	
Amortization of consolidated goodwill	--	70	
Changes in allowance for doubtful accounts	(607)	389	
Increase in allowance for bonuses	1,930	1,563	
Changes in reserve for retirement benefits	1,087	(1,393)	
Interest and dividend income	(1,762)	(5,575)	
Interest expenses	768	1,097	
Loss on write-down of marketable securities	79	1,607	
Gain on equity method	(1,655)	(877)	
Fluctuation loss on equity	2	2	
Gain on sale of investments in securities	(13,528)	(55)	
Loss on disposal of fixed assets, etc.	979	890	
Loss on impaired assets	3,025	775	
Changes in trade receivables	(11,309)	689	
Changes in inventories	7,899	(4,175)	
Changes in trade payables	(5,899)	965	
Decreases in accrued liabilities due to change in retirement benefit plan	(3,881)	(4,188)	
Other	1,878	7,465	
Subtotal	27,023	40,856	13,833
Interest and dividend income received	3,858	5,645	
Interest expenses paid	(751)	(1,076)	
Income taxes paid or refunded	(4,493)	(4,964)	
Cash flows from operating activities	25,636	40,461	14,825

Millions of yen

	Year ended March 31, 2006	Year ended March 31, 2007	Change
Item	Amount	Amount	Change
II Cash Flows from Investment Activities			
Payments for deposit in time deposits	(840)	(1,796)	
Proceeds from return on time deposits	924	1,811	
Acquisition of tangible fixed assets	(21,994)	(28,791)	
Proceeds from sale of tangible fixed assets	912	2,837	
Acquisition of intangible fixed assets	(3,789)	(6,127)	
Acquisition of investments in marketable securities	(3,600)	(2,588)	
Proceeds from sale of marketable securities	15,817	106	
Other	844	(4,489)	
Cash flows provided by investment activities	(11,724)	(39,038)	(27,313)
III Cash Flows from Financing Activities			
Net reduction in short-term bank borrowings	(7,128)	(4,812)	
Net reduction in balance of commercial paper	(3,000)	(5,000)	
Proceeds from borrowing of long-term debt	200	8,097	
Repayment of long-term debt	(248)	(542)	
Payment for redemption of corporate bonds	(240)	--	
Payment for purchase of treasury stock	(28)	(24)	
Cash dividends paid	(3,340)	(3,289)	
Cash dividends paid to minority shareholders	(393)	(545)	
Other	88	20	
Cash flows from financing activities	(14,091)	(6,096)	7,994
IV Effect of Exchange Rate Change on Cash and Cash Equivalents	1,645	1,220	(425)
V Change in Cash and Cash Equivalents	1,465	(3,452)	(4,918)
VI Cash and Cash Equivalents at Beginning of Period	40,091	41,565	1,474
VII Increase in Cash and Cash Equivalents Due to Changes in Scope of Consolidated Subsidiaries	8	66	57
VIII Cash and Cash Equivalents at End of Period	41,565	38,178	(3,386)

Important items used as the basis for creation of consolidated financial statements

1. Items related to the range of consolidation

(1) Consolidated subsidiaries: 78 companies

(Names of major companies)

The names of major consolidated subsidiaries are listed under Status of the Yokogawa Group, and are therefore omitted here.

Increases due to change of status to consolidated subsidiary: 3 companies

Yokogawa Canada, Inc., Yokogawa Engineering Middle East FZE, Yokogawa Engineering Bahrain SPC

Increases due to change of status to consolidated subsidiary accounted for by the equity method: 1 company

Omega Simulation Co., Ltd.

Decreases due to liquidation of the company: 6 companies

Yokogawa Taiwan Corporation, Ando Electric Engineering Service Co., Ltd., Ando Electric Co., Ltd.,

Myanmar Yokogawa Electric Ltd., Smart ID Tec, Yokogawa Trading USA, Inc.

(2) Non-consolidated subsidiaries

(Names of major companies)

Morioka Tokki Corporation, Yokogawa Foundry Corporation

These companies do not significantly influence the consolidated financial statements, and have therefore been excluded from the range of consolidation.

2. Items related to application of the equity method

(1) Non-consolidated subsidiaries: 3 companies

(Names of major companies)

Morioka Tokki Corporation, Yokogawa Foundry Corporation

Decreases due to change to a consolidated subsidiary accompanied by acquisition of stock: 1 company

Omega Simulation Co., Ltd.

Decreases due to mergers: 1 company

Yokogawa AIM

(2) Affiliated companies: 8 companies

(Names of major companies)

Yokogawa Rental & Lease Corporation, Yokogawa Toa Kogyo, Ltd.

Decreases due to liquidation of the company: 1 company

Beijing Metallurgy Yokogawa Automation Engineering Co., Ltd.

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

(Names of major companies)

Yokogawa Shikaden Co., Ltd., Yokogawa Q&A Corporation

These companies do not significantly influence the consolidated financial statements, and have therefore been excluded from the range of application of the equity method.

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

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

Starting with the consolidated accounting period under review, financial statements based on the provisional settlement of accounts implemented on the consolidated closing date are used for Yokogawa Electric China Co., Ltd., and 10 other non-Japan subsidiaries, and the closing date for Yokogawa USA,

Inc., and 47 other non-Japan subsidiaries is the consolidated closing date.

With this change, 13 consolidated subsidiaries have a 15-month accounting period (January 1, 2006 to March 31, 2007), and 46 consolidated subsidiaries have a 13-month accounting period (March 1, 2006 to March 31, 2007).

The effect of these changes on the accounting period in the consolidated statement of profits and losses is explained in “Changes to Important Items that Serve as the Foundation for the Creation of Consolidated Financial Statements.”

4. Items related to accounting standards

(1) Evaluation standards and methods for important assets

(1) Negotiable securities

Securities held to maturity

According to the amortized cost method (straight-line method)

Other negotiable securities

With market value: According to the market value method based on the market value, etc., on the closing date

(Valuation differences are all directly charged or credited to net assets, and costs of items sold are, as a rule, computed using the average method.)

Without market value: As a rule, according to the cost method using the average method

(2) Derivatives

According to the market value method

(3) Inventories

Products and material in progress are carried according to the specific cost method, and other items are carried according to the cost method using the average method.

(2) Depreciation method of significant depreciable assets

(1) Tangible fixed assets

As a rule, according to the declining balance method. However, buildings (other than building auxiliary facilities) of the Company and of consolidated subsidiaries in Japan acquired on or after April 1, 1998 are depreciated by the straight-line method. Moreover, as a rule, the range of useful life is as follows.

Buildings and structures: 3-50 years

Machinery, equipment, and transportation tools: 4-10 years

(2) Intangible fixed assets

According to the straight-line method. However, software for internal use is amortized by the straight-line method over the available period (usually five years).

(3) Accounting for significant allowances and reserves

(1) Allowances for doubtful accounts

To prepare for loss from bad debt for accounts receivable and other equivalent claimable assets, as a rule, for general accounts, the expected uncollectible amount is appropriated using a rate determined by past bad debts experience, and specific allowances are provided for the estimated amounts considered to be uncollectible after reviewing individual collectibility of certain doubtful accounts.

(2) Allowances for bonuses

To provide for payment of bonuses to employees, as a rule, accrued bonuses are appropriated based on the amount that is expected to be paid.

(3) Allowances for retirement benefits

At major consolidated subsidiaries, to provide for the employees' retirement benefits, allowances for retirement benefits are appropriated based on the projected retirement benefit obligations and related pension assets as of the end of the current consolidated accounting period.

Prior service obligations are divided proportionally based on a fixed number of years (usually 10 years) within the average remaining service years of the employees when incurred.

Actuarial differences are divided proportionally from the following consolidated accounting period based on a fixed number of years (usually 10 years) within the average remaining service years of the employees when incurred in each consolidated accounting period.

(4) Reserves for retirement bonuses for officers

At major consolidated subsidiaries, the amount that must be paid at the end of the period, based on internal regulations, is appropriated to prepare for payment of retirement bonuses to officers.

- (4) Standards for conversion of significant assets or liabilities in foreign currency to Japanese currency
 Debts and credits in foreign currency are converted to yen according to the spot exchange rate on the consolidated closing date, and the converted amount is processed as profit and loss.
 However, assets and liabilities of non-Japan subsidiaries, etc., are converted to yen according to the spot exchange rate on the consolidated closing date, income and expenditures are converted to yen according to the average rate during the period, and the converted amount is included in the foreign currency translation adjustments line and the minority interests line in the net assets section.
- (5) Method of processing important lease transactions
 As a rule, finance lease transactions other than those for which ownership of the leased item is recognized as being transferred to the lessee are accounted for pursuant to a method related to normal loan transactions.
- (6) Important hedge accounting method
- (1) Hedge accounting method
 As a rule, according to deferred hedge processing. However, in the case of exchange reservation and currency swap, if the requirements of appropriation processing have been met, appropriation processing is used, and in the case of interest swap, if the requirements of special exception processing have been met, special exception processing is used.
- (2) Hedge measures and object of hedges
 As a rule, to hedge the risk of exchange fluctuations in foreign currency loans and planned transactions, exchange reservation and currency swap is used, and to hedge the risk of interest fluctuations of debts payable, etc., interest swap is used.
- (3) Hedge policy
 As a rule, derivative transactions are used to avoid the risk chiefly of exchange fluctuations and interest fluctuations.
- (4) Method of evaluating hedge validity
 During the period from the time hedging is started to the time at which the validity is assessed, the sum total of the market fluctuation or cash flow fluctuation that are the objects of the hedge and the sum total of the market fluctuation or cash flow fluctuation of the hedge measures are compared, and judgement is made based on the fluctuation amount of both.
- (7) Important items that are the foundation of creation of other consolidated financial statements
- (1) Accounting of consumption tax, etc.
 According to the before-tax method
- (2) Accounting standards for overseas consolidated subsidiaries
 At non-Japan consolidated subsidiaries, processing is conducted according to the accounting principles of the applicable country.

5. Items related to evaluation of the assets and liabilities of consolidated subsidiaries

The overall market value method is used for evaluation of the assets and liabilities of consolidated subsidiaries.

6. Items related to goodwill and negative goodwill depreciation

Goodwill depreciates over the period of 20 years or less when it is in effect, and negative goodwill depreciates over the appropriate period of 20 years or less based on the actual conditions of acquisition. Both are depreciated systematically using the straight-line method.

However, if the amount is not important, the amount is depreciated at the time it is generated.

7. Scope of funding in consolidated statements of cash flows

Funding in consolidated statements of cash flows includes cash on hand, deposits that can be withdrawn as needed, and short-term investments that can be converted to cash easily, have little risk of fluctuation in value, and will mature within three months from the date of acquisition.

Changes to important items that serve as the foundation for the creation of consolidated financial statements

(Accounting standards related to display in the net assets section of the balance sheet)

Beginning with the consolidated accounting period under review, “Accounting Standards Related to Display in the Net Assets Section of the Balance Sheet” (Corporate Accounting Standards No. 5, December 9, 2005) and “Guidelines for Application of Accounting Standards, etc., Related to Display in the Net Assets Section of the Balance Sheet” (Corporate Accounting Standards Application Guidelines No. 8, December 9, 2005) are being applied.

The amount equivalent to the total of the shareholders’ equity under the previous standard is 234.245 billion yen.

However, the net assets section of the consolidated balance sheet for the current consolidated accounting period has been created according to the revised consolidated financial statements regulations.

(Application of accounting standards related to officer bonuses)

Beginning with the consolidated accounting period under review, “Accounting Standards Related to Officer Bonuses” (Corporate Accounting Standards Committee, November 29, 2005, Corporate Accounting Standards, No. 4) is being applied. The amounts are affected to only a minor degree.

(Unification of the accounting periods of non-Japan consolidated subsidiaries)

In the past, for consolidated subsidiaries that had different closing dates, financial statements as of the applicable closing date have been used, and adjustments required by consolidation have been conducted for important transactions that were conducted during the time from the applicable closing date to the consolidated closing date.

To conduct more appropriate administration of consolidated operations, beginning with the consolidated accounting period under review, financial statements based on the provisional settlement of accounts implemented as of the consolidated closing date are being used for Yokogawa Electric China Co., Ltd., and 10 other non-Japan subsidiaries, and the closing date for Yokogawa USA, Inc., and 47 other non-Japan subsidiaries, has been changed to the consolidated closing date.

Through these changes, 13 consolidated subsidiaries have a 15-month accounting period (January 1, 2006 to March 31, 2007), and 46 consolidated subsidiaries have a 13-month accounting period (March 1, 2006 to March 31, 2007).

Due to these changes to the accounting period, compared to the usual standard, the consolidated statement of income shows a 22.088 billion yen increase in net sales, a 1.368 billion yen increase in operating income, a 1.249 billion yen increase in ordinary income, a 1.275 billion yen increase in net income before taxes and other adjustments, and a 985 million yen increase in current net income.

Changes to the method of display

(Consolidated income statements)

Considering the importance of the “Loss due to change in retirement benefit plan” item, this is no longer displayed separately. Starting with the consolidated accounting period under review, this is included in the “Other” line of the extraordinary losses section.

The “Loss due to change in retirement benefit plan” included in the “Other” line of the extraordinary losses section for the consolidated accounting period under review is 66 million yen.

Notes

(Consolidated balance sheets)

	Year ended March 31, 2006	Millions of yen Year ended March 31, 2007
1. Accumulated depreciation of tangible fixed assets	124,651	132,090
2. Guarantee liabilities		
Debt guarantees	204	184
Guaranteed reservations	659	432
Other (Note)	2,832	2,329
(Note) When the customer defaults on a lease obligation, the Company requires a guarantee for that obligation. The highest payment amount as of the last day of the period is listed.		
3. Pledged assets and secured liabilities		
(1) Pledged assets		
Cash and time deposits	12	12
Buildings and structures	1,131	1,103
Land	90	90
Investments in securities	2	2
Business assets of non-Japan subsidiaries	3,878	4,282
Total	5,115	5,490
(2) Secured liabilities		
Notes and accounts payable	21	21
Short-term bank loans	557	202
Long-term bank loans	525	323
Total	1,105	546

4. Notes maturing on the final day of the consolidated accounting period

Accounting for notes maturing on the final day of the consolidated accounting period is conducted with settlement processing using the note's clearing date.

However, because the final day of the consolidated accounting period under review was a financial institution holiday, the following notes that matured on the final day of the consolidated accounting period are included in the balance for the end of the consolidated accounting period.

	Year ended March 31, 2006	Millions of yen Year ended March 31, 2007
Notes receivable	--	194
Notes payable	--	379

(Consolidated income statements)

	Year ended March 31, 2006	Millions of yen Year ended March 31, 2007
1. Important expense items and amounts for selling, general, and administrative expenses		
Payroll	42,967	48,803
Provision for accrued bonuses	5,302	5,595
2. Breakdown of gain on sale of fixed assets		
Machinery and transportation equipment	22	28
Tools, furniture and fixtures	9	15
Land	72	6
Buildings and structures	30	2
Intangible fixed assets (other)	68	1
3. Breakdown of loss on sale of fixed assets		
Land	--	201
Machinery and transportation equipment	5	10
Intangible fixed assets (other)	0	5

Buildings and structures	1	3
Tools, furniture and fixtures	3	2
4. Breakdown of loss on retirement of fixed assets		
Intangible fixed assets (other)	128	274
Buildings and structures	472	244
Tools, furniture and fixtures	276	198
Machinery and transportation equipment	103	163
5. Development costs included in general administrative expenses and current manufacturing costs	30,917	36,223
6. Loss on impaired assets		

In the consolidated accounting period under review, the following asset groups were accounted as impairment losses.

Use	Type	Location
Business assets	Machinery, equipment, etc.	Okegawa City, Saitama Prefecture, and one other location
Assets for sale	Buildings, etc.	Hamamatsu City, Shizuoka Prefecture
Idle assets	Buildings, etc.	Inchon City, South Korea, and one other location

(Background of recognition of impairment loss)

For business assets, in conjunction with the restructuring of consolidated Japan subsidiaries, and for idle assets and assets for sale, the recoverable amount was impaired as well, and impairment loss of 775 million yen was accounted as extraordinary loss.

(Impairment loss amount – millions of yen)

Type	Amount
Buildings	339
Machinery, equipment, etc.	401
Other	34
Total	775

(Grouping method)

Business assets were grouped in the minimum units that would generate independent cash flow, and as a foundation for the business divisions, etc., that used them for accounting. Idle assets and assets for sale were grouped in individual units.

(Method, etc., of calculating recoverable amounts)

Recoverable amounts are measured according to the net sales amount. The net sales amount is set at zero, because the possibility of sale of business assets of consolidated Japan subsidiaries cannot be foreseen, and assets for sale have been evaluated according to the sales price.

However, accounting for non-Japan subsidiaries has been conducted based on the accounting standards of the applicable country.

(Consolidated statements of changes in shareholders' equity)

Year ending March 31, 2007

1. Items related to the type of issued stock and total number, as well as type of treasury stock and number of shares

	Shares at End of Year (1000 shares)	Increase in Shares During Year (1000 shares)	Decrease in Shares During Year (1000 shares)	Shares at End of Year (1000 shares)
Issued stock				
Common stock	268,624	--	--	268,624
Total	268,624	--	--	268,624
Treasury Stock				
Common stock (Note) 1, 2	5,739	13	15	5,737
Total	5,739	13	15	5,737

(Notes)1 The increase in treasury stock by 13,000 shares was due to the purchase of fractional shares of common stock.

2 The decrease in treasury stock by 15,000 shares was due to the sale of 13,000 shares of treasury stock (shares in the Company) by equity method applicable companies and restored to the Company, and the sale of 2,000 fractional shares.

2. Items related to dividends

(1) Dividend payment amount

(Resolution)	Type of stock	Total dividend (¥mil)	Dividend per share (yen)	Reference date	Effective date
June 23, 2006 General meeting of shareholders	Common stock	1,314	5.00	March 31, 2006	June 26, 2006
October 31, 2006 Board of directors	Common stock	1,971	7.50	September 30, 2006	January 12, 2006

- (2) Dividends for which the reference date is the period under review, and for which the effective date of the dividend is in the following period
The resolution is planned as follows.

(Resolution)	Type of stock	Total dividend (¥mil)	Dividend source	Dividend per share (yen)	Reference date	Effective date
June 27, 2007 General meeting of shareholders	Common stock	1,971	Retained earnings	7.50	March 31, 2007	June 28, 2007

(Consolidated statement of cash flows)

Millions of yen

1. The relationship between the end-of-period balance of cash and cash equivalents and the amount indicated in the items in the consolidated balance sheet

	Year ended March 31, 2006	Year ended March 31, 2007
Cash and time deposit adjustments	42,194	38,819
Time deposits with deposit terms that exceed 3 months	(628)	(640)
Cash and cash equivalents	41,565	38,178

Millions of yen

2. Breakdown of important nonfund transactions

	Year ended March 31, 2006	Year ended March 31, 2007
Increase of capital funds through execution of new share subscription rights	11,094	--
Increase of capital surplus through execution of new share subscription rights	14,858	--
Decrease of treasury stock through execution of new share subscription rights	3,806	--
Decrease of corporate bonds with new share subscription rights through execution of new share subscription rights	29,760	--

(Segment information)

- a. Segment information by business type

Years ended March 31, 2006 and March 31, 2007

Business segment information has been omitted because the measurement, control, and information systems business accounts for over 90% of the net sales, operating income, and assets generated by all segments.

- (Note) 1. Method of categorizing business

Businesses have been grouped according to similarities in product line and market, as well as the asset basis according to corporate structure.

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

Business Category	Major Products
Measurement, control, and information systems business	Distributed control systems, programmable controllers, recorders, flow meters, differential pressure/pressure transmitters, analytical instruments, XY stages, medical information systems, semiconductor test systems, digital oscilloscopes, arbitrary waveform generators, waveform measuring instruments, power/temperature/pressure/light measurement devices, optical communication devices, confocal scanners, magnetoencephalographs, aircraft engine gauge control devices, aircraft navigation control devices, aircraft flat panel displays, marine equipment, hydrographic survey devices, meteorological/hydrological measurement devices, etc.
<Other businesses>	Businesses related to real estate, temporary staffing, etc.

b. Segment information by geographical location
Year ended March 31, 2006

	Japan	Asia	Europe	North America	Other	Total	Millions of yen Eliminated or entire company	Consolidated
I Net sales and operating income								
Net Sales								
(1) Net sales to unaffiliated customers	260,403	53,127	34,654	19,887	20,804	388,877	--	388,877
(2) Net intersegment sales	45,224	24,649	3,753	2,177	672	76,476	(76,476)	--
Total	305,628	77,776	38,407	22,064	21,477	465,354	(76,476)	388,877
Operating expenses	291,199	72,397	35,360	21,291	20,417	440,666	(77,109)	363,556
Operating income	14,428	5,379	3,046	773	1,059	24,687	633	25,320
II Assets	284,468	56,993	22,101	9,719	10,748	384,031	33,773	417,805

- (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, United Kingdom, Germany, etc.
(3) North America United States
(4) Other Brazil, Australia, etc.
3. Of the assets for the consolidated accounting period under review, the amount of total company assets that were eliminated or included in the items for the entire company came to 88.759 billion yen. This chiefly consists of surplus funds (cash, deposits, and marketable securities), long-term investment assets (investments in securities), and assets in the administrative division.

Year ended March 31, 2007

	Japan	Asia	Europe	North America	Other	Total	Millions of yen Eliminated or total company	Consolidated
I Net sales and operating income								
Net Sales								
(1) Net sales to unaffiliated customers	247,893	86,145	41,970	27,474	29,921	433,405	—	433,405
(2) Net intersegment sales	54,845	29,494	4,938	1,386	934	91,600	(91,600)	—

Total	302,739	115,640	46,908	28,860	30,855	525,005	(91,600)	433,405
Operating expenses	286,936	107,525	43,423	28,377	28,662	494,924	(90,794)	404,130
Operating income	15,803	8,115	3,484	483	2,193	30,080	(805)	29,274
II Assets	281,614	70,841	24,333	12,113	14,402	403,304	35,379	438,683

- (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, United Kingdom, Germany, etc.
(3) North America United States, Canada
(4) Other Brazil, Australia, etc.
3. Of the assets for the consolidated accounting period under review, the amount of total company assets that were eliminated or included in the items for the entire company came to 89.783 billion yen. This chiefly consists of surplus funds (cash, deposits, and marketable securities), long-term investment assets (investments in securities), and assets in the administrative division.

C. Non-Japan net sales

Overseas net sales for the two most recent consolidated accounting periods are as follows.

Year ended March 31, 2006		Millions of yen			
	Asia	Europe	North America	Other	Total
I Non-Japan net sales	95,705	34,339	21,376	30,460	181,882
II Consolidated net sales					388,877
III Percentage of consolidated net sales	24.6%	8.8%	5.5%	7.9%	46.8%

Year ended March 31, 2007		Millions of yen			
	Asia	Europe	North America	Other	Total
I Non-Japan net sales	108,741	48,472	28,292	43,360	228,867
II Consolidated net sales					433,405
III Percentage of consolidated net sales	25.1%	11.2%	6.5%	10.0%	52.8%

- (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 Holland, France, England, Germany, etc.
(3) North America United States, Canada
(4) Other Brazil, Australia, etc.
3. Non-Japan net sales are net sales for the Company and consolidated subsidiaries in countries or regions outside Japan.

(Tax effect)

1. Breakdown according to reason for deferral of tax assets and tax liabilities

	Year ended March 31, 2006	Millions of yen Year ended March 31, 2007
Deferred tax assets		
Denial of accounts payable due to changes in the retirement benefit system	8,694	6,964
Amount exceeding the deductible amount for bonus payment allowances	4,762	5,230
Denial of inventory appraisal loss	3,003	2,645
Denial of valuation loss on investments in securities, etc.	727	1,222
Amount exceeding the deductible amount for retirement benefit allowances	1,654	1,983

Denial of devaluation loss on subsidiary stock and amount exceeding the deductible amount for loss on allowances for bad debt	15,390	13,309
Loss carried forward	20,770	23,161
Other	5,198	5,615
Deferred tax assets subtotal	60,201	60,132
Allowance account	(21,772)	(26,110)
Deferred tax assets total	38,429	34,022
Deferred tax liabilities		
Net unrealized gains on other securities	(10,228)	(7,645)
Retained earnings of non-Japan subsidiaries	(1,810)	(3,762)
Fixed asset depreciation reserve	(1,548)	(1,490)
Other	(833)	(1,324)
Deferred tax liabilities total	(14,421)	(14,223)
Net deferred tax assets	24,007	19,799

(Note) Net deferred tax assets are included in the following items in the consolidated balance sheet.

Current assets--Deferred tax assets	11,420	10,685
Fixed assets--Deferred tax assets	13,087	9,555
Current liabilities--Other	(174)	(1)
Fixed liabilities--Deferred tax liabilities	(325)	(440)

2. Breakdown according to reason for difference between the legal effective tax rate and the tax burden rate for income tax, etc., after application of tax effect accounting

	Year ended March 31, 2006	Year ended March 31, 2007
Legal effective tax rate (Adjusted)	40.7%	40.7%
Entertainment expenses and other items permanently excluded from loss	11.6%	5.8%
Appropriation of profit from equity method investment, etc.	(2.1%)	(1.4%)
Changes to allowance account for deferred tax assets	3.4%	8.3%
Denial of devaluation loss on subsidiary stock and amount exceeding the deductible amount for loss on allowances for bad debt	(15.9%)	(1.2%)
Effects of tax rates applied to subsidiaries, etc.	(4.5%)	(4.4%)
Other	(0.2%)	(0.6%)
Tax burden rate for income tax, etc., after application of tax effect accounting	33.0%	47.2%

(Negotiable securities)

Year ended March 31, 2006

1. Bonds held to maturity that have market value

Millions of yen

	Type	Consolidated balance sheet amount	Market value	Difference
Market value exceeds the consolidated balance sheet amount	Government bonds • municipal bonds, etc.	--	--	--
Market value does not exceed the consolidated balance sheet amount	Government bonds • municipal bonds, etc.	1,299	1,283	(16)
Total		1,299	1,283	(16)

2. Other negotiable securities that have market value

Millions of yen

	Type	Acquisition cost	Consolidated balance sheet amount	Difference
Consolidated balance sheet amount exceeds acquisition cost	(1) Stocks	9,159	34,238	25,078
	(2) Other	44	168	124
	Subtotal	9,203	34,406	25,203
Consolidated balance sheet amount does not exceed acquisition cost	(1) Stocks	144	140	(3)
	(2) Other	21	17	(4)
	Subtotal	165	157	(7)
Total		9,368	34,563	25,195

3. Other negotiable securities sold during the year ended March 31, 2007

Millions of yen

Sale amount	Total profit on sale	Total loss on sale
3,518	2,806	0

4. Breakdown of major negotiable securities not measured at market value

Millions of yen

	Consolidated balance sheet amount
Other negotiable securities	
Unlisted stocks	15,436
Unlisted bonds	36

5. Expected redemption amount for other negotiable securities with a maturity date and bonds held to maturity

Millions of yen

	1 year or less	Over 1 year, to 5 years	Over 5 years, to 10 years	Over 10 years
Bonds				
(1) Government bonds, local bonds, etc.	250	1,057	--	--
(2) Corporate bonds	36	--	--	--
Total	287	1,057	--	--

As of March 31, 2007

1. Bonds held to maturity that have market value

Millions of yen

	Type	Consolidated balance sheet amount	Market value	Difference
Market value exceeds the consolidated balance sheet amount	Government bonds • municipal bonds, etc.	170	172	2
Market value does not exceed the consolidated balance sheet amount	Government bonds • municipal bonds, etc.	1,047	1,039	(8)
Total		1,217	1,211	(6)

2. Other negotiable securities that have market value

Millions of yen

	Type	Acquisition cost	Consolidated balance sheet amount	Difference
Consolidated balance sheet amount exceeds acquisition cost	(1) Stocks	11,431	31,081	19,650
	(2) Other	25	33	7
	Subtotal	11,457	31,114	19,657
Consolidated balance sheet amount does not exceed acquisition cost	(1) Stocks	46	46	(0)
	(2) Other	22	17	(4)
	Subtotal	68	63	(5)
Total		11,525	31,178	19,652

3. Other negotiable securities sold during the year ended March 31, 2007

Millions of yen

Sale amount	Total profit on sale	Total loss on sale
76	52	3

4. Breakdown of major negotiable securities not measured at market value

Millions of yen

	Consolidated balance sheet amount
Other negotiable securities	
Unlisted stocks	13,980
Unlisted bonds	--

5. Expected redemption amount for other negotiable securities with a maturity date and bonds held to maturity

Millions of yen

	1 year or less	Over 1 year, to 5 years	Over 5 years, to 10 years	Over 10 years
Bonds				
(1) Government bonds, municipal bonds, etc.	252	961	--	--
(2) Corporate bonds	--	--	--	--
Total	252	961	--	--

(Per-share Information)

	Year ended March 31, 2006	Year ended March 31, 2007
1. Net assets per share (yen)	854.24	891.08
2. Net income per share (yen)	87.45	47.79

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

	Year ended March 31, 2006	Year ended March 31, 2007
1. Net income per share		
Net income (millions of yen)	21,559	12,563
Net income related to common stock (millions of yen)	21,559	12,563
Average number of shares during the period	246,527,449	262,885,934

(Important post-balance sheet events)

No applicable items.

(Disclosure omission)

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

6. Other

(1) Status of production, order intake, and sales

(1) Production results

Millions of yen

Name of segment by business type	Year ended March 31, 2006		Year ended March 31, 2007		Change	
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount	Change rate (%)
Measurement, control, and information systems business	386,570	100.0	430,737	100.0	44,166	11.4
Other businesses	--	--	--	--	--	--
Total	386,570	100.0	403,737	100.0	44,166	11.4

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

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

(2) Order intake status

Millions of yen

Name of segment by business type	Year ended March 31, 2006		Year ended March 31, 2007		Change	
	Order intake	Order backlog	Order intake	Order backlog	Order intake	Order backlog
Measurement, control, and information systems business	398,212	142,078	454,007	169,718	55,795	27,640
Other businesses	2,295	--	2,542	--	246	--
Total	400,507	142,078	456,549	169,718	56,041	27,640

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

(3) Sales results

Millions of yen

Name of segment by business type	Year ended March 31, 2006		Year ended March 31, 2007		Change	
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount	Change rate (%)
Measurement, control, and information systems business	386,581	99.4	430,862	99.4	44,280	11.5
Other businesses	2,295	0.6	2,543	0.6	247	10.8
Total	388,877	100.0	433,405	100.0	44,527	11.5

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

2. No customers have a sales ratio that is 10% or more of total sales results.

3. Transactions between segments offset each other.